

# Social Media as an idiosyncratic investment and enhancer of relationship quality and long-term orientation in buyer-supplier relationships

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# **SOCIAL MEDIA AS AN IDIOSYNCRATIC INVESTMENT AND ENHANCER OF RELATIONSHIP QUALITY AND LONG-TERM ORIENTATION IN BUYER-SUPPLIER RELATIONSHIPS**

**- A supplier perspective in retail context**

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### **Motivation for the research and objectives**

The purpose of this Master' thesis is to explore the attitudes towards social media collaborations in buyer-supplier relationships (BSR) and to clarify how idiosyncratic investments in social media may enhance the relationship quality and long-term orientation within the dyad. It's suggested also in the literature that firms have to continue to rely on collaborative relationships in order to grow their pie of benefits (eg. Anderson & Jap, 2005). In this study, collaborative buyer-supplier relationships are seen as a creator of competitive advantage. The aim of this research is to contribute to the business marketing by providing new insights about the nature of buyer-supplier relationship and the possibilities of social media.

### **The research strategy and methodology**

In this study the linkages among of various buyer-supplier relationship-relevant constructs, relationship quality and long-term orientation are hypothesized and assessed. It's recognized that the constructs included in the conceptual model are only a portion of the potentially relevant variables that might have been included. However, the chosen constructs have both theoretical and empirical support and have shown their fit when examining the retail context and the collaborative approach.

Hence, trust (1), commitment (2), interdependence (3), communication (4), social media (5), long-term orientation (6) and relationship quality (7) are the constructs that are included in the proposed conceptual framework. The conceptual model is evaluated with confirmatory factor analysis (CFA) and the proposed hypotheses are tested with structural equation modeling (SEM). The sample of the study consisted of 151 suppliers from the action sport and lifestyle brand industry. Suppliers were responding based on the relationship between one retailer buyer.

### **Results**

All in all, 4 out of 6 hypotheses were supported. The results indicate that commitment and communication have a positive relation to willingness to make idiosyncratic investments in social media. Furthermore, willingness to collaborate also reflects to higher relationship quality and long-term orientation. The relationship between trust and interdependence towards willingness to make idiosyncratic investments in social media weren't statistically significant, hence their importance in social media context cannot be determined based on this study.

**Key words:** business-to-business marketing, buyer-supplier relationship management, relationship quality, long-term orientation, social media, retail, structural equation model

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# 1 INTRODUCTION

Relationships between buyers and suppliers have existed, since people began trading goods and services (Wilson, 1995). These relationships have developed in a natural way over time as the buyers and suppliers developed trust and relationships supported by exchanging products and services. The fact that buyer-supplier relationships have a significant role in the history, they have besides a crucial role in a firm's business performance (eg. Dwyer, Schurr & Oh, 1987; Ganesan, 1994). Buyer-supplier relationship is an appealing research field as such, but what is even more interesting to study is, how social media is perceived in the buyer-supplier relationship context. More precisely, how is social media perceived as an idiosyncratic investment? Or whether social media is seen as potential contributor to relationship quality?

The aim of this Master's thesis is to research the buyer-supplier relationships and how the rise of social media has affected the enhancement of interpersonal business exchange relationships, in other words the relationship quality and the long-term orientation of the relationship. There has been a growing recognition among scholars and practitioners that collaborative and long-term buyer-supplier relationships represent a source of competitive advantage (eg. Ulaga & Eggert 2006, Wilson 1995), hence they are a core business function in any operating company. As Buchanan (1992) concluded: "No organization is self-sufficient".

Also the changes in end users' buying behavior, technology and competition have all an impact on the potential value creation in the buyer-supplier relationships. As information technology and the markets changes due to environmental dynamism, there are many fields to research in buyer-supplier relationship management. Hence, this study is tackling the following research phenomenon: social media as an idiosyncratic investment and an enhancer of relationship quality and long-term orientation in the buyer-supplier relationships. The research problem stems from the fact that today, the buyer-supplier relationship management may need new attributes and skills to develop, maintain and nurture the on-going buyer-supplier relationship.

Ravald and Grönroos (1996) suggest that the success of a mutually profitable relationship for the supplier and the buyer, depends on the ability to provide relationship value continuously. Value can be indeed created by multiple ways, but the focus of this study is to research how the value creation opportunities created by social media are experienced when managing the buyer-supplier relationships. Moreover, if idiosyncratic investments, in other words, social media collaborations, could enhance the relationship quality. Here social media is defined as "a set of

internet-based applications that is built on the ideological and technological foundations of Web 2.0, which allows the creation and exchange of user-generated content" (Kaplan & Haenlein, 2010). In the past years, the prompt pace of technological advancement and adoption of social media among organizations has been unprecedented (Moore, Hopkins & Raymond 2013) and has provided many possibilities for suppliers and buyers to discover.

When reviewing the academic marketing literature, the development of successful, long-term, mutually beneficial buyer-supplier relationships has been fascinating scholars for the past decades (Athanasopoulou, 2009), mostly due to the fact that collaborative relationships are often associated with improved performance (Dwyer et al., 1987; Heide & John, 1990; Ganesan, 1994; Kalwani & Narayandas, 1995; Doney & Cannon, 1997; Cannon & Perreault, 1999; Kohtamäki, Vesalainen, Henneberg, Naudé & Ventresca, 2012). It has been also pointed out that collaborative relationships represent and culminate in significant performance enhancements and improvements in firm's competitive advantage (Jap 1999, Hogan & Armstrong 2001; Wang, Li, Ross, & Craighead, 2012). The competition is daunting, since firms operate with increasingly volatile environment, where both buyers and suppliers recognize the benefits of collaborative relationships (Blonska, Storey, Rozemeijer, Wetzels & de Ruyter, 2013).

The academic research has shifted long time ago away from a focus on exchange as a series of discrete transactions and toward a focus on building relationships based on relational exchanges (Dwyer, Schurr & Oh, 1987; Webster 1992; Hogan & Armstrong 2001). Instead, the recent literature is concentrated on highlighting relationship learning and relationship quality as the research focuses, furthermore how buyers and suppliers collaborative actions will contribute to the business performance within the rapidly changing markets (Seines & Sallis, 2003).

As Cannon and Perreault (1999) stated already a decade ago; in today's business-to-business markets, there is intense pressure to improve the efficiency and effectiveness of both marketing efforts, which still holds true today. Although not every firm is concerned about revenue and cost strains, fast changes in technology, economic conditions and business practices are calling for new ways of addressing problems and enduring their business relationships (Cannon & Perreault, 1999). Today, as social media has become a daily activity for most firms, the remarkable possibilities created by social media cannot be ignored.

In this thesis the linkages among of various buyer-supplier relationship-relevant constructs, relationship quality and long-term orientation are hypothesized and assessed. The purpose of this research is to contribute to the business marketing literature by providing new insights about the nature of buyer-supplier relationship and the possibilities of social media. This is accomplished by taking a new and relevant perspective of the rise social media and its relevancy to today's business markets.

This study will define the extent, where a mutual incentive and understanding to collaborate in social media can be achieved. This study will also describe how the supplier's willingness to take actions to satisfy the customer marketplace jointly with the buyer is impacting the relationship quality and long-term orientation of the relationship. Value creation is regarded as the essential purpose for a buyer firm and a supplier firm to engage in a relationship (Walter, Ritter & Gemünden, 2001). Shared ambitions, goals and values between buyers and suppliers are also big players in buyer-supplier relationship management (Carey et al., 2011), however due to the fact that the current attitudes towards social media and willingness to make idiosyncratic investments are in the research focus, the perceived relationship constructs and their linkages are researched instead of examining the shared ambitions and mutual goals.

Nowadays, preserving of the relationship has to be done with idiosyncratic investments, since the core products and price competition have become less important differentiators in buyer-supplier relationships (Ulaga & Eggert, 2006). And in end, firms that are better equipped for responding to market requirements are expected to achieve superior profitability and competitive advantage in the long run (Day, 1994). Also, as successful buyer-supplier relationship requires each party to take a long-term orientation relating to the benefits that are derived from the relationship (Sheth & Parvatiyar, 1992), researching the importance of long-term orientation in buyer-supplier relationship context has become a steady research stream in the marketing literature (e.g. Doney & Cannon, 1997; Morgan & Ganesan, 1994; Ryu, Park & Min 2007).

To sum up, there is a strong support to the fact that strategic source of efficiency and competitive advantage can be achieved through managing buyer-supplier relationships appropriately (eg. Zaheer, McEvily, & Perrone, 1998). Could the advantage be gained through idiosyncratic investments in social media? What are the opinion and the expectations of the supplier? This is examined through a data gathered of suppliers in the action sports and lifestyle brand industry that have a buyer-supplier relationship with one retailer buyer.



In the following chapters the research phenomenon and the research problem are profoundly described. The chapter will end with a set of specified research objectives and with a clarifying paragraph with definitions of this study's key concepts.

The conceptual model will be developed throughout the literature review and a summary of the conceptual model will be presented in the end of the literature review. After presenting the complete conceptual model, the methodology is described as well as the analysis of the data and managerial implications.

### **1.1 Describing the research phenomenon**

As of September 2014, the online social networking application Facebook has registered more than 1.32 billion active users; being the 3<sup>rd</sup> largest country, after China and India, when calculating the total number of registered users. At the same time, every minute, 10 hours of content is uploaded to the video sharing platform YouTube; every day, 60 millions photos are uploaded to Instagram and altogether 77% of internet users read blogs (Digital Insights 2014). Kaplan and Haenlein stated already in 2010 that "it's reasonable to say that Social Media represent a revolutionary new trend that should be of interest to companies operating in online space – or any space, for that matter." Hence, the motivation for this study is to research if this major trend has a possibility to tweak the buyer-supplier relationship, especially in the retail context.

New phenomenon in the field of buyer-supplier relationship management, such as social media, brings new ways of thinking, challenges the firms to question the current behavior patterns and pushes the firm to explore the possibilities within the new social media phenomenon. A company that is capable of adapting to the change, will easier avoid the pain of fierce competition and will thereby strive for competitive advantage. Today social media threatens long established business models and corporate strategies, since the flow of information about a brand has become multidirectional, interconnected and difficult to predict. Besides challenging the current relationship management, social media also provides opportunities for growth due to new adaptive strategies. (Hennig-Thurau et al., 2010). All in all, it's proposed that social media can be utilized to identify new business opportunities and to deepen relationships and to build up collaborations between firms and other stakeholders (Jussila et al., 2014).

Despite the wide research done in the buyer-supplier relationship management, there is still demand for academic research that pays more attention to environmental dynamism. Moreover, the perceived challenges and

opportunities of social media business-to-business sector has received little attention in the literature (Jussila, Kärkkäinen & Aramo-Immonen, 2014). Despite of the low attention in the recent academic literature, social media as a concept is top of the agenda for many managers today (Kaplan & Haenlein, 2010) and hence this research topic is highly relevant.

However, in order to consider social media as an enhancer of relationship quality, collaboration between the both parties has to take place. The motivation of this study is to research, if social media as a collaboration platform encourages buyer and supplier to collaborate, in order to enhance their mutual relationship quality and long-term orientation. Collaboration has been defined in this study as "similar or complementary coordinated actions taken by firms in interdependent relationships to achieve mutual outcomes or singular outcomes with expected reciprocation over time" (Anderson & Narus, 1990). Through collaborative relationships value creation is made possible and it ensures the continuance of the relationship, which sums up the meaning of long-term orientation in a relationship. It's suggested that firms have to continue to rely on collaborative relationship to grow their pie of benefits (Anderson & Jap, 2005). Moreover, a collaborative relationship-climate is considered overall desirable and inhibits the misuse of buyer dominance over suppliers (Ghijsen, Semeijn & Ernstson, 2010).

Individual buyer-supplier relationships are part of competitive networks as companies strive to create competitive advantage through managing a set of relationships that creates value and is as well difficult to duplicate (Anderson, Hakansson & Johanson, 1994). Moreover, the resources that the different relationship parties offer are limited; firms must maintain relationships with selected parties in order to stay competitive (Buchanan 1992). However, creating competitive advantage is multidimensional. If the buyer and the supplier don't have strong common goals, there is little incentive to commit resources and to build a governance structure to enhance the relationship quality, for example (Wilson, 1995). Secondly, the absence of common culture together with the fact that the relationships rarely share a common environment, sets challenges in creating competitive advantage. But after all, long-term buyer-supplier relationships are believed to be one of the greatest resources for developing sustainable competitive advantage in the business markets (eg. Dyer & Singh 1998; Lambe, Spekman & Hunt 2002).

Although collaborative relationships have often been related to competitive advantage and profitability, there has been recently a rising discussion, which questions whether all collaborative relationships lead to profitable outcomes, especially those that are very close. As Anderson and Jap (2005) stated: "close relationships are not

always synonymous with good relationships". However, in this study the research focus isn't on the risks and on the negative side of collaborative relationships. The focus is rather on the different relationship constructs and their relations to relationship quality and long-term orientation. In the other hand, it's good to keep in mind that some collaborative relationships have been studied to have disadvantages for the buyer or the supplier side (eg. Villena et al., 2011).

Next, three different factors have been chosen to describe the research phenomenon more in-depth: the value creation in the buyer-supplier relationship, environmental dynamism and the retail context, which provide the empirical settings for this study. To conclude this chapter, it can be argued that collaboration in social media in B2B context is an underrated area in the managerial and academic settings and its potentiality isn't widely researched. This study is aiming to fill a small piece of this research gap.

### **a) Understanding the value creation**

In order to manage collaborative buyer-supplier relationships, it demands an understanding of how relationships create value for the firm and methods to accurately assess the success of the relationship (Hogan, 2001). It's even more crucial for suppliers to understand how they can deliver value in the buyer-supplier relationship compared to the buyer's side (Ulaga 2003). Also Walter et al. (2001) proposed that for the sake of their own survival, suppliers need to understand how value can be created through relationships with their buyers. One of the reasons may be that suppliers often lack know-how and resources to improve their performance by themselves and therefore appreciate help and support from the buyer (Krause et al., 2000). This condition is valid foremost to small companies as they "are more likely to require capital support in order to stay in business" (Wagner, 2006). In the end, suppliers need to offer value to the buyer but also they need to gain benefits from the buyer at the same time. Due to this reason, the supplier perspective of this study is valuable in order to offer more insight of supplier's attitudes.

This study adopts Jap et al.'s (1999) approach and examines supplier's perception of high- and low-quality relationship. Additionally, this study includes relationship-specific constructs and how they could contribute to more detailed understanding of dimensions affecting relationship quality (Jap et al. 1999; Ulaga & Eggert 2006). It's argued that measuring value creation in relationship is challenging (Hogan, 2001). In order to evaluate the

buyer-supplier relationship and its value, the following high-order constructs are chosen as assessment method for the relationship outcomes; relationship quality (Huntley, 2006) and long-term orientation (Ganesan, 1994).

### **b) Environmental dynamism**

The research problem of this study stems partly from environmental dynamism, since social media can be held as a creator of environmental dynamism. Environmental dynamism characterizes the degree of variability of changes in firms' operating market (Li & Ye 1999). It can be also defined as environmental uncertainty, which refers to the forces in the environment over which the relationship parties have little or no control, such as changes in competition, end-user buying behavior and technology (Jap et al., 1999) and at the same time has an impact on the relationship performance (Wilson 1995; Seines & Sallis, 2003).

When suppliers perceive a dynamic and uncertain environment, they are more willing to expend the effort to exploit the distinctive possibilities of the relationship. Environmental uncertainty might motivate the supplier to form collaborative relationships with buyers because it enables the suppliers to obtain valuable downstream information that can help to forecast the demand and provides a means by which they can cope better with environmental dynamism. (Morgan & Hunt 1994; Jap, 1999). Flexibility and the ability to adapt rapidly are important in uncertain environments. Therefore, firms might be motivated to engage in collaborative relationships to achieve some control over externalities and to buffer consequences (Seines & Sallis, 2003). All in all, environmental dynamism can push the relationships to a more collaborative approach and increase the willingness to make idiosyncratic investments.

Comparison with isolated firms without collaboration, collaborative relationships are more likely to have a the capabilities and resources to strategically improve their competitiveness (Wilkinson, Young & Freytag 2005). There are some environment-related factors that facilitate collaboration. The more the relationship parties perceive similarity in the environmental dynamism, the higher the likelihood for willingness to make idiosyncratic investments in the relationship. As Wilkinson et al. (2005) state that correspondence in the faced business environment and market position with respect to innovativeness and technology are essential attributes for relationships that perform well.

Environmental dynamism might change also change the role of a relationship-specific construct or activate a new construct (Wilson, 1995). As an example, trust as a construct might be active in the early stages of the relationship, but become more latent until an incident, such as a change in managers, makes it active again. It might be that the current use of social media is such an incident that might start to emphasize another set of relationship-specific constructs. But in the end, the environment gives the opportunity to the buyers and suppliers to understand the potential limitations and opportunities for exploiting idiosyncratic investments and knowledge that exist between them (Jap, 1999).

### **c) The retail context**

As mentioned in the introduction, the retail setting offers the empirical setting for this study. It has been suggested that relationship quality research should focus on retail settings, more studies from the supplier side is needed in order to gain information of the other side, since studies in relationship quality are mostly done from the buyer's perspective (Athanasopoulou, 2009). As argued by Jap et al. (1999), a retail setting provides an ideal setting to identify and describe "how relationship marketing is manifest behaviorally among buyers and suppliers in channels of distribution." When compared to industrial settings, in which buyers develop strong ties with selected suppliers, buyers in retail settings relate to a variety of suppliers that compete for retail shelf space online and offline environments. Furthermore, in normal case retail buyers purchase finished products, and the set of selected suppliers includes both complementary domestic suppliers and suppliers located abroad. Switching costs for retail buyers may be much lower than those of the suppliers because of the retail buyers' access to complementary suppliers and their size when compared to suppliers (Mysen, Svensson, & Högevold, 2012). Hence, compared to industrial context, retail buyers might have a higher number of on-going relationships, which may vary in terms of quality (Jap et al., 1999).

