CHAPTER 2

REVIEW OF LITERATURE

Many researchers have conducted surveys to find out the impact of dimensions of relationship between buyer and supplier. The effect on performance of supply chain or relationship quality due to various aspects has also been studied. Also articles are written covering the conceptual area of BSR. In the last two decades many papers have been published on BSRs which have been discussed below.

2.1 BUYER-SUPPLIER RELATIONSHIP

Adobor and McMullen (2007) have said that purchasing trends are moving toward consolidation and a strong economic argument can be made for supplier management as most Fortune 500 companies are doing so to attain competitive strategy. Managing the relationship with suppliers has become a strategic priority (Christopher and Jutnner, 2000) which needs to be understood especially by the procurement/purchasing managers. The researchers and practitioners found its importance while studying either the performance of manufacturer or the supplier or the whole supply chain. Cusumano and Takeishi (1991) in their study on supplier relations and management examined Japanese and US auto manufacturers’ perception. The authors supported the supplier management practices in Japanese philosophy as they have relationship orientation. The relationship orientation influences the working together of buyers and suppliers to improve their performance. This yields substantial benefits for both buyer and supplier in short as well as long term (New and Burnes, 1997). For relationship management the critical dimensions from both buyer and supplier’s side are identified by Toni et al. (1994) which are,
coordination of network, development capability, training and technical assistance, adequate response, evaluation system adopted, transmission of expertise, contributions from different sides, utility of resources available, enhancing competence of each other for total integration of supply chain. Christopher and Juttner (2000) have also described the practices in several industries with respect to managing supply chain partnerships like developing the right interface structure, cooperating across systems, managing people through change, assigning a relationship promoter, monitoring the relationships and formal governance.

Although good supply chain practices have been identified but relationship building and maintaining is not an easy task, so many studies have also been conducted to explore the aspects of relationship for better supply chain performance. Handfield and Bechtel (2002) presented a model suggesting that to build relationships based on trust, suppliers must invest in site-specific and human assets, and buyers must judiciously apply contracts. For improved supplier responsiveness and in order to reduce cycle times between supply chain entities, managers must work to create new relational forms that rely on trust to a greater extent. Cousins et al. (2006) suggested that informal socialization processes are important in the creation of relational capital, which in turn can lead to improved supplier relationship outcomes. Cousins and Menguc (2006) also revealed that socialization is essential for the development of any significant business relationship and the enhancement of a supply integration strategy.

Specifically, Ryu et al. (2006) determined the factors of Long Term Orientation (LTO) in BSR by taking into consideration supplier’s performance, relational norms, manufacturer’s trust in supplier, manufacturer’s power and environmental uncertainty. The positive relationship between trust and long term orientation was supported. A positive relationship between trust and satisfaction with supplier performance was
also supported. The positive relationship between trust and relational norms was also confirmed. As most of the studies discussed the manufacturing unit as buyer, so a study by Doran et al. (2005) examined BSRs within a service sector and suggest that effective portfolio management by Kraljic would lead to more resourceful relationships.

The types of roles played by the supplier and the buyer for improving their performance in managing relationship for enhancing the supply chain productivity have also been discussed. The study by Lui et al. (2009) investigated the different roles transactional and relational mechanisms have in hindering opportunism and improving relationship performance in an emerging economy. Their results suggested that transactional mechanisms are more effective in restraining opportunism while relational mechanisms are more powerful in improving relationship performance. The relational exchange involves both an attitudinal and a behavioral shift (Kim, 1999) to save transaction cost and strategizing motives to perform better than the competitors.

Thus the above mentioned studies have given the glimpse of nature of BSR. To examine further with specificity, the attitude of buyer towards its relationship with supplier need to be studied by taking into account these aspects discussed in the studies collectively so as to get a comprehensive picture of buyer supplier relationship. The aspects to be taken for the study are further discussed.

**2.2 SUPPLIER EVALUATION AND SELECTION**

Buyers could reap benefits not only in the short-term but also in the long-term by managing suppliers strategically and the strategic management of suppliers involves the selection, development, assessment, and rationalization of suppliers (Talluri and Narasimhan, 2004). Thus, buyer should look for certain characteristics when
evaluating and selecting suppliers (Schorr, 1998). A good supplier provides quality, delivery, responsiveness, reduction in lead time and creates future with the buyer. Supplier selection is a multi-criteria problem (Sun et al., 2005) which includes various factors. In order to select the best suppliers, it is necessary to make a trade off among these factors. Supplier evaluation becomes necessary when the material to be procured is strategic or critical. As strategic product involves high risk and high profit so selecting the suppliers on the basis of important criteria becomes necessary.

