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Abstract

This paper examines the impact that buyer-supplier relationships have on inter and intra-organizational performance and aims to connect those specific relational exchanges to increases in operational performance metrics. This paper begins by using research to identify the shift from traditional buyer-supplier relationships to a more strategic, collaborative model, and how methods such as Transaction Cost Theory and Supply Management Orientation contributed to that change. It then discusses different buyer-supplier typologies and describes the role of each partner in those exchanges. With international purchasing continuing at a high rate, cultural aspects such as power dependence and individualism are investigated for their part in strengthening relational exchanges between buyers and suppliers. Elements that increase firm competitiveness are also presented, linking resources advantages and social environments to firm performance. Special focus is on the tangible and intangible forms of resource advantages, and how organizations can exploit those capabilities for maximal gains. This paper then highlights the study results presented in the research, which are based on survey results from organization participants and statistical model findings. Various performance measures are analyzed which include relational and transactional based constructs that helped in the development of the argument concerning the performance increasing effects of strategic buyer-supplier relationships.

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Introduction

With an increase in outsourcing, both domestically and overseas, buyer-supplier relationships have become an integral part of most firm's strategic plan. Not too long ago, buyer-supplier relationships were viewed as an administrative function; as purely transactional exchanges, with little ability to shape the purchasing process to maximize benefits for both parties (Rezaei & Ortt, 2012; Coase, 1937). Most of the emphasis was placed on cost, with market exchanges dominating the procurement process through power struggles (Cox, 2011). As organizations began to grow and become more vertically integrated, they began to take a deeper look at the various elements that make up market exchanges. Exposed was the total cost of business, which, for the first time, provided firms with an understanding their total transaction spend on a product or service beyond only material costs (Coase, 1937). From this analysis and revelation of market practices came the need for collaborative relationships. What's more is this unveiling also showed that qualitative elements play a significant role in buyer-supplier relationships and need to be factored in. Research shows the correlation between firm performance and buyer-supplier relationships are directly linked and affect most purchasing performance metrics (Kannan & Tan, 2006; Graca, Barry, & Doney, 2015).

Williamson (1973) provided research on how human behaviors influence costs and the ways organizations are structured can reduce the instances of negative behaviors. The theory of human behavior and interactions is further explored with the application of societal cultures and norms within buyer-supplier relationships and their effects on performance. Moreover, increased growth in multinational firms resulting in shifts from the ethnocentrism in the 1960's to a more modern geocentric position requires a better understanding of how culture shapes inter-firm interactions (Rekhi, n.d.). The recognition of differing societal structures allows both buyers and suppliers to tailor their messages and responses. For example, Hofstede, Hofstede, and Minkov state, “One of the reasons why so many solutions do not work or cannot be implemented is that differences in thinking among partners have been ignored” (2010, p. 4). For collaborative relationships to work, differences between partners must be identified and worked through.

Statement of the Problem

However, many organizations do not realize or actively seek better buyer-supplier relationships (Carr & Pearson, 1999). Large numbers still view this function of the supply chain as purely transactional without any merit to firm performance. Collaborative partnerships are then stifled, with the focus remaining on short term objectives, not long-term goals. Relational learning and social capital initiatives are then hindered, slowing down most exchanges of information and knowledge sharing. Competitiveness and value creation cannot be achieved, due to arms -length purchasing practices (Putnam, 1995). According to Griffith and Meyers (2005), as US firms continue to outsource, changes to their qualitative approach to relationships must be made or suffer declines in performance. Nevertheless, as supply chains continue to globalize, increased research is needed to show the impact of various factors within buyer-supplier relationships (Scholtens & Dam, 2007).

Therefore, this research paper proposes to examine the many factors that impact and shape buyer-supplier relationships far beyond transactional activities, and their outcome on firm performance. Through specific research on the ramifications of culture and social environmental factors, firm competitiveness, supply management orientation, negative aspects, and relational exchanges, this paper aims to provide context to the value of supply relationships.

Purpose of the Study

The central purpose of this research is to highlight the importance of buyer-supplier relationships in firm performance and how to increase firm competitiveness by improving those relationships. For that reason, a research paper will be presented on relational typologies, resource advantages, trust, firm performance and competitiveness, to introduce the most critical issues pertaining to this topic, while also providing suggestions for future discourse on this subject. This paper also ties in societal aspects such as culture, norms, and social environments to show the human element to buyer-supplier relationships and how they affect inter-organizational exchanges.

Significance of the Study

Resource advantage theory states that higher profits for firms lie in their unique differences which separate them from others within the same industry (Morgan & Hunt, 1994). Therefore, this study recognizes and presents strategic buyer-supplier relationships as unique resources that can be a major contributor to firm performance. Such relationships can offer organizations high returns from a financial, total quality, and improved service standpoint based on singular qualities that are both intrinsic and acquired through outside influences (Carr & Pearson, 1999).

Assumptions

This study supports the theoretical perspective that buyer-supplier relationships should be viewed and applied as a focal point to a firm's strategic plan. Further, the intention of buyer-supplier relationships should be to grow from a traditional base into a strategic typology to reap the increase in firm performance created by strategic alliances. For this to happen, firms must understand the many components that make up and distance strategic buyer-supplier relationships from traditional interactions and employ ways to cultivate the relational exchanges that improve on existing connections.

Nevertheless, improvements in firm performance must be analyzed beyond a product or service cost perspective. The myriad of relational constructs that can be applied to strategic buyer-supplier relationships allow for improvements in communications, trust levels, speed of negotiations and joint problem solving by reducing opportunistic behaviors and creating reciprocity. These improvements spread to quality and delivery as other predictors of better performance. Yet this progression can be hindered through individual behaviors reducing their impact on firm performance. Opportunistic actions eroding inter-organizational trust and increasing transaction costs make it difficult to grow into a strategic relationship.

Delimitation of the Study

This paper will be limited to research that highlights the basis, makeup, and benefits of strategic buyer-supplier relationships to overall firm performance. While the focus will be on shifts from adversarial to more strategic relational exchanges, the research will not explore the impact technology has played within these relationships, but rather on the role that social environments and relational building plays, specifically in regard to inter-organizational exchanges. Additionally, research on cultural factors and buyer-supplier relationships will be limited to power distance and individualism. Although cultural elements such as gender and time orientation affect buyer-supplier relationships by creating distinct norms and values, it was difficult to apply the research in a meaningful way that showed how it strengthens buyer-supplier relationships.

Methodology

The basic method of approach for this paper will consist of research from secondary data analysis, specifically focusing on buyer-supplier relationships. The research will be made up of information pertaining to data explicitly about buyer-supplier collaborations, cultural and national ties and factors that shape interactions and relational approaches, statistics on relations impact on firm performance, resource-advantage theory and its application within supply relationships, negative aspects associated with increased cooperation, and the effect of technology on supply relationships. Research will mainly consist of peer reviewed academic articles and credible works that have been published, which will be used to reinforce and delineate the claims of this paper. This research will also be used to provide a discussion on the historical transformation in purchasing from being a purely transactional process to becoming a key function within supply chain performance. This will include the shift within the supply relationship and how it is now considered a collaborative effort between suppliers and buyers.

Literature Review

Shifts in Approach

The growing importance of buyer-supplier relationships (BSR) in firm performance has its roots in the shift from traditional to strategic purchasing relational types. Rezaei and Ortt (2012) see this shift happening because of changes to purchasing's role in an organization's overall strategy beginning in the 1970's where the purchasing function was viewed as an administrative activity. Supply bases were comprised of multiple suppliers for the same commodity, often having to compete against each other solely on price. Little consideration was given to establishing long term relationships or contractual agreements (Helper & Sako, 1995). The 1980s moved purchasing into a more strategic role, away from the passive function of a decade earlier. Organizations began to see how purchasing can be used to increase a firm's competitiveness, starting the push for buyers and suppliers to reduce negative behaviors and increase collaborative activities. The 1990s until present has seen the shift toward a more integrative model. Citing Anderson and Jap, "From 1996 to 2001, companies formed these relationships at a brisk pace: CEOs signed a partnership into existence every hour of every day, resulting in 57,000 alliances over this six-year period" (2005). Ellram and Carr (1994) explain that with the new integrative label, purchasing is now seen as a major contributor to a corporation's success. However, prior to this repositioning, firms found themselves in an environment built on adversarial relationships between buyers and suppliers. Traditional BSR were win-lose, zero sum partnerships, with all links in the supply chain vying for increased margin without regard for either upstream suppliers or downstream buyers (Leavy, 1994; Helper, 1991).