## **1.2 Research problem**

As mentioned above, the purpose of this Master's thesis is to highlight some key changes resulting from the increasing use of social media, and to research what kind of effects it has to buyer-supplier relationship management and how, especially, the supplier is experiencing the potentiality to enhance relationship and collaboration in the new environment. While it's widely known that collaborative buyer-supplier relationship

contribute to improved performance and competitive advantage, less is known about the opportunities and possibilities that possible idiosyncratic investments to social media have created.

Both the buyer and supplier have to choose whether to invest in a quality relationship or stay in a low-value relationship through discrete transactions. However, collaborative relationships in business markets compared to the transactional based relationships are of a growing importance to buyers and suppliers alike (Ulaga, 2003). Moreover, in order to cope better with constant change in the environmental dynamism and demand, buyers and suppliers are pushed to create more collaborative relationship and to build stronger links with each other (Jap, 1999). It's commonly known that collaborative relationships create value, however it's also often perceived that they are costly to develop, nurture and maintain. However, novel marketing mechanisms created by social media and the cost-effectiveness of social media as a collaboration platform might change that perception (Gilfoil & Jobs, 2012).

As Wilson (1995) stated decades ago that the expectations of performance have increased, making the development of a high relationship quality even more difficult, and as Ahtanasopoulou (2009) stated, the paradigm hasn't changed in the recent literature. But how can high quality relationship be built through collaboration? As Jap (1999) clarifies: coordination efforts and specific idiosyncratic investments have to be first implemented before the firm can have interorganizational collaboration as a source of competitive advantage. It's increasingly difficult for suppliers to compete on quality only (Ulaga & Eggert, 2006b). Especially in the retailing industry, since the suppliers face growing commoditization of product offering and they seek to differentiate themselves through relationships (Ulaga, 2003).

Since the role of social media in buyer-supplier relationships has been hardly researched, there are many questions without an answer about how social media as an idiosyncratic investment affects the relationship quality and long-term orientation.

Hence, the main research question of my Master's thesis is the following:

**How do suppliers perceive social media as an enhancer of relationship quality and long-term orientation in buyer-supplier relationships?**

To examine the research problem more explicitly, the following sub research question are formed:

The relations between social media collaborations and the relationship outcomes are compelling to research.

**-How could the willingness to make idiosyncratic investments in social media reflect to relationship quality and long-term orientation?**

More specifically, it's interesting to research the mechanisms that encourage a buyer and a supplier to collaborate jointly in social media.

**-Which specific relationship constructs will make a supplier willing to work jointly with a buyer in the social media context?**

First, the study concentrates in giving an understanding of the nature of collaborative the buyer-supplier relationships and what kind of roles relationship-specific constructs have in the ongoing buyer-supplier relationships. Selnes (1998) stated that when enhancing the scope of the relationship and striving for more collaborative relationships, it involves a more strategic decision, which affects buyer's and supplier's value-chain, for example by exchanging information or by renewing some of the business functions. The focus of the research is more on the interrelationships between constructs that describe the collaboration process and not on the individual perceptions.

In the sample of this study, the buyer has already made the decision, if the relationship should be established through the first tie purchase. This research problem concentrates on enhancing the scope of the relationship that will in the end affect the continuance of the relationship, in other words repurchasing activities (Grönroos, 1994). The aim isn't to classify potential collaboration partners, rather find in what kind of relationship constructs would allow collaboration to take place.

Various scholars point out that buyer-supplier relationships are typically more often researched from the buying firm's perspective (eg. Ellegaard et al., 2003). There are number of empirical contributions arguing that it's also important to consider the supplier's perspective and to focus on how suppliers perceive the relationship specific constructs, what qualities suppliers find attractive in a buyer and what motivates them to build and maintain a

strong relationship (Mortensen, 2012). Thanks to the sample of this study, it offers a highly needed perspective from the supplier's side.

### **1.3 Research objectives**

This thesis will have a strategic approach. Attention won't be given to the operational side of social media or how social media collaboration should be executed. The contributions of the research are accomplished by drawing on and integrating different theoretical perspectives, and conducting an empirical research among suppliers' opinions on the central concept in buyer-supplier relationships in relation to social media. All in all, the aim is to gain marketing knowledge in the social media field, since the research done in the social media in business markets is still in baby steps.

The main purpose of this research is to identify the key constructs that influence the important outcomes of buyer-supplier relationships and to create understanding of the causal relations between the constructs and outcomes. Although the research is done in retail context, the aim is to give an overall insight and understanding into the buyer-supplier relationship management across business markets. However, the research results will be more valid for parties that are operating in the same business field as the sample of my research; within action sport goods and lifestyle brands.

The purpose of this thesis is to answer with some indications to how mutual interest can be influenced that makes a supplier interested in working jointly with a buyer in social media. Moreover, which constructs will be essential in order to enhance the relationship through social media. The focus is on enhancing the relationship quality, which in the end determines the long-term survival of the relationship (eg. Ulaga & Eggert, 2006).

This study will examine the research problem from a dyadic as opposed to network perspective, more precisely from the perspective of the supplier. Most studies in the relationship quality field concern dyadic relationships (Anthanasopoulou, 2009). Moreover, the difficulties associated with dyad studies, such as shortage of time and money, prevent researchers from including both buyer and supplier in the research effort. Hence, the conceptual model is tested only with the supplier side.

This thesis is structured in the following way. First, the key concepts are defined, then the theoretical framework is developed and the set of testable hypotheses are formed. The study continues with the methodological part.



Afterwards, the analysis and the results from the empirical part are presented. The sample of this study consists of 151 respondents from the supplier side. Finally, the managerial implications and the study's limitations will be discussed and directions for further research are proposed. The developed framework will help firms to develop effective business marketing strategies and enhance the constructs that affect the relationship quality of their buyer-supplier relationships.

The study is conducted as a cross-sectional study that covers only one short period. Although as (Wilson, 1995) stated that when relationships are looked in cross-section, we lose the insights that emerge from looking at the process of relationship development. Due to lack of time and resources a longitudinal study cannot be conducted, hence my research will cover only one short period.

To conclude, this study doesn't concentrate on evaluating why some business relationships succeed while other fails, instead the focus on finding out the prerequisite for high relationship quality and long-term orientation. In this study, the buyer-supplier relationship is perceived to be a unique and productive resource for value creation.

## **1.4 Key concepts**

### **1.4.1 Defining social media**

This paragraph starts by defining social media and then characterizes social media in the business market environment. Social media can be rather simply defined, however the different purposes that social media takes in the business exchange settings are more multidimensional. When it comes to business exchanges in retail settings, social media can be a platform where the relationship is managed through communication, but it can also serve as a platform for deeper collaboration such as mutual promotions and marketing efforts. Today it's clear that social media is very powerful, but most of the buyers and suppliers are still reluctant to develop strategies and allocate resources to social media collaboration.

Hennig-Thurau et al. (2010) summed up that "social media require a shift in marketing thinking – consumers have become highly active partners, serving as customers as well as producers and retailers, being strongly connected with a network of other consumers". Several scholars already have discussed how social media crucially impacts the firm. For example, Kietzmann et al. (2011) described social media as phenomenon, which can today impact firm's reputation, and even sales significantly.

To define social media more precisely than in the introduction, it's proposed that social media refers to applications that are based on user-created content and user activity, which have a crucial role in increasing the value of the specific application (Kangas, Toivonen, & Bäck, 2007; Jussila et al., 2014). Harstshorn (2011) and Kietzmann et al. (2011) highlight that with social media we have entered in a totally new communication landscape, where the loose of direct control is one of the consequences (Mangold & Faulds, 2009; Hennig-Thurau et al., 2010). It also serves a compelling new set of eWom and mechanism for marketing (Gilfoil & Jobs, 2012). Ultimately, the firm has to act as a curator of social media content and interactions (Kietzmann et al., 2011).

As Kaplan and Haenlein (2010) point out, social media is a very active and fast-moving domain, and it's don't clearly defined what kind of various form social media can be taking. There is neither a definitive number for the quantity of social media application, it can be only concluded that the amount of social media applications has rose at a rapid pace over the past decade and individuals and organizations alike are trying to adopt them for social and other purposes (Moore et al., 2013). Hence, this study covers only a shallow definition of social media without discussing the specific applications and opportunities of it. And also, because the research focus is on the general attitudes of social media as an idiosyncratic investment.

To examine social media as a potential idiosyncratic investment in buyer-supplier relationship is compelling. Since, what must be of prime concern for any buyer or supplier is the sacrifice involved in making idiosyncratic investments, since most firms have a financial limit, which cannot be exceeded. However, it can be proposed that social media is a pretty cost-efficient platform for collaboration and social media allows collaboration that is more weak-tied compared to collaboration that needs tangible resource, for example. Idiosyncratic investments are presented more precisely in the chapter 2.3.

#### **1.4.2 Other key concepts**

The key concepts, beside social media that are used throughout this study are defined briefly in this section. The more profound discussion concerning the definitions is presented in the literature review, in the chapter 2.

**Collaboration:** Defined as occurring when "two or more independent companies work jointly to plan and execute supply chain operations with greater success than when acting in isolation" (Simatupang & Sridharan, 2002). Collaboration among relationship parties may result in greater economic benefits in comparison to the traditional (transaction based) relationships (Paulraj et al., 2008).

**Relationship Value:** Identified as a subjective concept and conceptualized as a trade-off between sacrifices and benefits and as an antecedent of relationship quality (Ulaga & Eggert, 2006). Anderson and Narus (1990) suggested that relationship value may be viewed as economic, social, and/or technological value.

**Idiosyncratic Investments:** According to Williamson (1985) "idiosyncratic investments are nonfungible investments that uniquely support the buyer-supplier relationship". In other words, idiosyncratic investments lose the substantial value unless the relationship continues (Heide & John, 1988).

**Relational Norm:** Relational norms address behavioral expectations in on-going, present-day relationships (Heide & John, 1992). Jap and Ganesan (2000) stated "such an emphasis on ongoing relationships makes norms distinct from other aspects of the relationship such as commitment, which focuses on future expectations in a relationship". As discussed in the literature reviews by Athanasopoulou (2009), relational norms have been linked to relationship quality as antecedents, dimensions, and outcomes of relationship quality. However, positioning of norms depends on how norms are conceived, defined and classified. (Mysen et al., 2012).

**Coordination Effort:** The regular pattern or complementary actions and activities (Dwyer et al., 1987). Coordination efforts within a relationship may be manifested in the formation of joint projects tailored to the relationship specific needs and in an ongoing effort to exploit existing synergies and opportunities between the companies (Jap 1999).

## **2 LITERATURE REVIEW**

Buyer-supplier relationships have a long history; not just as a business function, but also in the academic research field. Several approaches have guided the major part of the research into the nature of buyer-supplier relationships. Dwyer et al. (1987) initiated the research on suggesting that competitive advantage can be created through relationship marketing in B2B context by proposing a classification scheme based on the stages and process along which business relationships develop. Therefore, to provide a comprehensive representation of buyer-supplier relationships the literature review is drawn on multiple theories that have been executed, such as social exchange theory, the trust-commitment theory and theories of dependence (eg. Dwyer et al., 1987; Anderson & Narus, 1990; Anderson & Weitz, 1992; Morgan & Hunt, 1994). The relationship-specific constructs

come from examining the literature and previous academic research that have determined those variables, which have been successful predictors of relationship performance in empirical studies.

From an academic viewpoint, there has been published a rich literature focusing on buyer-supplier relationships in business markets (Ulaga, 2001). Scholars have presented many insights into the nature and mechanisms of buyer-supplier relationships and developed conceptual frameworks of those relationships (Dwyer et al., 1987; Wilson, 1995, Ulaga 2006). In contrast to the traditional transaction based focus of relationship management, today's literature now encourages firms to develop collaborative relationships and relational governance (e.g., Anderson and Weitz 1992; Ganesan 1994; Corsten & Kumar, 2005)

As described already in the introduction, there has been a growing recognition among scholars that collaborative buyer-supplier relationships represent a source of competitive advantage and offer opportunities to achieve superior results (Hewett, Money & Sharma 2002, Ulaga 2003, Ulaga & Eggert 2006). Jap (1999) stated that there is a growing acceptance that the management of buyer-supplier activities offers significant opportunities for firms to create strategic advantage and achieve extraordinary financial performance.

The literature review composites of the definition of collaborative relationships, the essential relationship-specific constructs of buyer-supplier relationships, social media as an idiosyncratic investment and the conceptualization of relationship quality and long-term orientation. In the end of this literature review, a conceptual framework is presented, which directs the empirical research of this study. The theoretical discussion and the empirical settings are from the business market, and hence the terms supplier and buyer are used. Moreover, in order to make a clear distinction between B2C and B2B relationship studies, term buyer-supplier relationship is used instead of buyer-seller relationship in B2B. It has to kept in mind that relationships research tends to be cross-sectional in nature and likely captures relationships at different stages of relationship development process (Wilson, 1995).

## **2.1 Conceptualizing the buyer-supplier relationship**

In this chapter the basic means of a buyer-supplier relationship (BSR) are presented in order to understand more in-depth BSR as whole, before analyzing just the relationship specific constructs. Later in this chapter the different stages of relationships and the contributions of BSR, such as competitive advantage, are described. After

conceptualizing the buyer-supplier relationship, this study concentrates to explain the collaborative approach to the relationship management. The dark side of relationships will be also shortly discussed.

Basically, to connect a customer's buying activities with a supplier's selling activities is the primary purpose of a buyer-supplier relationship (Seines & Sallis, 2003). However, there is much more in buyer-supplier relationship than these transactions. That is to say that the essential purpose for a supplier and buyer engaging in a relationship is to work together in a way that creates value for both parties (Walter et al., 2001). In order to understand how social media as an idiosyncratic investment could fit in the buyer-supplier relationship, the buyer-supplier relationship has to be conceptualized in detail. The relationship stages and the competitive advantage that buyer-supplier relationship creates are shortly explained in separate sections. The chapter ends with a discussion of the collaborative relationships that are in the core of this study.

Before proceeding, it's essential to understand the distinctness between the relationships based on discrete transaction, which has a "distinct beginning, short duration, and sharp ending by performance," and the relationships based on relational exchange, which "traces to previous agreements [and] ... is longer in duration, reflecting an ongoing process" (Dwyer et al., 1987).

All in all, the buyer-supplier relationship is affected, by the relationship-specific constructs, as well as by the availability of alternatives, the dynamism of the operating market and the importance and complexity of the supply (Wilson, 1995). The supply market provides with the needed inputs for operations of a buying organization (Cannon & Perreault, 1999) and at the same time the buyer is the customer for the supplier.

### **2.1.1 The stages of the BSR**

As a consequence of individual activities, buyer-supplier relationships emerge, evolve, grow, and dissolve over time (Ring & Ven, 1994). Without understanding the underlying motivations of the development process of the relationship, the decision processes of buyers and suppliers cannot be fully captured (Luo & Kumar, 2013), hence the relationship phases are shortly discussed although the conceptual model doesn't include the examination the different relationship stages.

Beside Dwyer et al. (1987), also Celuch, Bantham and Kasouf (2006) recognize that relationships develop and change through distinct phases. It's commonly acknowledge that understanding a life-cycle for buyer-supplier relationships is useful in both theory development and providing guidance to managers (Cannon 1999). It makes sense to characterize the relationships between buyers and suppliers in multiple ways. Some relationships are connected with formal contracts and others simply by trusting agreements; some are connected with open communications, and others may treat every piece of information as a secret; some may be connected cooperation, and others might act as if they were independent (Cannon, 1999).

Dwyer et al. (1987) noted that relationships move through multiple phases: awareness, exploration, expansion, commitment and decline. Morgan & Hunt (1994) pointed out that the parties may experience the states of "stranger," "acquaintance," and "devoted partner" in a buyer-supplier relationships. As contributions, different relationship states accompany different levels of commitment and trust and reflect different behaviors. As a buyer moves from a lower to a higher relationship state, the orders might appear more frequently and in larger quantities as a way to reward the supplier for maintaining and growing the buyer-supplier relationship. (Luo & Kumar, 2013)

When it comes to relationship-specific constructs, it's recognized that a construct may be active at certain stages and become more latent in other stages of the relationship (Cannon & Perreault, 1999). However, there isn't a clear consensus how the constructs evolve throughout different stages, however it's empirically observed that as relationships reach the levels of commitment stages and become "devoted partners", the more complex the relationships will become in terms of operational activities across business units and organizational boundaries, which in the other hand is expected to drive joint learning and collaboration (Seines & Sallis, 2003).

### **2.1.2 Relationships create competitive advantage**

It has been suggested that firms overlook the potentiality that long-term buyer-supplier relationships have in creating sustainable competitive advantage (Ganesan, 1994). It's claimed that being an effective cooperator in some network of organizations is a perquisite to being a successful competitor (Morgan & Hunt, 1994) and through collaboration and joint learning, buyer-supplier relationships develop competitive advantage (Dyer and Singh, 1998).