The criteria affecting the supplier selection include both quantitative and qualitative factors. Dickson (1966) was the first to provide a comprehensive overview of the selection criteria used by purchasing professionals by revealing quantitative and qualitative criteria like net price, repair service, geographic location, financial position, production facilities, technical capability, performance history, quality, delivery and warranties. Later, Weber et al. (1991) found suppliers’ production facilities and capacity, geographical location, technological capability, management and organization, financial position and performance history as important supplier selection criteria. Ellram (1990) examined the issue of supplier selection in situations where the firm is considering a partnership type of relationship with suppliers. The author considered additional factors in supplier selection that tend to be longer term and more qualitative than factors included in traditional supplier selection models. Deng and Wortzel (1995) carried out an empirical study of the supplier selection criteria used by US importers. In all three categories, the most important criteria were price and product quality, followed closely by on-time delivery. The criteria for evaluating suppliers used by Mummalaneni et al. (1996) are on-time delivery, quality, price/costs targets, professionalism, responsiveness to customer needs and long-term relationships with the purchasing company.
The supplier evaluation and selection criteria are critical as they affect the agility and efficiency of supply chain. The cautious way to select the suppliers is mandatory as the material procured from the suppliers will impact the final product and the customer satisfaction level. Therefore, astutely selecting the suppliers can prevent wastage and delays. Especially when the product to be procured is strategic / critical, then selecting the right supplier becomes obligatory so as to reduce risk and enhance value. Effectual selection and evaluation of suppliers result in improved firm performance (Tracey and Tan, 2001). Supplier selection and evaluation have become one of the major topics in production and operations management literature, especially in advanced manufacturing technologies and environment (Motwani et al., 1999). Minahan (1988) deliberated that the world class suppliers excel in areas of competitive price, quality and lead time so as to work for continuous improvement and innovation with adaptability to strategies.

The literature review revealed that multiple criteria must be used in the evaluation of supplier performance during supplier selection. The criteria taken should be according to the product to be procured and the criticality of its use.

2.3 YEARS OF ASSOCIATION

Ellram and Hendrick (1995) defined partnership as an on-going relationship between two firms that involves a commitment over an extended time period, and a mutual sharing of information.

Long Years of Association (YOA) enhance the closeness between two organizations (MacKenzie and Hardy, 1996) which shoots up the production efficiencies (Mesquito and Brush, 2008). Goffin et al. (2006) have also found that duration of past
relationships promotes trust. Interacting for longer period because of the association between two organizations crafts the vital possibility of nurturing trust. As the relationship matures in terms of years of association between the buyer and the supplier, in-depth understanding for each other increases. Past relationship length is one of the factors for building trust (Gulati and Singh, 1998; Dyer and Chu, 2000). Consequently, with the length of relationship or years of association between the buyer and the supplier may help in enhancing the level of trust between the two. It is also pressed upon by Helper (1991) that trust between buyer and supplier increases the longer they work together.

2.4 TRUST

Successful relationships are built on trust (Shah, 2009). The relationship bond becomes stronger with the credence of trust. Webster (1992) discussed trust as one of the important aspect of BSR and it has been considered by Littler et al. (1995) as a critical factor for successful collaboration. Trust (TRU) is defined as a willingness to rely on an exchange partner in whom one has confidence, and it is expected to exist when one party has confidence in an exchange partner’s reliability and integrity (Morgan and Hunt, 1994). Further, Walter et al. (2003) measured BSR quality and considered trust as its important element. Trust existing between the two organizations enhances the level of integrity which helps in generating the foresight to work together for longer durations. Ryu et al. (2007) identified trust as a needed precursor of a buyer's long term orientation. To achieve the long term goals, the buyer expects the level of trust to be built with the supplier. Trust has been recurrently substantiated to be as a key factor for building long term orientation (Ganesan, 1994; Morgan and Hunt, 1994; Handfield and Bechtel, 2002; Goffin et al., 2006) in BSR.
Thus, trust can be allied with long term maintenance of relationship. Goffin et al. (2006) have also found that duration of past relationships promotes trust. Interacting for longer period because of the association between two organizations crafts the vital possibility of nurturing trust. As the relationship matures in terms of years of association between the buyer and the supplier, in-depth understanding for each other increases. Past relationship length is one of the factors for building trust (Gulati and Singh, 1998; Dyer and Chu, 2000). Consequently, with the length of relationship or years of association between the buyer and the supplier may help in enhancing the level of trust between the two. Morgan and Hunt (1994) have also stressed the importance of the trust–long term orientation link in BSRs and determined that cooperation between supplier and buyer arises directly from trust. Similarly, Handfield and Bechtel (2002) found in their study, trust in linkage with long term oriented relationship in analyzed buyer-supplier model.

