Buyer-Supplier Partnership Implementation: 
An Empirical Study of Small- and Medium-Sized 
Manufacturers

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Title

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Abstract

We describe the activities small- and medium-sized manufacturers (SME) undertake to improve the relationships with their suppliers. As a result SMEs fall into three distinct groups: 'strategic', 'non-strategic' and 'close, but adversarial'. Utilising significant differentiators we summarise characteristics within these groups and discuss implications for supplier partnership implementation in SMEs.
1. Introduction

Over the last decade, fundamental changes have occurred in the theory and practice of management of the business firm. Most of these stem from the application of abstract concepts of the theory of economic organisation pioneered decades ago by Coase (1937) and revived by Williamson (1975). Purchasing and buyer-supplier relations are important areas where these changes have been felt. A significant body of literature has arisen, recognising the strategic role of purchasing (Spekman, Kamauff and Salmond 1994; Venkatesan 1992). A number of studies have examined the changes and direction of movement of buyer-supplier practices in the West (Helper 1991; Helper and Sako 1995; Matthyssens and Van den Bulte 1994). As a result, a fairly clear picture of the state of buyer-supplier relations is developing in the literature.

However, the literature has mostly concentrated on larger firms. There is a distinct lack of an small- and medium-sized enterprise (SME) focus. This has emerged from our own survey of the literature and a similar conclusion has been drawn by others (St. John and Heriot 1993). Further, cases in this area tend to be rather narrow and lack strategic focus, making wider application difficult (Southam 1992).

This makes the issue of implementing better buyer-supplier relations in SMEs an area where little is known. From our own research we know that SMEs are following the larger "champions", albeit with a considerable lag (Mudambi and Schründer 1995). What is clear is that the implementation could proceed better and faster with the establishment of some clear guidelines.

In a recent survey 40 per cent of firms reported that they have partnerships with customers or suppliers and 90 per cent consider them to be extremely relevant (AT Kearney 1994). However, partnerships are found to be difficult to define and implement (Cousins 1995). The power exerted by larger firms tends to inhibit the partnership development of smaller firms.
In this paper we describe how partnerships are perceived and implemented by SMEs. We analyse which characteristics distinguish more from less advanced partnerships and assess the position of SMEs in terms of progress towards partnerships.

We begin with a brief review of how partnerships are defined and what characteristics should be in place for a successful application of the partnership idea with regard to SME requirements. Then we analyse data from a multi-stage survey and from a series of expert interviews to answer the questions raised above. The paper concludes with a discussion of these findings.

2. Background Literature

Partnerships between an industrial buyer and an industrial seller have been the subject of attention for some time. The concept is often misunderstood or even abused (AT Kearney 1994; Cousins 1995). We begin by reviewing some of the definitions provided in the literature and survey frequently mentioned attributes. We will then provide a comprehensive synthesis.

Partnership Definitions

Sir Derek Hornby, former Director General of Partnership Sourcing, an independent, non profit-making initiative between the CBI and the DTI gives the following definition: "Partnership Sourcing is a commitment by customers/suppliers, regardless of size, to a long-term relationship based on trust and on clear, mutually agreed objectives to strive for world-class capability and competitiveness" (Partnership Sourcing Limited 1993, p. 2). In short, partnerships can be defined as the combination of resources in areas of mutual interest (Slowinski, Farris and Jones 1993).

Ellram (1991) adds that purchasing partnerships include the sharing of information, and of the risks and rewards. Macbeth and Ferguson (1994) maintain that in a collaborative partnership the immediate needs and future commercial and moral aspirations of both parties are met. Collaboration
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between partners exists when both sides spend time getting to know each other's needs and share their knowledge and experience. Both parties need to anticipate business changes that could affect their relationship in future (Spekman and Salmond 1992).

Highly interdependent partners have high switching costs and the exchanged materials or services are very critical. Further factors include procedural customisation and specific investments (Krapfel, Salmond and Spekman 1991). In addition to the above Ketchum (1993) stresses that partnerships usually involve a few key suppliers. Cousins (1995) and Hines (1995) add that dyadic relationships have to be extended from internal optimisation to the entire value chain.

