

# Chapter VII

## Dynamics of Buyer–Supplier Co–Dependency in Optimizing Functional Efficiency

**Rajagopal**

*Monterrey Institute of Technology and Higher Education, ITESM, Mexico*

**Amritanshu Rajagopal**

*Dentalia, Mexico*

The role of sales network is fundamental within the value creation chain of the firm, as creating shareholder value is strictly linked with creating buyer value. As supplier networks are the main point of contact with buyers, choosing the best possible supply structure is vital. Firms are increasingly implementing electronic distribution strategies to augment existing physical infrastructure for product and service delivery. The study analyzes the impact of channel function performance on relationship quality which is moderated by the extent dependence structure of the relationship. In this process, the impact of supplier function performance on different dimensions of relationship quality in reference to satisfaction, trust, commitment and conflict under various dependence structures have also been

diagnosed and analyzed. This discussion also aims to contribute to and link the areas of quality management and buyer-supplier relationships. Indeed, Voss (1995) points out that the relationship between core areas such as quality management and “interface” disciplines such as networks and buyer-supplier relationships provide significant scope for further empirical research.

## **REVIEW OF LITERATURE**

Over time, the horizontal consolidation of product delivering process and growth of automation in marketing activities have driven the manufacturers towards a convenient approach, bypassing the supply channels and to go for direct marketing. It has been observed that conventional suppliers have responded to this situation or other destructive acts in a number of different ways. Some had shown inclination for the exit, in the belief that a better quality of service and relationship advantages could be found elsewhere. Others are moved by loyalty to voice complaint, protest or anger, with a view to eliciting an improvement in the quality of service. It is contended that enhanced understanding of this important aspect of business-to-business relationships leads to the development of more closely aligned strategic plans which may improve return on relational investment. This has important implications for the development of theory as well as the behavioral stances adopted by individuals engaged in relational development through the process of face-to-face negotiation (Harwood, 2006).

Suppliers also adapt frequently the developing countervailing power through dependence-balancing actions. These actions are designed to strengthen transactional bonds that are explained through the buyer-seller relationships. Such bonds often manifest themselves in anticipation of improved channel services to buyers. Managers responsible for procuring services build relationship based on co-dependency and collaboration between the supplier and purchaser of services. The burden of transaction cost economics encourages aggregation of the services supply chain which in turn, when managed carefully, facilitates an improved working/partnering opportunity with a few select suppliers. The suppliers benefit in turn by increasing volumes, allowing them to protect margins and the purchasers benefit through overall lower total cost of service, more attentive suppliers and potentially a much enhanced working relationship (Rogers, 2006).

The effect of functional performance on relationship quality in situations characterized by high relative dependence of the supplier on the buyer is largely governed by the effective channel functions. Buyer supplier collaboration may have significant effects on the focal firm's in reference to the flexibility, responsiveness and modularization capabilities which would help building capability of supplier

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