The presence or absence of trust acts as driving or restraining force respectively in relationship (Ojanen and Hallikas, 2009). Ganesan (1994) also considers trust a key element in cooperative relationships. He suggests long term orientation in a BSR is a function of the mutual dependence and the extent to which the companies trust one another. Goffin et al. (2006) have also associated building trust with relationship maintenance. Duration and intensity of past relationships and track record of repeated exchanges promotes trust. It also reduces the need of formal contracts between buyer and supplier because the sense of initiative and responsibility is willingly taken (Handfield and Bechtel, 2002). New and Burnes (1997) presented a framework for supply chain improvement through relationship management in which focus is on trust. Humphreys et al. (2004) suggested that trust significantly contributes to the prediction of buyer–supplier performance improvement.
There is a connection in the two organizations’ views on the potential benefits and the extent of trust between them. Trust is considered both a prerequisite and an outcome of relationship (Johnson et al., 2004). Schurr and Ozanne (1985) proposed that trust between a supplier and a buyer leads to more integrative behaviors on the part of a buyer. Integrative behaviors were characterized as cooperative behaviors that were more likely to result in goal achievement by both buyers and suppliers. In high-trust relationships, organizations tend to be more open to the potential for value creation through exchanging and combining resources. Trust also reduces risk and uncertainty in the relationships (Alvarez et al., 2003). As trust can change attitudes to potential opportunistic situations, acting to constrain choice and obliging firms to behave with loyalty and conformity to expectations (Gulati, 1995), so the BSR is moderated by the level of trust existing between the two (Squire et al., 2009).

Such is the importance of trust in maintaining, moderating and developing BSR that this aspect needs to be considered in ascertaining the nature of relationship existing between the buyer and key-input supplier.

2.5 LONG TERM ORIENTATION

Ganesan (1994) defines Long Term Orientation (LTO) as the perception of interdependence of outcomes in which both partner’s outcomes and joint outcomes are expected to be realized in the future. It refers to the cultural propensity to adopt a long term view of social (and business) interactions. Parties to these relationships tend to handle current issues with long-term goals rather than short-term gains in mind (Ryu, 2005).

The first truly “long term” inter organizational relationships evolved in Japan during the post-world war II years, when the organizations in Japan recognized a new type of
integration scheme known as the keiretsu, characterized by informal but strict cooperation among members (Prescutti, 1992). As the organizations cannot rely only on their competence and prospective only but the proficiencies of suppliers are also required to be utilized by forming linkages and relationships with them. Supply chain relationships are typically long term and require considerable strategic synchronization. Commitment to a long term relationship with key suppliers leads to performance improvements pursued by buyers (Krause, 1999).

One of the key activities needed to successfully implement supply chain management philosophy is building and maintaining long term relationships with partners (Mentzer, 2001). In Telser’s (1980) terminology, this can be done by crafting a self-enforcing contract, which makes the long-term gains from maintaining the relationship exceed the short-term payoffs from opportunism. At the strategic level, firms need to decide whether they should have long-term contracts with a few fixed suppliers or use auctions and a dynamic supplier base to reduce their costs. To obtain the best quality parts at a given price, managers must decide whether to promote long-term relationships and mutual co-operation with suppliers, extending from product development to manufacturing, rely on shorter-term contracts and competitive bidding, or pursue more in-house development and manufacturing. When buying firms are unwilling to commit to long term relationships and to make investments to improve suppliers’ performance, suppliers may be unwilling to commit to resource investments that are relationship specific (Krause, 1999). Buyer performance improves when suppliers show commitment to relationship for long run. A cooperative long-term BSR is characterized by joint management of value creation for superior productivity through cooperative and synergistic activities based on long-term perspectives (Sako, 1992). According to Jap and Ganesan (2000), a higher level
of relationship quality means a greater willingness to sacrifice short-term self-interests for long-term common interests, and a greater inclination to think long term, characteristics which will greatly reduce any potential opportunism and provide a stable environment for relationship development. Buyers tend to develop those suppliers who have long term relationship with them. Watts and Hahn (1993) note that supplier development involves a long term co-operative effort between the buyer and its suppliers to upgrade the suppliers technical, quality, delivery and cost capabilities, and to foster ongoing improvements. Therefore, long term orientation plays a vital role in further development of supplier with readiness of buyer to improve the suppliers’ abilities. This has also been found by Modi and Mabert (2007) that organizations invest substantial effort to develop supplier capabilities with whom they have an ongoing long-term relationship.