Operating in a traditional BSR severely hinders a firm's ability to actualize margin growth through mutually beneficial activities. Focusing solely on self, limits opportunities for increased profit and performance, relying exclusively on customer purchases and market presence. This is due to both buyers and suppliers vying for power within the relationship (Leavy, 1994). Instead of collaboration, each member seeks to limit the others influence within the chain, while increasing their own reach and dominance. With buyers sourcing from several different suppliers to keep material cost down, suppliers in return are making it more difficult to switch due to technology advancements or singular capabilities.

While one goal of traditional BSR was to reduce financial dependence on the performance of the other by having multiple supply options, independence was never truly achieved. Reliance on each other was still present, albeit spread out over multiple partners. The growth in both supply and customer bases increased the need for market-based exchanges, causing higher transaction costs and lower overall profit margins (Carr & Pearson, 1999; Heidi & John, 1990). The lack of collaboration forced each partner to seek out additional avenues for both customers and supply, controlling the relationship through purely transactional means. These additional controls raised costs and lowered relationship efficiencies (Sheth & Sharma, 1997). The need for these controls was driven by the need for multiple partners, which raised the level of uncertainty in the relationship; however, they are needed because they serve as a preventative measure to safeguard against inefficient transactions.

Transaction Cost Theory

Transaction Cost Theory (TCT) can be viewed as one of the earliest catalysts for the shift from traditional to strategic BSR. TCT is the revelation and analysis of all costs within each production opportunity, both internal and outsourced, which include: contractual, negotiation, searching, and coordination (Business Dictionary, 2018). The review of these costs reveals the full spend, not limited to the part cost, adding another layer to influence managerial decisions. Thought to be the architect of Transaction Cost Theory, R.H. Coase (1937) originated this argument for exposing and understanding those hidden costs and using them as a foundation for making business decisions. His rationale for TCT stemmed from individuals thinking the market was comprised of those who offered lower cost products and higher efficiencies than what could be produced in house, without ever analyzing the full cost of such expenditures.

Coase (1937) theorizes that organizations are created when individuals can hire others to produce goods less expensive than the market, and without incurring those hidden costs. Those that can form organizations can continue to see profitable growth if they minimize the additional costs. Coase (1937) felt that there is a limit to this growth, however, before organizations begin to experience issues that may push them back to market purchases. With this growth comes increased overhead as more buildings, people, and technology are added to maintain efficiencies and fulfill demand. Further, organizations may now see an upturn in internal issues, as there are now more chances for mistakes to happen. This includes mistakes in purchasing materials, resource designation, quality issues, and customer fulfillment. Without utilizing TCT, managers would only see the advantages of indefinite growth, without realizing the decreasing returns. They may also find markets as a remedy to the issues brought on by growth, when the market behaves as a placebo. Organizational size rests firmly on their ability to balance between both internal and market costs (Coase, 1937).

As TCT began to gain acceptance, additional studies into how organizations, markets, and individuals affect costs were introduced. One such study, Transaction Cost Economics (TCE) highlighted the human element involved in transactions. According to Williamson (1973), who wrote extensively on cost economics and organizational behaviors, TCE exposes the impact human behavior, market and organizational power has on transactional costs and market relevance. In his view, most transactional issues originate from human factors, and need to be controlled by either market governance or organizational structures (Williamson, 1973; Williamson 1975). Human factors are shaped by the opportunities presented through TCE, with individuals seeking organizational gain with complete disregard for the supply chain.

Human factors determine transaction costs through bounded rationality, frequency, specificity, uncertainty, and opportunistic behavior (Williamson, 1973; Williamson, 1975). Through this list, Williamson shows how TCE reaches beyond the act of buying and selling and incorporates human interaction and feelings. Organizations and markets can therefore be influenced by the opportunistic behavior of individuals, driving costs up, and dictating market structures, shifting organizational leverage with suppliers. Information sharing can then be minimized, further increasing uncertainty within the supply chain, resulting in higher transaction costs. Markets are then affected as the supply base shrinks, eliminating competitive price promotions, or increasing the specificity of the product, driving transaction costs up. Williamson also adds that those same actions can be rejected by individuals whose values and actions are not opportunistic (1973).

Williamson's view of TCE is one where organizations and markets are in constant competition against each other (1975). Markets desire to have the ability to govern the ill effects of human behavior, namely opportunistic behaviors, and punish those organizations that do not comply. Williamson differs from Coase when he contends the true reason organizations (hierarchies) exist is due to their ability to reduce the effects of human nature (opportunism) through controls that are not accessible to the market (1975). Governance by organizations can only take place if the markets fail to reign in that behavior; which implies that without negative behaviors, organizations would not exist. Moreover, organizations must be in position to reduce opportunistic behaviors through specific controls because of the positive results gained from such actions increasing the likelihood of those behaviors being repeated. If opportunistic behaviors are allowed to continue, markets will fail as a result. This is evidenced by organizational hierarchies having authority over individuals to reduce the discord created by these actions (Williamson, 1975).

Not all see the value of hierarchical controls as Williamson does. Ghoshal and Moran (1996) counter that Williamson's definition of TCE puts organizations at risk by placing unnecessary pressure on them to maximize their influence over individuals through this hierarchical structure. They feel that organizations have inherent attributes and advantages that can govern certain economic activities without needing special hierarchical controls, and the need to rely on these controls is unwarranted (Ghoshal & Moran, 1996). While organizations ultimately have the power, having the controls to exert that power can be detrimental to long term positive behavior in individuals. Ghoshal and Moran (1996) feel that hierarchical controls can intensify the very behaviors they were instituted to end. Individuals may see these attempts to stop opportunism as a springboard to increase those behaviors, even with the possibility of future punishment or sanctions. The reward to the individuals for opportunistic actions often outweighs the incentive to stop these behaviors. Increasing profit margin is rarely seen as a negative, especially if all steps taken were legal. What's more, Ghoshal and Moran (1996) posit that opportunistic behaviors should be viewed situationally, as personal perceptions of situations can dictate and provide context for an individual's actions. Organizations having arbitrary controls in place may not consider the reasoning behind certain behaviors and disregard the role environment plays in those behavioral decisions.

A second critique of TCT is its over-generalized rules that, while most are applicable, may have difficulty evolving in every situation. TCT shows that as organizations move away from traditional, arms-length relationships to more connected partnerships, costs can increase. This is due to an initial increase in environmental uncertainty, asset specificity, and increased transaction frequency driving up costs (Carr & Pearson, 1999; Williamson, 1985). What is interesting is the lack of human interaction and dependency integrated into TCTs formula. Coase broadly and Williamson specifically allowed human nature to have a place in their descriptions of cost theory and economics, precisely those behaviors that may cause transaction costs to increase, but they do not allow for human behaviors to work towards reducing those costs.

Uncertainty, asset specificity, and increased transaction frequency can all be managed through strategic buyer-supplier relationships whose priority is on reducing costs.

The emphasis of highlighting all costs within a transaction, whether internal or external, and incorporating the human element into this process is just one of the stones with which strategic relationships are built. Carr and Pearson (1999) state that strategically managed buyer-supplier relationships are used for lowering these costs. Hansen (2009) explains that through increased information sharing, which is a byproduct of TCT, organizations are better able to understand the standards of their industry, and what is needed to be successful. Watts, Kim, and Hahn (1992) feel that the shift to strategic BSR happens when organizations align their purchasing goals with those of the corporate strategic plans. Heide (1995) explains that increased uncertainty results in higher instances of strategic BSR relationships to reduce higher transaction costs and supply chain issues. Sheth and Sharma (1997) see the shift being brought on by changes in purchasing behaviors stemming from an increase in global competitiveness, the emergence of Total Quality Management, advancements made in technology, and industry wide restructuring. With an increased use of outsourcing, both domestically and internationally, and the global market expanding, organizations had to adapt to be more competitive.

Supply Management Orientation

The procurement design of a firm is perhaps the most critical factor in determining the approach of BSR. Supply management orientation (SMO) sets the stage for how relational exchanges between buyers and suppliers are constructed (Shin, Collier, and Wilson, 1999). These exchanges are based on performance characteristics that drive the buyer-supplier relationship status. Shin et al. (1999) list the following characteristics: long term relationship, supplier involved product development, reduction in supply base, and quality focus as traits that define the operating environment in which buyers and suppliers interact. These characteristics, when applied, are used to move from the traditional, adversarial BSR typology to a more collaborative one, with the emphasis being on mutual increases in firm performance. Heide and John (1990) further advance SMO by describing behavioral aspects that separate traditional BSR from strategic partnerships, illustrating relational exchanges between buyers and suppliers. Each of these social actions contribute to the progressive aspects of SMO; emphasizing behaviors that propel the relationship forward. This culminated with strategic purchasing processes which lean far more towards long term cooperative relationships with suppliers (Carr & Pearson, 1999). The makeup of these behaviors can be found in Table 1.

