# Creating Relational Capital in Buyer-Supplier Relationships: The Identification of its Antecedents and Consequences

Sinead Carey
School of Management and Economics
Queens University Belfast
25 University Square
BT7 1NN, United Kingdom
Tel: +44 (0)28 90 3306 ext 23
scarey05@qub.ac.uk

**Abstract**

This paper examines the creation of relational capital and its associated consequences in buyer-supplier relationships. Relational capital finds its source in the structure and content of relationships, with effects emanating from the information, influence and solidarity created. Despite the growing interest in the area, there is limited research examining relational capital within buyer-supplier relationships. A theory driven, conceptual model is developed examining the antecedents and consequences of relational capital within a dyadic buyer-supplier relationship. Two antecedent categories of relational capital are examined, namely (1) structural factors (e.g. relationship specific investments by the supplier, relationship specific investments by the buyer and contractual bonds) and, (2) behavioural factors (e.g. cooperative norms, socialization and relational competence). The impact of each of these variables on the formation of relational capital is examined. The consequences of relational capital on three aspects of firm performance, namely financial, operational and relational, is also assessed.

## 1. Introduction

Global competition, rapidly changing technologies and increasing customer expectations have seen strategic relationships between a buyer and its suppliers become vital to a competitive advantage (Ellram & Carr, 1994; Monczka, Trent, & Handfield, 2002). The restructuring of the supply base through outsourcing, the movement towards modular production and supply base rationalisation indicates a focus on supply chain relationships and the tendency of organisations to limit their own operations and increase their use of suppliers. Despite their importance, the creation and maintenance of these relationships is often regarded as one of the most difficult aspects of supply chain management (Johnson, Sohi, & Grewal, 2004). Much of the prior research into buyer-supplier relationships has focused on the economic aspects of the relationship, often applying the principles of transaction cost economics to explain how firms organise and manage their activities.

Transaction cost economics (TCE) is symbolic of the New Institutional Economics and was the first economic theory to acknowledge that exchange does not occur in a vacuum. The transaction cost view of the firm concentrates on minimising the costs of transacting, and the selection of the appropriate governance mechanism (market or hierarchy) to facilitate this. Markets refer to the sourcing of goods and services from outside the boundaries of the firm, whereas, hierarchies refer to sourcing the goods and services within the firm.

Despite its popularity as an anchor for the analysis of strategic and organisational issues which are important to firms, TCE has received considerable criticism (Ghoshal & Moran, 1996; Rindfleisch & Heide, 1997). As a lens through which to analyse inter-organisational exchange, TCE falls short of providing a complete theory for such analysis. The changing nature of competition means that viewing transactions as discrete cost concentrated economic activities, is no longer a reflection of reality. The main criticism of TCE which provides the motivation for this research is that it does not provide insight into an important aspect of relationships, namely social interrelations between people and organizations (Cousins & Menguc, 2005c; Ghoshal et al., 1996). In other words, TCE fails to acknowledge the creation of social capital and the evolution of relationships between buyers and suppliers (Grover & Malhotra, 2003; Gulati, 1995a; Kale, Singh, & Perlmutter, 2000).

The literature has recently begun to address this through focusing on the social aspects of exchange between parties. This stream of literature argues that exchanges do not fit neatly on a market-hierarchy continuum as transaction cost economics would imply, but instead operate in an ‘embedded logic of exchange’ (Uzzi, 1997) and are shaped by the structure of social relations (Gulati & Gargiulo, 1999). Drawing on social capital theory (Coleman, 1988; Paldam, 2000; Tsai,

2000) and the relational view (Dyer & Singh, 1998), this study investigates the antecedents and consequences of relational capital within buyer-supplier relationships. It supports the idea that social and behavioural elements need to be considered *alongside* economic elements when evaluating buyer-supplier exchange.

Relational capital is one dimension of social capital and it finds its source in the structure and content of relationships, with effects emanating from the information, influence and solidarity created (Edelman, Bresnen, Newell, Scarbrough, & Swan, 2004). Other than this general consensus, there is a degree of uncertainty regarding the specifics of relational capital creation in buyer-supplier relationships. In addition, it is often assumed that relational capital influences the performance of an organisation. However, the literature has yet to examine the link between the relational characteristics of buyer-supplier exchange and organisational performance.

This research contributes to the social capital and supply chain management literature by providing new insights to relational capital – one important dimension of social capital - in collaborative buyer-supplier relationships. It adds support for social capital theory (SCT) and addresses the criticisms of TCE (Duschek, 2004; Foss, 1997; Ghoshal et al., 1996; Moran & Ghoshal, 1996). By addressing the criticisms of TCE, and adopting a behavioural lens through which to view buyer-supplier relationships, this study follows a growing stream of literature which aims to address the holistic aspect of buyer-supplier relationships. The specific contribution of this research will be to advance understandings of how relational capital can be created between buyers and suppliers and what outcomes may be derived. The findings of this research aim to make relational capital more measurable, and strengthen its link to performance – a contribution which can only aid in the management of buyer-supplier relationships. Building on established findings, this research will extend our understanding of the sources of buyer-supplier competitive advantage. The extension of existing theory and empirical research will challenge some of the economic beliefs on relational exchange and performance differentials between firms.

The remainder of this paper is organised as follows. Section 2 will provide a review of the literature which is relevant to this study. Section 3 then outlines the research model and hypotheses. The research method is discussed in Section 4, followed by the conclusions of this study in Section 5.

## 2. Literature Review

### *2.1 Buyer-supplier relationship development*

Competitive pressures in the global market, shortened product lifecycles, rapid technological change, increased demand for innovations, and the changing nature of industry (Cousins, 2002; Leek, Naude, & Peter.W., 2003) forced companies to rethink their strategic position and focus on leveraging their supplier relationships. The emphasis is placed on working closer with fewer suppliers, symbolized by processes such as lean supply, outsourcing, supplier delegation and supplier tiering. These procedures are evident of a shift in the nature of buyer-supplier relationships. Supply bases are becoming more rationalized (Cousins, 1999), and are characterized by collaborative, personal and long-term relationships (Harrison, Hitt, Hoskisson, & Ireland, 2001; McQuiston, 2001; Scarbrough, 2000).

Strategic buyer-supplier relationships have become the focus of attention in a range of academic and popular press as they constitute a critical means of acquiring or accessing competitive resources and are increasingly cited as an important differentiator of high and low performance in global supply chains (Cousins & Lawson, 2005b). It is suggested that relationships are often the most important source of new ideas and information (von Hippel, 1988). It is well acknowledged that collaborative relationships with suppliers have replaced adversarial relationships between buyers and suppliers (Choi & Krause, 2005; Mudambi & Helper, 1998; Spekman & Carraway, 2006). These relationships are characterised by high levels of trust, two-way information sharing, formal evaluations and more concentrated involvement of suppliers (Langfield-Smith & Greenwood, 1998). The espoused benefits of effective supplier collaboration are described as lower product costs, reduced time-to-market, improved quality, advanced technology, or improved service/delivery (Rinehart, 2003). The literature is abundant with studies illustrating the competitive advantage and performance improvements which can accrue as a result of strong collaboration between buyers and suppliers (Dyer & Ouchi, 1993; Dyer, 1996; Helper & Sako, 1995; Lamming, 1993).

### *2.2 Social Capital Theory*

In the 1990's, SCT gained popularity by directing attention to the social networks which firms are connected to as a key to their competitive advantage. Social capital exists in every organisation to some degree and can be deleted or enhanced, squandered or invested in (Cohen & Prusak, 2001). Organisations would find it difficult to function without social capital and the economic benefits that accrue as a result of it. The idea of looking at social capital in relation to firms is relatively new. It is much more common to look at the mechanistic and operational aspects (time to market, lead time, innovation rates etc) of organisations which mask the embedded social and behavioural aspects.

SCT has been argued to be the most significant way of theorising the nature of connection and cooperation between organisations (Adler & Kwon, 2002; Starkey & Tempest, 2004). It helps to characterise an organisation's complete set of relationships, whilst its focus on the flow of resources between organisations enables the explanation of performance differences between organisations (Koka & Prescott, 2002). SCT suggests that actors gain access to different kinds of resources due to their engagement in various types of relationships. This research focuses on social capital at an organisational level of analysis and thus adopts the view of Nahapiet and Ghoshal (1998: 2432) who define social capital as 'the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit'. This view emphasises social capital as a resource that can be actively generated and transferred across firm boundaries.

