

Scientific review of the relational view theory and its contribution to critical sourcing decision-making

Author: Hazar Turkmen
University of Twente
P.O. Box 217, 7500AE Enschede
The Netherlands
h.turkmen@student.utwente.nl

ABSTRACT

This paper made an attempt to identify the contribution of the relational view theory to critical sourcing decisions. The paper of Dyer and Singh (1998) is first explored in different levels of depth to get a thorough understanding of the theory. The theory implies that relational rents can be generated from the joint efforts of alliance partners that invest in relation-specific assets, share knowledge, combine complementary resources and use effective governance mechanisms. These activities forge an idiosyncratic relationship that is difficult to imitate for competitors, thus giving a competitive advantage. In this paper the theoretical framework of relational rents is applied to four critical sourcing decisions. The aim is to fill a gap in the academic literature for the practical relevance of the relational view to purchasing decisions. Relevant literature on the sourcing decisions are linked to the key concepts of the relational view where identical implications and similar propositions suggested a strategy to achieve relational rents across the four decision points. In the make-or-buy decision, outsourcing is considered to be more effective in creating relational rents from networks. This is because a firm in isolation, which reflects the make situation, is not part of a network and is therefore not able to generate relational rents (Dyer and Singh, 1998, p.662). According to Kraljic's (1983) matrix strategic purchasing items account for value creation and the relationship with these suppliers should be safeguarded in the long-term. These items have the best fit with the relational view theory, as intense collaborative efforts with these suppliers secure supply and at the same time generate relational rents. Investments in relationships in other commodity types are solely based on continuity rather than value creation. Supplier portfolio decisions involve a reduction in the supply base and the focus on strategic suppliers on the long term. When contracts are awarded, informal contracting mechanisms have the ability to facilitate trust, loyalty and cooperation and at the same time reduce transaction costs.

Supervisors: Prof.Dr. habil. Holger Schiele and Niels Pulles MSc.

Keywords

Relational rents, interconnected firms, sourcing decisions, relationships, purchasing strategy, buyer-supplier network

Permission to make digital or hard copies of all or part of this work for personal or classroom use is granted without fee provided that copies are not made or distributed for profit or commercial advantage and that copies bear this notice and the full citation on the first page. To copy otherwise, or republish, to post on servers or to redistribute to lists, requires prior specific permission and/or a fee.

1st IBA Bachelor Thesis Conference, June 27th, 2013, Enschede, The Netherlands.

Copyright 2013, University of Twente, Faculty of Management and Governance.

1. A shift in the organizational behavior has changed the focus from transactions to relationships in supply management, which opened possibilities in the academic literature to analyze purchasing decisions from a relational view.

The implications for the buyer-supplier relationship have changed in the past two decades. This relationship has proven not to be static one but instead it moves along the curve of market developments that shape the business environment. Whereas once an arms-length relationship was sufficient to do profitable business with suppliers, the current market demands much more sophisticated and collaborative business models with the supply base. A shift in organizational behaviour has changed the paradigms of procurement from a transaction oriented to a relationship-oriented approach (Sheth and Sharma, 1997, p.94). Most companies are aware of this development and want to fully utilize the advantages of the purchasing function that comes with a relational approach to solve problems and create value. This paper wants to contribute to this existing body of literature on the buyer supplier relationship, by using the relational view by Dyer and Singh (1998) to help in making firm purchasing decisions. The relational view suggests that relation-specific assets, knowledge-sharing routines, complementary resources and capabilities and effective governance between alliance partners can determine interorganizational competitive advantages (Dyer and Singh, 1998, p.663). It emphasizes how supernormal profits, referred to as 'relational rents', can be gained through idiosyncratic interfirm linkages (Dyer and Singh, 1998, p.661). The paper excels in combining elements from other theories such as the resource-based view and industry view and puts them under the scope of networked environments or dyads. However, the relational view by Dyer and Singh (1998) lacks in practical relevance for some purchasing decisions. For example, it remains unclear how the relational view stands against sourcing decisions. It also does not make any distinctions between different commodities, since Kraljic (1983) suggested that different commodities require distinct strategic approaches (Kraljic, 1983, p.110-112). Therefore, this paper wants to fill this gap in the academic literature concerning the practical relevance of the relational view to purchasing decisions. From a firms' perspective, this paper wants to provide knowledge to purchasers to make them aware of the added value of the relational view in relation to some purchasing decisions. There is an infinite amount of purchasing decisions and considering our time boundary, it is impossible to cover them all. Therefore, this paper puts its focus on four critical sourcing decisions that most purchasers are involved with today: (1) The make-or-buy decision, (2) Commodity strategy, (3) Supplier portfolio decision, (4) Awarding contracts after negotiation with suppliers.

This paper makes an attempt to clarify the contribution of the relational view to these sourcing decisions. Relevant literature concerning the sourcing decisions is linked with the relational view theory wherein arguments and propositions that suggest a certain strategy or choice from a relational point of view are highlighted.

2. The relational view theory

2.1 Introduction of the theory; A theoretical framework of relational rents to explain competitive advantages in networked environments or dyads and their applicability to sourcing decisions.

Dyer & Singh (1998) have systematically examined interorganizational rent-generating processes. They identified four sources that generate relational rents: Investments in relation-specific assets, interfirm knowledge sharing routines, the combining of complementary resources and effective governance mechanisms. Firms can achieve supernormal profits by developing an idiosyncratic relationship with their alliances through these processes. The aim is to move away from arm's length market relationships, because competitors can easily duplicate this exchange relationship since there is nothing unique about the interactions between buyer and seller. What follows from the joint efforts of the partnering firms in forging a relationship beyond arm's length, is that rents are jointly generated and owned by partnering firms. Relational rents are then part of the network or dyad. A relational rent is defined by Dyer and Singh (1998) as:

"A supernormal profit jointly generated in an exchange relationship that cannot be generated by either firm in isolation and can only be created through the joint idiosyncratic contributions of the specific alliance partners" (Dyer and Singh, 1998, p.662).

The contribution of this theory to the joint value creating literature lies in its explicit approach in defining the sources of relational rents. A theoretical framework is provided to indicate how each source effectively enhances joint value creation. In this paper, the relational view theory is applied to four critical sourcing decisions. The applicability of the theory differs for each sourcing decision. For the make-or-buy decision, relational rents can only be acquired when a firm decides to outsource, because it is then part of a network. In supplier portfolio decisions, a relational view can be important because it emphasizes long-term commitment with fewer but more strategic suppliers. The implications of the relational view are only relevant in two commodities: Bottleneck and strategic, because both entail safeguarding a long-term relationship. The relational view does not support formal contracting efforts but rather suggests that informal contracts are more effective in generating relational rents through self-enforcing mechanisms.

2.2 Uncovering the history of the relational view; rooted in the RBV theory and inspired by the stream of literature underlining the advantages of exchange in networks of interorganizational relations.

