

## Buyer-Supplier Relationships and Power Position: Interchanging

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### Abstract

According to several studies, power and interdependence play a considerable role in understanding the buyer–supplier relationships, yet, empirical research is still limited. Also, the nature of the buyer-supplier relationship and managing them might vary based on the power position of buyers and suppliers. Few studies focused on the reason behind this interrelation and strong influence of power on the buyer-supplier relationships. Thus, the purpose of this study is to gain better understanding and try to identify how power position and buyer-supplier relationships are interrelated, and whether there are common determinants and/or characteristics behind this strong bond between the two concepts. Both transaction cost analysis theory and social exchange theory were integrated in building the argument. Regarding the methodology, qualitative exploratory research design was employed by using multiple-case study as the main research method, where three multinational Egyptian organizations were selected. Moreover, data was collected using individual in-depth interviews, and analyzed through coding and cross case analysis techniques. The results showed that there are common factors that influence both buyer-supplier relationship characteristics and power position attributes. And according, the findings helped in pointing out a new lens of discussing and investigating the bond between buyer-supplier relationships and power in research.

**Keywords:** Buyer-Supplier Relationships; Power Position; Relationship Characteristics; Power Position Attributes.

### 1. Introduction

Over the last three decades, the buyer-supplier relationships were given a considerable attention by scholars as a vital area of study (Terpend et al. 2008; Wilson 1995). Organizations on the other hand consider its management as one of the main strategies that would help in attaining successful and sustainable supply chains (Wilson 1995; Ambrose et al. 2010). A lot of theories and models have contributed to the understanding of the inter-organizational relationships from different perspectives and backgrounds (Hall et al. 1977; Williamson 1981; Macneil 1978; Wilson 1995; Eisenhardt 1989; Canon and Perreault Jr. 1999; Chen and Paulraj 2004; Morgan and Hunt 1994). This study adopted the transaction cost analysis (TCA) (Williamson 1981; Hill 1990; Subramani 2004; Ambrose et al. 2010), and social exchange theory (SET) (Hall et al. 1977; Cox 2004; Kingshott 2006; Narasimhan et al. 2009; Ambrose et al. 2010; Canon and Perreault Jr. 1999) as its theoretical base.

The buyer-supplier relationships can be classified into arm's length and collaborative relationships based on the discrete-relational continuum introduced by Macneil in 1980, and the transactional-collaboration continuum presented by McDonald in 1999. The degree of trust, commitment, frequency of communication, relationship duration, and the reputation of both buyers and suppliers helps in distinguishing between the relationships, and consequently affect the decision of buyers and suppliers regarding the type of relationship they are willing to engage in (Chen and Paulraj 2004; Chen and Paulraj' 2004; Rajagopal and Rajagopal 2009; Wagner et al. 2011; Doney and Canon 1997; Ganesan 1994). Inter-organizational relationships cannot be only viewed from the perspective of exchanging resources without

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any regards to the power of the buyers and suppliers within the relationship (Schmidt and Kochan 1977). Accordingly, recent supply chain researches integrated power as one of the main factors affecting the inter-organizational relationships (Narasimhan et al. 2009; Bastl et al. 2013; Kahkonen and Lintukangas 2010; Cox 2001; Cox 2004). Nevertheless, the reason behind this strong connection and how buyer-supplier relationships and power are interrelated was not clearly investigated in previous researches. That is why the current study is concerned with answering the research question “How buyer-supplier relationships and power position are strongly interrelated?” Also, since the power position attributes were not clearly investigated in previous researches, the current study has focused on identifying and determining them.

The paper will begin with a comprehensive analysis of the previous literature. First a quick review on the definition and importance of managing supply chains. Followed by an analysis of the buyer-supplier relationship and its characteristics. Then a thorough analysis of power and power position by spotting the light on the different attributes that might affect the power position of buyers and suppliers in the supply chain. Finally, it includes sections of research gap and methodology, analysis, findings, discussion and conclusion, limitations and future research.

## **2. Literature Review**

### **2.1. Buyer-Supplier Relationship**

The core of achieving a successful supply chain is through the effective management of buyer-supplier relationships. Therefore, in order for buyers and suppliers to reach a more sustainable and successful relationship, both have to realize the benefit they will gain from managing such relation (Ambrose et al. 2010). Buyer-supplier relationships with reference to McDonald (1999) can be represented and elaborated in terms of the transactional-collaboration continuum (Chen and Fung 2013; He et al. 2011; MacDonald 1999).

The transactional relationship in one end represents the engagement of buyers and suppliers in arm's length relationship (He et al. 2011; Gullett et al. 2009; MacDonald 1999) that is characterized by short-term orientation, wide supplier-base, one-time specific transaction requirement, and very low or no degree of trust followed by close monitoring (He et al. 2011; MacDonald 1999). The other extreme of the continuum is the collaborative relationship (Chen and Fung 2013; He et al. 2011; MacDonald 1999) which is said to be partnership as the most collaborative exchange (He et al. 2011; Gullett et al. 2009) that requires high degree of trust and commitment, encourages interdependence, balanced power, shared understanding, and knowledge exchange among buyers and suppliers (He et al. 2011; MacDonald 1999).

#### **2.1.1. Buyer-Supplier Relationship characteristics**

In order to manage buyer-supplier relationships successfully in supply chain, great attention has to be given to its characteristics. From those characteristics trust, commitment, frequency of communication, relationship duration (Chen and Paulraj 2004; Chen and Paulraj 2004; Rajagopal and Rajagopal 2009), and reputation (Wagner et al. 2011; Doney and Canon 1997; Ganesan 1994).

##### **2.1.1.1. Trust**

A great attention was given to trust in social exchange theory, commitment-trust theory, and organizational behavior theory, and accordingly was considered the main building block for all the relational exchanges (Morgan and Hunt 1994). The confidence in the reliability and integrity between the exchanging partners is considered the base behind building trust within the relationship (Morgan and Hunt 1994; Kwon and Suh 2005). And therefore, trust can be defined as the willingness of relationship partners to exert effort, take risk, and sacrifice some power and control over the other partner for the success of the relationship (Gullett et al. 2009; Kwon and Suh 2005; Doney and Canon 1997; Spekman et al. 1998; Morgan and Hunt 1994).

According to SET, trust is mainly created as a result of the reciprocation of benefit among the organizations of the relational exchange overtime (Lambe et al. 2001). The more valuable the exchange benefits and the more frequent the communication are, the higher the degree of trust created among the buyer-supplier relationship (Lambe. et al. 2001). This interrelationship among the relationship characteristics is shown in figure (1).

Trust is a main factor affecting the strength of any inter-organizational relationships (Lambe et al. 2001) and its effective management as well (Pantnayakuni and Seth 2006). Therefore, it is considered a basic relational norm for any buyer-supplier relationship (Pantnayakuni and Seth 2006). It is directly and significantly related to the frequency of communication, shared values, degree of satisfaction (Lambe et al. 2001), cooperation of organization within relationships (Jap 1999; Lambe et al. 2001), reducing opportunism (Jap 1999; Terawatanavong and Quazi 2006), and promoting long-term orientation and commitment within inter-organizational relationships (Terawatanavong and Quazi 2006).

#### **2.1.1.2. Commitment**

On the other hand, commitment is drawn with reference to commitment-trust theory, social exchange theory, marriage, and organizational theories, and is considered as the soul of the relationship marketing and inter-organizational relationships (Morgan and Hunt 1994; Kwon and Suh 2005). The degree of commitment reflects the willingness of each organization to exert the necessary efforts and make the appropriate investments that would result in mutual benefit for both parties (Lambe et al. 2001; Terawatanavong and Quazi 2006).

Trust plays an important role according to SET in affecting the organizations' degree of commitment to the exchange (Lambe et al. 2001; Terawatanavong and Quazi 2006). The higher the degree of trust created between organizations within the exchange, the higher the degree of commitment of each to it (Lambe et al. 2001). The more successful and durable relational exchanges that generates positive outcomes, the higher the level of trust and commitment created as well (Lambe et al. 2001). The higher the degree of both trust and commitment helps in reducing opportunism and encourages inter-organizational cooperation (Lambe et al. 2001). By referring to the norm of reciprocity, the mutuality of commitment between buyers and suppliers strengthen their relationship (Terawatanavong and Quazi 2006).

