

BUILDING RELATIONSHIPS WITH PARTNERS IN A SUPPLY CHAIN

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Abstract Recognizing in today's economic reality the exceptional importance of cooperation of companies within different networks, the author of this paper addresses the problem of building relationships with partners in a supply chain, treating the quality of these relations as a key success factor of their cooperation. The author focuses on small businesses since he believes that due to their limited potential, small businesses particularly need the support of other companies in their current operations, while at the same time for the same reasons they evidently face difficulties in building partnerships with well-established entities in their business environment. Therefore, in the empirical part of the paper, the author aims at making the identification of actions taken by small businesses to build relationships with supply chain partners as well as at assessing their effectiveness. The research hypotheses set were verified positively. The hypotheses assume that managers of small businesses are aware of the impact of the quality of relationships connecting them with supply chain partners on the effects of cooperation with them. Unfortunately, they apply a narrow range of actions to build those relationships. However, it needs to be emphasised that such actions do bring visible results.

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1. INTRODUCTION

The functioning of a company in isolation from other entities in the real world does not exist. As a structured system, on the one hand, it requires outside support to build certain effects in the course of doing business. On the other hand, however, the effects generated by the company should support other parties, to provide it expected revenue. Therefore, there is no point in examining the operations of the company without considering its connections with the environment, especially with other entities. Moreover, nowadays it is increasingly pointed to the real difficulties in explicit determination of the company's boundaries, even if according to the theory of the resource-based view of the firm, we determine a company as a group of its specific tangible and intangible resources that are at its disposal (Barney, 1997, p. 31). This stems primarily from the fact of the isolation of the so-called relational resources which include the following (De Wit & Meyer, 1999, p. 199):

- the company's reputation reflecting opinions made about it,
- specific relationships of the business with entities from its environment, particularly with suppliers and customers.

Relational resources of the company by reflecting the ongoing relationship between the company and its stakeholders in the environment determine the effects of cooperation, and, as a consequence, the efficiency of performance. These are relational resources that are considered today as the primary source of the success of the company, which underlines the importance of the participation of business partners in the implementation of its often very challenging tasks in current operations. It is worth noting that cooperation between autonomous entities, as demonstrated by economic practice, happens to be very difficult and full of nasty surprises. It is quite a frequent phenomenon that partners in a supply chain even 'fight' for benefits that can be derived by either party from transactions carried out jointly (Długosz, 2011, p. 44).

Recognizing in the contemporary and yet exceptionally challenging economic realities the need for cooperation of enterprises in the process of the implementation of ambitious financial and market purposes, the author of this study decided to explore the problem of building relationships with business partners operating within a supply chain. In his research and deliberations the author focuses on small businesses, for which, as is generally considered, it is much harder to develop partnerships with well-established entities. Moreover, small businesses are not necessarily sufficiently aware of the need for a system of building such relationships and the ability to apply targeted actions in this area. On the other hand, due to their limited potential, they are simply doomed to partner relationships with numerous entities from their surroundings.

2. THE NEED AND WAYS OF SHAPING INTER-ORGANIZATIONAL RELATIONS IN A SUPPLY CHAIN

2.1. The development of inter-organizational relationships – theoretical background

Each company is forced to cooperate within its activities with other entities. This is proved even by the concept of supply chain management, the essence of which boils down to the implementation of the idea of cooperation of businesses placed on the route from the extraction of raw materials to markets (Witkowski, 2010, p. 7).

Interaction with other entities is not only a necessity but also a privilege, as it constitutes a source of potential benefits that would not be possible to be achieved alone. The scale of their benefits, however, is conditioned by the quality of relationships with partners, which in turn determine the company's ability to build and maintain such relationships. In other words, it is only the company's ability to interact with other entities that enables it to utilise the benefits of the inter-organizational space (Wójcik-Karpacz, 2012, p. 37).

In a particular situation in that respect appear to be small businesses, which due to their limited potential should strive for developing fruitful cooperation and it would be best if these were strong partners in business. For the same reasons, this task seems to be extremely difficult, since this is just the limited potential that most frequently is not conducive to establishing cooperation, as it is not a convincing argument for potential partners who do not see it as a source of lucrative enough benefits.