The relational view by Dyer & Singh (1998) has its roots primarily in the resource-based theory by Barney (1991) and Wernerfelt (1984) but it is also inspired by Cook's (1977) paper that underlines the advantages of exchange in networks of interorganizational relations. The resource-based view theory has substantially contributed to the field of competitive advantages on the firm level. According to the theory, firms that are able to accumulate resources and capabilities that are rare, valuable, non-substitutable and not easily imitable, will achieve a competitive advantage over competing firms. Firm heterogeneity is a critical condition in achieving differentiated firm performance (Barney, 1991; Wernerfelt, 1984; Rumelt, 1997). However, the resource-based theory was incapable of explaining how firms gain competitive advantage in networked environments where firms maintain frequent and multiple collaborative relationships with alliance partners (Lavie, 2006, p.639). It is more than likely that a part of the competitive advantage achieved through differentiated performance by the individual firm is derived from the advantages of the network of relationships in which the firm is embedded. Lavie (2006) has confirmed this constraint by analysing the limitations of the RBV in explaining competitive advantage in networked environments. He acknowledged that the relational view is complementary to the RBV, because it could eliminate the barriers where the RBV could not reach.

The increasing demand for total quality management and lean operations have led buyers to closely work with strategic suppliers to achieve these standards. Their joint efforts to increase efficiency and pursue high quality management goals resulted in the strengthening of this relationship and what emerged was a unique, non-imitable, exchange in resources and knowledge. This development offered new prospects and a shift in focus in the academic literature of the buyer supplier relationship. The connectedness and increased tendency to collaborate in industries resulted in theories such as learning, absorptive capacity, relational capital and open innovations to arise, providing more support for this trend. The relational view by Dyer and Singh was one of these theories that emerged in this period due to the popularity of alliance relationships. By changing the unit of analysis from the resource-based theory from individual firms to the network of firms, their findings appealed to a wide range of industries, because it had more explanatory power than theories such as Barney's (1991) resource based view or Porter's (1980) industry structure view, for networked firms. Despite the different applicability between the relational view and resource-based view, both theories state that idiosyncratic capabilities (also in the form of interfirm linkages) increase the barriers for competitors to duplicate these competences, thus giving an advantage over competitors in the form of differentiation. The relational view should therefore not be seen as a substitute to the resource-based view but rather as a complementary extension of this view.

As previously stated, the relational view is also inspired by Cook's (1977) paper, which includes statements from Emerson's (1976) social exchange theory. In her paper, Cook describes the occurrence of exchange relations and how this event benefits the network of organizations. There are two interrelated reasons that may explain these interactions: specialization and scarcity. Since most organizations are specialized in a specific field, they are unable to acquire all the necessary resources to operate successfully. In order to produce the desired product and output, organizations must exchange information or resources on the market. The scarcity of resources limits organizations in their capability to produce all elements of their product individually, hence it creates organizational interdependence and fosters specialization (Cook, 1997, p.64). Additionally, organizations seek to reduce environmental uncertainty and therefore engage in these exchange relationships to create a more predictable environment (Thompson, 1967, p.147). The resources will only flow through these exchange networks if there is a valued return contingent upon it. In economic terms this is simply called reciprocally contingent flow exchange, which is the concluding remark from the social exchange theory (Emerson, 1976, p.359). The assumption that the relational view is inspired by this stream of literature (Cook, 1997; Thompson, 1976; Emerson, 1976) that emphasizes the importance of interorganizational networks is evident in the propositions of Dyer & Singh's (1998) paper. The relational view suggests that the more intense the exchange relationship is with the alliance partner, the more financial benefits are likely to accrue. This is due to an idiosyncratic relationship between both partners that is difficult to imitate by competing firms. At the bottom of this statement, lies the assumption that companies are heterogeneous in their resources and that they only produce those elements of the product that can superiorly be produced through core competences. The remaining elements that

are necessary to produce and place the product on the market are acquired through exchanges with other organizations, wherein each partner excels in their respective field of providing that specific service and finally contributes to the product. This is somewhat similar to Cook's (1977) explanation of why exchange of resources takes place. The relational view goes a step further by not only explaining why exchange is necessary in current market conditions, but also highlights that value can be created through these relationships. The social exchange theory is embedded in the relational view, in the sense that no partnership will hold without reciprocal returns. It is for that matter, why the relational view gained a lot of attention, because it provided a better understanding how mutual benefits could flourish in networked firms.

2.3 Assumptions of the theory limit its applicability under certain conditions.

The theory of the relational view by Dyer & Singh (1998) encompasses a set of assumptions under which the key concepts are applied. In the following part this paper will shed light on the assumptions that are imbedded in the background of the relational view theory.

Learning effects

Individuals are assumed to eagerly learn from each other in an alliance, developing competences and increasing their skillset. Unfortunately, this might not always be the case. Individuals can behave differently in the sense that they are not interested to learn but pursue other self-interests in the alliance relationship. If this is the case, the effects of learning are not triggered and firms in the relationship will experience laborious knowledge-sharing routines.

Lavie (2006) has identified three conditions of the sustainability of competitive advantages of the RBV that do not hold in networked environments, which distinguishes the relational view due to its external approach in explaining competitive advantages generated through interorganizational linkages (Lavie, 2006, p.130-132). By explaining these conditions it may become clear to what extent the relational view influences these assumptions.

Relaxed proprietary of resources Conventional RVB theory suggests that firms must own or at least fully control the resources that confer competitive advantages (Amit and Schoemaker, 1993, p.44; Barney, 1991, p.101). However, this condition is insufficient to explain competitive advantages in networked environments, where firms have better access to resources and exchange services on a frequent basis. The control and proprietary of these resources is more 'relaxed' in a relational view, allowing resources to flow between exchange partners.

Resource heterogeneity

The relational view regards resource heterogeneity as a condition to issue the need of exchanging complementary resources. However, under conditions of pure resource homogeneity alliances are only good for collusive purposes rather than to gain access to complementary resources.

Imperfect mobility

The forming of alliances is irrelevant in the context of perfect mobility where resources can be traded and accessed on the market, without joining networks. Alliances serve to access resources that are difficult to obtain on the market, which is characterized by high barriers to trade/access unique resources (imperfect mobility).

Dollinger, Li and Mooney (2009) theorized that conditions of the relational view change during a mega-event like the Olympics, FIFA World Cup etc. In their conceptual framework they managed to identify some assumptions of the relational view and put these under the effects of a mega-event. However, this paper will solely highlight the assumptions of the relational view, excluding the effect on the mega-event to prevent engaging occasional circumstances.