In a retailing environment competitive advantage for the buyer might mean the possibility in receiving merchandise in short supply, information on new and best-selling products, best allowable prices, and advertising allowances. Similarly, for suppliers competitive advantage might mean getting information about competitive activity, more co-operative advertising and more display possibilities for their merchandise. (Ganesan, 1994) Moreover, a favorable buyer-supplier relationship can serve as a "showcase account" for suppliers (Kalwani and Narayandas, 1995). Other buyers, which haven't established relationships with these suppliers before might become interested (Ghijsen et al., 2010).

In this study it's hypothesized that strategic outcomes are achieved through the use of two resources within the relationship dyad: collaborative approach (Corsten and Kumar, 2005) and differentiation efforts through idiosyncratic investments (Jap, 1999).

### **2.1.3 Collaborative relationships**

A collaborative relationship is defined as "a long-term relationship where participants generally cooperate, share information, and work together to plan and even modify their business practices to improve joint performance" (Nyaga, Whipple & Lynch, 2010). Collaborative relationships are the opposite of arm's-length relationships that are based on discrete transactions. Collaborative relationships are separated from the arm's-length relationships by coordination efforts and idiosyncratic investments. Through those two factors, both buyer and supplier can achieve competitive advantages and enhanced profits. (Jap, 1999). This following chapter will explain why firms are pursuing to collaborative relationships and later, how the collaborative approach facilitates buyer-supplier relationship management.

It's evident that firms won't survive and develop their performance solely through their individual efforts, they are dependent on the activities and performance from others. As Anderson (1995) emphasized "value creation and value sharing can be regarded as the *raison d'être* of collaborative customer-supplier relationships". It has to be remembered that interfirm relations involve a mix of collaborative competitive elements, however the research framework concentrates on the collaborative elements. Hence it's claimed that collaborative approach in relationship management leads to better exchange outcomes than competitive approaches (Palmatier et al., 2006). In order to improve value creation in buyer-supplier relationship, the parties shouldn't concentrate on optimizing management or the control mechanisms (Hald et al., 2009).

Collaborative relationships and building competitive advantage are context-dependent. But in the bottom line, the vital purpose of a buyer and supplier to engage in a collaborative relationship is to work together in order to create value through the exchange between each other. Multiple benefits, such as attitudinal and behavioral outcomes, stem from collaborative exchanges (Anderson & Weitz, 1989; Anderson & Narus, 1990). With coordination efforts relationship parties are striving to create unique value that neither can create independently (Corsten & Kumar, 2005).

However, there are also other aims, when developing collaborative relationships than the possibility to value creation and increased profits. Managing both external and internal uncertainty and dependence are two motivators for buying firms to enter in more collaborative relationships (Cannon, 1999).

The buyer can see the supplier as valuable and attractive, but the behavior of the buyer creates the perceptions for the supplier of trust, dependence and expected value, which influence significantly whether the supplier perceives the buyer attractive (Blonska et al., 2013). In the other hand, Smith and Barclay (1997) claimed that a supplier's cooperative behavior might interest the buyer to develop and extend the relationship, regardless of the supplier's current perceived performance. So parties' perception of the collaborative behaviour might relate to the willingness of making idiosyncratic investments.

However, the process of collaboration and the idiosyncratic investments enable the achievement of strategic payoffs that make the downside risks of coordination effort worthwhile (Jap, 1999). The risks might be accepted since buyer and suppliers are motivated by the achievement of strategic outcomes and as Jap (1999) mentioned "larger pie shares". However, just the expectations of strategic outcomes aren't enough in the long run, since collaborative relationships should generate demonstrable value to both parties (Cannon & Homburg, 2001).

Firms seek for collaborative relationships when they have matching characteristics related to trends in market development, innovativeness and technological capability. However, a "perfect match" isn't obligatory, just symmetry in certain characteristics lead more likely to successful collaborative relationships. (Wilson 1995, Wilkinson et al, 2005). Jap (1999) proposes that the decision to exploit coordination efforts is rather facilitated by the existing environmental conditions, the current state of the relationship and human resources. Through



collaborative goal achievement, the relationship doesn't just imply a higher long-term orientation, the relationship also consist of closeness and spirit of collaboration (Huntley, 2006).

Collaborative relationship research represents a comprehensive view of the conditions that facilitates the collaboration processes, containing the macro-conditions of the external environment surrounding the buyer-supplier relationship, the organizational structure within the relationship operates and the-micro conditions of interpersonal relationships (Jap, 1999). In the other hand Hoppner and Griffith, (2011) reciprocity commands that an action performed by one party requires a compensating act by the other, is a cornerstone of collaborative relationships.

Understanding, how the relationship creates value for the firm is in essence of managing collaborative business-to-business relationships (Hogan, 2001). That's why, in this study the relationship is conceptualized with four different constructs and two higher-order constructs; relationship quality and long-term orientation. Before presenting the four relationship constructs, the outcomes of collaborative relationships and the dark side of relationships are presented.

### **Outcomes of collaborative relationships**

The outcomes of collaborative relationships are multidimensional. As such, coordination efforts, the regular pattern of similar or complementary actions and activities, enable the buyer and the supplier to share information, opportunities, and processes in such a way that facilitates the achievement of competitive advantage (Heide & John, 1992). Collaborative projects are also trending toward becoming the main source of information for many end-consumers (Kaplan & Haenlein, 2010). In fact, collaborative relationships might help buyers to deliver superior value to their own end-customers, since the collaboration and improved quality gained from a collaborative relationship with a supplier contributes to the value of the buyer's downstream product offering (Hogan & Armstrong, 2001). Moreover, when the dynamism on supply market is high, collaborative relationships might be an opportunity to the buyer to learn, innovate and manage future developments (Wilson, 1995).

The differentiation between firm and dyad specific outcomes is important, since the collaborative relationship shouldn't just contribute to common goals but also firm-specific goals (Dyer & Singh, 1998). Both the buyer and supplier are trying to achieve their own goals, while paying attention to the effects and responses of other actors in

the network (Wilkinson & Young, 2002). However, buyer-supplier relationships must typically create some form of tangible benefit in order to continue the collaborative approach (Cannon & Homburg, 2001). Also the feeling of liability that buyers and suppliers experience in the relationship provides a sense of obligation to do business in the future and enhance the long-term orientation of the relationship (Kaufman, Satish & Randall, 2006; Hoppner & Griffith, 2011; Blonska et al., 2013).

When talking about collaborative relationships, it has to be acknowledged that a supplier and its buyer are each bringing to the relationship their own defined set of market-oriented behaviours (Celuch, Bantham, & Kasouf, 2006). Also the possible collaboration has to be viewed in terms of the history of previous relationship exchanges and the anticipated future. The basis for future collaboration is affected by implicit and explicit assumptions of both buyer and supplier. (Dwyer et al., 1987)

The term "pie expansion" is used in Jap's (1999) study referring to the collaborative process of creating mutually beneficial strategic outcomes between suppliers and buyers. The collaboration process seems to be worthwhile, with coordination efforts and idiosyncratic investments leading to enhanced profit and relationship exchange performance and the realization of competitive advantages over time (Jap, 1999; Palmetier et al. 2006). Although this study has a dyadic approach, it's essential to acknowledge that relationships are still operating in a network, not in isolation, which affects the relationship quality. As Buchanan (1992) concluded, the importance of relationship parties' resources versus their collaboration is best understood within the environmental context in which parties operate.

### **Dark side of relationships**

Dark side of relationships is a new paradigm within relationship exchanges, which shouldn't be ignored in this study. As presented above, after relationship literature shifted from arm's length relationships to relational relationships, the literature has highlighted most relational relationships purely with positive outcomes. However, today there are some scholars questioning whether all relational relationships, especially the close relationships aren't that profitable after all when evaluating the firm's performance and relationship quality (eg. Villena et al. 2011).

As already mentioned it shouldn't be assumed that the most closely coupled buyer-supplier relationships are necessarily the most satisfying and profitable ones. On the contrary, when a relationship involves or requires more adaptations by the one party, as in mutually adaptive and collaborative relationships, satisfaction is lower. (Cannon & Perreault, 1999). For example, when thinking of communication, maximum level of communication doesn't necessarily result in properly functioning buyer-supplier relationships either. A level of communication, which is too high, might even lead to suboptimal results, due to an information overload. An adequate level of communication instead promotes effectiveness and efficiency and decreases ambiguity (Hoegl & Wagner, 2005; Ghijssen et al., 2010).

Moreover, Cannon & Perreault (1999) suggest that some buyer firms don't even want or need close ties with all of their suppliers. They might be satisfied with the effective performance of suppliers who simply meet their needs without complex entanglements. For example, when the purchase is less important to the buyer, competitive market forces to operate and uncertainty is not too high, buyers are more likely to elect for a type of relationship that is less closely linked to the supplier.

Along with the possibility of extraordinary outcomes, collaborative relationships also may bear risks for the relationship parties. Villena et al. (2011) identified an inverted-U relationship between collaboration and performance, which implies to the fact that too much cooperation might affect negatively on firm's performance. Also Brito, Briot and Hashiba (2014) found out that cooperative behavior of shared problem solving has for example a negative impact on firm's performance. It can be concluded that a high level of cooperation might not always be beneficial, for example when implying shared problem solving. As Anderson & Jap (2005) stated: "close relationships are not always synonymous with good relationships". Many close relationships fail and one of the reasons might be that the parties are too long-term oriented and don't periodically experience benefits, hence parties' motivation to support the relationship will eventually disappear (Anderson & Jap, 2005).

It's a fact that all relationships function under uncertainty, which was already discovered in the environmental dynamism -section. Since social exchanges are voluntary and often not contracted, they operate under uncertainty, which means that the relationship parties cannot trust if the gained benefits will be reciprocated or that reciprocation will result in benefits in the future (Das & Teng, 2002). So indeed, getting into long-term relationships might preclude a supplier from servicing more profitable accounts in the future (Wilson, Dant & Han,

1990). Also Han, Wilson and Dant (1993) emphasized that the idiosyncratic investments, which the parties make in adapting for each other's needs, might reduce their freedom of choice in developing alternative relationships. The definition and role of idiosyncratic investments are discussed more precisely in the chapter 2.3.

However, when taking account the research settings; collaborations in social media, it might be concluded that taking usage of the social media platform doesn't require necessarily that close collaborations and, hence the dark side of the relationships isn't included to the research framework. Collaborative approach is in the focus of this study, but it doesn't relate automatically to deep or close relationships. Moreover, idiosyncratic investments in social media might require fewer adaptations and fewer resources, due to the low amount of tied resources and due to the effectiveness of the social media platforms. All in all, the possibilities of social media collaborations can be explored together without complex arrangements (Kietzmann et al., 2011).

## **2.2 Key relationship constructs**

In the beginning the buyer-supplier relationship was modeled and the concepts, which are related to buyer-supplier relationships, were described. Next the key relationship constructs are presented. The relationship-specific constructs that are related to the buyer-supplier relationship are described in order to understand, which factors affect to the willingness to make idiosyncratic investments in social media and what is their role when thinking relationship quality and long-term orientation.

Each of the relationship constructs included in this study has been identified in previous research as being of paramount importance to the development and maintenance of a buyer-supplier relationship needed in a competitive market. While a number of constructs have emerged as potential indicators of an attitude and perspective toward the creation and maintenance of a buyer-supplier relationship, the highest suitability for this study and the greatest support in previous academic research has been provided for trust, commitment, interdependence and communication. (eg. Dwyer, Schurr & Oh, 1987; Anderson & Weitz, 1989, 1992; Anderson & Narus, 1990; Morgan & Hunt, 1994).

The list of constructs will not be rigorous by any means, since other variables could be added by other researchers in order to reflect their research conclusions. However, out of many variables that have rose in buyer-supplier relationship theory, a set has been selected that represents those variables and relationship constructs that have

both theoretical and empirical support and have shown their fit when examining the retail context and the collaborative approach. For this study, the four most relevant and important relationship constructs have been selected to be part of the conceptual framework. When examining the constructs, it has to be kept in mind that individual constructs will either strengthen or weaken the relationship, but the interaction between the construct can create the force, which keeps the relationship together (Wilson 1995).

### **2.2.1 Presenting the chosen constructs**

In this study trust, commitment, interdependence and communication are chosen as relationship constructs and are included in the conceptual framework.

Firstly, trust has been pointed out to be a key antecedent of the motivation to enhance the scope of a relationship (Selnes, 1998; Palmatier, 2008). Secondly, commitment has been identified as one key characteristic of a successful relationship (Dwyer et al., 1987; Morgan & Hunt, 1994). Morgan & Hunt (1994) address the significance of conceptualizing relationship commitment and trust as mediators of important relational outcomes. However, there is debate if trust and commitment are more dependent or independent constructs.

As mentioned before, there is a slight disagreement in literature, whether trust or commitment are similar or divergent constructs. Whether trust and commitment are separate, distinct constructs is less straightforward when compared to the other selected constructs: interdependence and communication (Geyskens, Steenkamp, & Kumar, 1999). It's conceivable that both trust and commitment tap into some generalized positive affect. According to Dwyer, Schurr and Oh (1987), buyer-supplier relationships evolve through five general phases: (1) awareness, (2) exploration, (3) expansion, (4) commitment and (5) dissolution. Each phase speaks for a major transition in how parties regard one another. Whereas trust is formed during the exploration phase of relationship development, the rudiments of commitment are not established until channel relationships enter the expansion phase, when parties form expectations for promising future interactions (Dwyer, Schurr, & Oh 1987; Geyskens et al., 1999). Due to the developmental progression in terms of the time and emotional investment required to establish trust and commitment and what it demands in terms of the level of abstraction (Rempel, Holmes & Zanna, 1985), these two constructs are held as separate constructs in this study. For example, commitment requires a relationship member to make a more comprehensive assessment of its relationship on the basis of

abstract expectations and projections into the future (Kumar, 1996) and thereby requires more time (Rempel, Holmes & Zanna, 1985).

Interdependence and communication are constructs that appear less often in buyer-supplier relationship studies when compared to trust and commitment. However, those two constructs have been chosen to be part of the research framework, since based on the literature they are essential when thinking the research context; social media as an idiosyncratic investment (Caniëls & Gelderman, 2007; Mitreğa & Katrichis, 2010).

Although, it has to be kept in mind that these chosen applicable constructs, as well as how they are related to one another, changes depending on the each stage of the relationship as mentioned before. However, the focus of this research isn't the relations in different relationship stages, rather the relations of constructs to the willingness to make idiosyncratic investments and the relation to relationship quality and long-term orientation in an existing buyer-supplier relationship.

Theorizing that trust, commitment, interdependence and communication are key variables that are vital constructs within buyer-supplier relationship (eg. Morgan & Hunt, 1994; Ford, 2002; Håkansson et al., 2009; Morgan & Hunt, 1994), a causal model is developed that contains 6 hypotheses, which are tested in the retail context. This literature review continues the following way: the four constructs and their role in buyer-supplier relationship are individually discussed. Afterwards, relationship quality and long-term orientation as higher-order constructs are presented.

### **2.2.2 Trust**

Trust is seen as fundamental to explain why some buyer-supplier relationships are more collaborative and integrated than others (Young, 2006). Trust between buyer and supplier has been suggested as central factor in motivating each side to develop successful and jointly beneficial exchange relationships (Hewett & Bearden, 2001; Morgan & Hunt, 1994).

This study doesn't concentrate on examining the individual trust, since the research focus is more on the relationship quality, not on gaining results to train sales force individually, although it is suggested that trust of an individual differs in nature from trust of an organization (Anderson & Narus, 1990). Understanding such differences might be important in business marketing situations in which the sales force plays a key role in implementing the

supplier's marketing strategies for example, however the focus of this study is to explore the attitudes toward social media as an idiosyncratic investment.

### **Definition**

Most definitions of trust include a belief that one relationship party will act in the best interests of the other party. Schurr and Ozanne (1985) and Dwyer et al. (1987) define trust as "the belief that a party's word or promise is reliable and a party will fulfill his/her obligations in an exchange relationship". Morgan and Hunt (1994) define trust "as a party's expectation that another party desires coordination, will fulfill obligations and will pull its weight in the relationship". Trust is so important to relational exchange that Spekman (1988) posits trust to be "the cornerstone of the strategic partnership."

There are multiple reasons for the essential role of trust. Trust encourage parties to work at preserving relationship investments by cooperating with exchange partners, to resist attractive short-term alternatives in favor of the expected long-term benefits of the relationship and view potentially high-risk actions as being sensible because of the belief that the relationship parties won't act opportunistically. Shortly said, trust leads directly to cooperative behaviors that are conducive to relationship quality. (Morgan & Hunt, 1994).

Wilson (1995) conceptualizes trust as existing, when one party has confidence in an exchange party's reliability and integrity. The trusted party performs actions that will result in positive outcomes and won't take unexpected actions that would result in unbeneficial outcomes (Anderson & Narus 1990; Morgan & Hunt 1994). Trusting relationships are also encouraged by common values and shared vision (Hald et al., 2009). There is also a relation to the long-term orientation in relationship when modeling trust, Anderson and Weitz (1989) proposed that trust increases with the age of the relationship.

### **The role of trust**

Social bonding, the initial interaction, in the early stages of the relationship, may begin the development of mutual trust (Morgan & Hunt, 1994). The biggest contributions of trust are to serve as a requirement for collaboration, and secondly it enhances communication, the long-term orientation and relationship quality. Next, the different roles that trust takes within a relationship are discussed.