Based on the commitment-trust theory, commitment can be seen as the positive belief of the exchanging partner about the significance and continuation of the relationship that might warrant them the benefit from exerting effort in such a relation (Morgan and Hunt 1994; Kwon and Suh 2005). Therefore, by considering trust as a main building block, commitment refers to the creation of a more sustainable business organization and interdependent relationships between buyers and suppliers (Gullett et al. 2009; Kwon and Suh 2005; Spekman et al. 1998; Morgan and Hunt 1994). Then supply chain performance will be greatly affected by the degree of commitment in buyer-supplier relationships as it would help in having common goals and efforts, while allowing long-term success for all SC entities (Spekman et al. 1998).

#### **2.1.1.3. Frequency of Communication**

According to both the transaction cost and social exchange theories, communication has a vital role in the enhancement of the buyer-supplier relationship (Ambrose et al. 2010). It is reflected in many disciplines such as supply chain management and relationship marketing literatures as an important predecessor for trust in any buyer-supplier relationship (Vijver et al. 2011). Close buyer-supplier relationship requires high degree of trust (Paulraj and Chen 2005), commitment (Ambrose et al. 2010), and more frequent and effective communication (Paulraj and Chen 2005) for better information exchange and successful relationship (Paulraj and Chen 2005; Vijver et al. 2011; Ambrose et al. 2010).

In this paper the frequency of communication is going to be separated from the content of knowledge or information exchanged. Accordingly, frequency of communication can be defined as the degree of contact and interaction between buyers and suppliers in an inter-organizational relationship. With reference to Schmidt and Kochan (1977), the frequency of communication and interaction between buyers and suppliers is based on the benefit they perceive to gain from the relationship. Based on TCA theory, Hobbs (1996) stated that the frequency of transaction affects greatly the level of information shared, opportunistic behavior, and consequently the type of governance structure. It is argued that the less frequent the transaction is between buyers and suppliers, the more opportunism, the lower level of information shared among them, and the more the governance structure is towards complete vertical integration (Hobbs 1996).

#### **2.1.1.4. Relationship Duration**

The duration of relationship reflects the level of experience gained by each of the suppliers and buyers in dealing with each other, the developed behaviors and norms, and the relationship specific-assets they invested in (Kotabe et al. 2003). The duration of relationship between buyers and suppliers depends basically on trust. As trust increases, buyers and suppliers start acting collectively, investing in each other's capabilities; thus become more predictive to the other's behavior (Doney and Canon 1997), jointly solve problems and design new products, and commonalize their plans (Spekman et al. 1998). This will consequently lead to a longer and closer buyers-suppliers relationship which will allow them to share risks and rewards (Doney and Canon 1997; Spekman et al. 1998; Chen and Paulraj 2004).

#### **2.1.1.5. Reputation**

The supplier's reputation greatly affects his relationship with its buyers in supply chains (Wagner et al. 2011). Reputation is considered a main selection criterion and characteristic of suppliers in buyer-supplier relationships (Wagner et al. 2011; Doney and Canon 1997; Ganesan 1994), and it can be referred to as the supplier's intangible asset (Wagner et al. 2011). Reputation can be defined as the extent to which suppliers are fair, honest, and concerned with their buyers in relationships (Wagner et al. 2011; Doney and Canon 1997; Ganesan 1994). The spreading of the supplier's good reputation within the whole market will enhance its credibility (Doney and Canon 1997; Ganesan 1994), while encouraging the buyers to sustain current relations and willingness in engaging with them in collaboration (Wagner et al. 2011).

The reputation is said to be interrelated with the degree of trust and commitment, and relationship duration as well (Wagner et al. 2011). The positive supplier's reputation will raise the degree of buyer's trust in him, increase their willingness to lengthen the relationship duration (Wagner et al. 2011; Doney and Canon 1997; Ganesan 1994), and enhances their degree of commitment to the relationship as well (Wagner et al. 2011). This also ensures the interrelationship between the relationship characteristics as shown in figure (1). The difficulty of building good reputation hinders the supplier from acting opportunistically in his relationship with buyers even for short-term period of time, fearing from losing it (Wagner et al. 2011; Houston and Johnson 2000; Doney and Canon 1997; Ganesan 1994). Since reputation is considered a valuable intangible asset for the suppliers that required a huge investment to be gained and built (Wagner et al. 2011; Doney and Canon 1997), losing it through his opportunistic behavior will result in huge costs that he would not bear (Houston and Johnson 2000; Doney and Canon 1997).

## **2.2. Power in Supply Chain**

### **2.2.1. Power Definition**

Power is considered as the heart of the supply network that has a great effect on the strategic decisions, resources, the interdependencies, activities performed, and consequently the type of relationship created among the supply chain entities (Kahkonen and Lintukangas 2010). It can be illustrated as the capability of one of the supply chain or network entities to affect and control another's intention, decisions, behavior and actions (Kähkönen 2014; Bastl et al. 2013; Kahkonen and Lintukangas 2010; Maloni and Benton 1999). Social exchange theory (SET) pays a great attention to power, especially in supply chain researches as they consider power as an important factor affecting the inter-organizational relationships within supply chains (Narasimhan et al. 2009). Researchers spotted the light on dependency as a mean of having a better explanation and understanding of power (Cook 1977: 65; Rokkan and Haugland 2000: 215; Narasimhan et al. 2009). Whereas power and dependence are considered by scholars (Kähkönen 2014; Hoejmose et al. 2013; Caniel and Gelderman 2007) as double faces of the same coin.

### **2.2.2. Power Position**

Each organization within a supply chain has its own power position. The power position reflects the role of each organization and the type of relation it is engaged in with other supply chain entities (Kähkönen 2014; Kahkonen and Lintukangas 2010). It is argued that, the power position of an organization is determined based on the ownership of valuable, rare, inimitable, and non-substitutable resources such as unique capabilities, assets, processes, knowledge, and etc. (Bastl et al. 2013). The organizations are seeking to increase their value and sustain their business success, through the clarification of their power position in contrast with others in the supply chain/network (Cox 1999).

Power position can be classified into three types: power dominance, power balance (Kähkönen 2014; Hoejmose et al. 2013; Kahkonen and Lintukangas 2010; Caniel and Gelderman 2007), and power independence (Cox 2004; Cox 2001; Caniel and Gelderman 2007; Geyskens et al. 1996; Buchanan 1992; Frazier and Rody 1991; Andreson and Weitz 1989). The interdependence between relationship partners can be known as "power balance" (Kahkonen and Lintukangas 2010; Cox 2004; Cox 2001) or "symmetric power" (Hoejmose et al. 2013: 279). In this state both buyers and suppliers have equal power and dependent on each other (Hoejmose et al. 2013; Caniel and Gelderman 2007). The domination and control of a supply chain over the key value-creating resources as "structural dominance" (Cox 1999), which will result in power imbalance or what is called "asymmetric power" where one of the organizations is dominant over and influence the weaker dependent one (Hoejmose et al. 2013). On the other hand, according to Cox (2001; 2004) power independence takes place when neither the buyer nor the supplier performs or has any sort of power over the other. Both are compelled to accept the current prices, qualities, and returns in order to just perform the transaction (Cox 2001). Also, Caniel and Gelderman (2007) added that power independency can be counted as one form of asymmetric power (Power imbalance).

#### **2.2.2.1. Power Position Attributes**

Power position is said to be determined according to the managed resources, capabilities, core competencies, knowledge owned, and the activities performed by each (Kähkönen 2014; Kahkonen and Lintukangas 2010: 61). Also Cox (2004; 2001) suggested certain power attributes that can be used as a determinant of the buyer/supplier power position in a relationship. The power position attributes are: the supplier base, market share, substitutes and dependency, switching costs, searching costs, supplier unique offerings, and buyer attractiveness. But since they were not empirically tested or explained by Cox (2004, 2001), further investigation is needed. The following represents a brief reflection to some of the attributes from the literature.