Ongoing relationship with partners

The relationships in the relational view are assumed to be ongoing, since they are not subject to time. The relational rents that are extracted from joint efforts to create an idiosyncratic relationship require a significant amount of time to develop but this is not mentioned as a constraint. In reality, firms agree to enter in relationships for a fixed amount of time and renegotiate about prolonging the partnership when this period expires. Firms that have bad partnership experience are more redundant to engage in long-term future partnerships, which mitigates the potential benefits of the relational view.

Voluntary governance structure

The structures described in the relational view theory are assumed to be voluntary with shared authority and power and non-governmental. Alliance partners are assumed to have equal power to control and share resources and are not dominated by a central authority.

Private, profit-seeking firms

The firms described in the relationship are private, profit-seeking firms. These firms are aware of the potential to generate relational rents and therefore engage in alliance networks. Nonprofit organizations or non-governmental organizations are not interested in relational rents but rather in relational values that provide opportunities for the quality of human life.

2.4 Key constructs of relational rents are: Relation-specific assets, knowledge exchange, complementary resources, effective governance.

In the following section, a theoretical framework is presented that depicts the sources of relational rents, and how each is able to create value.

Relation-specific assets

A firm may want to differentiate by creating assets that are specialized in association with the assets of an alliance partner. The development of these assets opens possibilities to create complex interfirm structures that are difficult to imitate by competitors. On top of that, it increases the barriers for new entrants to enter the same market, because of the high investments that are needed in order to compete effectively (Porter, 1980, p.36). Williamson (1985) has identified three types of asset-specificity that may occur as part of a relation-specific investment: Site specificity occurs when production stages that are immobile in nature are located closely to each other. This way, transportation costs are lower and the costs of coordination activities are likely to decrease (Dyer, 1996, p.275). However, Artz & Brush (2000) found a positive relationship between increasing coordination costs and asset specificity. Their findings suggest that asset specificity and environmental uncertainty directly increase the cost of conducting interfirm exchange under the conditions that there are weak relational norms. They also found that relational norms such as collaboration, continuity of expectations and non-coercive communications effectively reduced the impact of asset specificity on negotiating costs (Artz and Brush, 2000, p.356). This implies that although site specificity has the potential to decrease coordination costs, the side effects of relational norms should not be underestimated when negotiating these types of investments. The second type of asset specificity are physical assets in the form of transaction-specific capital investments. These investments allow product differentiation and improve quality, because it is a direct injection of capital in production processes. The expectation is that suppliers show significant improvement in their performance as a return for the relation-specific investment. Human asset specificity is the third type of asset specificity that refers to transaction-specific know-how accumulated by transactors through longstanding relationships (Dyer and Singh, 1998, p.662). Specialized information is generated as partners develop experience by working together. The know-how and complex interactions are difficult to decrypt by competitors and this allows partners to communicate efficiently and effectively, enhancing quality and speed to the market (Asanuma, 1989; Dyer, 1996). Studies have shown that relational rents generated through relation-specific investments are achieved by lower total value chain costs, greater product differentiation, fewer defects, and faster product development cycles (Asanuma, 1989; Dyer, 1996; Saxenian, 1994; Nishiguchi, 1994; Parkhe, 1993). Although relational-specific assets provide benefits for the buyer-supplier relationship, it does not come without threats. There is an inherent risk that the power in an exchange relationship can shift in favor of the supplier. The dependency of the buyer may increase once the supplier achieves a critical, strategic status in the relationship. The buyer may experience to be locked-in to supplier dominance as a result of heavy relation-specific investments by the buyer (Lonsdale, 2001, p.22). Buyers should therefore pay attention to contracting terms and supplier portfolio strategies to prevent any damage from falling under supplier dominance. The intensity of these relation-specific investments depends on the length of the safeguard and the volume of transactions. As previously stated, environmental uncertainty negatively affects relation-specific investments. Partners are more likely to make investments if they expect to get a return during the payback period or length of a governance agreement. It is in the best interest of the investor that this period is long enough, because it protects the investor from opportunistic behavior from the partner who received the investment. Increased volume and scope of the exchange between alliance partners positively influences the potential to generate relational rents. Just as the effect of economies of scale that increases productivity, a greater volume and scope of exchange activities between partners is likely to increase efficiency associated with interfirm exchanges (Dyer and Singh, 1998, p.664).

Interfirm-knowledge sharing routines

Superior knowledge exchange routines between alliances can alter performance-enhancing technology and innovations through interorganizational learning. Knowledge transfer is particularly present in hotel chains, but not between unrelated hotels (Baum and Ingram, 1998, p.1003). The difficulties in measuring and valuing knowledge prevent knowledge to be easily traded in the open market. A certain degree of empathy and familiarity between parties is required for communication to transfer the useful quality of knowledge sufficiently. In the hotel industry, self-contained local organizations are preferred to operate each hotel. These organizations are linked in an interfirm, rather than to build independent firms to do these local operations under a centralized governance structure. In this way, hotels can benefit from the local expertise of local operators to make better decisions regarding which knowledge is useful for them, while a centralized governance structure sometimes establishes bureaucratic rules which is not effective in applying useful knowledge, in a specific physical area (Baum and Ingram, 2002, p.6-7). This example shows how knowledge sharing exchange routines in an industry enables firms to operate more effectively due to interfirm linkages with local operators. Knowledge is divided into two types: information and know-how. Know-how compared to information is more difficult to imitate and transfer, because of its tacit, sticky and complex to codify nature (Kogut and Zander, 1992, p.386). When alliance partners succeed in transferring this type of knowledge, they are more likely to achieve competitive advantages due to the incapability of competitors to imitate this process (Dyer and Singh, 1998, p.665). Interorganizational learning is a process that helps alliance partners in transferring this

knowledge. The term ‘interorganizational learning’ refers to learning in the context of groups or pairs of organizations that are proactively cooperating (Knight, 2002, p.434-435). The ability to exploit external sources of knowledge depends on partner-specific absorptive capacity, which implies that a firm has developed the ability to recognize and assimilate valuable knowledge from a particular alliance partner (Dyer and Singh, 1998,p.665). Without this, learning will not have its desired effect on the integration of valuable know-how from the network into company processes. A critical component of partner-specific absorptive capacity is whether or not the firm has overlapping knowledge bases with the source of knowledge (Szulanski, 1996,p.31). This determines the mobility of knowledge in the relationship network, in terms of access to knowledge and the rate of exposure to transferable knowledge. Partner-specific absorptive capacity can further be enhanced when individuals in the alliance partnership get to know each other well enough to estimate where critical expertise resides within each firm (Dyer and Singh, 1998,p.665). As already stated in the previous example of the hotel industry, familiarity between partnering firms is one of the conditions to effectively identify and exchange knowledge. Through the mechanism of absorptive capacity, it allows more informal interactions to take place between alliance partners, wherein valuable knowledge can be detected and absorbed. A second proposition in Dyer & Singh’s (1998) paper highlights the importance of alignment of incentives that encourages the partners to be transparent to transfer knowledge and to do this in a responsible and ethical way. Incentives should create an atmosphere where both parties are stimulated to openly engage in transferring know-how across the interfirm platform. Since it can be costly to arrange a knowledge transfer, taking into account the cost of human resources, development programs, equipment costs, providing incentives is a good way for the transferring firm not to avoid these costs. Firms that receive the knowledge should be aware of spillover effects, since most knowledge is regarded as proprietary. Kale, Singh and Pertlmuter found that (2000) integrative conflict management is a key determinant in preserving the right balance between learning and protecting proprietary knowledge. It has a positive influence on relational capital, because the communication and contact-rich manner of resolving conflicts allows exchange partners to share and learn useful information and know-how of each other, which eventually triggers the positive effects of learning. Furthermore, conflict management also enhances personal ties between partners, which acts as an informal mechanism to check the leakage or stealing of vital proprietary information or know-how. It reduces the motivation to engage in opportunistic behavior to copy and internalize the partner’s competences (Kale et al., 2000, p.232-234).