First, trust is an essential prerequisite for collaboration in a buyer-supplier relationship. Trust is mentioned to be the key antecedent of motivation to enhance the scope of the relationship (Selnes, 1998) and it has a positive impact on the firm's future collaboration intent (Doney & Cannon 1997; Wagner, Eggert & Lindemann, 2010). Ring and Van de Ven (1994) and Morgan and Hunt (1994) highlight the role of interpersonal trust as a crucial aspect in shaping and modifying evolving structures of cooperative relationships. When parties trust each other they are more willing to work together on joint projects, to share knowledge and to find synergistic ways to collaborate (Selnes 1998; Kohtamäki et al. 2012). Also trust is an essential concept to understand the expectations for planning, collaboration and achieving a constructive dialogue in a relational contract (Schurr & Ozanne 1985; Selnes, 1998). It's also stated that trust leads to higher levels of loyalty towards the exchange party (Hallen et al., 1991).

Trust is an important contributor to future actions, but it also has an impact on current perceptions. It's proposed that trust influences the way, how disagreements and arguments are perceived by the other party. When trust is present, parties will view potential conflict as functional and are able to solve problems openly, since parties aren't afraid of bad-natured action by the other party. (Ganesan 1994; Blonska et al., 2013). Also Wang et al. (2012) support the previous statement by highlighting that trust makes parties less worried about abuse by the other party. It can be deduced that willingness to make idiosyncratic investments in social media will need initial trust. Thus, collaborative arrangements lead to successful achievements that build trust but most firms wouldn't undertake those collaborative activities without a sufficient level of trust initially. (Everett, Gulati, Nahapiet, Ring & Willman, 1998). Clearly, developing trust isn't by itself the only factor that affects the extent to enhance the scope of the collaborative relationship. However, the evidence here is that, across a wide range of different buyer-supplier relationships, gaining the other party's trust is a key element to participate the other party in collaborative activities. (Johnston et al., 2004)

Secondly, trust also impacts communication, which is also chosen as one of the relationship constructs for this study. When communication is honest and timely, it has a strong effect on trust (Anderson & Narus 1990; Selnes, 1998). In relationship where trust is present, it's more likely that the parties share information they would otherwise consider sensitive and that they have a higher motivation to create constructive and creative dialogues to the benefit of both parties. Also when relationship parties build mutual trust, they are more likely to develop a



shared memory with access across firm's borders. (Johnston, McCutcheon, Stuart & Kerwood, 2004). In turn, Kwon and Suh (2004) also highlight the role of trust in information sharing, since when critical information is shared, it enables parties to achieve an understanding of each party's routines and develop mechanism of problem solving, which signals that the other party can be trusted. Seines and Sallis (2003) highlight that sharing sensitive information helps buyer and supplier to explore together new investment opportunities for the relationship.

Thirdly, when thinking of the continuity of the relationship and ingredients of long-term orientation, trust turns out to be an important attributor. Most of all, trust shifts the focus on future conditions (Ganesan, 1994). It's widely agreed that trust is essential in order to achieve relationship continuity and enhancement (Ganesan 1994; Morgan & Hunt 1994; Hogan & Armstrong 2001). It's anticipated that buyers and suppliers who trust each other are more satisfied with the relationship and are more willing put more effort toward ensuring its continuity (Nyaga et al., 2010). The high levels of enable parties to concentrate on the long-term benefits of the relationship (Ganesan, 1994) and ultimately enhancing competitiveness (Doney & Cannon 1997). To sum up, a firm that trusts its buyer or supplier is more committed to and has intentions to stay in the relationship (Anderson & Weitz 1989; Morgan & Hunt 1994; Doney & Cannon, 1997).

Regarding this study, relationship quality is chosen as one of the two major determinants of the success of the buyer-supplier relationship. The past literature links clearly trust to relationship quality. Trust has been positioned as an antecedent or ingredient of relationship quality (Athanasopoulou, 2009) and it's proposed that trust gives support to the argument that solidarity such as, trustworthiness, keeping promises and adherence, impacts relationship quality positively (Mysen et al., 2012). Also Jap et al. (1999) state that higher-quality relationships might exhibit more friendliness, less question asking, and compliance when comparing to lower-quality relationships.

To conclude, low trust stimulated less favorable attitudes, communication, and bargaining behavior (Schurr & Ozanne, 1985), which can be assumed to lead to unwillingness to invest into the relationship. Hence, in this study it's proposed that trust has a positive relation to the willingness to make idiosyncratic investments.

**HYPOTHESIS 1: Trust is positively related to the willingness to make idiosyncratic investments in social media**

### **2.2.3 Commitment**

Commitment, as another construct, is proposed to be central in business relationship management (Ring & Ven, 1994). Together with trust, commitment is seen as an important contributor to successful collaborative relationships and as an antecedent to increased collaboration (Morgan & Hunt, 1994; Young, 2006). It has been also identified as antecedent to effectiveness and efficiency in relational exchange (Lövblad & Bantekas, 2010) and as a vital ingredient for business relationship to gain positive outcomes (Gilliland & Bello, 2002). Moreover, commitment is one of the most common constructs used in buyer-supplier relationship studies (eg. Dwyer et al., 1987; Morgan & Hunt 1994).

#### **Definition**

Anderson and Weitz (1992) point out that "commitment to a relationship goes beyond a simple, positive evaluation of the other party based on a consideration of the current benefits and costs associated with the relationship. It implies the adoption of a long-term orientation toward the relationship." Similarly, Ganesan (1994) states that commitment is "forward looking" and reflects the desire for a long-term relationship. Commitment represents the highest stage of emotional and economic resources that can be invested in a relationship (Dwyer et al., 1987).

Wilson (1995) defines commitment as an "implicit or explicit pledge of relational continuity between exchange partners". Commitment implies importance of the relationship to the buyer and supplier and a willingness to continue the relationship into the future and to strive for the continuance of the relationship (Moorman et al. 1992; Morgan & Hunt 1994). Commitment can also derive from the parties' predisposition to remain in the relationship due to the positive affect, emotional attachment or feeling of obligation or unity (Palmatier, Dant, & Grewal, 2007a). Interestingly, Anderson and Weitz (1992) present that each party's perception of the other party's commitment has a positive relation to the other's true level of commitment. Also Jap & Ganesan (2000) state that the perception of the commitment might be an accurate indicator of the real level of commitment.

When relationship parties share information (Anderson & Weitz, 1992; Nyaga et al., 2010) and when firms are working together, relationship parties are more encouraged to commit to the relationship (Jap & Ganesan, 2000). Also mutual goals, trust and social bonding relate positively to the willingness to commit resources to the relationship (Wilson, 1995). Commitment in collaborative relationships results in collaborative behaviour that

allows the relationship to work guaranteeing that both parties receive the benefits of the relationship (Dwyer et al., 1987). Commitment is also a way to respond to end customer needs and is, hence a key dimension of being market oriented (Wilson, 1995).

### **The role of commitment**

One of the most important roles of commitment is to entail the desire for a long-term orientation in the buyer-supplier relationship. Commitment is based on a positive evaluation of both parties' consideration of current benefits and costs associated with the relationship. Commitment also implies that the relationship will last long enough to realize the long-term benefits (Dwyer et al., 1987; Anderson & Weitz, 1992).

The increased commitment of the supplier can have multiple positive consequences for the buyer. For example, buyers trust the supplier that it will not terminate the relationship on the basis of short-term considerations to pursue its self-interests, for example (Jap & Ganesan, 2000). Moreover, due to mutual commitment, independent relationship parties work together to serve customer needs better, enhancing mutual profitability (Anderson & Weitz, 1992). Krause et al. (2007) propose that commitment between the two firms is an important complementary condition to establishing performance goals and in providing value to the firms.

Commitment is seen more as being strongly influenced by past experiences rather than influenced by future expectations (Mortensen, 2012). Nyaga et al. (2010) propose that any actions that buyers and suppliers are taking in order to improve commitment will result in greater benefits from the relationship. For example, increasing information sharing and communication in a relationship, is found to be factors that are positively related with higher commitment (eg. Morgan & Hunt, 1994; Mohr et al., 1996; Whipple et al., 2002). Information sharing impacts both buyers and suppliers' commitment and trust. However, it's claimed that information sharing has a greater influence on supplier commitment when compared to buyer commitment (Nyaga et al., 2010).

When relationship parties share values, they will be more committed to the relationship (Morgan & Hunt, 1994). Collaboration gets both parties more involved and increases commitment. However, social media collaborations don't necessarily imply to higher commitment rate, but it can be still proposed that higher commitment will lead to higher willingness to make idiosyncratic investments.

It might be possible that, for suppliers, their commitment to a relationship with a buyer doesn't necessarily ensure increased improved performance. That is suppliers may perceive that buyers don't automatically reciprocate increased levels of commitment with more business opportunities. As commitment may not guarantee improved performance, trust might be considered as the main action that directly contributes to performance from the supplier's perspective. It may also be that given the long-term nature of commitment, suppliers maybe don't directly attribute today's performance to future commitment. (Nyaga et al., 2010)

There is also a relation between commitment and interdependence; an increased level of interdependence reflects an increased level of commitment to the relationship (Dwyer, Schurr & Oh 1987; Lusch & Brown, 1996). It's also suggested that committed buyers and suppliers could help themselves to differentiate in the marketplace and hence develop competitive advantage. (Jap & Ganesan, 2000). That differentiation can be made through coordination efforts and idiosyncratic investments.

The relationship can end relatively easily, when the relationship attains a fragile stage, where both parties have limited commitment (Ravald & Grönroos, 1996). It isn't only in the economic, but also in the psychological best interests of the buyers and suppliers to preserve their socially embedded relationship. The level of commitment to the relationship implies that the party feels included, senses predictability in the responses of others and feels secure in that things are as they appear. Termination of a relationship entails that some or all these needs have gone unfulfilled. (Hald et al., 2009).

Hence, it can be proposed that, when there is a high level of commitment, relationship parties are more comfortable to make idiosyncratic investments in social media as well as more motivated to maintain the relationship quality.

## **Hypothesis 2: Commitment is positively related to the willingness to make idiosyncratic investments in social media**

### **2.2.4 Interdependence**

Mutual dependence between buyer and supplier has been suggested as central factor in motivating each party to develop successful and mutually beneficial exchange relationships (Morgan & Hunt, 1994; Hewett & Bearden,

2001). First, it has to be kept in mind that the buyer and supplier are functionally interdependent organizations, but they are still financially independent (Jap, 1999).

### **Definition**

For the purpose of this study, interdependence is defined as the extent to which a relationship party provides important and critical resources for which there are few alternative resources (Pfeffer and Salancik, 1978). Recent studies have researched dependence from both buyer's and supplier's perspective, concluding that dependence is mutual (Buchanan 1992; Kumar et al., 1995; Geyskens et al., 1996). Interdependence is widely acknowledged of being an important relationship construct (Wilson, 1995; Caniëls & Gelderman, 2007). However, few buyer-supplier relationship studies have discussed power interdependence in relation to relationship quality. To this study context, interdependence suits well, since it might shed light to motivations to make idiosyncratic investments in social media.

It's claimed that power and mutual dependence are closely related concepts (Caniëls & Gelderman, 2007). However, when examining social media collaboration as idiosyncratic investments, power is an overstated construct and is not an interesting construct regarding this research. Power is held to be the primary consequence of relative dependence (Caniëls & Gelderman, 2007). Anderson & Narus (1990) used the concept of relative dependence in order to refer to the difference between firm's dependence on the other partner and its partner's dependence on the firm.

Interdependence has been considered mostly as a liability in the past literature, although it has been recognized to bear potential benefits (Buchanan 1992). The symmetry of interdependence is believed to create deficient relationships (Anderson & Weitz, 1989; Geyskens et al., 1996; Caniëls & Gelderman, 2007) and hence it's an essential construct when researching relationship quality and long-term orientation. Also Ganesan (1994) found out that interdependence is related to idiosyncratic investments and satisfaction in the buyer-supplier relationship.

### **The role of interdependence**

Mohr & Spekman (1994) state that when firms join forces to achieve mutually beneficial goals, both parties acknowledge that each is dependent on the other. A high level of total interdependence is an indicator for a strong, collaborative and long-term relationship, where both supplier and buyer have invested (Caniëls & Gelderman,

2007). Mutual trust and commitment will also describe those relationship described above (Geyskens et al., 1996). Moreover, high total interdependence creates high exit barriers for both parties (Geyskens et al., 1996).

Interdependence of one of the relationship party usually improves performance, since both parties are working to maintain their relationship and are avoiding destructive actions (Palmatier, Dant, & Grewal, 2007). Moreover, through the advantages of interdependence, both parties get greater benefits than either could attain by themselves (Mohr & Spekman, 1994). Naturally, when switching costs are low, the parties won't experience any dependence.

From a buyer's viewpoint, specific investments by buyers and suppliers significantly increased the dependence of the buyer and the supplier on each other (Ganesan, 1994). Anderson and Weitz (1992) claim that idiosyncratic investments act as potent pledges in the relationship and have a positive effect on their commitment and interdependence to the relationship.

Ganesan (1994) propose in his study that buyers are more likely to take a proactive approach toward managing their dependence, whereas suppliers are taking a reactive approach. Suppliers consider the extent of a buyer's dependence as a key predictor of long-term orientation rather than the extent of their own dependence. That is, suppliers are more likely to develop a long-term relationship with a buyer, if the buyer is dependent on them. (Ganesan, 1994). There might be also a link between collaborative communication and interdependence (Kumar et al., 1995b) and the effect of communication on outcomes varies on the level of interdependence in the relationship. Collaborative communication, in particular, interacts with supplier control in its effect on relationship outcomes (Mohr et al., 1996). When the level of communication increases, the higher the interdependence, since exchanging information provides value for both parties and it's difficult to replace (Mohr & Nevin, 1990; Palmatier et al., 2007).

For this study it's hypothesized that, when the firm is more willing to make idiosyncratic investments, the more the party is dependent on the other party.

**Hypothesis 3: High level of interdependence is positively related to the willingness to make idiosyncratic investments in social media**

### **2.2.5 Communication**

Communication has been chosen for the fourth and last relationship construct due to its relevancy in collaborative relationships and in the chosen study context. Previous research has highlighted the significance of communication in maintaining buyer-supplier relationships (e.g., Dwyer et al., 1987; Anderson and Narus, 1990; Mohr and Spekman, 1994). Also several scholars have included communication as a construct in their relationship models (Dwyer et al., 1987; Anderson & Narus, 1990; Celuch et al., 2006). At the same time, communication is one of the most straightforward constructs on the scholars agree the most, in the collaborative relationship context.

#### **Definition**

According to Mitrega and Katrichis (2010) "Communication is an inherent element of the process of inter-firm relationship development". Communication is held as formal and informal timely and meaningful information sharing between relationship parties and to disclosure plans, goals, programs, motives, expectations and evaluation criteria (e.g., Anderson and Narus, 1984; Anderson and Weitz, 1989).

As Everett et al. (1998) described well: "frequent and close social interactions permit actors to know one another, to share important information, and to create a common point of view". The other party still has to acknowledge how individual's communication expectations is influencing the party's own communication behavior. (Celuch et al., 2006). In order to maintain high communication quality, it's usually necessary to keep the interaction between companies at an appropriate level (Mitręga & Katrichis, 2010).

Communicating relevant information without disguising potential unfavorable data is very important when striving for a collaborative relationship. Secondly, timely communication fosters trust (Moorman, Deshpande & Zaitnan, 1993). In an ongoing business relationship both parties have to rely on another in terms of delivering according to what has been agreed, hence exchange of information is critical in order to manage and operate in the relationship in a satisfactory way. (Selnes, 1998; Blonska et al., 2013).

Communications plays an essential role in realizing the mutual benefits (Mohr & Nevin, 1990). Communication is a prerequisite for buyer and suppliers to achieve collaborative relationships by sharing information through frequent two-way interchanges. Communication also gives confidence for the continuity of the relationship and decreases dysfunctional conflict. (Dwyer et al., 1987; Anderson & Weitz, 1989; Anderson & Narus 1990). When open communication is present, the chances of realizing the benefits from the collaborative relationship are greater

(Anderson & Weitz, 1992). When both parties are highlighting shared interests and common goals, collaborative communication can create purposeful compliance between the parties and an atmosphere of mutual support and respect (Morgan & Hunt, 1994; Mohr, Fisher, & Nevin, 1996)

It's suggested that buyers need to focus more on how they interact with suppliers, rather than attempting to manage the relationship through contractual governance (Carey, Lawson, & Krause, 2011) Traditional governance tools are also a barrier to collaborative relationships, since it hinders collaborative communication. Collaborative communication is an essential requirement for successful collaborative relationships, since it's flexible, inexpensive and it can be implemented with a short notice (Mohr et al., 1996).

### **The role of communication**

Communication can be described "as the glue that holds together a channel of distribution" (Mohr & Nevin, 1990). It's also clear that the quality and frequency of the communication affects the buyer-supplier relationship and the perceived relationship quality (Mitrega & Katrichis, 2010; Luo & Kumar, 2013). Wilson (1995) states that communication is a necessary process throughout all the stages of relationship, but the content of the communication activities transforms as the stage of the relationship changes.

Communication leads undoubtedly to better understanding of each parties' goals and in the ends also to improved problem solving (Ulaga & Eggert, 2006b) and collaborative communication may be used as an enhancer of relationship quality making relationship parties feel like more of an integral part of the team (Mohr et al., 1996). Communication gives signals of future intentions and also contributes to trust and commitment of the relationship (Mohr & Spekman, 1994). Kaplan & Haenlein (2010) claim that the higher the social presence, the wider the social influence that the communication parties have on each other's behaviour. Moreover, it has been already stated long ago that advances in IT is making it easier and more efficient to communicate in buyer-supplier relationships (Zineldin, 2000), what also might be a contributor of higher level of collaboration in buyer-supplier relationships.