2.6 SUPPLIER DEVELOPMENT

For the first time the term Supplier Development (DEV) was used by Leenders (1966) to describe efforts by manufacturers to increase the number of viable suppliers and improve suppliers’ performance. Handfield et al. (2000) defined supplier development as any activity that a buyer undertakes to improve a supplier's performance and/or capability to meet the buyer's short-term or long-term supply needs. Wagner (2006) defined supplier development as supporting the supplier in enhancing the performance of their products and services or improving the supplier’s capabilities. Supplier development was pioneered in the automotive industry such as Toyota and Honda which are the masters at supplier development initiatives (Wagner et al., 2003).

Krause and Ellram (1997) explored the success factors in supplier development via survey which solicited buyers’ perceptions about a single instance of supplier
development performed by their firms. The results of this exploratory study suggested that buying firms often directly involve themselves in their suppliers’ performance and capabilities problems. Choi and Choi (2002) studied the change in trend of dealing with suppliers in Korea after the economic crisis and found that to meet the impending economic challenges in the aftermath of the Asian economic crisis, many organizations in Korea turned to supplier development. Working together cooperatively in this fashion led to reduction in development lead time and no additional testing of products developed. Humphreys et al. (2004) examined the role of supplier development in the context of buyer-supplier performance from a buying firm’s perspective and concluded that transaction-specific supplier development, trust, supplier strategic objectives and effective communications significantly contributed to the prediction of buyer-supplier performance improvement. Wagner (2006) examined the relationship between supplier development, improvements and the support of the customer firm's competitive strategy with the resource-based view and the relational view as theoretical explanatory perspectives. The results showed that appropriate supplier development activities are powerful to substantially back up the customer firm's differentiation as well as cost leadership strategy. The author also expressed that supplier development in channel research is a widely neglected inter-firm relationship management practice, and should therefore receive more attention from practice and research.

A study by Krause et al. (2007) investigated the relationship between U.S. buying firms’ supplier development efforts, commitment, social capital accumulation and performance improvement. Performance outcomes in quality, delivery and flexibility appeared to depend more on supplier development than cost performance outcomes.
Supplier development research has concentrated on developed countries, such as the US, Europe, and Japan (Krause et al., 2000; Sako, 2004; Sanchez-Rodriguez et al., 2005; Wagner, 2006; Krause et al., 2007). Researchers have empirically investigated a variety of research issues related to supplier development activities. These issues include critical factors of supplier development (Krause and Ellram, 1997); the process of supplier development (Hartley and Choi, 1996); the factors that influence buying firms’ involvement in developing their suppliers (Krause, 1999); and the effect of technical support provided to suppliers (Prahinski and Benton, 2004) and buyers (Krause et al., 2000) but all of these studies are from developed nations where the trend to invest in supplier development is at its boom and also these buyer-supplier dyads are reaping benefits from this dimension and in developing nations still the concept of a balanced supply chain is at its nascent stage. Developing the supplier is from a different perspective with emphasis on different aspects in case of developing nations as in India.

As accentuated by Krause et al. (2000) and Krause et al. (2007) supplier development can help to meet supply needs and generate favorable results for the buyer so this aspect needs to be studied to find out its association with other aspects of relationship.

