



HAL
open science

The effects of perceived interdependence on interorganisational control

Gwenaëlle Nogatchewsky

► **To cite this version:**

Gwenaëlle Nogatchewsky. The effects of perceived interdependence on interorganisational control. 27th EAA congress, May 2004, Prag, Czech Republic. pp.1-20. halshs-00145130

HAL Id: halshs-00145130

<https://shs.hal.science/halshs-00145130>

Submitted on 8 Jul 2010

HAL is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.

THE EFFECTS OF PERCEIVED INTERDEPENDENCE ON INTER-ORGANISATIONAL CONTROL

Communication présentée au congrès de l'EAA à Prague en avril 2004

Abstract : *This paper studies the influence of two properties of interdependence –magnitude and relative asymmetry- on the buyer's control on its supplier. Four dimensions of control are examined: the objects of the control (results, working processes, behaviours and supplier characteristics), the means of the control (market, organisation, social control), the influence strategies (more or less coercive), and also the reaction of the supplier. The research is based on a case study conducted within an equipment component maker and its supplier in the automobile industry. The study shows that the modes of control used by the buyer firm depends on the power-dependence relationship with its supplier. Moreover, the development of interpersonal relationships seems to be a strategy of informal control for the dominated party.*

Key words: *inter-organisational control – buyer-supplier relationship – power – dependence – relative asymmetry - magnitude – interpersonal relationships*

INTRODUCTION

During the last two decades, there has been a growing trend toward organisational downsizing and a focus on the development of core competencies (Jap, 2001). As a result, firms have massively externalised their activities and must increasingly rely on collaboration with suppliers to achieve their goals. For example, in the late eighties, purchasing costs represented more than 50% of the turnover of industrial firms (Noordewier, John & Nevin, 1990). This percentage reaches now 60%. Moreover, the purchased goods are more and more elaborate. Firms increasingly buy specific products that are not easily available on the market. “*Because such resources are essential to a firm's operation and because their availability is limited, the firm must develop and maintain relationships with trade partners controlling those resources*” (Buchanan, 1992, p. 65). However, these inter-organisational relationships limit the room of manoeuvring of the buyers, whereas the stakes of these relationships are strategic for them. Therefore, the question of how the buyers can control their suppliers is crucial. This paper aims at giving some answers to this question.

Above all, to understand how a buyer controls its suppliers, it is necessary to identify different types of relationships. Modes of control are certainly different from one type of relationship to another. Many researchers have observed that the structure of dependence is important to the understanding of buyer-supplier relationships (Gundlach & Cadotte, 1994). Dependence is defined here as the extent to which a trade partner (the buyer or the supplier) provides

important and critical resources for which there are few alternatives (cf. Emerson, 1962; Pfeffer & Salancik, 1978; Buchanan, 1992). Since dependence is necessarily relational, the types of buyer-supplier relationships will be distinguished in terms of interdependence (dependence of the buyer over the supplier and dependence of the supplier over the buyer).

Most authors who studied the problem of dependence in inter-organisational relationships have focused their investigation on the power of one party over the other (Frazier, Gill & Kale, 1989; Frazier & Summers, 1986; Kale, 1986; Keith, Jackson & Crosby, 1990) or on the impact of levers of interdependence (Kumar, Scheer & Steenkamp, 1995). My objective is to explore the different properties of the concept and the various situations of interdependence in buyer-supplier relationships. Following Emerson (1962) and Gundlach & Cadotte (1994), two aspects of interdependence will be distinguished: the magnitude (i.e. cohesion for Emerson) and the relative asymmetry (i.e. power advantage for Emerson). The influence of these two aspects of interdependence -magnitude and relative asymmetry- on the control the buyer exerts on its supplier will be investigated.

Control will be regarded as a process by which the buyer influences and regulates the activities of its supplier during the whole co-operation. Four dimensions of control will be examined: the objects of the control (results, working processes and behaviours), the means of the control (market, organisation, inter-personal relationships), the influence strategies (more or less coercive), and also the reaction of the supplier.

The first section of this article will be dedicated to the conceptual background. The different approaches offered by inter-organisational authors will be discussed and a conceptual framework will be proposed. In the second section, the methodology will be presented. This research is based on a case study conducted within an equipment component maker and some of its suppliers in the automobile industry. The results of the study will be presented and their implications discussed in the third section.

1. CONCEPTUAL BACKGROUND

1.1. Control in inter-organisational literature

Three main approaches structure the inter-organisational literature: the power-dependence approach, the transactional approach and the relational approach. The way inter-organisational control is treated in each approach will be helpful to define the conceptual framework of this research.

1.1.1. The power-dependence approach

Some authors have adapted the early work in social exchange theory (Emerson, 1962; Thibaut & Kelley, 1959) to inter-organisational relationships. That is the case of Pfeffer & Salancik (1978, p. 53) who explain that “*when a net exchange between two organisations is asymmetric, a net power emerges from the less dependent organisation over the other. This power can be used in order to try to influence or compel the more dependent organisation*”.