Social capital is similar to other forms of capital in that it has productive value and enables organisations to achieve goals that would not be possible in its absence (Burt, 1992). Adler and Kwon (2002) conducted a thorough review of the literature and offered a comprehensive list of the characteristics of social capital which are detailed in Table 1 below.

| Characteristic | Description |
|---|---|
| Long-term resource | Social capital is an enduring asset into which other resources can be invested, with the belief that other resources and benefits will accrue |
| Appropriable and convertible | Social capital is appropriable in that the ties formed across the network or dyadic relationship can be used for other purposes. It an also be converted into other kinds of capital. (Eg. the advantages of a social network position can be converted into economic gains) |
| Complement and/or substitute to other resources | Social capital can compensate for a lack of one type of capital by substituting it with their superior social ties. It can also act as a complement for other forms of capital. (Eg. economic capital) |
| Requires maintenance | Like physical and human capital, social capital requires periodic review and revival in order to maintain its value – does not however depreciate with use but grows and develops with us (Eg. trust) |
| Collective good | Social capital is not the private property of those who benefit from it |
| Location | Social capital is located, not in the parties involved but in their relations with other parties – it requires mutual commitment and cooperation from both parties in order to ensure it is maintained |
| Difficulty in measurement | Investments in the development of social capital do not allow for easy quantification due to its intangible nature and lack of clarity surrounding its unique performance effects |

Table 1 Adapted from Adler and Kwon (2002)

Social capital is a complex concept to identify and therefore manage in the context of a business relationship. The joint ownership by the parties involved in its creation (Burt, 1992) will influence the way in which this unique form of capital develops as it is not the sole responsibility of one firm. The intangible, relationship specific nature of social capital has implications on its transferability in that it cannot be traded easily and it is therefore uniquely tied to the relationship from which it was created - interpersonal trust and shared understandings are not something that can readily be passed from one relationship to another.

Whilst this study concentrates on the relational dimension of social capital, it is necessary to identify the other dimensions of social capital. It is a multifaceted concept and its dimensions are interrelated (Putnam, 1995). Social capital at an organisational level has three main dimensions: (1) structural, (2) cognitive, and, (3) relational. Building on the work of Granovetter (1992), the *structural dimension* of social capital focuses on the location of firms within a certain social structure. Symbolic of the overall pattern of connections between firms, the structural dimension can be analysed via network ties, the configuration of the network, and appropriable organisation (Nahapiet et al., 1998). The structural dimension represents the central theme of SCT – that network ties provide access to resources (Hazelton & Kennan, 2000). In short, the configuration of ties within a network or organisations will affect the level of social capital created.

The *cognitive dimension* of social capital is symbolic of shared goals and codes between actors in a social system (Tsai & Ghoshal, 1998). Nahapiet and Ghoshal (1998) describe it as the resources which encourage shared representations, interpretations and systems of meaning between actors in a relationship. The cognitive dimension facilitates the common understandings of collective ideologies and outlines appropriate ways for actors in a relationship to coordinate their exchange. The *relational dimension* (relational capital) of social capital addresses the role of direct links between actors and the relational outcomes of interactions (Inkpen & Tsang, 2005). As the focus of this study, relational capital will be discussed in detail in the following section.

## *2.3 Relational Capital*

The relational dimension or relational capital (Dyer et al., 1998) refers to the assets created and leveraged through relationships rooted in trust, norms, and identification (Nahapiet et al., 1998: 251). The relational perspective suggests that organisations will "derive complex, personal, non-economic satisfactions and engage in social exchange" (Dwyer, Schurr, & Oh, 1987: 12) and it focuses on the particular relations which people have which may influence their behaviour. It can be assessed by the degree of mutual respect, trust and close interaction that exists between actors in the relationship (Cousins, Handfield, Lawson, & Petersen, 2005a). These assets are, in effect, embedded in the relationships and 'bonds' between actors (Hakansson & Snehota, 1989). This behavioural dimension of social capital focuses on relations that parties have which influence their behaviour and social motivations such as sociability, approval and prestige (Nahapiet et al., 1998). Described as a store of 'goodwill between buyers and sellers' (Burt, 2000; Dyer et al., 1998), this concept is not new to the strategic management literature (Cousins et al., 2005a; Dewhurst & Cegarra Navarro, 2004; Dyer et al., 1998; Kale et al., 2000; Martin de Castro, Lopez Saez, & Navas Lopez, 2004), but it has lacked extensive application and testing.

Popularised by Dyer & Singh (1998) in the 'relational view of the firm', relational capital acts as an important governance mechanism in embedded relationships (Uzzi, 1999). As a form of capital which is inherently difficult to measure, its components outlined in Figure 1 (trust, norms, and identification) (Nahapiet et al., 1998), will now be briefly discussed.

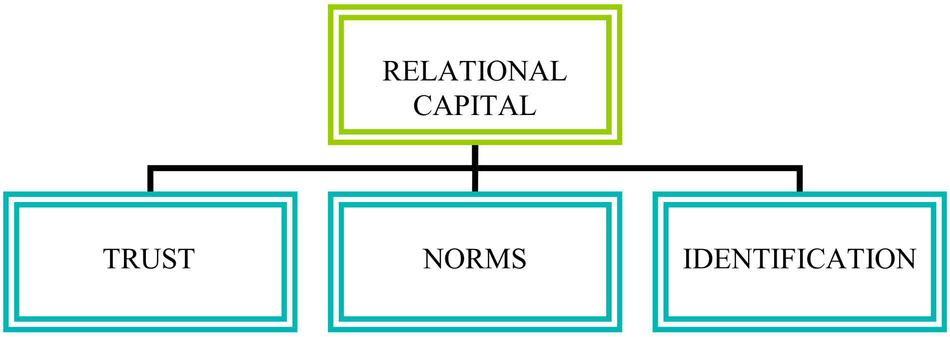


Figure 1

## *2.4 The Components of Relational Capital*

i) *Trust*

Trust has been articulated as an essential element of buyer-supplier relationships (Anderson & Narus, 1990; Rousseau, Sitkin, Burt, & Camerer, 1998), and a critical component of relational capital (Coleman, 1990; Fukuyama, 1995; Putnam, 1993; Tsai, 2000). It has been defined in the literature in many ways: as a type of expectation (Bradach & Eccles, 1989); a form of mutual confidence (Barney & Hansen, 1994; Granovetter, 1985; Madhok, 1995); and, a belief in partners' credibility and ability to perform as agreed (Anderson et al., 1990; Uzzi, 1997), to name but a few. This study concentrates on trust as an expectation, as it is concerned with explaining the 'behavioural manifestations of trust' (McEvily, Perrone, & Zaheer, 2003) and its consequences in a buyer-supplier relationship. Trust is broadly defined as "an expectation held by an agent that its trading partner will behave in a mutually acceptable manner (including an expectation that neither party will exploit the other's vulnerabilities) (Sako & Helper, 1998: 388). This study defines inter-organisational trust between buyers and suppliers as "the extent to which there is a collectively-held trust orientation by organisational members towards the partner firm" (Zaheer, McEvily, & Perrone, 1998: 234).

As dynamic and continuous (Das & Teng, 1998), trust plays such a key role in any inter-organisational relationship (Ring & Van De Ven, 1992) as it enables actors to manage risk and opportunism associated with exchange across organisational boundaries (Cousins, Lamming, & Bowen, 2004; Nooteboom, Berger, & Noorderhaven, 1997). Overall, there is an agreement in the literature that mutual trust helps foster and enduring and effective relationships (Kale et al., 2000) (Zaheer et al., 1998) (Gulati, 1995a) as it strengthens social bonds between actors (Barney et al., 1994).

The role of trust in constraining opportunistic behaviours between actors has encouraged its use as a governance mechanism in the literature concerning social and economic exchange (Cannon, Achrol, & Gundlach, 2000; Conner & Prahalad, 1996; Ghoshal et al., 1996; Tsai, 2000; Yu, Liao, & Lin, 2005; Zaheer & Venkataraman, 1995). Indeed Tsai (2000: 928) declares that the potential benefits of strategic inter-organisational exchange can only be achieved if trust is present between actors: "Trustworthiness allows the exchange of idiosyncratic resources and fine grained information and shapes the pattern of interunit strategic linkages". Trusting parties are more willing to share and transfer resources across organisational boundaries without the inflexibility of governance mechanisms such as written contracts and legal bonds.

ii) *Norms*

According to Heide and John (1992: 34), norms are "based on the expectation of mutuality of interest, essentially prescribing stewardship behaviour, and are designed to enhance the well being of the relationship as a whole". Norms in a relationship can be described as a degree of consensus on the norms of social exchange, becoming in a way, "expectations that bind" (Kramer, Brewer, & Hanna, 1996). Coleman (1990) suggests that norms exist when the socially defined right to control an action is not held by on actor in the relationship, but by others. Norms help to regulate behaviour in a buyer-supplier relationship as they exert pressure on both actors to obey the 'social sanctions' and thus promote behaviour which is stable and expected by the other actor in the relationship.

iii) *Identification*

Identification is outlined as "the process whereby individuals see themselves as one with another person or group of people" (Nahapiet et al., 1998: 256). Research suggests that when one feels a level of identification with a group or other party, concern for collective processes and outcomes are increased (Kramer et al., 1996), which will therefore increase the chances that opportunity for exchange will be recognised (Nahapiet et al., 1998). To summarise, relational capital has been described as a function of the trust, norms and identification existing in a relationship. We explore its application in the next section.