Complementary resources and capabilities

Engaging in alliance networks is further stimulated by the relational rents that are generated through combining complementary resources and capabilities. Strategic alliances allow firms to procure assets, competencies or capabilities that cannot be found in secondary markets. A firm may benefit for example from the distribution network of another company in a specific market to increase revenue and in exchange it can offer to help in product development efforts, if the company is specialized in that field. What emerges is a partnership that accounts for higher firm performance for both parties at a minimal cost. According to Harrison, Hitt, Hoskisson and Ireland (2001) resource complementarity is critical to successful acquisitions and equally important for effective strategic alliances. Acquiring firms with different but complementary skills provides opportunities to achieve synergies and create value for the acquiring firm. From a resource-based perspective, the combination of acquired resources with internal resources creates a total skillset of resources that has unique and difficult to imitate value (Harrison et al, 1991, p.684). A horizontal acquisition in the form of acquiring highly similar resources is merely a strategy to increase power through economies of scale and is unlikely to achieve major competitive advantages. It is the challenge of effectively integrating the two firms’ complementary assets, which involves high uncertainty and ambiguity, to create significant amounts of value-creating synergy and thereby achieve competitive advantages (Harrison et al.,2001,p.686). Alternatively, firms can get access to complementary resources by forming alliances with partners. Unlike acquisitions, they do not require the investment or long-term commitment to shared assets (Ireland and Hit, 1999, p.73). These findings indicate that complementarity in resources in alliance networks has more potential to generate relational rents in comparison to acquisition of substitutable or similar resources. However, the process of identifying those partners that fit the company profile in providing complementary skills to the exchange relationship is not that easy. As Dyer and Singh (1998) suggest, the degree of success to generate relational rents from complementary resources depends on the conditions: degree of compatibility in organizational systems processes and cultures (Dyer and Singh, 1998, p.667). Companies may want to assess their compatibility with their potential partners first to avoid running the risk of extracting zero value out of this collaboration, despite the efforts and investments. The condition of compatibility is also present in Brinkerhoff’s (2002) proposed framework in assessing and improving partnership relationships and outcomes. In her framework a partner’s compatibility is assessed by: (1) Knowledge and understanding of partners’ missions, operations, and constraints (2) Previous conflict or confrontations among partners (3) Compatible operating cultures (e.g. operating philosophies, management styles, teamwork) (4) Compatible constituencies (5) Compatible core values (6) Mechanisms to address incompatibilities (7) Conflict (8) Degree (9) Frequency (10) Extent of conflict avoidance within partnership (11) Presence/Absence of one or more dominating partners (Brinkerhoff, 2002, p.221). Most of these findings are derived from partner surveys or interviews, which are not tested against subjectivism but in general they do provide a good overview of factors to assess whether a partner is compatible or not. In summary, strategic alliance relationships have more potential to generate relational rents when firms have a degree of compatibility in organizational systems, processes, and cultures to successfully be able to combine complementary resources.

Effective governance mechanisms

An effective governance structure has the ability to minimize transaction costs and thereby enhance efficiency. There are two types of governance structures used by alliance partners: third-party enforcement of agreements (e.g. legal contracts) and self-enforcing agreements. It is argued by some authors that self-enforcing mechanisms lower transaction costs related to bargaining and monitoring. The process of writing, monitoring and enforcing contracts is a liability to efficient cooperation, incurring high transaction costs (Barney and Hanssen, 1994, p.178; Sako, 1991, p.455). Dyer and Singh (1998) support this argument by providing four primary reasons explaining why self-enforcing mechanisms are more effective than third-party enforcement mechanisms at both minimizing transaction costs and maximizing value-creation initiatives (Dyer and Singh, 1998, p.669-671):

- 1) Contracting costs are avoided because informal safeguards such as trust and embeddedness ensure that both parties receive a fair distribution of payoffs. Next to this, contracts are less effective than self-enforcing mechanisms in controlling opportunism because they fail to anticipate all forms of cheating that may occur.
- 2) Monitoring costs are lower under self-enforcement, because self-monitoring does not involve any third-parties that bring high costs. Additionally, investments in expensive monitoring equipment are avoided, because there is less need to control.
- 3) Exchange partners face less resistance in adapting to agreements to respond to unforeseen market changes. Under these conditions, self-enforcement allows the partners to find flexible solutions whereas legal contracts or third-party enforcement require complex adaption procedures, which can be very costly.
- 4) Contracts are expired over time and only provide protection for a limited amount of time. This is why contracts are subject to depreciation as they move towards expiration. In contrast, exchange partners can employ self-enforcing agreements that appreciate over time in a way that the relationship is strengthened with increased familiarity and interaction.

Informal safeguards are the type of self-enforcing mechanisms that have great potential to generate relational rents. They are difficult to imitate because they are socially complex and idiosyncratic to the exchange relationship. However, they do not come without any drawbacks. One of the major challenges to establish informal contracts is that they require substantial time to develop personal ties between alliance partners. One cannot easily attain a relationship status that suffices in setting up informal safeguards. A certain level of trust has to be reached to come to this point, which at the same time is the second drawback of informal safeguards. Abuse may arise due to opportunistic behavior of one of the exchange partners that sees a hole in the system to exploit one and another. The paradox of trust is then a liability in the governance structure (Dyer and Singh, 1998, p.671). The study of Kale, Singh and Perlmutter (2000) illustrates how relational capital based on mutual trust creates a basis for learning and the transfer of know-how across the exchange interface. They manage to show that at the same time, opportunistic behavior is restrained, preventing the leakage of critical know-how between them (Kale et al., 2000, 217).

