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# Abstracts

## *Partnering Pitfalls and Success Factors*

### **Facteurs d'échec et facteurs de succès du partenariat.**

La façon dont les entreprises conçoivent la relation vendeur-acheteur a changé de manière notable au cours des dernières années. Un intérêt croissant et une participation toujours plus grande dans des associations vendeur-acheteur se traduisent par des partenariats durables, à long terme et à risque partagé. La majorité des études consacrées à ce phénomène sont limitées à l'examen du point de l'une ou de l'autre des parties de ce genre d'association. Peu d'études ont étudié, simultanément, le point de vue des acheteurs et des fournisseurs.

Cet article, tiré d'une étude à l'initiative du Center for Advanced Purchasing Studies (Centre d'étude de l'activité d'achat), se penche simultanément sur les perceptions des deux parties impliquées dans cette relation. Il explore aussi les raisons à la base de ces associations, les facteurs-clés expliquant leur succès, ainsi que les facteurs ayant contribué à l'échec de tentatives précédentes. L'article donne un aperçu utile des similarités et différences de perception des acheteurs et des vendeurs et compare les résultats de cette étude à ceux d'autres études faites précédemment.

### **Partnerschaften: Gefahren und Erfolgsfaktoren**

In den letzten Jahren hat sich eine deutliche Verschiebung der Haltung, mit der viele Unternehmen die Einkäufer-Zulieferer-Beziehung sehen, ergeben. In dieser Zeitspanne wurde ein wachsendes Interesse und Teilnahme an Einkäufer-Zulieferer-Partnerschaften deutlich, die zum großen Teil langfristig, andauernd und auf der Basis einer Risikoverteilung der Ergebnisse der Partnerschaften angelegt sind. Die meisten Untersuchungen, die sich mit dem Phänomen Partnerschaften beschäftigen, konzentrieren sich entweder auf die Sicht des Einkäufers oder des Zulieferers in einem solchen Verhältnis. Nur wenige Studien haben die Ansichten des Einkäufers und des Zulieferers gleichzeitig betrachtet.

Dieser Beitrag, der auf einer Zielgruppenstudie des Zentrums für fortgeschrittene Einkaufsforschung (Center for

Advanced Purchasing Studies) beruht, betrachtet gleichzeitig die Ansichten von sowohl Einkäufern als auch Zulieferern, die beide angeben, daß sie sich in einer Partnerschaft befinden. Er untersucht den Anlaß zur Errichtung der Partnerschaft, kritische Faktoren für den Erfolg und Faktoren, die zum Fehlschlagen früherer Partnerschaftsbeziehungen beigetragen haben. Er bietet nützliche Angaben über die Ähnlichkeiten und Unterschiede in den Ansichten von Einkäufern und Zulieferern und vergleicht die Ergebnisse dieser Untersuchung mit den Ergebnissen früherer Forschungsarbeiten.

### **Fallas de asociación y factores de éxito**

En los últimos años, ha habido un cambio significativo en la forma en que muchas organizaciones abordan las relaciones entre comprador y proveedor. En los años recientes hemos visto un interés creciente y un involucramiento en asociaciones de compradores y proveedores que tienden a ser de plazo más largo, constantes y basadas en el reparto de riesgos de los resultados de la asociación. La mayor parte de las investigaciones que tratan el fenómeno de las asociaciones se ha enfocado en las perspectivas que los compradores o los proveedores tienen de esta relación. Pocos proyectos de investigación han examinado las percepciones tanto de los compradores como de los proveedores al mismo tiempo.

Este artículo, basado en un estudio de enfoque del Centro de Estudios Avanzados de Compras (CAPS), observa simultáneamente las percepciones de los compradores y de los proveedores que están mutuamente de acuerdo en que se hallan envueltos en una asociación. Explora los impulsos que conducen a entrar en la asociación, así como los factores de éxito clave y los factores que condujeron al fracaso relaciones de asociación anteriores. Aporta ideas útiles sobre las semejanzas y diferencias entre las percepciones de los compradores y los proveedores, y compara los hallazgos del estudio con los de investigaciones anteriores.