## 3. Research Model and Hypotheses

Figure 2 presents the hypothesised model to be tested. This model is centred on the premise that as a resource, relational capital should be actively cultivated, managed and leveraged appropriately. In delineating the antecedents and consequences of relational capital, this model will enable organisations to identify, and begin to manage the capital which accrues from close buyer-supplier relationships.

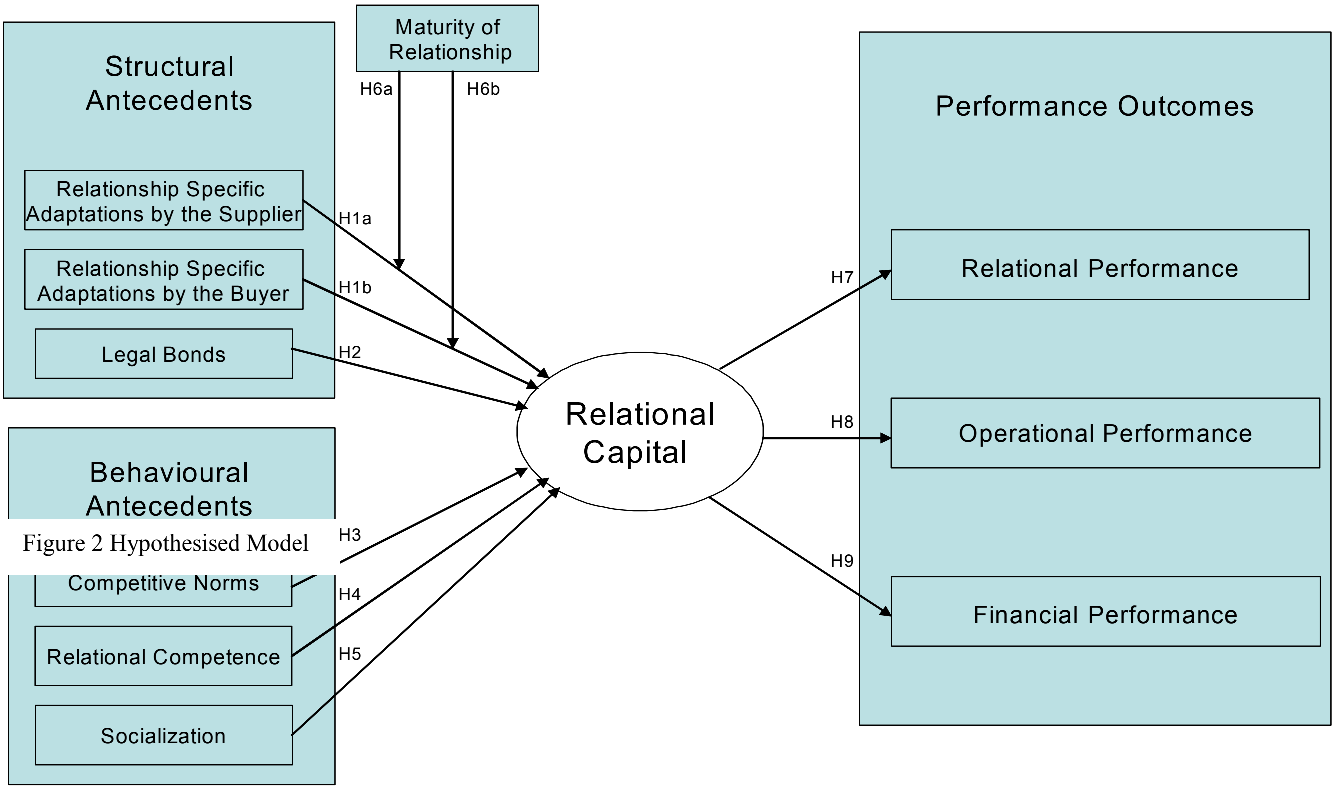


Figure 2 Hypothesised Model

### *3.1 The Antecedents to Relational Capital Creation*

In order to leverage relational capital efficiently, an organisation must first understand the factors that influence its creation and development. The theoretical model proposed by this study postulates six antecedents to the creation of relational capital between buyers and suppliers. The first three antecedents are structural antecedents: relationship specific adaptations by the buyer; relationship specific adaptations by the supplier; and legal bonds. The other three antecedents in the theoretical model can be described as behavioural antecedents: competitive norms; relational competence; and socialization. Each of these will now be discussed in turn and the appropriate hypotheses presented.

#### 3.1.1 Relationship Specific Adaptations

Relationship specific adaptations are described as investments made to modify processes, product technologies, or procedures to the specific needs or capabilities of a partner in the exchange process (Hallén, Johanson, & Seyed-Mohamed, 1991). Buyer or supplier specific adaptations refer to the investments made by the buyer or supplier, in physical assets, production facilities, tools, and knowledge tailored to a specific relationship (Buvik & Reve, 2001). Amit and Shoemaker (1993: 39) advocate that the specialisation of investments between firms in a relationship is a necessary condition for relational rents and that "strategic assets by their very nature are specialised". Accordingly, firms must make unique investments in each other in order to achieve relational capital, as measured by relational rents.

Relationship specific adaptations, as a form of investment, help to engender interfirm dependence and obligation as by their very nature they are idiosyncratic to a relationship and would have minimal value outside it (Heide & Miner, 1992). When a buyer or supplier makes specific investments, a lock in situation is established as they not only create value for all the actors involved, but also build the costs of switching from that relationship and increase the level of obligation between parties (Nahapiet et al., 1998). It is hypothesised that relationship specific adaptations will encourage closer relational cooperation and commitment between buyers and suppliers as each party ensures that their investments will be maximally utilised (Brennan & Turnbull, 1999).

A high level of relationship specific adaptation and the dependence which is associated provides certain inferences regarding the level of commitment in that relationship (Anderson & Weitz, 1992). According to Campbell (1997), "over time, idiosyncratic investment transforms an economic exchange into a socially embedded relationship". When one actor – buyer or supplier -

makes favourable specific adaptations related to their relationship with another, they are effectively indicating a desire for the continuance of the relationship and expressing their willingness to share outcomes (Anderson et al., 1990; Siguaw, Baker, & Simpson, 2003). These adaptations are an important behavioural component in conveying the intentions and value of an exchange partner. Recent research suggests that the dependency and frequent interaction created via relationship specific investments facilitates closer business 'friendships' – an important component of the relational capital (Price & Arnould, 1999) In the literature, idiosyncratic investments are described as an indicator of strong relationships (Anderson & Narus, 1992; Morgan & Hunt, 1994). According to Siguaw (2003), actors in a long-term supply relationship should embrace high levels of communication, customer orientation *combined* with high levels of idiosyncratic investments, to realise the benefits associated with trusting relations (ie. relational capital). We would expect that as both buyer and supplier make relationship specific investments, the level of relational capital will increase. Therefore,

***Hypothesis 1a***

> ***There is a positive relationship between the level of relationship-specific adaptations by the buyer and the level of relational capital created***

***Hypothesis 1b***

> ***There is a positive relationship between the level of relationship-specific adaptations by the supplier and the level of relational capital created***

### 3.1.2 Legal Bonds - Contractual Governance

Contractual forms of governance should also be considered as they have an important effect on the creation of relational capital. Contracts document unspoken assumptions at the beginning of the relationship and generate a forum for the 'meeting of minds' (Cannon et al., 2000). The process of creating an agreement helps to develop more robust communication between a firm and its supplier (Arrow, 1974) – fostering a shared understanding of goals. A formal contract signifies that the exchange is important to parties in the relationship. They outline the *ex ante* details of the exchange and can assist in the continuous monitoring of the exchange (Alchian & Demsetz, 1972).

This study uses the terminology of Cannon et al (2000) in describing legal contracts as 'legal bonds'. Defined as "the extent to which detailed and binding contractual agreements are used to specify the roles and obligations of the parties" (Cannon et al., 2000: 182), legal bonds incorporate the expectations and obligations of actors in the relationship. According to Dyer and Singh (1998: 670) governance mechanisms (such as legal bonds), can generate relational capital by either "lowering transaction costs" or "providing incentives for value-creation initiatives, such as investing in relation-specific assets, sharing knowledge, or combining complementary strategic resources". When organisations make specific investments in a relationship, they are in effect exposing their assets to a certain degree of risk. If one actor in the supply relationship is able to leverage a degree of opportunistic behaviour, the other actors involved are vulnerable as the assets which they have deployed are specific to the relationship. Some form of contractual governance, which states basic devices for the regulation of the relationship is warranted so as to protect all parties involved (Buvik et al., 2001). It will protect specific investments and reduce the cost of monitoring the other partner, and can encourage further investment in the relationship which will nurture relational capital further. Thus, legal bonds are an important antecedent to the creation of relational capital.