Dimension	**Description**
Joint Action	Buyer and suppliers acting in a cooperative way. Traditional activities separated by boundaries are now penetrated and open to both
Continuity	Expectations of future interactions resulting in open ended relationships. Based on mutual feelings; not singular
Verification	Creates closer relational bonds through the use of a more thorough evaluation process

Table 1 Source: Heide & John 1990.

SMOs focusing on lengthy planning horizons were able to establish long term relationships because of the understanding that the relationship would offer continued relational stability (Shin et al., 1999). Helper and Sako (1995) suggest that the insistence on longer term contracts play an integral role in establishing long term relationships. Both result in a level of closeness between buyers and suppliers that enhances the coordination of processes and product development (De Toni & Nassimbeni, 1999). The level of communication and information sharing needed to produce such relational exchanges helped to highlight potential risks and improvements to not only each individual firm, but to the supply chain. This gave both upstream and downstream supply chain members the ability to see any negative influences on performance and react accordingly (Shin et al., 1999).

Having long term relationships also enabled firms to implement cost cutting manufacturing designs such as lean manufacturing by reducing the supply base and focusing on a core group of suppliers with specific capabilities (Shin et al., 1999; Manoochehri, 1984). Not only were firms able to take advantage of economies of scale through increased purchased volumes from a smaller supply base, they were able to develop their supply bases to meet the needs of these manufacturing systems. Shin et al. (1999) use the JIT purchasing strategy as an example of a positive outcome from having a smaller supply base and long term relational exchanges. Firms can partner together to reduce quality defects, lead times, and forecasting flexibility to ensure proper inventory coverage on time and in the quantity needed. The ramifications of implementing such purchasing strategies increased firm performance by saving and improving on transaction costs.

Supplier involvement, specifically in the development stages of products and services is another shift from arm-length BSR to strategic partnerships. This is seen as a resource advantage due to the ability to use the supplier’s capabilities to create a competitive advantage. Suppliers who can assist or completely develop components can be key to quicker time-to-market processes, increasing the chances of being the first in the market with new and innovative ideas (Shin et al., 1999). Levy (1997) sees the improvements in joint problem solving and sense making as a result of the increased communications from direct supplier involvement. Design for manufacturing is improved because constraints in production are realized immediately and can be resolved prior to full scale production.

The emphasis on reduced supply bases in modern BSR contradicts the past models of purchasing design, where organizations had multiple suppliers for single parts (Shin et al., 1999). Changing to a reduced source of supply brought with it many advantages that were not able to be realized having large numbers of suppliers. Possibly the most meaningful outcome of a reduced supply base was the ability to achieve economies of scale, providing cost reductions for suppliers through longer and more efficient production runs, which can then be passed on to the buyer through increased order volume. Russell and Krajewski (1992) add that coordinated replenishment was able to be implemented, where a smaller number of suppliers are now able to provide a larger number of items. Logistical costs improved due to the ability to ship truck loads and reduce added lead times or shipping unused space. More so, total transaction costs were able to be reduced due to easier supplier and inventory management, order processing and negotiation time (Treleven, 1987). Improved quality is another effect of a reduced supply base. First, with a smaller supply base to communicate with, information sharing is easier, and communications are often more thorough. Second, Shin et al. (1999) feel that product design and development improve because processes and policies can be implemented and followed more closely.

Segmenting and Classifying the Supply Base

Further advancing SMO, the classification of the supply base into tiers based on importance helps to define the nature of relational exchanges and BSR. Perhaps the most famous supplier classification tool is the Kraljic Matrix, created by Peter Kraljic to refine the purchasing structure in which suppliers were housed. Kraljic (1983) suggested classifying each outsourced product into two different dimensions: profit impact and supply risk. The dimensions are further broken down into four separate category quadrants: strategic items, bottleneck items, leverage items, and non-critical items. Kraljic (1983) provides purchasing firms different recommendations per quadrant on how to approach the suppliers of these products. By analyzing the products, the buying firm can apply different purchasing strategies based on the significance of those items (Kraljic, 1983). Essentially, the weight of the item denotes the significance of the supplier. This enables the buying firm to recognize the various supplier relations that are needed and choose a suitable method to utilize in managing the supply base.

Parasuraman (1980) felt that classifying suppliers should be done by linking key supplier characteristics with those of the firm's very own customer base. What Parasuraman (1980) proposed was for firms to identify distinct segments of current and potential suppliers for each item to be purchased and base each class designation around the supplier's traits that are closely related to their customers traits. Parasuraman (1980) also felt that supplier segmentation should take place immediately after the customer segmentation process. In this way, each customer segments needs would be met strategically through supplier management. Capabilities of suppliers could be further developed to better match their segment, and any mismatches would be revealed and given attention.

Dyer, Cho, and Chu (1998) provide their concept on supplier segmentation, which puts the emphasis on using resource advantage theory internally when grouping the external supply base. Dyer et al. (1998) method is for firms to determine their own core competencies, activities, and non-core activities and then group potential suppliers into one of two classifications: durable arm's length and strategic partnerships to determine their relational approach. The former suppliers, while necessary for manufacturing capabilities, do not offer the firm a strategic advantage and can be easily replaced; however, the latter suppliers offer the firm a strategic advantage and those relationships should be maximized. Where Dyer et al. (1998) differs from Kraljic and Parasuraman is the importance of supplier involvement in determining the type of buyer-supplier relationship (Rezaei & Ortt, 2012). The more the supplier is involved in the development process, the higher the likelihood that they receive a strategic classification.

Rezaei and Ortt (2012) offer a more comprehensive view of supplier segmentation by suggesting that a mixture of approaches be used when classifying the supply base. Modern research agrees as more authors are integrating different strategies to produce new classification methods. For example, Masella and Rangone (2000) suggest using strategic suppliers in new product development. Hallikas, Puumalainen, Vesterinen, and Virolainen (2005) add to the Kraljic Matrix by taking those items at the most risk and collaborating with those item’s suppliers for increased organizational learning. Finally, Rezaei and Ortt (2012) recommend using supplier’s capabilities as the determinants for classification. They advance Dyer et al. (1998) usage of the resource advantage theory by looking outside the firm to the supplier’s competencies and abilities and basing their classification by those attributes.

Resource advantage (RA) theory is also seen as instrumental to the shift from traditional to strategic BSR because it revealed to buying firms a potential partner’s value creating resources and attributes. RA looks at unique organizational qualities that are foundational for leveraging firm performance against others in their core market to gain a competitive edge (Raskovic & Brencic, 2013). What separates strategic and traditional BSR in terms of RA is the approach to gaining the advantage. Within strategic BSR, relational exchanges are increased through an environment that is conducive to organizational learning and communication. Resources are fully revealed and able to be used for mutual benefits. Traditional BSR, while still employing RA, does not seek a favorable learning environment, often reducing contact to only economic transactions, severely limiting the scope of advantage-taking and increasing negative exchanges (Peng, 2001). Collaborative growth cannot take place in that setting, further limiting any potential increases in firm competitiveness. This gives added weight to Dyer et al. (1998) and Rezaei and Ortt (2012) classification proposals and emphasis on buyer-supplier involvement.

Typologies

With an ever-increasing emphasis on firm performance, organizations often seek improved efficiencies and costs through outsourcing. While outsourcing may improve firm performance, it brings increased dependence on the purchasing function and its relationship with suppliers. The management of BSR is unique to many firms, especially when juxtaposed to other operational functions. This is due in part to BSR typologies being misunderstood for what role they play in firm performance. As firms begin to place more weight into the purchasing function, they will gain understanding of what style of BSR is used within their supply chain and how to cultivate it.

All BSR typologies are based on key attributes that are characterized by the types of relational exchanges that occur between organizations and suppliers (Tangpong, Michalisin, Traub, Melcher, 2013). These relational exchanges provide information on how each organization approaches various processes found within typical transactions. Two major categories make up these exchanges: relational attributes and power-dependence, with each having the ability to influence processes significant to organizational performance for both buyers and suppliers (Provan & Skinner, 1989; Wang & Wei, 2007). Cultural aspects, opportunistic behaviors, control, and power usage all affect these attributes and their role in BSR (Tangpong et al., 2013; Wathne & Heide, 2000). Interestingly, Tangpong et al. (2013) state that there are more relational based BSR typologies than those with power-dependence attributes. Even so, both will be reviewed.