As can be seen from the above discussion, a fairly coherent picture has developed with regard to the definition of buyer-supplier partnerships in large firms. Almost all authors stress long-term commitment and the high interdependence of partners. Further, partnerships exhibit trust and close co-operation towards mutually agreed commercial goals.

Regarding the attributes of a partnership, the literature offers a more complex picture, but one which is nonetheless quite coherent. Extensive and open, people-oriented information sharing between firms is considered central, while long-term contracts and planning are also vital. The operational aspects of partnerships, such as quality systems or defect prevention schemes and JIT production are mentioned a number of times. The presence of trust, mutual respect, top management commitment and measurements to enable the sharing of benefits are mentioned as well. Numerous other attributes are suggested. The list in Table 1 is compiled from a variety of sources (Campbell 1994; Cooper and Gardner 1993; Cousins 1992; Helper 1991; Helper and Sako 1995; Ketchum 1993; Lamming 1993; Macbeth and Ferguson 1994; Mohr and Spekman 1994;
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Sako 1992; Slowinski, Farris and Jones 1993; Spekman 1988; Spekman and Salmond 1992; Stuart 1993).

Table 1

We now present a few examples of actual partnership implementation.

Examples of Partnership Implementation in Champion Firms

Stein (1993) reports from U.S. firms such as Bose, Honeywell and AT&T where a supplier representative works 'in-plant' to fulfill the role of buyer, seller and production planner. Being an empowered facilitator, the representative can help to create greater harmony between supplier and customer employees. The secondment of a permanent employee is a part of a partnership agreement.

Coyne (1993) focuses on quality improvements by suppliers using an ISO 9000 vendor assessment scheme. Under this scheme suppliers are involved in the design for manufacture and the exchange of control data. Accruing benefits are mutually shared. Bonaccorsi and Lipparini (1994) point at the importance of an early involvement of suppliers in new product development at a leading Italian high-tech manufacturer.

In a more recent example, Lucas Automotive has been developing the partnership paradigm with its suppliers for some time. Over one hundred top management led projects have been undertaken within the Lucas group. Implementation teams are multi-functional. The goal was to move relationships with selected suppliers (labelled co-makers) beyond the commercial issues into engineering, the manufacturing process and finance (Cooper and Lily 1993).

White and Wyatt (1990) report on Lucas' supplier integration programme. They developed three phases. The first was an audit of the supplier base capabilities. The second was the launch phase, during which communication with suppliers was established. Lastly, in the operation phase, individual improvement targets were devised and benefit sharing schemes were set up.
Lucas developed a four stage methodology. First, research the supplier industry. Second, evaluate sourcing strategies and supplier capability. Third, structure the partnership and determine joint action plans, and lastly implement the plan and prepare for continuous improvement. In this case the relative importance of product and process technology for the determination of suitable components for partnerships was stressed (Cooper and Lily 1993).

These examples are merely illustrative. Further examples are provided by (Knight 1993), (Anon 1995), (Prabhu, Miskell and Rayson 1991), (Robertson 1993), and (Southam 1992).

**Partnership Presence in SMEs**

The SME specific literature draws a relatively dim picture of the extent of and chances for SME partnership development. For example, Tan (1990) asserts that the demand for a shrinking supplier base requires that SMEs either improve or go under. SMEs were found to be weak in planning, finance, and technical skills. He concludes that SMEs must develop those skills by adopting closer supplier relationships with large buyers.

Rainnie (1991) reports that not all small firms are innovative and dynamic in terms of a partnership development and that the buyer still dictates the terms on which purchasing contracts are given. He suggests that flexibility, innovation and quality demands from the buyer are difficult to achieve for small firms and shows that the introduction of JIT production by manufacturing firms has been fragmentary. No great advance for SMEs is observable. Hankinson (1992) comes to the same conclusion when he reports that only one out of the 11 firms he investigated demonstrated an attempt to form a supplier partnership.