Two main research trends lie within the power-dependence approach. The first one investigates the different interfirm governance structures that can be adopted by firms to cope with dependence. The second one studies the impact of dependence on the use of influence strategies from one party (the source) to the other (the target).

Resource Dependence Theory

Resource dependence theory views interfirm structure governance as a strategic response to conditions of uncertainty and dependence (Pfeffer & Salancik, 1978). To deal with these problems, firms purposely structure their exchange by establishing formal and semi-formal links with other firms such as contracts, joint ventures or complete mergers. For the present research, the main implication of this theory is the identification of dependence and uncertainty as the key determinants of the establishment of interfirm relationships. However, this theory offers limited insights into the specific mechanisms that can be used for a buyer to control its supplier beyond contracting (Heide, 1994).

The impact of dependence on the use of influence strategies

Considering that power is a potential for influence (Emerson, 1962), many authors have investigated the impact of power-dependence relationships on the use of influence strategies from one party (the source) on the other (the target) (Frazier, Gill & Kale, 1989; Frazier &

Rody, 1991; Frazier & Summers, 1986). Six influence strategies have been studied: the threat, the legalistic plea, the promise, the request, the recommendation and the information-exchange. The first two strategies (threat and legalistic plea) are obviously coercive since they suggest negative sanctions from the source if the target fails to comply. The promise is considered to be a subtle but nonetheless coercive strategy. The three others (request, recommendation and information exchange) are clearly non coercive. Numerous studies have been conducted to investigate the use of these influence strategies under various conditions of interdependence between the parties.

For present purposes, influence strategies are one of the four control dimensions to be studied in this research. Other dimensions have also to be investigated and the power-dependence approach has little to say about them.

1.1.2 The transactional approach

Based on the theory of the firm (Coase, 1937), transaction cost theory developed by Williamson (1975, 1985) considers governance in terms of designing mechanisms for dealing with economic transactions. Three discrete structural mechanisms are proposed: market, hierarchy and hybrid governance. *“The choice of mechanisms to govern a transaction depends on a comparative analysis of the transaction costs of these alternatives, which costs relates to writing, adapting and enforcing contracts”* (Dekker, 2004, p. 28). Transaction costs depend on the characteristics of the transaction itself (i.e. asset specificity, uncertainty and frequency) and on the characteristics of human beings (i.e. bounded rationality and opportunism). Each governance structure which stems from the transaction costs is actually supported by a type of contract. If adaptation, performance evaluation and safeguarding costs are low, economic actors will choose market governance. If these costs are high enough to exceed the production cost advantages of the market, the economic actor will favour internal organisation. In between, the current version of transaction cost theory acknowledges that features of internal organisation can be achieved without complete integration.

The transaction approach has been much criticised. Some authors reproach the theory to formulate static and out of context prescriptions (Doz & Prahalad, 1991; Heide, 1994), due to its unit of analysis (the transaction) that leads to ignore the temporality of inter-organisational relationships (Nooteboom, 1996; Rindfleisch & Heide, 1997). Moreover, the status of the

hybrid form is ambiguous. This structure is an intermediary form between two ideal types (Larson, 1992; Powell, 1990). The emergence of alternative forms of co-operation such as partnerships (Mohr & Spekman, 1994) or networks (Powell, 1990) call for new explanations. The exchange system seems to rely on trust, reciprocity and the relative absence of opportunistic behaviours in a perspective of mutual benefits. New explanation factors are needed to understand such forms of co-operation but transaction costs theory has little to say about them since it ignores the fact that economic action is embedded in social relationships (Granovetter, 1985). Finally, the focus of the theory on the minimisation of transaction costs in a context of opportunism does not take into account the variety of goals that can pursue the actors. Osborn & Hagedoorn (1997) argue that “*focusing exclusively on transaction costs [...] may hide more than it reveals*” (p. 274).

Although transaction cost theory has been much criticised, most research work on inter-organisational control is based on it, either to complete it or to dissociate from it.

1.1.3 The relational approach

Building on Macaulay's (1963) study on non contractual business relationships, Macneil (1980) differentiated discrete transactions from relational contracts. Discrete exchange is consistent with the assumptions of neoclassical economic theory: each transaction is independent of the past or future relations between the contracting parties and the aim of each party is to maximise its economic benefit. In relational exchange, each transaction must be viewed in terms of its history and its anticipated future. The basis of future collaboration may be supported by implicit and explicit assumptions, trust and planning (Dwyer, Schurr & Oh, 1987). The participants commit in a social exchange from which they expect economic and non economic satisfaction.

Many authors have investigated inter-organisational relationships from a relational point of view. They have reported social characteristics of exchange structures (in particular when both parties are highly interdependent). Reciprocity, the importance of good personal relationships and trust-based co-operation were found to provide control and co-ordination and enhance the effectiveness of inter-organisational relationships (Larson, 1992). A high level of trust, which is a characteristic of relational exchange, allows the parties to focus on long-term benefits (Ganesan, 1994). It can provide a competitive advantage and minimise

transaction costs (Noordewier, John & Nevin, 1990). Relationships evolve through different phases which Dwyer, Schurr & Oh (1987) have identified. During the development of cooperation, relational norms emerge, such as flexibility, information exchange and solidarity. Joshi & Arnold (1997) showed that these norms limit opportunism in interdependence relationships.