Power-dependence typologies are typically one-sided affairs which have the ability to determine an exchange partner's strategies, and manage their performance outcomes (Tangpong et al., 2013). This is made possible by stronger firms controlling all aspects of the relationship. The more dominant organization can exercise their power for unilateral gains while also repositioning themselves in order to maintain their power over the exchange partner (Cox, 2001). These gains are then able to be used to increase their power and control over their partner. What is unusual about power-dependent typologies is the multi-dimensional capabilities for exchange partners to operate in. It can be seen from a relational aspect as a form of control and survival. The more powerful partner controls the relationship and reaps most of the financial benefits. The weaker partner is therefore relegated to a collaborative position, seeking to appease the dominant partner just for relationship survival (Tangpong et al., 2013).

In contrast, relational typologies are initiated through relational norms and are normally reciprocal in nature. They are usually characterized by long-term relationships where decisions are made that benefit both partners (Tangpong et al., 2013). However, there is a distinction that comes when comparing relational and discrete exchanges. Macneil (1985) states that discrete transactions are almost totally devoid of any real connection beyond what is needed to complete the transaction. These typologies are likened to traditional BSR, where an arms-length approach was used during transactions. Kaufman and Stern (1988) highlight one of the differences found in relational typologies is the ability to reconcile disputes without harming the relationship or the prospect of long term goals.

Tangpong et al. (2013) attempts to mesh relational attributes and power-dependence due to both having more in common than differences. For example, power-dependent exchanges still rely on relational aspects, especially when using Macneil's (1985) definition of discrete transactions. Although not the most favorable of circumstances, a partnership consisting of dominant and weak players must still communicate beyond the single transaction; there is still a form of relational dependence present which requires some form of a continuous exchange. Essentially, in the absence of any form of a relational exchange, only discrete exchanges can exist. Therefore, power-dependence can be classified with relational attributes within BSR typologies and their differences minimized.

Typology	**Description**
Market/discrete relationship	This BSR type is characterized by low relationalism and low dependence between buyer and supplier firms. The exchange partners in a market/discrete relationship have very limited investment in developing specialized assets to work with each other, and can change to another exchange partner in the marketplace at low switching cost and minimal damage
Captive-buyer/supplier-dominant relationship	This BSR type is characterized by low relationalism between buyer and supplier firms, and the buyer firm is far more dependent on the supplier firm than vice versa.
Captive-supplier/buyer-dominant relationship	This BSR type is also characterized by low relationalism between buyer and supplier firms. Contrasting to those in the captive-buyer/supplier-dominant relationships, suppliers in this type of relationship are far more dependent on their buyer firms than vice versa
Strategic/bilateral relationship	This BSR type is characterized by high relationalism and high interdependence (i.e. both buyer and supplier firms are highly dependent on each other) between buyer and supplier firms. In this type of relationship, the supplier firm has made specific investment

Supplier-led collaboration	This BSR type is characterized by strong relational attributes between buyer and supplier firms, and the buyer firm is far more dependent on the supplier firm than vice versa.
Competitive/win–lose partnership	This type of BSR is characterized by high interdependence between buyer and supplier firms, leading to the necessity for their continuing exchange relationship.
Free will/voluntary collaboration.	This BSR type is also characterized by strong relational attributes between buyer and supplier firms. However, unlike those in the supplier-led collaborative relationships, suppliers in this type of relationship are far more dependent on their buyer firms than vice versa.

Table 2 Source: Tangpong et al., 2013

Culture

Power Distance

Relational learning is broken into three dimensions: information sharing, joint sense making, and knowledge integration, which offers the perfect segue into cultural factors due to each of those dimensions being directly affected by societal influences (Cheung et al., 2011; Bartlett & Ghoshal, 1998). Li, Lam, and Qian (2001) suggest that cultural norms and philosophies of a firm’s home country are a more accurate predictor of behavior than the organization’s corporate culture. Although firms may have a corporate identity, they are still comprised of individuals who bring with them values and behaviors that are present in their daily activities and interactions. While culture itself cannot be personified with negative attributes, pairing drastically different cultures may have a negative impact on relationships and firm performance (Cheung et al., 2011; Cheung et al., 2010). Cultural distance may create disconnects in BSR due to a misalignment of behaviors and goals. National influences produce certain managerial styles that will ultimately affect the relational dimensions listed above; however, as is seen with many international BSR, these differences can be overcome.

Hofstede, Hofstede, and Minkov (2010) in their seminal work on culture and organizations, describe power distance as the value system of the less powerful members of a society or organization. This definition can then be applied to those BSR typologies built on power-dependence, with specific behaviors and treatment from the power dominant firm to the weaker firm. It effects the way individuals view the hierarchical structure of their workplace environment. Where power distance is higher, individuals do not seek justification for the inequalities in their specific role, whereas in lower power distance societies, inequalities require justification. Hofstede et al. (2010) provide an index of 76 countries and their ranking on a power distance scale. Index scores from 104 to 11 are listed, with Mexico - 81, China - 80, and the United States - 40. The higher the score, the higher the power distance. Mexico and China are on the higher end of the power spectrum, scoring 81 and 80 respectively on the index. These two societies view power as not being equal among members, having great distance between subordinates and managers. The United States, however, enjoys a small power distance, with the distance between managers and subordinates being relatively small (Hofstede et al., 2010).

The willingness for organizations to share information is generally determined by their home countries view of power and power distance. Cheung et al. (2011) sees the value of information sharing in the fact that it helps both buyers and suppliers with their strategic objectives. This includes an increase in operational efficiencies as production and logistic issues are readily discussed and reviewed for solutions. Opportunistic behaviors are decreased, while risk sharing, and value chain management is maximized because of the growing trust between firms due to the exchange of information (Jean, Sinkovics, & Kim, 2010).

Chow, Harrison, McKinnon, and Wu (1999) explain the importance and sensitivity to hierarchical positioning in Chinese culture, using examples of reduced information sharing and expressing opinions from subordinates when management is present. Because of the large power distance, subordinates may feel their opinion, intelligence, or questions are less important than those of their manager and will often defer answering a question until management is present for fear of managerial repercussions (Harrison & McKinnon, 1999; Chow et al., 1999). This can then affect BSR due to increased communications being needed to clarify and reiterate information, resulting in longer lead times and possible quality issues. Large power distance organizations also see a higher reliance on rules and procedures, a disruption in knowledge acquisition and intra-organizational knowledge diffusion (Yilmaz et al., 2004). In contrast, the US, which has a small power distance, sees subordinates expecting consultation with management when making decisions (Chow et al., 1999). Information is shared between leadership and low-level employees, with a certain level of autonomy expected to complete daily activities.

Individualism, Collectivism, and the Concept of Face

Perhaps the largest cultural divide is found between individualistic (IDV) and collective (COL) societies. The US is rated highest of individualistic societies, but has major outsourcing relationships with Mexico and China, who both identify as collective societies (Hofstede et al., 2010). The impact can be seen throughout communications, as societies with high individualism see information as a form of power and may not want to relinquish necessary information for fear of weakening or losing their position in the relationship (Griffith & Meyers, 2005; Chow et al., 1999). Griffith and Meyers (2005) suggest that US firms are reluctant to exchange information for fear of becoming dependent on other firms, particularly other domestic firms who share the same IDV makeup. This lends to the IDV attributes of self-goals over group success and calculative involvement in relationships (Chow et al., 1999). Relationships are secondary to individual tasks, which impacts relational learning and other qualitative factors. Moreover, IDV affects BSR because interactions are indistinguishable between specific typologies (Hofstede et al., 2010).

Compared to the US, Mexico and China are on the lower spectrum of the IDV/COL index (Hofstede et al., 2010). Even with the multiple definitions of COL societies offered by Harrison and McKinnon (1999), for the purposes of this paper, the in-group definition will be used. In-group societies have many common interests and the goal is success for the whole (Harrison & McKinnon, 1999). Individual behaviors are shaped by their interpretation of and impact on the group, with group advantages being the primary motivation (Chow et al., 1999).