Information exchange reflects the buyers' and suppliers' willingness to provide and share information (Heide & John, 1992). Moreover, the intensity and quality of communication may have a positive relation to supplier's dependence in the relationship (Mitrega & Katrichis, 2010). Claycomb and Frankwick (2010) suggested that buyers perceive effective communication as a process to reduce uncertainty in the relationship. However, communication



isn't seen necessarily as the best strategy to enhance collaborative relationships, since low levels of governance may be seen more of a profitable addition to the relationship management (Mohr et al., 1996). Also Ghijsen et al. (2010) point out that maximum level of communication doesn't result in functional buyer-supplier relationships, rather the relationships should focus on keeping the communication on an adequate level to decrease ambiguity in interactions and in order to promote effectiveness and efficiency in the relationship. However, when parties are communicating, they create interaction patterns, along with idiosyncratic investments, which create differential advantages that firms strive for together (Jap, 1999).

Because conceptual model is tested at a specific point in time, likewise in the study of Anderson and Narus (1990), it's posited that suppliers' perception whether the past communications from the buyer has been frequent and of high quality will result in greater willingness to make idiosyncratic investments in social media. Also past communication is an antecedent of trust (Morgan & Hunt, 1994), moreover Anderson and Weitz (1989) find that communication was positively related to trust in buyer-supplier relationships. Hence, the following hypothesis is posited.

**Hypothesis 4: The more communication is perceived to be an open two-way exchange, the more there exists willingness to make the idiosyncratic investments in social media**

## **2.3 Idiosyncratic investments**

Idiosyncratic investments encapsulate together the relationship constructs to relationship quality and long-term orientation in this study's conceptual framework. Overall, idiosyncratic investments have been seen as the core of relationship quality (Dyer & Singh, 1998). Idiosyncratic investments as a definition can be also explained through collaborative behavior, but this chapter concentrates on the specific attributes of the idiosyncratic investments and the descriptive approach of the collaborative characteristics achieves less attention, since collaborative relationship were wider discussed already in the chapter 2.1.3. In this study, collaborations in social media between the supplier and buyer are seen as the idiosyncratic investments.

### **2.3.1 The definition**

According to Williamson (1985) "idiosyncratic investments are nonfungible investments that uniquely support the buyer-supplier relationship". According to Anderson and Weitz (1992) idiosyncratic investments are investments to

a specific relationship and idiosyncratic investments are difficult or even impossible to switch to another relationship. In other words, idiosyncratic investments lose the substantial value unless the relationship continues (Heide & John, 1988). Idiosyncratic investments add a unique texture to the relationship and it's seen valuable and an enhancer of relationship quality (Anderson & Weitz, 1992; Dyer & Singh, 1998).

Collaboration in social media can be hence interpreted as idiosyncratic investments, since the collaboration is difficult to transfer to any another relationship, which is the core concept of an idiosyncratic investment (Heide & John, 1988). Idiosyncratic investments in practice can vary from training personnel to serve a specific process, collaborative advertising, exclusive distribution rights, or linking the supplier and buyer in the end customer's mind through promotions (Anderson & Weitz, 1992). In this study the focus is more on paying attention to the conditions that make idiosyncratic investments attractive for the supplier than on the practical examples of idiosyncratic investments in social media. Dyer and Singh (1998) allege that arm's length buyer-supplier relationships are incapable of generating idiosyncratic investments and thus, those relationships aren't rare or difficult to imitate and thereby enhancing relationship quality is impossible.

Idiosyncratic investments live in an environmental context. Jap (1999) presented that among other factors, for example environmental dynamism motivates the parties to make collaborative exchanges and facilitate the willingness to create idiosyncratic investments with each other. Goal congruence and multiple organizational, interpersonal conditions facilitate the creation of idiosyncratic investments in a dyad as well (Jap 1999). However, in order to expect returns from idiosyncratic investment, the parties have to be willing to commit financial, capital and personnel resources, share timely and sometimes also sensitive information and also make relationship-specific adaptations (Krause et al., 2007). In the other hand, the willingness to make idiosyncratic investments also expresses the fact that the parties of the relationship care about the relationship, perceive the other party as trustworthy and are ready to make sacrifices (Ganesan, 1994; Doney & Cannon, 1997).

In the end, the level on idiosyncratic investments directed to collaboration with another company is determined by the existent dependence, commitment and trust in the relationship (Ganesan 1994; Morgan & Hunt, 1994). A long-term orientation and the uncertainty associated with future unknowns create the need to protect investments against exploitation (Ring & Ven, 1994) and that challenge might be tackled with the help of implying idiosyncratic investments. Furthermore, the parties will continue to invest in a relationship as long as the advantages and value

received outweigh the costs involved and the perceived quality of the relationship is greater than or equal to that of available alternatives (Buchanan, 1992).

The core of this study is to examine how these idiosyncratic investments in social media are perceived in the buyer-supplier relationship, especially from the supplier's perspective. Idiosyncratic investments are believed to bear various advantages for the buyer-supplier relationship management, such as creating switching costs (eg. Palmatier et al., 2007) and preventing opportunistic behavior (Doney & Cannon, 1997).

### **2.3.2 Advantages gained through idiosyncratic investments**

Next, the advantages for relationship management that can be gained through idiosyncratic investments are discussed; higher switching costs (1) and prevention of opportunistic behavior (2).

All in all, in the relationship context, idiosyncratic investments exacerbate the switching costs, create positive dependency and safeguard other investments. There is also empirical evidence of a positive relation between idiosyncratic investments and success in coordination effort in buyer-supplier relationships. (Jap & Ganesan, 2000; Ganesan, 1994). Moreover, it has been discovered that idiosyncratic investments have a positive relation to the long-term orientation of the buyer-supplier relationship (Doney & Cannon, 1997). However, the two most concrete advantages are the creation of switching costs and prevention of opportunistic behavior.

#### **Creating high switching costs**

Morgan and Hunt's (1994) study showed that idiosyncratic investments increase commitment because this makes the cost of leaving the relationship higher and it might mean the losses of future profits of the made investments. Moreover, idiosyncratic investments in the relationship can act a signal behaviour toward the other party that has a positive effect on the commitment of the relationship party who is benefiting from the investment (Lövblad & Bantekas, 2010).

In order to make profitable idiosyncratic investments and thereby create switching costs, knowledge of buyer's operating environment is needed so that the supplier can understand its idiosyncratic requirement and demand pattern (Blonska et al., 2013). Buchanan (1992) suggests that willingness to make idiosyncratic investments is critically important in coping with the uncertainty of the market, since uncertainty reduces the ability to plan the use of resources and hence hampers capability to react to unexpected events.

It's also argued that, when trust exists, both parties of the relationship believe that idiosyncratic investments are possible to make with limited risk because both parties might refrain from using their power to renege on contracts or behave opportunistically in order to obtain profits in their favor. (Ganesan, 1994). Also the greater commitment is perceived by the parties, more likely idiosyncratic investments are executed (Anderson & Weitz, 1992). As Anderson & Weitz (1992) concluded, the buyers and suppliers create through idiosyncratic investments "obstacles to abandoning each other; the exit barriers give them an incentive to make their relationships as fruitful as possible".

Idiosyncratic investments also affect the business performance, not just the constructs in the relationship dyad. They have the ability to tie the firms together in strong buyer-supplier relationships and, hence they form the basis in the long run for both business expansion and for securing current sales or supply sources (Doney & Cannon, 1997; Hallén, Johanson & Seyed-Mohamed, 1991). Although the current anticipated trust level affects the willingness to make idiosyncratic investments, the implication of idiosyncratic investments that are jointly developed with buyer and supplier influence the future trust level in the buyer-supplier relationship (Zaheer et al., 1998).

Dwyer et al. (1987) propose that anticipation of high switching costs gives a rise to the buyers and suppliers to maintain relationship quality. All in all, idiosyncratic investments by relationship parties indicate a more stable relationship (Krause et al., 2000), reduce uncertainty and increases commitment to the buyer-supplier relationship (Ghijssen et al., 2010). Since idiosyncratic investments are hard to replace or duplicate, they are valuable and should result in higher interdependence levels (Palmatier, Dant & Grewal, 2007).

Moreover, making idiosyncratic investments constrains the channel member, but also commits the channel member to the relationship and provides a strong signal of that commitment to the other party (Anderson & Weitz, 1992).

### **Preventing opportunistic behavior**

Preventing opportunistic behavior is one of the most valuable advantages what idiosyncratic investments can achieve in order to maintain relationship quality. The concept of opportunistic behavior is defined as "self-interest seeking with guile" (Williamson, 1975. p. 6). It was originally suggested by Dwyer, Schurr and Oh (1987) that

when incorporating trust in models of relationships, it provides a unique vantage point for treating opportunism as an explanatory variable. When attempting to enhance the relationship quality, opportunism should be avoided.

Firstly, since opportunistic behavior harms different constructs of the relationship. When a party believes that a partner engages in opportunistic behavior, such perceptions will lead to decreased trust and relationship commitment (Morgan & Hunt, 1994). It's also proposed that opportunistic behavior results in decreased relationship commitment, because relationship parties believe they can no longer trust their partners, rather than positing a direct effect from opportunistic behavior to relationship commitment.

Secondly, opportunism might have a negative impact on interfirm performance, because it significantly increases the ex post costs associated with monitoring performance and safeguarding investments (Heide and John, 1990) effecting the relationship quality. Opportunistic behavior hinders the buyer-supplier relationship to become efficient. Smith and Barclay (1997) claim that lower opportunism increases the possibility for joint action and long-term orientation, which all contributes to an enhanced performance. Idiosyncratic investments reduce the motivation of each party to behave opportunistically, which also decrease the costs that are related to overseeing the performance (Palmatier et al., 2007).

Moreover, as Williamson (1985) suggests that idiosyncratic investments might change the company's incentive structure, since companies that make idiosyncratic investments are unlikely to engage in opportunistic behavior, because such behavior threatens the continuation of the relationship. It's self-evident that idiosyncratic assets can lose substantial value unless the relationship is continued (Anderson and Weitz, 1992) and the parties could use a calculative process to estimate that the costs of untrustworthy and opportunistic behavior are higher when there are idiosyncratic investments at stake. (Doney & Cannon, 1997)

So making idiosyncratic investments by a relationship party, signals the party's intent and willingness to safeguard those investments. Since idiosyncratic investments represent sunk and unredeployable assets in a buyer-supplier relationship, idiosyncratic investments reduce relationship parties' motivation for opportunistic behaviour and lower the credibility of switching threats, which in turn minimizes the costs of monitoring performance or safeguarding the assets. (Palmatier et al., 2007).

However, opportunistic behavior has more severe consequences, the higher costs and risks involved in the idiosyncratic investments. It can be assumed that idiosyncratic investments in social media possess a lower cost and risk level construction and the opportunistic behavior might not be seen as such a major risk impacting the overall relationship quality or willingness to make those idiosyncratic investments.

However, in this study it's argued that the expropriation effect of specific investments is not the only plausible scenario. Because specific idiosyncratic investments involve dedicated (rather than general purpose) assets, they have the potential to create considerable value for the receiver thereby actually discouraging opportunism. For example, Jap and Ganesan (2000) present how idiosyncratic investments made by a retailer can improve coordination between channel members and directly enhance a supplier's presence in the end market.

It's recognized that idiosyncratic investments, which are tailored to a particular firm are important components of firms' marketing strategies. At the same time, it's suggested that such investments pose considerable risk, since they put the receiver in a position where it's possible to opportunistically exploit the investor. (Rokkan, Heide & Wathne, 2003). However, if the other party perceives a risk of partner opportunism, the firm may seek to invest in and cultivate non-economic features in their buyer-supplier relationship (Wang, Li, Ross & Craighead, 2013).

## **2.4 Long-Term orientation**

Long-term orientation is chosen to be one of the higher-order constructs in the conceptual model. Long-term orientation is presented here as the opposite of short-term orientation and opposite of transactional or discrete relationship exchanges. Also in this research problem long-term orientation is chosen over long-term relationships, since the orientation will present more clearly the willingness to make idiosyncratic investments in social media, rather than the longitude of the relationship itself. When compared to relationship quality literature, long-term orientation has been in the focus on relationship literature longer than relationship quality (eg. Ganesan 1994; Lusch & Brown, 1996).

Lusch and Brown (1996) presented that it's not the length of relationship that leads to positive outcomes, rather the relationship orientation. They claim that "attitude and perspective towards long-term is much more important than merely long-standing relationships" (Lusch & Brown, 1996). Also Ganesan (1994) pointed out that long-term orientation is a better indicator of closeness in buyer-supplier relationship than the length of the relationship.

Foremost, long-term orientation is recognized to be a predictor of successful buyer-supplier relationships (Sheu, Yen & Chae, 2006). Long-term orientation refers to one's willingness to exert effort in developing a long-term relationship. Long-term orientation can be demonstrated by frequently committing resources to the relationship, which may occur in the form of time, money and other coordination efforts (Dyer 1996). The motivation for striving for long-term orientation is the affects on the firm's profitability. Long-term orientation is a contributor for durable relationships, which is seen as sources of a stronger competitive position and higher profitability. (Kalwani & Narayandas, 1995; Walter et al., 2003) It's also empirically proven that the association between the long-term orientation of the relationship and relationship profitability is positive (Storbacka, Strandvik & Grönroos, 1994). Due to the fact mentioned above long-term orientation has been chosen as one outcome of idiosyncratic investments.

The long-term orientation is based on an assumption that the relationship is stable and will last long enough for the parties to realize the long-term benefits, but it's also acknowledged that also a willingness to make short-term sacrifices in order to maintain the relationship and a confidence in the stability of relationship is needed for long-term orientation (Anderson & Weitz, 1992). Ganesan (1994) suggests that long-term orientation in the relationship is a function of two main constructs: mutual dependence and trust. It's also proposed that in order to interact for more than short periods of time, relationship parties have to adapt to each other's needs (Hallen et al., 1991).

In contrast to relationships with a short-term orientation, the buyer and supplier are concerned only with the options and outcomes of the current period, whereas relationships with a long-term orientation focus on achieving future goals and moreover are concerned with current and future outcomes (Ganesan, 1994). Kalwani and Naryandas (1995) found out that suppliers working with long-term relationships were able to achieve better financial performance when comparing to firms in their industries that weren't engaged in long-term relationships, also Anderson and Weitz (1992) concluded that long-term orientation increases the firm's profitability. Kalwani & Narayandas (1995) stated that "supplier firms in long-term relationships with select customers are able to retain or even improve their profitability levels more than firms which employ a transactional approach." However, transactional exchanges might be seen more cost-efficient and hence from time to time more appealing, but Kalwani & Narayandas (1995) indicate in their research results that maintaining long-term relationships with select

customers doesn't come at the expense of the rate of sales growth and suppliers in long-term relationships can achieve the same level of growth as firms that use a transactional approach. (Kalwani & Narayandas, 1995)

Both the process of collaboration and the outcome have enhancing or degrading effects on the long-term orientation. Positive evaluation of the process can result in the enhancement of communication another intangible processes, whereas a positive evaluation of the outcome can result in higher financial investment between relationship parties in the future (Celuch et al., 2006). Long-term orientation requires fulfillment of obligations and predictable behavior of both parties, since failures in complying contractual commitments, for example, would likely terminate the specific buyer-supplier relationship (Johnston, McCutcheon, Stuart & Kerwood, 2004).

Wilkinson et al. (2005) claim that relationships are resourced according to whether they are performing well now and are failing to consider their long-term potential as stated already previously when modeling the collaborative relationship. Symmetry in the business trends faced and characteristics of the current relationship party may act as a predictor good enough in order to point partnerships in additional or alternative directions of effective strategic exploration and exploitation whereby relationship parties are able to create more effective futures together (Wilkinson et al., 2005).

### **How long-term orientation contributes to the BSR?**

In this section, it's discussed how long-term orientation effects the buyer-supplier relationship. Doney & Cannon (1997) claim that idiosyncratic investments tie the firms together into relationship that have a long-term orientation as mindset, since the major reason for both parties to make idiosyncratic investments is that they expect them to pay off in the long run.

Entering into long-term relationships could help the firm in many ways: for example, by creating a better understanding of both parties' needs over time and developing more efficient marketing and administrative skills (Weitz, Castleberry & Tanner, 1992). As the partners engage in a long-term relationship, they develop dedicated linkages that enhance the benefits from engaging in the joint relationship. Over time, these coevolved capabilities are increasingly difficult to imitate due to resource indivisibility and competitive advantage. (Dyer & Singh, 1998). Moreover, relationships becomes more effective through joint synergies as a result from making idiosyncratic investments and risk sharing, which will contribute to higher long-term orientation (Ganesan, 1994).



In order to benefit from idiosyncratic investments in social media, there has to be a high likelihood of future interaction in the buyer-supplier relationships. In other words, in relational transactions there is a higher probability of future interaction than with discrete transactions. It can be assumed that if the existence of long-term orientation is low, there is also little willingness to make idiosyncratic investments to social media, or to any other purpose.

Moreover, it's argued that relational-based transactions outperform transactional-based transactions, due to their ability to adapt to new conditions and to increase confidence in partners' future actions, which support risk-taking and reciprocity-based behaviors (Cannon & Perreault, 1999), which also contributes to the willingness to make idiosyncratic investments. One of the most valuable contributions of long-term orientation is the fact that the parties develop dedicated linkages that enhance the benefits from engaging in the joint relationship. Later, those coevolved capabilities are increasingly difficult to imitate. (Dyer & Singh, 1998).