From a study of small firms in a business park Akacum and Dale (1995) report that small firms found that larger suppliers were interested in partnerships but found it not worth their while to invest time and resources for relatively small gains. An example of an area where the partnership worked was engineering
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support where the supplier helped solving tooling problems of a smaller buyer. Resulting benefits were shared and target pricing was introduced. Any partnership implementation was preceded by substantial reduction of the supplier base. Even then implementation was fragmentary and not clearly structured.

In a study of a medium-sized firm Flood and Isaac (1993) report an implementation approach derived from literature and other case study material. Here three stages were identified: narrowing the supplier base, advance quality planning and lastly, a total (continuous) improvement stage. Problems encountered include that supplier partnering is not well received everywhere within the buying firm and that communication is not sufficient.

The above implementation illustrations in SMEs show that approaches taken are rarely structured and do not take the specific needs of SMEs into account. Some problems described are universal and others merely emphasise the problem of 'being small' but offer no solutions. Clearly, supplier partnerships in SMEs have not been supported and implemented satisfactorily.

3. Setting the Stage

It is necessary to establish the current state of SME buyer-supplier partnerships before trying to implement improvements. We have addressed this question elsewhere (Mudambi and Schriinder 1995). In this section we are concerned with how SMEs move from adversarial to co-operative relationships. This section consists of two parts. The first part introduces the underlying methodology and the second presents a preliminary analysis the actions firms take to improve supplier relationships.

Methodology

This paper is a development of an earlier study (a large scale questionnaire survey, hereafter referred to as MS) where we found a slow, but noticeable trend towards closer supplier relationships in SMEs (Mudambi and Schründer 1995).
On the basis of this survey results we divided the sample into two groups. We selected firms whose quantitative partnership indicators (see below) were above the average and specified this group to be the more advanced towards a partnership. This resulted in 19 firms being placed in the advanced category and 47 in the non-advanced one.

The firms that fell into the advanced category of the MS study provided the basis for 24 expert interviews conducted in December and January 1994/5. The main results of this paper are based on the qualitative analysis of these interviews. The units of analysis were the organisation of the purchasing department, supplier relations in general and details about special relationships with selected suppliers. The interviews were conducted by the authors with purchasing, materials managers or firm proprietors. The interviewed firms work in the following industries (number of firms): Engineering (10), Electrical/Electronics (5), Automotive (4), Computer (2), Telecommunications (2), Aerospace (1).

Analysis of Relationship Improvement Actions

In the MS study, survey respondents where asked, in an open question, to list all actions planned or already taken to improve the relationship with their suppliers. Seventy-seven per cent of respondents report at least one action and over half report at least two.

However, if firms do not mention a particular action this does not necessarily mean that this action is not performed at all. However, it does mean that such activity is not at the centre of attention of the respondent. The following table lists the consolidated list from the over 60 different actions recorded.

Table 2

In order to assess these actions in their proper context, the current position in partnership development within each firm has to be determined. We use a set quantitative measures from the earlier questionnaire survey. These partnership indicators are:
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- Long-term contracts – LTC
- Joint product design – JPD
- JIT delivery – JIT
- Electronic data interchange – EDI
- Supplier site visits – SSV

The relationship between these indicators and the actions a firm has implemented or is about to implement is evaluated using the correlation coefficient. The correlation coefficients are presented as a radar graph, where the axes describe the various actions and the lines the indicators. The very low frequency improvement actions have been omitted from the graph.

Figure 1

The correlations between relationship improvement actions and partnership indicators (Figure 1) yield some interesting insights. The indicators LTC, JPD and SSV correlate very poorly with their respective support actions. Only JIT correlates significantly with JIT delivery review.

Firms with higher levels of LTC have the highest scores for improving their payment performance and developing long-term, strategic partnering relationships. On the other hand LTC correlates negatively with improved scheduling and delivery standards.