By focusing on the social aspect of exchange, the relational approach identifies a form of governance that differs in many respects from those proposed in other theoretical frameworks. The investigation of non formal modes of control in inter-organisational relationships is a considerable contribution of this approach. However, relational exchange seems reserved to relationships in which parties are highly interdependent and share common goals. For other situations, this approach has little to say. Since various situations of interdependence will be investigated in this study, other theoretical frameworks will have to be mobilised.

The three main approaches in inter-organisational literature present interesting insights into buyer-supplier control. However, the underlying assumptions of the approaches are too different to combine them in a unique theoretical framework. Moreover, some dimensions of control remain unexplored. That is why it can be interesting to investigate organisational control in order to adapt the concepts of this field to inter-organisational relationships.

1.2. The application of organisational control concepts to inter-organisational control

The concept of control in organisational theory has different interpretations. Emmanuel, Otley & Merchant (1995) propose two major themes to categorise these interpretations. First, there is the idea of control as domination. The person in control is the one who can influence the others so that these enforce his or her will. Second, there is the idea of regulation. In this case, the controller detects a difference between the current situation and the desired situation. This difference acts as a stimulus for action. The practice of control differs between the two approaches. In the “domination” approach, control mechanisms are implicit whereas in the “regulatory” approach, control mechanisms are more explicit (i.e. planning, rules, functions) (Scheytt, Soin & Metz, 2003). Since formal and informal practices are to be studied in this research, the conception of control has to embrace the two perspectives.

This is why the control of the buyer over the supplier is here defined as the process by which the buyer influences and regulates the activities of its supplier during the whole co-operation.

Chiapello (1996) identified several dimensions of organisational control in the literature. Three of them will be investigated in this study: the means of control, the objects of control and the reactions of the controlled party.

The means of control

- the market;
- the organisation: rules, procedures, action plans and sanction/reward systems are possible means for the buyer to control its supplier;
- social control (or clan or relational control): it is the mode of control promoted by the relational approach.

The formal / informal characteristic of control will also be studied. In the literature, market and organisation controls are seen as formal control whereas social control is considered to be informal. This dichotomy may be more complex.

The objects of control

Four objects of control seem judicious to be studied in buyer-supplier relationships :

- the results: the buyer controls the prices, the quality of the product or the on-time delivery of the supplier;
- the working processes: the buyer controls the working processes of the supplier (i.e. quality audits);
- the behaviours: the buyer controls the fact that the supplier respects relational norms such as flexibility, solidarity, information exchange (see. Dwyer, Schurr & Oh, 1987);
- the characteristics of the supplier (principally in the selection process): the buyer wants to commit with a supplier that presents certain characteristics (i.e. the habit to work in a certain sector, a given capacity, etc).

The reactions of the supplier

The reactions of the supplier is not much investigated in the literature. Etzioni's typology (1971) may be a judicious analysis grille.

- alienation: the supplier is compelled to accept any demand from the buyer;

- instrumental reaction: the supplier accepts the control of the buyer as much as it sees the benefits of this control;
- implication: the supplier shares the goals of the buyer. It is much committed in the relationship. The control of the buyer is not viewed as a constraint but as a means to progress.

A fourth dimension which comes from the power-dependence approach will also be studied:
the influence strategies

Two types of influence strategy can be observed:

- the coercive strategies;
- the non coercive strategies.

An organisational control framework is really helpful to integrate different elements of the inter-organisational literature and a larger conception of control. It can treat control as a process and not as isolated episodes. It can integrate the domination and the regulatory perspectives. Finally, it can take into account formal and informal aspects of control at the same time. The different dimensions to be investigated in this research are in table 1.

Dimensions of control	Possible answers
The means of control	<ul style="list-style-type: none"> - the market - the organisation - social control
The objects of control	<ul style="list-style-type: none"> - the results - the working processes - the behaviours - the characteristics of the supplier
The influence strategies	<ul style="list-style-type: none"> - coercive strategies - non coercive strategies
The reactions of the supplier	<ul style="list-style-type: none"> - alienation - instrumental reaction - implication

Table 1: dimensions of control

2. METHODOLOGY

2.1. Presentation of the case study

The investigation was a case study conducted within an equipment component maker and some of its suppliers. Two criteria conducted the choice of the case. First, the selected firm had to have developed elaborate control mechanisms towards its suppliers. Second, this firm had to be in relationship with very different suppliers, so as to identify different types of buyer-supplier relationships.

The automobile sector is considered to be a pioneer in the development of new industrial production methods in general and in buyer-supplier co-operation in particular. This sector is often chosen for empirical studies on buyer-supplier relationships (Donada, 1997 ; Dyer & Ouchi, 1993 ; Kotabe, Martin & Domoto, 2003 ; Lamming, 1993 ; Neuville, 1997). Purchasing is actually considered to be strategic for the competitiveness of the firms of this sector (it represents near to 80% of the cost price of a car) and the methods to control the suppliers are advanced and elaborate.

