

Supply Chain Relationships & Agent Characteristics: A Multi-Level Investigation

Introduction

The impact of organizational-level factors on buyer-supplier relationships has long been studied in the supply chain literature. Organizational-level factors such as the level of power dependence and relational norms have been found to have different impacts on sustaining buyer-supplier relationship. However, the role of decision-making individuals in buyer-supplier relationships is still largely understudied. In a sense, organizational factors act as control mechanisms at the organizational level for focal firms to sustain or dissolve the relationship with their buyers. The decision makers' individual characteristics such as attitude toward risk, assertiveness or inclination to collaborate could also play their own roles in the sustaining or dissolution of buyer-supplier relationships, especially when decision makers are constrained by specific organizational level control mechanisms. In this study, we plan to investigate the interplay between several individual characteristics and organizational control mechanisms and its joint effect on buyer-supplier relationships. Specifically, we are interested in the following research question: *Under what situation will individual decision makers' characteristics matter the most? When will individual characteristics matter the least?* Improving our understanding of these two related questions could have implications on future analytical model development in the buyer-supplier relationship field. Since most of the analytical models assume hyper-rational actors without considering specific individual characteristics, the results of our study could predict *when* the analytical value has the *most* power of prediction (when individual characteristics matter the least) and when these models have the *least* power of prediction (when individual characteristics dominate organizational-level control mechanisms).

Research Design & Intended Analysis

We plan to conduct a scenario-based role playing experiment involving a questionnaire

containing a set of vignettes to which participants respond (Rungtusanatham, Wallin, & Eckerd, 2011). The vignettes are short descriptions of a situation that contain precise references to what are thought to be important factors in the decision-making processes of respondents. Several studies have adopted a similar methodology to examine factors that influence the make or buy decisions (Mantel, Tatikonda, & Liao, 2006), or to select competitive strategies (Song, Calantone, & Di Benedetto, 2002). In this study, we investigate a supply disruption scenario. Following previous research, we manipulate two organizational factors that have shown to have impacts on buyer-supplier relationships: power dependence and relational norms between buyers and suppliers. Each of these organizational factors has two levels (high vs. low), resulting in a total of four different versions of the scenario vignette (i.e. high power dependence & high relational norms, low power dependence & high relational norms, etc.). We also investigate two outcome variables: opportunism and intention to continue, which could have significant impact on the sustainability of buyer-supplier relationships under supply disruptions. Finally, we investigate the joint effects between several individual characteristics such as collaboration, risk preference, assertiveness and organizational-level factors.

Subjects will be randomly assigned to one of the four different versions of the vignette and will be asked to assume the role of a supply chain manager. Subjects will read their given scenario and answer questions based on the scenario. With regards to the intended analysis, we anticipate running two separate regression models on the different outcome variables (please see below).

Opportunism = Controls + Relational Norms + Power Dependence + Relational Norms*Power + Agent Characteristics + Relational Norms*Agent Characteristics + Power*Agent Characteristics

Relationship Continuance = Controls + Relational Norms + Power Dependence + Relational Norms*Power + Agent Characteristics + Relational Norms*Agent

Hypotheses Development

Intension to continue

Following Tangpong & Ro (2009), we posit that when it comes to the critical decision of relationship continuance under the event of supply disruption, the agent may rationally make the decision based on the degree to which firm depends on the buyer and the strength of the relationship between the two parties. Organizational level policies, procedures and practices are needed to support the existence of a buyer-supplier relationship. An external event such as supply disruption might directly disrupt the existence practices and procedures between the two parties for sustaining such a relationship. Thus, individual characteristics may have a relatively small or even no impact on the continuance decision regarding a specific relationship. As a result, we propose the following hypothesis.

Hypothesis 1: Individual factors have relatively small or no impact compared with organizational factors on the continuance of buyer-supplier relationships under supply disruption.

Opportunism in buyer-supplier relationships

The extant buyer-supplier relationship literature has begun to explore the effect of opportunistic behavior within firm and its effect on intra-firm relationships. We posit that the role of individuals cannot be easily ignored in this case since managers often act as decision making agents making firm exchange decisions such as purchasing and contract negotiations within different supply chain functions. Individuals may engage in activities embedded within the relationship such as information sharing, negotiation, and conflict resolution and might decide to pursue a certain degree of opportunistic behaviors depends on individual characteristics

while conducting those activities. These opportunistic behaviors could later harm the relationship between supplier and buyer. Previous research also found individual level factors such as cooperativeness and assertiveness have different level of impact on opportunistic behaviors (Hung, Ro, & Tangpong, 2009; Ro, Hung, & Tangpong, 2012). On the other hand, organizational level factors regarding the relationship between two parties may not have a direct impact on the degree of opportunistic behavior compared to individual level factors. Thus, we suggest the following hypothesis:

Hypothesis 2: Organizational level factors have relatively small or no impact compared with individual level factors on the opportunism of buyer-supplier relationship under supply disruption.

Reference:

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