An extremely important for the company becomes, therefore, a need to establish and maintain relationships with desirable, that means deliberately selected, business partners, as well as the selection of ways to carry out this task. The shape of such relations is conditioned primarily by the relationship participants themselves, their resources involved in the relationship and by activities undertaken for the benefit of the relationship (Sudolska, 2011, p. 28). In order to affect the quality of those relationships and, consequently, their effects, their individual components should be shaped and utilized in a targeted manner. Therefore, the participants of the relationship should take care of their image systematically and consistently, thereby building trust of other entities (Glabiszewski, 2013, p. 164). Participants of a relationship should also demonstrate an attitude expressing openness to cooperation and fair intentions towards their partners, as well as professional competence proving their professionalism. In addition, participants must accept the need to allocate in the form of investments part of their resources to projects implemented together with their partners. And furthermore they should feel obliged to undertake actions both related to the adjustment of their resources to a given relationship by creating optimal conditions for cooperation and being a manifestation of sheer cooperation in specific areas (Biemans, 1992, p. 85).

In other words, the shape of the relationship as well as the effects resulting from it are displayed as a function of (Mesquita, Anand & Brush, 2008, p. 935):

- knowledge acquisition in joint efforts with partners,
- investment in resources and capacities that are specific as seen through the prism of relationship,
- the creation of a coordination mechanism implemented in the context of a relationship of activities within a supplier-customer system.

The condition for fruitful business relationships between partners is also no doubt their desire for bilateral cooperation resulting from the mutual interest and bilateral trust and the ability to undertake interaction. This is referred to as 'cooperative competencies' that are closely linked with the skills to communicate and coordinate joint action by various organizational units occurring within the relationship (Sivadas & Dwyer, 2000, p. 32). Within the framework of cooperation partners must, in fact, almost permanently communicate in the context of planning and implementing joint activities, as well as coordinate them together on an ongoing basis. Hence particularly useful in the process of building relationships become such skills as co-deciding, negotiating, dealing with conflict, as well as modern data transmission technologies, information systems supporting communication processes and coordination of activities, jointly developed and mutually respected principles and procedures of cooperation.

Ending a brief theoretical discussion on building relationships with partners operating within a supply chain, the author of the work is fully convinced that in no way the considerations are exhaustive, but they are only a kind of introduction to the empirical part. To sum up, it needs to be emphasized that an obvious factor of the quality of a relationship is the commitment on the side of the parties, which is also a manifestation of the development of the relationship (Doz, 1996, p. 64).

2.2. Methodology of empirical research

In the empirical part of the work, the author aims to identify systematic actions undertaken by small businesses with a view to developing relationships with supply chain partners and assessing their validity. The statistical and descriptive analyses conducted by the author were also subordinated to the verification of the formulated three hypotheses:

- H1. managers of small businesses are aware of the impact of the quality of relationships connecting them with supply chain partners on the effects of the cooperation conducted with them;
- H2. small businesses use a narrow range of systematic actions towards the development of relationships with partners in the supply chain;
- H3. actions systematically taken by small businesses towards the development of relationships with supply chain partners lead to visible results of the cooperation conducted with them.

The basic source of data necessary for the attainment of the purpose and verification of the hypotheses set are the results of the empirical research conducted by the author in 2014 by means of mail and personal surveys. A questionnaire specially designed for this purpose was sent out to 500 small businesses from the kujawsko-pomorskie region that were selected randomly by the Provincial Statistical Office in the city of Bydgoszcz. According to the data provided by the Statistical Office, the general population amounted to 183,592 small businesses operating in the private sector, including 178,156 of microenterprises. When preparing random research sampling, the criteria that were used were the company size and its belonging to one of the following three sectors: manufacturing, trade and service. As a result of the research undertaken, information was obtained from 119 small businesses, including 85 micro-enterprises. Among the entities surveyed 39% were trade companies, 33% service companies and 28% - manufacturing ones.

2.3. The development of inter-organizational relationships – empirical background

The premise for establishing and building relationships with other enterprises are undoubtedly anticipated cooperation effects. Therefore, when counting on specific benefits, all entities operating within a supply chain should show interest in a fruitful cooperation with their business partners which, in turn, seems to be the resultant of the relationships connecting them. Therefore, at the initial stage of the research in question, the author decided to assess the awareness of small business managers of the importance of relationships connecting partners in a supply chain. To this end, the author asked them to express their subjective opinions, by answering the question whether the quality of relations linking the company with its suppliers and customers affects the results obtained within their cooperation. The respondents were provided the following answer options: 'yes', 'rather yes', 'rather no', and 'no'. A graphic depiction of the results is shown in Figure 1.