In the automobile sector, I wanted to study a component maker and not a car manufacturer because I wanted to investigate different types of buyer-supplier relationships. Car manufacturers principally buy sub-assemblies to big component makers and develop close relationships with them. The relationships between a component maker and its suppliers are more diverse: some suppliers provide the component maker with very specific products, others offer much more standard products.

2.2. Research design and methods

Within the selected car component maker, even purchasing agents were interviewed. They worked in the different branches of the firm and dealt with various types of purchases (in terms of the amount of the contracts, of the complexity of the bought products, of the size of the suppliers, etc). They were asked to identify different categories of suppliers in terms of their importance to them¹. Then, for each category they had identified, they were interviewed with regards to their expectations of these suppliers, the means they had to pilot and evaluate

¹ The buyers defined by themselves what means « important » or « not important » supplier.

them, the relational context, the influence strategy they adopted and the reactions of their suppliers.

Afterwards, sales representatives of four suppliers of this firm were called upon to identify different categories of customers; and to further elaborate on the expectations of the car component maker, the mechanisms this firm used to pilot and evaluate them and the relational context with the buyers.

Figure 1 illustrates the research design.

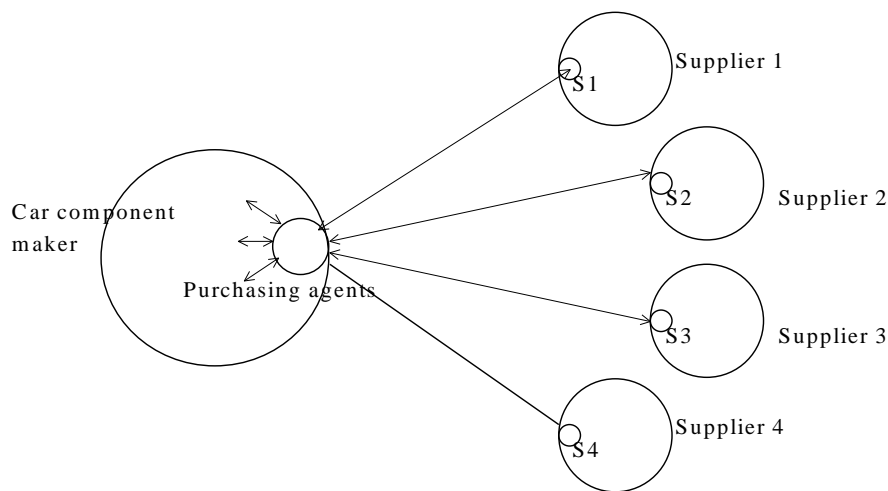


Figure 1: research design

Moreover, internal documents were consulted such as reference manuals for the buyers to select and manage their suppliers. The analysis of these documents distinguished between the practices that came from internal rules in the buying firm and those which were more personal to the purchasing agents interviewed.

2.3. Qualitative data analysis

To analyse the qualitative data, the method proposed by Miles & Huberman (1991) was followed. Categories which were judicious considering the research being conducted were *a priori* identified. Already presented were the four dimensions of control to be investigated in particular: the objects of control, the means of control, the influence strategies and the reactions of the suppliers. As far as the types of buyer-supplier relationships are concerned, it was not known how the participants would classify those relationships. However, the

classification in terms of various degrees of interdependence between the buying firm and the supplier emerged very soon from the qualitative analysis.

3. RESULTS

The results and their interpretation will be presented in two sections. First, the way the interviewees classified the different relationships will be explained. Second, the modes of control of each identified category will be explored.

3.1. A classification of buyer-supplier relationships

The purchasing agents identified different types of relationships with their suppliers, depending on (from the most important to the least important in the interviews):

- the specificity of the bought product (specific or standard product);
- the number of suppliers in the market able to furnish the required product;
- the size of the supplier;
- the market share of the supplier in the customer portfolio (for a given type of product).

The sales representatives identified different types of relationships with their customers, depending on:

- the turnover that the customer offers to the supplier;
- the number of potential customers in the market.

These criteria are perceptions from the different people interviewed. They actually measure interdependence between the buyer and its supplier:

- the specificity of the products, the number of suppliers in the market and the market share of the supplier in the customer portfolio are items used in empirical studies to measure the dependence of the buyer on its supplier (in Andaleeb, 1995; Guibert, 1996; Hallen, Johanson & Seyed-Mohamed, 1991; Heide, 1994; Kumar, Scheer & Steenkamp, 1995) ;
- the size of the supplier, the turnover that the customer offers to the supplier and the number of potential customer in the market are items used in empirical studies to measure the dependence of the supplier on the buyer firm (in Frazier, Gill & Kale, 1989; Hallen, Johanson & Seyed-Mohamed, 1991; Heide, 1994; Keith, Jackson & Crosby, 1990; Kumar, Scheer & Steenkamp, 1995; Lusch & Brown, 1996)

The different types of buyer-supplier relationships can be distinguished by the degree of dependence of the buyer on its supplier on the one hand, and by the degree of dependence of the supplier on the buyer on the other hand. From this observation, different types of buyer-supplier relationships in terms of various situations of interdependence were identified. These situations are presented in table 2.

