Relationship Governance

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RESEARCH AREA

Relationship Governance by Supplier and Customer in the Services Supply Chain, within a Regulated Tender Environment.
Key words: Buyer-Seller Relations; Relationship Governance; Governance Transition; Services Supply Chain; Public procurement; Special Sector Companies.

OVERALL RESEARCH PROBLEM
Research Aim
The initial research question is:
How do supplier and customer govern their relationship?
In order to focus our study more, specific environments are chosen to study this question:
in the services supply chain, within a regulated tender environment.
This choice is based upon prior experience of the author in these fields.

European Union directive nr2004/18 stipulates for governments the obligations and restrictions for entering into contracts with trading parties; EU directive nr 2004/17 does so for government held companies exploiting a concession for public service. The rights and participation rules of potential suppliers are defined as well. This we call the regulated tender environment (RTE). Such government held companies are known as Special Sector Companies; examples of public services are: public, electricity, water and gas transport; airport and harbour services. Many other countries have regulated tender environments as well.
We will focus on relationships between both suppliers and customers in the services industry. Together these companies are in what we refer to as the Services Supply Chain.
The research aim is to unravel the factors involved in the governance of Supplier - Customer Relationships (SCR) in the services supply chain, as well as the relation between these factors. Relation used in the sense of: the way in which concepts are connected.

Scientific Contribution
Although elements of our research question have had ample coverage by scholars, we do not know of studies involving this particular combination of Supplier- Customer Relationship Governance, Services Supply Chain, Regulated Tender Environment, viewed from a neutral (i.e. unbiased for the supplier's or customer's) point of view and integrating the organizational and the individual (inter)action level. By bringing these together in one study we aim to find new insights in the chosen factors for the governance of SCR's and the relation between these factors. Through a longitudinal study we will enhance this understanding. Using the IMP interaction model (IMP Group, 1982, p. 24) we aim also to contribute evidence on the influences a specific environment has on the atmosphere, the exchange episodes, relationships and the interaction process. See figure 3 (p. 8) for IMP interaction model including the concepts used in this study.

USE OF THEORY AND METHODOLOGY

Use of Theory

Through literature study we will combine the theoretical views from the fields of Inter Organizational Relations (amongst others IMP and its interaction model), Alliance Theory, New Institutional Economics, Industrial Marketing, (Public) Procurement, Business Strategy, Resource Based View, Resource Dependency Theory, Contract Law and Social Contract Theory. This will focus on the respective views towards the concepts, factors and relations explained below, while identifying other factors than the ones obtained through our exploration. The literature study should result in the variation of the values for the concepts.

Research Framework

Following Dul and Hak (2008) the general objective of this study is to contribute to the development of theory regarding Supplier – Customer Relationship. The object of this study is SCRs. The concepts of this study are relationship governance (in short: governance) and factors of the SCR. The domain for this research is: Supplier - Customer Relationships in the Services Supply Chain within a Regulated Tender Environment. As our research aim is theory-building the more precise objective is to contribute to the development of theory regarding SCR by formulating the relationship between factors of a SCR (the independent concept) and its Governance (the dependent concept). Therefor the main question is broken down into the following ones: What factors of the SCR have an effect on its governance? What is the effect of each factor on the governance? What is the interaction between these factors?

Because the independent concept is deemed to be a combination of factors and their relations, it will be rather complex to study. The more so as the factors can be mediating or moderating the effect of other factors on the relation (Dul, Hak, 2008, p85-86). Therefor we aim to reduce this complexity, enabling to formulate propositions which are more easily testable. Reduction of complexity will be obtained by limiting the number of factors, and further by identifying the factors beforehand. Such choice of factors is to be supported by literature study and can be enhanced through practical exploration. The choice can also or additionally be made in view of the objectives of our study.

We will limit the number of factors to three; each one characterizing one essential element of the SCR: the customer, the supplier and their relationship. The choice for each one is made as follows. As we want to study the governance at the start and during the continuation of the relationship we are looking for factors which will be present in all cases at the start and during the SCR. Further we want to be able to do a longitudinal study, given the fact that both the object of our study (SCR) and the studied dependent concept (relationship governance) are of a longitudinal nature. Therefor ideally at least one factor chosen should be (rather) stable during the relationship. As we want to study the SCR from a neutral point of view at least one factor should be neutral as well. Given above considerations we chose substance of the relationship (in short: substance) as a factor to study. The substance is (relatively) stable during the relationship. Substance can be described from a neutral point of view. Substance in the IMP model is the product/service exchanged. Within the RTE the substance has to be published in the announcement for tender.