# Partnering Pitfalls and Success Factors

By Lisa M. Ellram

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Over the past several years, there has been a significant shift in the way many organizations approach buyer-seller relationships. Recent years have seen an increased interest and involvement in buyer-supplier partnerships, which tend to be longer term, ongoing, and based on a sharing of the risks of relationship outcomes. Most of the research dealing with the partnering phenomenon has focused on buyers' or suppliers' perspectives of the relationship. Few research projects have looked at the perceptions of both buyers and suppliers simultaneously.

This article, based on a Center for Advanced Purchasing Studies (CAPS) focus study, looks simultaneously at the perceptions of both buyers and suppliers who mutually agree that they are involved in a partnership. It explores the impetus for entering the partnership, as well as the key success factors and factors contributing to failure in previous partnering relationships. It provides useful insights into the similarities and differences in buyers' and suppliers' perceptions, and compares the study's findings with those of previous research studies.

## INTRODUCTION

While the manner in which buying and supplying organizations interact has long been a topic of interest, in recent years the focus has shifted. Today, buyer-supplier "partnerships" or "strategic alliances" are a popular topic of coverage in both the popular and the academic press. Because "partnering" is a very popular, widely used term with a variety of definitions, it is important to begin this article with a definition. For the purpose of this research, "partnering" is defined as:

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...an ongoing relationship between two organizations which involves a commitment over an extended time period, and a mutual sharing of the risks and rewards of the relationship.<sup>1</sup>

For the purpose of this study, it is also assumed that partnership arrangements do not involve ownership, such as subsidiaries, joint ventures, or equity interests. Many articles have been written that cover various aspects of buyer-supplier relationships. Some of the topics studied include the use of partnerships to support the organizations' strategic objectives,<sup>2</sup> partnering selection factors,<sup>3</sup> partnership development and implementation,<sup>4</sup> trends in types of partnerships,<sup>5</sup> and partnership success factors and barriers.<sup>6</sup>

One potential shortcoming of much of the previous research on partnering is that it has been anecdotal,<sup>7</sup> looks at partnering from the "outside," is based on secondary data,<sup>8</sup> explores partnering relationships from only one side of the partnering dyad,<sup>9</sup> or that it uses a very small sample or a case study approach.<sup>10</sup>

This study provides a contribution beyond much of the previous research in that it looks at the issues associated with buyer-supplier partnering from the perspective of *both* the buyer and the supplier *simultaneously*. In addition to looking at both buyer and supplier perspectives, this research used "matched pairs" of buyers and suppliers that mutually agreed they were involved in a "partnering" relationship, as defined by the preceding definition.

To provide a balanced perspective on the why, how, and what to avoid in partnering relationships, this research explores the following questions:

1. Why do buyers and suppliers become involved in partnering relationships?
2. What are the key issues that make those relationships a success?
3. When previous partnering relationships have not worked out, what have been the key factors that contributed to that failure?

By definition, a "partnership relationship" is a two-way relationship involving a mutual exchange of ideas, information, and benefits. Yet, limited research has been done to explore whether there is truly a "meeting of the minds" in successful relationships, and what the concurrent perceptions of the participants reflect. In addition, it is of interest to find out why partnerships fail from the perspectives of both the buyer and the seller, particularly to obtain some insight from the perspectives of buyers and sellers who have been able to make such partnering relationships succeed under different circumstances.

## DESIGN/METHODOLOGY

This study used a survey methodology to provide a broad range of responses. A survey questionnaire package was developed based on previous research.<sup>11</sup> It was pretested, and resulted in a buyers' questionnaire and a companion

"near mirror image" suppliers' questionnaire. "Near mirror image" means that nearly all the same questions were asked of specific pairs of respondent buying firms and their counterpart supplying firms, but from each organization's perspective. This method enabled the researchers to make a direct comparison of the responses from the buying community with those from the supplying community.

## The Sample

More than 300 Fortune 500 firms' purchasing organizations were invited to participate in the study. This was a "convenience" sample that came from two sources: (1) participants in previous Center for Advanced Purchasing Studies (CAPS) purchasing performance benchmarking studies and (2) participants in the CAPS-sponsored Executive Purchasing Roundtable. A potential sample of 350 buying firms and 350 supplying firms or subunits within parent firms was identified.