Situations of interdependence	Magnitude of interdependence	Relative asymmetry of interdependence
Low dependence of the buyer Low dependence of the supplier	Low	Low
Low dependence of the buyer High dependence of the supplier	Middle	High (power in favour of the buyer)
High dependence of the buyer Low dependence of the supplier	Middle	High (power in favour of the supplier)
High dependence of the buyer High dependence of the supplier	High	Low

Table 2: Different situations of perceived interdependence (magnitude and relative asymmetry)

Further, analysis led to the identification of four types of relationships that are viewed in terms of magnitude and relative asymmetry of interdependence between the buyer and the supplier firms. The next step is to observe whether the modes of control from the buyer firm on its supplier vary under different situations.

3.2. Buyer-supplier control under various situations of interdependence (magnitude and relative asymmetry)

First, the different types of buyer-supplier relationships are placed along the two dimensions of interdependence: the magnitude and the relative asymmetry.

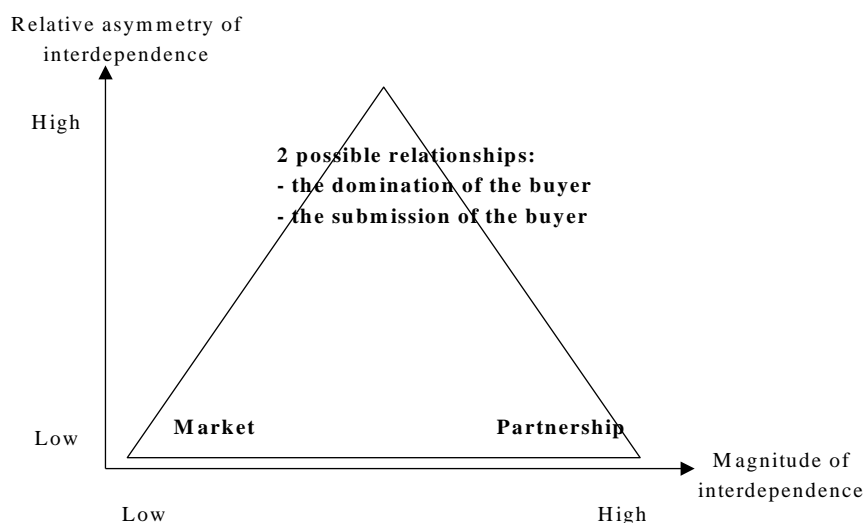


Figure 2: The types of relationships in terms of magnitude and relative asymmetry of interdependence

The four types of relationships present different modes of control in terms of the means of control, the objects of control, the influence strategies and the reaction of the supplier. Table 3 presents the results of the empirical research on the four dimensions of control that have been studied. The table is explained below.

Magnitude of interdependence	Low	Middle	Middle	High
Relative asymmetry of interdependence	Low	High (in favour of the buyer)	High (in favour of the supplier)	Low
Type de relationship	Market	Domination of the buyer	Submission of the buyer	Partnership
The objects of the control				
- the results	++	++	on-time del., qual.	++
- the working processes	+	+		++
- the behaviours (solidarity, flexibility, information exchange)		+		++
- the characteristics of the supplier		+	+	++
The means of the control				
- the market	++	++		+
- the organisation	+	+	+	++
- interpersonal relationships			+	+
The influence strategies				
- coercive	+	+		+
- non coercive			+ (affective control)	+ (affective control)
The reaction of the supplier				
- alienation		+		
- instrumental reaction	+		+	+
- implication				+

Table 3: The buyer-supplier types of control

3.2.1. Low magnitude, low relative asymmetry of interdependence: the market

When the buyer and the supplier are both not dependent on each other, market control is preferred by the buyer. The price reflects all the available information about the product and is the first criterion for the buyer to choose its supplier. When the supplier is chosen, the buyer may audit the working processes of the supplier in order to be sure *ex ante* of the quality of the products. During the co-operation, the supplier is periodically evaluated on its results (price, quality, on time delivery). The sanction in case of bad performance of the supplier is immediate: the buyer changes its supplier. The influence of the buyer over its supplier is clearly coercive. The reaction of the supplier is instrumental. It gives to the buyer as much as it receives from it. The relationship between the two parties is above all an economic relationship. It is more a succession of episodes (transactions) rather than a developing relationship since neither the buyer nor the supplier wants to commit in the long term.