One of the factors affecting the buyers and suppliers' power position within is the market conditions. Buyers might be dominating when the required product for purchase is standardized and has many sources of supply. In this situation buyers preferably tends to have one-time independent market transactions (arm's length relationship) rather than engaging in a more relational collaborative one (Kähkönen 2014; Doran et al. 2005). While, buyer-supplier relationships tends to be closer, collaborative and more power balanced when both relationship partners have mutual

value gained, common business goals, flexibility to change, and aiming at joint success (Kähkönen 2014; Sinclair et al. 1996).

The supplier base is said to be also one of the important attributes of the buyers' and suppliers' power position (Cox 2001). Many researchers (Harland 1996; Chen and Paulraj 2004; Chen and Paulraj' 2004; Shin et al 2000) explained the reduction of suppliers base from a supply chain view and considered it as a buyer-supplier relationship attribute. But within this research it is considered a main power determinant with reference to Porter (1980) and Cox (2001; 2004). Supplier-base reduction is about minimizing the number of suppliers the company is dealing with, while strengthening the relationship with specific qualified ones and developing them (Harland 1996). From a power perspective, Cox (2001) argued that supplier-base reduction takes place generally when suppliers are the power dominants. Also at interdependency, the supplier base is reduced to more selected qualified ones in order to be able to engage in a better and long-term relationship (Cox 2001; Cox 2001').

Supplier-base reduction will help buyers to benefit from the supplier's economies of scale and consequently reducing the cost and risk of dealing with large number of them (Shin et al 2000). On the other hand, at buyer dominance a wider supplier-base will be dealt with, where value is significantly gained by buyers from their dependent supplier-base (Cox 2001'). The wider the supplier base will be, the more buyers and suppliers are towards having transactional arm's length relationship (Chen and Paulraj 2004; Chen and Paulraj' 2004). This will consequently result in losing the benefit from the suppliers' economies of scale, while bearing higher costs for managing their supplier-base and risk their quality standards that differ from one supplier to another (Shin et al 2000).

Wide supplier-base allows the buyers and gives them the opportunity to switch from source of supply to another according to which will appropriately fulfill its needs. This will allow buyers to increase their act of power and domination over suppliers while increasing the dependency of suppliers on buyers (Cook 1977). At this stage both searching and switching costs are incurred by the organization and consequently play an important role in determining the buyers and/or suppliers power position with a relationship (Friedl and Wagner 2012).

Those costs resulted when one of the relationship partners-whether buyers or suppliers- is unable to satisfy the needs and wants of the other; leading the unsatisfied partner to search for and switch to a substitute that will fulfill those requirements (Friedl and Wagner 2012). For example, unsatisfied buyers with their existing suppliers will search for another that is capable of fulfilling its cost, quality, and service requirements. This searching for an alternative source of supply will result in a cost borne by the organization is called search cost (Friedl and Wagner). Searching costs can be defined as the buyer's exerted time and effort for finding the exact product fulfilling and meeting their needs and requirements (Brush et al. 2012).

Then the organization will suffer and incur another one-time cost at the act of switching that is called switching costs (Friedl and Wagner 2012). The level of switching costs incurred by the organization is much related to the degree to which buyers and/or suppliers engaged in transaction-specific assets (Monteverde and Teece 1982). Asset specificity according to the Transaction Cost Analysis (TCA) is an asset investment of one organization or the transfer of one organization's assets for the sake of certain transaction with another (Rindfleisch and Heide 1997; Zajac and Olsen 1993; Williamson 1981). The larger the investment, the more the buyers are locked into the transaction. This will lead to a more dependent buyer, and consequently opening the way for the supplier to impose power and dominance over the buyers (Heide and John 1988; Monteverde and Teece 1982).

Substantial asset-specific investments will allow suppliers to act opportunistically, which will result in raising the buyers' switching costs, while pushing them preferably towards having vertical integration rather than engaging in arm's length relationship (Brush et al. 2012: 1503; Carson et al 2006: 1059; Rindfleisch and Heide 1997; Hill 1990; Heide and John 1988; Monteverde and Teece 1982). Therefore the fewer the potential sources of supply and the more the difficulty of substitution because of the investment in specific assets, the more dependent the buyers and stuck to the relationship (Heide and John 1988).

### **3. Methodology**

As the focus of the current research is digging into the ocean of buyer-supplier relationships to gain more understanding about the bond between the strength of relationship and the power position of buyers and suppliers in it. Qualitative exploratory research design was used in this study, as qualitative research design enables the research design to be more flexible and responsive to the context by modifying and redefining the data collection procedures. Accordingly this allows the researcher to have better chance for exploration and discovery, and though achieve better understanding of the phenomenon (Suter 2012; Fossey et al. 2002). One of the most preferable methods that fulfill the purpose of the qualitative research and especially that of exploration and execution of new detailed information is case studies (Suter 2012; Creswell 2003). Since case studies are very beneficial in studying real-life events like organizational relations and processes (Yin 2003); it was used as the research method of this study. According to Yin

(2003) case studies are most suitable for answering the “why” and “how” questions. Therefore it would help in answering the research question of this study which is “How buyer-supplier relationships and power position are strongly interrelated?”

Determining the unit of analysis is the main building block in the case study design as it is considered as the basis of case study selection and definition of research questions (Barratt et al. 2011; Yin 2003; Rowley 2002), especially in exploratory case studies as it helps to define the boundaries of the study to which the theoretical base is related, and the extent to which this research would be applicable and generalizable to similar cases (Barratt et al. 2011). Therefore, in this paper the unit of analysis is the organization and the focus is more specifically on manufacturing multinational Egyptian organizations.

The multiple-case design was used, as it provides richer information than single one, allows the replication of testing and results (Suter 2012; Yin 2003), provides better analytical findings and conclusion, and also it helps to extend the generalizability of results (Yin 2003). By following the replication logic, stronger results and consequently more reliable interpretation are going to be conducted (Yin 2003). Sampling of the case studies was done by following the purposive sampling technique. Therefore the cases selected in this study are the ones who give considerable attention to their supply chain and more specifically to their buyer-supplier relationships. The sample size of case studies is mostly determined with regards to the replication logic (Yin 2003; Shakir 2002). Since the current study follows literal replication where three to four cases are considered satisfactory (Yin 2003; Shakir 2002), during this study three case studies were conducted on companies “A”, “B”, and “C”.

### 3.1. Data Collection

To be able to have effective data collection, the concepts and variables of the current research has to be first defined. The main concepts of this study are the buyer-supplier relationship and power position. Also from the main variable of this study are the trust, commitment, frequency of communication, relationship duration, and reputation as buyer-supplier relationship characteristics. On the other hand, switching costs, searching costs, and supplier base can be considered as power position attributes that were predefined in the literature.

**Table 1.** Concepts and Variables

Concept/Variable	Definition
<b>Buyer-Supplier Relationship</b>	Buyer-supplier relationships by reference to McDonald (1999) can be represented and elaborated in terms of the transactional-collaboration continuum (Chen and Fung 2013; He et al. 2011; MacDonald 1999).
<b>Trust</b>	The willingness of relationship partners to exert effort, take risk, and sacrifice some power and control over the other partner for the success of the relationship (Gullett et al. 2009; Kwon and Suh 2005; Doney and Canon 1997; Spekman et al. 1998; Morgan and Hunt 1994).
<b>Commitment</b>	The willingness of each organization to exert the necessary efforts and make the appropriate investments that would result in mutual benefit for both parties (Lambe et al. 2001; Terawatanavong and Quazi 2006).
<b>Frequency of Communication</b>	According to both the transaction cost and social exchange theories, communication has a vital role in the enhancement of the buyer-supplier relationship (Ambrose et al. 2010). According to this research frequency of communication represents the degree of contact between buyers and suppliers in an inter-organizational relationship.
<b>Relationship Duration</b>	The duration of relationship reflects the level of experience gained by each of the suppliers and buyers in dealing with each other, the developed behaviors and norms, and the relationship specific-assets they invested in (Kotabe et al. 2003).
<b>Reputation</b>	The extent to which suppliers are fair, honest, and concerned with their buyers in relationships (Wagner et al. 2011; Doney and Canon 1997; Ganesan 1994)
<b>Power Position</b>	Reflects the role of each organization and the type of relation it is engaged in with other supply chain entities (Kähkönen 2014; Kahkonen and Lintukangas 2010).
<b>Supplier Base</b>	The number of suppliers the organization is dealing with (Shin et al 2000; Chen and Paulraj 2004; Chen and Paulraj' 2004; Cox 2001; Harland 1996).
<b>Searching Cost</b>	The buyer's exerted time and effort for finding the exact product fulfilling and meeting their needs and requirements (Brush et al. 2012).
<b>Switching Cost</b>	One-time cost incurred by the organization at the point of switching (Friedl and Wagner 2012). It is much related to the degree to which buyers and/or suppliers engaged in transaction-specific assets (Monteverde and Teece 1982).