The previous section has shown that legal bonds have a positive effect on the formation of relational capital. However, the literature suggests that the effect of formal legal bonds on relational capital can have negative effects. It has already been postulated in this study, that increasing levels of relationship specific adaptations will help engender trust - a component of relational capital. The creation of trust (Zaheer et al., 1995) signals that specific investments will be protected and this is likely to result in the creation of fewer formal contracts (Yu et al., 2005) or legal bonds. The literature states that trust helps to alleviate the hazards of relationships which formal contracts are designed to minimise (Yu et al., 2005). Ring and Van de Ven (1994) provide additional support for this, proposing a substitutive relationship between legal contacts (legal bonds) and trust.

In sum, it can be suggested that a certain degree of legal bonds are expected at the beginning of a supply relationship, to mitigate potential opportunism on the part of either actor and to safeguard the investments which have been made specifically to the relationship. However, legal bonds are likely to have an inverted u-shaped effect on the creation of relational capital, as trust and norms of cooperation develop. Hence a certain level of legal bonds will aid the creation of relational capital between two parties. However, once this optimum level is reached, legal bonds will have a negative effect on the creation of relational capital. Thus,

***Hypothesis 2***

> ***There is a curvilinear (inverted-U) relationship between the level of contractual governance in the form of legal bonds and the creation of relational capital***

3.1.3 Cooperative Norms

Cooperative norms reflect the expectations which two actors in a relationship have about working together towards the achievement of mutual and individual goals (Cannon & Perreault, 1999). This concept suggests that the actors involved in the relationship understand that they must cooperate with each other in a certain way, in order to achieve success. Cooperative norms are an embedded series of undefined 'rules' which stipulate the type of behaviour expected in any exchange relationship. In order to be effective, both parties in the relationship need to be accepting and committed to the conditions surrounding these cooperative social norms (Dasgupta, 2005).

As shared expectations regarding behaviour (Anderson et al., 1990; Axelrod, 1986), norms of cooperation help to define relational properties and safeguard relationships which may be subject to uncertainty (Cannon et al., 2000). Cooperative norms can be paralleled with various other streams of literature which have underlined the key components to cooperation and interaction between parties. For example, cooperation is a central aspect of the marketing IMP model (Hakansson, 1982) and some of the principles underlying cooperative norms reflect many of the 28 relational norms espoused by Macneil (1980), in his development of relational contracting theory.

The importance of having established cooperative norms is an important antecedent to the creation of relational capital in buyer-supplier relationships, as it can act as an effective governance mechanism when complemented with contractual arrangements (Cannon et al., 1999; Cannon et al., 2000; Yu et al., 2005; Zaheer et al., 1995). Contracts help to detail the formal expectations of actors in a relationship, whilst cooperative norms control the social aspects of relational exchange. This 'plural form' way of assessing the governance of exchange relationships is supported by many authors (Bradach et al., 1989; Cannon et al., 2000; Yu et al., 2005; Zaheer et al., 1995). It reinforces the notion that contractual agreements *and* social mechanisms need to be taken into account when considering economic relationships which are subject to a plethora of social factors.

Many scholars remain pessimistic of how effective even the most carefully crafted contracts can be. It is argued that the ability to draft rules for every possible future contingency is limited, both in reality and by the law itself (Williamson, 1985; Williamson, 1991). Cooperative norms are more concerned with expectations rather than rigid requirements of behaviour and therefore help to foster a cooperative as opposed to rigid environment, which facilitates continued social exchange. Key economists who have expressed their scepticism of the role of social elements in governing exchange relationships recognise that pure contracting is not always the most effective approach to governance in all circumstances. As cooperative norms emphasise shared values and mutual well being (Cannon et al., 2000), adherence to these 'agreed' norms of behaviour are likely to breed trust as actors conform to the shared ideologies underpinning the relationship. The ability of actors to identify with one another should also be positively influenced – an important aspect of relational capital. Thus,

***Hypothesis 3***

> ***Cooperative norms will have a positive impact on the level of relational capital created in a buyer-supplier relationship***

We now turn to a discussion of the behavioural antecedents of relational capital.

3.1.4 Relational Competence

So far, the creation of relational capital is contingent upon factors which the firm can directly influence – specific investments in the relationship, cooperative norms and legal bonds. The identification of relational competence as an antecedent in the creation of relational capital represents a concept which is more intangible and difficult to recognise. It is an ability which is gained through past relational experience and symbolises an ability to conduct a relationship efficiently and effectively with another actor. Croom (2001) identifies communication, interaction, problem resolution and relationship development as processes tied to the relational competence of a firm.

The literature finds that firms with relational experience are more desirable relationship partners and are more likely to generate value through these relationships (Gulati, 1995b; Mitchell & Singh, 1996). In a study of learning in strategic alliances, Kale et al (2000: 234) state that prior alliance (i.e. relational) experience is "important in being able to build or utilise appropriate routines and mechanisms to build relational capital and manage conflicts". Indeed, in a business climate where inter-organisational relationships with members of the supply chain can determine firm performance, firms must have the willingness and ability to partner with another firm, if any degree of relational capital is to be derived (Dyer et al., 1998).

***Hypothesis 4***

> ***The greater the level of relational competence, the greater the level of relational created in a buyer-supplier relationship***

### 3.1.5 Socialization

This research postulates that socialization between buyers and suppliers helps to build relational capital. It can be described as "a process by which an individual comes to appreciate the values, abilities, expected behaviours, and social knowledge essential for assuming an organisational role and for participating as an organisation member" (Louis, 1980: 229-230). This research considers socialization and its effects on the creation of relational capital in buyer-supplier relationships. Examples of socialization mechanisms include meetings, conferences and cross-functional teams. In the buyer-supplier literature, there is evidence that socialization between buyers and suppliers helps to establish common norms, develop joint problem solving, formal integration, conflict management, and in turn leads to improved performance (Cannon et al., 1999; Cousins et al., 2005b; Prahinski & Benton, 2004). Robinson et al (2002) suggest that the behaviours surrounding norms and obligations are not strictly calculated, but are learned through socialization and partly unconscious reinforcement.

Building on social exchange theory (Blau, 1964; Whitener, Brodt, Korsgaard, & Werner, 1998), socialization mechanisms have been highlighted as an important means of sharing knowledge and information, and building trust in buyer-supplier relationships (Cousins et al., 2005b; Dwyer et al., 1987). Indeed, the literature suggests that socialization between actors builds interpersonal relationships and trust (Cousins et al., 2005a; Kale et al., 2000; Lee, 2004). Trust is perception based and requires interaction between actors in order to be developed (Zaheer et al., 1998). Organisations develop their trusting beliefs based on direct experiences with each other (Bell, Oppenheimer, & Bastien, 2002; Granovetter, 1985; Zucker, 1986). According to Cousins and Menguc (2005c: 3), "socialization acts to connect individuals…with the resulting pattern of close interaction creating a network of interdependent social exchanges, and increasing the level of mutual trust and respect present in the relationship".

Cousins et al (2005a) define supply chain socialization as the process by which individuals acquire knowledge of the other enterprise's social values and norms, through standards of social etiquette, special language, rules of thumb etc. This aspect of socialization strengthens the level of norms which are established between buyers and suppliers – a component of relational capital. Describing socialization as a process through which actors 'learn the ropes' (Wooldridge & Minsky, 2002) supports this idea. The socialization process provides the time, opportunity and motivation to strengthen the relationship, through improved communication and understanding of the other party (Chalos & O'Connor, 2004). We therefore expect socialisation mechanisms to increase the level of relational capital. Thus,

***Hypothesis 5***

> ***Socialization mechanisms will have a positive impact on the level of relational capital created in a buyer-supplier relationship***

### 3.1.6 Maturity of the Relationship

When considering relational capital and its effect on performance, it is not enough to focus exclusively on whom one knows. Rather how well one knows them is an important variable which should also be included in the analysis (Morgan, Sharpe, Kelly, & Whitley, 2002). Cannon and Homburg (2001) support this idea and emphasise the importance of studying the time dimension in relationships.

The duration of a buyer-supplier relationship has important implications for the specific investments attributed to the relationship and the relational capital created. Tsai (2000) states explicitly that relational capital builds over time. More specifically, Nahapiet and Ghoshal (1998) indicate that time is an important element in the development of relational capital as it helps to further stabilise the relationship and continuity of the social bond between buyers an suppliers. It takes time to build trust and stability in a relationship and there is a wealth of literature to support the suggestion that trust increases between buyers and suppliers the longer they work together (Sako et al., 1998) (Handfield & Bechtel, 2002) (Lane & Bachmann, 1996). Cannon *et al* (2001: 39) suggest that the age of a relationship "moderates the cost saving effects of product quality and relationship specific adaptations". It is expected that the maturity of an exchange between two parties will help dictate the level of relationship specific adaptations that buyers or suppliers are willing to invest in the relationship.

