

Determinants of Preferences for Suppliers in an Industrial Value System: An Interactionist Perspective

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Abstract

In this paper, we use an interactionist perspective to study inter-industry variation in buying behavior. We argue that individual purchasers' preferences for suppliers depend on three broad classes of variables: (1) The structure of the value chain stage in which the firm competes, (2) the firm's competitive strategy and (3) individual level work experience from the fisheries and other sectors. Structure is related to preferences because a highly transparent market with many homogeneous suppliers forces buyers to emphasize prize over other supplier selection criteria. Competitive strategy is believed to exert influence on preferences because strategy defines areas in which the firm has to outperform its competitors. As competitive advantage partly stems from an adaptation of suppliers, strategically important areas translate into criteria for supplier selection. A purchaser's experience from work within or outside this sector is partly stored as cognitive structures that are used for making decisions and interpretation of information in complex and ambiguous environments. Present use of criteria for selecting suppliers, thus, partly reflects such experiences, in particular what has led to goal achievement in the past. A set of supplier selection criteria was identified based on a literature review and a qualitative pre-study. A set of theory-driven hypotheses are tested using data from a sample of respondents from UK, Spain and France ($n = 99$). Data were obtained from both traditional coast based importers-wholesalers and regionally based wholesalers. A conjoint approach was used in order to measure relative importance of supplier selection criteria at the individual purchaser level. Substantial support was found for a relationship between the three sets of variables and perceived relative importance of supplier selection criteria.

1. INTRODUCTION

Understanding the determinants of industrial buyers' choice of suppliers is important for manufacturers trying to develop a favorable competitive position vis-à-vis other firms in their industry. Knowledge of which factors influence overall evaluation of alternative suppliers enables vendor firms to develop strategies by which firm resources and value creating activities can be better aligned with customer preferences. Such alignment can under certain circumstances yield (semi-) sustained competitive advantages to the firm (Peteraf, 1993). Some firms invest heavily in the development of market oriented learning systems in order to detect, interpret and react to changes in market preferences and buying behavior (Kohli and Jaworski, 1990). Literature focusing on the interface between industrial buyers and sellers and its outcomes can be divided into two major schools: a buying behavior school and a relationship marketing school. The relationship marketing school is primarily concerned with how choice of interorganizational structures and processes influence relationship performance (Noordewier, John and Nevin, 1990). Contributions from this school draw heavily on economic organization theory (Williamson, 1985) and new-classic contract theory

(Macneil, 1980) in their research. The buying behavior school focuses on choice processes, in particular choice of suppliers. The dominating theoretical perspectives used in this research are rational and behavioral decision theory at the individual and group levels. One important line of research in the buying behavior school is the identification of supplier selection criteria. The core assumption in this research is that buyers select vendor firms based on a process by which alternative suppliers are compared across a limited set of criteria or dimensions, such as reliability and innovativeness of their offerings. Criteria used for assessing alternative prospective suppliers are assumed to be a reflection of an underlying goal function of the buying firm. Such processes, however are characterized by high levels of ambiguity stemming factors such as unclear, shifting and contradictory goals within the organization, uncertain relationship between observable supplier attributes and elements in the goal function and large numbers of alternatives. This creates a context in which rational decision-making becomes overwhelmingly difficult to pursue and opens for a number of behavioral influences on the process because to simple norm for assessing decision quality can be used. Behavioral influences on use of supplier selection criteria is a relatively