

PAPER TITLE

What are the existence and strength of the relationships among elements of both internal and external business environment, buyer-supplier relationship, and supply chain in performance

PURPOSE OF THE PAPER

Given the economic turbulence that organisations are facing, it is clear that business environment factors are having an impact on how firms conduct their affairs and how they interact with their supply chain partners. The orientation of a business towards its partners can be likened to a state of flux. Supply chain buyer supplier relationships have attracted a lot of attention in the literature (Bensaou, 1999; Cox, 2004b; Håkansson and Snehota, 1995; Trent, 2005; Fynes et al., 2005; Andrea et al., 2019) and continue to do so. These relationships can help firms to achieve cost reduction or profit improvement, but also seek to make the supply chain as a whole more competitive (Cox and Thompson, 1997).

There is growing recognition throughout the world of purchasing and supply that there is no single optimal buyer-supplier relationship and a “horses for courses” approach to employ the most “fit for purpose” relationship is required (Cox and Thompson, 1997). It is clear therefore that the type of relationship depends on environmental circumstances (Cox, 2004a) but also needs to be malleable in the face of change. This requirement has led, in some cases, to closer relationships being built between supply chain partners (Cao and Zhang, 2011).

Business environment themes have been viewed in the literature as broad considerations in supply chain buyer–supplier relationships (Hobbs and Young, 2000, Frolich and Westbrook, 2001, Robson and Rawnsley, 2001; Lindgreen and Hingley, 2003). Cox et al (2001) claim that the kind of interaction a firm should undertake depends on a range of complex choices both internally within the buyer/supplier’s organisation and externally in the supply chain context of buyer and supplier. However there is a distinct lack of research on how environmental factors affect performance in a relationship context. The current research aims to address this gap within the context of buyer-supplier relationships using a dyadic approach concentrating on individual supply chains of companies using Chinese organisations for their supply chain partners.

We posit that the link between internal and external environmental factors and supply chain performance can be mediated by the levels of trust and commitment in the relationship. While trust and commitment are well studied in supply chain relationships, the extant studies do not take a holistic view of how trust and commitment can mediate between environmental criteria and supply chain performance.

RESEARCH APPROACH

This research follows a qualitative approach using in-depth semi-structured interviews. The semi-structured interviews were conducted with senior managers/owners in firms in Ireland that have a supply chain relationship with China and secondly with Chinese firms that have supply chain relationships with firms in Ireland and in Western Europe as whole. Firms were chosen based on a judgmental sampling technique focusing on successful firms, in both countries, that had a medium to long term relationship with a key partner in their supply chain. The flexible format of semi-structured encouraged extensive answers that revealed insights into the topic being examined (Wathne and Heide, 2004).

Table 1 Respondents List

Classification	Company Size	Industry Sector	Respondent's Position	Interview Venue	Interview Time
A	Large	Heating Components	Director	Dublin	21st November, 2011
B	Large	Building Materials	Purchasing Manager	Dublin	16th March, 2012
C	SME	Heating Components	Director of Operations	Cork	16th December, 2011
D	SME	Gift company	Purchasing Manger	Dublin	17th January, 2012
E	Large	Retail Clothing Organization	Head of Marketing	Dublin	20th February, 2012
F	Large	Dairy Business	G Purchasing Director	Kilkenny	13th January, 2012
G	SME	H Heating Components	Operations Manager	China	30th February , 2012
H	Large	Beverages	Supply chain manager	Dublin.	16th March, 2012
I	Medium	Electrical component firm	Purchasing manager	Dublin	3 rd July, 2012
J	Small	Clothes manufacturing	Marketing Manager	China	11th April, 2012
K	Small	Toy manufacturing	Owner	China	12th April, 2012
L	Large	Construction material manufacturing	Director	China	14th April, 2012

SUMMARY OF ANALYSIS

Thematic analysis was conducted to analyse the data. This is a foundational method for qualitative analysis, and is an accessible and theoretically flexible approach to analyses qualitative data (Lee and Lings, 2008). Braun and Clarke (2006) stated that thematic analysis provides a flexible and useful research tool which potentially can provide a rich and detailed, yet complex, account of data. In addition, it provides methods of analysis that should be applied

rigorously to the data. It can be used to further interpret various aspects of the research topic. As thematic analysis does not require a detailed theoretical and technological knowledge of approaches, it is a more accessible form of analysis. However, because thematic analysis is a flexible method, the researcher needs to be clear and explicit about objectives; what the researcher says they are doing needs to match up with what they are actually doing. Thus, the theory and method needs to be applied rigorously (Braun and Clarke, 2006).

Following transcription of the interview materials, analysis in this thesis focused on what the interviewees explained about their firms overall supply chain, and what they expressed about their roles in the firms. This data was given a close reading to extract themes. These themes are given below and capture key findings from the data in relation to the research question:

- (a) The internal and external factors that influence supply chain buyer-supplier relationships.
- (b) The key factors influencing the firm's supply chain relationship.
- (c) The most important and the least important environmental factors that influence supply chain relationships.

The interview respondents were the executive managers, directors and owners so as to avoid or reduce the level of bias in the interview process and help to increase the reliability of the data collected. A list of the questions was given to the respondents a few days prior to the interviews. The respondents were fully aware of the duration of the interview and were not under any pressure when giving their information to the interviewer. This minimised some possible bias. The interviews were taped. This helped the researcher go over the interviews, pick out details and accurately translate the data and make quality coding.