Summing up one can observe that generally our partnership indicators do not correlate highly with improvement actions, not even with their respective supporting actions. This is because respondents may have viewed the open-ended question as supplementary to the main quantitative responses regarding the indicators. This means that the interesting correlations are between indicators and actions that support different indicators. Only high levels of JIT coincide with actions towards JIT delivery, showing a higher degree of awareness of this indicator.
4. Presentation of Findings

Comparing advanced with not-advanced firms we found a significant difference of frequency in the following action categories: strategic partnerships, cost reduction projects, JIT delivery review, operations review, and improved payment performance (see Figure 2).

Figure 2

These categories are interesting in the assessment of more advanced SME manufacturers. The qualitative cluster analysis of the interview data using these categories revealed a three way classification. Other authors identified similar stages in partnership development, see, for example, (Helper and Mudambi 1994).

(1) Strategic: Those who are consciously developing partnerships, but are hindered by their size.

(2) Non-strategic: Those who do not know that they have partnerships but are very close, therefore do not manage them at all.

(3) Close, but adversarial: Those who are implementing formal aspects of partnerships, but have not developed informal, trust based aspects.

The characteristics explained

Table 3 presents an overview of the analysed action categories and firm types. The number of firms in the main types (in brackets) shows that the majority of SMEs with closer relationships to their suppliers are of the non-strategic type. Only a few have true strategic perspectives.

Table 3

Each cell in Table 3 is discussed in more detail below. The last row in Table 3 was added to allow a complete coverage of the question of implementation.
**Partnering Attitude**

- **Strategic**
  Partnerships are of great strategic importance and are managed by top level managers. The firms in this category are initiators of long-term, co-operative relationships with the objective of increasing competitiveness and resolving quality and delivery problems. Additionally, the firms understand themselves as partners in sharing profits and risks. The supplier monitors the input market for the buyer.

  Typical quotes:
  - "It not our intention to give any supplier a hard time for a short term gain."
  - "We would like to initiate more partnerships, but the suppliers do not seem to be interested."

- **Non-strategic**
  Here firms are close to each other out of commercial reasons, but not intentionally. Partnerships are regarded as important, but partners are not formally selected, commitment is low and co-operation occurs mainly on a technical basis. Partners are trusted because the buyer relies heavily on them.

  Typical quotes:
  - "Partnerships 'just happen' because the relationship is very comfortable, almost ideal."
  - "Closeness happens out of idleness and necessity."
  - "We just happen to buy from them over the last 10 years."

- **Close, but adversarial**
  Partnerships here are initiated to decrease prices and for short terms gains. Partners are suppliers that are more flexible and willing to "do extra things" for the buyer, because they expect future business. Trust in suppliers is low and based on fulfilment of contracts.
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Typical quotes:
- "For critical parts closer relationships are necessary, but form time-to-time we change our key supplier to keep them on guard."
- "We feel that in a partnership the supplier has to listen to what we have to say and take our recommendations on board."

**Cost Reduction Projects**

- **Strategic**
  Firms in this category work permanently with established suppliers to solve a variety of cost related problems. Buyer expertise often leads the way and suppliers are satisfied with this. Benefits are shared throughout, sometimes by increasing business for the supplier.
  Typical quotes:
  - "We have projects on an ongoing basis, the director of engineering works with the suppliers."
  - "We go through the entire procurement process together and conduct a work flow analysis."

- **Non-strategic**
  Cost reduction programmes tend to be informal and discussions often centre on prices. Buyers work with suppliers and do not switch suppliers immediately for a better price. Gains are occasionally shared, but only if it is easy to do so.
  Typical quotes:
  - "We have no fixed plans for future programmes unless we grow considerably."
  - "We largely leave improvements for future generations of the product."

- **Close, but adversarial**
  Here cost reduction is based on parts reduction rather than overall costs so that no advantages accrue for the supplier. Value engineering is performed
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on an occasional basis, but design changes are usually not required, since the components remain the same.

Typical quotes:
- "We do not have a cost reduction programme, it is too difficult to do, but we know that there is potential."
- "Parts rationalisation is mostly done in-house."

JIT Delivery Review

Generally we found very little understanding of JIT delivery. Many interview partners believed that JIT delivery necessarily involves stock holding for the buying organisation. While that might still be the case, the optimisation of the supply chain requires that JIT delivery is coupled with JIT manufacture to avoid stocks altogether.

