



# From Tough Negotiation to Complex Integration: Implications of Adversarial and Collaborative Relationships on Electronic Procurement Systems

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## ABSTRACT

*For many organisations e-Procurement has become a necessity. Nevertheless, while e-procurement has generated considerable hype the phenomenon is generally under-researched despite the fundamental impact that e-Procurement has on the nature of inter-organisational relationships. This paper explores the effects that business-to-business relationships have on e-Procurement systems using a field study of 6 companies. The study classifies business-to-business (B2B) relationships as being adversarial and collaborative, where adversarial relationships include attributes such as tough negotiation, short-term contracts and multiple sourcing, while collaborative relationships include cooperation, mutual benefit and trust, strategies such as cross-functional team decision-making, supply base rationalisation, and long-term contracts. The effects of both relationships on the electronically supported transaction phases of the procurement lifecycle are examined. The research findings indicate that adversarial relationships have most effect on the sourcing phases whereas collaborative relationships most affect the, fulfilment, and consumption phases of the procurement cycle. This further highlights the need for practitioners to manage and understand the interorganisational relationships within their business.*

*Keywords:* B2B Relationships, Electronic Business Models, E-Procurement, Field Study

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## INTRODUCTION

Western civilisations have tended to respect and reward individual rather than group initiatives. Such individualism extended to Western

businesses where organisations consider their competitors, and very often their suppliers, as the enemy (Opper & Fresko-Weiss, 1992; Roper and Weymes, 2007). This is reflected in organisational theory as researchers traditionally view organisations as single entities characterised by bureaucratically-determined

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hierarchical structures that operate by placing individuals in predefined functional roles (Czarniawska-Joerges, 1992). Business strategies have consequently focused on neutralising competitors to gain control over their buyers or suppliers (Porter, 1985), although recognising that some cartels did operate. Currently, competitive pressures are focusing greater attention on co-operative ventures with partners, even if some relationships are based more on power than co-operation (cf. Webster, 1995). In particular, electronic commerce enables organisations to create improved connections with trading partners and increase global competitiveness (Ngai & Wat, 2002). It has consequently spawned new business models and radically transformed existing ones (Hayes & Finnegan, 2005; Wise & Morrison, 2000). A lot of change has occurred at the business-to-business (B2B) level, with such applications accounting for the 'largest dollar volume of transactions' in e-Commerce (Albrecht *et al.*, 2005). Of particular interest is electronic procurement, which has changed the nature of purchasing (Telgen, 1998) by building on existing experience with Electronic Data Interchange (EDI) and Just in Time (JIT) operations (Chaffey, 2002; Kim & Shunk, 2004). Internet technologies including 'Intranets' and 'Extranets' have been critical for electronic procurement by facilitating integration and coordinating across organisational boundaries (Grover & Malhotra, 1997). Indeed, such integration and coordination has resulted in e-Procurement having a fundamental impact on the nature of inter-organisational relationships (Roberts & Mackay, 1997). Nevertheless, additional research is needed on the influence that business-to-business relationships, which are a major source of competitive advantage (Dyer & Singh, 1998), have on e-Procurement systems (Knudsen, 2003). Indeed, the importance of interorganisational relationships cannot be understated as recognising the characteristics and type buyer/supplier relationship is one of the key strategic decisions for the procurement function (Virolainen, 1998; Matthyssens & Van den Bulte, 1994). In particular, Tanner *et al.* (2008) argue that management of interorgani-

sational relationships is of crucial importance to e-Procurement and, thus, should be the primary topic of interest in future research.

To this end the objective of this research is to explore the effects that business-to-business relationships have on each of the transaction phases of e-Procurement using a field study of 6 organisations. The research questions are as follows:

1. What are the effects of adversarial relationships on the transaction phases of e-Procurement?
2. What are the effects of collaborative relationships on the transaction phases of e-Procurement?

The next section presents the theoretical foundation for the study. This is followed by an examination of the research methodology utilised. The findings reveal that B2B relationships have most effect on the sourcing, fulfilment, and consumption phases of the procurement cycle.

## THEORETICAL GROUNDING

### Inter-Organisational Relationships

"An inter-organisational relationship (IR) occurs when two or more organisations transact resources (money, physical facilities and materials, customer or client referrals, technical staff services) among each other" (Van de Ven, 1976). Two types of inter-organisational relationships can be identified; co-operative or attribute relationships and transactional relationships (Fombrum, 1986). Highly dynamic environments with intense competition has forced organisations to rethink the way they do business (Maloni & Benton, 1997), particularly in the area of building long term collaborative relationships with their partners (Moore, 1993). Co-operative relationships generally occur between organizations that have similar attitudes, goals, status etc. (Fombrum, 1986). These relationships generally involve

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