



## Supplier–supplier relationships in the buyer–supplier triad: Building theories from eight case studies

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### Abstract

Many researchers have studied how the buying company manages its relationship with suppliers (i.e. buyer–supplier relationship). Extending this genre of study, researchers have recently shown interest in investigating how the buying company manages relationships between the suppliers (i.e. supplier–supplier relationship). In other words, just as the relationship with the suppliers does, the relationships between suppliers have strategic implications for the buyer. We present in this study eight cases that describe supplier–supplier relationship dynamics. Using theory building through case studies, we identify five archetypes of supplier–supplier relationships. Each type of relationship is a unique configuration of the relational characteristics. We also present working propositions that associate the antecedent conditions that lead to these archetypes and eventual performance implications. © 2005 Elsevier B.V. All rights reserved.

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How a buying company manages its relationship(s) with suppliers has interested many researchers (e.g. Ellram and Hendrick, 1995; Heide and John, 1990; Helper, 1991; Holm et al., 1999; Youssef, 1992). These studies have focused on how a buyer establishes different types of relationship with the suppliers. Further, the researchers have begun considering how a buyer also establishes different types of relationship

between the suppliers (Choi et al., 2002; Kamath and Liker, 1994). In some situations, suppliers are asked to work together; in others, they are expected to keep away from each other (Asanuma, 1985; Funk, 1993). Simply, the relationship between the suppliers' matters to the buyer in how it influences and correlates to future business success.

However, past studies omit a systematic consideration of the supplier–supplier relationship based on empirical data. Using a grounded theory-building approach, we collected and analyzed the qualitative

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data from eight cases involving a buyer and its suppliers. We identified five archetypes of supplier–supplier relationship and built working propositions.

In this paper, we will first review the literature of buyer–supplier relationships and supplier–supplier relationships. We will then discuss how we collected the case data and made our analysis. Next, we present within-case descriptions, followed by cross-case comparisons. Following the analysis, we present the archetypes, delineate the key propositions, and conclude with a discussion.

## 1. Literature review

### 1.1. Buyer–supplier relationship

The extant literature on buyer–supplier relationship explores the vertical relationship between a buyer and suppliers (Ellram and Hendrick, 1995; Helper, 1991) or between a manufacturer and its distributors (Anderson and Narus, 1990). This dyadic, one-firm versus the-other framework offers a parsimonious abstraction of the inter-firm relationship. In general, the dyadic relationship of a buyer and the supplier has been characterized in the literature in terms of cooperative versus competitive relationships (Choi et al., 2002). The *cooperative relationship* emphasizes the state of openness and collaboration between a buyer and a supplier; the *competitive relationship* focuses more on the practice of information guarding and arms-length relationship.

On the one hand, a cooperative relationship leads the buyer and suppliers to consider each other as strategic partners and work toward a common goal (Hahn et al., 1990; Hartley et al., 1997). On the other hand, a buyer and supplier engage in competitive relationship because they are concerned about their own economic risks. Whenever a transaction occurs between a buyer and a supplier, both parties are necessarily concerned about the potential risks associated with the transaction and what that might mean to their relationship (Pilkington, 1999; Walker and Poppo, 1991; Walker and Weber, 1987; Williamson, 1979).

Helper (1991) pointed out how the buyer–supplier relationship in the U.S. automobile was first dominated by the cooperative relationship, subsequently moved to competitive relationship, and then reverted back to the

cooperative relationship. Other studies corroborated her assertions about how, in recent years, more buying firms in the United States have favored cooperative relationships with their key suppliers (Cusumano and Takeishi, 1991; Heide and John, 1990; Kerwin, 1998). This historic backdrop is quite understandable, given that the level of outsourcing to suppliers has increased in recent years and, consequently, the buying companies have placed increased importance on the relationship with suppliers.

Likewise, a remarkable progress has been made in the buyer–supplier relationship studies over the past two decades (Carter et al., 1998). We have seen research evolve from reporting anecdotal best practices to using sophisticated case studies (Burnes and New, 1997; Ellram and Edis-Owen, 1996) and statistical methods (Anderson and Narus, 1990; Monczka et al., 1998). The researchers studying buyer–supplier relationships have sought theoretical support from other disciplines such as a political economy framework (Stern and Reve, 1980), social network research (Gulati, 1998; Holm et al., 1999) and complexity theory (Choi et al., 2001). One significant trend that has been emerging from all these advanced studies is that the buyer–supplier relationship context should move beyond the traditional dyadic context and begin to consider more complex dynamics of relational networks. As a first step, a few researchers (e.g. Olsen and Ellram, 1997; Smith and Laage-Hellman, 1992) have proposed expanding the dyadic buyer–supplier relationship studies to a triadic context, where buyer–supplier–supplier relational dynamics can be considered.

### 1.2. Supplier–supplier relationship

Our research found the first explicit reference to the supplier–supplier relationship from the work of Asanuma (1985). He explained, using anecdotal evidence, how some Japanese buying companies bring competing suppliers to work together in some situations, while in some other situations they keep the suppliers away from each other to promote competition. Later, Kamath and Liker (1994) pointed out how some Japanese automakers bring together competing suppliers not for collaboration but for competition. The buying companies would invite two groups of guest engineers from two different suppliers to

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