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# Determining quality of business-to-business relationships: A study of Indian IT-enabled service providers

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## KEYWORDS

IT-enabled services;  
Global sourcing;  
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**Summary** What factors determine quality of inter-firm relationships involving cross-border sourcing of information-technology enabled services (ITES)? This paper addresses this heretofore underexamined question by drawing on the relationship-focused and global sourcing literature and employing a multi-method research technique. Analysis of qualitative and quantitative data collected from the top executives of Indian ITES industry suggest that perceptual evaluation of (i) three intangible firm assets (employee, organization, and management-related), and (ii) recent firm performance positively impact relationship quality. Based on the empirical findings we discuss implications for theory and practice and provide directions for future research.

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*If you want to go fast, go alone. If you want to go far, go together* – African proverb

## Introduction

Over decades the dynamics of business-to-business (B2B) relationships have generated a significant amount of theoretical and empirical scrutiny by scholars from multiple disciplines including marketing, management, and information

systems. This body of research suggests that collaborating business partners need to develop and maintain strong relationships in order to realize long-term, valuable outcomes (Hagedoorn, 2006; Ireland et al., 2002; Lado et al., 2008). Relationship quality (RQ) – referring to partners' overall evaluation of ongoing business relationships – has been suggested to be a critical factor in determining strength and continuity of inter-firm relationships and subsequent business success (Liu et al., 2010; Rauyruen and Miller, 2007; Woo and Ennew, 2004). In the quest of conceptualizing the inherent nature of RQ, numerous studies have been conducted utilizing a wide variety of business settings. Although diverse findings emanating from such research endeavors

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highlight RQ's importance from academic and practical standpoints, the issue relating to what factors determine RQ remains largely inconclusive and, therefore, continues to merit significant scholarly attention and executive inquiry (Athanasopoulou, 2009; Holmlund, 2008; Woo and Ennew, 2004).

Previous studies of RQ have examined contexts that are either national or international in scope. Understanding RQ in the latter is far more complex owing to geographic, cultural and temporal distance between business partners (Griffith, 2002; Leonidou et al., 2006). A particular context that has not been investigated from RQ perspective so far is that of information technology (IT) based global sourcing of services. Partners in IT-based global sourcing involve client firms (buyers or customers) from primarily developed nations that source (i.e., buy) services from expert providers (sellers or vendors) residing in relatively low cost destinations in the developing economies of the world (Bhatnagar, 2007; Kedia and Lahiri, 2007). Given that IT-based services sourcing is widely practiced by firms across the globe and its usage is estimated to grow manifold in the near future (Kotabe and Mudambi, 2009; Lacity et al., 2008), a useful way to contribute to and extend B2B relationship and RQ-based literature is to understand the nature of relationships that are created and maintained between such sourcing partners. A question that has become worthy of attention is: what factors determine quality of relationship between business partners engaged in IT-based global sourcing of services? More precisely, what are the determinants of RQ involving relationships between clients and providers engaged in IT-based global sourcing of services?

In addressing this crucial research question, the purpose of this paper is to ascertain how executives of provider firms perceive the importance of relationships that they maintain with their clients, and what factors seem to determine quality of such relationships. Providers involved in IT-based sourcing execute and deliver services to their clients based on specific contractual requirements of the latter (Kotabe and Mudambi, 2009). ITES (IT-enabled services, in short) include software development and maintenance, outsourced business functions and processes, and a wide range of back-office operations including customer services that can be transacted (i.e., ordered, processed and delivered) through use of IT, primarily the internet (Bhalla et al., 2008). Recent data suggests that sourcing of ITES is set to enhance in the recent future. For example, according to Lacity et al. (2008, p. 21) the market for global business process outsourcing (BPO, the largest constituent of ITES today) expenditure is likely to grow to \$350 billion by 2010. Focusing on ITES relationships is, therefore, not only interesting but also very timely from research as well as managerial standpoints.

In contributing to extant scholarship, our rationale for examining the context of providers is twofold. First, previous research on B2B relationship has focused mostly on buyers (customers) and has, in the process, overlooked the suppliers (Athanasopoulou, 2009; Liu et al., 2010). As a result, conceptualizing inter-firm relationship has remained rather a one-sided endeavor. In particular, such neglect of the providers has been significant in the area of ITES (Kotabe and Mudambi, 2009; Parkhe, 2007). Second, providers take management responsibility and risks of services that

they execute and deliver for their clients. Specifically, successful execution of services at the providers' end translates into business success on the clients' side. Therefore, analyzing the providers is necessary not only to learn what they perceive about business relationships but to also understand how such perceptions might influence development and sustenance of long-term business relationships with clients (Bharadwaj and Saxena, 2009; Shi, 2007). Prior literature has variously referred to RQ as inherent nature of cooperative arrangements, health of ongoing relationships, or assessments of various relationship attributes (Holmlund, 2008; Woo and Ennew, 2004). In this paper, RQ is defined as cognitive evaluation of various attributes of inter-firm relationships that ITES providers develop and maintain with their global clientele.

The research methodology that we adopt involves analysis of qualitative (executive interview) data and quantitative (questionnaire survey) data obtained from the top managers of Indian ITES-BPO industry (Nasscom, 2007). This particular industry, although relatively new, has been growing at the rate of 35% per annum and is currently the sourcing destination of choice for numerous executives across the world (Economic Times, 2008). Providers in this industry have increased scale, scope, and sophistication of operations to serve sourcing requirements of their global clients engaged in a wide variety of industries (Ramachandran and Voleti, 2004; Zaheer et al., 2009). We discuss, using multi-method analysis, how relationships with clients are viewed by Indian managers and what factors determine their perceptions of RQ.

In the next two sections, we provide theoretical background relating to RQ and highlight its importance in the context of ITES. Subsequently, we explicate details of our India-based field interviews (numbering 31) and the resulting knowledge relating to the determinants of RQ. In the third section, we show and discuss results of firm-level data analysis ( $n = 105$ ) that validates information obtained during the interviews. We conclude by discussing the study's various contributions and limitations, and suggesting avenues for future research. Our results (a) provide evidence that perceptions about firms' valuable, intangible assets (employee, organization, and management-related) and recent performance determine RQ, and (b) generate implications bearing on the resource-based view of the firm (Barney, 1991).

## Theoretical background

In the last two decades or so, RQ has been studied by several scholars involving a variety of transactions such as business-to-business, business-to-customer and salesman-to-customer (Bejou et al., 1996; Holmlund, 2008; Jap et al., 1999; Liu et al., 2010). Although different definitions exist, RQ generally refers to exchange partners' evaluation or overall assessment of various relationship attributes. Widely examined as an important component of relationship marketing, RQ's roots can be traced back to the work of Gummesson (1987) (c.f. Keating et al., 2003). In the context of B2B relationships, RQ has been suggested to bind partnering firms in a manner such that they are able to generate beneficial outcomes that go beyond mere exchange of goods

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