As any new SCR is the result of a deliberate choice by both the supplier and the customer the objective each party has with the relationship describes this best. For the customer the

objective is known and clear at the very start of the tender process: it is described in the requests for information and for proposal to the potential suppliers. This also makes the customer's objective independent from the supplier and its objective. Further the objective is rather stable, at least during the tender process (condition of the RTE); although it can alter during the relationship. Based upon - amongst others - the known (as published) substance and the customer's objective the supplier choses for its own reasons to participate in the tender. During the tender process the supplier has opportunities to opt out. If chosen by the customer and signing the contract the supplier's objective for the relationship (in short: supplier's objective) is clear. In terms of the IMP model these objectives are the result of either party's strategy. See figure 3 (p. 8)

This complexity reduction leads us to the final research question:

**Given the relationship substance and objectives of supplier and customer
how do supplier and customer govern their relationship
in the services supply chain, within a regulated tender environment?**
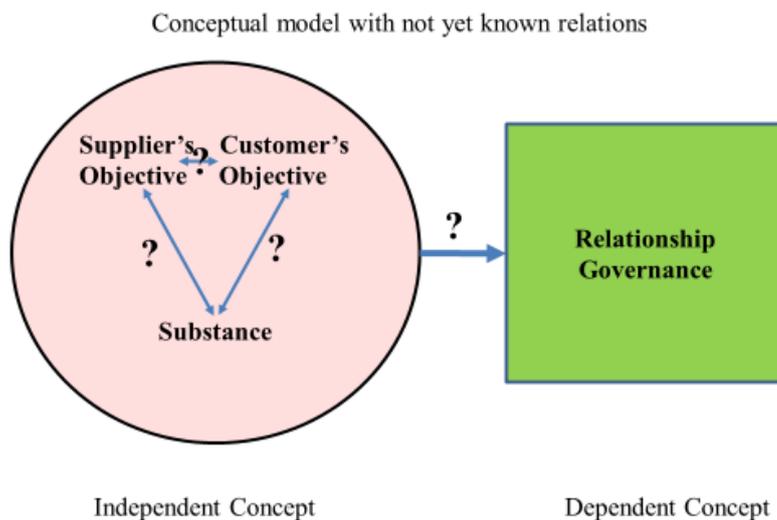
The resulting conceptual model is:

Conceptual model with not yet known relations

Figure 1

The study will be broken down into research cycles on the following sub-questions:
1. What is the relation between the governance and
   a. the supplier's objective?
   b. the customer's objective?
   c. the substance?
2. What is the relation between the governance and the combination of
   a. the supplier's objective and the substance?
   b. the customer's objective and the substance?
   c. the customer's and the supplier's objectives?
3. What is the relation between the governance and the combination of the customer's and the supplier's objective and the substance?

Each cycle starts with a literature study, then formulation of propositions and validating through empirical study.

Methodology

Again following Dul and Hak (2008) this study will use the comparative case study and survey as research strategies. "In the comparative case study a small number of cases in their real life context are selected and scores obtained from these cases are analysed in a qualitative manner." (Dul and Hak, 2008, p 45). For this we need to extract cases from the domain. Therefor the three determining elements of the domain will be explored and described first. Then a theory-in-use study will be conducted in another domain which has similarities with ours to investigate whether in that domain said propositions have been tested and hold. Alliances form a domain which could be studied for this purpose. Then the empirical study is performed; after data analysis conclusions to the propositions are made and used in the next cycle.

(Dutch) Regulated Tender Environment.

In terms of the IMP interaction model (figure 3, p. 8) the RTE is seen as a very specific environment influencing the (control dimension of) the atmosphere and the institutionalization of the relationship (Governance), especially during the initial episode of interaction: the tendering phase. In this section the essence and objectives of the tender regulations will be explained. Further we will discuss the way the EU regulations have been transformed into Dutch law, including the most recent additions. Particularly we will mark the differences as they apply to the government held companies (further referred to as 'special sector companies') and governmental bodies. The implication of the essentials of the RTE on the IMP concepts of atmosphere will be discussed; specifically in view of the relationship governance.

As little research has been done on the volume and specifics of the tendering by special sector companies, we will do so. Amongst others using the classification as derived under Services Supply Chain. This will give us an understanding of the potential yearly volume of new SCR's within the Dutch regulated tender environment in the services supply chain, as well as into the companies and actors involved.

Services Supply Chain.