As a relationship develops, the actors will be better acquainted with the value that can be derived from their investment in the relationship and can assess its worth. Also, as levels of identification, 'friendship' and trust develops between buyers and suppliers, the fear of opportunism will be reduced and the need to protect specific investments minimised (Cannon et al., 1999; Cannon et al., 2000). In an empirical study of dyadic relationships, Buvik and Haugland (2005) found that as the length of relationships increase, both actors mutually employ specific assets. Hallen, Johanson and Seyed-Mohamed (1991), in a marketing context, found that when both actors make specific adaptations to the relationship, it develops trust in the early stages and in the mature stage, will expand and solidify the relationship.

***Hypothesis 6a***

> ***Relationship duration has a positive moderating effect on the relationship between a buyer's specific adaptations and relational capital creation***

***Hypothesis 6b***

> ***Relationship duration has a positive moderating effect on the relationship between a supplier's specific adaptations and relational capital creation***

### *3.2 The Effect of Relational Capital Creation on Performance Outcomes*

Relational capital differs from other forms of capital in that there is no straightforward way to measure the value of social interactions on performance (Dasgupta, 2005). The characteristics of relational capital make it inherently difficult to measure and link to performance (Lawson, Tyler, & Cousins, 2005). The following three hypotheses identify a relationship between relational capital and buyer-firm performance on three levels: (1) relational performance, (2) operational performance, and (3) financial performance.

#### 3.2.1 Relational Performance

The performance of a relationship is often excluded from models of relational development, illustrating the assumption that relationships will automatically improve performance (O'Toole & Donaldson, 2002). Lamming et al (1996) were among the first to apply relationship principles to buyer-supplier relationship assessment. In this study, relational outcomes measure the performance of a wide variety of relationship activities.

> "The more each firm becomes enmeshed in the social networks of the other, such that there are overlaps in friendship networks and other business acquaintances, the more binding friendship becomes, and the more stable and predictable it is likely to be" (Pfeffer & Salanick, 1978: 146).

Mummalaneni and Wilson (1991) found that actors who have a strong personal relationship are more committed to maintaining the relationship than if they were less socially bonded. Building on this, Lawson et al (2005) found that relational capital is directly linked to relational performance improvements. Relational capital reduces the risk of actors in the relationship breaking informal existing agreements that may be in place (Kale et al., 2000), thereby increasing the stability as, "parties to the exchange make a good-faith effort not to take excessive and unilateral advantage of the other, even when the opportunity is available" (Kale et al., 2000: 222).

In this research, relational outcomes are assessed in terms of the level of stability and satisfaction associated with the relationship. Satisfaction has been defined as "a positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm" (Anderson et al., 1990: 45). This research examines business relationships, and therefore satisfaction is a critical variable. A relationship must satisfy all actors' needs and expectations on the basic elements of the exchange if the relationship is to continue. However, a relationship needs to fulfil other expectations if it is to continue to return value. Satisfaction and stability are complementary and are effected by the level of trust and identification between partners. The stability of relationships implies the adoption of a long-term orientation towards the relationship (Dwyer et al., 1987). The existence of relational capital helps to reduce the fear of opportunism and thus increases the stability of a relationship. As the costs of guarding against partner opportunism are reduced, the level of relational satisfaction will increase. As buyers and suppliers work together and develop relational capital whilst pursuing mutual benefit, the feeling of compatibility is increased. According to Anderson and Narus (1990: 46) "this perceived compatibility, as well as the fulfilment associated with attaining desired outcomes, affords a strong feeling of 'chemistry' and results in satisfaction" with the relationship.

***Hypothesis 9***

***Relational capital will have a positive impact on the performance of the relationship***

3.2.2 Operational Performance

As actors become more knowledgeable of each other and develop an understanding of the idiosyncrasies of the relationship, they are better able to recognise peculiarities and prepare for uncertainties. Gulati and Gargiulo (1995b) provide evidence that strong interpersonal ties between two organisations provide channels through which each partner can learn about the others' competencies and reliability. This knowledge and understanding in itself represents an important component of relational capital as it enables the transfer of information more efficiently across the buyer-supplier dyad. Improved operational performance (ie. lead times, quality, cost reduction, delivery times) will be inevitably linked to this aspect of relational capital – an idea empirically supported in the literature (Cousins et al., 2005a; Gulati, 1995b; Zaheer et al., 1998). The links created through the creation of relational capital can encourage product innovation, expedite resource exchange (Gabby and Zuckerman, 1998; Hansen, 1998) and create intellectual capital (Nahapiet et al., 1998).

The close levels of cooperation that occur between actors as a result of the relational capital developed in a relationship enable them to pool resources in order to achieve mutual benefits that would not be attained through acting alone. The respective firms will therefore have access to a wider range of technologies, complementary skills and knowledge and will have the ability to provide a wider range of products/services. These factors combined should have a positive effect on the ability to conform to specifications, lead times, quality and a lead to a reduction in total costs. Therefore, relational capital can help to improve operational aspects of organisations.

***Hypothesis 8***

***Relational capital will have a positive impact on levels of operational performance***

3.2.3 Financial Performance

Buyer-supplier relationships are viewed as having positive links to performance (Carr, 1999; Dyer, 2000; Han, Wilson, & Dant, 1993; Heide & Stump, 1995) but little is known about the composition and extent of this performance. The relational view espouses that supernormal profits or 'relational rents' (Dyer et al., 1998) can be derived by both parties in an idiosyncratic exchange process. To date, there is a lack of robust evidence for this link between relational capital and supernormal profits.

Most of the relational research to date has concentrated on how relationships lead to individual behavioural outcomes such as trust and cooperation, paying little attention to the direct, economic outcomes of close buyer-supplier relationships. This is a surprising point when one considers that one of the main motivations of promoting cooperative supply relationships is the potential to drive down the costs inherent in exchange. This increased emphasis on 'hard', cost-related outcomes will hopefully lead to greater practitioner interest in this area.

Whilst there is a lack of empirical evidence to support the supposition that relational capital breeds financial performance improvements, the literature to date on relational capital provides theoretical attestation of this. The extant literature suggests that relational capital and the resulting trust, norms and sanctions which accrue help to reduce the costs of firm exchange. Corsten and Felde propose that "trust results in a higher capacity for collaboration, adaptation, and commitment, which eliminates friction in day-to-day operations, leads to better coordination, which will result in improved financial performance" (Corsten & Felde, 2005: 450). Norms of trust act as an informal form of control, disqualifying the need for more formal, legal forms of control (Dyer et al., 1998; Kale et al., 2000; Yu et al., 2005; Zaheer et al., 1995). Consequently, the fear of opportunism is reduced and actors in a relationship can cooperate on a more open basis. The implications of this are a reduction in the transaction costs associated with exchange as the costs of organising other governance arrangements are reduced, freeing resources and reducing costs (Fukuyama, 1995). Uzzi (1999) identifies that firms with embedded relations are also more likely to receive lower cost financing. More importantly, it is suggested that firms with social and network relations can encourage a firm to increase its effort, increasing financial performance and revenue beyond what it would have been had it been embedded in a more limiting set of relations (Uzzi, 1999).

***Hypothesis 7***

> ***Relational capital in a buyer-supplier relationship will have a positive effect on the financial performance of the buyer firm***

The hypotheses developed in this section highlight the importance of linking relational capital to specific performance indictors. The next section elaborates on the research methodology which will be used to examine the hypotheses outlined in this section.

## 4. Research Method

A large international organisation provides the context for the testing of the hypothesised model. A large scale survey will be developed which will examine approximately 150 matched buyer-supplier relationships within this company. This 'fine grained' approach which assesses only one firm's supplier relationships helps to avoid the potentially confounding effects of variation in company practises (Hult, Ketchen, & Slater, 2004). It also overcomes the problems associated with single informants reporting effectively for large organisations (Seidler, 1974). Data will only be collected from individuals in the buying firm who work directly with their key strategic supplier. Each respondent will be asked a series of qualifying questions to ensure this. All respondents will be asked to identify their corresponding partner (i.e. the buyer will identify their key supplier and vice versa). This will enable this study to link responses from buyers and suppliers.

### 4.1 Level of Analysis

The theoretical model outlined in Figure 2 dictates the level of analysis utilised in this study. The unit of analysis is "the unit to which data are assigned for hypothesis testing and statistical analysis" (Rousseau, 1985: 4). The central research questions of this research investigate the antecedents and outcomes of relational capital in a buyer-supplier relationship and thus the buyer-supplier dyad is the unit of analysis in this study. This approach contrasts with most empirical work in this area which are typically confined to one aspect of the dyad.

