

# **Collaborative relationships within a subsidiary network context: a case study in the automotive industry**

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## **ABSTRACT**

*This paper explores buyer-supplier relationships (BSR) in the automotive and component industries. More specifically, it investigates the collaborative business relationships between a Portuguese based subsidiary of a major American automotive manufacturer and its Portuguese based direct suppliers (PBDS). This paper attempts to capture the extent of collaboration in the dyadic business relationships (DBR) involved, and to identify the factors that influence the establishment and development of collaboration in these DBR. In particular, the network of external relationships a subsidiary company has with its direct suppliers is investigated and conclusions drawn. A qualitative approach is favoured and a single case study is used. The research approach is cross-sectional in design and is descriptive and exploratory. This paper demonstrates a number of results: (1) the dyadic level of analysis is a necessary, but not sufficient unit of analysis to understand buyer-supplier relationships; (2) collaboration cannot be assumed to take place 'naturally', but it becomes another managerial choice; (3) collaboration is contingent on the position, role and influence level at different points in the network; (4) if the collaboration effort is not well targeted, performance levels will be impacted, and (5) at the dyadic level, performance improvement may be more dependent on the MNC network interactions than on the locally permitted activity.*

## **INTRODUCTION**

The richness and variety of research on business-to-business relationships, buyer-supplier relationships (BSR) and networks over recent years, is outstanding (see Axelsson and Easton, 1992; Grandori and Soda, 1995). Although the research on these topics is substantial, an examination of the literature reveals a number of issues related to business relationships and BSR in particular, worthy of investigation. These are: (1) the need for a multi-disciplinary approach to BSR (Moller and Halinen, 1999); (2) the need to make a connection between the dyadic and the network approaches to research in BSR (Harland, 1996); (3) the need to investigate the nature of a given relationship

within a network context (Anderson, Hakansson and Johanson, 1994); (4) the need to explore partnering and collaboration in terms of their nature, extent and suitability (Bello, Lohtia and Dant, 1999); (5) the need to understand partnering and collaboration within increasingly complex organisational chains which are embedded in national and socio-political contexts (Legendijk, 1997); and, (6) the need for research into the factors that influence BSR (Bello, Lohtia and Dant, 1999).

In response to the identified research gaps, the research detailed in this paper is set at a dyadic level of analysis: looking at two party relationships with immediate suppliers. The research follows the conceptualisation of dyadic business relationships (DBR) as formulated by Anderson, Hakansson and Johanson (1994), Harland (1996), and Moller and Halinen (1999), which recognises the DBR as taking place within a network context. In this research, the supply chain management (SCM) concept of partnering emerges as a central construct. Also, the “international business-as-context-and-issues” approach is taken, which, according to international business (IB), is a set of issues arising from the cross-border aspects of business (Millar, Grant, and Choi, 2000). This approach is embraced for its potential in providing a relevant context relating to the multinational corporation (MNC) and subsidiary theories. This is particularly important for the automotive industry, since the majority of firms operate within an international context. This research is developed using the perspective of a MNC as an internally differentiated inter-organisational network (Ghoshal and Bartlett, 1990), or, in other words, as an inter-organisation system rather than as an organisation. In addition, in accordance with Ghoshal and Bratlett (1990) and Anderson and Forsgren (2000), this research assumes that a subsidiary, irrespective of the type of MNC, is engaged in its own unique network context: formed by the business relationships it establishes, and on which its development is based.

## **LITERATURE REVIEW**

### **Partnering and Collaboration**

Partnering is a complex concept (Lamming, 1993). Literature does not seem to provide a coherent picture of partnering and it shows that there is still no standard, well accepted, definition of partnering in use today. Recent definitions of partnering seem to go in parallel with the recognition that organisations need to have a portfolio of

relationships, as more and more partnering is defined as one relationship type to be established in certain circumstances and to achieve certain goals. Veludo and Macbeth (2000) claim that partnering is a relationship type which has to be defined and targeted, by the parties involved, at the start of a learning process leading to previously agreed objectives. For these authors, the fundamental difference between partnering and collaboration lies in the enforcement mechanisms used by the parties. Whilst partnering is based on both formal arrangement and commitment, collaboration has a stronger attitudinal component, and, furthermore, informal commitment becomes predominant. This view differs from Cousins' (2002) view, who argued that partnering relationships do not exist; rather there are ranges of varying collaborative relationships, all of which are competitive.

Collaboration has also attracted the attention of the IMP Group (Hakansson, 1982). The original IMP Group identified states of conflict and cooperation as endemic to the atmosphere surrounding a relationship. However, the IMP Group fails to differentiate collaborative practices from collaborative behaviour. In addition, although the IMP Group recognises that there is often a close interaction between the buyer and the supplier, it does not recognise the portfolio effect of different types of relationships and the problems of implementation, management and measurement of these relationships (Araujo, 1990). Easton (1992), argued that both parties in a relationship have to have a minimal level of cooperation (here, cooperation corresponds to collaboration). Hakansson and Snehota (1995) see cooperation in a relationship as a very natural element, almost the norm. Lambert and Cooper (1998), looking at collaboration within a broader context rather than the dyad, argue that the closeness of the relationship, at different points in the supply chain, will differ.