2.5 Empirical studies confirm the effectiveness of the relational view in networked environments.

In the past two decades empirical studies have been conducted that cover some aspects of the relational view. These studies highlight important findings about how alliances are managed in most industries (Kale et al. 2000), the emergence of specialized-supplier networks in automotive industries (Dyer, 1996), the important role of past experiences with partners in alliances (Anand and Khanna, 2002). In the following section, this paper will summarize these findings because they might provide valuable insights into firms that are strongly associated with alliance networks.

For their research Kale et al. (2002) approached 292 companies and collected usable responses from 78 companies who reported on a total of 1572 alliances that had been established in the period of 1993-1997. The sample of companies was selected from industries (computers, telecommunications, pharmaceuticals, chemicals and electronics) where alliances are generally a part of firm strategy. Firms were asked if they had created a dedicated alliance function to manage or coordinate all alliance-related activity in the firm. The aim was to measure alliance success/performance through the independent variables abnormal stock market returns that followed after alliance announcements, and managerial assessments of long-term alliance success. Results indicate that a dedicated alliance function in a firm enhances a firm's alliance success and value creation through alliances. Furthermore, a positive relationship was found between market value and the presence of a dedicated alliance function. It is possible that the market evaluates this function as a signal of long-term commitment to alliances driven by better coordination and compatibility; hence the firm can achieve abnormal returns. However, the costs of managing such a function should not be underestimated, as it can require a fair amount of resources to control and effectively manage it. This study indicates that the mechanisms in the relational view that lead to relational rents are confirmed to be present in firms that form alliances, because a dedicated alliance function has proven to increase firm value. The function entails intense relational efforts with more

commitment in alliance relationships, which according to the relational view is a perfect condition to generate relational rents.

Anand and Khanna (2000) have studied the contribution of learning effects in creating value in the case of alliances. In a sample data of 870 joint ventures and 1106 licenses, since these are the most common examples of alliances, they were able to measure value accrued to the firm from the alliance. In the case of joint ventures, prior experience in joint ventures was found to have a positive impact on the value extracted from alliances. The effects of experience on performance are largest for research joint ventures, followed by production joint ventures and the least for marketing joint ventures. There was no evidence that experience in licensing deals affected the returns to engaging in such deals. In addition, strong and persistent differences were found across firms in their ability to create value, in all the alliance subsamples. In the study, Anand and Khanna (2000) interpret this as differences in alliance capabilities, which highlight the phenomenon of heterogeneity in alliances. These findings support the statements of the relation view theory in regard to learning effects, which is a function of absorptive capacity, and that these have the potential to increase alliance performance and create relational rents (Dyer and Singh, 1998, p.666). Furthermore, it is not surprising that learning effects are most significant in research joint ventures. According to the relational view, the effective transfer of critical know-how in a network enables access to knowledge that is difficult to codify for competitors that are not part of this network and therefore do not possess the competences to imitate similar practices (Dyer and Singh, 1998, p.665). High-technology environments are characterized by substantial amounts of ambiguity and uncertainty (Pisano, 1990, p.153154). It is for that matter, that this type of alliance benefits the most from learning effects.

Two years prior to the publication of the relational view by Dyer and Singh (1998), Dyer (1996) examined if competitive advantages are likely to accrue when firms develop a tightly integrated production network characterized by a high degree of interfirm specialization. He specifically focused on buyer-supplier networks in the Japanese and U.S. automotive industry. Each purchasing department general manager (Nissan, Toyota, Ford, Chrysler, General Motors) was asked to select 50 domestic supplier relationships of which, 25 of their closest partners and 25 of their other arm's length relationship suppliers. Surveys were sent to the suppliers' purchasing agents that were mostly involved managing the day-to-day operations with the relationship. Usable surveys were collected from agents for 192 of the 250 suppliers. Japanese automakers showed much greater site specificity and human specificity than their American counterparts, accounting for more co-specialization with their suppliers. The Japanese are closer to the optimum level of interdependence with their suppliers and are therefore in a better position than U.S. automakers to develop sustainable competitive advantage through cooperative specialization (Dyer and Singh, 1998, p.288). This study underlined the importance of specialized assets created in networked environments (in this case buyer-supplier network automotive industry), where the principles of the relational view acted in accordance with interfirm specialization.

2.6 Support for sourcing decisions through the lenses of the relational view

In this section, an attempt is made to link the concepts of the relational view to critical sourcing decisions. The theoretical framework of relational rents are used to effectively identify to what extent these are present in the decision making progress across the four decision points.

The make-or buy decision:

The sourcing dilemma referred to as the make-or-buy decision is fundamental for manufacturing firms. Not surprisingly, none of the sources can be achieved in a make situation, because a firm in isolation, which reflects the make situation, cannot achieve relational rents. In a make situation, resources and knowledge are not shared with external parties, since the company decides to preserve control over its own assets (Ford and Farmer, 1986, p.5). In this case, the relational view offers very limited explanatory power because it is unable to detect interfirm routines between buyers and suppliers. When a firm has engaged in outsourcing it is automatically part of a buyer-supplier network. When increasing technical complexity and diversity over company processes persist it is difficult for a company to compete at different areas of technology. Outsourcing in this critical commodity can be a sound solution to tackle this problem (Gadde and Snehota, 2000, p.305-306). Since this relationship involves critical activities that account for a substantial proportion of firm performance, it is strategically important for the buying firm to manage this relationship effectively, with a long-term value creating vision (Holcomb and Hitt, 2007, p.468). The relational view is especially applicable in such a situation. Firms in the buyer-supplier network can trigger the benefits of the relational view by investing in relation-specific assets, knowledge-sharing routines or combining complementary resources and form an idiosyncratic relationship.

Commodity strategy:

This paper uses the Kraljic (1983) matrix to analyze the applicability of the relational view in different commodities (Kraljic, 1983, p.112). For the non-critical items the appropriate strategy is to outsource to suppliers and maintain an arm's length relationship. The only factor that is relevant in the non-critical commodity is effective governance

mechanisms to lower transaction costs. Transaction costs may include, switching costs or time costs. All investments in a relationship with suppliers that belong to this commodity type are regarded as unnecessary costs. Bottleneck items are difficult to find sources of supply. Investments in relation-specific assets are only effective in the sense that they create a degree of interdependence between the buyer and supplier, which facilitates further cooperation. The exchange of know-how with this supplier can be effective to develop competences in mastering complex routines in this commodity, which may reduce the dependence on this supplier. The combination of complementary resources enables the buying firm to increase flexibility with these suppliers that are highly skilled and this may reduce cycle times and increase efficiency. Self-enforcing mechanisms may be risky because suppliers in this commodity have more bargaining power over buyers, allowing suppliers to act more opportunistically when agreements are not safeguarded. The buyer finds itself in an optimal position when it deals with leverage items. They have low supply risk but are critical resources that need to be obtained by the buying organization. The appropriate strategy is to let suppliers compete against each other to strike a deal with the buyer. Complementary resources are available on the market, implying that investments in a relationship to access complementary resources are unnecessary. Contracting costs should be minimized through effective governance in this commodity since there is a high mix of supply. Strategic items have the best fit with the principles of the relational view. These items are critical for the relationship and account for high firm performance. All sources of relational rents are significant in this context and have the ability to foster reciprocal returns. The governance structure should be based on trust and informal mechanisms to safeguard agreements, as this will reduce the incentives for opportunistic behavior and at the same time reduce transaction costs (Jap, 2001, p.35).