## 4.2 Survey Data Collection

It is decided that a survey is the most appropriate means through which to acquire the information needed in this study. The survey data will be collected through a self-administered questionnaire which will be mailed to respondents. It is acknowledged that mail surveys are often associated with low response rates ranging from 5-10% (Miles & Huberman, 1994). However, a number of procedures will be put in place to avoid this outcome and increase the response rate. These measures will be discussed in Section 4.5.

When responding to the questions about the buyer-supplier relationship, informants will be asked to consider the relationship with the supplier they view as most strategic and supplying 'critical items'. There a number of notable advantages associated with the use of mail surveys. The survey questionnaires will use standardized questions and therefore all respondents are presented with the same information, thereby eliminating the risk of interviewer bias. While, it is acknowledged that a range of open-ended questions would enable the collection of rich data on a variety of issues, this approach is likely to be ineffective and inefficient as it will not permit the application of statistical tests and hence is not complementary to the research philosophy of the researcher. Also, with mail surveys, distribution bias is minimized and the likelihood of a thoughtful reply is enhanced as respondents have the freedom to reflect on the questions – control is in their hands and they can complete it at a time convenient to themselves. The use of this method is further justified by the fact that some of information needed to quantify the variables in the theoretical model are not readily available from any objective or published source of data.

## 4.3 Construct Measurement

The semi-structured interviews, as a secondary piece of data collection will be used to guide the development of the survey instrument used in this research. The use of an interview plan and specific probes will be used to ensure that all dimensions of the model will be covered throughout the course of the interview. This research will also build on the literature which has effectively developed and used constructs relating to the proposed theoretical model. Constructs will be developed to test the ten variables in the model. The key variables in the conceptual model will be operationalised using multi-item reflective scales (Bollen & Lennox, 1991). Parallel versions of the items will be used for the buyer and the supplier. Multiple items will be used to derive a measure for the constructs using closed-response questions and measures at the ordinal level using seven point Likert scales.

The selection of informants with comparable roles will help to increase the level of validity and the ability to compare findings. It is acknowledged that the collection of buyer-supplier relationship data is difficult and requires considerable cooperation with the companies involved (Anderson et al., 1990). Supplier relationships are often over managed, and therefore selection of the key informants is important. The informant in the buyer company will be the head of the purchasing department or the person most acquainted with the supplier firm on which the survey responses are based. The informant in the supplying company will be the individual who is most acquainted with the relationship with the buyer in question.

## 4.4 Pilot Testing

The survey questionnaires will be refined through a series of semi-structured interviews with purchasing executives and their key suppliers in the UK. Pilot testing through a series of interviews will help to refine and focus the final closed-question survey (Foddy, 1996). Interviews will be conducted with five supplier firms and five buyers. In these interviews, the interviewees will be asked to complete the questionnaire and raise questions where problems and ambiguities arise with wording and the questionnaire layout. The feedback received from these interviews will inform the content validity of the measurement instrument. Changes may have to be made to accommodate for the language used, or the numbering/ordering of questions.

Each interview will be tape-recorded and will last on average, one and a half hours. If necessary the informants will be contacted by phone and/or email to elucidate any unclear issues arising from the interviews. The pilot testing of the questionnaire will assist in an assessment of the time and cost involved in its completion. Semi-structured interviews are chosen in this study so as not to delimit areas of enquiry. They place the locus of control in the hands of the researcher and an increased degree of flexibility (Bryman & Bell, 2003) allows the researcher to control momentum and change the flow of the interview process if necessary (Cassell & Symon, 1997). Reducing the level of structure and increasing flexibility will hopefully, “enhance the opportunity of genuinely revealing the perspective of the people you are studying” (Bryman et al., 2003: 298).

## 4.5 Response Rate

Prior to the distribution of the survey, it is hoped that liaisons between the researcher and a senior purchasing individual in the buying company will have a positive effect in the credibility of the survey and consequently the response rate. The single grained approach to data collection through one buying company has the potential for that company to receive detailed empirical data regarding their key supply relationships. They are thus more likely to offer lend their support for the research project and data collection. Company support for the survey, when communicated to suppliers should highlight the importance of completion of the survey. The anonymity of all survey responses will be stressed on the cover letter which accompanies the survey – this should positively influence the response rate.

To further maximise the response rate, this research will follow the steps described by Dillman (1978). A package will be sent to the buyers being surveyed, containing a letter of support from the focal buying company, the questionnaire, a pre-paid return envelope and an introductory letter. As an incentive for completing the survey, respondents will be offered a summary report with the main statistical findings. Two weeks after the questionnaire is mailed, a follow up mailing will be sent to the companies that had not responded.

## 5. Conclusions

This research postulates that effective management of relational capital can only be feasible if the processes and actions which facilitate its creation are clearly delineated. Also, the development of clear links between relational capital and performance are required both for academics and practioners. The links to *specific* types of firm performance are necessary in order for relational capital to be viewed as a strategic asset to the firm. From this, continued research on relational capital and social capital can be enhanced and operationalised. It follows that practioners require strong support for a concept before they allocate resources to its management. This is why the link to financial performance is so critical – practioners need evidence that relational capital is not a 'soft', intangible fad, but that it can improve their relational and operational performance and ultimately, their 'bottom line'.

REFERENCES


Adler, P. S., & Kwon, S.-W. 2002. Social capital: Prospects for a new concept. ***Academy of Management Review***, 27(1): 17-40.

Alchian, A. A., & Demsetz, S. G. 1972. Production, information costs, and economic organisation. ***American Economic Review***: 777-795.

Amit, R., & Schoemaker, P. J. H. 1993. Strategic assets and organizational rent. ***Strategic Management Journal***, 14(1): 33-46.

Anderson, E., & Weitz, B. 1992. The use of pledges to build and sustain commitment in distribution channels. ***Journal of Marketing Research***, 29: 18-34.

Anderson, J. C., & Narus, J. A. 1990. A Model of Distributor Firm and Manufacturer Firm Working Relationships. ***Journal of Marketing***, 54(1): 42-58.

Anderson, J. C., & Narus, J. A. 1992. A model of the distributor firm and manufacturer firm working partnerships. ***Journal of Marketing***, 54: 42-58.

Arrow, K. J. 1974. ***The limits of the organisation***. New York: W. W. Norton & Company.

Axelrod, R. 1986. An evolutionary approach to norms. ***American Political Science Review***, 80: 1095-1111.

Barney, J., & Hansen, M. H. 1994. Trustworthiness as a source of competitive advantage. ***Strategic Management Journal***, 15: 175-190.

Bell, G. G., Oppenheimer, R. J., & Bastien, A. 2002. Trust deterioration in an international buyer-supplier relationship. ***Journal of Business Ethics***, 36(1/2): 65-78.

Blau, P. M. 1964. ***Exchange and power in social life***. New York: Wiley.

Bollen, K., & Lennox, R. 1991. Conventional wisdom on measurement: A structural equation perspective. ***Psychological Bulletin***, 110(2): 305-314.

Bradach, J. L., & Eccles, R. G. 1989. Price, Authority, and Trust: From ideal types to plural forms. ***Annual Review of Sociology***, 15: 97-118.

Brennan, R., & Turnbull, P. W. 1999. Adaptive behaviour in buyer-supplier relationships. ***Industrial Marketing Management***, 28: 481-495.

Bryman, A., & Bell, A. 2003. ***Business Research Methods***. Oxford: Oxford University Press.

Burt, R. S. 1992. ***Structural Holes: the social structure of competition***. Cambridge, MA: Harvard University Press.

Burt, R. S. 2000. The network structure of social capital. In R. I. Sutton, & B. M. Staw (Eds.), ***Research in Organizational Behavior***: 3345-3423. Greenwich, CT: JAI Press.

Buvik, A., & Haugland, S. A. 2005. The allocation of specific assets, relationship duration, and contractual coordination in buyer-seller relationships. ***Scandanavian Journal of***

***Management***, 21: 41-60.

Buvik, A., & Reve, T. 2001. Asymmetrical deployment of specific assets and contractual safeguarding in industrial purchasing relationships`. ***Journal of Business Research***, 51: 101-113.

Campbell, A. 1997. Buyer-supplier relationships: flip sides of the same coin? ***Journal of Business and Industrial Marketing***, 12(6): 417-434.

Cannon, J., & Perreault, W. D. J. 1999. Buyer-Seller Relationships In Business Markets. ***Journal of Marketing Research***, 36(4): 439-460.

Cannon, J. P., Achrol, R. S., & Gundlach, G. T. 2000. Contracts, norms, and plural form governance. ***Academy of Marketing Science***, 28(2).

Cannon, J. P., & Homburg, C. 2001. Buyer-supplier relationships and customer firm costs. ***Journal of Marketing***, 65(1): 29-43.

Carr, A. S., & Pearson, J.N. 1999. Strategically managed buyer-supplier relationships and performance outcomes. ***Journal of Operations Management***, 17: 497-519.

Cassell, C., & Symon, G. 1997. ***Qualitative Methods in Organizational Research***. London: Thousand Oaks.