The questionnaire set (buyers' and suppliers' questionnaires) was sent to the 350 targeted buying firms. They were instructed to focus most of their responses on their relationship with a particular supplier and a particular item or commodity purchased from this supplier. The supplier was to be one with whom the buying firm had either a formal partnering relationship or a close cooperative-collaborative association. In addition, the buying firm was asked to send the accompanying supplier questionnaire to the chosen supplier with a request to complete it and return it directly to CAPS. The supplier partner was also instructed to focus its responses on the buying firm and on the item or commodity chosen by the buying firm.

The researchers received 98 usable "pairs" of completed questionnaires from buying firms and their chosen suppliers. Eighty of the 98 responding pairs mutually identified the relationship as a "partnership" even though they had the opportunity to indicate that it was a "nonpartnering" relationship. As a result, the study is based on the 80 paired responses of buyers and suppliers who mutually agreed they were strategic partners.

## Demographic Data

A broad range of industries was represented in the study, as shown in Table I (see p. 38). Although no conclusions can be drawn because of the purposive nature of the sample, the supplier partnering concept appears to have widespread application across a number of U.S. industries.

In addition, there was a 2 to 1 ratio favoring made-to-order items over standard items as the item purchased within a partnership. More than half the items or product classes were direct operating materials, with the balance roughly split between capital equipment and maintenance, repair, and operating supplies.

## Length of Relationship

As shown in Table II, buyers who participated in this study indicated that they had been involved in this particular

buyer-seller relationship for an average of 14 years, but that their partnership with this supplier had been in place for an average of only 5 years. Suppliers indicated very similar figures. Buyers expected the relationship to last about another 8 years. Not surprisingly, suppliers were more optimistic, hoping the partnership would last approximately another 16 years. Thus, from the standpoint of both the buyers and the suppliers, these partnerships tended to be long-term, ongoing relationships.

#### INDUSTRIES REPRESENTED IN THE SAMPLE

Customer (Buyer)	Supplier
• Air transportation	• Chemicals
• Banking	• Electronic and electrical equipment
• Communications	• Engineering and management services
• Electronic and electrical equipment	• Fabricated metal products
• Food	• Food
• Hotels	• Furniture and fixtures
• Industrial equipment and machinery	• Industrial equipment and machinery
• Instruments	• Instruments
• Petroleum	• Paper and Packaging
• Textiles	• Printing and Publishing
• Transportation equipment	• Rubber and plastics
• Trucking	• Textiles
	• Transportation equipment
	• Trucking and warehousing

#### LENGTH OF RELATIONSHIP

	Buyers' Response	Suppliers' Response
Mean number of years the organization has purchased/sold from/to this supplier/buyer	14.00	15.34
Mean number of years this relationship was considered to be a "partnership"	4.91	6.08
Mean number of years the relationship is expected to last	8.41	16.28

## FINDINGS AND RESULTS

The focus of this study is threefold: (1) why organizations seek to enter buyer-seller partnerships, (2) why they believe those partnerships succeed when they are successful, and (3) why they believe partnerships fail when they do fail. Based on previous research<sup>12</sup> and input from purchasing practitioners and academics, questions were formulated to address these issues.

Before discussing the results of the study, it is helpful to provide some further background as to why both the buyers and suppliers entered into the partnering relationship being investigated. The primary reasons for entering a supplier partnership are shown in rank order in Table III for buyers and Table IV for suppliers.

### Buyer's Perspective

As indicated in Table III, the two primary reasons that buying firms enter partnerships are to obtain a better price or total cost for the purchased item and to secure a reliable source. Price/cost has long been a driving force in traditional buyer-supplier relationships, so it is not surprising that this is still a critical issue.