Focusing on services companies only necessitates to specify what differentiates services from the delivery of goods. And as we want to find the relationship between the substance of the SCR and the governance of the SCR, we need to find a meaningful classification of the substance of SCR's. We will evaluate the various classifications used for substance. We aim to find a classification which meets as close as possible our objective of the neutral point of view to the supply chain, which at the same time resonates with the key actors from both suppliers' and customers' organizations, and which seems to be a meaningful classification to differentiate the governance. Likely candidate is the classification as developed by Wynstra et al (2006) building on previous IMP studies.

In terms of the IMP model (figure 3, p.8) the Services Supply Chain (SSC) constitutes a specific environment on its own. By their very nature services result in a prolonged continuous exchange episode, influencing dimensions of the atmosphere. SSC also has an influence on the individuals in the interaction process and their aims and experiences.

Supplier – Customer Relationship

The object of study is the supplier customer relationship. The first question to be answered is: what is a supplier-customer relationship? An overview of literature from various theoretical domains studying the SCR will be given. This will include the SCR viewed from

the perspectives of customers and suppliers. Further – to understand why new SCR's are being created and continued – we take the perspective of business strategy. This should result in a classification of objectives (of suppliers and customers) for the relationship, which resonates with the key players. Finally we will study through literature and interviews with key players Relationship Governance.

Practical Relevance

The former part of the research will result in understanding the practical relevance of SCR's and Relationship Governance to the companies involved, as well as to a quantification of SCR's in the Services Supply Chain in the Dutch Regulated Tender Environment. The comparative case study will result in insights for the establishment /adaptation of relationship governance given the supplier's and customer's objectives and the relationship substance. If we categorize each factor in a limited number of options this will enhance both the scientific and practical contribution of our study. The effect these three factors combined might have on the relationship governance (presumably a continuous variable) can then be described in terms of three discrete values. This should enable reproduction of the research, also outside the chosen domain. Further this way the results of this study can more easily be applied in practice; both at the start and during a SCR. Finally the description of the governance applied in the various cases might enhance the practitioners' experiences when constructing or adapting the governance for their SCRs.

EMPERICAL STUDY

Case selection and survey

The full domain of Supplier- Customer Relationships in the Services Supply Chain within the Dutch Regulated Tender Environment is easily identified as the customers (special sector companies) have to publish via the official European Union site http://ted.europa.eu both their procurement intention as well as the supplier to whom the contract has been awarded. The total of these publications in the time frame … to … is regarded as the population of cases for both the survey as well as the comparative case study.

See figure 2 p. 6 for an overview of the research process.

For the survey element of our research we will contact both supplier and customer of all cases as we need a large number of instances. The survey will be conducted per case, right after signing of the contract between supplier and customer. We aim to secure that each of the special sector companies (approx. 15) is at least represented once in the sample. For the survey key players (3 per party, each with a different role) are requested to participate individually. This enables us to gather and split data per type of party (supplier vs customer), per type of role within the party, and also to compare the survey results per case.

Comparative and longitudinal case study

Based on information received, we will identify a smaller number of cases in such a way that the full variation of both the dependent and independent concepts is represented. The number of cases will depend upon the variation which will be identified through our literature study. These cases will be used in the comparative case study for known concepts.

For each of these cases we will do desk research. In the desk research we will extract and describe evidence regarding the procedure used in the tender process, the number, extent and nature of contacts previous to the tender and during the tender and contracting process, as well as the formal result: the contract c.a. This will be analysed in terms of the conceptual model.

For these cases - next to the survey and desk research - an additional questionnaire and interviews with the key actors of the supplier and customer organizations will be conducted. This part of the study will be right after the signing of each contract too.

One year later we will revisit each case through the same questionnaire and interviews with key actors regarding the current status of the SCR and its governance while looking into critical incidents and their resolution in the past year.

At both moments in time the key questions being: How do parties rate the chance whether the relationship will bring/ brings them what they aim for? What is their reflection of the process so far?

