From Tough Negotiation to Complex Integration: Implications of Adversarial and Collaborative Relationships on Electronic Procurement Systems

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ABSTRACT

For many organisations e-Procurement has become a necessity. Nevertheless, while e-procurement has generated considerable hype the phenomenon is generally under-researched despite the fundamental impact that e-Procurement has on the nature of inter-organisational relationships. This paper explores the effects that business-to-business relationships have on e-Procurement systems using a field study of 6 companies. The study classifies business-to-business (B2B) relationships as being adversarial and collaborative, where adversarial relationships include attributes such as tough negotiation, short-term contracts and multiple sourcing, while collaborative relationships include cooperation, mutual benefit and trust, strategies such as cross-functional team decision-making, supply base rationalisation, and long-term contracts. The effects of both relationships on the electronically supported transaction phases of the procurement lifecycle are examined. The research findings indicate that adversarial relationships have most effect on the sourcing phases whereas collaborative relationships most affect the fulfilment, and consumption phases of the procurement cycle. This further highlights the need for practitioners to manage and understand the interorganisational relationships within their business.

Keywords: B2B Relationships, Electronic Business Models, E-Procurement, Field Study

INTRODUCTION

Western civilisations have tended to respect and reward individual rather than group initiatives. Such individualism extended to Western businesses where organisations consider their competitors, and very often their suppliers, as the enemy (Opper & Fresko-Weiss, 1992; Roper and Weymes, 2007). This is reflected in organisational theory as researchers traditionally view organisations as single entities characterised by bureaucratically-determined...
hierarchical structures that operate by plac-
ing individuals in predefined functional roles
(Czarniawaska-Joerges, 1992). Business strate-
gies have consequently focused on neutralising
competitors to gain control over their buyers or
suppliers (Porter, 1985), although recognising
that some cartels did operate. Currently, com-
petitive pressures are focusing greater attention
on co-operative ventures with partners, even if
some relationships are based more on power than
co-operation (cf. Webster, 1995). In particular,
electronic commerce enables organisations to
create improved connections with trading part-
ners and increase global competitiveness (Ngai
& Wat, 2002). It has consequently spawned
new business models and radically transformed
existing ones (Hayes & Finnegan, 2005; Wise
& Morrison, 2000). A lot of change has occurred
at the business-to-business (B2B) level, with
such applications accounting for the ‘largest
dollar volume of transactions’ in e-Commerce
(Albrecht et al., 2005). Of particular interest
is electronic procurement, which has changed
the nature of purchasing (Telgen, 1998) by
building on existing experience with Electronic
Data Interchange (EDI) and Just in Time (JIT)
operations (Chaffey, 2002; Kim & Shunk, 2004)
Internet technologies including ‘Intranets’ and
‘Extranets’ have been critical for electronic
procurement by facilitating integration and
coordinating across organisational boundar-
ies (Grover & Malhotra, 1997). Indeed, such
integration and coordination has resulted in
e-Procurement having a fundamental impact on
the nature of inter-organisational relationships
(Roberts & Mackay, 1997). Nevertheless, ad-
ditional research is needed on the influence that
business-to-business relationships, which are a
major source of competitive advantage (Dyer &
Singh, 1998), have on e-Procurement systems
(Knudsen, 2003). Indeed, the importance of
interorganisational relationships cannot be
understated as recognising the characteristics
and type buyer/supplier relationship is one of
the key strategic decisions for the procurement
function (Virolainen, 1998; Matthysens & Van
den Bulcke, 1994). In particular, Tanner et al.
(2008) argue that management of interorgani-
sational relationships is of crucial importance to
e-Procurement and, thus, should be the primary
topic of interest in future research.

To this end the objective of this research is
to explore the effects that business-to-business
relationships have on each of the transaction
phases of e-Procurement using a field study
of 6 organisations. The research questions are
as follows:

1. What are the effects of adversarial rela-
thionships on the transaction phases of
e-Procurement?
2. What are the effects of collaborative rela-
thionships on the transaction phases of
e-Procurement?

The next section presents the theoretical
foundation for the study. This is followed by
an examination of the research methodology
utilised. The findings reveal that B2B relations-
hips have most effect on the sourcing,
fulfilment, and consumption phases of the
procurement cycle.

THEORETICAL GROUNDING

Inter-Organisational Relationships

“An inter-organisational relationship (IR) oc-
curs when two or more organisations transact
resources (money, physical facilities and
materials, customer or client referrals, techni-
cal staff services) among each other” (Van de
Ven, 1976). Two types of inter-organisational
relationships can be identified; co-operative
or attribute relationships and transactional
relationships (Fombrum, 1986). Highly dy-
namic environments with intense competition
has forced organisations to rethink the way
they do business (Maloni & Benton, 1997),
particularly in the area of building long term
collaborative relationships with their partners
(Moore, 1993). Co-operative relationships
generally occur between organizations that have
similar attitudes, goals, status etc. (Fombrum,
1986). These relationships generally involve
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