Source reliability is a broad factor, which encompasses the idea of having an ensured source of supply in times of

#### MEAN RANK SCORES FOR MAIN REASONS BUYERS ENTERED INTO THIS PARTNERSHIP

	Mean Ranking	Relative Ranking
Price/total cost of delivered item/product class	2.71	1
Secure reliable sources for product	2.85*	2
Desire to influence supplier's quality	3.85	3
Desire to improve delivery schedules	3.88	4
Desire to influence/gain access to suppliers' technology	4.59	5
Reduce internal procurement procedures and costs for RFP, RFQ, contracting, etc.	4.86	6
Support JIT initiatives	5.04	7
Reduce ongoing administrative procedures and costs for ordering, invoicing, etc.	5.42	8

Note: 1 = Highest rank

\* Statistically significant difference between the mean ranking of this factor and the factor immediately following at  $p < .05$ .

scarcity, a source that will live up to its commitments and promises, and one that exhibits overall dependability. Again, it is not surprising that this was a very crucial factor in seeking out a long-term, ongoing relationship with a supplier.

The ability to influence supplier quality was the third ranked factor, followed closely by the desire to influence supplier delivery schedules. Price, quality, and delivery traditionally have been the three most important supplier selection factors; it is not surprising to see a continuation of these priorities.

However, there is a significant gap in the scores between the top two items and the next two. T-tests indicated a statistically significant difference between the importance of the top two factors and the next two. Thus, price/cost and reliability of supply are noticeably more important to these purchasers than are the factors of quality and delivery.

This might seem surprising, given the emphasis on quality in the competitive marketplace today. However, there are several plausible explanations. First, a recent survey of a sample of Fortune 500 executives indicated that CEOs still consider cost control their number one priority.<sup>13</sup> Second, a recent study indicates that U.S. manufacturers now are satisfied with their quality performance, giving themselves a grade of A- overall.<sup>14</sup> Perhaps they feel that in many cases their suppliers are doing quite well and don't need to be pushed on the quality issue.

The desire to influence or access supplier technology received an average rank of fifth in importance for entering a partnership. The range of individual scores varied widely, indicating that in some cases technology access is an important factor in partnering and in others it is not. The sixth and eighth items relate to reduction of internal and administrative procedures. While these costs do benefit from partnering, they do not tend to be the driving force behind partnering.

Like technology, the desire to enter partnerships to support JIT initiatives also received a fairly low ranking by buyers. While this may seem somewhat surprising, perhaps many organizations find they can get the JIT results desired by entering into regular long-term relationships, rather than requiring the additional time and effort of buyer-supplier partnerships.

### Supplier's Perspective

The supplier's perspective is summarized in Table IV. Not surprisingly, the number one reason that suppliers enter partnership arrangements is to secure a reliable market for a given product. The buyers also saw this corresponding element as important, and rated the ability to secure a reliable source as their second most important factor. Suppliers indicated that desire to influence customer quality was the second most important motivator to enter a partnership. However, it was significantly less important than the acquisition of a reliable market.

One of the biggest gaps between buyers and suppliers in rankings of important reasons for entering partnerships is

### MEAN RANK SCORES FOR MAIN REASONS SUPPLIERS ENTERED INTO THIS PARTNERSHIP

	Mean Ranking	Relative Ranking
Secure reliable market for this item/product class	1.86**	1
Desire to influence customer's quality	3.12*	2
Support customer's JIT initiatives	3.74*	3
Desire to improve forecasts of requirements	3.81	4
Reduce ongoing administrative procedures and costs for ordering, invoicing, etc.	4.00	5
Reduce internal sales procedures and costs for preparing RFPs, RFQs, contracts, etc.	4.08	6
Price able to receive for this item/product class	4.29	7
Desire to influence/gain access to customer's technology	4.87	8

Note: 1 = Highest rank

\* Statistically significant difference between the mean ranking of this factor and the factor immediately following at  $p < .05$ .

\*\*  $p < .0001$

related to the JIT initiative. The suppliers ranked this factor as third in importance, with a mean rank of 3.74, while buyers ranked it as seventh in importance, with a mean rank of 5.04. Clearly, suppliers see the buying organization's drive toward a JIT initiative as a much more important issue in partnering than do the buyers.