Supplier strategy

Supplier portfolio decisions and supplier strategies are an important item for purchasing managers. These decisions determine the size of the supply base, supplier profiles, and supplier management. According to Bakos and Brynjolfsson (1993) firms are able to increase profits by increasing their interdependence on a smaller number of suppliers, which encourages suppliers to share knowledge and make performance-enhancing investments in relation-specific assets. They will gain more ex post bargaining power and therefore more incentives to make noncontractible investments in innovation, responsiveness and information sharing (Bakos and Brynjolfsson, 1993, p.548). More and more studies have highlighted the importance of strategic suppliers in the supply chain (Gadde and Snehota, 2000; Hoyt and Huq, 2000; Dyer, 1996; Bensaou, 1999). The call for collaborative relationships and joint action with these suppliers is inevitable in a world of interconnectedness, which fueled global sourcing to emerge and grow into a common practice. The implications of the relational view stand parallel with these developments. Firms tend to reduce their supply base to spend more time on each supplier that is capable of significantly reducing prices on the long term (Goffin et al., 1997, p.432-433). The relational view fits in this perspective, because it illustrates how a buyer-supplier relationship is able to generate relational rents. The relational view is recommended for those suppliers that have the potential to be of strategic value for the buying organization. Considered the limited amount of time and resources, it is impossible to develop an idiosyncratic relationship with the entire supply base. In short, the sources of relational rents can only be realized with those suppliers that are of strategic importance in the long-term for the buying firm. Olsen and Ellram (1997) developed a three-step portfolio approach to supplier relationships. In the following section this paper will indicate how the relational view is related to this supplier portfolio approach (Olsen and Ellram, 1997, p.103-110). In the first step an analysis of the company's purchases are assessed according to the Kraljic matrix (1983). This will map the critical commodities of the firm. The relational view is not relevant yet in this stage. The second step is to analyze the supplier relationship through the variables supplier attractiveness and the strength of the relationship. In this stage the strategic suppliers are highlighted. The relational view is most likely to be effective with these suppliers. In the final stage, action plans are developed to closely work with the strategic suppliers. When supplier attractiveness is high and there is a degree of interdependence with reciprocal returns, cooperation with this supplier is encouraged. The buying firm should make plans to make investments in relation-specific assets, share knowledge and combine complementary resources with these supplier profiles. Through this framework it becomes clearer how and when the relational view is effective in supplier portfolio decisions.

Awarding contracts after negotiating with suppliers

In procurement contracts are awarded to those suppliers that the buying firm favors to work with. Before awarding the contract, a selection of the most suitable supplier for that specific task takes place. This selection process can be done in two ways. The buyer can either organize a mini-competition among suppliers to get the lowest possible price or the buyer negotiates the terms and conditions of the task with some potential suppliers that have a suitable profile and the one that fits the best gets the contract. Bajari et al. (2003) argue that negotiations are more effective than competitive bidding when ex post change is anticipated. Auctions often require fixed price contracts and are liability to firms that frequently find themselves in dynamic environments, where change is inevitable. A second argument why negotiations are preferred is that the knowledge and experience of a contractor are needed before the designs are complete. Under competitive bidding, suppliers have incentives to hide information about possible design flaws, submit a low bid and recoup profits when changes are required (Bajari et al., 2003, p.22-23). The relational view depicts that close collaboration with suppliers leads to success by having an idiosyncratic relationship that is difficult to imitate for competitors. To achieve this, buyers and suppliers in a relationship are encouraged to constantly monitor performance

on joint efforts, exchange valuable know-how and combine complementary resources. This requires effective coordination to streamline processes and adapt to changes in the relationship. Under these conditions, negotiating the anticipated ex post changes with a potential key supplier can be very important before awarding a contract. Long-term contracts are also preferred in a relational setting as they reduce uncertainty and increase interdependence (Ganesan, 1994, p.6). According to the principles of the relational view, a long-term vision in the alliance relationship is required to build on the sources of relational rents. Since trust is exhibited and assumed to be present in the long-term relationship between buyer and supplier, informal contracts are more effective than formal contracts. Informal contracts refer to unwritten agreements between firms, which are not enforced by a formal authority but rather by the social incentives to create and maintain a positive reputation for integrity and fairness (Barney and Ouchi, 1986). Frankel et al. (1996) found that informal and implicit social contracts accounted for strong personal ties, loyalty between key employees in the alliance and acted as a 'united front' (Frankel et al., 1996, p.49). Dyer and Singh (1998) also highlight the importance of informal contracts in the relational view. They argue that absorptive capacity enables knowledge transfer but that in many cases this process develops informally over time through interfirm interactions (Dyer and Singh, 1998, p.665). When in a relationship, it is far too complex to include all the interactions of exchange, social-behaviors, and innovations in a written contract. In addition, informal contracts reduce transaction costs through self-enforcing mechanisms. In summary, careful negotiation with suppliers about anticipated ex post changes in the relationship is recommended before awarding contracts. In long-term relationships flexibility and commitment have more potential to generate relational rents. Informal contracts are effective contracting mechanisms in a relational setting, because they stimulate trust, loyalty and cooperation between alliance partners and at the same time reduce transaction costs.

2.7 A table summarizing the appropriate strategy on sourcing decisions from a relational view and assessing the applicability of the theory to the decisions points.

Figure 1. Sourcing decisions and strategic fit on sourcing decisions.

	Make or buy decision		Commodity strategy				Portfolio decisions		Awarding contracts	
	Make	Buy	Noncritical	Bottleneck	Leverage	Strategic	Supply base	Supplier profile	Negotiation	Contract type
Strategic fit	RV is not applicable	-Target specialized suppliers -Build long-term relationship -Use RBV	-Avoid all investments in relationship -Reduce transaction costs and ambiguity.	-Lock-in supplier. Increase interdependence -Continuity more important than value creation -Formal safeguards	-Supplier competition. -Market more important than relationships Effective governance	-Use all sources of relational rents to achieve long-term goals -Informal safeguards to facilitate trust and reduce transaction costs	Reduction of the supply base -Invest more time and resource in key suppliers	Attractive suppliers with unique resources/competences -Interdependence	Flexible terms and careful negotiation to anticipated ex post changes -Focus on Long-term contracts	Informal contracts to create trust and loyalty -Move away from formal contracting towards informal governance mechanisms
Fit	None	Strong	Weak	Moderate	Weak	Strong	Strong	Strong	Moderate	Strong

Figure 1. Summarizes the papers findings in a matrix. The four sourcing decisions have been split in components to create more transparency in identifying how and where the relational view impacts the sourcing decisions. The applicability of the concepts in the relational view theory has also been rated in terms of strategic fit to the sourcing decisions. For example, some components of the sourcing decisions show a strong fit with the theory, indicating that the concept of relational rents is significant for those specific components on the sourcing decisions. A weak strategic fit indicates that the concept of relational rents is not applicable or has little significance for the strategy on the sourcing decisions. By using this method, the paper emphasizes in which areas the relational view can be of importance.