Since, case study can include different data sources (Baxter and Jack 2008; Yin 2003); interviews will be involved as the source of evidence in this study, more specifically individual in-depth semi-structured interviews will be used. The usage of the individual in-depth interviews allows the researcher to communicate with professional and experienced participants who will serve the purpose of the study (Cooper and Schindler 2008). Regarding the sampling, non-probability purposive sampling was used. Purposive sampling or judgmental sampling technique (Marshall 1996) is very beneficial in selecting more experienced (Cooper and Schindler 2008), and knowledgeable participants in the field

of study: sales managers, procurement managers, and supply chain managers- who are able to answer the research question (Cooper and Schindler 2008; Marshall 1996).

Qualitative sampling does not stop except after the full development of the research, where any further sample is considered redundant (Fossey et al. 2002; Marshall 1996) which is referred to as “data saturation” (Fossey et al. 2002; Marshall 1996). For data saturation in interviews, Creswell (2008) argued that data saturation can take place of between 2 to 10 participants. In this research nine interviews took place; two of them were for the pilot testing. Pilot testing is considered very beneficial as it helps in validating the data collection plans and procedures. Also it is considered as more structured and formal than the normal cases (Yin 2003; Yin 1999), helping in the development of more appropriate research questions and also act as a rehearsal for the actual data collection (Yin 2003). And also for better data collection in the multiple case studies especially when following the logic of replication (Runeson and Host 2008; Yin 2003), case study protocol was formulated. As it help in conducting higher quality (Verner and Abdullah 2012; Maimbo and Pervan 2005), more reliable (Verner and Abdullah 2012; Yin 2003) and valid case studies (Voss et al. 2002).

### **3.2. Data Analysis**

During the current study, data analysis two analytical techniques were performed: coding technique and cross case analysis. Coding is considered a main and a preliminary step in the analysis process (Punch 2009). Coding is about tagging and labeling the different pieces of information gathered and collected during the study (Punch 2009, Saldana 2008, Miles and Huberman 1994). This technique was used mainly for analyzing interview questions related to the buyer-supplier relationship characteristics and factors affecting the power position. Therefore the main purpose of using coding in this study is for the validation and extension of the current theoretical conceptual framework (Hsieh and Shannon 2005) by providing more understanding to the concepts, and discovering new variables. On the other hand, for better exploration, discovery, and understanding of the effect of power position on the buyer-supplier relationship cross case analytic technique was used. Cross case analysis is very beneficial technique especially for the analysis of multiple-case design (Yin 2003), which aims at comparing and contrasting patterns of data emerged from individual cases (Barratt et al. 2011; Yin 2003; Eisenhardt 1989). This will enrich data analysis and provision of more informative results and conclusion (Barratt et al. 2011; Eisenhardt 1989; Yin 1981).

## **4. Cross Case Analysis**

Going forward in the analysis, this section will reflect a comparison between the three cases to point out the similarities and differences in each organization with regards to the buyer-supplier relationships and power position.

### **4.1. Buyer-Supplier Relationship Characteristics**

The relationship between buyers and suppliers is very fundamental for any organization to be well understood and managed, in order to have more developed and sustainable supply chains. That is why the three organizations A, B, and C are giving a considerable attention to the management and development of their buyer-supplier relationships. For the identification of relationships within the three organizations trust, commitment, frequency of communication, relationship duration, and reputation are considered the main characteristics and determinants of the type of relationship.

#### **4.1.1. Trust**

For the three organizations, the degree of trust is directly related to the strength and closeness of the buyers and suppliers to each other which will consequently help in determining the type of relationship between them. There are multiple factors affecting the degree of trust built within any organization such as the level of service offered by suppliers, and their capabilities to produce and fulfill the buyers’ demand with the required specifications and quality standards. Also the ability of the supplier to respond to changes in volumes and varieties demanded, and also their capability to make on time delivery were considered as main factors determining and affecting the degree of trust within a relationship.

The credibility of both buyers and suppliers within a relationship in terms of meeting their promises and agreements enhances the degree of trust built in a relationship. The stability of the buyers and suppliers organizations and ability to survive under the bad political and economic conditions is considered by the three organizations as a safety factor, and without it the degree of trust will be reduced. The financial reliability of the buyers is considered by most of the interviewees in the three organizations as a factor affecting the suppliers’ trust in buyers and though the degree of trust built and strength of relationship between them in general. It was believed by interviewees in organization “A” that the organization’s ability to develop its processes and products, search for new technologies, and have strong research and development functionality will help in building high degree of trust with its buyers and suppliers. On the other hand in company “C” it was ensured that the importance of the suppliers’ responsiveness and fulfillment of the buyers’ orders will help the buyers to have more in their suppliers and though stronger relationship.

#### **4.1.2. Commitment**

In the three companies “A”, “B”, and “C”, commitment was said to be one of the essential characteristics of the buyer-supplier relationships. The service level, support, and advices offered by the suppliers to their buyers were seen as main factor that reflect greatly their degree of commitment to the current relationship. In companies “B” and “C”, it was mentioned that from the evaluation criteria used to see how committed are the suppliers to the relation are the offered service and support, the on time delivery of orders, and the product quality supplied by them. Also it was added that companies are more able to assess their suppliers’ commitment through their willingness to have new transactions with them, investing in the relationship, and developing their capabilities to fulfill the buyer’s requirements and demand.

#### **4.1.3. Frequency of Communication**

The three organizations pointed to the importance of communication in enhancing the relationship between buyers and suppliers. The high frequency of communication is more preferable than low frequency, as it helps in having closer and better buyer-supplier relationships. Company “A” prefers having two types of communication with its buyers and suppliers, the daily business communication and social communication. The social communication is very essential in facilitating problem solving, encouraging the knowledge exchange, and building common ground of understanding and norms between organizations. For Company “B”, they mainly depend on two types of communication the business communication one for the day to day operations, and the other is the strategic communication that is beneficial in negotiations and agreements about the nature of relationship, and the quality standards required.

For company “C”, it relies on three types of communication while dealing with the buyers and suppliers. The first type is the business communication that is repeatedly done between buyers and suppliers for tracking the current operation, approving on the prices, and confirming on the produced quantities and time of delivery. The second type is the social communication which is said by the supply chain manager to help in problem solving, and strengthening the relationship among buyers and suppliers till the relationship reaches collaboration. Finally, the third type is strategic communication that is done mainly with very close buyers and suppliers mostly strategic ones who are part of collaborative relationships with the company. It is done in regular basis in the form of conferences, aiming at the renewal of covenant to work for mutual benefit, encouraging the exchange of knowledge, clarifying the current state of the organization, and ensuring its capability to meet their agreements and promises.

#### **4.1.4. Relationship Duration**

The relationship duration helps in determining the type and strength of buyer-supplier relationship. The long-term duration was considered by the three companies as more preferable to have than short-term ones. For company “A”, the long-term relationships encourage both the buyer and supplier to engage in collaboration where they can build common norms to manage the relationship. The capability of the suppliers to assure high quality offering to buyers was considered as a main reason behind lengthening the period of relationship and strengthening the bonds between buyers and suppliers.

The relationship duration in company “B” is said to be affected by the supplier’s capability to produce the required products with high quality standards while being flexible enough to respond effectively and efficiently to the changes in volumes demanded. Also it was added that the sustainability of the buyer’s and supplier’s organizations is very important in ensuring long-term relationship duration. For company “C”, the suppliers who are offering high quality standards and fulfilling the organization’s requirement with suitable prices are better to have long-term relationship with than others. Therefore, the long-term duration was considered by the companies as a relationship enhancer that pushes buyers and suppliers towards creating their own norms to have common understanding and consequently result in closer and stronger relationship.