In this study, buyer-supplier collaboration is defined based on the view of Bello, Lohtia and Dant (1999), who defined the concept as the joint action between buyer and supplier, resulting in an inter-penetration of organisational boundaries, because of the sharing of resources and responsibilities as they conduct activities in a coordinated and integrated way.

### **The Multinational Corporation (MNC)**

According to Paterson and Brock (2002), there are two main views to the MNC organisational design: the strategy-structure relationship and the network view.

The importance of fitting a company's organisational structure to its strategy was initially highlighted by Chandler (1962). His work drove a series of studies, which culminated in the development of various strategy-structure models of the MNC, describing sets of fits between MNC strategy and MNC structure (Egelhoff, 1982; Stopford and Wells, 1972). Features associated with such strategy-structure models of the MNC include: (1) a clear specification of when one type of structure is superior to another; and, (2) the identification of those elements of strategy that are most important to a firm's structure. These characteristics made strategy-structure models interesting guidelines for evaluating and designing a firm's structure and for considering the implications of organizational changes in firm strategy (Paterson and Brock, 2002). Since the 1980s, research in traditional strategy-structure theory has decreased. Instead, there has been a growing interest on network models of the MNC, favouring a non-structural and more informal approach to the organisation of international firms, which relies more heavily on informal communications to coordinate a firm's operations. These models basically argue that structure (and its fit with strategy) is a too rigid and inflexible to deal with the high levels of unpredictable change that MNCs face. The inter-organizational and the network approaches have been recommended for the study of MNCs by several authors, including Ghoshal and Bartlett (1990). These authors advocate the adoption of an inter-organizational theory for the MNC related research with some changes to reflect the ownership-based inter-organizational ties that exist between the MNC headquarters and its foreign subsidiaries.

Egelhoff (2002) presented a notable critique of these two views of the MNC organisational design. These will now be reviewed. Firstly, proponents of a network view of organizations are generally vague in specifying what shapes networks. Secondly, most often it is assumed that in such networks, every subunit or person, is directly connected to every other subunit or person in the network. Thirdly, this kind of network cuts across any divisions created by formal structure, which becomes irrelevant to communication and coordination. Fourthly, the extent to which formal structure or hierarchy can or should be replaced by a network design is usually left imprecise. In addition, he considers that most discussions of transnational or hierarchical models leave the impression that the role of formal structure can be greatly reduced, if not

eliminated. This means that if structure becomes an unimportant coordinating mechanism, then its fit with strategy also becomes unimportant. The authors' work has revealed that formal structure has significant implications for coordination, and it shapes and influences large amounts of organizational behaviour. Hence, by evaluating the implications of structure on organisational behaviour, one can see that formal organisational structure and its relationship to strategy is important to the organisational functioning and performance of MNCs. Egelhoff (2002) argues that all MNCs tend to have some kind of formal structure or hierarchy where the parent-subsidary relationship exists. He argues further that this neither contradicts nor is contradicted by views of network behaviour in firms. Instead, the two views can be combined. Ghoshal and Bartlett (1990), seem to reinforce this argument when claiming that different attributes of an MNC (configuration of its organisational resources, the nature of inter-unit exchange relations), that lead to such a configuration, can be explained by selected attributes of the external network within which it is embedded and upon which it depends for its survival.