It's claimed that long-term orientation with selected party isn't just a planned strategy, it may be essential for the long-term survival for the buyer and supplier providing a sustainable long-term competitive advantage that doesn't require sacrifices on parties' profitability (Kalwani & Narayandas, 1995). Hence the following is proposed:

**Hypothesis 5: Willingness to make idiosyncratic investments in social media relates positively to the long-term orientation of the relationship**

**2.5 Relationship quality in BSR**

Relationship quality is chosen to be the second higher-order construct in the conceptual model. Relationship quality captures the essence of relationship management and focuses on the overall nature of the buyer-supplier relationship. That's why relationship quality was an obvious choice for one of the modeled outcomes when making idiosyncratic investments in social media. The perceived relationship quality is a crucial measure of the current and future state of the relationship (eg. Ulaga & Eggert, 2006; Mysen et al., 2012). However, it has to be kept in mind that perceived relationship quality, the focus of this study, is most of all dependent on the characteristics of the specific buyer-supplier relationship (Möller & Törrönen, 2003).

Relationship quality as such still lacks a formal established definition and it lacks a consensus on which constructs comprise relationship quality. Moreover it has received remarkably limited attention considering its significance as

a key construct in the relationship paradigm within marketing. (eg. Kumar et al., 1995; Naudé & Buttle, 2000, Holmlund 2008; Woo & Ennew 2004; Huntley, 2006). When conceptualizing relationship quality, four different aspects have to be bear in mind. Quality is a subjective concepts, it's a trade-off between benefits and sacrifices, which can be multi-faceted and perceived quality is always relative to competition (Walter et al., 2003; Ulaga & Eggert, 2006a).

Relationship quality might be seen as the buyers' and suppliers' perceptions of quality as a mega-construct made up of other key constructs that reflect an overall evaluation of the outcomes from buyer-supplier relationship and might be interpreted in terms of accumulated value (Moliner, Sánchez, Rodríguez & Callarisa, 2007; Mysen et al., 2012). All in all, relationship quality is most often recognized as a higher-order construct, however the definition lacks the precise nature of the first-order constructs, which it comprises. (Woo & Ennew, 2004, Rayryen & Miller, 2007)

Relationship quality is suggested to consist according to previous studies, mainly from trust, commitment, co-operation and interaction with satisfaction (Crosby et al., 1990; Naudé & Buttle, 2000; Woo and Ennew, 2004; Mysen et al., 2012). Another set of scholars, Kumar et al. (1995) define relationship quality as being manifest in several distinct, through related constructs as trust, commitment, willingness to invest into the relationship and the expectation of continuity of the relationship. Beside Kumar et al. (2005), also Huntley (2006) recognize that the longitudinal nature of buyer-supplier relationships is essential to the notion of relationship quality. The academic research suggests that relationship value is an antecedent to relationship quality (Ulaga & Eggert 2006, Ahtanasopoulou, 2009; Mysen et al., 2012). In this study, relationship value is defined to be a sub-construct of relationship quality and relationship quality is seen to be a suitable measurement of the state of the buyer-supplier relationship.

The evaluation of the relationship quality with the buyer is an important point when the supplier is deciding to develop and maintain a long-term relationship with the buyer or not (Walter et al., 2003). However, it has to be bear in mind that the benefits of collaborative relationships are not free of costs, attaining them requires the investment of resources over an extended period of time (Dwyer et al., 1987). As it was mentioned before it's also likely that buyer's and supplier's perception of the relationship pay offs will vary over time, due to the fact that collaborations require investments and might take time to develop and the benefits cannot be immediately

acknowledged (Nyaga et al., 2010) High switching costs increase parties' interest and motivation to keep a quality relationship (Hallen et al., 1991). It's expected that the relationship quality is mainly affected by the resources committed to the relationship and by the degree of commitment of the employee involved (Morgan & Hunt, 1994).

Maintaining relationship quality has multiple important tasks in relationship management. First, relationship quality highly influences the anticipations of future interaction between the buyer and the supplier, secondly it decreases the perceived uncertainty in the relationship (Crosby et al., 1990). It's also empirical tested that when the quality of the relationship is high, buyers were more willing to recommend the buyer's offerings to colleagues and they were more willing to purchase more from the supplier (Huntley, 2006). It's suggested that relationship quality determines the probability of the future, of the buyer-supplier relationship, in other words, if the exchange will continue between the parties (Crosby et al., 1990).

The long-term survival of the relationship is dependent on the fact whether the parties of the relationship understand the functions that contribute to relationship quality (Walter et al., 2003). The increased understanding of how different relationship constructs influence buyers' and suppliers' perceptions of high- and low-quality relationships, enables the parties to imply strategies that will create high-quality relationships and avoid low-quality relationships, which will in the end subsequently increase performance and competency. (Mysen et al., 2012) However, as Hald et al. (2009) present, the buyer and the supplier have different positions in the supply chain and therefore perceived quality cannot be assumed to be identical and hence it should be discussed separately, as it's in this study researched from the supplier's side. In this study, it's proposed that there is positive relation between the willingness to make idiosyncratic investments and perceived relationship quality. If the potential buyer is satisfied with past performance, the willingness to co-operate is more likely to be present (Selnes, 1998).

It can be concluded that idiosyncratic investments can be held as compelling possibility to enhance relationship quality and hence the following can be proposed in order to test the research problem:

**Hypothesis 6: Willingness to make idiosyncratic investments in social media relates positively to the perceived relationship quality**

## **2.6 Conceptual framework**

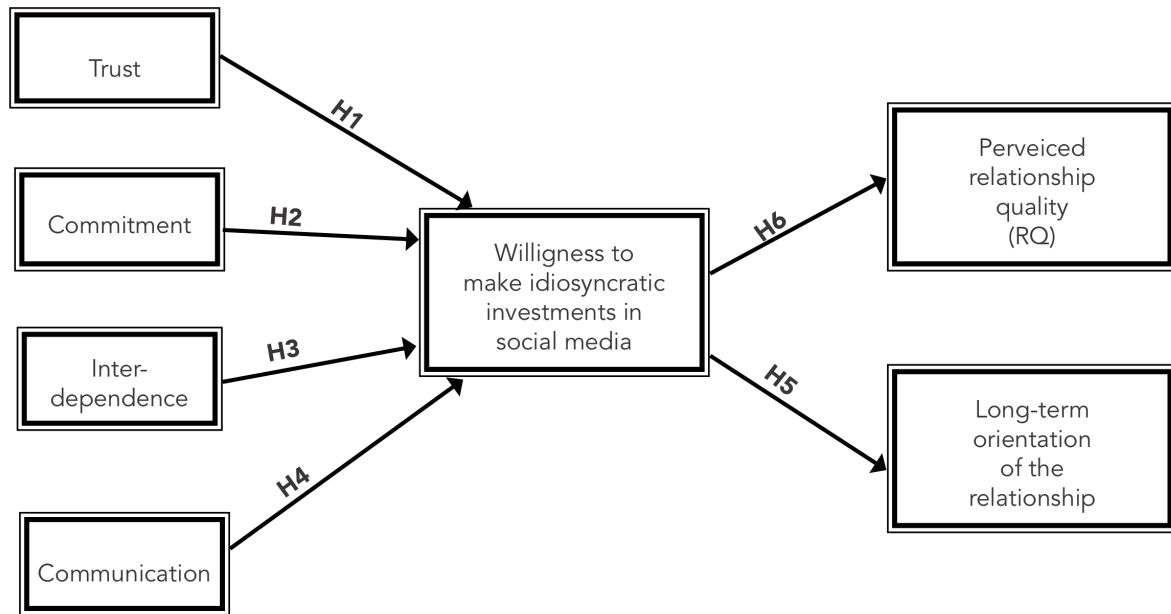
The aim of this study is to gain deeper understanding of social media as an enhancer of relationship quality and long-term orientation. In order to illustrate this research problem, a conceptual framework has been forged from the literature review. In the following, the central constructs and outcomes of buyer-supplier relationships are presented, which also describes the indicated relations that are going to be empirically tested in this study.

When the conceptual framework was developed it was kept in mind that the constructs or the relationship outcomes cannot be looked in isolation. Neither the suppliers' evaluation of the relationship constructs cannot be directly compared to the buyer's assessment of its relationship with the specific supplier. The proposed framework is by no means a direct representation of social media's possibilities in the buyer-supplier relationship fields. It's a set that is deduced from essential characteristics of the buyer-supplier relationship appeared in the literature review.

To examine the willingness to make in idiosyncratic investments in the development of collaborative long-term relationships, the willingness to make idiosyncratic investments is researched as a determinant of relationship quality and long-term orientation in buyer-supplier relationship. The next section will present the research model and as a summary all the proposed hypotheses.

## Research model and summary of hypotheses

**Figure 1. Hypothesized relationships of buyer-supplier relationship constructs.**



**H1:** Trust is positively related to the willingness to make idiosyncratic investments in social media.

**H2:** Commitment is positively related to the willingness to make idiosyncratic investments in social media.

**H3:** High level of interdependence is positively related to the willingness to make idiosyncratic investments in social media.

**H4:** The more communication is perceived to be an open two-way exchange, the more there exists willingness to make the idiosyncratic investments in social media.

**H5:** Willingness to make idiosyncratic investments in social media relates positively to the long-term orientation of the relationship.

**H6:** Willingness to make idiosyncratic investments in social media relates positively to the perceived relationship quality.

### **3 METHODOLOGY**

The purpose of this chapter is to explain the research methodology adopted to address the research problem to determine if the collected data supports the conceptual model. Techniques from the structural equation modeling (SEM) were employed to test empirically the conceptual model. According to Bagozzi and Yi (2011) SEM can be used to test and estimate causal relations. Although all the constructs used in this study have been validated in previous research before, the validity and reliability of the constructs have to be studied again due to the new research context. Moreover, proposed conceptual model combines the constructs to a completely novel model in order to research social media collaborations in B2B context. In the analysis IBM SPSS 22.0 and IBM Amos 22.0 software were used.

After the methodology part, the conceptual model is tested in chapter 4 and all the managerial implications regarding this study are presented in chapter 5. But first, this chapter presents the steps in survey and measure development, followed by the description of the data collection itself.

#### **3.1 Survey Development**

Since social media collaborations between suppliers and buyers are a new phenomenon, it would be problematic to limit the survey just for parties that have already conducted social media collaborations. Moreover, due to previously mentioned lack of time and resources and the complex nature of buyer-supplier relationships, dyadic approach cannot be implied. Hence the survey was only targeted for the supplier side without examining whether they have already made idiosyncratic investments to social media or not.

The survey was build to research on-going, and already established relationships between action sports and lifestyle brand suppliers and one buyer, Firm X. In other words, this study adopted a static view of the relationship, capturing a "snapshot" of suppliers' perceptions of relationships with their buyer Firm X at a given point of time.

A well-constructed sampling frame that was relevant to the study topic was executed in order to ensure a higher response rate. To obtain valid and reliable information and in order to avoid social desirability bias, several techniques employed: (1) all respondents were informed that their responses would be kept confidential and that the study was for purely academic purposes, (2) it was made clear to respondents that there were no right or wrong answers, and (3) a summary report of the survey was promised as a reward for participation for the respondents.

The survey was created in the online survey platform called Webropol 2.0 and the survey was communicated per email through the Firm X's buying department to the of the supplier brands' marketing and sales professionals, encouraging completing the survey. The survey was published only in English.

### **3.2 Measure Development**

For the survey a 21-item seven-point Likert scale measurement was developed in which 1="strongly disagree" and 7="strongly agree". In an attempt to assess measurement errors (Kline, 2005), each construct was measured by three observed indicators. All indicators, except one, used in this study were taken from previously published research and required only small changes in wording, such as substituting the word distributor/buyer for "this buyer" to particular emphasize the current buyer-supplier relationship or adding the word " social media" to highlight the exact context for the idiosyncratic investments. The one indicator was made by the researcher in order to capture the social media context more in-depth.

The 21 items are broadly categorized into the following seven constructs and motivations for measuring those constructs are explain shortly below.

**Trust** focuses on understanding how trustworthy the buyer is perceived by the survey respondent.

**Commitment** attempts to measure how committed the supplier is to the specific relationship.

**Interdependence** focuses on the overall importance of the parties to each other estimated by the survey respondent.

**Communication** concentrates on examining how the information flows between the relationship parties.

**Social Media** measures the suppliers' attitudes and interest towards collaborations benefiting from social media networks.

**Long-term orientation**, following the theoretical conceptualization, was seen as being reflected by the willingness to make idiosyncratic investments.

**Relationship quality**, following the theoretical conceptualization, was also seen as being reflected by the willingness to make idiosyncratic investments.

As Wilson (1995) suggested, the future research should be sensitive to situational factors. Examples of situational factors are the context of the relationship – that is in this study, the operating country, company size and the age of the buyer-supplier relationship. The scale for company sizes was driven from European Commission (2014). Also age and gender were used as basis for stratification. The complete survey can be seen in Appendix 1.

### **3.3 Collecting the data**

As mentioned before an online retailer of action sports and lifestyle brands and their suppliers provided the data for this study. Hence the sample consisted only of one relationship dyad; a buying organization Firm X and its suppliers. The procedure resulted in a sample of 672 individuals to whom the survey was sent. Each respondent was first contacted by e-mail with a request to follow a link to a survey website. After 2 week, a reminder was sent to the respondents, followed by a second reminder 2 weeks later. When the survey was closed after 6 weeks, 151 responses were recorded, resulting in an effective response rate of 22.5%. All the items in the survey were compulsory, hence there were no incomplete responses collected.

SEM is characterized as a method that needs larger samples than other multivariate techniques (Kline, 2005; Hair et al. 2010). The more complex the model being investigated, the more data is required. However, there are no commonly agreed guidelines for sample sizes in SEM. Bagozzi and Yi (2011) consider a sample size of 100 as a limit, although the sample size should be preferably 200 or more. According to Kline (2005) sample size of 100 can be considered small, sample size of 100 to 200 medium and a sample size over 200 large. Hence this study falls in the medium range sample, as there are a total of 151 usable cases to be examined.

The sample can be described in the following way. Very few women were among the respondents; since 80.1% of the responses came from men. Majority of the respondents were under 39 years old, altogether 76.2% of the whole sample. The sample was international; responses were collected from 26 different countries. A major part of the respondents came from United States (15.9%), Austria (11.3%) and United Kingdom (10.6%). Company profiles of the respondents were divided as 55.0% were working in micro companies (<10 employees), 27.2% worked in small companies (<50 employees), 11.9% worked in medium-sized companies (<250) and only 6% worked in large companies (>251 employees). Among the respondents, 7,9% were in a business relationship with they buyer less than on year, 45.7% 1 to 5 years, 23.8% 6 to 10 years and 22.5% more than 10 years.

Next, a table of the demographic characteristics of the sample is presented.



**Table 1. Demographic Characteristics of the respondents, n=151**

Demographic characteristic	Number of Respondents	%
<b>Gender</b>		
Male	121	<b>80.1%</b>
Female	30	<b>19.9%</b>
<b>Age of the respondent</b>		
18 to 29	49	<b>32.5%</b>
30 to 39	66	<b>43.7%</b>
40 to 49	25	<b>16.6%</b>
50 or older	11	<b>7.3%</b>
<b>Country</b>		
United States	24	<b>15.9%</b>
Austria	17	<b>11.3%</b>
United Kingdom	16	<b>10.6%</b>
Finland	16	<b>10.6%</b>
Germany	14	<b>9.3%</b>
Switzerland	13	<b>8.6%</b>
Sweden	8	<b>5.3%</b>
Italy	7	<b>4.6%</b>
France	6	<b>4.0%</b>
Denmark	6	<b>4.0%</b>
Belgium	4	<b>2.6%</b>
Spain	3	<b>2.0%</b>
Norway	3	<b>2.0%</b>
Canada	3	<b>2.0%</b>
Taiwan	1	<b>0.7%</b>
South Africa	1	<b>0.7%</b>
Singapore	1	<b>0.7%</b>
Serbia	1	<b>0.7%</b>
Poland	1	<b>0.7%</b>
Indonesia	1	<b>0.7%</b>
Hungary	1	<b>0.7%</b>
Estonia	1	<b>0.7%</b>
Czech Republic	1	<b>0.7%</b>
Bulgaria	1	<b>0.7%</b>
Australia	1	<b>0.7%</b>
<b>Number of personnel working in the company</b>		
under 10	83	<b>55.0%</b>
10 to 50	41	<b>27.2%</b>
51 to 250	18	<b>11.9%</b>
over 251	9	<b>6.0%</b>
<b>The age of the buyer-supplier relationship</b>		
less than 1 year	12	<b>7.9%</b>
1-5 years	69	<b>45.7%</b>
6-10 years	36	<b>23.8%</b>
more than 10 years	34	<b>22.5%</b>

Table 2 presents the means and standard deviations of all the constructs. Respondents' perceptions of the specific buyer-supplier relationships are generally positive and also the attitudes and interest towards social media collaboration rather positive. **Commitment, relationship quality** and **long-term orientation** had the highest mean values, so it can be assumed that the supplier is satisfied with the current buyer and with the state of the buyer-supplier relationship. Lowest mean value was in **interdependence**, which means that respondents felt that they weren't generally that dependent on the buyer, Firm X. **Social media** also gained a high mean value, which implies for a high interest for collaborations in social media.

**Table 2. Means and Standard deviations**

Means and Standard deviations		
<b>Construct</b>	<b>Mean</b>	<b>Std.dev.</b>
Trust	5,52	0,93
Commitment	6,08	0,74
Interdependence	4,38	1,34
Communication	5,25	0,98
Social Media	5,43	1,23
Long-term orientation	5,59	0,82
Relationship quality	6,02	0,85

## 4 DATA ANALYSIS & EMPIRICAL FINDINGS

As mentioned above, the model was estimated by structural equation modeling techniques. A two-step SEM process was conducted with the SPSS AMOS 22.0 program. First, confirmatory factor analysis (CFA) was used to verify the underlying dimensions in the data and to build a statistically valid and reliable measurement model for further analysis with structural equation modeling (SEM). As mentioned already, CFA was followed by SEM, which was used to evaluate the magnitude of the relationships between these constructs.