The concept of face is what affects firm performance when IDV and COL cultures are paired. Face is the concern of what others think of you; a form of self-presentation (Chow et al., 1999). Face seems to influence COL cultures more often than IDV because of its implications on how others view an individual's actions. Behaviors can cause face to be maintained or lost if they violate the expectations of the group (Chow et al., 1999) In terms of firm performance, face can hinder joint sense making and information sharing due to the groups perception of the presenter. For example, Mexican and Chinese firms may not seek clarification on issues from their counterparts for fear of being viewed as unintelligent. This is particularly evident in the attempt to save the face of superiors and management from negative perceptions (Chow et al., 1999). In contrast, IDV cultures are not nearly as concerned with preserving face. Chow et al. (1999) describes IDV culture’s face as being separate from their actions. IDV societies individuals are not bound by behaviors and any negative actions are only applied to the individual, not the group as a whole. Again, this can negatively affect firm performance as self-success is the driver of behaviors, contributing to an increase in opportunistic actions.

Competitiveness

Resource Advantage (RA) Theory and Resource-Based View (RBV)

Although RA theory usually applies to internal capabilities, it can also be applied to those firms seeking to outsource capabilities. Managers who have a resource-based view (RBV) can align their strategic objectives with those organizations that would be the most beneficial in reaching those goals. RBV allowed firms to tap into their partner's core competencies and utilize them without having to vertically integrate or acquire new capabilities. Technological advances, facilities, capacity, machinery, culture, value, uniqueness, rareness, and non-substitutability are all forms of resource advantages that are difficult for other firms to imitate and therefore constitute as competitive advantages (Raskovic & Brencic, 2013; Yilmaz, Alpkan, Ergun, 2004; Porter, 1980). Hooley, Greenley, Fahy, and Cadogan (2001) describe isolating mechanisms, which are ways that firms can protect and defend these key advantages. They feel that firms should use legal barriers such as contracts and intellectual property rights; causal ambiguity to make it as difficult as possible for other firms to identify the origin of the advantage; and time dependency, where a set amount of time must pass before the basis of the advantage is revealed (e.g. patents) (Hooley et al., 2001).

One aspect - trust - is presented by Morgan and Hunt (1994) as a resource that is fundamental to better performance against industry peers. They, along with Garbarino and Johnson (1999) feel that trust is a major source of relationship commitment and the foundation to strategic partnerships, while also viewing trust as the distinguishing factor between relational and transactional partnerships. Raskovic and Brencic (2013) add joint problem solving and sense making to trust as the main predictors of firm performance, noting that it is foundational to strategic BSR and long-term oriented relationships. Noting the similarities between strategic BSR and relationship marketing and each approach to successful relational exchanges allows a connection of the two and advances the thought of increased firm performance being a byproduct of trust. In terms of value creation, the nature of the exchanges within trustworthy relationships is improved.

Raskovic and Brencic (2013) suggest the goal to be building interpersonal trust, as that leads to openness in communication. This builds on itself, as common ground is established; first between individuals and then between firms. Mutuality grows into innovation and knowledge is transferred between firms as each allows for closer involvement and integration into each other's processes and activities. Further Zaheer, McEvily, and Perrone (1998) see interpersonal and inter-organizational trust as two separate and distinct theories that should be seen and analyzed separately. Recalling Heide and John's (1990) view of strategic BSR having much to do with an organization's investments in the alliance, this investment can be applied to individuals as well. Individuals can be considered a competitive advantage, because they are the frontline contacts of the firm and create and build trust (Raskovic & Brencic, 2013). Additionally, individuals can then build inter-organizational trust through sustained communications that continue to mature into shared goals. Zaheer, McEvily, and Perrone (1998) feel that these social interactions create norms that are embraced by members of the organization, which is then able to institutionalize trust as an element of their corporate culture, as well as shape the view of current members towards the partnering organization.

Peng (2001) suggests the main reason for having a RBV is for the activities of organizational learning. Firms that can pinpoint internal shortcomings and identify outside firms who have more expertise in a specific activity can see an increase in competitiveness. It is especially true in multinational BSR because of the ability for knowledge to be exchanged within the partnership (Peng, 2001). These interchanges are mutually beneficial as local knowledge is shared and increased with the domestic partner, and the outsourced firm now has access to a larger market. Possibly the most important is finding new uses for technology and innovation that can differentiate a firm within the market. This includes the ability to reduce costs either through material or process efficiencies that may not be possible for the outsourcing firm.

Quality, as a competitive edge, continues to improve as buyer-supplier relationships grow stronger. Fynes and Voss (2002) state that two dimensions: quality design and quality practices are directly influenced by the strength of the partnership. Because strong relationships generally have high trust and communication, product design and process development activities are better and more informative. Suppliers and buyers can refine processes and specifications to limit the chances for product over-development and difficult specification tolerances. Quicker resolution of quality issues and redesigns are also a benefit of strong BSR. Product design in particular sees increased involvement between buyer and supplier, reducing future manufacturing and end-customer quality issues. Suppliers can then use their design capabilities as a competitive edge, showing more than just manufacturing competence (Fynes & Voss, 2002). What Fynes and Voss (2002) then describe is a relational cycle where suppliers receive repeat business, specifically regarding new product development, improving their performance and profits.

Social Capital, Knowledge Management and Value Creation

In terms of BSR, social capital is often seen as synonymous with environment, therefore in this section the two are interchangeable. All buyer-supplier typologies are built by network ties that create surroundings, conditions, and interactions in which firms operate. These network ties are the total of resources that a firm gathers through a lasting group of inter-firm relationships (Hughes & Perrons, 2011). Recalling the earlier discussion on TCT, the purpose of forming these ties is for value creation, which many buying firms cannot develop on their own. Putnam (1995) suggests that these ties generate increased connections between firms which cultivate the value creation process. Further, Hughes and Perrons (2011) explain that these ties allow for specialized access for firms to tap into knowledge, technological and industrial resources to create new forms of value.

Social networking will vary depending on the ties, purpose of the relationship, and nature of the product (Hughes & Perrons, 2011; Nahapiet & Ghoshal, 1998). Because of the mix of strong and weak relational ties, approaches and frequency of interactions will differ based on the strength of the tie. For example, weaker ties may have less interactions or lower information and knowledge sharing than stronger ties. Nahapiet & Ghoshal (1998) suggest that all ties act as a social-structure, where both parties are relationship owners, and neither will have exclusive rights to the relationship. This is strengthened by the fact that all transactions must be mutual in nature, meaning product or service is requested and approved, even if opportunistic behaviors are present. In addition, each tie offers the chance for knowledge creating, gathering, and sharing; creating value through lowering the expense it takes to gather this information (Nahapiet & Ghoshal, 1998).

Nahapiet & Ghoshal (1998) explain that the importance of social capital lies in its ability for firms to create and share knowledge. This knowledge is gained through socialization processes and interactions within the network ties (Garcia-Murillo and Annabi, 2002). Cheung, Meyers, and Mentzer (2010) further advance on Garcia-Murillo and Annabi’s view, explaining the importance of these interactions is to produce relationship learning between organizations, which will drive future behaviors toward creating mutual value. They theorize that relational learning can be foundational in building competitive advantages throughout the entire supply chain (Cheung, Meyers, and Mentzer, 2011). These interactions show the importance of collaborative relationships because of their intrinsic value of open communication allowing access and exchange of information between parties. This in turn allows organizations to pass along those capabilities and increase market performance (Cheung et al., 2011). Adversarial and traditional BSR will experience limited communications, hindering relational learning endeavors. Even collaborative relationships who are poor matches for certain environmental conditions can see poor returns within the market and disjointed efforts within the supply chain (Powell, 1990). However, increased relational learning can be a positive byproduct of uncertainty within the network to make up for the volatility found within the environment (Cheung et al., 2010).

Discussion

The relevance of strategic BSR lies in the impact these relationships have on a firm's performance. Cousins, Lawson, and Squire (2008) feel performance measures are key motivators for firms to build alliances and should be used to modify managerial behaviors towards positive outcomes. We focus on one of Cousins et al. (2008) hypothesis to show the performance benefits from having collaborative BSR:

> H1a: Operations performance measures are positively associated with business performance.
>
> H1b: Communication performance measures are positively associated with business performance (p. 244).

Using this hypothesis as the starting point for their study, Cousins et al. (2008) were able to positively correlate performance increases with specific activities. Examining the results in their correlation matrix (Table 3), communication was the common theme that was present in all high measures of performance. Where >0.137 is considered significant, operational performance measures scored 0.68, while overall business performance measures scored 0.29 and 0.34 when both communication and operational measures scored high (Cousins et al., 2008, p. 249). This supports the view that those actions prescribed to collaborative BSR exchanges help to increase firm performance, especially within operational functions, which is usually where purchasing metrics reside.