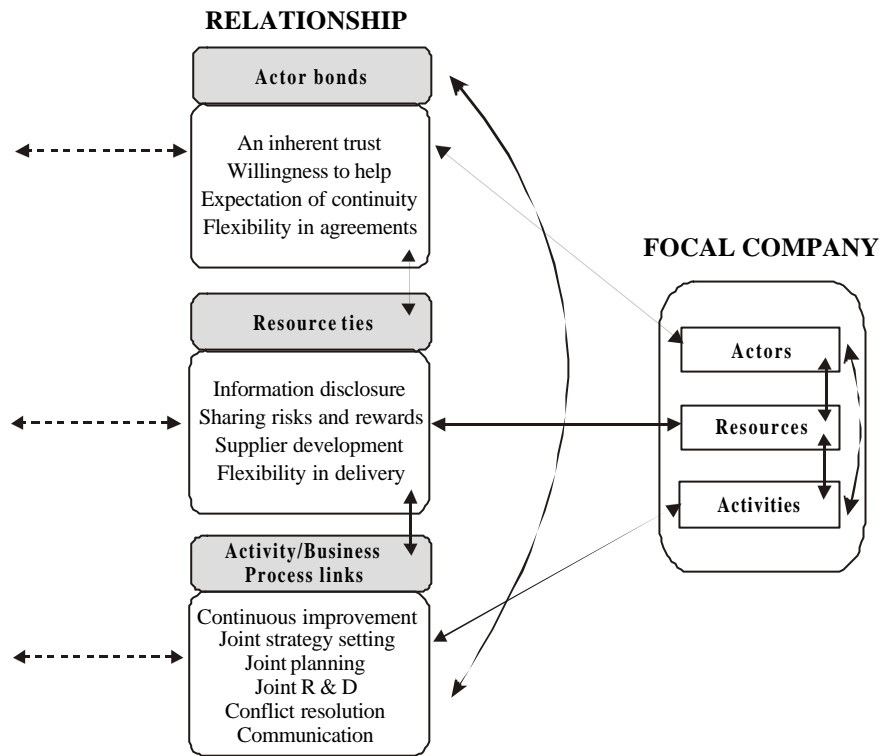
## **METHODOLOGY**

The research is exploratory in terms of its purpose, qualitative in terms of the process adopted, deductive and inductive in terms of the logic of the research and basic in terms of its outcome. This thesis adopts an embedded single case study design (it includes seven dyads), gaining insights into business relationships by way of in-depth interviews, and by interpreting the data both deductively and inductively. The research follows a multi-disciplinary approach: supply chain management, industrial marketing and purchasing, and the international business-as-context-and-issues approaches are taken into account at different stages of the research project. A conceptual framework is used for data gathering and analysis (Figure 1), whilst a conceptual framework, used to analyse dyadic business relationships in industrial markets, is used at the data analysis stage (Figure 3).

Actor bonds (AB) describe the connections between the actors, either individual or organisational, through their perceptions of each other. Resource ties (RT) describe the organisational connections that are developed through resource inputs and outputs. Activity Links (AL) describe the connections formed by activities and business

processes, which the actors develop with each other. The concept of focal company is taken as a firm performing activities and employing resources (Henderson and Quandt, 1971).

**Figure 1. A conceptual framework to analyse business relationships in industrial markets**



Within this research, the supply chain management concept of partnering emerges as a central construct. In this study, defining characteristics of partnering are translated into actor bonds, resource ties and activity links, which are concepts associated with the network approach. Partnering, as a type of relationship, occurs when certain criteria are fulfilled, is taken as an ideal scenario. The business processes and activities, which OP implements with its PBDS, and the behaviour of both parties when they interact, are compared against that scenario. Collaboration is given by the strength of actor bonds (AB), resource ties (RT) and activity links (AL).

## OPEL PORTUGAL: A CASE STUDY

### Organisational Characteristics: Overview

OP is an operational unit under the direction of GM's coordination centre (i.e. GME) in Zurich and, in this study, is regarded as a subsidiary of a MNC ( General Motors (GM)). OP is a final assembler subordinate to Opel in Spain (OS) and Opel in Germany (OG). For this reason, it has been regarded as a branch affiliate (Dickens, 1998) rather than a subsidiary, reporting to the regional headquarters (HQ) in Spain, which in turn, reports to OG. OP is dependent on those two other subsidiaries for resources, and the management of some of its activities (Table 1).

**Table 1. Activities implemented at Opel Portugal and its connections with other Opel subsidiaries**

Activity	Implementation
R&D	Located in Germany and dictated by Opel to suppliers in conformity with its global R&D strategy.
Production	Opel Portugal is mainly an assembly plant. The engineering of the process relies mainly on the painting process. Opel Portugal is considered as having a low volume of product per range, in comparison to other units and to other automotive assemblers' plants. This state of affairs brings effects in terms of inventory management and logistics.
Planning	Opel Portugal follows the planning that is established for Europe by Opel. However, it develops its own internal planning.
Quality Management	Opel in Germany, Opel in Spain and Opel in Portugal share quality management responsibility for their output, suppliers' assessment, and the analysis of any defective items. This makes suppliers to contact all the above three divisions of Opel to discuss quality issues.
Logistics	Logistics is an important function at Opel Portugal. This unit keeps stocks, which are not so high as those that suppliers are required to keep.
Information Management	Information management has become an important activity, as the management of the internal and external flows of information. EDI is used with certain suppliers.
Sales Management	Opel Portugal only has the management of sales for the internal market.
Financial Management	Conducted through Opel in Spain, which makes suppliers to establish contacts with this unit. Payments to suppliers are made through Opel in Spain.
Purchasing	Opel Portugal does not directly negotiate with suppliers for the appointment of most supply contracts. However, it is responsible for the outsourcing of certain services up to a certain amount and of those it urgently needs. Opel Portugal places the orders once the negotiation process is over. Opel in Germany does the follow-up on those orders. Due to the dispersion of both purchasing activities and responsibilities within Opel, suppliers required to contact the purchasing departments in Germany, Spain and Portugal.

### **Profile of Portuguese Based Direct Suppliers**

Seven companies, fifty per cent of OP's PBDS, have participated in this case study. Most PBDS have been doing business with OP for at least fourteen years. OP's PBDS vary mainly in terms of ownership, the supply network they are part of, their organisational structure, the resources involved, their activity structure, their manufactured products, and their dependence on OP. Examples of these differences will now be provided.

Both Portuguese and foreign owned companies supplying OP, are part of a network form of organisation. The Portuguese owned suppliers have established alliances (including joint ventures) with foreign companies and employ subcontractors for parts of the production destined for OP. The foreign owned companies are subsidiaries of multinational corporations (MNCs), geographically scattered in different units throughout several countries and even continents. These subsidiary companies do not have the same level of autonomy in regard to the definition of strategies and the negotiation process with Opel. The degree of autonomy of these companies ranges from a high level, to a total dependence on their headquarters' decisions.