Another big difference in responses between buyers and suppliers is in the area of administrative procedures. Suppliers see reduction of ongoing administrative procedures as a more important reason to enter a partnership than do buyers. Suppliers ranked this factor fifth, with a mean rank of 4.00, while buyers ranked it eighth, with a mean rank of 5.42. Given the reduction in paperwork that can result by using open orders, monthly invoicing, and other techniques that can result from a partnering arrangement, it is not surprising that suppliers see reduced administrative procedures and costs as important.

The most interesting difference between buyers' and sellers' partnering impetus relates to the pricing aspect of partnering arrangements. Price/total cost was the key driver for buyers to form partnerships, ranking first with a mean rank of 2.71. However, suppliers ranked price seventh, with a mean rank of 4.29. Thus, suppliers appear not to be as concerned with the price received as they are with having reliable demand, influencing quality, supporting JIT, and obtaining better requirements forecasts. Thus, suppliers are also considering the "total cost to do business with a firm" in their selection of partners.

### Key Factors for Establishing Successful Partnerships

This section discusses respondents' perceptions of the key factors necessary to establish and maintain viable partnerships, *in general*. However, one might expect that the respondents' answers reflect the specific relationship discussed in the survey, as well as their general experiences with buyer-supplier partnering.

Table V presents the mean ratings for 17 factors related to partnership success. Note first that all the factors are rated above the neutral rating of 4, which indicates that *all* factors are important to both groups. Second, note that the 5 factors with the highest ratings for buyers are: (1) *two-way information sharing*; (2) *top management support*; (3) *shared goals*; (4) *early communication to suppliers*; and (5) *supplier adds distinctive value*.

It is interesting to note how important almost all of the success factors surveyed are perceived to be by *both* groups. While the relative rankings of important factors vary between buyers and sellers, there are minimal statistically significant differences between the absolute ratings by both groups.

Four items differ significantly in importance ratings between buyers and suppliers: (1) *multiple relationships* and points of contact between buying and supplying firms; (2) *ongoing relationships between top levels* of buying and

supplying firms; (3) *personal relationships*; and (4) *JIT initiatives*. The suppliers rated these four factors as more important than did the buyers. This is particularly interesting for a number of reasons. First, 3 of the 4 factors are specifically related to the *relationship* between the buying and supplying organizations. Additionally, of the 17 items surveyed, these 3 were the only items that specifically included the word "relationship." While both the buyers and suppliers gave these factors an average ranking of greater than 5, indicating absolute importance, suppliers see the factors of top management relationships, multiple relationships, and personal relationships as even more important than do buyers.

As discussed previously, it is even more interesting to observe the substantially greater importance suppliers place on JIT initiatives. The difference between suppliers and buyers is statistically significant at  $p < .0001$ , with supplier's average ratings coming out as fifth in importance, while buyers responses came out seventeenth—the least important factor. Thus, while buyers drive JIT initiatives, suppliers see these initiatives as more important in driving partnering relationships. This may indicate that suppliers involved in partnerships that include JIT tend to overestimate and overemphasize the importance of the JIT aspect of the partnering relationship.

**AVERAGE RATING OF FACTORS IMPORTANT IN ESTABLISHING AND MAINTAINING PARTNERSHIPS, IN GENERAL**

	Buyers' Response		Suppliers' Response	
	Rating <sup>1</sup>	Rank	Rating <sup>1</sup>	Rank
Two-way information sharing	6.33	1	6.17	2
Top management support	6.17	2	6.19	1
Shared goals	5.96	3	5.83	6
Early communication to suppliers of specification changes, new products	5.94	4	5.65	11
Supplier adds distinctive value	5.88	5	5.88	5
Flexibility in agreement	5.82	6	5.69	10
Total quality management initiative	5.79	7	5.88	5
Training of buyers (sales personnel) in partnering philosophies/methods	5.54	8	5.13	15
Site visits to supplier	5.45	9	5.47	12
Multiple relationships/points of contact between buying and supplying firms	5.42	10	5.79*	8
Sharing examples of success with others	5.32	11	4.87	16
Ongoing relationships between top levels of buying and supplying firms	5.31	12	5.82*	7
Rewards/recognition for progress	5.10	13	5.24	13
Personal relationships	5.08	14	5.77*	9
Compatible corporate cultures	5.00	15	5.13	15
Establishing a task force	4.63	16	4.69	17
JIT initiatives	4.59	17	5.88**	5

<sup>1</sup> Mean ratings: 1 = Very unimportant; 4 = Neutral; 7 = Very important

\* Represents a statistically significant difference between the buyer's and supplier's perceptions at  $p < .05$ .

