

Supply-chain relationships take work

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Good relationships can positively affect a supply chain's performance, but what a good relationship actually means is up for debate.

It's the million-dollar question: What makes a great relationship? The answer would help make countless lonely hearts less lonely, struggling couples more stable - and supply chains more productive.

Supply-chain managers have long believed that high-quality relationships can drastically improve supply-chain performance. But what they can't agree on is what, exactly, a high-quality relationship is. What does it look like? What are its characteristics? How is it measured? How is it described? What are the most vital elements of a relationship that can change a supply chain for the better?

There are as many definitions of high-quality relationship as there are fields of academic study, and each differs slightly from all the others.

In "[Unpacking Relationship Quality in Supply Chains: An Interdisciplinary Review](#)," authors Hannes Günter, Craig Shepherd, Cees De Snoo, Johann Riedel and [Philip Moscoso](#), professor in the department of Production, Technology and Operations Management at IESE, explore these varying definitions and what such discrepancies imply for supply chains.

Inconsistencies in definition

First, a basic question: what is a supply chain, and what is supply-chain management?

A supply chain encompasses "all activities associated with the flow and transformation of goods from the raw material stage through to the end user." A manager integrates these activities through improved relationships. Such relationships are believed to bring benefits such as lower costs, stronger market share, increased sales and positive customer relations.

But if these relationships are so important, why can no one agree on what their characteristics are?

Extensive research in fields including supply-chain management, operations management, marketing, service management, organization studies and applied psychology has revealed that the definition of a high-quality relationship is far from clear. Moreover, such a lack of clarity calls some vital beliefs into question.

In the realm of operations and supply-chain management, a fundamental assumption is that high-quality relationships, particularly between buyer and supplier, are vital to productive supply-chain management.

However, actual evidence for this claim is scarce, mostly because no one is really sure how to measure relationship quality. Some metrics, such as partnership success and relationship climate, have been proposed, but they're often hard to tell apart. And different researchers adhere to different key indicators of quality, such as trust, satisfaction, adaptation, communication, interdependence and cooperation. Without consistent measurements and definitions, proof of the link between relationships and supply-chain success will continue to be lacking.

In the areas of marketing, service management, organization studies and applied psychology, researchers face similar inconsistencies.

In marketing, the focus splits among buyer-seller, buyer-supplier, business-to-business, manufacturer-retailer and exporter-importer relationships. Researchers in service management are concerned with the service provider-customer relationship, while organization studies consider manufacturer-distributor and business-to-business relationships.

It seems that the only consensus these research areas can reach is that relationship quality is a "multi-dimensional construct." These dimensions may include some combination of trust, satisfaction and minimal opportunism. Applied psychology researchers add support, perspective taking and empathic concern into the mix.

Predictable or haphazard?

Despite such inconsistencies in definition, the research yields a few valuable insights.

First, relationship quality is dynamic and changes over time. However, there is little agreement over whether "business relationships develop in a linear and predictable manner or are non-linear and iterative."

Some researchers believe changes occur predictably, in accordance with stages in a relationship lifecycle. Others believe changes are unpredictable, occurring haphazardly as a relationship moves through various states including growing, troubled and static. Empirical evidence for either model is, at this point, inconclusive.

Second, the research supports the notion that the link between relationship quality and supply-chain performance has little evidence behind it. Finding an empirical connection is difficult when there is no consistent set of measurements and characteristics.

Various research fields approach this problem differently. Marketing research attempts to evaluate the buyer-seller relationship by measuring sales, customer retention and customer retention, while service management research also focuses on "total relationship marketing."

Applied psychologists, on the other hand, are more interested in measuring "interpersonal citizenship behavior and helping processes." Related to this point is a warning: "close relationships have a dark side." They can weaken critical faculties and negatively affect analytical abilities.

Relationships don't just happen

Third, despite this lack of empirical proof for the connection between relationships and performance, it's clear that individuals can play an active role in establishing relationships. They must take an active part in "jointly earning and sense-making processes." Relationships take effort; they don't grow passively. All stakeholders must do the work so that relationships will work for them.

In the future, more research is needed to determine the exact nature of the relationship-performance connection. For now, an exact definition of relationship quality remains elusive.

However, managers can embrace the accepted truths about relationships and use these

ideas to enhance the supply chains under their control. Simply understanding - and embracing - the idea that individuals have power in creating and growing relationships can provide the momentum needed for supply chains to improve their performance.

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