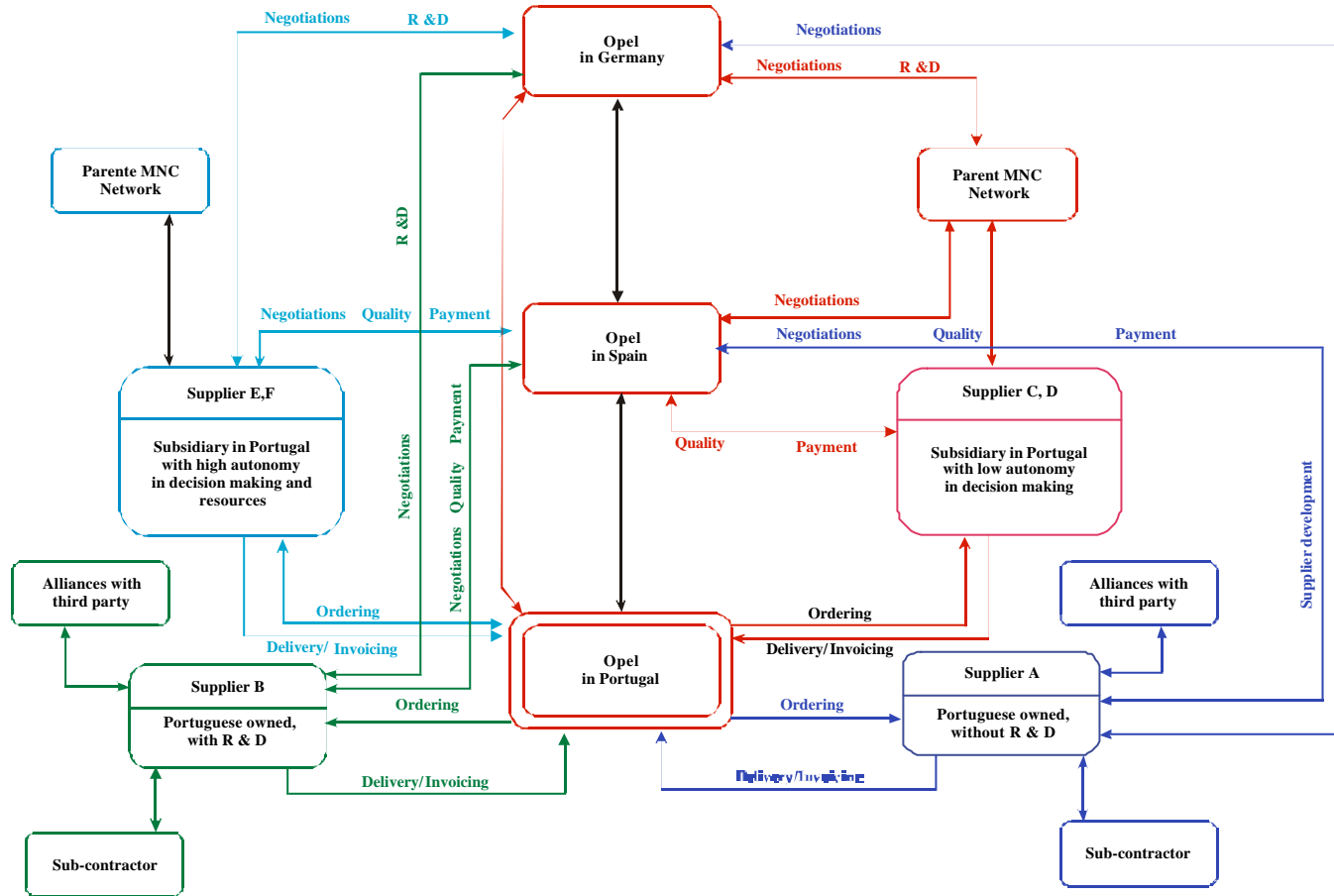
### **Business Network of Opel Portugal**

OP, irrespective of the type of MNC it belongs to, has its own business network of relationships (Anderson and Forsgren, 2000)(Figure 2).

This figure presents an overview of OP's business network. It is a simplified scenario, as the number of identified companies and network linkages, is limited. This is because of: (1) only fifty per cent of the PBDS of OP have participated in this research; (2) the investigation of networks, and supply networks in particular, were not within the scope of this research; and, (3) the views of more distant parts of the network were rather unclear.

This figure shows that each company is part of a complex network of actors, resources and activities (Hakansson and Snehota, 1995). The actors are the organisations in question. Here, OG, OS, OP, the PBDS and respective MNCs are the actors represented. Each has an identity and a position within the network, defined by the relationships it has with other actors within the network (Low, 1997). These actors form the organisational set or, in other words, the focal net (Ghoshal and Bartlett, 1990) of OP.

**Figure 2. The business network of Opel Portugal**



Actors, are also defined by the activities they perform and the resources they control (Hakansson and Snehota, 1995). Therefore, actors are both resource holders and resource users. They possess different resources, which depend upon the nature of the global environment that they are working in, and the position they hold, within the network (Harland, 1996). A series of activities are carried out at several points in the network. As shown in Figure 2, numerous interactions occur within dispersed organisational structures.