\*\*  $p < .0001$ .



To obtain a different perspective on the importance of key success factors in partnering, survey participants were asked to select the 5 most important items *contributing to partnership success* from the list of 17 items in Table V. This was done independently of the responses recorded in Table V. The results are tabulated in Table VI. The table actually shows 7 items rather than 5, so the top 5 items selected by both groups could be included.

In interpreting Table VI, the first figure shows the percentage of survey respondents who chose that item as one of the top 5 key success factors. The second number is simply the way that factor was ranked, based on the average importance ratings in Table V. Observe that there is not a one-to-one correspondence between the percentage of participants rating an item in the top five and the rankings. For example, while buyers ranked top management support as the second most important success factor based on average ratings, it was the most frequently mentioned of the top five success factors.

#### FACTORS BELIEVED TO BE MOST IMPORTANT TO THE SUCCESS OF A PURCHASING PARTNERSHIP

	Buyers' Response	Suppliers' Response
Two-way information sharing		
% of respondents ranking in top 5	70.5%	61.8%
Rank Order	1	2
Top management support		
% of respondents ranking in top 5	75.6%	84.2%
Rank Order	2	1
Shared goals		
% of respondents ranking in top 5	48.7%	48.7%
Rank Order	3	6
Early communication to suppliers of specification changes, new products		
% of respondents ranking in top 5	34.6%	17.1%
Rank Order	4	11
Supplier adds distinctive value		
% of respondents ranking in top 5	28.2%	39.7%
Rank Order	5	5
Total quality management initiative		
% of respondents ranking in top 5	51.3%	43.4%
Rank Order	7	5
JIT Initiatives		
% of respondents ranking in top 5	10.2%	22.4%
Rank Order	17	5

Note: 1 = Highest rank

A particularly notable example of a case in which average ratings and rank differ from the percentage of participants indicating that an item ranks in the "top five" is the importance of the "total quality management initiative" to buyers. While this has an average ranking of seventh among buyers, it is third in terms of the number of buyers who indicated that it would be included in their top five partnering success factors.

An example of the disparity between average ratings and the number who indicate that a success factor is in the top five in terms of importance among suppliers is apparent in the fifth ranked items. There are three success factors tied for fifth place among suppliers: (1) total quality management initiative, (2) supplier adds distinctive value, and (3) JIT initiatives. These all have an average rating of 5.88 out of 7, where 7 indicates that a success factor is very important. However, the number of suppliers indicating that these issues are among the top five key partnering success factors is 43.4 percent, 39.7 percent and 22.4 percent, respectively. This is a wide range. Thus, it is relevant to consider not only average ratings and rankings, but also how important the item would be if participants were forced to limit the number of items they could indicate as important.

These findings regarding key partnering success factors are consistent with the findings of previous research studies. Anecdotal evidence developed in several earlier studies indicates that top management commitment, multiple levels of contact, personal relationships, communication, and shared goals are important to partnering success.<sup>15</sup> Earlier case studies of buyers emphasize the importance of top management support, communications/information sharing, shared goals, and the importance of having a strong reason or distinctive value in forming the relationship.<sup>16</sup> This study adds to the current body of knowledge by corroborating the earlier studies through simultaneously examining buyers and sellers perceptions, and considering a large sample of partnering participants.

#### Why Do Partnerships Fail?

Respondents were asked to reflect on previous partnering relationships that did not reach full potential or had to be dissolved. Based on previous research, 19 factors that could contribute to partnering failure were identified<sup>17</sup> — and then evaluated by the two groups. With a rating of 4.0 as neutral, a fairly large number of these factors were considered unimportant by the purchasers and suppliers in this study. There were also numerous differences between buyers' and suppliers' responses. The results are summarized in Table VII (see p. 42).