3 Conclusion; Decision making with a long-term focus on strategic suppliers, managed through informal mechanisms, is likely to generate relational rents.

Relationships in the buyer-supplier network gained increased attention in the academic literature as well as in practice. The moving trend to interconnectedness and global sourcing opened doors for joint value creation efforts to develop and achieve competitive advantages. This development has not been unnoticed by researchers since they contributed to this body of research by highlighting the importance of networks. Zaheer et al. (2000) found that strategic networks can increase firm performance. Dyer (1996) emphasized competitive advantages from specialized supplier networks in the Japanese and U.S. automotive industry. Jap (2001) provides different perspectives on competitive advantages through buyer-supplier relationships. The relational view theory by Dyer and Singh (1998), which has its roots in the Resource-based theory (Barney, 1991), fits in this stream of literature by providing a theoretical framework to explain competitive advantages in networked environments. This paper examined the relational view theory by Dyer and Singh (1998) and made an attempt to indicate to what extent this theory can contribute to critical sourcing decisions. The sourcing decisions in this paper are: the make-or-buy decision, supplier strategy and portfolio decisions, commodity strategy, and awarding contracts after negotiating. During this process the sources of relational rents were linked to the relevant literature of the sourcing decisions resulting in a more transparent transition from theory to application. The variables are connected to the sourcing decisions in a descriptive way since there is no coherent link between the sourcing decisions, limiting the options to provide a model that accounts for all the decisions. This paper suggests that the relational view encourages outsourcing above in-house production. A firm cannot generate relational rents individually and since focusing on in-house production is only concerned with internal resources, the firm excludes itself from being part of a network. Outsourcing does create a network of suppliers for the buying firm but for relational rents to accrue from these relationships the focal firm has to focus on strategic suppliers that account for a high proportion of firm performance. The different commodity strategies and the role of relational rents in these commodities are analyzed according to the Kraljic matrix (1983). Investments in the relationship with suppliers that provide noncritical items should be avoided at all times. Transaction costs should be minimized in this commodity. For bottleneck items the appropriate strategy is to increase interdependence to lock-in supplier. Investments in this relationship are more based on continuity and safeguarding supply rather than value creation. Informal contracts can be risky due to a greater bargaining power of the supplier in this commodity that can lead to opportunistic behavior. The buyer should exploit suppliers to attain competitive prices for leverage items. Investments in the relationship lead to a loss in bargaining power. The market offers a mix of scarce resources so complementary resources can be easily combined with multiple suppliers. Knowledge sharing should encompass a decentralized approach to increase efficiency in the coordination with the wide range of suppliers. Contracting costs are high in this commodity and should be minimized with effective governance. Strategic items have the best fit to benefit from the mechanisms of the relational view. The joint collaboration efforts with these strategic suppliers are more likely to create unique resources, competences that generate relational rents. There is a high information sharing culture between both parties. Trust and informal social structures create disciplines and value that is difficult to imitate for competitors. The long-term vision imbedded in the relational view also applies to strategic suppliers in this commodity for securing high-technological, complex sources of supply. Subsequently, supplier strategy is evaluated based on the relational view. Relational rents are more likely to accrue when more time and resources are invested on each strategic supplier, which can be achieved by reducing the supply base. A long-term collaboration with these suppliers is a condition for achieving the benefits stated in the relational view theory. Furthermore, high supplier attractiveness and a high degree of interdependence encourages cooperation with these suppliers, where investments in relation-specific assets, knowledge sharing and complementary resources can be effective in generating rents. As for awarding contracts, careful negotiations about the terms and anticipated ex post changes are critical before making the agreement. Both parties should be aware in engaging a long-term cooperation in pursuit of generating relational rents. Informal contracts are more effective as opposed to formal contracts, because they stimulate trust, loyalty and cooperation and at the same time reduce transaction costs. In the hope that these findings will appeal to purchasers confronted with one or more of the sourcing decisions, this paper is written from a buying perspective. The paper targets firms that are part of a network, especially the buyer-supplier network although other networks that encounter the sourcing decisions may also suffice. This paper hopes to enlighten the awareness of purchasers in their decision making regarding sourcing decisions from a relational

view to make solid decisions.

Limitations

This paper is exposed to some limitations that are briefly discussed here. Because of bounded rationality this paper may have unconsciously ignored some side effects in the application of the theory to the sourcing decisions. Therefore, this paper assumes to be incomplete in applying the concepts to the sourcing decisions. Another limitation is the possibility of bias that occurred in selecting the literature. This may have resulted in putting too much emphasis on one side of the paper and leaving other important literature out that may affect the relationship. A final limitation this paper faced was limited time and resources. The time horizon for this paper was limited which may have accelerated progress at the cost of quality. Resources were limited, because access to some important literature was not granted.

Further research

Suggestions for further research may involve empirical studies that confirm this papers descriptive findings regarding the sourcing decisions from a relational view. For further exploration of this topic the sourcing decisions can be operationalized in such a way that they fit better in the context of the relational view. A more streamlined, comprehensive set of interrelated sourcing decisions may provide a better indication of the contribution of this relational view theory to these decisions.

