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The effect of buyer behaviors on preferred customer status and access to supplier technological innovation: An empirical study of supplier perceptions

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ABSTRACT

Buying firms are increasingly looking to suppliers for technological innovations that enhance the competitive position of their new products. However, extant research provides limited guidance on how buying firms may gain access to suppliers' innovative technologies. To address this gap in the literature, we draw from social exchange theory to posit sequential relationships among buyer behaviors, preferred customer status, and supplier's willingness to share technological innovations. We test our assertions by applying structural equation modeling statistical analyses to survey response data from 233 sales personnel of production good suppliers in the U.S. automotive industry. Whereas our results show that two buyer behaviors – early supplier involvement and relational reliability – positively affect preferred customer status, a third behavior – share of sales – has no effect. In turn, we find that preferred customer status is positively associated with supplier's willingness to share new technology with the buyer. Further, our findings indicate that preferred customer status fully mediates the benefits exchanged within a buyer–supplier relationship. Hence, our study highlights why buyers seeking innovations should take care that their behavior is appropriate for managing suppliers' perceptions. Accordingly, our results provide specific guidance to buyers as to how they may increase their access to suppliers' new technologies.

1. Introduction

Increasingly, firms are relying on external sources of technology to drive new product innovations (Chesbrough, 2003a). For many firms, the new product development process is evolving from a traditional, highly controlled, proprietary approach to one in which inter-organizational exchange of knowledge, resources, and capabilities drives technological innovation (Chesbrough, 2003b, 2003c; Dodgson, Gann, Salter, & Campus, 2006). Reliance on externally-driven innovation allows firms to focus on core competencies and minimize internal research and development investment, while improving innovation performance (McIvor & Humphreys, 2004; Ragatz, Handfield, & Scannell, 1997; Swink, 1999). As a result, firms are increasingly looking to leverage the innovative capabilities of their suppliers (Roberts, 2001; Slowinski, Hummel, Gupta, & Gilmont, 2009; Wagner, 2009).

Looking to suppliers for innovation makes sense, as research suggests that suppliers represent a key source of technological innovation for buying firms. As products become more complex and manufacturers outsource more components, there is an increasing tendency to use suppliers as sources for new ideas to improve products and develop technical solutions to difficult design problems (Swink & Mabert, 2000). Access to supplier innovations and technologies may enable buying firms to fill gaps in their product technology portfolio (Gianiodis, Ellis, & Secchi, 2010), improve the quality and timeliness of product designs (Primo & Amundson, 2002), reduce product costs (Cooper & Yoshikawa, 1994), and gain first-mover advantages in product markets (Hartley, Zirger, et al., 1997). Though highly beneficial (Petersen, Handfield, & Ragatz, 2005), extant research provides limited guidance on how buying firms may gain access to suppliers' innovative technologies. Best practices, such as involving a supplier early in the new product development process, do not always yield access to suppliers' new technologies (Wagner, 2012). Further, access to supplier technology may prove particularly challenging as technological innovations valued by a buying firm are likely to be similarly valued by its competitors (Schiele, 2012; Steinle & Schiele, 2008).

To address this limitation in extant literature, we develop and test a conceptual model of technological innovation-sharing that incorporates the mediating role of preferred customer status. With the buying situation as our unit of analysis, we draw from Blau's (1986) social exchange theory to conceptualize preferred customer status as a supplier's perception of a buying firm's relative attractiveness. We theorize that a buying firm's provision of inducements – accounting for a substantive share of the supplier's sales, involving the supplier in its new product

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development process, and reliably fulfilling implicit and explicit promises made to the supplier – promote the buying firm's status as a preferred customer. In turn, we suggest that norms of fair exchange motivate suppliers to reciprocate by providing benefits, such as access to new proprietary technologies, to preferred customers. Hence, using survey response data describing 233 buying situations, we examine how preferred customer status mediates the benefits exchanged within a buyer–supplier relationship.

Drawing from social exchange theory, this study contributes to the buyer–supplier relationship management literature in two important ways. First, our research builds on prior studies of preferred customer status by incorporating supplier perceptions. Whereas previous research assesses preferred customer status through buyers' perceptions of supplier interaction (e.g., Schiele, Veldman, & Huttinger, 2011), our study shows how buyers' behaviors differentially affect suppliers' views of preferred customer status. Second, in contrast to previous scholarly work that directly links buyer behaviors and supplier reciprocity (e.g., Zhang, Henke, & Griffith, 2009), our study shows that preferred customer status fully mediates this relationship. Hence, our results suggest the importance of managing a supplier's qualitative perceptions of an exchange relationship by showing that suppliers share technological innovations with preferred customers.