	1	2	3	4
1. Communication performance measures	1.00			
2. Operational performance measures	0.68	1.00		
3. Socialization mechanisms	0.46	0.49	1.00	
4. Business performance	0.29	0.34	0.36	1.00
Mean	2.46	2.41	2.88	2.87
Standard deviation	1.01	1.07	0.89	0.98
Cronbach's α	0.86	0.87	0.69	0.72
Composite reliability	0.87	0.87	0.71	0.73
Average variance extracted	0.68	0.70	0.47	0.50

Note: For $N = 142$, r has to be 0.137 or higher to be significant ($p < 0.05$)

Table 3 Source: Cousins et al., 2008

A different study provided by Corsten and Felde (2005) found that BSR's with high levels of trust and collaborative activities have improved performance measures and are able to maintain those levels for longer periods of time (Table 4). Their study found that three times as many firms with high levels of trust within their BSR experienced purchasing cost reduction (0.468), compared to those with high collaboration efforts

(-0.112) and high dependence (0.110), respectively (Corsten & Felde, 2005, p. 454). While collaborative activities effects on purchasing cost were shown to be insignificant and almost a negative to BSR, its effects on innovation (0.37) outrank trust (0.354) and dependence (0.248) (Corsten & Felde, 2005, p. 454).

Table V.
Results of SEM

			Estimate	SE	CR	P
Innovation	←	Collaboration	0.370****	0.102	3.625	0.000
Purchasing cost reduction	←	Collaboration	−0.112	0.098	−1.146	0.252
Financial performance	←	Collaboration	0.244**	0.108	2.251	0.024
Innovation	←	Trust	0.354****	0.109	3.247	0.001
Purchasing cost reduction	←	Trust	0.468****	0.117	4.009	0.000
Financial performance	←	Trust	0.169	0.115	1.464	0.143
Innovation	←	Dependence	0.248**	0.107	2.324	0.020
Purchasing cost reduction	←	Dependence	0.110	0.104	1.061	0.289
Financial performance	←	Dependence	0.069	0.113	0.608	0.543

Notes: $\chi^2(200) = 273.244$, df = 200, TLI = 0.907, CFI = 0.927, RMSEA = 0.052 $^{*}p < 0.10$, $^{**}p < 0.05$, $^{***}p < 0.01$, $^{****}p < 0.001$

Table 4 Source: Corsten & Felde 2005

Through their study, Kannan and Tan (2002) add that a strategic commitment made by suppliers generates an increase in the buying firms' competitiveness and performance. Close relationships enable communication on specific activities that improve performance and reinforce the belief that suppliers should be an extension of the buying firm, not to be kept at arms-length (Kannan & Tan, 2002). For example, Kannan and Tan (2002) found that quality level, service level, and on time delivery are the three most important criteria for supplier assessment (p. 14). Ability to meet delivery due dates, commitment to quality, technical expertise were also tops in the supplier selection criteria, with product, service, and material costs coming in fourth (Kannan & Tan, 2002, p. 13).

Additionally, Raskovic and Brencic (2013) propose four main constructs as being exceedingly significant in growing competitive BSR (Figure 1). Within their model, they measured eight total constructs, with four having statistically significant effects on competitiveness. What makes this study thought-provoking is that three out of the four constructs are relationally based (interpersonal trust, joint problem solving, and people-based transaction specific investments), with only one being purely transactional in nature (physical assets-based transaction specific investments) (Raskovic & Brencic, 2013, p. 26). Their study points to competitive BSR being impacted by inter-organizational relationships and individual exchanges which funnel off into other facets of the relationship.

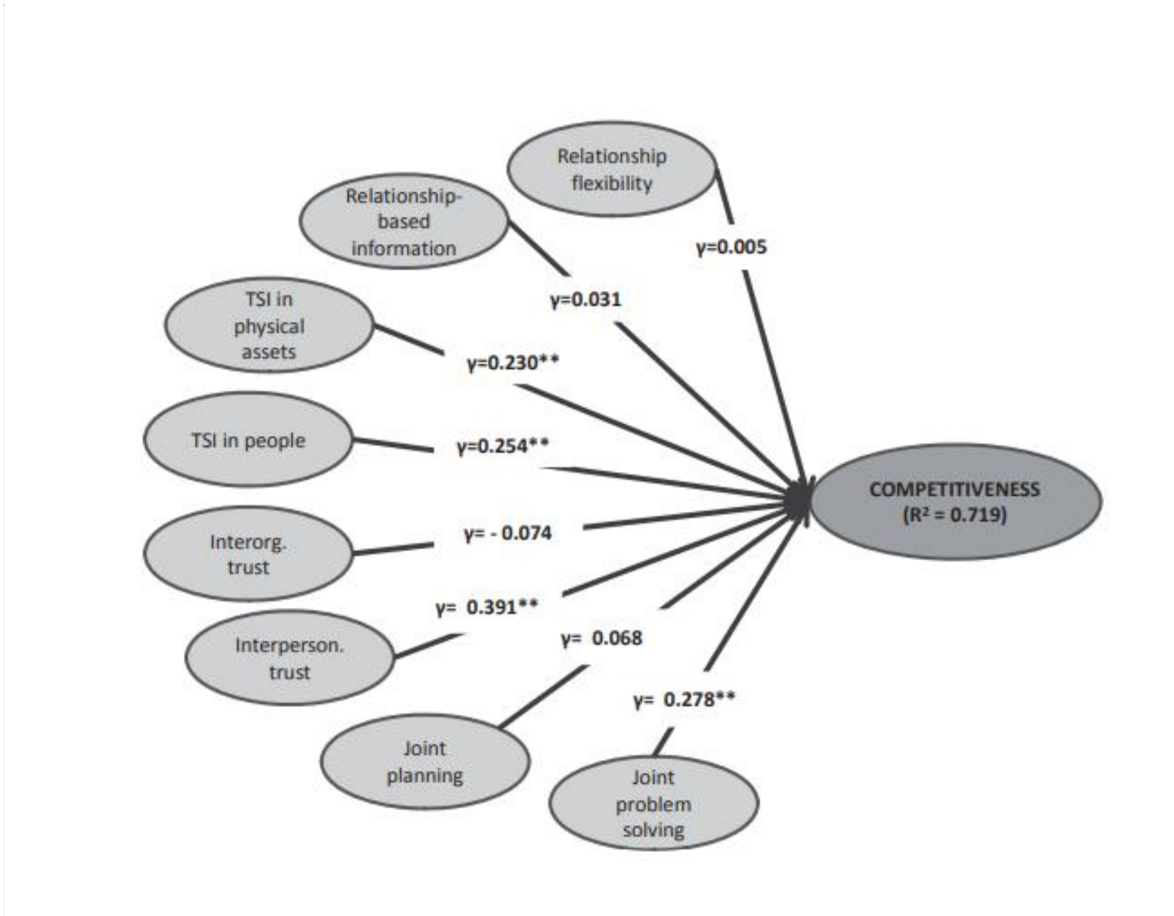


Figure 1 Raskovic & Brencic 2013

With these study results showing the positive influence strategic BSR has on firm performance, the implications for management should be to continually build and maintain these forms of relationships, because in theory, the outcome should be consistently positive. However, when examining strategic BSR further, we find this is not always the case. We are then left with the following questions:

- With organizations pushing for more strategic purchasing relationships, what, if any, are the potential downfalls or negative aspects of such relationships on firm performance?
- Does strategic BSR decrease product costs and therefore increase firm performance, or is it merely a byproduct of other cost reducing activities and collaborative efforts?

Negative Aspects of Strategic BSR

The Dark Side of Strategic BSR

Most literature provides a positive outlook for strategic BSR, with most negative aspects being relegated to traditional and adversarial forms of supply relationships. However, the instances of negative aspects occurring in collaborative relationships are not as uncommon as might be believed. Anderson and Jap (2005) nickname the negative aspects of close relationships as the dark side of strategic alliances and define them as those actions that can negatively affect collaborative relationships. Anderson and Jap continue with the notion that the closeness of a relationship doesn't necessarily mean that it is a good relationship, pointing to a failure rate of strategic relationships hovering at 30-50% (2005, p. 75).

Curiously, it is the presence of specific positive relational behaviors that drive the existence of these negative aspects, namely trust, long term relationships, and organizational learning. These behaviors and their ability to bring partners closer, also open the door for far more interactions and chances for conflicts. Traditional BSR, due to low levels of communication, often do not have the same level of intimacy where conflicts and issues can arise. And if issues do arise, the relationship is not close enough for these issues to be discussed, especially to the point where a resolution can be found. Closer relationships, however, often have issues and annoyances raised, and due to the level of commitment, will partners will discuss these issues with the hope of resolving the problem (Anderson & Jap, 2005). This can increase the issue though, as the offending party may not agree with their partners concerns and may be reluctant to offer or concede to resolving the dispute.