First, as seen in the table, *poor communication* ranked as the most important cause of partnering failure for both groups. Also important to both groups were *lack of trust*, *poor up-front planning*, and *lack of shared goals*. There were, however, some strong differences of opinion about the importance of several other factors. One example is the factor "*low status of the customer's purchasing function*." In this case, the buyer group rated it "hardly a factor," with a 2.68 rating; the supplier's group mean rating of 4.32 was significantly higher. Similarly,

the suppliers saw *lack of central coordination* of the buyer's purchasing function as a significantly more important factor in partnership failure than did the buyers.

Other interesting issues that suppliers saw as significantly more important in contributing to partnering failure than did the buyers include a *lack of strategic direction* for the relationship and a *lack of shared goals*. Perhaps the suppliers saw these factors as more important issues than did buyers because the buyer generally takes a leadership role in buyer-supplier relationships. The suppliers were thus relying on the buyers to provide the strategic direction, and share the goals that support that strategy. Suppliers also saw a *lack of benefit/risk sharing* as a much more important cause of dissolution of partnerships than did buyers.

Suppliers also viewed the lack of a buyer's top management support as a relatively more important factor in partnership failure than the lack of their own top management support. Buyers agreed that their top management was a much more important contributor to partnership failure than was the supplier's top management.

The only items buyers considered significantly more important in contributing to partnership dissolution than did suppliers were *lack of distinctive value added* by the supplier and *lack of a total quality commitment* by the supplier. This information can be quite useful for suppliers. Some should probably place more emphasis on their quality and distinctive value-added performance. These differences in perception can well be important factors to consider when developing, maintaining, or enhancing partnerships.

The items considered to be relatively unimportant to partnership failure to both buyers and suppliers include distance barriers, top management differences, too many suppliers, corporate culture differences, and changes in the market.

Finally, Table VIII takes a different approach to the analysis of failure factors. Similar to the procedures used in developing Table VI, Table VIII summarizes key ranking factors from Table VII and combines them with the five top ranked failure factors identified by the two groups. Note that five of the top seven factors are common among the supplying and buying firms. Again, the buying firms see one deficiency

#### AVERAGE RATING OF FACTORS CONTRIBUTING TO PARTNERSHIPS THAT HAVE NOT WORKED OUT OR WERE DISSOLVED

	Buyers' Response		Suppliers' Response	
	Rating <sup>1</sup>	Rank	Rating <sup>1</sup>	Rank
Poor communication	5.76	1	5.89	1
Lack of our top management support of the partnership	5.31	2	4.44*	10
Lack of trust	5.19	3	5.59	4
Lack of total quality commitment by supplier	5.09	4	3.18***	18
Poor up-front planning	4.89	5	5.25	5
Lack of distinctive supplier value-added/benefit	4.81	6	4.17*	13
Lack of strategic direction for the relationship	4.75	7	5.60**	3
Lack of shared goals	4.72	8	5.61***	2
Ineffective mechanism for conflict resolution	4.59	9	5.07	7
Lack of benefit/risk sharing	4.52	10	5.21*	6
Agreement not supportive of a partnering philosophy	4.23	11	4.84	9
Lack of partner firm's top management support	3.89	12	4.94**	8
Changes in the market	3.70	13	3.64	16
Too many suppliers for customer to deal with effectively	3.57	14	3.95	15
Corporate culture differences	3.56	15	3.48	17
Top management differences	3.52	16	3.98	14
Lack of central coordination of purchasing	3.30	17	4.19**	12
Low status of customer's purchasing function	2.68	18	4.32***	11
Distance barriers	2.35	19	2.70	19

<sup>1</sup> Mean ratings: 1=Very unimportant; 4=Neutral; 7=Very important

Note: Asterisks represent a statistically significant difference between buyer's and supplier's perceptions at the following levels: \* p < .05; \*\* p < .01;

\*\*\* p < .001.

among the suppliers as critical: *lack of total quality commitment*. And they see one deficiency among their own operations as critical: *lack of top management support*.

Both buyers and suppliers jointly report that the factor that contributes most heavily to failed partnerships is *poor communication*. *Lack of trust* is also a general problem. Problems that stem from operating the partnering relationship included *poor up-front planning*, *lack of a strategic direction* for the relationship, and *lack of shared goals*.