OP's network is unique because it comprises a specific set of direct and indirect relationships (Anderson and Forsgren, 2000). This creates a highly complex geographically dispersed structure. OP has relationships backwards to suppliers and sideways to complementary subsidiaries in Germany and in Spain. Furthermore, this uniqueness arises because each relationship has a specific operational importance for OP. Moreover, these operations are dependent upon relationship specific investments, by both sides (OP and suppliers), in terms of products, production, technology and administrative systems. Viewed in this way, OP sits at the interface between three markets: (1) the local market in Portugal, consisting of competitors, suppliers, customers and regulatory bodies in the host country; (2) the internal market, comprised of head office operations in Zurich, and the corporate-controlled affiliates in both Germany and Spain; and, (3) the global market, consisting of competitors, customers, and suppliers, that fall outside the local and internal markets. The boundaries of OP are difficult to establish because OG and OS control both resources and activities.

The dyad-network embeddedness of OP is illustrated in Figure 2. It is evident from this figure that OP is inseparable from its network, which supports the view of Hakansson and Snehota (1995). In accordance with Cook et al (1983), the authors view the network as a structure of dyadic exchange relationships, tied together in series and in parallel, consisting of groups of independent firms coordinating their activities and resources. The findings show a variety of complex intra and inter-organisational networks. These intersect with geographical networks, structured around clusters of activities.

### **Collaboration Between Opel Portugal and its Portuguese Based Direct Suppliers**

This research attempts to capture the extent of collaboration and the collaborative practices, in the dyadic business relationships (DBR) between a Portuguese based subsidiary of a major American automotive manufacturer (GM), and its PBDS. In order

to explore and understand collaboration within the DBR, this section deals with: (a) the content of the relationships; (b) the nature of the relationships; and, (c) the strength of actor bonds (AB), resource ties (RT) and activity links (AL), as a result of the application of the Actors-Resources-Activities (ARA) model.

The content of the relationships refers to the collaborative characteristics of the relationships between OP and its PBDS. These collaborative characteristics are taken as collaborative indicators of the defining partnering dimensions, which, in this study, are trust, win-win, long-term orientation, coordination, joint problem solving and flexibility. It is the content of the relationships that allows the nature of the relationships to be captured. This nature is seen in terms of the overall characteristics of the relationships: multi-dimensional, directional, evolutionary, structural and variational (as defined by Cheung and Turnbull (1998)). An overall level of collaboration appears as the result of categorising the collaborative characteristics of the relationships between OP and its PBDS, into groups. This overall level of collaboration is given by the strength of actor bonds (AB), resource ties (RT) and activity links (AL).

### *The Content of the Relationships*

The summary of these characteristics is provided in Table 2.

**Table 2. The content of the relationships between Opel Portugal and its Portuguese based suppliers.**

Collaboration Indicator	Collaboration Characteristic	Collaboration level	
		Supplier Perspective	Buyer Perspective
Trust	An Inherent Trust	Low	Low
Win-Win	Sharing Risks and Rewards	Non-exist	Non-exist
	Increase in Joint Competitiveness	Medium	Medium
Long-Term Orientation	Expectation of Continuity	Medium	Medium
	Continuous Improvement	Non-exist	Non-exist
	Supplier Development	Non-exist	Non-exist
Co-ordination	Joint Strategy Setting	Non-exist	Non-exist
	Joint Planning	Non-exist	Non-exist
	Joint R&D	Non-exist	Non-exist
	Communication	Low	Low
Joint Problem Solving	Willingness to Help	High	Medium
	Conflict Resolution	Low	Low
Flexibility	Flexibility in Agreements	Non-exist	Non-exist
	Flexibility in Delivery	High	.....

***The Nature of the Relationships Between Opel Portugal and its Portuguese Based Direct Suppliers***

Based on findings relating to the content of relationships and their interpretation, the researcher infers that relationships between OP and its PBDS are complex and heterogeneous. This confirms the nature of BSR as identified by Cheung and Turnbull (1998) and Easton (1992). Complexity arises from the varied nature of the BSR, which are multi-dimensional, directional, structural and variable. The variety of firms (in structure, resources, history, investments and skills) appears to contribute to the heterogeneity of the business relationships.

***Actor Bonds, Resource Ties and Activity Links: An Application of the Actors-Resources-Activities (ARA) Model***

Although there is evidence that there are differences among the various focal dyadic relationships, certain aspects of these relationships can be categorised and generalised (Hakansson and Johanson, 1992). Hence, a level of collaboration, given by the strength of actor bonds (AB), resource ties (RT) and activity links (AL), comes to fruition.