3.2.2. Middle magnitude, high relative asymmetry in favour of the buyer: the domination of the buyer

The balance of power in favour of the buyer allows it to control whatever it wants: the results, the working process, the behaviours and even the characteristics of the supplier. Control is exerted by the market since there are many substitute suppliers. It is also exerted by the organisation since the buyer can develop much elaborated mechanisms of control to regulate and influence the activities of its supplier (i.e. various audits, measure of performance, etc). The only limit for the buyer is the costs of these controls (i.e. dedicated human resources) compared to the benefits it can gain from them. The dominated suppliers are subjected to very high pressure in terms of price reductions. The influence is coercive and the supplier has no choice but to accept all the demands of the buyer. The supplier is therefore alienated. However, the situation is not so dark for the dominated party. The supplier actually develops influence strategies over the buyer. The sales representative communicates with the purchasing agent to develop a good personal relationship in order to gain his benevolence, so that the purchasing agent will be less coercive. This strategy seems to function to some degree but is not of the taste of the purchasing director of the car component maker interviewed:

“The reduction of the number of suppliers is very difficult because it goes against personal relationships between purchasing agents and sales representatives they remain attached to. [...] As soon as someone

has the ascendant over another one, a personal relationship is consciously or not consciously created. If the balance of power is in favour of the buyer, the sales representative of the supplier will try to do whatever is possible to reduce this asymmetry and will try to develop personal relationships to minimise the impact of the asymmetry. The more there is a personal relationship that is subjective, the more reticent are the purchasing agents to eliminate their suppliers.” (Purchasing Vice-director)

3.2.3. Middle magnitude, high relative asymmetry in favour of the buyer: the submission of the buyer

Considering that the balance of power in a buyer-supplier relationship is generally in favour of the buyer, the authors in the academic literature hardly study the inverse situation. However, a buyer can be subject to its supplier. The people I interviewed had much to say about this situation.

When the balance of power is in favour of the supplier, the buyer is subject to the potential opportunism of the supplier without being able to find alternative suppliers on the market. The first objective of the buyer is to secure the supply for its production units. The control of the buyer is limited to an *ex post* control on the quality of the products and on on-time delivery. The dominating supplier hardly accepts the audits of its working process from the buyer, since these audits are considered as an intrusion. The supplier usually imposes the price of the transaction without sharing any information about the reasons for the price (i.e. costs decompositions) or about the perspectives of the relationship. The influence of the buyer is necessarily non coercive. The purchasing agent of the buyer merely makes some recommendations or asks for some more information. He is not in a position to impose anything or to threaten his supplier. He attempts to develop a good relationship with the sales representative of the supplier in order to promote benevolence and to avoid his opportunism. It is a sort of affective control and this strategy seems to work. As a sales representative of a dominating supplier mentioned:

“I got on well with Mr XX. When he asked me for a favour in an emergency, I used to motivate the people here. We used to do favours for each other. Now, the purchasing agent has just changed. The personal relationship is not as good as it was with Mr XX. There is not the same feeling with the new guy. However, it would be a good strategy for him to get on well with me. It is clear that I serve better the guys I like than guys I do not get on well with.”(Supplier, 2)

In fact, informal control can substitute for a lack in formal control.

Moreover, the buyer develops two types of strategies to change the balance of power: (1) trying to find new suppliers or new technologies to decrease the dependence of the buyer, (2) giving more business to this supplier in order to increase the dependence of the supplier.

3.2.3. High magnitude, low relative asymmetry in favour of the buyer: the partnership

When the buyer and the supplier are highly interdependent, they develop a close relationship that can be called partnership. This situation is the most described in the literature. Some limit the partnership to a multi-annual collaboration (Doz and Shuen, 1987). Others view it as a strategic relationship between two interdependent firms that share common goals and make every effort to generate mutual benefits (Mohr and Spekman, 1994). I consider that partnership is a relationship between two highly interdependent firms.

In this type of relationship, each party recognises that its individual interests cannot be achieved without the realisation of common goals. The selection process is very important since the buyer has to choose the right partner straight away. Therefore, the selection of a supplier on a new project includes many criteria: its competitiveness, but also its characteristics, the behaviour of its managers, its strategic choices and its working processes.

During the co-operation, complex control mechanisms (audits, measure of operational performance, work shops on productivity, etc) allow the buyer to pilot its partner and to evaluate its performance in terms of results (price, quality, on-time delivery) and in terms of willingness to commit to the relationship. These mechanisms are not only means of evaluation. They are also means of helping the supplier to ameliorate its working processes. These devices are costly for the buyer but the gains that are linked to their application are important (gains of productivity due to technical modifications, a better organisation of the production system of the supplier). Moreover, by the application of these devices, the buyer develops informal knowledge about its supplier and the numerous personal interactions between the agents of the buyer and the supplier enhance the development of good personal relationships. Informal control and formal control are in this case complementary.

The influence strategy of the buyer is rather not coercive, even if the use of the promise (new business for the supplier against price reductions) can be coercive. The reactions of the suppliers are mitigated. Some have an instrumental reaction and are not dupe of the attempts

of the buyer to increase its influence. Others acknowledge that some audits or work shops led them to improve and are ready to be more implicated in the relationship.

