



# Supply chain friends: The good, the bad, and the ugly



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## KEYWORDS

Supply chain relationships;  
Friendships;  
Business relationships;  
Trust;  
Communication;  
Gender differences

**Abstract** The importance of firms developing close relationships with suppliers has been well recognized by supply chain managers. However, business relationships ultimately progress due to individuals within firms interacting over time. Our results from in-depth interviews with supply chain managers revealed that decisions made by managers within the supply chain can't be accurately explained or fully understood without accounting for the important influence of the friendships managers across firms develop with each other. This is of significant importance for senior managers since supply chain costs typically account for 60% to 90% of a company's total costs. In this article, we seek to shed some light on the implications of developing personal relationships with counterparts within the supply chain. We conclude by providing guidelines that upper management can follow to enhance the potential positive benefits associated with the inherent development of personal relationships/friendships and, equally important, mitigate the potential negative impact of such relationships.

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## 1. Supply chain relationships: Friend or frenemy

The importance of firms developing close relationships with suppliers has been well recognized by supply chain managers. Similarly, the supply chain management literature highlights the key role and

impact of positive buyer-supplier relationships (Autry & Golicic, 2010; Daugherty, 2011). Closer buyer-supplier relationships have been found to result in a variety of benefits for the parties involved, including superior levels of customer service (Vickery, Jayaram, Droge, & Calantone, 2003), lower overall cost (Carey, Lawson, & Krause, 2011), and increased trust (Delbufalo, 2012).

However, the majority of this research focuses on firm-to-firm level relationships and ignores the role of individuals. Despite calls for additional studies employing individuals as the unit of analysis, few

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supply chain studies investigate the critical role of managers as important decision makers within such firm-to-firm relationships (e.g., Gligor & Autry, 2012). Supply chain researchers have recognized this gap and have emphasized the need for a “deeper understanding of the behavioral complexities that emerge through the interaction between the buyer(s) and provider(s) of logistics services” (Marasco, 2008, p. 141). This is a limitation in the supply chain literature since business relationships ultimately progress due to individuals within firms interacting over time (Haytko, 2004). As managers interact across firms within a supply chain, some form friendships that can significantly impact the decision-making processes of the individuals involved. Psychology and sociology studies suggest that it is difficult for relationship participants to separate business decisions from the nature and quality of their friendships (Lian & Laing, 2007), which can lead to decisions being made that are not in the best interest of the firm. We make an important contribution in this area by offering a better understanding of how personal relationships/friendships impact managers’ behavior in a supply chain context.

Aside from contributing to the supply chain literature, we primarily seek to shed some light for supply chain managers on the implications of developing personal relationships with counterparts across the supply chain. Thus, our primary audience is managers with some role and decision-making prerogatives within their firms’ respective supply chains. To achieve this goal, we conducted in-depth interviews of 1 to 2.5 hours’ duration with 26 managers from nine different firms. The Grounded Theory methodology was used for data collection, analysis, and interpretation.

Our results revealed that decisions made by managers within the supply chain can’t be accurately explained or fully understood without accounting for the important influence of the friendships developed across firms. This is of significant importance for senior managers since supply chain costs typically account for 60% to 90% of a company’s total costs. Consider these interview excerpts:

*Excerpt 1:* “When I have a vendor that I really like, I’ll give him more business if I have more of a personal relationship with him. The reality is that if circumstances allow it, we all want to do business with people we enjoy interacting with.”

*Excerpt 2:* “It’s all about relationships with people. I’ve found that if people like you, they’ll find a way to do business with you. We

develop friendships with people we like, so the personal and business elements go hand in hand. It’s hard to separate them. We’re humans and most of us like to socialize.”

*Excerpt 3:* “People will do business with people they like and sometimes that matters more than the price.”

Despite the benefits that come from close business relationships, our research shows that there are also negative consequences. Consider the manager who gives a second chance to a poorly performing supplier or the manager who divulges too much information to a supplier he or she wrongly trusted. There is a dark side to business friendships that can result in suboptimal business decisions. Understanding the personal relationships within which business relationships are embedded helps to explain why supply chain managers behave a certain way and can guide managers on reaping the benefits while avoiding the pitfalls that friendships can entail.

In essence, our study revealed that during the process of developing and maintaining friendships, managers engage in four distinct categories of actions leading to enhanced trust, communication, personal and business understanding, and business volume for the parties involved. Each of these categories also contains potential negative consequences that managers need to be careful to avoid. Therefore, we highlight both the positive and negative consequences of friendships.

The rest of our article is structured as follows. We first present the actions that managers engage in during the process of developing and maintaining relationships, along with the potential consequences of such actions—both positive and negative. Then, we discuss several factors (i.e., gender, operations automation, and relationship asymmetry) that can impact the nature of relationships developed within the supply chain context. Finally, we conclude by providing guidelines that upper management can follow to enhance the potential positive benefits associated with the inherent development of personal relationships/friendships and, equally important, mitigate for the potential negative impact of such relationships.

### 1.1. Enhanced trust

Managers embedded in a friendship develop enhanced trust through relating/bonding, disclosing personal information, and being honest. First, while developing friendships, managers consistently look for ways to relate to each other, which in turn helps build trust. Having things in common and being able

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