### 4.1 Evaluating the measurement model

Before this methodology part continues to path analysis and testing the structural model, both the measurement model and the structural model need to be analyzed in terms of the quality of their constructs (Fornell & Larcker, 1981). First, factor loadings were analyzed to identify any problematic indicators and to assess convergent validity. Secondly, reliability of the constructs was studied through composite reliability (CR) and average variance extracted (AVE). The table below presents the constructs, indicators, composite reliabilities and factor loadings.

The initial confirmatory factor analysis didn't reveal that poorly loading indicators, since a cut-off point of 0.60-0.70 is generally hold satisfactory (Bagozzi & Yi, 2011). Only one indicator in the communication construct, "We keep this buyer well informed about our products and what is going on in our firm", scored with the loading 0.597 below the cut-off point. However, the indicator wasn't rejected, since the loading was near the cut-off point and didn't have a significant effect on the model fit. All other indicators achieved a loading level over 0.7, expect "We would not drop this buyer, because we like being associated with it" in the commitment construct, which loading was 0.669.

**Table 3. Constructs, Indicators, Composite Reliabilities, Std Factor Loadings**

Construct, Indicators <sup>1)</sup> and Composite Reliability	Std Factor Loadings <sup>2)</sup>	Based on
<b>F1: Trust (composite reliability, <math>\alpha= 0,785</math>)</b>		
[TR1]: In our relationship, this buyer gives us reliable information and advice	0.779	Morgan & Hunt (1994)
[TR2]: In our relationship, this buyer is someone to whom we give our confidence	0.796	Morgan & Hunt (1994)
[TR3]: Our firm trusts that this buyer keeps our best interests in mind	0.779	Ulaga & Eggert (2006)
<b>F2: Commitment (<math>\alpha= 0,758</math>)</b>		
[CM1]: The relationship with this buyer is something our business really cares about	0.730	Ulaga & Eggert (2005)
[CM2]: We would not drop this buyer, because we like being associated with it	0.669	Kumar et al. (2005)
[CM3]: We want to remain as business partners with this buyer	0.744	Kumar et al. (2005)
<b>F3: Interdependence (<math>\alpha= 0,873</math>)</b>		
[IN1]: We are quite dependent in our business on this buyer	0.733	Mitręga & Katrichis (2010)
[IN2]: It would be difficult for our firm to cover the sales and profits this buyer generates	0.963	Gilliland et al. (2009)
[IN3]: If our relationship ended, we would have difficulty replacing the income this buyer provides	0.795	Gilliland et al. (2009)
<b>F4: Communication (<math>\alpha= 0,785</math>)</b>		
[CO1]: This buyer makes it a point to keep each other well informed	0.882	Anderson & Weitz (1992)
[CO2]: We keep this buyer well informed about our products and what is going on in our firm	0.597	Anderson & Weitz (1992)
[CO3]: This buyer seeks our advice and counsel concerning collaboration and their marketing efforts	0.729	Anderson & Weitz (1992)
<b>F5: Social media as idiosyncratic investment (<math>\alpha= 0,881</math>)</b>		
[IS1]: We are willing to put more effort and investment in building our collaboration in social media	0.816	Kumar et al. (1995)
[IS2]: In the future we would like to link our firm with this buyer's brand through social media	0.808	Kumar et al. (1995)
[IS3]: We are interested to make collaborations that would benefit from different social media networks	0.904	Researcher
<b>F6: Long-term orientation (<math>\alpha= 0,878</math>)</b>		
[LTO1]: We expect this relationship to last a long time	0.873	Heide & John (1990)
[LTO2]: We make plans not only for the terms of the individual purchase with this buyer, but also for the continuance of the relationship	0.781	Heide & John (1990)
[LTO3]: Maintaining a long-term relationship with this buyer is important to us	0.863	Heide & John (1990)
<b>F7: Relationship quality (<math>\alpha= 0,900</math>)</b>		
[RQ1]: The results of our existing cooperation with this buyer are satisfying for us	0.842	Mitręga & Katrichis (2010)
[RQ2]: Overall, we are satisfied with this buyer	0.906	Cannon & Perreault (1999)
[RQ3]: We are pleased with what this buyer does for us	0.842	Cannon & Perreault (1999)

**Note:** CFA model goodness-of-fit indexes: ( $\chi^2$ )= 230.391 and with the degrees of freedom (d.f.)= 166; Normed fit index (NFI)= 0.879; Comparative fit index (CFI)= 0.962 ; Root mean square of approximation (RMSEA)= 0.051; 90% confidence of RMSEA (0.034; 0.066)

<sup>1)</sup> 7-point Likert Scale was used in data collection (1= strongly disagree and 7= strongly agree)

<sup>2)</sup> All the loadings are significant at  $p < 0.001$

The measurement model was tested and analyzed through model fit with statistics proposed by Kline (2005). The statistics for the measurement model were the following. Chi-square was 230.391 and with degrees of freedom 166. Furthermore,  $\chi^2/df$  was 1.39, which is below the maximum value of 3. Normed fit index (NFI) was 0.879 and the comparative fit index (CFI) 0.962, which passes the good fit requirement  $> 0.90$ . Root mean square error of approximation (RMSEA) was 0.051, which falls between usually advised 0.05-0.08 range (Kline, 2005).

The composite reliability (CR) in all measures is above the recommended 0.70 threshold (Kline, 2005). The range of CR in this measurement model is from 0.758 to 0.900 (see table 3). CR was calculated to assess the reliability of the measurement model and indicates that the constructs and indicators are related.

**Table 4. Correlation Matrix, AVE and AVE square root (bolded)**

	<b>AVE</b>	<b>1.</b>	<b>2.</b>	<b>3.</b>	<b>4.</b>	<b>5.</b>	<b>6.</b>	<b>7.</b>
<b>1. Communication</b>	0,555	<b>0,745</b>						
<b>2. Trust</b>	0,619	0,556	<b>0,787</b>					
<b>3. Relationship quality</b>	0,750	0,700	0,619	<b>0,866</b>				
<b>4. Commitment</b>	0,511	0,211	0,469	0,421	<b>0,715</b>			
<b>5. Long-term orientation</b>	0,706	0,337	0,350	0,521	0,656	<b>0,840</b>		
<b>6. Interdependence</b>	0,699	0,132	0,045	0,103	0,176	0,244	<b>0,836</b>	
<b>7. Social media</b>	0,712	0,446	0,249	0,360	0,354	0,510	0,130	<b>0,844</b>

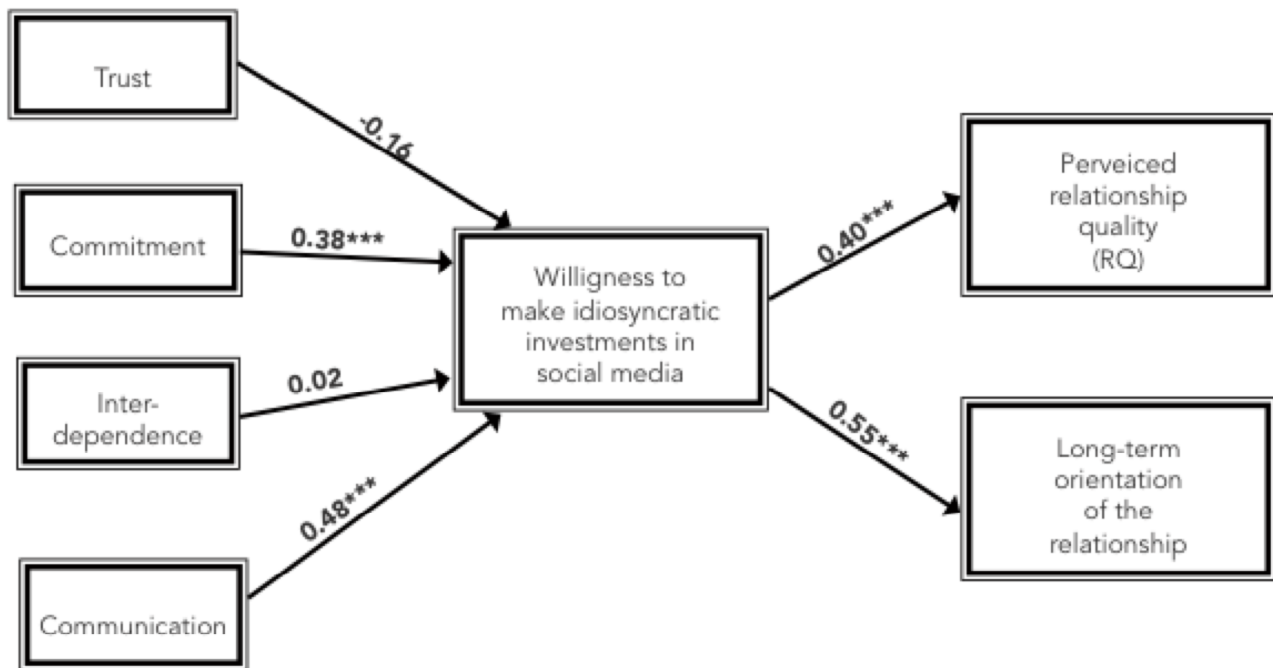
As seen in table 4, all variables have average variance extracted (AVE's) values of over 0.5 and as mentioned before all variables have composite reliabilities over 0.7, which are considered as guideline values by Fornell and Larcker (1981). Hence satisfactory convergent and discriminant validities have been achieved. Due to appropriate model fit and loading values, no changes were made to the measurement model. In the following chapter, the structural model will be evaluated and tested.

## **4.2 Structural Model Evaluation**

After a satisfactory measurement model is obtained, structural equation modeling was used to test the proposed research framework and to test the 6 hypotheses via path analysis. Through testing, it can be understood, which factors are influencing suppliers' willingness to make idiosyncratic investments in social media. All path coefficients were estimated using a maximum likelihood method.

As the measurement model before, also the structural model was assessed with the same model fit indicators in order to test the validity and reliability of the structural model. Chi-square was 340.822 and with degrees of freedom 175. Furthermore,  $\chi^2/df$  was 1.95, which is below the maximum value of 3. Normed fit index (NFI) was 0.822 and the comparative fit index (CFI) 0.902, which passes the good fit requirement  $> 0.90$ . Root mean square error of approximation (RMSEA) was 0.079, which also falls between usually advised 0.05-0.08 range (Kline, 2005). Thus the model fit is satisfactory and the structural model can be accepted, which allows the testing of all of the 6 hypotheses presented in chapter 2.6.

**Figure 2. Final Model**



**Note:** SEM model goodness-of-fit indexes: ( $\chi^2$ )= 340.822 and with the degree of freedom (d.f.)= 175; Normed fit index (NFI)=: 0.822; Comparative fit index (CFI)= 0.902 ; Root mean square of approximation (RMSEA)= 0.079; 90% confidence of RMSEA (0.067; 0.092)

\*\*\*)  $p < 0.001$

**Table 5. Hypothesis testing results**

Path	Standardized estimates	p-value	Hypothesis
TR -> IS	-0.16	0,207	H1:Not supported
CM -> IS	0.38	p<0.001	H2: Supported
IN -> IS	0.02	0.808	H3: Not supported
CO -> IS	0.48	p<0.001	H4: Supported
IS -> LTO	0.55	p<0.001	H5: Supported
IS -> RQ	0.40	p<0.001	H6: Supported

**Note:** IS: Social media as idiosyncratic investment, TR: Trust, CM: Commitment, IN: Interdependence, CO: Communication, LTO: Long-term orientation, RQ: Relationship quality

### 4.3 Results

After testing the model, the research results will be presented and discussed while keeping in mind the study's framework and the past literature. All in all, 4 out of 6 hypotheses were supported and two of the hypotheses (H1, H3) weren't supported. Those two findings imply that **trust** and **high level of interdependence** don't have a positive impact on the willingness to make idiosyncratic investments in social media. The 4 supported hypotheses had all considerably high path coefficients, with all having quite similar values ranging just from 0.38 to 0.55.

Surprisingly and contrary to many existing research done in buyer-supplier relationship research, **trust**, didn't have significant relationship to the willingness to make idiosyncratic investments. Although, for example Johnston et al. (2004) and Nyaga et al. (2010) found that activities between the supplier and buyer are facilitated by trust. Also Anderson and Narus (1990) viewed trust as a determinant of collaboration and level of conflict in a buyer-supplier relationship. Because most relationships do not follow a classic linear development and a relationship likely varies over time depending on changes in needs and opportunities, it follows that the functionality of trust is likely dynamic and context specific (Seines & Sallis, 2003). Moreover, as Wilson (1995) stated that some variables, such as trust, are the focus of the relationship party' attention in some stages of relationship development and latent in other stages. A variable is latent when it is in the background of the current interaction between the relationship parties, but isn't receiving their attention. Due to the sample presenting only the relationship with one buyer (Firm X), it might highlight the latent variable. However, researchers still see trust as a major facilitator for coordination efforts (Jap, 1999) and together with commitment engenders collaboration (Morgan & Hunt, 1994).

**Commitment** has been seen as an important contributor to growth and survival of the buyer-supplier relationship (Wilkinson et al., 2005). The path coefficient between commitment and idiosyncratic investments was 0.38, thus hypothesis 2 was supported. Commitment is seen as a suppliers' predisposition to remain in the relationship because of their positive affect, feeling of unity or obligation, and emotional attachment to the buyer (Palmatier, Dant & Grewal, 2007a). Moreover, commitment to the relationship and collaboration likely increases as the relationship parties create more value (Wilson, 1995) and commitment is found to lead to improved satisfaction and performance (Nyaga et al., 2010). Also according to Morgan & Hunt's (1994) commitment-trust theory, also commitment engenders collaboration.

Like hypothesis 1, also hypothesis 3 was rejected with a very weak path coefficient 0.02. However, Wilson (1995) stated that if there is a wide array of high-quality partners, **interdependence** will be low, which might explain the rejection, since the sample represents an industry, where the buyer as well all the suppliers have a large availability of alternatives and a high number of competitors. In previous studies, for example Wilkinson et al. (2005) found out that if interdependence is present, coordination efforts are more likely to develop. However, this was not confirmed in this new research context.

In hypothesis 4, it was proven that the more **communication** is perceived to be an open two-way exchange, the more there exists willingness to make the idiosyncratic investments in social media. The path coefficient was strong: 0.48. Several researchers have highlighted the importance of communication and it's positive relation to collaboration and better performance (Johnston et al., 2004; Blonska et al., 2013). In addition, more frequent interactions lead to increases in perceived value, stronger bonds, enhanced loyalty, and more business to the selling firm (Palmatier et al., 2006). Also Mohr and Nevin (1990) found out that communications plays an essential role in realizing the mutual benefits, and hence validates the findings of this research.

Another finding of this study was that willingness to make idiosyncratic investments affects positively to the **long-term orientation**, with the strongest path coefficient 0.55. The finding confirms the research results by Ganesan (1994), which found out that making idiosyncratic investments will contribute to higher long-term orientation. Foremost, long-term orientation is also acknowledged to be a predictor of successful buyer-supplier relationships (Sheu, Yen & Chae, 2006). As Ravald and Grönroos (1996) found out that the assessment of long-term orientation isn't restricted to the single episode level, rather, also the benefits and sacrifices are taken into account in the



assessment by the suppliers. This finding implies that the suppliers are willing to remain in the relationship with the buyer (Kalwani & Narayandas, 1995) and they aren't facing uncertainty in the relationship, which is a key to form long-term orientation toward their buyer (Ryu et al., 2007).

With the last hypothesis 6, it was predicted that willingness to invest is related positively to the perceived **relationship quality** of the relationship. The hypothesis was supported by a strong positive path, 0.40. Similarities can be drawn from the previous research, where increased cooperative behaviors lead to higher relationship quality (Johnston et al., 2004) and exceeding the performance objectives through collaboration increases satisfaction between the relationship parties (Anderson & Narus, 1990). The finding highlights the importance of building coordination effort, if the buyers or the suppliers plan to increase the scope and level of relationship quality.

To conclude, moderately strong empirical evidence was found for the tested hypotheses, except for the hypothesis 1 and 3, which were rejected. This study shows that social media can be seen as an enhancer of relationship quality and long-term orientation. Commitment and communication are seen most important functions that influence the willingness to make idiosyncratic investments. Trust and interdependence weren't supported as being statistically relevant and the relationship was weak, hence further research is required to understand their working mechanism with a larger sample and with a dyadic research approach.

## **5 CONCLUSIONS**

First, this final chapter concentrates on answering the research questions of this study and discussing the research phenomenon: whether social media is seen compelling and as a possibility to enhance the relationship quality and long-term orientation of the buyer-supplier relationship. To conclude this chapter and the whole study, managerial implications, limitations and future research directions are shortly presented.

It's important to acknowledge that buyers and suppliers assess the value of business relationships and that those valuations will invariably differ from each other. In addition, relationships are risky assets that generate uncertain returns that can be affected by a variety of factors such as opportunism, changes in the supply environment and capabilities of the partner firm (Hogan & Armstrong, 2001). This should be realized when assessing the possibilities of social media within a specific buyer-supplier dyad and giving managerial implications.