Finally the model will be validated: The results of these questionnaires/interviews will at both moments in time be compared against what insights the model offers based on the case's desk research.
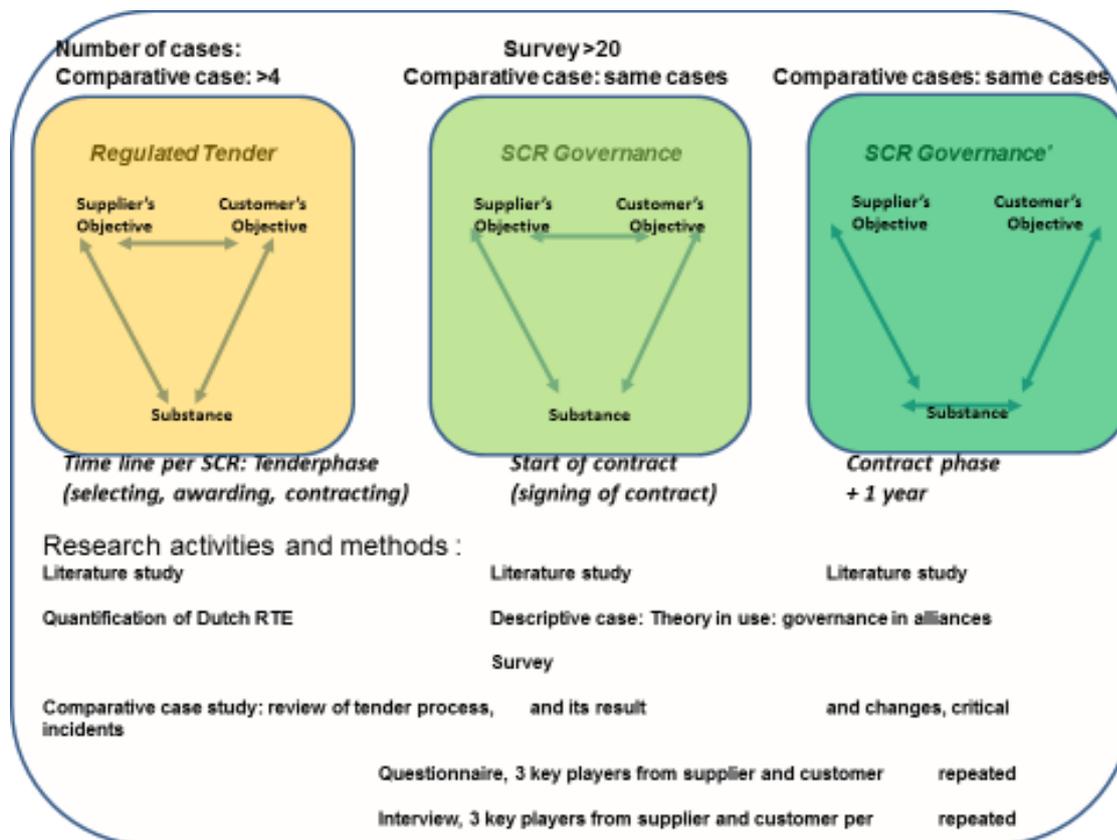

Figure 2: Research Process

Action Research

We contemplate to also use action research, or at least interventions. After the desk research, questionnaires and interviews we would randomly offer for some cases to the parties to do an intervention using our findings of their case against the back ground of our model. We will need informed consent from all actors involved about the setup of the intervention: disclosing of the material. The intervention would consist of bringing all key actors involved in a case together, show them the combined results of the questionnaires and interviews and compare these against our model. This with the aim to sensitize the parties and actors on short comings in their preparations for a supplier-customer relationship in order for them to fill any gaps. The results (after one year) will then be compared to the control group of all other cases.

Data analysis

In our data analysis we will amongst others do:

(1) intra-case, intra company comparisons between actors,
(2) intra-case comparisons between supplier's and customer's point of view, objectives for the SCR, including their knowledge on position and objectives of the other party.
(3) inter-case comparisons by class of substance of the SCR and by class of objectives for the SCR, from the supplier's, customer's point of view and for the combination.

DOCTORAL COLLOQUIUM DISCUSSION

Use of IMP Interactive Approach

Both the object and objective of our study are at the very heart of the IMP model. See for elucidation Figure 3 (p. 8) the IMP interaction model amended with the concepts used.

Especially as it is my aim to study the relationship governance from an unbiased point of view; the IMP model caters for that.

My Research Question entails interaction between key players from both Supplier and Customer, within a very specific environment. Where feasible I want to make use of concepts and other elements from the IMP community to study such interaction. E.g. the general methodology and questionnaire developed by Wilkinson and Young (1994) in the IRRP are likely candidates.

My attendance at the IMP conference will enable me discuss with IMP practitioners and to identify other potential methods and tools to use in my research.

Theoretical and Methodological Consequences using the IMP Interactive Approach

For me this is the very reason for joining the DC at this moment of my study. I hope to learn from the interaction with the faculty and other PhD students. Specific elements where methodological guidance is welcomed are:

Study interaction prior to contract,
Study interaction through longitudinal comparison and
Intra-case and cross case comparisons.

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Figure 3
The IMP interaction model (IMP Group, 1982, p. 24) including the concepts used in this study (***in bold italics***)