

Management of buyer–supplier conflict: The case of the Turkish automotive industry

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Abstract

This study utilizes data from 50 buyers in automakers and 72 suppliers to study conflict management in Turkish buyer–supplier relationships. The traditional practice of buyer dominance was tested against Bensaou's [Bensaou, M. Portfolios of buyer–supplier relationships. *Sloan Management Review* 1999; 40(4): 35–44.] strategic segmentation model. A two-dimensional conflict management model was used, comprised of forcing, problem-solving, compromise, accommodation, and avoidance styles. The traditional pattern of relations would predict forcing for the dominant and large buyer firms, and accommodation for the smaller and dependent supplier firms. Bensaou's two-dimensional model identifies four relationship types: strategic partnership, market exchange, captive buyer, and captive supplier. Mapping the two models on each other, we predicted (for buyers) problem-solving for strategic partnership, avoidance or compromise for market exchange, accommodation for captive buyer, and forcing for captive supplier. The results, which were more in line with the traditional pattern of relations, are discussed within the context of the Turkish culture and the historical evolution of automotive buyer–supplier relationships.

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Studies of buyer–supplier relations in different cultures would be a welcome addition to globalization research. This is particularly relevant for emerging economies (Choi et al., 1999; Humphrey and Schmitz, 1998), where the insights gained from research on buyer–supplier studies—which have so far mainly focused on U.S. and Japanese practices—can be tested. This study focused on automotive buyer–supplier relations in Turkey, an emerging market for global business (Coşkun, 2001; Erdal and Tatoğlu, 2002; Garten, 1996).

The study approached buyer–supplier relations from a conflict management perspective. In the context of business-to-business purchasing and supply chain management practices, these relations are often strained (Emiliani, 2003). As Weitz and Bradford (1999, p. 244) have argued: “managing conflict rather than influencing customers will be the key interpersonal activity

of salespeople in a partnership role”. In order to pursue this perspective, we applied conflict management concepts and measures developed for intra-organizational analysis to conflicts *between* organizations. Conflict management styles were matched with the power dynamics involved in the particular buyer–supplier relationship. Despite some earlier studies (Day et al., 1988; Perdue et al., 1986) and theoretical models (Weitz and Bradford, 1999), buyer–supplier conflict in developing countries remains to be a fertile ground for research. It is hoped that the merger of the two streams of research, i.e., conflict management and international studies of supply management, will facilitate future studies in buyer–supplier relations in different cultures.

1. The Turkish automotive industry and its cultural context

The automotive industry is one of the largest and most innovative sectors in Turkey, with heavy foreign investment (Etkin et al., 2000) and exports approaching seven billion U.S.

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dollars in 2004. Since all firms operate under foreign licenses, the assembly technology compares well with European and American standards.

From the industry's inception in 1954 to 1980, the import substitution strategy adopted by the government allowed assemblers to take advantage of the protected market and emphasize price over quality when outsourcing. On the other hand, the scarcity of local suppliers stimulated assemblers to provide technical and financial support to build their own supplier base. The supportive phase took a turn towards adversarial relations in the 1980s, when the import substitution strategy was replaced with an export oriented one, which enabled assemblers to look overseas for better suppliers. Assemblers, forced to compete with foreign competition, put pressure on their suppliers and played them off against each other, increasing their requirements in the areas of quality, delivery, and flexibility (Burgess and Gules, 1998). In the late 1990s, with the Customs Union agreement with the European Community, the relationships moved into a quasi-collaborative stage, where assemblers reduced their number of direct suppliers and encouraged them to build partnerships (particularly with foreign component suppliers) to obtain economic production scales, the latest technology, and higher quality. Due to the increased integration with the global economy, collaborative arrangements between buyers and suppliers are expected to grow in the future (Gules et al., 1997; www.taysad.org.tr, 2003).

