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Key supplier relationships and product introduction success: The moderating roles of self-enforcement and interdependence between buyer and supplier

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ABSTRACT

This study investigates the extent to which strong relationships between a firm and its key suppliers promote effective new product introduction. Building on the relationship marketing literature, we identify self-enforcement and interdependence as two contingent relational variables that influence the strength of the buyer–supplier relationship. We use data from a survey of 2331 manufacturing firms in China to test the hypotheses. The results show that strong relationships with key suppliers correlate with product introduction success and that this positive effect is contingent on the two relational variables identified. Self-enforcement strengthens the utility of strong supplier relationships for these Chinese manufacturers, and buyer–supplier interdependence enhances this relationship.

1. Introduction

In the past two decades, new product introduction has become an increasingly important vehicle through which firms develop a competitive advantage and maintain growth and prosperity (Brown & Eisenhardt, 1995; Cooper & Kleinschmidt, 1986; Schoonhoven, Eisenhardt, & Lyman, 1990; Wu, 2012). New product introduction requires a set of processes to coordinate, improve, and reconfigure critical resources and capabilities, many of which, however, reside outside the boundaries of the focal firm (Chesbrough, 2003; Wasti & Liker, 1997). Therefore, firms are motivated to build collaborative relationships with external actors, such as customers and suppliers, to access new technologies, improve the response to market changes, and enhance competitiveness (Monczka, Petersen, Handfield, & Ragatz, 1998; Van Echtelt, Wynstra, Van Weele, & Duysters, 2008; Wynstra, Van Weele, & Weggemann, 2001). Among such collaborative relationships, buyer–supplier relationships have attracted extensive academic attention (Anderson & Jap, 2005; Dwyer, Schurr, & Oh, 1987; Jap, 2007; Lau, Tang, & Yam, 2010; Liu, Luo, & Liu, 2009; Skarmeas, Katsikeas, & Schlegelmilch, 2002; Terpend, Tyler, Krause, & Handfield, 2008; Wagner, 2012; Wilson, 1995).

Although extensive literature has examined the association between buyer–supplier relationship and new product introduction (Croom, 2001; Lau et al., 2010; Primo & Amundson, 2002; Van Echtelt et al., 2008; Wagner, 2012), two important deficiencies limit understanding of the relationship involved. First, prior research has examined the direct association between buyer–supplier relationship and new product introduction (Croom, 2001; Eisenhardt & Tabrizi, 1995; Lau et al., 2010; Primo & Amundson, 2002) but has found conflicting results. Some empirical studies reveal positive effects (e.g., Clark, 1989; Ragatz, Handfield, & Scannell, 1997), whereas others reveal no or even negative effects (e.g., Eisenhardt & Tabrizi, 1995; Kessler, Bierly, & Gopalakrishnan, 2000; Littler, Leverick, & Wilson, 1998). Relatively fewer works have attempted to develop a better understanding of the contextual factors that either enhance or weaken the buyer–supplier relationship (Hoegl & Wagner, 2005; Wagner, 2012). The second weakness is the overwhelming focus on buyer–supplier relationships in U.S., European, and Japanese contexts, and, consequently, inadequate attention to the relationships beyond these mature markets (Ivens, Van de Vijver, & Vos, 2013; Steenkamp, 2005). As Johnsen (2009, p. 195) notes, "High profile research, i.e. studies that appear in the most highly ranked international journals, remains predominantly Japan and US-centric. The bias is partly due to the characteristics of these particular journals".

This study addresses these weaknesses by investigating the boundary conditions of key supplier relationships (KSRs) and new product introduction in China. Drawing from the relationship marketing literature (Berry, 1995; Morgan & Hunt, 1994; Petroni & Panciroli, 2002; Telser, 1980; Wilson, 1995), we identify self-enforcement and interdependence between buyers and suppliers as two contingent relation-based variables that shape how KSRs affect a firm's product introduction success. Specifically, strong relationships with key suppliers exert an

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important impact on new product introduction, and the self-enforcement mechanism used to manage buyer–supplier conflicts and the degree of interdependence between buyer and supplier help strengthen that impact. We empirically test these contingency effects using a multiple-industry context in China, an approach unique in buyer–supplier relationships and product introduction success studies that are based primarily in Western contexts (Johnsen, 2009). China is the largest emerging market in the world, and Chinese firms have increasingly emphasized the role of buyer–supplier relationships in achieving competitive advantage (Liu et al., 2009). As such, China serves as an important context to examine the proposed relationships. In doing so, we extend the research on buyer–supplier relationships to a novel context.

2. Theoretical development

New product introduction occupies a central position in management and marketing decisions because it fundamentally shapes a firm's ability to achieve and sustain competitive advantage (Arlbjørn & Paulraj, 2013; Eisenhardt & Tabrizi, 1995). According to Van der Vegt and Janssen's (2003) innovation model, the innovation process begins with the production of novel and useful ideas (idea generation), followed by idea promotion to potential allies (idea promotion). The final task of the innovation process involves idea realization by producing a prototype or model of the innovation that can be experienced and ultimately accepted by the market. Thus, in this study product introduction success refers to the intentional generation, promotion, and transformation of new ideas into new products that are successfully accepted by the market.