Analysing the results of the survey presented in Figure 1, we can basically accept the hypothesis H1 which suggests that small business managers are aware of the impact that the quality of relationships connecting them with partners in the supply chain has on the effects of their cooperation. The majority of respondents are convinced of the existence of such dependence. Namely, the answers 'yes' and 'rather yes' were obtained from 85 out of 119 managers, i.e., from 71% of the surveyed companies. Almost half of the survey sample declare they have no doubt as regards the issue. Taking into account the fact that the respondents in the study were managers representing small businesses, i.e., these are persons who are not always professionally prepared to fulfil this role, the identified scale of their awareness should be considered as rather high. However, without relating these data to comparable research results, e.g., obtained in other countries, or even in the Polish sector of large enterprises, their objective interpretation cannot be per-

formed. However, on the other hand, an interesting question arises – why do 14% of managers not perceive such an obvious – as it may seem – relationship between the quality of the relationship between the partners and the effects of their cooperation? A further 15% simply doubts it. Is the reason for that the lack of knowledge in this area, or, perhaps, is it the conviction derived from the experience that the results of the cooperation are the consequence of rational premises inducing entities to work together, and not the links between them. Thus, another interesting topic emerges which also creates a potential area for conducting in-depth research.

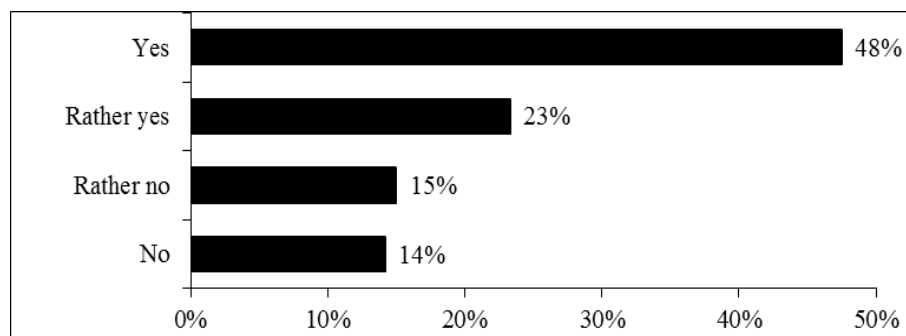


Fig. 1 The level of the awareness of the importance of relationships in a supply chain (% of responses)

Realizing the essence of relationships, and in particular their benefits, is undoubtedly the starting point for undertaking action in favour of their development, starting from the first attempts to establish contacts with deliberately selected partners. Therefore, in the further part of the research the author undertook to identify the activities of small businesses in the scope of building relationships with partners in a supply chain. To this end, their managers were asked whether during the last 3 years in certain areas they had made any systematic efforts to build relationships with supply chain partners. The proportion of positive responses obtained is shown in Figure 2.

As indicated by the results of the research conducted, the existing awareness of small business managers of the importance of the quality of relationships holding between partners in a supply chain rather does not translate into their involvement in building these relationships. Most of the surveyed companies did not declare taking any deliberate and systematic activities in this area during the last 3 years of. Only in the case of such an elementary operation which is trying to establish contacts with selected partners, most – that is 58% of the companies, admitted taking systematic activity. Within the other analysed areas of building inter-organizational relationships, systematic action in question was declared only by a minority of managers, which ultimately leads to unequivocal proof of the validity of the adopted hypothesis H2.

