



# Asymmetric customer–supplier relationship development in Taiwanese electronics firms

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## ABSTRACT

The purpose of this paper is to analyse the relationship development stages of asymmetric customer–supplier relationships. The structure of relationships between larger customers and smaller suppliers has been the focus of a number of studies in IMP (Industrial Marketing and Purchasing Group) research. But, there is a paucity of research that examines development stages in relationships where a difference in size between the parties exists. The paper links the characteristics of asymmetric customer–supplier relationships and the relationship development stages through a literature review. The findings from a set of five in-depth case studies of asymmetric customer–supplier relationships in the Taiwanese electronics industry are presented. The case studies involved 50 semi-structured interviews with customer and supplier executives and, in addition, multiple observations of customer–supplier interactions within each case study. Individual and cross-case analysis was conducted to examine the links between the characteristics of asymmetric customer–supplier relationships and relationship development stages. The findings revealed that asymmetric customer–supplier relationships in the Taiwanese electronics industry were very unbalanced and vulnerable in the exploratory stage of development. In the developing stage relationships were more likely to develop if suppliers and customers mirrored each other's behaviour and echoed each other's priorities. In the stable stage suppliers and customers worked on shared and balanced contributions to the relationship. The paper contributes to the understanding of how smaller suppliers and larger customers can identify and develop key sets of relationship characteristics through the exploratory, developing and stable stages of asymmetric relationship development from both customer and supplier perspectives.

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## 1. Introduction

Since the 1980s asymmetry has been found to have a potentially destabilising effect on business relationships (Harrigan, 1988). Relationships are more likely to run smoothly if the capabilities, resources and characteristics of the relationship are a good strategic fit and have a certain level of complementarity between the parties involved (Tu, 2010). Researchers have highlighted that existing research fails to encapsulate the complex balance of characteristics in customer–supplier relationships and the corresponding influences on relationship development (Holmlund, 2004). Understanding the nature and influences of asymmetric customer–supplier relationships may enable both parties to have a more transparent vision of their potential within the relationship and on their ability to set development priorities and manage problems during relationship development (Ford & Saren, 2001).

In the industrial marketing literature, asymmetry has been understood in terms of the links between size difference (based on number of employees of the total organisation) and certain individual relationship characteristics (Johnsen & Ford, 2008). For example, a number of authors have attempted to understand how characteristics such as power, commitment, dependence or knowledge may be associated with asymmetry in relationships (Gundlach, Achrol, & Mentzer, 1995; Holmlund & Kock, 1996; Söllner, 1998). Following Johnsen and Ford (2008), we define asymmetry as an imbalance in the size and characteristics of a relationship. For example, a supplier may be smaller than its customer and have less power, but more trust in the relationship than its larger counterpart.

Despite existing research on relationship development being well-considered in the literature, *asymmetric* relationship development is a relatively new area of study and remains less clear (Andersen & Kumar, 2006). Findings from recent studies indicate that the consequences of size asymmetry may have positive and negative effects for smaller suppliers in relationships with larger customers (Hingley, 2005; Johnsen & Ford, 2008). Smaller suppliers may need to decide how to capitalise on their advantages of size asymmetry by working more closely within their larger current customer relationships, or

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they may need to develop ways to overcome relationship problems to enable relationships with larger customers to flourish (Hingley, 2005; Johnsen & Ford, 2008).

Most studies to date have sought to understand asymmetry from only the perspective of one side of the relationship – either the smaller supplier or the larger customer's viewpoint (Claycomb & Frankwick, 2010). However, customer and supplier perceptions may differ widely in relationships (Claycomb & Frankwick, 2010). Moreover, little research to date has captured how asymmetric relationships may change across different stages of relationship development (Andersen & Kumar, 2006; Eggert, Ulaga, & Schultz, 2006). In short, there is scope to expand the existing literature in the domains of asymmetric relationships and relationship development to examine the influence of asymmetric relationships on relationship development from both a smaller supplier and a larger customer perspective.

Therefore, this paper contributes to existing research through an investigation of the ways in which different characteristics of asymmetric relationships evolve during the stages of customer–supplier relationship development. We address the following specific research question in this study:

- *How do the characteristics of asymmetric customer–supplier relationships evolve during the exploratory, developing and stable stages of the relationship?*

In the following sections the theoretical and empirical context of the paper are established. We focus on an examination of the characteristics of asymmetric relationships during the stages of relationship development in customer–supplier relationships. The findings from the empirical study are discussed and conclusions and conceptual and managerial lessons are presented.