CONCLUSION

The paper shows that the modes of control used by a buyer on its suppliers change according to the magnitude and the relative asymmetry of interdependence between the two parties. When both the customer and the supplier are very interdependent (high magnitude, low relative asymmetry), the control is comprehensive and non coercive. It combines formal and non-formal aspects. The formal aspects are linked to some specific devices designed to control the results, the working process and the behaviour of the supplier. The non-formal aspects are linked to interpersonal relationships experienced by the parties due to the design and the application of the numerous formal devices of the co-operation. When both are not significantly dependent on each other (low magnitude, low relative asymmetry), the relationship is based on the market. The control applies mainly to the results. When the amplitude is moderated and the relative asymmetry is high, there are two options. Either the negotiating power is in favour of the customer, or it is in favour of the supplier. In the first case, the customer imposes a tight control on its supplier which is applied to the results, the working process and, when necessary, even to the behaviour. The influence strategies used are very coercive. In the second case, the supplier has the power and the buyer has no choice but to rely on a control of the results which is often limited to delivered quality and on-time deliveries. In both cases however, it appears that the dominated party tries to develop a sort of affective control by facilitating close relationships between the individuals of the two firms, which enables it to obtain information by divergent means and then ensure a non-formal control over the more powerful party. The combined interpersonal relationships in economic exchange are then a strategy for dominated players.

Two main contributions can be viewed in this research. First, inter-organisational control is seen as an influence and a regulatory process. It is neither limited to an anti-opportunism device, nor to a power-enforcement mechanism. This definition of buyer-supplier control enabled me to investigate formal devices as well as informal control strategies. Second, the submission of the buyer has been investigated, whereas this type of relationship is hardly treated in the literature. In particular, the strategies of the purchasing agents in these delicate situations (i.e. developing affective control over the other party, decreasing the asymmetry of

dependence) have been developed. Deeper work has to be done but this research gives a first glance at this problem.

Finally, similar investigations could be undertaken in diverse contexts. In the automobile sector, the mass technology may create specific control needs for the buying firm that would not be observed in continuous or craft technologies (Woodward, 1965). Testing these propositions in different technological contexts would lead to show in what extent buyer-supplier control is contingent.

BIBLIOGRAPHY

- Andaleeb S. (1995), "Dependence Relations and the Moderating Role of Trust : Implications for Behavioral Intentions in Marketing Channels", *International Journal of Research in Marketing*, vol. 12, pp. 157-172.
- Buchanan L. (1992), "Vertical Trade Relationships : The Role of Dependence and Symetry in Attaining Organisational Goals", *Journal of Marketing Research*, vol. 29, February, pp. 65-75.
- Chiapello E. (1996), "Les typologies des modes de contrôle et leurs facteurs de contingence : un essai d'organisation de la littérature", *Comptabilité Contrôle Audit*, tome 2, vol.2, pp. 51-74.
- Coase R. (1937), "The Nature of the Firm", *Economica New Series*, vol. 4, pp. 386-405.
- Dekker H.C. (2004), "Control of inter-organisational relationships : evidence on appropriation concerns and co-ordination requirements", *Accounting, Organisation and Society*, vol. 29, pp. 27-49.
- Donada C. (1997), "Fournisseurs : pour déjouer les pièges du partenariat", *Revue Française de Gestion*, n°114, juin-juillet-août, pp. 94-105.
- Doz I., Prahalad C.K. (1991), "Managing DMNCs : A search for a new paradigm", *Strategic Management Journal*, vol. 12, Special Issue, pp. 145-164.
- Doz Y., Shuen A. (1987), *A Process Framework for Analysing Cooperation between Firms*, INSEAD, n°87/33.
- Dwyer F., Schurr P., Oh S. (1987), "Developing Buyer-Seller Relationships", *Journal of Marketing*, vol. 51, April, pp. 11-27.
- Dyer J., Ouchi W.G. (1993), "Japanese-Style Partnerships : Giving Companies a Competitive Hedge", *Sloan Management Review*, vol. 35, n°1, pp. 51-63.
- Emerson T.M. (1962), "Power-Dependence Relations", *American Sociological Review*, vol. 27, pp. 31-41.
- Emmanuel C., Otley D., Merchant K. (1995), *Accounting for Management Control*, London, Chapman & Hall, 2nd ed.
- Etzioni A. (1971), *Les organisations modernes*, Gembloux, Ed. J. Duclot, (trad. *Modern Organizations*, New York, Prentice-Hall : Englewood Cliffs, 1964).
- Frazier G.L., Gill J.D., Kale S.H. (1989), "Dealer Dependence Levels and Reciprocal Actions in a Channel of Distribution in a Developing Country", *Journal of Marketing*, vol. 53, January, pp. 50-69.
- Frazier G.L., Rody R.C. (1991), "The Use of Influence Strategies in Interfirm Relationships in Industrial Product Channels", *Journal of Marketing*, vol. 55, January, pp. 52-69.
- Frazier G.L., Summers J.O. (1986), "Perceptions of Interfirm Power and Its Use within a Franchise Channel of Distribution", *Journal of Marketing Research*, vol. 23, May, pp. 169-176.
- Ganesan S. (1994), "Determinants of Long-Term Operation in Buyer-Seller Relationships", *Journal of Marketing*, vol. 58, April, pp. 1-19.
- Granovetter M. (1985), « Economic Action And Social Structure : the Concept of Embeddedness », *American Journal of Sociology*, vol. 91, n°3, pp. 481-510.