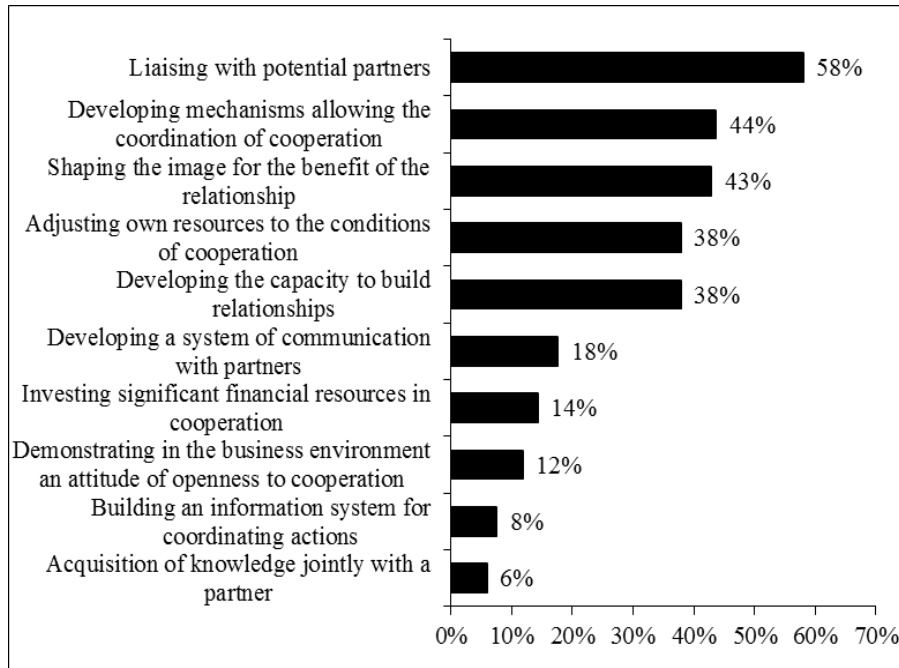


Fig. 2 The scope of systematic involvement of small businesses in building relationships with supply chain partners (% of responses)

As it turned out, the smallest number of companies were involved in the acquisition of knowledge jointly with their partners and in building an information system for coordinating actions. Moreover, only few small businesses demonstrate publicly in an intended manner their attitudes expressing openness to cooperation with other entities and are rather reluctant to invest significant financial resources to cooperate with them. Also, not many companies took steps to build a specifically defined system of communication with their partners in the supply chain, which seems to be the most reasonable from the point of view of such an important factor of effective cooperation that is the mutual communication, which, in addition, occurs as a rule over a long time horizon in relation to suppliers and customers. When seeking an explanation of this inertia, and at the same time the justification for the systematic engagement in deliberate building relationships with entities in the supply chain, the author also undertook to assess the validity of taking systematic action in this regard. Namely, managers declaring taking such actions were asked whether in their opinion they bring visible results of cooperation with suppliers and customers, and again they were provided the following answer options: 'yes', 'rather yes', 'rather no', 'no'. The outcome of the research obtained at this stage is presented graphically in Figure 3.

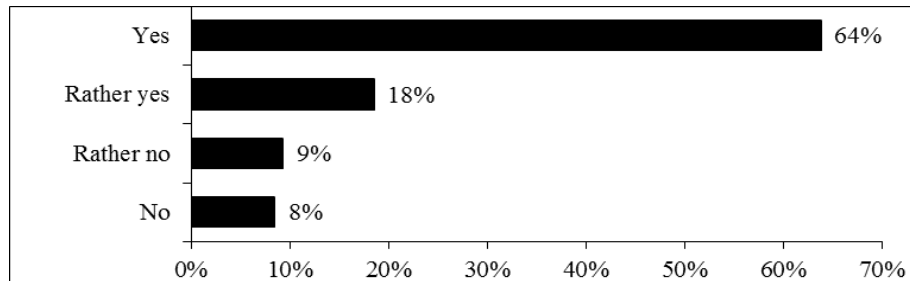


Fig. 3 The visibility of the effects of systematic involvement of small businesses in building relationships with supply chain partners (% of responses)

Interpreting the opinions given by the managers, it should be concluded that they perceive the positive effects of the measures taken systematically in their businesses to build relationships with supply chain partners, which also confirms the assumption of the hypothesis H3. Merely 8% of the surveyed companies do not perceive clearly the desired effects of this kind of commitment, which may mean that they do not have sufficient relational capacity.

3. CONCLUSION

In the study the author addresses a research problem relating to building relationships with business partners operating in a supply chain and focuses on small businesses. Having verified the formulated hypotheses, it is concluded that the vast majority are managers who are aware of the impact of the relationship built with supply chain partners on the effects of the co-operation. Unfortunately, they do not engage systematically in diverse activities aimed at the development of these relations, but recognize that they bring the desired results in terms of specific effects of their cooperation.

The desire to explain explicitly this state of affairs seems to be very interesting and at the same time a significant inspiration for conducting further in-depth research due to the obvious need for cooperation of companies within a supply chain and with a variety of entities from the business environment, in particular, with small businesses.

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BIOGRAPHICAL NOTES

Waldemar Glabiszewski is an assistant professor at the Faculty of Economic Sciences and Management at Nicolaus Copernicus University in Toruń, Poland. He has published over 50 articles in various journals and books concerning the issue of competitiveness and innovativeness of enterprises of the SMEs sector and services companies. He participated in the realisation of numerous research projects also as a project head. His current research interests focus, in particular, on technological innovations and their absorption by financial companies. Glabiszewski is also a business practitioner. For almost ten years he worked as a sales manager in one of the largest insurance companies in Poland where he participated in projects realized in collaboration with consulting firms.

