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Leveraging boundary spanning capabilities to encourage supplier investment: A comparative study

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ABSTRACT

Despite growing recognition of the importance of boundary spanners at managing inter-organizational relationships, the process by which capabilities residing in boundary spanning individuals are leveraged to encourage partner firm investment remains unclear. In addressing this gap, we find that a boundary spanner's capabilities in strategic communication and job expertise enhance a customer firm's communication with a supplier firm, which increases a supplier's willingness to make future-oriented investment both directly as well as indirectly through increasing customer firm trustworthiness. Data collected from two samples of suppliers in the U.S. and other Western industrialized countries provide empirical support for our propositions. Furthermore, we found that the process of how boundary spanning capabilities influence supplier willingness to invest differs significantly between the two regions in ways that affect managerial decisions on resource allocation.

1. Introduction

Intense competition in global supply chains motivates industrial customers to collaborate with suppliers to realize innovations customers cannot achieve by themselves (e.g., Dyer & Chu, 2003; Takeishi, 2001). To this end, industrial customers encourage suppliers to invest in new technologies that can generate innovations beyond those specified in their contracts (Cox, 2004; MacDuffie & Helper, 2006). Such future-oriented supplier investments are difficult for competitors to imitate and represent a source of competitive advantage for the industrial customer (e.g., Morgan & Daniel, 2001; Singh & Power, 2009). In particular, when competing industrial customers share the same supplier base, a customer firm can lose its competitive advantage if its suppliers are more willing to direct technology investments to support innovations of its competitors (MacDuffie & Helper, 2006; Takeishi, 2001). This has happened to a number of well-established industrial customers in the computer, copier, automobile, and construction industries (Hayes & Abernathy, 1980; Morgan & Daniel, 2001).

Suppliers decide, with at least some deliberations, for whom they will undertake future-oriented investments. For a supplier to be willing to make future-oriented investments, the supplier needs to be able to assess a customer's intentions and strategic plans to determine whether it will be able to recover the value of its customer-firm-related investments (MacDuffie & Helper, 2006). This assessment is particularly challenging in a global market where customers and suppliers are separated by geographic and cultural differences (Kiessling, Harvey, & Garrison, 2004).

To foster supplier future-oriented investment, boundary spanning individuals play an increasingly important role in communicating knowledge of a customer firm's intentions and strategic plans across organizational boundaries (Ireland & Webb, 2007; Kiessling et al., 2004). Knowledge, however, means little to firm success if it remains within a boundary spanning individual (Arnett & Wittmann, 2013). Boundary spanning individuals' knowledge and competencies will need to be leveraged into firm-level assets before they can influence a supplier's investment decisions (MacDuffie & Helper, 2006). Nonetheless, little empirical research has been done to examine how individual boundary spanners disseminate critical knowledge across organizational boundaries to facilitate supplier future-oriented investment (Gupta & Polonsky, 2013; MacDuffie & Helper, 2006). Some case-based research provides insight on the role that boundary spanners play in facilitating organizational sharing and investment in critical technology (MacDuffie & Helper, 2006) and in cross-organizational learning (Gupta & Polonsky, 2013), but few studies have empirically tested these processes in customer–supplier relationships. Instead, studies of boundary spanners in inter-organizational relationships have primarily focused on the influence of boundary spanners on trust development between organizations (Doney & Cannon, 1997; Ireland & Webb,

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2007; MacDuffie & Helper, 2006; Zhang, Viswanathan, & Henke, 2011). Knowledge and capabilities residing in boundary spanning individuals, however, might not directly influence trust between organizations (Perrone, Zaheer, & McEvily, 2003), and the link between boundary spanner capabilities and partner-firm investment remains unclear (MacDuffie & Helper, 2006).

Furthermore, the empirical literature on boundary spanners is often limited to a single country (e.g., Doney & Cannon, 1997; Perrone et al., 2003) or compares relationship management practices of the U.S. and Southeast Asian countries (e.g., Dyer & Chu, 2003; MacDuffie & Helper, 2006; Sako & Helper, 1998). In global supply chains, the suppliers of a multinational customer firm are often located in multiple countries exhibiting differing cultural values and norms, which affect how suppliers allocate resources (Andersen, Christensen, & Damgaard, 2009; Kiessling et al., 2004). Relationship management scholars have thus called for comparative studies of relationship management practices between the U.S. and other Western industrialized nations, as studies have found that practices in the United States may not be directly applicable to other Western industrialized countries (Wulf, Odekerken-Schroder, & Iacobucci, 2001).

To address these limitations in the existing literature, we develop and empirically test how boundary spanning capabilities of individuals are leveraged to encourage partner firm investment. Drawing from boundary spanning theory (e.g., Adams, 1980; Aldrich & Herker, 1977), we conceptualize two types of boundary spanning capabilities and propose that these individual capabilities need to be leveraged through firm-level communication in order to influence partner firm investment. Furthermore, we compare data collected from the suppliers in the U.S. with data collected from suppliers in other Western industrialized countries to determine whether the process of leveraging boundary spanning capabilities to encourage supplier willingness to invest differs in these regions. The rest of the paper presents an overview of the theoretical foundation of the study and hypotheses, followed by a discussion of the methods, results, and implications of the findings.