#### **4.1.5. Reputation**

The three organizations referred to the importance of the buyers and suppliers reputation in affecting the strength and consequently the type of relationship among them. The better the reputation of both the buyers and suppliers is, the stronger and more sustainable the relationship will be. Company “A” considered reputation as a must prerequisite for it to accept dealing newly with any buyer or supplier. Adding to this, company “C” considered reputation as an evaluative and selective criterion for suppliers before having a relationship with them.

### **4.2. Power Position Attributes**

#### **4.2.1. Supplier Attractiveness**

The privilege given by a buyer to a certain supplier reflects how attractive he is with regards to the unique offering and capabilities in comparison to other suppliers in the same industry. The uniqueness of supplier gives him more power and determines his power position in a relationship. The supplier attractiveness is determined in companies “A”, “B”,

and “C” most commonly through the supplier’s ownership of high technologies and production capabilities that enable them to fulfill their buyers’ demand and meet their expectations. Also the ability of the suppliers to assure high quality products and on time delivery of orders helps them become more powerful in the relationship over buyers. Managers in company “A” stated that the more service offered by a supplier throughout and after transaction, the more attractive and powerful he will be in the relationship. Also the supply chain manager in companies “B” and “C” also agreed on the importance of the service offered as a factor affecting the attractiveness of supplier and generally the determination of power position in a relationship.

The degree of the supplier’s flexibility in responding to changes in their buyers’ demand is considered by the three organizations a main factor affecting the supplier’s attractiveness and determines its power position with regard to the buyer. Company “B” considers the supplier’s sustainability under fluctuating political and economic conditions one factor affecting its attractiveness and help in enhancing its power position in a relationship. Both the local sales manager in company “A” and supply chain manager in company “C” ensured the importance of the organization’s sustainability and credibility in the identification of their power positions. For Company “A”, two other factors are suggested to affect the attractiveness of the supplier in contrast to its rivals which are the degree of responsiveness to the buyers’ orders and demand, and also their ability to develop new products and acquire new technologies.

#### **4.2.2. Buyer Attractiveness**

The attractiveness of the buyers in a relationship was considered as one of the main determinants of power position. Some factors were said by the three companies to be affecting the degree of buyer’s attractiveness and its power position in a relationship. The financial reliability and sustainability of the buyers are supposed to be main factors affecting his power position. The more capable the buyer in fulfilling his financial obligations on time, the more power he will gain over the suppliers in the relationship. Also the incapability of buyers to survive under bad political and economic conditions will negatively affect their evaluation by suppliers and accordingly reduce their attractiveness and power as well. The three companies agreed that the buyers’ demand plays a very important role in enhancing their power position and help them sometimes in having an upper hand in the relationships. This is because the demand of the buyers is what creates the transaction and relationship with suppliers. Finally the supply chain manager in company “C” mentioned the importance of the buyers’ credibility as a factor affecting their attractiveness and identification of power position in the buyer-supplier relationship.

#### **4.2.3. Market Share**

The market share of any organization whether a buyer or supplier affects greatly its power position. Companies “A”, “B”, and “C” agreed that not only the overall market share is what affects the company’s power position but also the individual market share of each product and product line as well. According to company “C”, the buyer might be more powerful in the relationship with its suppliers, if it has an outstanding market share in contrast to its rivals. Also in company “B” the procurement manager referred to the buyers’ market share as the suppliers’ door to the end customers. This reflects how important is the market share of both buyers and suppliers in determining the effectiveness of the relationship and in identifying their power position with it. Therefore, the higher the market share is, the more powerful the company will be in the relationship in comparison with its buyers and suppliers.

#### **4.2.4. Buyer/Supplier Base**

The buyer/supplier base is considered by companies “C” and “A” as one of the factors affecting the power position. The wider the buyer/ supplier base is, the more powerful the company will be in a relationship. The three case studies considered it very beneficial to have more than buyer or supplier to deal with, than having only one buyer or supplier. As dealing with only one supplier is very risky as it gives them higher power position in relationship with the buyer.

#### **4.2.5. Substitutes and Dependency**

One of the main determinants of an organization’s power position is the number of the substitutes it is having and degree of dependency on them. In the previous case analysis of companies “A”, “B”, and “C”, it was clear that they follow the same strategy of having more than one substitute for each component or raw material. It is because this strategy will help in reducing the degree of dependency on suppliers, and consequently gain more power over them. It was clearly stated that depending on a sole supplier for a certain raw material or component might encourage the supplier to impose more power and control over the buyer. Adding to that, the full dependency on one supplier without having any substitute represents a great risk at the sudden breakdowns and closure of that supplier. That is why, it is important to have multiple alternatives regardless the type of relationship with the main supplier.

#### **4.2.6. Switching Behavior**

The decision of the organization to switch from its current supplier or buyer is not easy, and requires the organization to be in a higher power position in the relationship. Usually there are multiple factors leading the organization to take such decision. What drive company “A” to switch from one buyer to another are the instability and the inability to fulfill his financial obligation. The supply chain manager in company “B” also shed the light on the importance of the

buyer's financial reliability for more sustainable relationship. On the other hand, company "C" tends to switch from the current buyers when they lose credibility and honesty in meeting their promises and agreements with the company. Switching was considered in those cases as a benefit rather than a cost.

Regarding switching from suppliers, this might take place by company "C" if the suppliers became less capable of supplying the required quantities and meeting the agreed quality standards. Also when, they became less credible and honest in the relationship, un-commitment to the delivery dates, and offering lower service level than before. In company "B", the supply chain manager ensured the importance of the supplier's quality standards, high service and support provided, and on time delivery to prevent buyers to switch from. Therefore, switching from an incapable supplier is considered a benefit that helps in increasing the company's power and enhancing its power position in a relationship. Also opportunism has a great impact on the switching decision as it results in power imbalances and loss for the weaker entity. If one of the relationship entities acts opportunistically the other will start searching for and switching to another better and more balanced relationship.

With regards to the studied companies, the existence of special investment among buyers and suppliers in a relationship was said to be the only case where switching is counted as a cost that affects the organization and its power position negatively. This is because; special investment is treated as a precious knowhow and advanced technology that should not be easily known by others. Therefore, the existence of special investment in a relationship prevents both buyers and suppliers from taking the risk of searching and switching to another relationship partner.

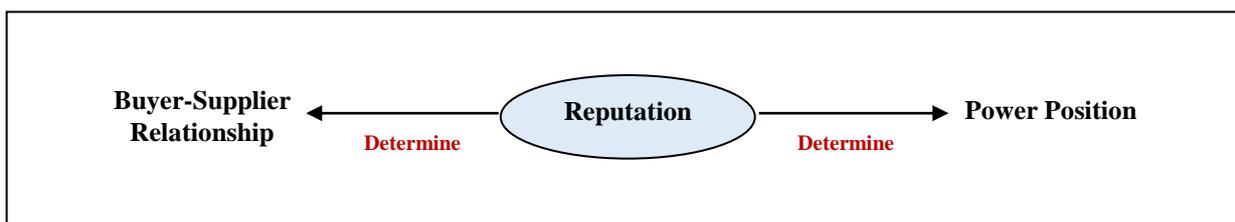
#### 4.2.7.Reputation

Reputation was deemed by companies "B" and "C" as one of the main determinants of not only the supplier's power position but also the buyer's. The buyer reputation usually encourages its suppliers to have a more stable and long-term relationship with, and also improve its power position over its suppliers.

### 5. Findings

The three conducted case studies have helped as shown previously, from the stage of data collection to analysis, in fulfilling the purpose of the current research by creating a base of understanding to the interrelation between buyer-supplier relationships and power position with regards to the power determinants and relationship characteristics. Regarding the relationship characteristics, generally the decision of organizations, whether to have an arm's length or collaborative relationship with its buyers and suppliers, depends on the degree of trusts, commitment, frequency of communication, and relationship duration. Also it was found that the buyers and suppliers reputation cannot be neglected during the identification of the type of relationship.

Also the reputation of buyers and suppliers did not stop at being only a relationship characteristic as mentioned above. It was found that it has a great impact on and is one of the determinants of the company's power position as well; figure (1). Therefore, a company's good reputation would greatly help in improving its power position and strengthening its relations with the suppliers and suppliers as well.