The key players in the Turkish automotive business, however, are giant firms in Turkish—and even regional—standards (Öz, 1999), whereas the supplier base consists mostly of SMEs (www.taysad.org.tr, 2003), making the latter financially and strategically more vulnerable. Manufacturers in Turkey seek system suppliers, who can develop their own product design capability and managerial skills, rather than individual parts suppliers, a task not all suppliers can achieve (Ulusoy, 2003). While strategic partnerships have started to emerge, buyer dominance is therefore a widespread phenomenon in the Turkish automotive industry.

The historical development of buyer–supplier relations and prevailing buyer dominance may be discerned better if viewed within the context of the national culture. Hofstede's (1984) measures showed Turkish culture to be relatively high in power distance and collectivism. Schwartz's (1994) measures similarly reflected a culture that emphasized tight links with the in-group and hierarchical roles for maintaining societal order. Turkish organizations are distinguished by centralized decision-making, highly personalized, strong leadership, and limited delegation (Ronen, 1986). Turkish managers, likewise, are known for their autocratic and paternalistic styles (Pasa et al., 2001). It would be second-nature for managers of large buyer firms in this culture to adopt a dominant and patronizing role towards the smaller, dependent supplier firms.

While collectivistic, hierarchical relations would be the modal pattern in this culture, differences do exist among various subsections of the society. Göregenli (1997) has argued that strong individualistic elements alongside the generally collectivistic orientation co-exist in a dynamic manner in this society.

Esmer (1998), in a multi-country survey of moral values, concluded that Turkish society exhibits a mixed and not altogether consistent set of values: neither democratic nor totally autocratic, open to change but also conservative, and valuing achievement as much as security and relations at work. One would expect firms with closer ties with Western counterparts to deviate from the traditional pattern and adopt buyer–supplier relations that emulate relationships based on strategic segmentation of suppliers. In the following section we propose hypotheses that predict conflict management styles according to the strategic segmentation perspective, in contrast to what would be expected from the traditional relations.

2. Buyer–supplier segmentation and conflict

Conflict refers to the process that begins when one party perceives that the other has frustrated, or is about to frustrate, some concern of his (Thomas, 1992). Conflict is almost inevitable in buyer–supplier relations as a consequence of two firms trying to maximize their returns from the business relationship (Reve and Stern, 1979; Hakansson and Gadde, 1992). In particular, researchers have pointed out to “inconsistencies”, i.e., ambiguities in the interaction, or “gaps”, differences between existing supplier performance and the standard required (Ford, 2003; Kim et al., 1999; Parasuraman et al., 1985).

The concepts of inconsistencies and gaps both stress the need for increased collaboration instead of adversarial relations between buyers and suppliers (Spekman, 1998). The emphasis on collaboration has been accelerated by earlier studies contrasting U.S. and Japanese systems of supply chain management. Family-like firm ties (*keiretsu*) formed the basis of buyer–supplier relations in the large-scale Japanese industries (e.g., Dyer, 1996; Dyer et al., 1998; Lai, 1999). In contrast, the traditional Western supplier management system was characterized by a higher degree of vertical integration, larger in-house component operations, shorter-term contracts, and a flat hierarchy (Clark and Fujimoto, 1991). According to some researchers (Helper and Sako, 1995; Liker et al., 1996), increasing competition and globalization in the automotive industry have narrowed the historical differences between the two countries. On the other hand, others (Bensaou, 1999; Dyer et al., 1998; Forker and Stannack, 2000) have argued that neither the U.S. nor the Japanese firms utilize a “one size fits all” strategy of supplier management and actually strategically segment their supplier base.

Several models of supplier segmentation exist in the literature, differing mainly in terms of the underlying dimensions used (e.g., Franceschini et al., 2003; Kaufman et al., 2000; Masella and Rangone, 2002; Möllering, 2003). The present study used the strategic segmentation model proposed by Bensaou (1999) in predicting the conflict management styles used. Bensaou's model is not only richer in terms of content, and external and internal aspects of supplier relations, but it also develops recommendations for managing different types of supplier relationships (Nellore and Söderquist, 2000). The model consists of a 2×2 matrix where the vertical axis shows

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