FINDINGS

The findings from the semi-structured interviews show that the buyer-supplier relationship is a multi-dimensional construct. Trust, commitment, power and mitigating risk have been broadly recognized as important elements in both existing literature and interviews. This study follows calls for research to further understand the role of buyer-supplier relationships in the supply chain management (Kannan and Tan, 2006; Ambrose et al., 2010). Trust grows on the understanding of both the buyer and supplier; it benefits both parties who gain mutual satisfaction from the relationship. Trust can be improved by the degree of communication and emotional involvement between buyer and supplier (Anderson and Kumar, 2006; Cambra-Fierro and Polo-Redondo, 2008; Cao and Zhang, 2011; Mpinganjira et al., 2017). Trust enables both parties to grow from a focus on contractual-based trust to competence-based trust to goodwill trust (Lee and Johnsen, 2012; Mpinganjira et al., 2017). Furthermore, the results indicate that for the establishment of commitment between buyer-supplier, it is important that the supplier/buyer has trust in the purchasing; it provides "benevolence and honesty. If the

buyer/supplier believes the buyer/supplier is honest and benevolent, they can offer the welfare, loans to the buyer/supplier. They will not act opportunistically; they will be more committed to the buyer/supplier.

No organisation is self-sufficient. Firms always depend, albeit to varying degrees, on their trading partners (Deligonul et al., 2013; Dabhilkar et al., 2016). The results show that supply chain partners indicate that they are often asymmetrical paired in terms of power: a large firm with much greater power in the supply chain and a much smaller enterprise. The larger firm appears to be throwing its weight into ‘coercing’ the smaller one. Power consists of mediated power and non-mediated power, mediated power negatively impacts on the outcomes of the relationships. Supply chains are inherently risky (Benton and Maloni, 2005; Ke et al., 2009; He et al., 2013; Jain et al., 2016). Consequently, how to manage and minimise risk have become important issues in supply chain relationship management (Chen et al., 2013; Micheli et al., 2014; Rajesh and Ravi, 2015; Kumar et al., 2018).

In the broad discussion of the business environment with the participants, eight business environment dimensions were identified, namely, technology development, dependence, experience, social bonds, political connections, cultural distance, supply chain risk and competitive intensity, which influence supply chain buyer-supplier relationships. Three key aspects emerged: the institutional environment, cultural issues and competitive intensity. Four internal environmental issues came to the fore in the interviews. These were: technology development, dependence, social bonds and experience.

The importance of cultural distance, political environment and trust as having a significant influence on the supply chain buyer-supplier relationships and supply chain performance. Interestingly, the internal environment aspects were given less credence by the respondents even though they did acknowledge their importance. The issue of ethical condition and social responsibility was raised primarily by the retail clothing organization as this industry has come under pressure from their customers in relation to such issues as ethical sourcing and child labour allegations.

Finally, it was encouraging to note that both internal and external factors were found to be important for the level of trust and commitment exhibited in the relationship and also seen to be crucial for the continued success of the supply chain relationship. Research question has been answered by this qualitative research approach.

Table 2: Interviews Summary Analysis

Business environment	Respondent statement related to SC relationships	Summary Results
Internal business environment	Technology development	7 out of 12 Respondents
	Dependence	8 out of 12 respondents

	Experience	All respondents
	Social bonds	10 out of 12 respondents
	* <i>Quality</i>	3 out of 12 respondents
	* <i>Reliability</i>	3 out of 12 respondents
External business environment	Political environment	6 out of 12 respondents.
	Competitive intensity	10 out of 12 respondents
	Supply chain risk	7 out of 12 respondents
	Cultural distance	8 out of 12 respondents
	* <i>Ethical condition,</i>	1 out of 12 respondents
	* <i>Social Responsibility</i>	1 out of 12 respondents

(* means that a theme has not been identified in proposed model)

CONCLUSION

The research makes a number of contributions both theoretically and practically.

This research represents one of the earliest attempts to focus on this issue in the supply chain area. It will fill the gap on how business environment factors influence buyer-supplier relationships. The wide-ranging set of such variables here includes firm's internal technology, which is noted by (Fynes et al., 2004; Williams and Moore, 2007; Finger et al., 2014) It will help to further develop the way of managing the business environment factors and supply chain buyer-supplier relationships that create supply chain performance. The research will be conducted in multiple countries. Research such as this can enable researchers to develop further knowledge to understand the theories of supply chain management. Furthermore, the benefit of this research will not only be to help understand the impact of satisfaction on supply chain performance but to contribute to relationship quality issue such as trust and commitment effect on supply chain performance.

On the methodological side contributions, the research will take a unit of dyadic analysis that will answer the call from (Cambra-Fierro and Polo-Redondo, 2008, Whipple et al., 2010, Nyaga et al., 2010) to investigate satisfaction, trust, and commitment in supply chain from both buyer and supplier perspectives.

On the practical implications, it must be noted that supply chain buyer-supplier relationships have become increasingly important. They can bring superior value to an organisation by applying an appropriate relationship strategy (Ford, 1980; Cousins, 2002; Trent, 2005; Benton and Maloni, 2005; Nyaga et al., 2010; Patrucco and Luzzini, 2019). This study offers potential benefit of improving firm performance through enhancing appropriate relationships between buyers and suppliers in particular environmental contexts.

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