## 2. Literature review

The purpose of this literature review is to examine asymmetric relationships through a set of relationship characteristics that have been found in previous research to have a bearing on the nature of asymmetry in customer–supplier relationships. Following the investigation of asymmetry in relationships, the second part of the literature review identifies the relationship development stages that are pertinent to asymmetric relationships and thus how relationship characteristics may evolve as asymmetric relationships develop. We conclude the literature review by presenting a typology to provide a conceptual structure for examining relationship development stages in asymmetric customer–supplier relationships.

## 3. Characteristics of asymmetric customer–supplier relationships

In an effort to understand the nature of asymmetric relationships and how firms may focus on choices and changes within these relationships, we begin by providing a review of the literature on relationship characteristics which have been the focus of previous research on asymmetry in the IMP tradition, and which have been found to form a critical set to examine asymmetry in relationships (Hingley, 2005; Johnsen & Ford, 2008; Johnsen, Johnsen, & Lamming, 2008). Although other sets of relationship characteristics have been developed, they tend to be less wide-ranging and inclusive. We focus on how our chosen set of relationship characteristics may be manifested in asymmetric relationships between larger customers and smaller suppliers. Previous studies (Hingley, 2005; Johnsen & Ford, 2008; Johnsen, Johnsen, & Lamming, 2008) have shown that asymmetry needs to be considered at the level of the characteristics of the customer–supplier relationship to enable firms to better understand and manage asymmetric relationships and to make choices about where to focus their efforts in building their relationships or making changes that will impact on how they are perceived and

valued in asymmetric relationships. Table 1 provides our point of departure for definitions, sources and indicators of our chosen set of relationship characteristics with which we set out to analyse asymmetry in the larger customer–smaller supplier relationship.

The set of relationship characteristics in Table 1 is identical to that of Johnsen and Ford (2008), with the addition of trust, which is emphasised in much customer–supplier relationship literature, although it only seems to have been explicitly addressed in more recent IMP research (e.g. Andersen & Kumar, 2006; Dyan & Di Benedetto, 2010; Huemer, 2004; Keh & Xie, 2009). We chose the Johnsen and Ford (2008) typology as it presents a view of multiple relationship characteristics from the perspective of smaller supplier–larger customer relationships. Other studies have investigated individual relationship characteristics with regard to asymmetry, but none appear to present such a comprehensive analysis of the characteristics of relationship asymmetry. This comprehensive view is important for this research as it may enable customers and suppliers to understand the totality of their relationship's characteristics.

Johnsen and Ford (2008) only investigated the smaller supplier's view in their study of asymmetry, whereas our study will investigate both the smaller supplier and larger customer perspectives of their relationship. In addition, we have chosen to add trust to the characteristics investigated by Johnsen and Ford (2008) as this characteristic has an important impact on the stability and longevity of dyadic relationships (Ford, 1980). It is therefore important to consider trust in investigating smaller supplier–larger customer relationships, where instability may be more prevalent than in relationships where there is more equality in terms of the size of the firms involved. Few studies to date have explored a wide range of relationship characteristics, so there is a gap in the literature in this area which we seek to examine.

All the relationship characteristics examined in the following section are structural in nature and as such they set the conditions for the relationship context in which larger customers and smaller suppliers interact and in which processes such as adaptation and exchanges of information, knowledge, or finances take place.

### 3.1. Mutuality

Mutuality describes how the parties demonstrate their interest in the well being of one another and explains how they seek common goals or interests (Ford et al., 1986). Mutuality is a key element in creating more equilibrium and equality in relationships. However, creating mutuality may be challenging in asymmetric relationships. The smaller party may have limited experience, or may not be permitted to contribute to development goals or strategy (Johnsen & Ford, 2008), but is expected to focus largely on implementing decisions made by the larger firm in the relationship.

### 3.2. Particularity

Particularity is the quality of uniqueness possessed by a given interaction (Ford et al., 1986). Smaller suppliers often strive to make their offering or relationship unique in the eyes of their larger customer through significant adaptations to the customer's requirements. Often this requires them to seek ways to give special treatment to customers without increasing their costs (Ford et al., 1986). However, a larger customer may attempt to control the development of a range of smaller suppliers in aspects such as product, technology and process development for the customer's unilateral advantage (Ford & Saren, 2001), making it difficult for an individual supplier to distinguish itself in the relationship.

### 3.3. Cooperation

Firms often cooperate in business relationships in order to gain profit or information advantages or improved visibility and flexibility

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