Exacerbating these issues can be long term relationship statuses, where their length of time may cause matters to worsen on two fronts. First, with longer term relationships, the expectations may be unreasonably high for both partners (Anderson & Jap, 2005). This is especially true when the foundation of the relationship was based on innovation and resource advantages offering increased competitiveness and value creation. If the contributions are becoming stale, discontent with the other may begin to set in. Second, social network environments are created through these long-term relationships, but these too can cause issues. Villena, Revilla, and Choi (2011), describes social capital as a performance liability that sees diminishing returns as the social networking increases. Villena et al. (2011) suggest that the dark side of social capital can decrease the flexibility of firms seeking better partnerships due to commitments and obligations to their current partner. This complacency can hinder performance growth and adaptation to the changing social environment and can keep firms behind their competition. Similarities in thinking and process approach are commonplace, as partners become aware of what is needed to secure the relationship without the need to challenge one another.

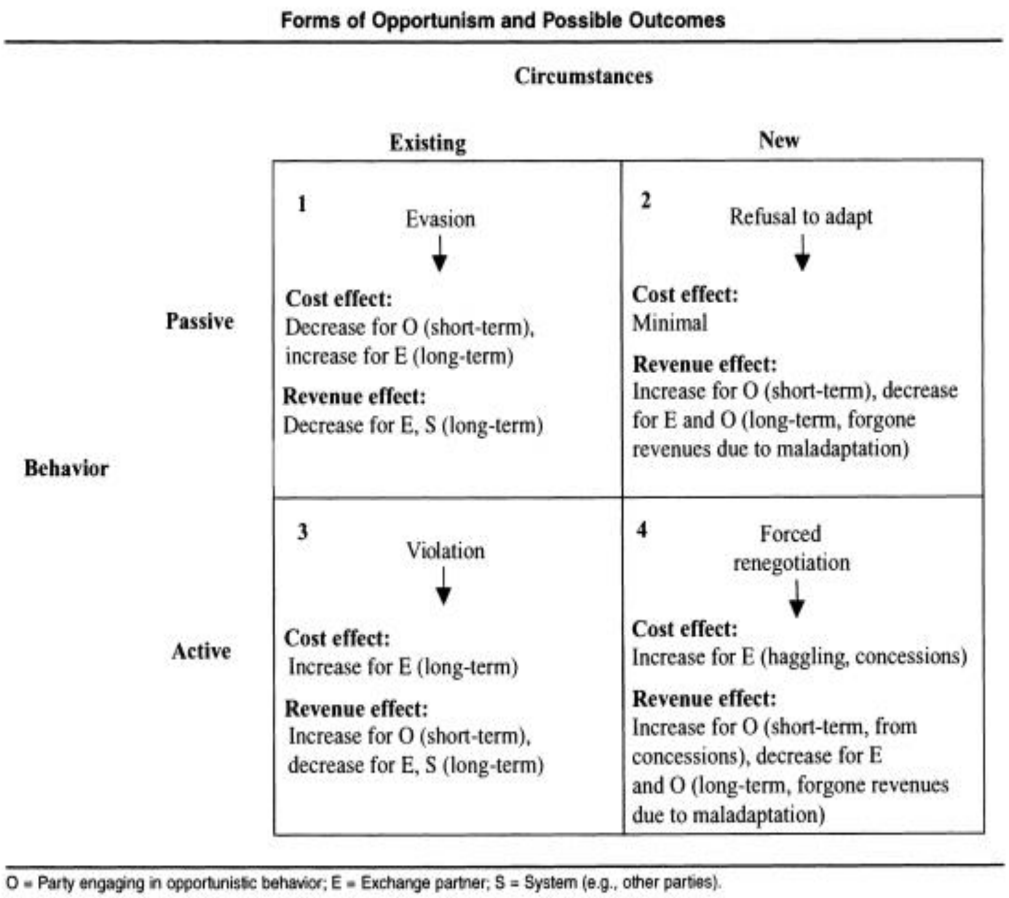
Grandinetti (2017) points to information asymmetry occurring in these created environments; with Anderson and Jap (2005) adding organizational learning in these environments can cause relational instability and vulnerability. This unequal balance of information can lead to the staleness mentioned above as one partner may be withholding valuable resources or knowledge that may be beneficial to the other. Further, information sharing can become redundant, with repeated ideas and few innovative ideas being presented. Villena et al. (2011) feel that the more information sharing activities performed, the harder it may be for organizations to change partners. Because of the level of intimacy between partners, it may be deemed too difficult to find another strategic partner and start the relational process over. This is particularly true in relationships with large a power dependence or those where there is a specific resource needed to maximize competitiveness (Anderson & Jap, 2005).

Opportunistic and Unethical Behaviors

Trust, particularly high levels of trust, may allow more opportunities for negative behaviors. Grandinetti (2017) feels that increased trust within BSR leads to one partner lowering their guard, making it possible for opportunistic behaviors to begin. Further, high trust levels in BSR may have a direct correlation to lower financial firm performance, specifically for the buying firm, due to their increased vulnerability towards the supplier (Villena et al., 2011; Costen & Felde, 2005). Buying firms may be comfortable with the price provided by their supplier and may not see a need to challenge them on costs. The growth of opportunistic behaviors is common as firms seek to leverage their power for the possibility of increased profits (Wathne & Heide, 2000). Those in power can exploit their partner for a redistribution of the profit margin, especially if the exchange partner is overly dependent on the more powerful partner. Moreover, high levels of trust can reduce the amount of information sought from the buying firm, especially regarding quality, process improvements and gains that can be used to lower overall costs.

Opportunistic behaviors can be seen as active or passive actions, and we suggest they act as antecedents to unethical behaviors. Although there is no literature linking active and passive opportunism to unethical behavior, using deceit and manipulation to increase standing or profit margin within a relationship can be considered both opportunistic and unethical. Expanding on this is Wathne and Heide's definition of active opportunism: "... (1) deliberate misrepresentation of various kinds during relationship initiation (i.e., ex ante) and (2) various forms of violations over the course of the relationship (i.e., ex post)," and passive: "failure to disclose true capabilities and resources. Often times using over-exaggeration and hyperbole." (2000, p. 38). These behaviors can be seen in both buyers and suppliers; at an individual or firm level. But how can opportunism lead to an issue of ethics? The answer lies in the offender's response to the results of the opportunistic action. When an offender distorts or withholds their abilities or resources and experiences a sole increase in performance, and then continues promoting the falsehood with the intention to continue reaping the rewards, the shift from opportunism to unethical behaviors is complete. Interestingly, this can cause denial and increased loyalty from the affected party to the other. The thought that misdeeds took place may seem irrational, especially to those in long-term, committed BSR.

The outcome, then, are performance gaps within the relationship, which concludes with limited value creation and shifts in profit sharing amongst partners. Although Wathne and Heide (2000) provide both short term and long-term effects from opportunistic and unethical behaviors on offender (Figure 2), partner, and system performance; we posit that the effects be viewed as solely long term. This position is taken due to the often-irreversible effects of these behaviors on BSR and the supply chain as a whole. The loss of trust between partners coupled with the loss in performance and profits can be too much to overcome regardless of the level of relational commitment.



Forms of Opportunism and Possible Outcomes

Behavior		Circumstances: Existing	Circumstances: New
	Passive	**1** Evasion **Cost effect:** Decrease for O (short-term), increase for E (long-term) **Revenue effect:** Decrease for E, S (long-term)	**2** Refusal to adapt **Cost effect:** Minimal **Revenue effect:** Increase for O (short-term), decrease for E and O (long-term, forgone revenues due to maladaptation)
	Active	**3** Violation **Cost effect:** Increase for E (long-term) **Revenue effect:** Increase for O (short-term), decrease for E, S (long-term)	**4** Forced renegotiation **Cost effect:** Increase for E (haggling, concessions) **Revenue effect:** Increase for O (short-term, from concessions), decrease for E and O (long-term, forgone revenues due to maladaptation)

O = Party engaging in opportunistic behavior; E = Exchange partner; S = System (e.g., other parties).

Figure 2 Source: Wathne & Heide 2000

BSR Effects on Lower Product Cost

While product costs are a major factor in purchasing metrics and BSR, the majority of available research focuses only on total transaction costs, cost of quality, and relational exchanges as the main drivers of firm performance. The need to separate product costs from other transactional costs for a more accurate picture helps to formulate the theory that lowered product costs may be a positive, yet unintended consequence, of other collaborative activities, and should not be the sole focus of strategic BSR. Furthermore, the ability to lower product costs beyond initial quality initiatives may prove difficult if production economies of scale are not achievable, even in the presence of strategic BSR.