2.7 COOPERATION AND COORDINATION

Cooperation and Coordination (CoCo) are mutually shared processes where two or more firms display mutual understanding and a shared vision, and the firms in question voluntarily agree to integrate human, financial, or technical resources with the aim of achieving collective goals (Richey et al., 2012). Cooperation and coordination between buyer and supplier affect short-term performance by smoothing
deliveries and reducing tactical coordination costs, and also long-term performance by helping firms develop new capabilities (Dyer and Nobeoka, 2000). Also the configuration of internal and external coordination practices concerns to the appropriate level of supplier integration leading to maximum performance (Das et al., 2006). Cooperation and coordination influence the move from adversarial relationship to a close relationship. According to Krause et al. (2007), cooperating with the supplier and coordinating to support the supplier can open the gateway of developing the supplier in future.

Cooperation with suppliers also helps them in developing new capabilities (Novak and Eppinger, 2001). Benefit of collaboration between buyer and supplier in the form of lead time reduction has been established by Fawcett et al. (2012). The higher the level of cooperation, the better results the company achieves regarding innovation which further aids in attaining better financial performance (Fossas-Olalla et al., 2010).

Corporate success depends not only on the quantity of cooperation experience, but also on the quality of cooperation with regard to the form of coordinative power established within the cooperation arrangement (Fink and Kessler, 2010). Tiwana (2008) also showed that cooperation and coordination act as complements in alliance tie portfolios which help in achieving the goal with required adaptation. Prahinski and Benton (2004) found in their survey that for better supplier performance the supplier should be committed to the buyer thus accentuating the importance of cooperation in BSR. Danese et al. (2004) discovered how interdependence and coordination mechanisms improve performance of interactive units in case of world class leading companies. The study by Squire et al. (2009) provides support for the idea that cooperation influences inter-firm knowledge transfer and it has also been
found to reduce the opportunistic behavior (Parkhe, 1993). Hence, cooperation enables the firms to achieve cost advantages through greater commitment, adaptability and sharing of skills and resources.

2.8 INFORMATION SHARING

Many researchers have found the Information Sharing (INFO) as a critical aspect in determining the effectiveness of relationship and supply chain costs. For efficiency and responsiveness of supply chain the flow of information along with the flow of materials is necessary.

Information asymmetry may make it difficult to accurately assess an exchange partner’s behavior (Katsikeas et al., 2009) thus, in a cooperative relationship companies interact frequently and share meaningful information (Balakrishnan and Geunes, 2004). The processes for information exchange are important as they promote coordination, adaptation, and learning (Ring and Van deVen, 1992). For adaptability and responsiveness, information sharing is very essential (Lee, 2004). Paulraj et al. (2008) investigated the antecedents and performance outcomes of inter-organizational communication as a relational competency yielding strategic advantages for supply chain partners. The authors believed that both buyers’ and suppliers’ performance improve with effective sharing of information between the two.

New and Burnes (1997) proposed a framework for supply chain improvement in which the focus is on knowledge/skill with communication as key requirement for supplier development as communication supports technology transfer. When buyer utilizes collaborative communication via information sharing, the supplier perceives a positive influence on the BSR (Prahinski and Benton, 2004). Binder et al. (2007)
suggested that an open and intense sharing of know-how between the buyer and supplier may lead to a holistic and strategic successful research and development projects undertaken. Modi and Mabert’s (2007) model also depicted in their model the importance of collaborative information sharing as it supports the buyers’ efforts in developing the suppliers for performance improvements. Face-to-face interaction between supplier and buyer is considered an important medium for information exchange (Wognum et al., 2002). The effect of methods of information sharing is rather straightforward as they are enabling technologies for sharing information (Sahin and Robinson, 2002). Information technology (IT) also enhances the frequency and efficiency of information dissemination between buyer and supplier. Use of IT tools is also considered a strong driver of supply chain agility (Yusuf et al., 2004). A potential supplier’s willingness to share information has even been considered as key criteria in selection of suppliers (Dyer, 1997). Thus, information sharing plays an important role towards the effectiveness of supply chain (Jharkharia and Shankar, 2004).

Collaborative communication with suppliers benefits the buying firm in the long run (Carr and Pearson, 1999), nurturing an environment of mutual support and improving the responsiveness among supply chain partners (Mohr et al., 1996). Information exchange has been also considered as a critical factor in supplier development practice (Krause, 1997; Krause et al., 1998; 2000). The study by Carr and Kaynak (2007) also identified information sharing between firms as important antecedent to supplier development support activities.