**Figure 1.** Reputation as a common determinant of Buyer-Supplier Relationship and Power Position

According to the case study analysis, it was found that there are seven factors where some or all of them commonly contribute in the determination of some of the relationship characteristics and power position attributes. Those factors are serviceability, sustainability, dependability, quality assurance, production capability, reliability, and credibility. Their definitions according to this paper are clarified in table (2).

Starting with relationship characteristics; trust, commitment, and relationship duration are said to be affected by the previously mentioned factors. Trust can be described as the heart and building block of any buyer-supplier relationship, where no relationship can be built even short-term ones without a minimum level of it. It was found that the degree of trust in a relationship is determined by seven factors. In the relationship with the supplier; the higher the serviceability of the supplier is, the higher the degree of trust created with its buyers. And also if the supplier is capable of producing their buyers' demand, flexible enough in responding to changes in volumes and varieties required, assuring high quality products, and is more dependable in delivery date and time; the company will be encouraged to trust and deal

with him. It was discovered also that the financial reliability of the buyers affects greatly the degree of trust the company has in them. The more the buyer is capable of paying for his purchases fully and on time, the higher the degree of trust built with its suppliers. The sustainability and credibility are considered a common factor between buyers and suppliers that affects the trust built within a relationship. Any company has to be capable of surviving under the fluctuating political and economic conditions to ensure to their partners that they will not face huge costs and the risk of its sudden closure. Finally both buyers and suppliers have to be highly credible and honest with one another, to enable high degrees of trust to be built and consequently strengthening the relationship among them.

Regarding commitment, it was found that the service level offered by the supplier during and after the transaction performed and the willingness to develop his capabilities and enhance his performance, reflect greatly the degree of his commitment to the current relationship. In addition, the degree of dependability and readiness to provide the company with high quality products ensures the commitment of the supplier as well. Therefore the supplier's serviceability, dependability, and quality assurance are considered common determinants of the degrees of trust and commitment in the buyer-supplier relationships. Also it was found that the relationship duration is affected by the quality standards provided, the degree of dependability, and how sustainable are the buyers and suppliers in the market. The higher quality processes and products assured by the suppliers and more production capabilities he has, the more willing the company to continue and have longer relationship with him. Accordingly, quality assurance is said to be a common determinant of trust, commitment, and duration in relationships. And that the sustainability and production capabilities are common determinants of trust and relationship duration as well. This can be summarized in figure (2). Accordingly, it can be argued that, commitment and duration are themselves determinants and part of trust.

Moving towards communication, the high frequency of communication between buyers and suppliers business would help them a lot in having stronger and more durable relationship, and though enable them to build higher degrees of trust and commitment in the relationship as well. In addition to this, it was found that there are three types of communication that would help both buyers and suppliers to sustain and have more successful relationships which are the business, social, and strategic communications. The business communication is done to help buyers to keep track of their orders and agree on the prices with suppliers. On the other hand the social communication between buyers and suppliers will result in a friendly environment that helps in better problem solving, and consequently closer relationships. Finally the strategic communication will help buyers and suppliers to work for mutual benefit and encourage knowledge exchange among them. Both social and strategic communication occurs in collaboration, rather than arm's length relationship. They help in strengthening the relationship and creating relational norms among them.

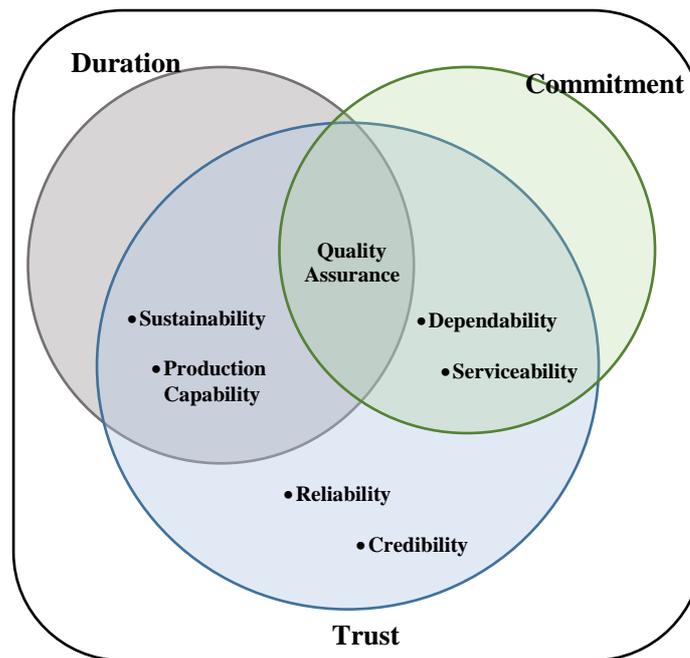
Coming to the power position and its attributes; primarily during this study it was found that the power position is affected by not only the offerings of suppliers, but also their capabilities compared to their rivals in the market. Accordingly, the term supplier attractiveness was used instead of supplier offerings as it is considered a broader term that includes both the offerings and capabilities of the supplier. The supplier capabilities in this study are determined in terms of the degree of serviceability, dependability, production capabilities, quality assurance, and sustainability offered to the buyers in comparison to his rivals. And it was discovered that those capabilities affect greatly not only the attractiveness of the supplier but also his power position in the relationships with the buyers. It is obvious that the supplier capabilities are similarly the factors determining trust, commitment, and duration in relationships as previously mentioned. The higher the production capabilities, quality standards, dependability, serviceability, credibility, and sustainability of a supplier in comparison to his rivals, the higher power position he will gain in any relationship. At the same time, this will drive him to be more trustable, allowing the company to seek building more collaborative and long-term relationship than shorter arm's length one with him.

On the other hand, it was noticed that the buyer attractiveness as a power position attribute is affected by the degree of sustainability, reliability, and credibility of the buyers, similar to trust. Therefore the more sustainable, honest in meeting the promises, and capable the buyer is to fulfill his financial obligations, the more trustable and attractive he will be to the suppliers. This increase in buyer's attractiveness in terms of sustainability and financial reliability enables them to be more powerful in relationships. Also one of the most important factors affecting and determining as well the buyer's attractiveness and power position in the relationship with suppliers is their ownership of the demand and transactions that the suppliers are willing to gain and fulfill. This will be referred to in this study as the "transaction ownership". The transaction ownership always gives the buyers the upper hand in controlling the relationship and though become more powerful and in higher power position in contrast to the suppliers.

The act of switching might be seen by the suppliers as a benefit when they switch from less credible, unsustainable, and financially unreliable buyer. Also, buyers consider it a gain rather than a loss when they switch from suppliers having low production capabilities, low quality standards, less credible, less dependable, and offering low service level. In both cases the organizations consider switching as a rescuer from the current relationship because it harms the company and its current power position than benefiting it. Switching can also be promising when the company switches from a highly dominating buyer or supplier who acts opportunistically to a more balanced relationship. This is because when opportunism exists; the buyer/ supplier will be power dominant, and consequently pushing the company

to become the weaker and more dependent entity in this relationship. Therefore, the only solution for the company in this situation is to search for another relationship that promotes the mutuality of benefit and the balanced power position between its partners.

On the other hand, asset specificity can be considered an advanced technology or highly confidential knowhow to give up or exchange it with another buyer or supplier to start a whole new relationship with them. Therefore any special investment might complicate the decision of switching from an existing relationship partner to a new one. This is because the costs resulted will have a negative effect on the company's power position rather than improving it. Accordingly in this study it was discovered that the only case where the company will bear high searching and switching costs is when a special investment currently exists in the relationship with a buyer or supplier. Figure (3) summarizes the intersection between supplier attractiveness, buyer attractiveness, switching, and trust in terms of their determinants. This figure can help in fulfilling the purpose of the study and reflects the tightness and the interrelation between the buyer-supplier relationship and power.