2. Boundary spanning process in managing customer–supplier relationships

2.1. Boundary spanning communication

Boundary spanning individuals are organizational personnel who operate at the periphery of an organization and act as exchange agents between the organization and its external environment (Adams, 1980; Aldrich & Herker, 1977). They are organizational actors yet closely involved in managing inter-organizational relationships with partner organizations (Gupta & Polonsky, 2013; Ireland & Webb, 2007). Because boundary spanning individuals are in direct contact with members of the collaborating firm, they are able to transfer vital information (e.g., Aldrich & Herker, 1977; Ireland & Webb, 2007; Kiessling et al., 2004) and contribute to the strategic integration of firms (e.g., Ireland & Webb, 2007). Individual-level boundary spanning capabilities are leveraged to create firm-level assets by enabling effective communications first at the individual level, which in turn enables greater customer firm communication that generates familiarity and trust between collaborating firms (Kiessling et al., 2004). Furthermore, through interactions between boundary spanning individuals, norms and attitudes toward information sharing are institutionalized into firm-level relational assets (Ireland & Webb, 2007; Walter, 1999) that encourage relationship-specific investment (Dyer & Singh, 1998; Paulraj, Lado, & Chen, 2008).

While studies applying boundary spanning theory conceptually endorse this process, few studies measure boundary spanning capabilities and distinguish between communication by boundary spanning individuals and firm communication. For suppliers to choose to make future-oriented investment to support a customer's business, they need to receive meaningful, timely, and open communication from customer firms (Cassiman & Veugelers, 2002; Paulraj et al., 2008). Although boundary spanning individuals are critical to facilitating effective firm-level communication by delivering tacit knowledge (Gallego, Rubalcaba, & Suarez, 2013) and resolving conflicts (Perrone et al., 2003), boundary spanning individuals' communications will influence a supplier's investment decision only if the communications are viewed as reflecting the customer firm (MacDuffie & Helper, 2006). Customer firm communication is distinct from the ability of a boundary spanning individual to deliver vital information. Both are important to a supplier's willingness to invest and share technologies (MacDuffie & Helper, 2006) and need to be modeled separately.

2.2. Boundary spanning capabilities of individuals

Scholars have studied inter-organizational exchange systems (Saeed, Malhotra, & Grover, 2005; Teigland & Wasko, 2003), teams (e.g., Ancona, 1990; Marrone, 2010; Stock, 2006), and individuals (e.g., Doney & Cannon, 1997; Perrone et al., 2003) as boundary spanners. Individuals as boundary spanners are important to inter-organizational information exchange and trust development (Ireland & Webb, 2007; MacDuffie & Helper, 2006). Although boundary spanning individuals can hold different positions within an organization, Ireland and Webb (2007) propose that the role of boundary spanning individuals remains largely the same, regardless of their position. In this study, purchasing managers of a customer firm are the boundary spanning individuals of interest because they play an important role in managing supplier relationships in B2B markets (e.g., MacDuffie & Helper, 2006; Perrone et al., 2003).

Boundary spanning individuals primarily perform two job functions: information processing and external representation (Aldrich & Herker, 1977; Ireland & Webb, 2007; Kiessling et al., 2004). The information processing function includes the selection, transmission, and interpretation of information from the external environment (Aldrich & Herker, 1977). Boundary spanners protect an organization from information overload while providing the latest information from the environment for use in the strategic decision making process (Ireland & Webb, 2007). The external representation function of boundary spanners involves establishing and maintaining organizational legitimacy and the public image of the firm. This function includes responsibilities such as reaching compromise between the boundary spanner's organization and external entities, including negotiating with external entities to meet the organization's needs (Adams, 1980; Kiessling et al., 2004). As noted by Aldrich and Herker (1977), these two boundary spanning job functions are not mutually exclusive, as any given boundary spanning position can perform either or both functions.

Boundary spanning capabilities refer to the job performance of a purchasing manager in performing boundary spanning functions when interacting with supplier personnel (MacDuffie & Helper, 2006). Holcomb, Holmes, and Connelly (2008) indicate that managerial capabilities of individuals can be either general or firm- and industry-specific capabilities that produce value for the firm. Firm- and industry-specific capabilities of individual managers are considered most relevant to managing inter-organizational relationships (MacDuffie & Helper, 2006) and achieving competitive advantage for firms in a given industry (Holcomb et al., 2008). We accordingly assess firm- and industry-specific boundary spanning capabilities of purchasing managers within the context of managing supplier relations.

We examine two types of firm- and industry-specific boundary spanning capabilities of purchasing managers: (1) strategic communication skills and (2) job expertise in performing daily tasks. These two capabilities are not meant to be exhaustive of all possible boundary spanning capabilities of purchasing managers. Instead, they highlight the essential capabilities that enable purchasing managers to perform the boundary spanning functions at both strategic and tactical levels. In particular, strategic communication of purchasing managers is important to align the strategic goals of customers with suppliers and