- Guibert N. (1996), *La relation client-fournisseur et les nouvelles technologies de l'information : le rôle des concepts de confiance et d'engagement*, thèse pour l'obtention du titre de docteur ès sciences de gestion, Université de Montpellier II.
- Gundlach G.T., Cadotte E.R. (1994), "Exchange Interdependence and Interfirm Interaction : Research in a Simulated Channel Setting", *Journal of Marketing Research*, vol. 31, November, pp. 516-532.
- Hallen L., Johanson J., Seyed-Mohamed N. (1991), "Interfirm Adaptation in Business Relations", *Journal of Marketing*, vol. 55, April, pp. 29-37.
- Heide J.B. (1994), "Interorganizational Governance in Marketing Channels", *Journal of Marketing*, vol. 58, January, pp. 71-85.
- Jap S.D. (2001), "Pie-Sharing in Complex Collaboration Contexts", *Journal of Marketing Research*, vol. 38, February, pp. 86-99.
- Joshi A.W., Arnold S.I. (1997), "The Impact of Buyer Dependence on Buyer Opportunism in Buyer-Seller Relationships : The Moderating Role of Relational Norms", *Psychology and Marketing*, vol. 14, December, pp. 823-845.
- Kale S.H. (1986), "Dealer Perceptions of Manufacturer Power and Influence Strategies in a Developing Country", *Journal of Marketing Research*, vol. 23, November, pp. 387-393.
- Keith J.E., Jackson W., Crosby L.A. (1990) "Effects of Alternative Types of Influence Strategies Under Different Channel Dependence Structures", *Journal of Marketing*, vol. 54, October, pp. 30-41.
- Kotabe M., Martin X., Domoto H. (2003), "Gaining from vertical partnerships : knowledge transfer, relationship duration, and supplier performance improvement in the U.S. and Japanese Automotive Industries", *Strategic Management Journal*, vol. 24, pp. 293-316.
- Kumar N., Scheer L.K., Steenkamp J. (1995), "The Effects of Perceived Interdependence on Dealer Attitudes", *Journal of Marketing Research*, vol. 32, August, pp. 348-356.
- Lamming R. (1993), *Beyond Partnership : Strategies for Innovation and Lean Supply*, New York, Prentice-Hall : Englewood Cliffs.
- Larson A. (1992), "Network Dyads in Entrepreneurial Settings : A Study of Governance of Exchange Relationships", *Administrative Science Quarterly*, vol. 37, pp. 76-104.
- Macaulay S. (1963), "Non-Contractual Relations in Business : A Preliminary Study", *American Sociological Review*, vol. 28, February, pp. 55-67.
- Macneil I.R. (1980), *The New Social Contract, An Inquiry into Modern Contractual Relations*, New Haven, CT : Yale University Press.
- Miles M., Huberman A. (1991), *Analyse de données qualitatives, recueil de nouvelles méthodes*, Bruxelles, De Boeck Université (1^{ère} édition américaine 1984).
- Mohr J.J., Spekman R. (1994), "Characteristics of Partnerships Attributes, Communication Behavior, and Conflict Resolution Techniques", *Strategic Management Journal*, vol. 15, pp. 135-152.
- Neuville J.-P. (1997), "La stratégie et la confiance. Le partenariat industriel observé depuis le fournisseur", *Sociologie du travail*, n°3, pp. 297-319.
- Noordewier T.G., John G., Nevin R. (1990), "Performance Outcomes of Purchasing Arrangement in Industrial Buyer-Vendor Relationships", *Journal of Marketing*, vol. 54, October, pp. 80-93.
- Nooteboom B. (1996), "Trust, Opportunism and Governance : A Process and Control Model", *Organisation Studies*, vol. 17, n°6, pp. 985-1010.

- Osborn R.N., Hagedoorn J. (1997), "The institutionalization and evolutionary dynamics of interorganizational alliances and networks", *Academy of Management Journal*, vol. 40, pp. 261-287.
- Pfeffer J., Salancik G. (1978), *The External Control of Organizations*, New York, Harper & Row Publishers.
- Powell W.W. (1990), "Neither Market nor Hierarchy : Network Forms of Organisation", *Research in Organisational Behaviour*, vol. 12, pp. 295-336.
- Rindfleisch A., Heide J.B. (1997), "Transaction Cost Analysis : Past, Present and Future Applications", *Journal of Marketing*, vol. 61, October, pp. 30-54.
- Scheytt T., Soin K., Metz T. (2003), "Exploring notions of control across cultures: a narrative approach", *European Accounting Review*, vol. 12, Issue 3, pp. 515-549.
- Thibaut J.W., Kelley H.H. (1959), *The Social Psychology of Groups*, New York, John Wiley & Sons.
- Williamson O.E. (1975), *Markets and Hierarchies : Analysis and Antitrust Implications*, New York, The Free Press.
- Williamson O.E. (1985), *The Economic Institutions of Capitalism, Firms, Markets and Relational Contracting*, New York, Free Press.
- Woodward J. (Ed.) (1965), *Industrial Organization : Behavior and Control*, London, Oxford University Press.