Historically, firms have adopted an internally oriented, centralized approach to new product introduction—generating and developing ideas internally and commercializing them (Mowery & Nelson, 1999). Today, the knowledge landscape in which firms operate has changed dramatically. An abundance of knowledge exists in virtually every field, resulting from the rise and diffusion of excellence in university scientific research, increased mobility of skilled labor, and a proliferation of public scientific databases and online journals and articles (Chesbrough, 2003). Many innovative firms have therefore shifted to an "open innovation" model, using a wide range of external actors and sources to help them innovate sustainably (Chesbrough, 2003). Among different external relationships, the buyer–supplier relationship has received particular attentions among academics, largely because it is a fundamental relationship for business transactions (Arlbjørn & Paulraj, 2013).

In the context of the buyer–supplier relationship, we focus on a buying firm's relationships with its key suppliers and the impact on new product introduction. A firm's key suppliers are those that provide its most important inputs (Ivens, Pardo, Salle, & Cova, 2009; Pardo, Missirilian, Portier, & Salle, 2011). Unlike other suppliers, key suppliers have strategic importance for a buying firm, which constantly seeks stable relationships and intimate interactions with them (Ivens & Pardo, 2007; Ivens et al., 2009). We refer to stable and intimate relationships with key suppliers as strong KSRs. Strong KSRs in our empirical context, China, are characterized by a firm's durable relationships and intimate interactions with key suppliers. These two components can effectively cultivate inter-organizational learning and knowledge sharing in Chinese firms' supply chain management (Li & Jiang, 2009; Mummalaneni, Dubas, & Chao, 1996).

3. Hypotheses

3.1. Strong KSRs and product introduction success

Some factors, such as goal differences, ambiguous contracts, inconsistent operational routines, and incompatible organizational cultures, can drive conflicts in the buyer–supplier relationship (Liu et al., 2009). For example, buyers and suppliers are sometimes uncertain about whether their relationship expectations will be fulfilled and whether the other party will act opportunistically or cooperatively (Liu et al., 2009). Such uncertainty prevents knowledge sharing between buyer and supplier and hinders new idea generation and effective innovation.

However, in general, strong KSRs can benefit a firm's product introduction success in two ways. First, strong KSRs help a firm access its key suppliers' technical expertise and knowledge, in turn enhancing innovation (Monczka et al., 1998; Van Echtelt et al., 2008; Wynstra et al., 2001). In many industries, key suppliers are the most important source of knowledge for developing new performance-enhancing technology and new products (Dyer & Singh, 1998; Von Hippel, 2005). A supplier's know-how in the supply market and its past experience with customer operations and products are highly valuable to a customer firm developing new products (Petroni & Panciroli, 2002; Ulaga & Eggert, 2006). However, a supplier's know-how typically encompasses knowledge that is tacit, sticky, complex, and difficult to codify (Kogut & Zander, 1992; Nelson & Winter, 1982; Szulanski, 1996). Intimate interactions with key suppliers can help develop knowledge-sharing routines, which are particularly important when a buying firm wants to acquire new product ideas from its key suppliers. Grant (1996) suggests that institutionalized knowledge-sharing routines purposely designed to facilitate knowledge exchanges between alliance partners enable the transfer, recombination, and creation of such specialized knowledge.

Second, strong KSRs improve the ability of the manufacturer to differentiate products in the market and to derive a competitive advantage (Gadde & Snehota, 2000; Rubenstein & Ettlie, 1979; Von Hippel, 1988). Durable and regular interactions help the firm clearly understand what expertise is available from its key suppliers (Krause, 1999; Petroni & Panciroli, 2002). The firm can then design internal and inter-firm routines accordingly to facilitate information sharing and increase socio-technical interactions (Ivens et al., 2009). As Dyer and Singh (1998, p. 665) note, strong KSRs increase a firm's ability "to recognize and assimilate valuable knowledge from a particular alliance partner." Experience accumulated between two partners can lead to more efficient and effective collaboration in future projects (Dyer & Ouchi, 1993; Ragatz et al., 1997; Sobrero & Roberts, 2002). Such collaboration develops partner-specific capabilities that enable one party to systematically identify the other party's valuable know-how. Consequently, the supplier can provide better-targeted suggestions for specific product designs, in turn improving the design and performance of new products (Van Echtelt et al., 2008).

H1. All else being equal, strong KSRs are positively related to a firm's product introduction success.

3.2. The moderating role of self-enforcement

Conflicts between buyers and suppliers occur frequently because of different beliefs, goals, operational routines, and organizational cultures. In the Chinese manufacturing industry, many conflicts in the buyer–supplier relationship stem from intellectual property rights (Li & Jiang, 2009). Such conflicts in the buyer–supplier relationship directly affect each party's incentive to share knowledge with the other (Li, Meng, & Gu, 2009). Prior research has identified self-enforcement as an important mechanism in China for safeguarding specialized investments and increasing one party's incentives to share know-how with the other (Liu et al., 2009). In line with previous studies (Gulati, 1995; Powell, 1991), we limited self-enforcement in this study to negotiation between a buyer and a supplier to resolve any conflicts. Negotiation cultivates a congenial, socially constructed atmosphere that promotes cooperative behavior and undercuts opportunism (Liu et al., 2009). Therefore, we expect self-enforcement to moderate the relationship between strong KSRs and product introduction success.