**Table 3. Collaborative practices and strength of actor bonds, resource ties and activity links**

Collaboration Indicator	Collaboration level		Substance Layer	Bond Strength
	Supplier Perspective	Buyer Perspective		
An Inherent Trust	Low	Low	Actor Bonds	Weak
Willingness to Help	High	Medium		
Personal Relations	Low	Low		
Expectation of Continuity	Medium	Medium		
Flexibility in Agreements	Non-exist	Non-exist		
Information Disclosure	High	Low	Resource Ties	Mostly weak with exception in regard to delivery
Sharing Risks and Rewards	Non-exist	Non-exist		
Supplier Development	Non-exist	Non-exist		
Flexibility in Delivery	High	-----		
Continuous Improvement	Non-exist	Non-exist	Activity Links	Weak
Joint Strategy Setting	Non-exist	Non-exist		
Joint Planning	Non-exist	Non-exist		
Joint R&D	Non-exist	Non-exist		
Conflict Resolution	Low	Low		
Communication	Low	Low		

### ***Collaboration Between Opel Portugal and its Portuguese Based Direct Suppliers: Conclusions***

The findings have shown the complex and diversified nature of business relationships established between Opel Portugal (OP) and its Portuguese Based Direct Suppliers (PBDS). Complexity has arisen from the varied nature of the business relationships, which were multi-dimensional, directional, structural and variable. The diversity has occurred as a direct result of the variety of firms, in terms of size and available resources. Despite the differences found for each dyadic relationship, findings have shown mixed forms of relationships, characterised by the existence of collaborative and non-collaborative elements, in which the predominant collaboration form was usually formal and enforceable through existing contracts. The researchers have detected that there was a one-sided relationship, where the final assembler, directly or indirectly (through Opel in Germany (OG) and Opel in Spain (OS)), dictated its supply organisations. Mudambi and Helper (1998) have found identical empirical results using the close, but adversarial, model of buyer-supplier relationships in the North American automotive industry. This consistency reinforces the view of Young and Wilkinson (1997) who argued that firms may choose to collaborate on some goals but not others. In this study, collaboration has appeared as a wide combination of possible forms, which differ from one dyad to another. The researchers have found that relationships between OP and its PBDS ranged from a non-collaborative to a collaborative mode, on a multi-dimensional continuum of relationships. In this continuum, the prevalence of collaborative indicators was relatively low. The only collaborative practices were those associated with logistic issues or the execution of services. The researchers have concluded that there was not a high level of integration between OP and its PBDS. This has also been shown in terms of the levels of actor bonds (AB), resource ties (RT) and activity links (AL) established. Despite the differences in the focal dyadic relationships, the findings have illustrated that AB, RT and AL were in general weak. However, detailed observations have shown stronger AL related to logistic issues, but also stronger RT associated with logistics. The multi-dimensional continuum of relationships, which the researchers have used to classify the relationships between OP and its PBDS, differs from the continuum of relationships defined by authors such as Sako (1992) and Wilson and Vlosky (1997). These authors have mentioned a continuum

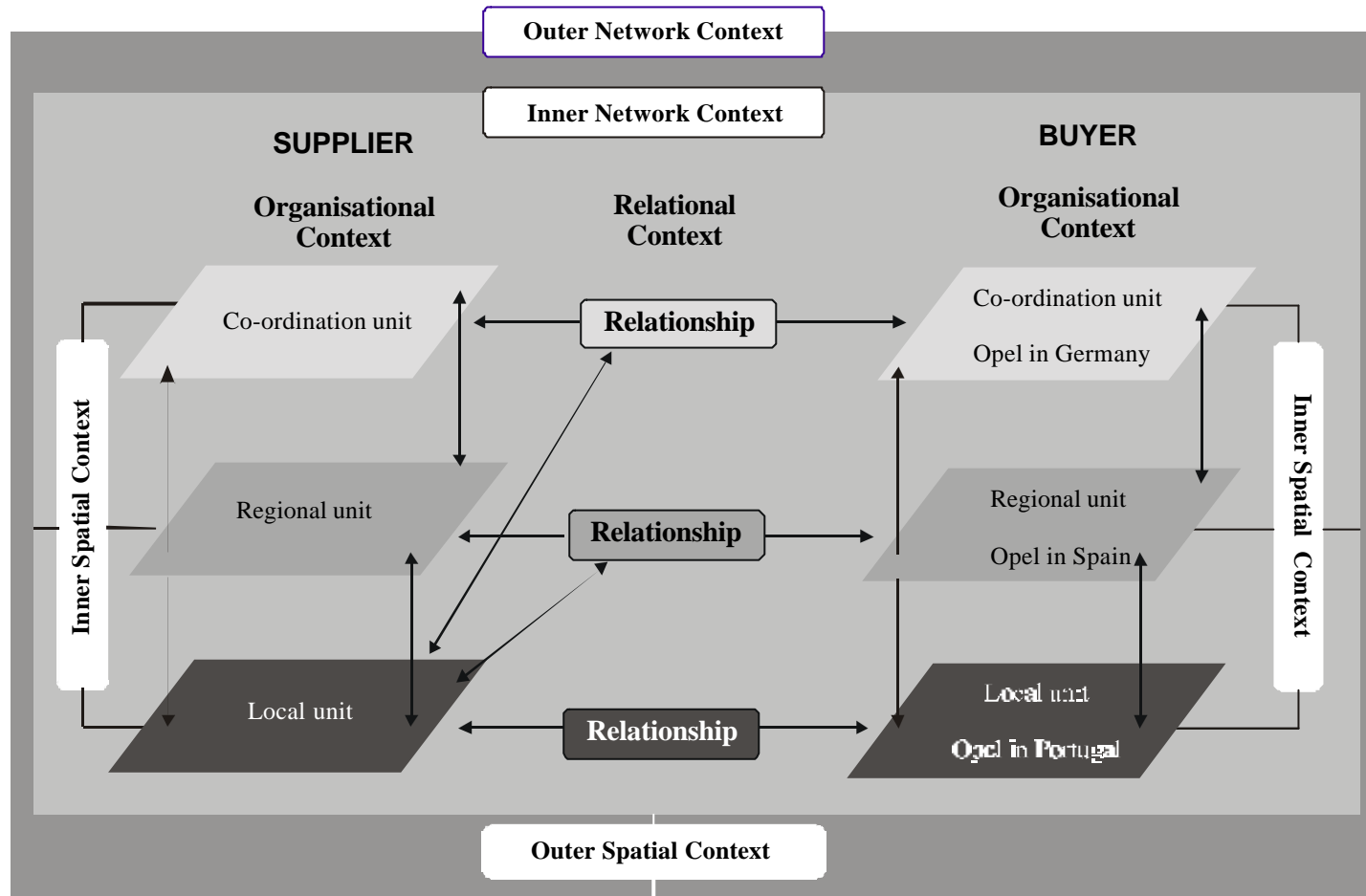
of relationships with two opposite extremes. Instead, and similarly to Young and Wilkinson (1997), the researchers have inferred from the findings that cooperation and competition emerge as separate dimensions rather than opposite poles of the same dimension. This notion suggests that relationships comprise different mixes of each dimension rather than being one or the other. However, the researchers have expanded the view expressed by Young and Wilkinson by observing that a relationship can be characterised by several dimensions, each of which can be a combination of collaborative and non-collaborative elements. This, according to Gadde and Hakansson (2001), is what gives multi-dimensionality to relationships. The researchers have also found that their findings are not consistent with the view of partnering as defined by Cousins (2002). Cousins claimed that partnering does not exist; rather there are ranges of varying collaborative relationships. From the interviews undertaken within this study, it has emerged that the respondents were aware of differences between collaboration and partnering arrangements, to the extent that they were able to recognise the importance of these arrangements in order to accomplish joint involvement of buyer and supplier in research development (R&D) projects. Their observations were supported with examples of partnering arrangements, which were established between other points of the respective organisational networks, rather than between OP and its PBDS.