• Strategic

Firms usually managed to work closely with other small suppliers to arrange JIT deliveries. Kanban systems are also in place to avoid stocks. Suppliers are enabled to determine the buyers needs based on the production schedule.

Typical quotes:
- "Suppliers deliver in a 15 minute time window based on a weekly schedule, the system has been in place since 1979."
- "To reduce lead times, we do not hold stock at all but receive kits for all parts. This might cost little bit more."

• Non-strategic

Firms would prefer to use scheduled orders rather than one-offs but they take too much time to set up. Goods are delivered to sub-stock areas and are inspected. Lead times can be significant but are occasionally reviewed.

Typical quote:
- "Sometimes we operate on a call-off basis, either by fax or telephone, but that depends on the product, otherwise we use one-off orders."
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- "Suppliers are not willing to hold stock for us. They are supplied with the production forecast and have to react to a rapidly changing production schedule."

• Close, but adversarial

Production schedules are not shared with suppliers at all. Deliveries are to stock and are inspected. Orders go out only several times a month. Sometimes suppliers do hold stock for the buyer.

Typical quotes:
- "During the recession the suppliers would hold stock for us but since business is picking up this is diminishing."
- "We are not in a JIT situation. Our main supplier holds a certain amount of stock for us, which they deliver to us on short notice."

Operations Review

• Strategic

There is close co-operation in the review of manufacturing processes. Mutual sharing of benefits is achieved in joint projects by reviewing manufacturing and layout aspects.

Typical quotes:
- "We send engineers over to the suppliers to help with layout and manufacturing problems."
- "We receive lower prices than anyone else, but the supplier has his share of the savings."

• Non-strategic

Here some co-ordination and improvements are seen in operational aspects, but on an infrequent and informal basis. The focus of attention is unequally distributed over the supplier base.

Typical quote:
- "Manufacturing systems are set up to suit this product. If necessary, we change in the future. The supplier has to change with us then."
• Close, but adversarial

We usually see a one sided review of manufacturing efficiency, with an increase of specifications or requirements.

Typical quote:

- “We do not look into the business or the manufacture of our supplier, we do not expect that from him either.”

Payment Attitude

Information about payment attitudes was relatively clear cut. Almost half of the respondents volunteered information about their co-operative payment attitude.

• Strategic

With a strategic attitude towards payment we observed only one example were the buyer paid the customer on usage rather than on invoice or receipt.

Typical quote:

- “The predominant role of the buyers is to liaison with the suppliers and make sure all payments are on time.”

• Non-strategic

On-time payment is regarded as a comfort factor in the relationship with any supplier. Some firms seek financial benefits from paying early, others take pride in it, or regard it simply as good business practice.

Typical quotes:

- “We do not have a cash flow problem so we do not want to upset the suppliers by paying late.”

• Close, but adversarial

As a trust building measure, payment attitude was only mentioned once. Better knowledge (through long-term contracts) of suppliers can also lead to exploitation in the form of an increase in payment time span (from 30 to 60 days).

Typical quotes:
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- "We expect a settlements discount of 1.5% for payment within 14 days of receipt."
- "Closer suppliers may be asked to accept later payments in hard times as means of sharing the burden."

Implementation of partnerships

We now proceed beyond the previously identified characteristics of partnerships to examine implementation practices and attitudes. The recurring theme is one of 'gut feel' implementation where supplier assessment is based on chemistry rather than financial figures. This seems to be related to the smallness of both, the buyers and their suppliers. Only a few firms in the strategic type can explain how they have implemented partnerships. However, most use a contingency, 'implementation-by-accident' approach.

- Strategic

Implementation of partnerships works on a hit-or-miss basis. The firms approach and test various suppliers to find a suitable partner. Implementation is manufacturing led and yield financial benefits for both parties. Some attempts to establish partnerships failed because of excessive bureaucracy in large prospective partners.