The ability to access information across the supply chain and use it in real time provides various opportunities. Effective information sharing of buyer requirements increases understanding of both suppliers and buyers and results in a more committed
relationship. Such is the vital role played by information sharing in strengthening the relationship between buyer and supplier that its inclusion for the study is necessary.

2.9 GOVERNANCE MECHANISMS

Governance Mechanisms (GOV) are used with intent to maintain a relationship for a specific time period. Governance is essential to the stability of buyer–supplier relationships (Benton and Maloni, 2005). The norms and rules are essential to administer the relationship between the buyer and the supplier formally. The contracts and agreements are prepared to give shape to governance. Sako (1992) believed that contracts provide a form of trust which further helps in stabilizing the relationship. The study by Lui et al. (2009) demonstrated that governance mechanisms are important in curtailing opportunism and improving relationship performance in buyer–supplier dyads. The uncertainty in relationship may reduce as the contracts devised under governance mechanisms have an importance in terms of minimizing the risk (Williamson, 1999). When norms are developed, partners become more vigorous in sharing information (Hult et al., 2004). Mohr et al. (1996) also presented that the use of network governance might foster collaborative communication among supply chain partners.

At the early stage of relationship the economic bond is important to enable both the parties to have faith which leads to future associations (Choo et al., 2009). To support this, Humphrey and Salerno (2000) have emphasized on the importance of contracts between buyer and supplier and change in trend towards the longer length of contracts between the buyer and supplier. Tate et al. (2010) have also accentuated the requirement of legal mechanisms or contracts for the conviction to have longer duration of association with the supplier.
Effective control mechanisms need to be chosen to manage the BSRs (Jap and Ganesan, 2000). The choice of governance structures resolves potential disagreements among the supply chain partners (Giannakis, 2007). Performance is boosted when there is congruence amid the governance structure and relationship dimensions of the exchange (Heide, 1994). At the same time, failure of governance mechanisms can lead to undesirable knowledge and benefits transfers to competitors and potential competitors (Das et al., 2006). Thus, the structural provisions deployed to regulate partners’ conduct impact the success of buyer–supplier relationships (Fryxell et al., 2002) as governance mechanisms help in reducing uncertainty and dependency on supplier is managed properly by structuring the exchange relationships (Kim, 1999).

Given that the choice of inter-firm governance structure is an important component in building and appropriating value from the supply base as this mechanisms helps in managing all the flows of supply chain.

2.10 BENEFITS

The above discussed aspects of BSR make the relationship existing between the buyer and supplier ‘closer’. The Benefits (BEN) are reaped in the close relationship as investigated by many researchers. Toole and Donaldson (2002) investigated a relationship performance definition incorporating both financial and non-financial dimensions and identified importance of flexibility, lower costs and stability for benefits. The importance of supplier involvement has been addressed by Song and Benedetto (2008) who found a direct relationship between achieved level of involvement and performance. The critical factors for successful supplier collaboration further aids in product development (Corswant and Tunalv, 2002). Danese et al. (2004) presented positive results between interdependence and
coordination mechanisms for better performance of interactive units. When a buyer utilizes collaborative communication, the supplier perceives a positive influence on the buyer–supplier relationship (Prahinski and Benton, 2004).

Collaborative inter-organizational communication was identified by Modi and Mabert (2007) as important supporting factor in transforming an organization’s efforts to develop suppliers for performance improvements. Paulraj et al. (2008) also provided strong support for the notion of inter-organizational communication as a relational competency that enhances buyers’ and suppliers’ performance. The study also documented that inter-organizational communication may function as a mediator of the links between the key antecedents – long term orientation, governance and information technology and outcome variables within the context of dyadic BSR.

Suppliers are induced to make specialized investments when both formal governance mechanisms (i.e., contractual agreements and financial commitments) and relational governance mechanisms (i.e., calculative and benevolent trust) are used by the buyer (Yu et al., 2006). Suppliers are governed but they also need to be developed by the buyer. Krause and Ellram (1997) explored the success factors in supplier development and their effect on suppliers’ performance. Also Wagner (2006) examined that supplier development activities focusing on supplier relationship improvement have a strong influence on generic competitive strategies.