References

- 4 Amit, R., & Schoemaker, P. J. (1993). Strategic assets and organizational rent. *Strategic management journal*, 14(1), 33-46.
- 5 Anand, B. N., & Khanna, T. (2000). Do firms learn to create value? The case of alliances. *Strategic management journal*, 21(3), 295-315.
- 6 Artz, K. W., & Brush, T. H. (2000). Asset specificity, uncertainty and relational norms: an examination of coordination costs in collaborative strategic alliances. *Journal of Economic Behavior & Organization*, 41(4), 337-362.
- 7 Asanuma, B. (1989). Manufacturer-supplier relationships in Japan and the concept of relation-specific skill. *Journal of the Japanese and international economies*, 3(1), 1-30.
- 8 Bajari, P., McMillan, R., & Tadelis, S. (2009). Auctions versus negotiations in procurement: an empirical analysis. *Journal of Law, Economics, and Organization*, 25(2), 372-399.
- 9 Bakos, J. Y., & Brynjolfsson, E. (1994, May). Information technology, incentives and the optimal number of suppliers. In *Electro/94 International. Conference Proceedings. Combined Volumes*. (pp. 540-557).
- 10 Barney, J. B., & Ouchi, W. G. (1986). *Organizational economics*. San Francisco: Jossey-Bass.
- 11 Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management*, 17(1), 99-120.
- 12 Barney, J. B., & Hansen, M. H. (1994). Trustworthiness as a source of competitive advantage. *Strategic management journal*, 15(S1), 175-190.
- 13 Baum, J. A., & Ingram, P. (2002). Interorganizational learning and network organization: Toward a behavioral theory of the interfirm. *The economics of choice, change, and organization: Essays in memory of Richard M. Cyert*, 191-218.
- 14 Bensaou, M. (1999). Portfolios of buyer-supplier relationships. *Sloan management review*, 4.
- 15 Brinkerhoff, J. M. (2002). Assessing and improving partnership relationships and outcomes: a proposed framework. *Evaluation and Program Planning*, 25(3), 215-231.
- 16 Cook, K. S. (1977). Exchange and power in networks of interorganizational relations*. *The Sociological Quarterly*, 18(1), 62-82.
- 17 Dollinger, M. J., Li, X., & Mooney, C. H. (2010). Extending the Resource- based View to the Mega- event: Entrepreneurial Rents and Innovation. *Management and Organization Review*, 6(2), 195-218.

- 18 Dyer, J. H. (1996). Specialized supplier networks as a source of competitive advantage: evidence from the auto industry. *Strategic management journal*, 17(4), 271-291.
- 19 Dyer, J. H., & Singh, H. (1998). The relational view: Cooperative strategy and sources of interorganizational competitive advantage. *Academy of management review*, 23(4), 660-679.
- 20 Ford, D., & Farmer, D. (1986). Make or buy—a key strategic issue. *Long Range Planning*, 19(5), 54-62.
- 21 Frankel, R., Whipple, J. S., & Frayer, D. J. (1996). Formal versus informal contracts: achieving alliance success. *International Journal of Physical Distribution & Logistics Management*, 26(3), 47-63.
- 22 Gadde, L. E., & Snehota, I. (2000). Making the most of supplier relationships. *Industrial Marketing Management*, 29(4), 305-316.
- 23 Ganesan, S. (1994). Determinants of long-term orientation in buyer-seller relationships. *the Journal of Marketing*, 1-19
- 24 Goffin, K., Szwajkowski, M., & New, C. (1997). Managing suppliers: when fewer can mean more. *International Journal of Physical Distribution & Logistics Management*, 27(7), 422-436.
- 25 Harrison, J. S., Hitt, M. A., Hoskisson, R. E., & Ireland, R. D. (2001). Resource complementarity in business combinations: Extending the logic to organizational alliances. *Journal of Management*, 27(6), 679-690.
- 26 Holcomb, T. R., & Hitt, M. A. (2007). Toward a model of strategic outsourcing. *Journal of operations management*, 25(2), 464-481.
- 27 Hoyt, J., & Huq, F. (2000). From arms-length to collaborative relationships in the supply chain: an evolutionary process. *International Journal of Physical Distribution & Logistics Management*, 30(9), 750-764.
- 28 Ireland, R. D., & Hitt, M. A. (1999). Achieving and maintaining strategic competitiveness in the 21st century: The role of strategic leadership. *The Academy of Management Executive*, 13(1), 43-57.
- 29 Jap, S. D. (2001). Perspectives on joint competitive advantages in buyer-supplier relationships. *International Journal of Research in Marketing*, 18(1), 19-35.
- 30 Johnston, D. A., McCutcheon, D. M., Stuart, F. I., & Kerwood, H. (2004). Effects of supplier trust on performance of cooperative supplier relationships. *Journal of operations Management*, 22(1), 23-38.
- 31 Kale, P., Singh, H., & Perlmutter, H. (2000). Learning and protection of proprietary assets in strategic alliances: building relational capital.
- 32 Kale, P., Dyer, J. H., & Singh, H. (2002). Alliance capability, stock market response, and long- term alliance success: the role of the alliance function. *Strategic Management Journal*, 23(8), 747-767.
- 33 Knight, L. (2002). Network learning: Exploring learning by interorganizational networks. *Human relations*, 55(4), 427-454.
- 34 Kogut, B., & Zander, U. (1992). Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization science*, 3(3), 383-397.
- 35 Kraljic, P. (1983). Purchasing must become supply management. *Harvard business review*, 61(5), 109-117.
- 36 Lavie, D. (2006a). The competitive advantage of interconnected firms: An extension of the resource-based view. *Academy of management review*, 31(3), 638-658.
- 37 Lonsdale, C. (2001). Locked-In to Supplier Dominance: On the Dangers of Asset Specificity for the Outsourcing Decision. *Journal of Supply Chain Management*, 37(2), 22-27.
- 38 Nishiguchi, T. (1994). Strategic industrial sourcing: The Japanese advantage. Oxford University Press.
- 39 Olsen, R. F., & Ellram, L. M. (1997). A portfolio approach to supplier relationships. *Industrial marketing management*, 26(2), 101-113.

- 40 Parkhe, A. (1993). Strategic alliance structuring: A game theoretic and transaction cost examination of interfirm cooperation. *Academy of management journal*, 36(4), 794-829.
- 41 Pisano, G. P. (1990). The R&D boundaries of the firm: an empirical analysis. *Administrative Science Quarterly*, 35(1), 153-176.
- 42 Porter, M. E. (1980). Industry structure and competitive strategy: Keys to profitability. *Financial Analysts Journal*, 30-41.
- 43 Riordan, M. H., & Williamson, O. E. (1985). Asset specificity and economic organization. *International Journal of Industrial Organization*, 3(4), 365-378.
- 44 Rumelt, R. P. (1997). Towards a strategic theory of the firm. *Resources, firms, and strategies: A reader in the resource-based perspective*, 131-145
- 45 Sako, M. (1991). The role of trust in Japanese buyer-supplier relationships. *Ricerche economiche*, 45(2-3), 449-474.
- 46 Saxenian, A. (1994). Regional networks: industrial adaptation in Silicon Valley and route 128. *Cityscape: a Journal of Policy Development and Research*, 2.
- 47 Sheth, J. N., & Sharma, A. (1997). Supplier relationships: emerging issues and challenges. *Industrial Marketing Management*, 26(2), 91-100.
- 48 Emerson, R. M. (1976). Social exchange theory. *Annual review of sociology*, 2, 335-362.
- 49 Szulanski, G. (1996). Exploring internal stickiness: Impediments to the transfer of best practice within the firm. *Strategic management journal*, 17, 27-43.
- 50 Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic management journal*, 5(2), 171-180.
- 51 Zaheer, A., Gulati, R., & Nohria, N. (2000). Strategic networks. *Strategic management journal*, 21(3), 203.