The following brief implementation guide can be distilled from the interviewed firms:

1. Selection of the partner: This involves an initial meeting where top management determines whether the firms are culturally compatible. Then, technical assessment and commercial suitability are evaluated.
2. Short list of possible sources.
3. Supplier visit and on-site quality assessment.
4. Build an objective and subjective opinion of the supplier, compare own limits and aspirations with those of the supplier.
5. Test the relationship in terms of quality, on-time delivery, then gradually develop to full partnership.
6. Develop interpersonal relationships.

Typical Quotes:
- "It was a conscious decision to build close relationships. That's the way we do business here. It is natural."
- "After the initial contact, potential partners were visited by the MD. First impressions count, future work depends on the existence of a mutual wavelength, assessed by the MD."
- "Partnerships evolve at an interpersonal level. It is not easy to describe, you get an understanding of another company."

• Non-strategic
Supplier selection is either on a the basis of pure interpersonal chemistry or there is no formal selection at all. Partnerships develop over time, usually without any planning for improvements or trust building exercises. There is insecurity as to whether the supplier can perform as required. The marriage analogy is often used.

Typical Quotes:
- "It is impossible to tell at what stage you have a partnership. It is similar to: at what stage do you have a happy marriage."
- "Like a marriage, you don't know whether the relationship will work out. You need a track record. So you have to test the relationship first before you can commit yourself. We made mistakes, some suppliers did not perform as well as we expected."
- "With a telephone call with the MD of the supplier we can determine that he is in control of his destiny. If the guy at the top is enthusiastic and committed than that is usually so with the lower ranks as well."
- "Within a year our [partnership] approach could be change with the personalities."
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- Close, but adversarial

Firms keep their suppliers on guard and the relationships fall short of a partnership for the lack of the buyer's final commitment. The reduction in the number of suppliers to achieve economies of scale and a better bargaining position is at the centre of attention.

Typical Quotes:
- "Crisis situations in particular are opportunities to assess the trustworthiness of the partner."
- "We have a strategic plan to reduce costs, partly with the suppliers, reduce prices, and keep stocks levels low."

5. Conclusions

Our survey of the literature reveals a fairly consistent description of what partnerships mean. These consist almost entirely of factors that have strategic implications. The textbook definitions reveal a high degree of uniformity. In other words, there seems to be widespread agreement about what constitutes a successful partnership.

When we examine the partnering attitudes of SMEs revealed in Section 4 we find a distinct lack of uniformity. In particular, SMEs are found to fall into three well-defined groups, which we labelled 'strategic', 'non-strategic' and 'close, but adversarial'. Of these, only the partnering by the strategic group conformed at all closely to the generally accepted textbook definition. This group made up only a fifth of the sample of 24 SMEs selected on basis of exhibiting quantitative signs of partnership implementation. It was the smallest of the three groups.

The non-strategic group was the largest single group and exhibited a number of well-accepted operational characteristics of partnerships, without however, an overarching strategic vision. The close, but adversarial group is not distinguishable from the non-strategic group on the basis of formal partnership attributes. The difference between the two groups appears to be in the informal
aspects of their supplier relationships. This is emerges in the form of trust, goodwill, etc. vis-a-vis suppliers.

In conclusion, SME partnerships and their implementation differ from those in large firms. Although SMEs are in a different commercial and cultural setting, this does not entirely explain the form of the heterogeneity that we uncovered. Small firms often venture into partnerships without strategic considerations. Textbook implementation is very much the exception in SMEs. More often than not, one finds the existence of partnerships out of commercial necessity (sometimes even out of complacency!), particularly when alternative sources of supply are scarce.
## Tables