### **Contextual Factors Influencing Business Relationships between Opel Portugal and its Portuguese Based Direct Suppliers**

It is the purpose of this section to identify the contextual factors shaping the dyadic processes. The individual relationships will be considered as one group to enable analytic generalisation. In this study, context is defined as those factors that affect, or condition, the establishment and development of a relationship.

Four groups of contextual factors have been identified: (1) organisational context; (2) relational context; (3) spatial context and (4) network context. These groups and their linkages are illustrated in Figure 3.

Figure 3. Contextual Factors Framework



Legend:

*Organisational Context:*

- Corporate Culture
- Employment System Links
- Strategy
- Policies
- Organisational Structure
- Actors
- Resources
- Activities

*Relational Context:*

- Product
- Service
- Information
- Finance
- Communication
- Personal Relations
- Atmosphere (trust, climate of pressure, buyer's conflict behaviour)
- Relationship Specific Investments

*Inner Spatial Context:*

- Position in the Network
- Geographical Location (e.g. local, regional, head office)

*Inner Network Context:*

- Network of Actors
- Network of Resources
- Network of Activities

*Forces that bind the network:*

- Embeddedness
- Connectedness
- Interdependence

The organisational context refers to the specific features of a company that affect the focal relationship. The relational context include the following factors: components which effect the dyadic interaction process (product, service, information, finance), communication related issues, the personal relations established between buyer and suppliers, the atmosphere affecting and being affected by buyer-supplier interaction, and the relationship specific investments made by both parties. Atmosphere is considered to be an intervening group of variables, which reflect the behaviour of the parties involved and the mutual expectation each of the party's holds in relation to the other. Relationship specific investments include the activities performed within the relationship (e.g. adjustments in transportation and payment routines), the activities performed by the respective companies (e.g. reallocation in the production processes and product customisation), and those tangible (e.g. building and tools), and intangible specific investments (e.g. time allocated to the buyer), either strategically planned and implemented, or occurring in an unconscious manner. The inner spatial context is the space, both in terms of geographical location and network position, in which a firm resides. In this case study, the inner spatial context consists of three layers (Portugal, Spain and Germany) where the buyer and its PBDS (through direct or indirect subsidiaries of their own MNC networks) undertake business relationships. The inner network context includes the network of actors, resources and activities of OP's business network, and the intra-organisational relationships of the companies involved. The network as configurations of actors carrying out activities, form the contextual domain in which OP and its PBDS operate. Embeddedness, connectedness and interdependence, are the forces that bind the network components. In this study, network influence is seen as embracing the factors, which reflect the actors' inducements, constraints, and availability of opportunities to form relationships and alliances, either vertical or horizontal. The inner spatial context and the inner network context correspond to the internal parts of OP's network, rather than the MNC (GM's multinational network) in general. The external context is formed by all of the different organisational units of the MNC. However, OP's capabilities, and therefore its position within the MNC, are primarily shaped by its role in the whole network (Anderson and Forsgren, 2000). The investigation of the outer spatial and outer networks contexts, goes beyond the scope of this research.