**Figure 2.** Interrelation between trust, commitment, and duration

Moving to the market share, it was ensured in the current study that it has a substantial effect on the company's power position. The higher the overall market share and that of each product line, the better power position the company will have in the relationship with its buyers and suppliers. Also it was discovered that having no or too much substitutes or even very wide base of buyers/suppliers will lead to the same effect of reducing the buyer's power within the relationship. And if the company has sole supplier without any substitute, it will turn to be a fully dependent buyer with a very weak power position, as the supplier in this case will be the dominating entity. On the other hand, dealing with too much suppliers and substitutes will lead the buyer to divide his demand over a large number of suppliers that will represent a small percentage of each one's purchases. And this will result in bearing higher costs and losing power over the relationship. Therefore, it was found that having two or three suppliers qualified as substitutes is enough, as it will enable the company as a buyer to be less dependent and more powerful in the relationship. The attributes of power according to the current study are summarized in figure (4).

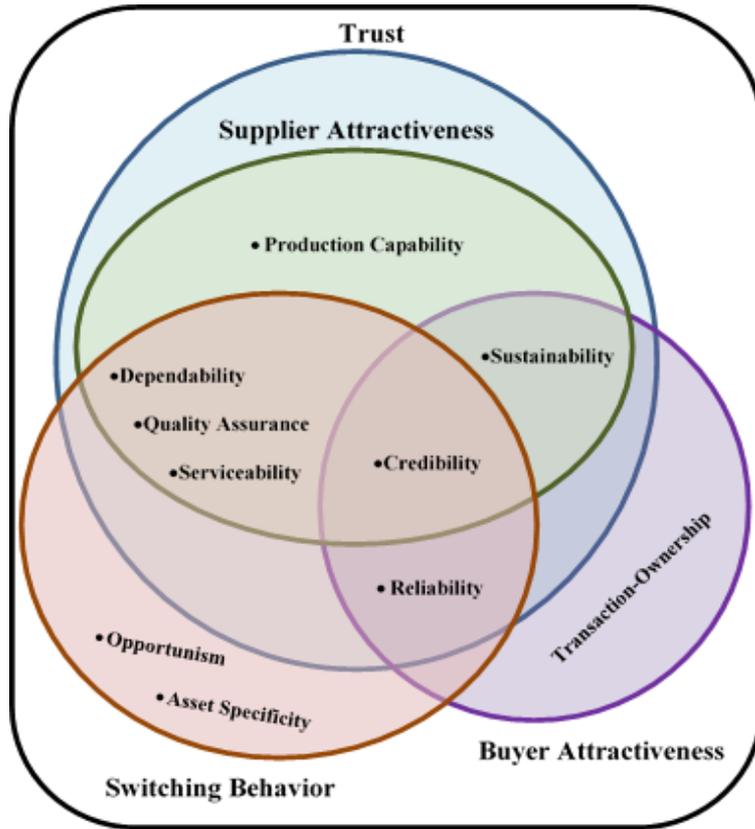


Figure 3. Intersection between supplier attractiveness, buyer attractiveness, switching behavior, and trust.

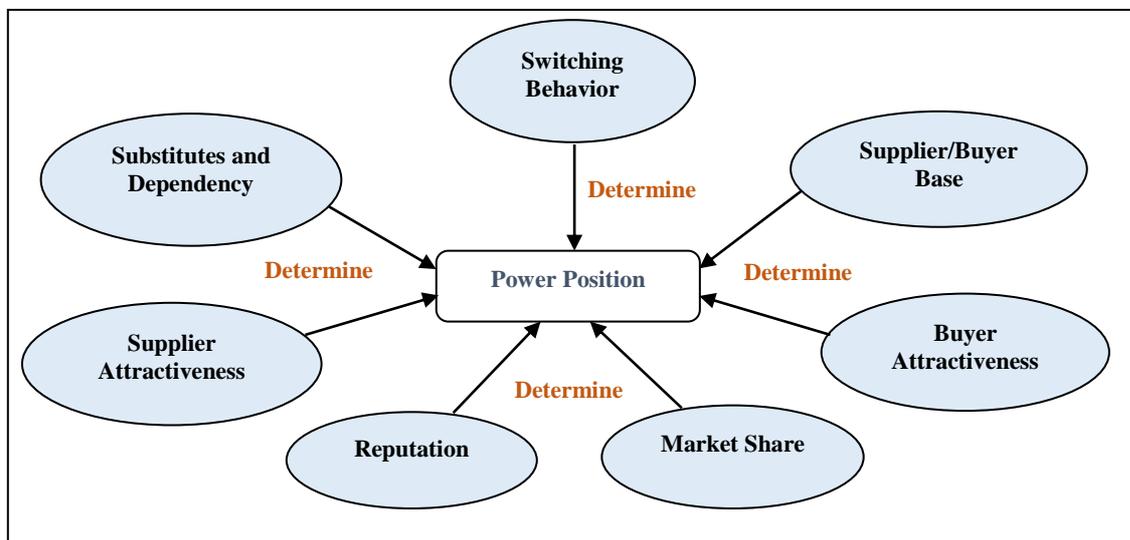


Figure 4. Power Position Attributes

**Table 2.** Definition of the seven factors.

Factor	Definition
• <b>Serviceability</b>	Reflects to the level of the service offered to the company by its suppliers. It is not limited to the after sales service, but also the technical support and advices offered by the supplier during the transaction.
• <b>Sustainability</b>	The ability of the buyer and supplier to survive in the market and industry under fluctuating political and economic conditions.
• <b>Dependability</b>	Refers to the ability of the supplier to deliver the company's demand on the agreed date and timing.
• <b>Quality Assurance</b>	The ability of the supplier to assure and offer the company products with high quality standards.
• <b>Production Capabilities</b>	Is the ability of the supplier to fulfill the company's demand with the required quantities, while being flexible enough to respond to changes in volumes and varieties.
• <b>Reliability</b>	Reflects the financial reliability of the buyer. It is the ability of the buyer to fulfill his financial obligations on time.
• <b>Credibility</b>	Refers to the honesty of both buyers and suppliers in meeting their promises and fulfilling their agreements.

## 6. Discussion and Conclusion

The current study has been agreed upon with scholars that trust is one of the main buyer-supplier relationship characteristics that has a great influence on its strength and management as well (Pantnayakuni and Seth 2006; Lambe et al. 2001). Therefore the arm's length relationship was characterized by having low degrees of trust (Childerhouse et al. 2013; Dubois and Gadde 2000) on the other hand, collaborative relationship was described by the existence of high degrees of trust between buyers and suppliers (Patnayakuni et al. 2006). But it was not mentioned in the literature how the degree of trust would be determined among buyers and suppliers to be able to manage and assess their relationships. Therefore as mentioned above the serviceability, sustainability, quality assurance, production capabilities, dependability, reliability, and credibility are found to be the main determinants of the degree of trust between buyers and suppliers.

The commitment of buyers and suppliers to the relationship was clearly discussed in the previous researches (Morgan and Hunt 1994; Kwon and Suh 2005). Since the degree of commitment affects the continuity of the buyer-supplier relationship, therefore definition stated by scholars regarding commitment as "the willingness of each of the buyers and suppliers to exert effort, work for mutual benefit, and invest for the success of such relationship" is approved (Gullett et al. 2009; Terawatanavong and Quazi 2006; Kwon and Suh 2005; Lambe et al. 2001). It was added that the serviceability of the supplier can be considered a determinant of the degree of commitment to the relationship. Also the current research has agreed with the literature that collaborative relationship requires the existence of high degrees of commitment, while on the other hand low degree of commitment and involvement between buyers and suppliers is the main theme of arm's length relationships (Ramanathan et al. 2011; Hertz 2006; Simatupang et al. 2004; Childerhouse et al. 2013; Dubois and Gadde 2000).

The study stressed on the importance of having more frequent communication among buyers and suppliers to be able to reach to have better and longer relationships. This was confirmed by scholars that the higher the frequency of communication is, the closer and more successful the buyer-supplier relationship will be, which will consequently help in having better knowledge exchange among organizations (Vijver et al. 2011; Ambrose et al. 2010; Paulraj and Chen 2005). As previously mentioned in the findings that the current research does not stop at the stating the importance of more frequent communication but also referred to the importance of the different types of communication.