### Table 1
Attributes of Partnership Arrangements

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Attributes</th>
</tr>
</thead>
<tbody>
<tr>
<td>JIT delivery</td>
<td>Joint product planning</td>
</tr>
<tr>
<td>Conflict resolution and problem solving schemes</td>
<td>Capability of suppliers</td>
</tr>
<tr>
<td>Measurements for sharing of mutual benefits</td>
<td>Continuous improvement schemes</td>
</tr>
<tr>
<td>Top management commitment</td>
<td>High pressure in relationship</td>
</tr>
<tr>
<td>Compatible culture, co-ordination of mutual goals</td>
<td>High quantity materials, critical inputs</td>
</tr>
<tr>
<td></td>
<td>Multi-functional teams</td>
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<tr>
<td></td>
<td>Ownership of intellectual properties</td>
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<tr>
<td></td>
<td>Defined exit strategy</td>
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</table>
## Table 2
Reported Improvement Actions

<table>
<thead>
<tr>
<th>Reported Improvement Actions</th>
<th>Reported Improvement Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved Payment Terms (13.4%)</td>
<td>Regular (Mutual) Visits (13.4%)</td>
</tr>
<tr>
<td>Cost Reduction Projects (11.9%)</td>
<td>Improved Scheduling/Delivery Standards (11.9%)</td>
</tr>
<tr>
<td>Direct Communication (10.4%)</td>
<td>Improved Demand Forecasting (10.4%)</td>
</tr>
<tr>
<td>Develop Supplier Partnering (9.0%)</td>
<td>Adoption of ISO 9000/BS 5750 (9.0%)</td>
</tr>
<tr>
<td>JIT Supply / Stock Review (7.5%)</td>
<td>Joint Design/Product Development (7.5%)</td>
</tr>
<tr>
<td>Long-Term Contracts/Agreements (7.5%)</td>
<td>Closer Relationship (6.0%)</td>
</tr>
<tr>
<td>Open Negotiations (6.0%)</td>
<td>Reduce Supplier Base (6.0%)</td>
</tr>
<tr>
<td>Regular Progress Reviews (6.0%)</td>
<td>EDI Links (4.5%)</td>
</tr>
<tr>
<td>Operations Review (4.5%)</td>
<td>Invite to Presentation / Supplier Days (4.5%)</td>
</tr>
<tr>
<td>Quality Surveys / Requirements (4.5%)</td>
<td></td>
</tr>
<tr>
<td>Others: Stop ordering from Suppliers that upset us, Joint Purchasing,</td>
<td></td>
</tr>
<tr>
<td>Customer Concern Action Reports, Mention possible Competition, Target</td>
<td></td>
</tr>
<tr>
<td>Setting, More Professional Purchasing Function, Joint Marketing</td>
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</table>
Table 3
Characteristics of Partnership Relationships

<table>
<thead>
<tr>
<th>Partnering Attitudes</th>
<th>Strategic (5)</th>
<th>Non-Strategic (11)</th>
<th>Close, but adversarial (8)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expand long-term mutual advantage</td>
<td>Partnerships “just happen”, but are long-term</td>
<td>Contractual safeguards, short term gain</td>
</tr>
<tr>
<td>Cost Reduction Projects</td>
<td>Regular, buyer led, quality / cost</td>
<td>Irregular, price oriented</td>
<td>Improvement project In-house</td>
</tr>
<tr>
<td>Operations Review</td>
<td>Engineers at suppliers' site</td>
<td>Occasional suggestions</td>
<td>None</td>
</tr>
<tr>
<td>JIT Delivery Review</td>
<td>Kitting, zero stocks, (kanban), ship-to-line</td>
<td>Call-off against Blanket orders, 15 day delivery</td>
<td>Stock holding for buyer, 'not possible'</td>
</tr>
<tr>
<td>Payment Attitudes</td>
<td>Payment on Usage</td>
<td>Faster payment</td>
<td>Exploitation of suppliers to pay later</td>
</tr>
<tr>
<td>Implementation of Supplier Partnerships</td>
<td>Hit-and-miss, high motivation</td>
<td>No Implementation 'gut-feel' selection of partner</td>
<td>None</td>
</tr>
</tbody>
</table>
Figures

Figure 1
Correlation between Improvement Actions and Partnership Indicators
Figure 2
Significant Characteristics of Buyer-Supplier Relationships

- Develop Supplier Partnership
- Cost Reduction Projects
  - JIT Delivery Review
  - Review Operations
- Improved Payment Performance
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