The contextual factors, emerging to explain the dynamics and processes associated with buyer-supplier interaction, were mentioned in previous literature sometimes through equivalent terms. There are however constructs (commitment, power and competition) mentioned in the literature as relevant factors influencing buyer-supplier relationships, which were not highlighted during the interviews. This is understandable in the light of the explanation given by Rui Pinho (managing director and coordinator of several international units of Group Ficoso in Spain): “*Business relationships vary in their characteristics. There is no rule to explain that diversity. A diversified scenario of relationships can be explained by the different combinations of several factors, some of which are more significant than others. Each company will have to weight each factor and prioritise it in terms of its importance*”. From this observation, the authors infer that the contextual factors mentioned by the respondents, were those seen as the most influential within the specific context under investigation. This conclusion supports the view of Anderson, Hakansson and Johanson (1994), who claim that to understand business dyads, attention must be directed to the embedded context in which dyadic business relationships take place.

The authors claim that some of the factors have a higher impact on the observed levels of collaboration between OP and its PBDS, than others. These are: the corporate strategy-structure of the companies involved, individual management styles and ultimately, Opel’s institutional framework. This belief is partially shared by Tomas Moreira (Managing director of Gametal, which is a subsidiary of a German group), who observed: “*The different types of relationships, and the different levels of collaboration, between buyer and suppliers, are determined by the combination of strategies, policies and individuals*”.

An institutional framework is defined as the set of political, social and legal ground rules that form the basis for production exchange and distribution (Davis and North, 1971). Opel developed its own institutional identity, which reflects its experiences in multiple locations, its strategy over time (Almeida, Grant and Phene, 2002) as well as its norms, values and assumptions about what constitutes appropriate economic behaviour (Peng, 2002). Perhaps, as believed by Almeida, Grant and Phene (2002), the institutional framework has affected both the strategy and structure selected by Opel. It has been argued that any strategic choice a firm makes is inherently affected by the

formal (contracts, rules and procedures) and informal (socially norms of behaviour, which are embedded in culture) constraints of the given institutional framework (North, 1990; Oliver, 1997; Peng, 2002). There is not enough evidence to strongly support the impact of the institutional framework on the definition of Opel's strategy and even structure. However, interviews indicated that: rules and procedures were largely influencing Opel's relationships with suppliers; amongst German managers there was not a tradition of establishing collaborative relationships; and that Opel, because they take a long time to adopt new methods and concepts, is not a flexible company. The authors see these observations as examples of how Opel's institutional framework influences Opel's organisational behaviour, including its decision making process.

In conclusion, the authors see that mainly due to OP's low level of autonomy in the decision making process, the range and type of functions it performs, and because it is dependent on the resources of other Opel subsidiaries, there are limits as to what both OP and PBDS can achieve in terms of joint activities.

## **CONCLUSIONS AND IMPLICATIONS**

This paper has demonstrated a number of critical results, which challenge some of the existing theoretical approaches;

- it reinforces the view that the dyadic level of analysis is a necessary but not sufficient unit of analysis to understand the nature of buyer supplier relationships;
- the dyad has to be seen and analysed within a wider network context in which geography and organisational structure and decision making strategies, processes and policies have an enabling or constricting effect;
- in the wider network context the ownership ties are also important and driven by the nature of the MNCs working through their subsidiary management units. This is particularly the case for the automotive industry where the MNC presence is so apparent;
- the parent organisation's strategy influences and affects the choices of activities and relationship interactions defined at the dyadic level. This is particularly true within the MNC where resources are strategically and dynamically allocated to different units;

- collaboration at the levels defined in the partnering approach cannot be assumed to take place ‘naturally’; it becomes another managerial choice and is contingent on the position, role and influence level at different points in the network;
- if the collaboration effort is not well targeted, performance levels will be impacted. However, at the dyadic level, performance improvement may be more dependent on the MNC network interactions than on the locally permitted activity;
- MNC theory needs to extend its scope to recognise the interaction effects with other actors in their extended network

The management of relationships in the automotive industry is, and will always be, a relevant issue, because a vehicle is composed of thousands of separate parts (Hyun, 1994). Companies which seek to establish effective relationships should be aware that no single relationship can be understood except as a part of a portfolio of relationships (Ford, Lamming and Thomas, 1992), and that each relationship is influenced by a number of factors. These factors can be of the organisational, relational, spatial and network type. The researchers recommend that managers and policy makers be aware of these factors and their interactions, on their role as managers in the management of inter-firm relationships and the development of collaborative capabilities that recognise both opportunities and costs in embedded relationships (Uzz, 1996). The researchers suggest that none of these factors should be underestimated, although their relative importance may differ from one company to another. The researchers believe that the problems associated with building relationships can increase as a firm becomes more international and that they can be exacerbated by the geographical and cultural distances between subsidiary and head office.

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