Chalos, P., & O'Connor, N. G. 2004. Determinants of the use of various control mechanisms in US-Chinese joint ventures. ***Accounting, Organizations and Society***, 29: 591-608.

Choi, T. Y., & Krause, D. R. 2005. The supply base and its complexity: Implications for transaction costs, risks, responsivenss, and innovation. ***Journal of Operations Management***.

Cohen, D., & Prusak, L. 2001. ***In Good Company: How Social Capital Makes Organisations Work***. Boston: Harvard Business School Press.

Coleman, J. S. 1988. Social capital in the creation of human capital. ***American Journal of Sociology***, 94: S95-S120.

Coleman, J. S. 1990. ***Foundations of Social Theory***. Cambridge, MA: Belknap Press.

Conner, K. R., & Prahalad, C. K. 1996. A resource-based theory of the firm: knowledge versus opportunism. ***Organization Science***, 7(5): 477-501.

Corsten, D., & Felde, J. 2005. Exploring the performance effects of key-supplier collaboration: an empirical investigation into Swiss buyer-supplier relationships. ***International Journal of Physical Distribution and Logistics Management***, 35(6): 445-461.

Cousins, P., Handfield, R. B., Lawson, B., & Petersen, K. J. 2005a. Creating supply chain relational capital: the impact of formal and informal socialization processes. ***Working Paper***.

Cousins, P. D. 1999. Supply Base Rationalisation: Myth or Reality. ***European Journal of Purchasing & Supply Management***, 5(1): 15-25.

Cousins, P. D. 2002. A Conceptual Model for managing long-term inter-organisational relationships. ***European Journal of Purchasing & Supply Management***, 8: 71-82.

Cousins, P. D., Lamming, R., & Bowen, F. 2004. The role of risk in environment-related supplier initiatives. ***International Journal of Operations and Production Management***, 24(6): 554-565.

Cousins, P. D., & Lawson, B. 2005b. Performance measurement in strategic buyer-supplier relationships: the mediating role of socialization processes. ***In Press***.

Cousins, P. D., & Menguc, B. 2005c. The implications of socialization and integration in supply chain management. ***Journal of Operations Management***, In Press.

Croom, S. 2001. Restructuring supply chains through information channel innovation. ***International Journal of Operations & Production Management***, 21(4): 504-514.

Das, T. K., & Teng, B.-S. 1998. Resource and risk management in the strategic alliance making process. ***Journal of Management***, 24(1): 21-42.

Dasgupta, P. 2005. Economics of social capital. ***Economic Record***, 81: S2-S21.

Dewhurst, F. W., & Cegarra Navarro, J. G. 2004. External communities of practice and relational capital. ***The Learning Organisation***, 11(4/5): 322-331.

Dillman, D. A. 1978. ***Mail and telephone surveys: The total design method***. New York: Wiley.

Duschek, S. 2004. Inter-firm resources and sustained competitive advantage. ***Management Revue***, 15(1): 53-73.

Dwyer, R. F., Schurr, P. H., & Oh, S. 1987. Developing buyer-seller relationships. ***Journal of Marketing***, 51(April): 11-27.

Dyer, J., & Ouchi, W. G. 1993. Japanese style business partnership: Giving companies a competitive edge. ***Sloan Management Review***, 35: 51-63.

Dyer, J., & Singh, J. 1998. The relational view: cooperative strategy and sources of interorganizational competitive advantage. ***Academy of Management Review***, 23(4): 660-679.

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.

Dyer, J. H. 2000. ***Collaborative advantage: winning through extended enterprise supplier networks***. New York: Oxford University Press.

Edelman, L. F., Bresnen, M., Newell, S., Scarbrough, H., & Swan, J. 2004. The benefits and pitfalls of social capital: empirical evidence from two organisations in the united kingdom. ***British Journal of Management***, 15: S59-S69.

Ellram, L. M., & Carr, A. 1994. Strategic purchasing: A history and review of the literature. ***International Journal of Purchasing and Materials Management***, 30(2): 10-22.

Foddy, W. 1996. ***Constructing questions for interviews and questionnaires: theory and practice in***

***social research***. Hong Kong: Cambridge University Press.

Foss, N. J. 1997. ***Resources, firms, and strategies: a reader in the resource-based perspective***. Oxford: Oxford University Press.

Fukuyama, F. 1995. Social capital and the global economy. ***Foreign Affairs***, 74: 89-103.

Ghoshal, S., & Moran, P. 1996. Bad for practice: a critique of the transaction cost theory. ***Academy of Management Review***, 21(1): 13-35.

Granovetter, M. 1985. Economic Action and Social Structure: The Problem of Embeddedness. ***American Journal of Sociology***, 91: 481-510.

Granovetter, M. 1992. ***Economic Institutions as Social Constructions: A Framework for Analysis***.

Grover, V., & Malhotra, M. K. 2003. Transaction cost framework in operations and supply chain management research: theory and measurement. ***Journal of Operations Management***: 1-17.

Gulati, R. 1995a. Does familiarity breed trust? The implications of repeated ties for contractual choice in alliances. ***Academy of Management Journal***, 38(1): 85-112.

Gulati, R. 1995b. Social Structure and alliance formation pattern: A longitudinal analysis. ***Administrative Science Quarterly***, 40: 619-642.

Gulati, R., & Gargiulo, M. 1999. Where do interorganizational networks come from? ***American Journal of Sociology***, 104(5): 1439-1493.

Hakansson, H. 1982. ***A Model of Industrial Networks. In: Industrial Networks - A New View of Reality***.

Hakansson, H., & Snehota, I. 1989. No business is an island. ***Scandinavian Journal of Management***, 5: 187-200.

Hallén, L., Johanson, J., & Seyed-Mohamed, N. 1991. Inter-firm adaptations in business relationships. ***Journal of Marketing***, 55(April): 29-37.

Han, S.-L., Wilson, D. T., & Dant, S. P. 1993. Buyer-supplier relationships today. ***Industrial Marketing Management***, 22(4): 331-339.

Handfield, R. B., & Bechtel, C. 2002. The role of trust and relationship structure in improving supply chain responsiveness. ***Industrial Marketing Management***, 31: 367-382.

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.

Hazelton, V., & Kennan, W. 2000. Social Capital: Reconceptualizing the bottom line. ***Corporate Communications: An International Journal***, 5(2): 81-86.

Heide, J., & Stump, R. L. 1995. Performance implications of buyer-supplier relationships in industrial-markets: A transaction cost explanation. ***Journal of Business Research***, 32(1): 57-.

Heide, J. B., & John, G. 1992. Do norms matter in marketing relationships. ***Journal of Marketing***, 56(2): 3244.

Heide, J. B., & Miner, A. S. 1992. The shadow of the future: effects of anticipated interaction and frequency of contact on buyer-seller cooperation. ***Academy of Management Journal***, 35(2): 265-291.

Helper, S., & Sako, M. 1995. Supplier relations in Japan and the United States: Are they converging? ***Sloan Management Review***, 36(3): 77-84.

Hult, T. M., Ketchen, D. J., & Slater, S. F. 2004. Information Processing, Knowledge Development, And Strategic Supply Chain Performance. ***Acadamy of Management Journal***, 47(2): 241-253.

Inkpen, A. C., & Tsang, E. W. K. 2005. Social capital, networks and knowledge transfer. ***Academy of Management Review***, 30(1): 146-165.

Johnson, J. L., Sohi, S. R., & Grewal, R. 2004. The role of relational knowledge stores in interfirm partnering. ***Journal of Marketing***, 68: 21-36.

Kale, P., Singh, H., & Perlmutter, H. 2000. Learning and protection of proprietary assets in strategic alliances: building relational capital. ***Strategic Management Journal***, 21(3): 217-237.

Koka, B. R., & Prescott, J. E. 2002. Strategic alliances as social capital: A multidimensional view`. ***Strategic Management Journal***, 23: 795-816.

Kramer, R. M., Brewer, M. B., & Hanna, B. A. 1996. Collective trust and collective action: the decision to trust as a social decision. In R. M. Kramer, & T. R. Tyler (Eds.), ***Trust in Organisations. Frontiers of Theory and Research***: 357-389. Thousand Oaks: Sage.

Lamming, R. 1993. ***Beyond Partnership: Strategies for Innovation and Lean Supply*** (First Edition ed.). London: Prentice-Hall.

Lamming, R. C., Cousins, P.D. & Notman, D.M. 1996. Beyond vendor assessment: relationship assessment programmes. ***European Journal of Purchasing and Supply Management.***, 2(4): 173-181.

Lane, C., & Bachmann, R. 1996. The social constitution of trust: supplier relations in Britain and Germany. ***Organization Studies***, 17(3): p365(331).

Langfield-Smith, K., & Greenwood, M. R. 1998. Developing Co-operative Buyer-Supplier Relationships: A Case Study of Toyota. ***Journal of Management Studies***, 35(3): 331-353.