Walter et al. (2003) established the relationship between supplier relationships and relationship quality which was measured in terms of commitment, trust and satisfaction. The more a buyer finds a given supplier to fulfill direct functions, like reducing purchasing costs, delivering quality, covering a large volume, serving as safeguard and indirect functions like gaining access to market supplier relationship,
using supplier’s information base, inspiring innovation through the supplier or simply enjoying the social benefits of the relationship, the higher quality of relationship would be perceived.

Krause et al. (2007) took cost, quality, delivery and manufacturing flexibility as the dependent variables and buyer commitment, shared values, information sharing, supplier evaluation, supplier development, length of relationship, buyer dependence and supplier dependence as the independent variables. They reported that commitment between the two firms is an important complementary condition to establish performance goals and provides value to buying firms that seek social capital accumulation with suppliers.

Humphreys et al. (2004) examined that transaction-specific supplier development, trust, supplier strategic objectives and effective communications significantly contribute to buyer-supplier performance improvement. Squire et al. (2009) examined the effect of relational factors on knowledge transfer within strategic BSR and tested the effect of four important relational properties: cooperation, trust, relationship duration and supplier performance. A positive and curvilinear relationship was suggested by Lowik et al. (2012) by multiple case studies of firms which use specific relational capabilities or bridging capabilities to acquire new knowledge. Authors suggested that small firms should invest more in the exploration of strong ties instead of increasing their weak tie network as it would help to reduce alliance complexity, thereby increasing alliance management efficiency and alliance ambidexterity.

Fink and Kessler (2010) conducted a large-scale survey and found that trust and cooperation experience makes a positive contribution to the performance of cooperating firms. Higher the level of relationship quality, the greater the level of
supply chain operational performance and satisfaction with strategic performance (Nyaga and Whipple, 2011). Gaur et al. (2011) also established positive relationship between knowledge intensity and trust and performance. Further Fawcett et al. (2012) provided insight into the motivations, resistors, enablers, and outcomes of collaboration. These insights formed the foundation for a theoretical model to explain collaboration successes and failures as well as provided prescriptions for using collaboration to achieve differential firm and supply chain performance.

2.11 EXISTING BUYER-SUPPLIER MODELS

Many buyer-supplier models have been found in the available literature proposed by the researchers to distinguish the type of relationship to be developed. These models have been prepared by taking into account the type of material procured by the buyer, profit impact, market demand, uncertainty of availability, power and dependence, technology usage, investment preference etc. The aspects of BSR discussed above are used to actually implement the specific model adopted.

The earliest model of buyer-supplier found is the portfolio matrix (Kraljic, 1983) which classifies purchased goods and the suppliers involved. Taking the complexity of the supplier market and the financial relevance or impact into account, goods and suppliers can be classified as leverage, routine, strategic and bottleneck items. The strength of the instrument is that it enables the purchaser to differentiate between the various supplier relations and strategies that are appropriate for each category. The type of relationship to be espoused by the buyer depends on control need of the internal market demand and control need of the external supply market (Stekenborg and Kronelius, 1994). Accordingly, the relationship between buyer-supplier can be of acquaintance, friend, rival or partner. Sinclair et al. (1996) extended the Kraljic
approach by accommodating the perspectives of both the buyers and suppliers and demonstrating that buyers seek closer relationships with their suppliers when business is of high value; the business need is based on common technology; product specifications are bespoke; firms are culturally aligned; and relationships have had time to become established.

Bensaou (1999) reported four types of manufacturer–supplier relationship based on buyers’ and suppliers’ specific investments. According to him, the market exchange relationship (adversarial) exists when neither supplier nor manufacturer has made any specific investments in working with the other and, therefore, both the buyer and supplier can decide to work with whoever offers the best price. The strategic partnership reflects the collaborative style, with greater technology transfer, trust, and commitment. Two additional types of relationship that suggest intermediate positions are the captive buyer and the captive supplier.

Gelderman and Weele (2000) recommended the relationships- efficient processing, exploit power, volume insurance and balanced relationship on the dimensions of supplier’s dependence and buyer’s dependence. Svensson (2004) named the relationship types- transactional, friendly, business and partner family on the dimensions of supplier commitment and commodity’s importance.

Although the above mentioned models are well established but the trend towards close BSR and necessity to focus only on strategic partnerships indicates the need to develop the specific model of buyer-key input supplier with the aspects identified and discussed.

With the support of these studies and their recommendations for future directions, the present study has been attempted for generating a comprehensive view of BSR.