The findings regarding the creation of relational norms as a result of the more frequent communication corresponds to what mentioned by scholars that they encourage organizations to engage in collaborative relationships rather than arm's length (Childerhouse et al. 2013; Gadde and Snehota 2000; Dubois and Gadde 2000). This is because collaborative relationships are known to have high frequency of communication encouraging the existence of a base of norms that facilitates governing the relationships rather than contracts (Pantnayakuni and Seth 2006; Lambe et al. 2001; Rokkan and Haugland 2000; Blois and Ivens 2005; Dwyer and Jule 1992; Fink et al. 2006). While arm's length relationships on the other hand are characterized by low frequency of communication (Childerhouse et al. 2013; Gadde and Snehota 2000; Dubois and Gadde 2000) and though will not yield the same benefits as collaborative relationships.

Regarding relationship duration, the current study agreed with the previous researches about the importance of the long relationship duration, as it helps buyers and suppliers in building a ground of understanding, communalizing their

goals, and creating relational norms to regulate the relationship (Chen and Paulraj 2004; Kotabe et al. 2003; Spekman et al. 1998; Doney and Canon 1997). The longer the duration of relationship is the more encouraged the buyers and suppliers to engage in collaboration. It is also added that the quality of supplier might affect greatly the decision of buyers about the duration of relationship. Therefore it is agreed with the literature that the arm's length relationship takes place is short-term durations (Childerhouse et al. 2013; Gadde and Snehota 2000; Dubois and Gadde 2000), and while the relationship goes longer it is more preferable to have collaborative relationships (Kotabe et al. 2003; Chen and Paulraj 2004; Doney and Canon 1997).

Previous researches focused on reputation as supplier selection criterion that greatly affects the buyer-supplier relationship (Wagner et al. 2011; Houston and Johnson 2000; Doney and Canon 1997; Ganesan 1994). The good reputation will positively affects the buyer's willingness to have collaborative relationship with suppliers through building high degrees of trust and commitment in the relationship (Wagner et al. 2011; Doney and Canon 1997; Ganesan 1994). This study added that not only the reputation of supplier but also the buyer plays an important role in determining the strength of the buyer-supplier relationship. And most importantly, reputation was said in this study has to be a common determinant of power position as well as buyer-supplier relationship.

Power position was said by Cox (2004; 2001) to be determined through supplier base, market share, substitutes and dependency, switching costs, searching costs, buyer attractiveness, and supplier unique offerings. Only supplier base, switching costs, and searching costs were given good attention in the previous researches as determinants of the suppliers and buyers power position in the relationship (Cox 2004; Cox 2001; Chen and Paulraj 2004; Shin et al 2000; Friedl and Wagner 2012; Brush et al. 2012; Cook 1977; Heide and John 1988; Monteverde and Teece 1982). During this study more exploration was made regarding the power position attributes to gain more understanding to the concepts and their effect on the power position.

It was agreed with scholars about the importance of reducing the supplier base to be limited to the most qualified ones, enabling the organization to have a long-term collaborative relationship with them (Cox 2004; Cox 2001; Harland 1996). The reduction in the supplier base, as said by scholars, will raise the supplier's power as a result of the high dependency of buyers on them in demand fulfillment (Cox 2001; Shin et al 2000). It was added that the reduction in buyers' base might have the same effect on the supplier's power position as well. On the other hand, Cox (2001) argued that the wide suppliers' base will lead to a more powerful and dominating buyer because of his reduced dependency on each of the suppliers. Consequently buyers in this situation will prefer having arm's length relationship with the suppliers, and their decision of switching will become easier (Chen and Paulraj 2004; Cook 1977). Currently in this study, it can be argued that having wide base of suppliers by the company depends on the nature of the product or raw material exchanged, and also it is not always beneficial for the organization's power position.

The concept of supplier base was explained by scholars from the perspective of dependency between buyers and suppliers (Shin et al 2000; Harland 1996; Chen and Paulraj 2004; Cox 2001'). Therefore as previously mentioned in the findings the supplier/buyer base shares the same understanding ground with the concept of substitutes in detecting their effect on power position. Therefore the current research might contradict with Cox (2001') and Chen and Paulraj (2004) that the wider the supplier base will be the more power will be gained by the buyer in the relationship. This is because the too wide base of supplier was discovered to have the same negative effect of using a lot of substitutes on the buyer's power in the relationship. Only Shin et al (2000) are the ones who referred to its negative effect through losing the benefit of economies of scale and facing high costs and difficulties in managing their demand distribution on the different relationships. Also it was added that having no substitutes in a relationship would be very risky, leading to a highly dependent buyer/supplier, and therefore lose its power in the relationship.

The current study agreed with the former researches that the act of switching takes place by any organization when either its supplier or buyer are incapable of satisfying the agreed requirements and fulfilling his obligations (Friedl and Wagner 2012; Brush et al. 2012; Monteverde and Teece 1982). Generally it was mentioned previously that there are two main costs borne by the organization throughout the switching process which are the searching and switching costs (Friedl and Wagner 2012; Brush et al. 2012). The unsatisfied buyer will bear costs of searching for another supplier that meets his requirements and capable of fulfilling his demand (Friedl and Wagner 2012; Brush et al. 2012). But since the buyer is more concerned about getting rid of the current dissatisfactory relationship, the effort exerted while searching for another alternative is considered minimal or even neglected in comparison to the benefit gained from finding the perfect partner for a new relationship.

Then the company has to cover another cost at the point of switching from the current relationship called switching costs (Friedl and Wagner 2012). However in this study, it was detected that switching does not always result in costs but also it might generate a lot of benefit for the organization based on the conditions of each relationship. Switching might result in benefit when the current relationship does not satisfy the needs of the buyer as the supplier turned to be less dependent, does not fulfill the demanded quantities, and offering low quality than agreed on. The supplier's un-fulfillment of obligations is referred to in the literature as one act of opportunism (Hill 1990; Rindfleisch and Heide 1997; Carson et al. 2006) that is why the buyers will be more encouraged to switch to another aiming at mutual benefit.

It is agreed with the literature that the extent of switching costs the organization has to pay for differs based on the existence or inexistence of special asset investment within the relationship (Monteverde and Teece 1982). This special investment is referred to in the transaction cost analysis (TCA) as asset specificity (Williamson 1981; Zajac and Olsen 1993; Rindfleisch and Heide 1997). This is because the asset specificity is considered in the current research as an advanced technology or highly confidential knowhow to give up or exchange it with another buyer or supplier to start a whole new relationship with them. Therefore asset specificity whether made by the buyer or supplier in a relationship is said to be the main source of costs in switching.

To sum up, how strong or weak the relationship is, depends to a great extent on the nature of the relationship and the distribution of power between its entities. That is why most buyers and suppliers are searching for longer, collaborative, more sustainable, and power balanced relation, where they can gain mutual benefit from. And as clearly discussed in this research, since the same factors determining the characteristics of buyer-supplier relationships, have a main role in determining the power position of buyers and suppliers in the relationship, therefore it can be argued that both buyer-supplier relationships and power are two faces of the same coin that cannot be separated when discussed or researched for.

## 7. Limitations and Future Research

As any other research, the current research study might have some limitations. Since it is qualitative case study research therefore it might face some limitations in the generalization of the results. This is because the findings of qualitative case studies are said to be generalizable and applicable only to similar cases (Yin 2003; Suter 2012; Barratt et al. 2011). Although the current study semi-structured interview questions, case study protocol, and case study data base to ensure the consistency and accuracy of results, Darke et al. (1998) stated that the data collection and analysis of case studies might be biased according to the researcher. This is because the researcher's knowledge and background might affect the process of data collection i.e. the interviews in this case, and consequently his interpretation and analysis of collected data as well (Darke et al. 1998). Another limitation was that the participants were lacking the understanding of academic concepts during the data collection. The last limitation is that the current research focused only on two industrial sectors. Therefore, it is recommended to conduct the current research on other different industries. Also the researcher faced a lot of difficulties in interviewing more participants in each of the three cases.

This thesis helps in opening multiple opportunities for future research. First is that, this research might be performed in different industries in Egypt, and also in different countries to improve its generalizability. Further research is needed to quantify the findings of the current research and test the measures suggested for trust, supplier attractiveness, and buyer attractiveness. The effect of the buyer's demand and transactions ownership on the nature of relationships should have further investigations from marketing and supply chain perspectives. Also the factors causing shifts from the current relationships have to be studied.

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