Chapter 6
Managing Digital Bonds in the Buyer–Supplier Relationships

Jari Salo
Oulu Business School, Finland

Giuseppe Pedeliento
University of Bergamo, Italy

Robert Wendelin
Scania, Sweden

ABSTRACT
Among the multiple forms of bonding which can help companies to build and maintain buyer-supplier relationships, digital bonds, i.e. ties between an industrial buyers and suppliers formed when the IT systems of the parties are shared and integrated, are increasingly recognized as a strategic mean of customer retention. Despite several studies have unveiled which factors enable and constrain the companies’ adoption of IT systems, we still have limited knowledge of how different types of digital bonds can be strategically managed. In this chapter we first provide a digital bond matrix in which four different types of digital bonds are identified. Then the proposed matrix is empirically validated by analyzing four different case studies representative of each digital bond identified. Finally, the matrix is applied as a device to inform strategic actions and decisions that can/should be undertaken to improve firms’ digital bonds portfolio.

INTRODUCTION
Buyer-supplier relationships are a quasi-exchange mode between markets and hierarchies (Williamson, 1975) which are generally assumed to be cooperative and long-lasting (Morgan & Hunt, 1994). This research adopts an interactive perspective of buyer-supplier relationships where different types of bonds and bonding behavior have been identified and studied ((Hammarkvist, Håkansson, & Mattsson, 1982; Wilson & Mummalaneni, 1986; Johanson & Mattsson, 1987; Möller & Wilson 1995; Liljander & Strandvik, 1995; Wendelin, 2004; Salo & Wendelin 2013).

DOI: 10.4018/978-1-4666-8459-1.ch006
Managing Digital Bonds in the Buyer-Supplier Relationships

Bonding in industrial marketing is generally described as a gradually evolving process where two firms are tied together over time (Geiger, Durand, Saab, Kleinaltenkamp, Baxter, & Lee, 2012). The degree of the tie is dependent on parties involved, relationship characteristics, existing bonds and contextual elements (Wendelin, 2011).

Among the multiple forms of bonding which can help companies in building, maintaining and developing buyer-supplier relationships, this research focuses on digital bonds (Salo & Wendelin, 2013), i.e. ties between an industrial buyer and an industrial supplier which are formed when the internal IT systems of the parties in a relationship are shared and integrated to form an inter-organizational system that enables and/or improves information exchange and transactions. In order for a digital bond to be formed in buyer-supplier relationships, a mutual investment of both parties involved to create a shared IT architecture is required, as well as the usage of the IT system for business purposes.

Although the role that IT plays in business relationships is attracting an increasing scholar attention in multiple disciplines, such as industrial marketing (Reid & Plank, 2000; Sheth, 2007; Schubert & Legner, 2011; Janita & Miranda, 2013; Makkonen & Vuori, 2014), information systems (Rai & Tang, 2010; Rai, Pavlou, Im, & Du, 2012), operation research (Golicic, Davis, McCarthy, & Mentzer, 2002; Devaraj, Krajewski, & Wei, 2007; Sodero, Rabinovich, & Sinha, 2013) and supply chain management (Barua, Konanan, Whinston, & Yin, 2004; Kärkkäinen, Laukkanen, Sarpola, & Kemppainen, 2007; Kim, Cavusgil, & Calantone, 2006) the major part of the entries available to date are mostly aimed at evaluating the impact of single isolated technologies on buyer-supplier relationships (Salo, 2006). Exemplars of such are electronic data interchange (EDI) (Stern & Kaufmann, 1985; Naudé, Holland, & Sudbury, 2000), internet based EDI (Angeles, 2000), websites (Leong, Ewing, & Pitt, 2002; Perry & Bodkin, 2002), electronic marketplaces (Grewal, Chakravarty, & Saini, 2010; Janita & Miranda, 2013), electronic auctions (Jap, 2002; Jap & Haruvy, 2008), extranets (Vlosky, Fontenot, & Blalock, 2000) and - just recently - mobile technologies (Yang & Järvenpää, 2005; Salo, 2012; Pan, Nam, Ogara, & Lee, 2013) and social media (Salo et al., 2013).

As a result, most of these studies are generally aimed at identifying which factors (endogenous and/or exogenous) enable and constrain the companies’ adoption of the technology investigated.

In this research we adopt a broader stance and investigate buyer-supplier relationships from an interaction perspective, i.e. focusing on the impact that digital bonds play on the dyadic relationships between an industrial buyer and an industrial supplier.

Its purpose is twofold: first, by reviewing the literature to date, to determine what type of digital bonds exist in buyer-supplier relationships; second, to provide managerial directions on how different types of digital bonds can be strategically managed.

To reach these objectives different types of digital bonds in buyer-supplier interactions are described and categorized in a four entries matrix along two dimensions: the perceived importance of the relationship for the parties involved (Fiocca, 1982; Kraljic, 1983); and the level of complexity of the IT employed (Johnston & Vitale, 1988). The proposed matrix is then empirically validated through multiple case studies. Eight companies formed four relationships that are the cases studied in this research. Both buyers and suppliers were involved to increase the internal validity of the research findings drawn (John & Reve, 1982). Thus, altogether, sixteen interviews were conducted.

The results allowed to identify four distinctive types of bonds: “oversized” digital bonds, which emerge when complex IT systems are employed in less valued relationships; “strong” digital bonds, which are observed in buyer-supplier relationships characterized by a high perceived importance and complex IT
Related Content

Promoting America: How Do College-Age Millennial Travelers Perceive Terms for Branding the USA?
www.igi-global.com/chapter/promoting-america/175259?camid=4v1a

Branding in 2025: A Dawn of a New Era
www.igi-global.com/chapter/branding-in-2025/189561?camid=4v1a

An Empirical Study of Factors Influencing Consumer Attitudes towards SMS Advertising
www.igi-global.com/article/an-empirical-study-of-factors-influencing-consumer-attitudes-towards-sms-advertising/119678?camid=4v1a

Demographic Factors Associated with Online Shopping Experiences of Saudi Arabian Women
www.igi-global.com/article/demographic-factors-associated-with-online-shopping-experiences-of-saudi-arabian-women/188849?camid=4v1a