2. Social exchange theory

Social exchange theory concerns the social processes that obligate the recipient of an inducement to reciprocate in-kind by voluntarily providing some benefit in return. Central to this theory is the notion of social exchange – exchange that involves (i) goals that can only be accomplished through interaction with another party, (ii) adaptation to further the accomplishment of these goals, and (iii) development of social bonds which reflect the intrinsic value of qualitative aspects of the exchange relationship (Blau, 1986). Given the sequential nature of social exchange, that is, the provision of a service must precede reciprocation, social exchange involves uncertainty as there is no guarantee that the benefits provided by one party will be reciprocated by the recipient in an equivalent or greater manner (Das & Teng, 2002). Furthermore, in social exchange, specific exchange obligations are nebulous; consequently, redress is limited; feelings of obligation, gratitude, and trust guide interaction; and the exact prices of the social obligations are ambiguous (Cropanzano & Mitchell, 2005). Thus, social exchange theory is concerned with the behaviors and perceptions that motivate and guide equitable reciprocity between the involved parties under uncertain conditions (Griffith, Harvey, & Lusch, 2006).

Inherent to social exchange theory is attraction, the force that motivates the initial provision of services, subsequent reciprocation, and increased scope of social exchange. Attraction, which reflects the expectation that a particular association is more rewarding than other associations available at a given time and place, is a positive feeling that draws one party closer to another (Blau, 1986). Harris, O'Malley, and Patterson (2003) similarly conceptualize attraction as appeal that results from the benefits that can be obtained through social exchange. Accordingly, attraction is driven by self-interest; within dyadic exchange, a party is attractive only to the extent that they provide rewards important to the other party (Blau, 1986). Hence, it is incumbent upon exchange parties to be attractive to one another to gain access to benefits mediated by the other (Blau, 1986).

Social exchange theory posits several related mechanisms that affect the relative attractiveness of an exchange relationship: interaction, expected value, trust, and dependence. Interaction refers to the frequency and scope of initial exchange and reciprocation within a social exchange. Through interaction, parties demonstrate worthiness while providing insights into the expected value that may be derived through exchange. Expected value – rewards received versus direct and opportunity costs (Blau, 1986) – is a function of a partners' ability to reduce costs and enhance gains associated with exchange (Hald, Cordon, & Vollman, 2009). Trust assures authenticity in interaction and, increases the confidence that anticipated benefits will be realized through continued exchange. Through the abstention of opportunistic behavior (Dyer & Chu, 2003), trust provides the basis for the development of the social bonds that govern adequate reciprocation (Lambe, Wittman, & Spekman, 2001). Dependence reflects the “need to maintain a channel relationship in order to achieve desired goals” (Ganesan, 1994 p. 4) and motivates the development of relational ties that facilitate continued access to important resources mediated by an exchange partner (Cai & Yang, 2008).

While interaction, expected value, trust, and dependence represent mechanisms that affect attraction, social exchange theory suggests that attraction motivates the discharge of reciprocated benefits (Blau, 1986). Firms that receive valuable benefits through social exchange are obligated to reciprocate in-kind. Blau (1986) suggests that societal pressures as well as self-interest undergird the obligation to reciprocate. Societal pressures stem from norms of reciprocity and the inherent moral standard that espouse fair exchange; accordingly, the failure to appropriately reciprocate results in distrust and the potential dissolution of the exchange relationship as partners may refuse to provide benefits in the future (Blau, 1986). Further, failure to discharge obligations also has substantive network effects as reputation suffers and group sanctions are invoked (Jones, Hesterly, & Borgatti, 1997). As such, faithful reciprocation strengthens the trust and commitment inherent within the social bonds that guide social exchange and provide the basis for the enlargement of benefits derived through future interaction (Anderson & Weitz, 1992). Hence, there are substantial social and individual pressures that motivate reciprocity.

3. Model development

With a focus on the joint new product development process, we advance a three-stage causal model that posits sequential interrelationships among (i) the buying firm's behaviors – i.e., provision of inducements, (ii) the supplier's perception of the buying firm's preferred status, and (iii) supplier reciprocation. As shown in Fig. 1, our theoretical model consists of three buying firm inducements – share of supplier's sales to the buying firm, supplier's involvement in the buying firm's new product development process, and the buying firm's relational reliability. Consistent with social exchange theory (e.g., Hald et al., 2009), each buyer-provided inducement necessitates supplier interaction and affects suppliers' perceptions of the relative attractiveness of the buying firm – i.e., preferred customer status – primarily through one of three theoretical mechanisms: dependence, expected value, or trust, respectively. In turn, technology access – the supplier's willingness to invest in and share its new technology with the buyer – is the focal dependent variable of our model. Technology access represents a form of supplier reciprocation that is highly valued by the buyer and is directly influenced by the supplier's perception of the buying firm as a preferred customer. In accordance with social exchange logic, which suggests that buyer and supplier actions are linked by qualitative perceptions of the exchange relationship (Cropanzano & Mitchell, 2005), we posit that preferred customer status mediates the relationship between the buying firm's initial inducements and the supplier's subsequent reciprocation.

3.1. Preferred customer

Recent empirical research shows that suppliers differentiate among customer relationships and recognize select key accounts as preferred customers (Bew, 2007; Handfield & McKenzie, 2009; Rogers, 2009). Preferred customer reflects a supplier's perception of the attractiveness of an exchange relationship with a focal customer relative to those with other customers to whom it provides goods or services (Hald et al., 2009; Schiele, 2012). Studies of relational and reverse marketing (Biemans & Brand, 1995; Leenders & Blenkhorn, 1988) suggest that preferred customer status infers that a supplier's satisfaction with the exchange