Lawson, B., Tyler, B. B., & Cousins, P. D. 2005. Social capital effects on relational performance improvement: an informational processing perspective.

Leana, C. R., & Van Buren III, H. J. 1999. Organizational social capital and employment practices. ***Academy of Management Review***, 24(3): 538-555.

Lee, H. 2004. The triple-A supply chain. ***Harvard Business Review***, 82(10): 102.

Leek, S., Naude, P., & Peter.W., T. 2003. Interactions, relationships and networks in a changing world. ***Industrial Marketing Management***, 32: 87-90.

Louis, M. R. 1980. Surprise and sense making: What newcomers experience in enterprising unfamiliar organizational settings. ***Administrative Science Quarterly***, 25: 226-248.

Macneil, I. 1980. ***The New Social Contract***. New Haven: Yale University Press.

Madhok, A. 1995. Opportunism and trust in joint venture relationships: An exploratory study and a model. ***Scandinavian Journal of Management***, 11(1): 57-74.

Martin de Castro, G., Lopez Saez, P., & Navas Lopez, J. E. 2004. The role of corporate reputation in developing relational capital. ***Journal of Intellectual Capital***, 5(4): 575-585.

McEvily, B., Perrone, V., & Zaheer, A. 2003. Trust as an organising principle. ***Organisation science***, 14(1): 91-103.

McQuiston, H. D. 2001. A conceptual model for building and maintaining relationships between manufacturers' representatives and their principals. ***Industrial Marketing Management***, 30: 165-181.

Miles, M. B., & Huberman, A. M. 1994. ***Qualitative data analysis: an expanded sourcebook*** (2nd ed.). Thousand Oaks, CA: Sage Publications.

Mitchell, W., & Singh, K. 1996. Survival of business using collaborative relationships to commercialize complex goods. ***Strategic Management Journal***, 17(3): 169-195.

Monczka, R. M., Trent, R. J., & Handfield, R. B. 2002. ***Purchasing and supply chain management***. Cincinnati: South-Western.

Moran, P., & Ghoshal, S. 1996. Theories of economic organisation: the case for realism and balance. ***Academy of Management Review***, 32(2): 58-72.

Morgan, G., Sharpe, D. R., Kelly, W., & Whitley, R. 2002. The Future of Japanese Manufacturing in the U.K. ***Journal of Management Studies***, 36(8): 1023-1044.

Morgan, R. M., & Hunt, S. D. 1994. The commitment-trust theory of relationship marketing. ***Journal of Marketing***, 58(3): 20-38.

Mudambi, r., & Helper, S. 1998. The 'close but adversarial' model of supplier relations in the U.S auto industry. ***Strategic Management Journal***, 19: 775-792.

Mummalaneni, V., & Wilson, D. T. 1991. The influence of a close personal relationship between a buyer and seller on the continued stability of their role relationship: 1-34: The Institute for the Study of Business Markets, The Pennsylvannia State University, University Park: Pennsylvania.

Nahapiet, J., & Ghoshal, S. 1998. Social capital, intellectual capital, and the organisational advantage. ***The Academy of Management Review***, 23(2): 242-266.

Nooteboom, B., Berger, H., & Noorderhaven, N. G. 1997. Effects of trust and governance on relational risk. ***Academy of Management Journal***, 36: 794-829.

O'Toole, T., & Donaldson, B. 2002. Relationship performance dimensions of buyer-supplier exchanges. ***European Journal of Purchasing & Supply Management***, 8: 197-207.

Paldam, M. 2000. Social capital: one or many? definition and measurement. ***Journal of Economic Surveys***, 14(5): 629-653.

Pfeffer, J., & Salanick, G. R. 1978. ***The External Control of Organizations: A Resource Dependence Perspective***. New York: Harper and Row.

Prahinski, C., & Benton, W. C. 2004. Supplier evaluations: communication strategies to improve supplier performance. ***Journal of Operations Management***, 22: 39–62.

Price, L. L., & Arnould, E. J. 1999. Commercial friendships: Service provider-client relationships in context. ***Journal of Marketing***, 63(4): 38-56.

Putnam, R., D. 1993. ***Making Democracy Work: Civic Traditions in Modern Italy***. Princeton, N.J: Princeton University Press.

Putnam, R., D. 1995. Bowling alone: America's declining social capital. ***The Journal of Democracy***, 6(1): 65-78.

Rindfleisch, A., & Heide, J. B. 1997. Transaction cost analysis: past, present, and future applications. ***Journal of Marketing***, 61: 30-54.

Rinehart, L. 2003. An assessment of supplier-customer relationships. ***Journal of Business Logistics***, 25(1): 25-62.

Ring, P., & Van De Ven, A. H. 1992. Structuring Cooperative Relationships Between Organisations. ***Strategic Management Journal***, 13: 483-498.

Ring, P. S., & Van De Ven, A. H. 1994. Developmental, Processes of Cooperative Interorganisational Relationships. ***Academy of Management Review***(January): 90-118.

Robinson, L. J., Allan Schmid, A. A., & Siles, M. E. 2002. Is social capital really capital? ***Review of Social Economy***, LX(1): 1-21.

Rousseau, D. M. 1985. Issues of level in organisational research? Multi-level and cross-level perspectives. In L. L. Cummings, & B. M. Staw (Eds.), ***Research in Organizational Behavior***: 1-37. London: JAI Press.

Rousseau, D. M., Sitkin, S. B., Burt, R. S., & Camerer, C. 1998. Not so different after all: a cross discipline view of trust. ***Academy of Management Review***, 23(3): 393-404.

Sako, M., & Helper, S. 1998. Determinants of trust in supplier relations: Evidence from the automotive industry in Japan and the United States. ***Journal of Economic Behaviour and Organisation***, 34: 387-417.

Scarbrough, H. 2000. The HR implications of supply chain management. ***Human Resource Management Journal***, 10(1): 5-17.

Seidler, J. 1974. On using informants: a technique for collecting quantitative data and controlling for measurement error in organization analysis. ***American Sociological Review***, 39(December): 816-831.

Siguaw, J. A., Baker, T. L., & Simpson, P. M. 2003. Prelimary evidence on the composition of relational exchange and its outcomes: the distributor perspective. ***Journal of Business Research***, 56: 311-322.

Spekman, R. E., & Carraway, R. 2006. Making the transition to collaborative buyer-seller relationships: An emerging framework. ***Industrial Marketing Management***, 35(10-19).

Starkey, K., & Tempest, S. 2004. Bowling along: strategic management and social capital. ***European management review***, 1: 78-83.

Tsai, W. 2000. Social capital, strategic relatedness and the formation of interorganizational linkages. ***Strategic Management Journal***, 21: 925-939.

Tsai, W., & Ghoshal, S. 1998. Social capital and value creation: The role of intrafirm networks. ***Academy of Management Journal***, 41(4): 464-476.

Uzzi, B. 1997. Social structure and competition in interfirm networks: the paradox of embeddedness. ***Administrative Science Quarterly***, 42(1): 35-67.

Uzzi, B. 1999. Embededdedness in the making of financial capital: How social relations and networks benefit firms seeking financing. ***American Sociological review***, 64(4): 481-505.

Van Buren III, H. J. 2004. ***A Model and Exploration of Within-Groups Social Capital***. University of Pittsburgh.

von Hippel, E. 1988. ***The Sources of Innovation***. New York: Oxford University Press.

Whitener, E. M., Brodt, S. E., Korsgaard, M. A., & Werner, J. M. 1998. Managers as initiators of trust: An exchange relationship framework for understanding managerial trustworthy behavior. ***Academy of Management Review***, 23(3): 513-530.

Williamson, O. E. 1985. ***The economic institutions of capitalism: Firms, markets, relational contracting***. New York: Free Press.

Williamson, O. E. 1991. Comparative economic organization: the analysis of discrete structural alternatives. ***Administrative Science Quarterly***, 36: 269-296.

Wooldridge, B. R., & Minsky, B. D. 2002. The role of climate and socialisation in developing interfunctional coordination. ***The Learning Organisation***, 9(1): 29-38.

Yu, C.-M. J., Liao, T.-J., & Lin, Z.-D. 2005. Formal governance mechanisms, relational governance mechanisms, and transaction-specific investments in supplier-manufacturer relationships. ***Industrial Marketing Management***, In Press, Corrected Proof.

Zaheer, A., McEvily, B., & Perrone, V. 1998. The strategic value of buyer-supplier relationships. ***International Journal of Purchasing and Materials Management***, 34(3): 20-26.

Zaheer, A., & Venkataraman, N. 1995. Relational governance as an interorganizational strategy: An empirical test of the role of trust in economic exchange. ***Strategic Management Journal***, 16(5): 373-392.

Zucker, L. G. 1986. Production of trust: Institutional sources of economic structure, 1840-1920. ***Research in Organizational Behavior***, 8: 53-111.