Previous case study research into international purchasing partnerships showed poor communication, lack of top management support and lack of strategic direction as the key contributors to partnering failures.<sup>18</sup> Unlike the current study, in this earlier work, lack of trust was not a key issue.

Supporting the results of this study, Ohmae<sup>19</sup> emphasizes that a lack of clear, shared goals and lack of mutual benefit

are key contributors to partnership failure. He also points out that "clash of corporate cultures" is another key reason for relationship failures, specifically failures of joint ventures. This study found this latter factor to be slightly below neutral as an issue contributing to partnership dissolution or to disappointing results. Perhaps the group studied here carefully investigated potential partners to avoid potential management and culture clashes. On the other hand, such conflicts may be more endemic to joint ventures than nonequity arrangements such as those studied here.

## SUMMARY AND CONCLUSIONS

This study adds to the growing body of knowledge on partnering and strategic alliances in buyer-supplier relationships. It is unique and important for several reasons:

1. The data were gathered from a large sample of diversified firms, rather than relying solely on anecdotal or case study data.
2. It simultaneously looks at perceptions of both buyers and suppliers who are currently involved in a mutual partnering relationship.
3. It compares these findings with previous research for similarities and differences.

The findings regarding the key issues in buyer-supplier *partnering success* corroborate previous studies. In addition, this research shows that there are differences in the perceived relative importance of success factors between buyers and suppliers. Specifically, suppliers view JIT initiatives and ongoing, personal, multilevel relationships between partners as much more important to partnership success than do buyers. Nevertheless, all the success factors included in the study were viewed as above neutral in importance by both buyers and suppliers.

The findings of the study were not as clear in supporting the results of previous research dealing with contributors to *disappointing or failed partnerships*. While the items surveyed were based on previous research and the input of experienced professionals, a number of the factors were viewed as relatively unimportant to partnership failure by both buyers and suppliers. The most notable "unimportant" factors were corporate culture differences and top management differences. It could be that survey participants chose their partners very well, specifically to avoid such pitfalls.

Differences among research findings such as these require further research. Are organizations simply becoming more sophisticated at avoiding partnering pitfalls as they gain experience? Are partnering failure factors shifting, so that there are new, previously unexplored issues that should be investigated? Does the nature of key barriers vary depending on factors such as whether the partner is global or domestic, the length of experience with partnering in general, and perhaps the partner organization in particular?

As partnering continues to grow and evolve as a viable relational form, so will the data available for study. Continued study of the partnering phenomenon can benefit practitioners

### TOP FACTORS CONTRIBUTING TO PARTNERSHIPS THAT HAVE NOT WORKED OUT OR HAVE BEEN DISSOLVED

	Buyers' Response	Suppliers' Response
Poor communication		
% of respondents		
ranking factor in top five	64.1%	58.7%
Overall rank	1	1
Lack of top management support by our top management		
% of respondents		
ranking factor in top five	48.4%	31.8%
Overall rank	2	10
Lack of trust		
% of respondents		
ranking factor in top five	40.6%	33.3%
Overall rank	3	4
Lack of total quality commitment by supplier		
% of respondents		
ranking factor in top five	46.9%	14.3%
Overall rank	4	18
Poor up-front planning		
% of respondents		
ranking factor in top five	23.4%	28.6%
Overall rank	5	5
Lack of strategic direction for the relationship		
% of respondents		
ranking factor in top five	35.9%	47.6%
Overall rank	7	3
Lack of shared goals		
% of respondents		
ranking factor in top five	28.1%	41.3%
Overall rank	8	2

who are involved in partnerships, as well as academics who teach students about buyer-supplier relationships.

In 1990, Kenichi Ohmae pointed out, "To my knowledge ... there is not even one scholar who specializes in the study of intercompany relationships. This is a serious omission, given the importance of joint ventures and alliances in today's competitive global environment. We need to know much more than we do about what makes effective corporate relationships work."<sup>20</sup> This research has attempted to add to the body of knowledge of intercompany relationships, and point out additional issues for further inquiry.

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