The evidence presented is somewhat conflicting in that each costing factor does influence overall product costs, at least initially, but as the relationship grows, the cost reductions provided will be through other activities related to overall purchasing activities, not based on the product itself. Shin et al. (2000) strengthen this view by pointing out that product cost reductions are more related to quality and delivery improvements; while Cannon and Homburg (2001) suggest that even with quality measures lowering total transaction costs over time, product costs are not positively affected. Treleven (1987) considers multiple supplier systems as more expensive than single systems due to the increased transaction costs and variation in overall product quality between suppliers, and the inability to reach order economies. Even more, costs may increase due to suppliers building in preventative measures to stave off any quality issues. Ironically, strategic BSR may be hindering product cost reduction efforts because of increased collaborative activities, which are usually performed for customized or unique products. These products generally have a higher price due to their demand uncertainty, low initial economies of scale, and use of new tooling and technology.

While it may be believed that putting these quality measures in place may reduce the product costs to its lowest possible price, we hold the position that actions which result in higher economies of scale drive lower product costs. Gadde and Snehota (2000) conclude that product cost reduction is an outgrowth of strategic alliances further reducing the supply base, which in turn increases the chances for obtaining economies of scale. Reducing the number of available sources for a product enables larger orders, which allows the supplier to run their machines at higher efficiency levels, resulting in cheaper production costs that can be passed onto the buying firm. While this does affect overall purchasing costs, as negotiations and quoting are quicker, paperwork is streamlined, and logistical activities are maximized, the higher benefit is a reduction in product costs. Economies of scale also have a much higher threshold than reductions through quality or other measures, as those will eventually be maximized and cannot be improved upon further. Continuous improvement activities can further reduce costs, but again, these reductions will stop once profit margins are dipped into.

Where strategic BSR may become beneficial in lowering product costs is in the beginning product implementation and quoting phases. Collaborative BSR should be considered an advantage particularly during the developmental stages due high levels of trust in suppliers to provide low cost options that still maintain the required quality and dimensional specifications. One option can be achieved by using less expensive materials wherever feasible or a complete product redesign to eliminate any over-design issues. Another could be to negotiate with the current supplier for a cost decrease. These negotiations can include ways to reduce waste and unnecessary product features, further reducing the cost of the material or part. Tiered pricing can also be used to identify order quantities that reduce product costs.

Nevertheless, the above-mentioned actions may actually displace any obtained cost reduction into other areas of the supply chain. For example, escalating buyer-supplier negotiations raises total transaction costs through increased communications and business uncertainty (Williamson 1973). Product redesign adds costs from scrapping old and obsolete materials and tools; increases costs for new tooling and technology and raises costs through expanded collaborative efforts. Tiered pricing and working to attain scale economies can generate intra-firm pressure to increase inventories to receive cost discounts, while simultaneously growing inventory holding costs. Finally, reducing the supply base to sole supplier status may reduce overall procurement costs (Shin et al., 2000), but also increases production and customer order fulfillment risks, and may increase relational dependency and opportunism.

Managerial Implications

Combating the Dark Side, Opportunism, and Other Negative Behaviors

Research shows that there are effective ways for management to combat the dark side and other negative behaviors found in strategic BSR. Anderson and Jap (2005) feel that the best way to suppress the dark side is to bolster those relationships. This can be done through regular evaluations of the relationship, especially those that have been in place for long periods of time. This helps to avoid stagnation within the relationship, and monitors for any signs of opportunism or shifts in power or profits. Organizations should also create backup plans to mitigate risks in case negative behaviors arise. The development of secondary sources of supply or production capabilities should be done, particularly on high risk items. Using the previously mentioned Kraljic Method (1983) to identify high impact items and their suppliers can help in this activity. Additionally, the development of secondary lines of inter-firm contact and interpersonal relationships beyond management helps to strengthen the lines of communication (Anderson & Jap, 2005). This acts as a relational safeguard against conflicts that may arise and provides a different avenue for communication exchanges to be maintained. Finally, Villena et al. (2011) suggest using teams during negotiations and rotating members periodically to gain fresh insights into the relationship.

Wathne and Heide (2000) suggest managers use socialization activities to promote common goals and manage negative human behaviors. The alignment of goals between firms helps to narrow the focus of what goals the partners are trying to accomplish. It allows the focal point to be on potential gains and losses in both processes and profits and promotes the ideal behavior that is accepted within that social network. Williamson (as cited by Wathne & Heide, 2000), felt that organizational hierarchies could be used to provide incentives to partners to reduce to payoffs from opportunism. Management can offer higher margins or payment of premium prices to encourage long terms gains as opposed to short term payoffs. While this may seem counterintuitive to collaborative BSR, the emphasis is on averting opportunism within the relationship.

Possibly the most important and most difficult action managers can take in diminishing the dark side and opportunism is during the selection process. Wathne and Heide (2000) feel the selection process should be used to identify predictors of opportunistic behaviors. Management can use various screening and qualification measures to reduce the chances for a misrepresentation of a potential partner's capabilities and offerings. This provides much needed information to management to make sound, cognizant decisions about who to start a business relationship with. This can be difficult to determine, however, as the qualifying measures may be limited in their results. Organizations may still be untruthful in their responses just to gain new business opportunities. Management can lessen the instance of this by instituting a trial phase within their contracts, seeking out potential partners through reputation and word of mouth suggestions, or by creating a costly or time-consuming selection process to self-eliminate potential partners.

Limitations of the Study

Several limitations exist that restricted the scope of this paper:

1. Research is noticeably absent in outlining the progression from one BSR typology to another. As buyer-supplier relationships develop, it is natural for transitions in the relational exchanges to occur. While many peer-reviewed articles exist describing the

various BSR typologies, few exist that show linear relational progression or hybrid-types of relationships that are found in most organizations.

2. Sufficient peer-reviewed studies on BSR's effects specifically on product costs without regard to overall transaction or purchasing costs is limited. This lack of research affected our ability to come to a definite conclusion as to how effective strategic relationships are in reducing product costs, which oftentimes is a determining factor in supplier selection.
3. Lacking is the ability to truly separate contractual market purchases from internal production capabilities. While this may be more philosophical and may go beyond the scope of this paper, using either market purchases or internal capabilities result in the same outcome: an expense. Although individuals may view the market as a lower cost source, using TCT, it is only a mirage. Conversely, when individuals believe they can produce goods cheaper than the market, they must inhibit growth to avoid decreasing returns. Therefore, organizations are left with either forever switching suppliers, constantly searching for the lowest cost, or purposely capping internal growth.
4. Due to time restrictions, the impact of the recently enacted trade tariffs on countries with large overseas supply bases could not be added to this paper. The BSR impact of these tariffs will be felt beyond pure cost increases into relational dependence; expanded reshoring activities, trust, and knowledge and resource advantages.

Conclusion

The aim of this paper is to show the impact BSR have on firm performance and competitiveness. Beginning with the shift from adversarial types of exchanges to more collaborative relationships through the study of TCE and SMO, we showed why organizations sought these closer relationships and what methods could be used for identifying BSR approaches. We also examine the use of resource advantages and how they can be a source of competitive edge for organizations. The summation of this research showed the performance increases firms experienced by working towards strategic alliances. The studies used showed increases in quality and delivery (Kannan & Tan, 2002); purchasing cost reductions (Corsten & Felde, 2005); and overall operational and competitive performance (Raskovic & Brencic, 2013; Cousins et al., 2008). The research also shows that strategic BSR is not a panacea for all purchasing issues and carries with it negative aspects as well. We understand that these complications, as with all other issues, must be worked through to experience the many gains associated with strategic BSR.

Suggestions for Further Research

Further research is needed to understand the importance of BSR typology evolution, and to validate the efficacy of these relationships specifically on their effects in firm performance. Performance implications are to be expected due to the naming convention of BSR typologies (Tangpong et al., 2013). This is specifically found in relational attributes, as they are more often seen as mutually beneficial, which in theory would mean that both parties should experience an increase in firm performance due to the lack of opportunistic behaviors in the relationship. What is currently offered is research that contradicts the positive correlation between relational attributes and increased firm performance. The question is then asked, if relational attributes do not increase firm performance, is it necessary to pursue them? If so, shouldn’t each firm seek a power-dependent relationship, and fight to be the dominant member for guaranteed increased performance? Due to the lack of evidence, the reader is left wondering if the importance of BSR typologies regarding firm performance has been overstated.

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