Transportation Research Part E 45 (2009) 937–945

Contents lists available at ScienceDirect

Transportation Research Part E

journal homepage: www.elsevier.com/locate/tre

Supply-chain partnership performance

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A R T I C L E I N F O

Article history:
Received 22 September 2008
Received in revised form 24 February 2009
Accepted 7 May 2009

Keywords:
Supplier–retailer partnerships
Partnership performance
Empirical research
Regression analysis
Retail industry
Consumer-packaged goods
Korea

A B S T R A C T

We model the strategic as well as the operational dimension of performance of supplier–retailer partnerships in terms of five factors: (1) information exchange; (2) trust; (3) joint partnership management; (4) relationship-specific assets; and (5) partner asymmetry. Our paired data are from 74 supplier–retailer partnerships in the consumer-packaged goods industry. As a result we found that the factors that best model strategic performance are different from those that best model operational performance. All companies are in Korea and the retailers include international companies like Carrefour, Tesco, and Wal-Mart while suppliers include Coca-Cola, Kimberley-Clark, and Nestlé.

1. Introduction

Supply-chain partnerships can significantly impact a firm's financial performance (Carr and Pearson, 1999). Using paired data from suppliers and retailers in partnerships, we seek ways to improve the performance of supplier–retailer partnerships. To do so, we model the *strategic* (enhancing the companies' competitive position) as well as the *operational* (enhancing companies' operational efficiency) dimension of partnership performance in terms of various factors for partnership performance identified in the literature: information exchange; trust; joint partnership; partnership-specific assets; and partner asymmetry (or symmetry).

Research on the performance of a partnership between companies has focused on joint ventures and strategic alliances that are well structured and, in many cases, involve equity relationships (e.g. Geringer and Herbert, 1991; Parkhe, 1991, 1998; Dyer and Ouchi, 1993; Park and Ungson, 1997; Glaister and Buckley, 1998; Zaheer et al., 1998). Even where there has been research on "supply-chain partnerships", such research has focused on industries like automotive that have suppliers who are dependent on highly concentrated buyers, thereby raising questions about generalization to other industries (McCutcheon and Stuart, 2000). By contrast, industries like retail have been involved in looser forms of partnership focused more on transactional gains of partnership.

As such, we focus on supplier–retailer partnerships in the consumer-packaged-goods (CPG) retail industry that has actively implemented supply-chain partnerships initiatives such as Effective Consumer Response (ECR) (Harris et al., 1999) and Vendor Managed Inventory (VMI) (Barratt and Oliveira, 2001). Our analysis uses paired data collected from 74 supplier–retailer dyads with 12 retailers (with 28 purchasing managers responsible for working with suppliers) and 70

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doi:10.1016/j.tre.2009.05.004

suppliers. All the companies are in Korea and include international retailers like UK-based Tesco, US-based Wal-Mart, and the French retailer Carrefour as well as international suppliers like Coca-Cola, Kimberley-Clark, and Nestlé.

We use stepwise regression to model strategic and operational dimension of partnerships performance against the performance factors across all the partnerships in our sample. Our results indicate that factors that best model strategic performance may be different from those that best model operational performance: strategic performance depends on joint partnership management and partnership-specific assets while operational performance depends on information exchange and trust.

Our contribution is twofold. First, we have conducted a study of partnership performance in a sector that is marked by loose forms of supplier–retailer partnerships rather than strategic alliances. Moreover, we have done so using supplier–retailer dyad data. Second, by studying two dimensions of partnership performance – strategic and operational – we have considered both long term (strategic) and short-term (operational) dimensions of partnerships. Our results suggesting that factors impacting the operational dimension being different from those impacting the strategic dimension could be the basis for further research to extend existing theory.

2. Literature review

Partnership performance related issues have received less attention than other areas because of various research difficulties (Gulati, 1998). The first main difficulty is that there are few consensus and available measure (Glaister and Buckley, 1998) and this is related to the fact that the definition of the partnership performance remains unclear (Geringer, 1998). Also, the partnership performance can be expected to vary with the nature of the organization's environment and its recourse capability. This creates the compatibility and reliability problems of the partnership performance measures (Glaister and Buckley, 1998). Finally, there is little clear distinction between indicators and determinants of partnership performance, and confusing these two can cause problems when conducting research on the performance of collaborative inter-firm arrangements.

Despite these difficulties, researchers have obtained indicators to measure partnership performance. Researchers have used both objective and subjective measures for performance of collaborative inter-firm arrangement. Objective measures are usually quantitative and comparable, and possibly less subject to the bias related to data sources and collection methods. Such measures include *financial measures* (Lecraw, 1983; Luo and Chen, 1995).

However, it is difficult to obtain the data for financial measures especially because partners may generate financial returns through mechanisms other than dividends. These measures may also fail to adequately reflect the objectives of the collaborative inter-firm arrangements that are not financial (Glaister and Buckley, 1998). There are other objective measures: *termination and survival* (Harrigan, 1987, 1988; Kogut, 1988; Parkhe, 1993; Saxton, 1997; Hoetker et al., 2007), *stability* (Geringer and Herbert, 1991; Gomes-Casseres, 1994; Glaister and Buckley, 1998), and *duration* (Harrigan, 1988; Geringer and Herbert, 1991; Parkhe, 1991; Glaister and Buckley, 1998). However, these pertain more to strategic alliances rather than to the type of partnerships we are considering.

For these reasons, we need to consider *subjective* measures of performance, for example, perceptual measures of the partners' satisfaction with the partnership and extent to which the partnership has archived its overall objectives (Geringer and Herbert, 1991; Glaister and Buckley, 1998; Kale et al., 2001; Johnston et al., 2004). In particular, Kale et al. (2001) suggest taking a multi-dimensional approach. Consistency between objective and subjective measures of collaborative inter-firm arrangement has been tested by Dess and Robinson (1984), Geringer and Herbert (1991), and Glaister and Buckley (1998) who found the correlation between objective and subjective measures to be positive. However, subjective measures are vulnerable to bias from data collection methods and sources (Geringer and Herbert, 1991), for example, "common methods bias" (Ketokivi and Schroeder, 2004). Venkatraman and Ramanujam (1986) suggest using subjective measures of partnership performance in the absence of financial data from primary and secondary data sources.

Regarding the factors that impact partnership performance, Saxton (1997) points out that the performance of a collaborative inter-firm arrangement has been studied using *partnership characteristics*, e.g., relationship-specific assets, information exchange, and joint partnership management and using the *interaction characteristics* of the partnership, e.g., trust and partner asymmetry. Together, there are five factors: (1) information exchange, (2) trust, (3) joint partnership management, (4) relationship-specific assets, and (5) partner asymmetry.

2.1. Information exchange

An efficient supply-chain partnership requires a significant degree of supply chain information exchange (Monczka et al., 1998; Corbett et al., 1999; Xu and Dong, 2001; Kelle and Akbulut, 2004; Narasimhan and Nair, 2005; Yao and Dresner, 2008) and willingness of participants to enable this (Towill, 1997). Li et al. (2005) identified "information exchange" and "information quality" as important dimensions of effective inter-organizational supply chain management (SCM) practice. Efficient IT can reduce transaction costs and risk to enable firms to engage in more collaborative activities (Bakos, 1991; Clemons and Row, 1992; Boyson et al., 2003; Machuc and Barajas, 2004). A number of empirical studies in the supply chain setting have explored information exchange, as a key determinant of the performance of a supply-chain partnership (e.g., Monczka et al., 1998; Whipple et al., 1999; Li et al., 2005).