## **5.1 Discussion**

This research was motivated to gain more understanding of the possibilities that social media has offered to the buyer-supplier relationships. This study contributes to the earlier buyer-supplier relationship and relationship quality literature. This study also sheds lights to the social media as phenomenon in business markets. However, since sample generalizability is a common concern in academic research, especially when response rates are small (Morgan & Hunt, 1994), and moreover, hence this study this study provides only an initial test of a theoretical model in a novel context, discussion has to be led with some cautions.

The discussion will be guided by the research questions presented in the section 1.2.

### **1. How is social media perceived as an idiosyncratic investment to enhance relationship quality and long-term orientation in buyer-supplier relationships?**

All in all, social media is perceived as a compelling possibility and factor to enhance the relationship quality and long-term orientation. The means of the researched constructs (as seen in table 1) convince that social media is an interesting possibility for collaboration as such between the relationship parties. When evaluating the structural model, the willingness to make idiosyncratic investments to social media is influenced by the perceived commitment and communication in the specific relationship. As Jap (1999) found out that relationships, coupled with knowledge of the firm's skills and capabilities and willingness to make idiosyncratic investments, shape the context for new relational exchanges between the buyer and supplier by reducing risks and uncertainties about the motives and intentions of the other firm.

Walter et al. (2001) indicated in general about collaborations and innovations that, if they are developed together with the buyer, they improve the value of the supplier's offerings to this customer in the future as well as to other customers. It's commonly known that collaborative relationships create value, however it's also often perceived that they are costly to develop, nurture and maintain. However, novel marketing mechanisms created by social media and the cost-effectiveness of social media as a collaboration platform might change that perception (Gilfoil & Jobs, 2012). Collaborations don't just reflect to the relationship quality, but also the collaborative projects are also trending toward becoming the main source of information for many end consumers (Kaplan & Haenlein, 2010).

## **2. How could the willingness to make idiosyncratic investments in social media reflect to relationship quality and long-term orientation?**

Through testing the structural model, it can be stated that idiosyncratic investments in social media are perceived to lead to relationship quality and long-term orientation. Although, the gathered cross-sectional data; the supplier's evaluation of the relationship is just based on the current perception of relationship's state, it's still generally an accurate indicator of the real level of the relationship constructs (Jap & Ganesan, 2000). All in all, making idiosyncratic investments, signals the relationship parties' intent and willingness to safeguard those investments, which hinders opportunistic behaviour and increases the switching costs. That will, in the end contribute to a more sustainable collaborative buyer-supplier relationship.

The outcomes of collaborative relationships can be multidimensional. But at least the research results of this study imply that idiosyncratic investments have a positive relation to perceived relationship quality and long-term orientation, from the supplier's perspective. Moreover, the literature suggests also that buyer-supplier collaborations enhance the supplier's understanding of the overall nature of relationship (Anderson & Weitz, 1992).

However, it shouldn't be forget that the performance improvement; in this context measured by relationship quality and long-term orientation, in essence comes from promoting both parties' cooperative behavior that increases the efficiency and the creativity of their actions (Nahapiet & Ghoshal, 1998). But, in order to expect returns from idiosyncratic investment, the parties have to be willing to commit financial, capital and personnel resources, share timely and sometimes also sensitive information and also make relationship-specific adaptations (Krause et al., 2007).

## **3. Which specific relationship constructs will make a supplier willing to work jointly with a buyer in the social media context?**

According to the evidence of this study, the buyer should promote activities that enhance commitment and communication. Communication leads undoubtedly to better understanding of each parties' goals and in the ends also to improved problem solving (Ulaga & Eggert, 2006b) and collaborative communication may be used as an enhancer of relationship quality making relationship parties feel like more of an integral part of the team (Mohr et al., 1996). Moreover, buyer often gather and dispose of information about market developments that is relevant to

the supplier's business earlier than the supplier would be able to. As Walter et al. (2001) mentioned "customers are scouts in the marketplace".

Secondly, commitment is seen as a suppliers' predisposition to remain in the relationship (Palmatier et al., 2007a) and has been also identified as antecedent to effectiveness and efficiency in relational exchange (Lövblad & Bantekas, 2010) and as a vital ingredient for business relationship to gain positive outcomes (Gilliland & Bello, 2002). Commitment is seen also in this study as a key constructs that is affecting the supplier's willingness to work jointly with the buyer in the social media context.

Although the mean score of trust was high 5.25 (as seen in Table 2), a relationship to willingness to make idiosyncratic investments in social media wasn't discovered. The finding was contradictory also to previous buyer-supplier relationship literature, since trust is as fundamental to explain why some buyer-supplier relationships are more collaborative and integrated than others (Young, 2006). Also Doney & Cannon (1997) found out that trust is a major determinant of future business opportunity. So trust as a relationship-specific constructs shouldn't be ignored, although it's relation to the willingness to make idiosyncratic investments couldn't be proved.

Basically, managers should emphasize the dynamics of buyer-seller relationships and position themselves as part of their customers' value chain (e.g. (Ravald & Grönroos, 1996). Open communication, proactive conflict handling, and commitment are key behaviors the suppliers need to master. As they learn to manage their relationships, customers will be more satisfied and more willing to trust, and thus secure the demand for the supplier's products and services. (Selnes, 1998). Moreover, suppliers are more willing to act according to a request or incentive of a buyer if there are incentives to do so (Ghijzen et al., 2010). In the other hand, buyers should appreciate and grant long-term and long-lasting relationships with the supplies, since it will motivate the suppliers to make idiosyncratic investments in the buyer-supplier relationship and share their business development ideas (Wagner & Bode 2014).

## **5.2 Managerial implications**

Through this study several managerial implications can be implied, although care should be taken due to the limited external validity of research. The research framework illustrates many implications on how to encourage and commit both suppliers and buyers to social media collaborations. Next, the various managerial implications are presented.

### **a) Gaining competitive advantage through collaboration**

First it should be acknowledged that through idiosyncratic investments both relationship parties are gaining new competencies by working together and create competencies that aren't easy for competitors to duplicate. A supplier that perceives its trading partner as willing to invest in collaborative actions is likely to reward the oriented buyer by being more collaborative, especially when the buyer's actions will improve relationships with the supplier's end users. Moreover, also in this area of literature, it's suggested that productivity gains are possible when organizations are willing to make idiosyncratic investments and combine their resources in unique ways (Jap, 1999). Furthermore, this ambiguous link between a firm's resources and subsequent outcomes makes it extremely difficult for competitors to duplicate and imitate the results (Hogan & Armstrong, 2001), and hence makes the relationship sustainable. All in all, managers should acknowledge that effective collaborative relationships can be a source of competitive advantage, since they have the ability to provide a mechanism for delivering superior value for both buyer and supplier.

When it comes to the retail context, besides the resultant price pressure from large retailers, suppliers are finding it increasingly difficult to develop their marketing strategy in isolation of the particular retailer's strategy. This might encourage suppliers to develop more collaborative relationships with their buyers in an attempt to change the latter's focus from purely price to reducing the total cost in the marketing channel and increasing value through idiosyncratic investments, for example, in social media.

### **b) Acknowledging the possibilities of social media**

Secondly, the development in technology and the growth of social media are two phenomena that should be recognized as facilitators that are making possible the innovative forms of business interaction and activity, which involve new types of business relationships. Advanced IT has made easier for managers and marketers to communicate efficiently in national and international networks, making collaboration in social media a bit easier and more appealing. For example, many social media tools facilitate the development of long-term relationships via conversation-like exchanges of data and information. Furthermore, firms need to pay attention to other critical elements of the social media landscape. While reviewing the social media landscape, a firm should also collect competitive intelligence to determine, if its rivals are already active, and what the response level is for their

particular social media strategies. Moreover, buyer and suppliers have to develop strategies that are congruent with, and suited to, different social media functionalities and the goals of the firms. As Kietzmann et al. (2011) stated: "A firm must act as a curator of social media interactions and content". However, as with any idiosyncratic investment, the firms have to know when to commit their resource to trade partners and when to avoid their demands (Buchanan, 1992). Social media collaborations might tie a lower amount of capital resources, so one of the risks might be that there isn't enough strategic approach to the resource determination.

To conclude, and as the evidences of this study show, suppliers perceive social media as a compelling and interesting possibility. However, in the end, the firms and their managers have to determine whether the idiosyncratic investments will increase the firms' ability to achieve their own performance goals.

### **c) Promoting constructs enhancing activities**

The challenge for managers is to provide mechanisms that create perceptions of own firm as valuable, and trustworthy in the eyes of their dyad associate, which makes the coordination efforts appealing in the end. In more detail, it can said that the challenge is to provide mechanisms that create the right combinations of perceived expected value and perceived commitment. Hence, promoting constructs enhancing activities is essential. Managers must consider policies that influence the relationship constructs, especially commitment and communication, when considering the results of this research.

So, the research results suggest that buyers need to demonstrate an interest in collaborative activities such as information sharing and joint effort to signal their commitment to suppliers. On the other hand, suppliers should focus on demonstrating commitment and communication efficiency as a way to improve performance and buyer satisfaction, since these are the outcomes that buyer's value (Nyaga et al., 2010). According to Morgan & Hunt (1994) commitment can be promoted through providing resources, opportunities, and benefits that are superior to the offerings of alternative partners; maintaining high standards of corporate values and allying oneself with exchange partners having similar values; communicating valuable information, including expectations, and evaluations of the partner's performance. Such construct enhancing activities will enable buyer and suppliers to enjoy sustainable competitive advantages over their rivals and gain higher levels of relationship quality. Also besides enhancing activities, managers should pay attention to a conscious and careful application of the

idiosyncratic investments and communication in the buyer-supplier relationship in order to achieve a higher relationship quality and to motivate for long-term orientation in the relationship.

#### **d) Creating incentives within the BSR**

Establishing a collaborative relationship is difficult, since basically it depends on encountering another relationship party that is also willing to collaborate (Wilkinson & Young, 2002). Promoting constructs enhancing activities might be not enough to convince the other party to make idiosyncratic investments in the social media context, especially hence it's a quite new collaboration platform for the relationship parties. Hence, it can be implied that, if rational buyers will make incentives for idiosyncratic investment, the supplier is more likely to make idiosyncratic investments, if they believe that they will generate future benefits and, and at least if it won't worsen their current relationship quality. Moreover as Wagner & Bode (2014) also concluded managers have to demonstrate their dependability and benevolence to strengthen collaboration in the buyer-supplier relationship.

#### **e) Goal Congruence**

Fifth, prior to engaging in coordination efforts and idiosyncratic investments, the buyer and supplier should also achieve congruent purposes, values, or expectations; this informational need is referred to as "goal congruence." Goal congruence is the extent to which firms perceive the possibility of common goal accomplishment (Eliashberg & Michie, 1984). This is because goal congruency acts as an assurance that the other relationship party won't pursue activities that are advantageous to its competitive position at the expense of the other (Jap, 1999). Blonska et al. (2013) also point out that the process of supplier governance also might increase the level of understanding between the suppliers and buyers, such as suppliers can better respond to buyers' specific needs and requests, improving their relationship performance and which would be essential, when thinking social media collaborations.

#### **f) Increasing the benefits and reducing the sacrifice**

All in all, the task to understand the specific buyer-supplier relationship is complicated, since purchases are irregular and the strength of the buyer-supplier relationships is difficult to assess. As Luo & Kumar (2013) put it: "It isn't true that marketing dollars are wasted if they do not directly result in an immediate purchase, because they are used to maintain the buyer-supplier relationship". Moreover, introducing idiosyncratic investments, which are

not driven by the needs of the relationship parties can never act more than a short-term solution (Kohli & Jaworski, 1990).

Buyers and suppliers tend to be more sensitive to a loss than to a gain (Monroe, 1991) and these facts constitute an opportunity for the firms to improve the customer-perceived value and thereby establish and maintain a long-term relationship. If the buyer or supplier can provide value in terms of reducing the trading party's perceived sacrifice, so that the relationship quality improved, the chances of becoming successful are evident. But to be able to provide this kind of value the firm must understand the elements of customer-perceived value and how the company's activities influence, positively or negatively, the relationship-specific constructs. (Ravald & Grönroos, 1996). In the end, it's always about increasing the benefits and reducing the sacrifice in the mutual buyer-supplier relationship.

### **5.3 Limitations and future research**

As in any empirical research, the results of this study cannot be interpreted without paying attention to its limitations. Just the choices made by the researcher create limitations when interpreting the results. In this final chapter, beside the limitations, also the future research directions are proposed. Due to the complex nature of buyer-supplier relationships, there is no doubt that much refinement and elaboration of the presented research model presented is needed.

First of all, while the conceptualization of relationship quality and long-term orientation as higher order constructs are indicated by trust, commitment, interdependence and communication was based on previous research and theory, there exists a possibility that other constructs of a buyer-supplier relationship also influence relationship quality and long-term orientation. The list of outcome variables that were used in this study; relationship quality and long-term orientation, isn't either comprehensive, since other outcomes might be related to idiosyncratic investments, too. Moreover, what comes to the conceptual model, it can be also further researched if the perceived relationship quality and long-term orientation aren't just relationship outcomes, or could they eventually have also causal relationships to the willingness to make idiosyncratic investments.

Another major limitation of this research is the cross-sectional data from just a single buyer and its suppliers. Moreover, the data for this research is retrieved solely on one side of the relationship dyad; the supplier's perspective. Also the study relied only on single respondents, other members of the supply organizations might emphasize different constructs in the buyer-supplier relationship. For example, Hogan & Armstrong (2001)



propose that buyer-supplier relationships are jointly owned assets, and thus, it would be inappropriate to value them solely from the supplier's perspective. The further research could address this limitation usefully, from a dyadic perspective, for example.

Thirdly, the context of our study, as it was only restricted on suppliers of action sports and lifestyle brands, limits its potentiality to generalize the results. Hence one must be cautious, when attempting to generalize the research results to other forms of business relationships or different types of organizations. Offering characteristics of the suppliers are also important as more complex products can be acquired only from a few suppliers, which increase dependence. However, the suppliers from this study don't produce products with complex product characteristics and that way the research result cannot be implied or aren't valid to supplier or manufacturers with very complex product characteristics. In order to extend external validity, future research should collect data from multiple dyads that are operating in other industries than the sample of this study and without forgetting the longitudinal observations.

Foremost, a longitudinal research would make great contributions to the understanding of the research model. Longitudinal research could be directed at sets of "core" constructs, making possible better inferences about both their development over time and their causal sequence. Rindfleisch et al. (2008) for example argue that when relationships among constructs aren't sufficiently large, longitudinal approaches might be more appropriate for minimizing common method variance and improving causal inference.

Fourth, return on investment in buyer-supplier relationships is also a research field that has flourished in the recent literature (Luo & Kumar, 2013). This study highlights the perceived possibilities and the attitudes, thus a great addition would be researching the return on investment that are gained through collaborations in social media within the buyer-supplier dyads and how that ROI could be measured. Knowledge of such information would facilitate the strategic implementation of marketing resource allocation, warns the seller about possible relationship state changes, and saves marketing resources when a relationship cannot be enhanced anymore. (Luo & Kumar, 2013)

All in all, more and more companies are recognizing the development and management of buyer-supplier relationships as part of the value producing system. It will be still questioned how companies should behave in a

complex network of buyer-supplier relationships where there is only limited to no control. However, it seems social media could be a compelling possibility for companies to enhance their buyer-supplier relationships.

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# Appendix

Appendix 1: Webropol –survey as screenshots



## Master's Thesis Social media in buyer-supplier relationship management

### 1. Please, indicate your gender \*

- Male
- Female

### 2. What is your age? \*

- 18 to 29
- 30 to 39
- 40 to 49
- 50 or older

### 3. Number of personnel working in your company? \*

- under 10
- 10-50
- 51-250
- over 250

### 4. The age of the buyer-supplier relationship (how long have you been business partners)? \*

- less than 1 year
- 1-5 years
- 6-10 years
- more than 10 years

### 5. In which country are you working?

Afghanistan

Please indicate the extent to which you agree/disagree with each of the following statements:

**6. Trust \***

	1 strongly disagree	2 disagree	3 somewhat disagree	4 neutral	5 somewhat agree	6 agree	7 strongly agree
In our relationship, this buyer gives us reliable information and advice	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In our relationship, this buyer is someone to whom we give our confidence	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Our firm trusts that this buyer keeps our best interests in mind	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**7. Commitment \***

	1 strongly disagree	2 disagree	3 somewhat disagree	4 neutral	5 somewhat agree	6 agree	7 strongly agree
The relationship with this buyer is something our business really cares about	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We would not drop this buyer, because we like being associated with it	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We want to remain as business partners with this buyer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**8. Interdependence \***

	1 strongly disagree	2 disagree	3 somewhat disagree	4 neutral	5 somewhat agree	6 agree	7 strongly agree
We are quite dependent in our business on this buyer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It would be difficult for our firm to cover the sales and profits this buyer generates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
If our relationship ended, we would have difficulty replacing the income this buyer provides	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**9. Communication \***

	1 strongly disagree	2 disagree	3 somewhat disagree	4 neutral	5 somewhat agree	6 agree	7 strongly agree
This buyer makes it a point to keep each other well informed	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We keep this buyer well informed about our products and what is going on in our firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
This buyer seeks our advice and counsel concerning collaboration and their marketing efforts	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**10. Social media \***

	1 strongly disagree	2 disagree	3 somewhat disagree	4 neutral	5 somewhat agree	6 agree	7 strongly agree
We are willing to put more effort and investment in building our collaboration in social media	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In the future we would like to link our firm with this buyer's brand through social media	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We are interested to make collaborations that would benefit from different social media networks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**11. Long-term orientation \***

	1 strongly disagree	2 disagree	3 somewhat disagree	4 neutral	5 somewhat agree	6 agree	7 strongly agree
We expect this relationship to last a long time	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We make plans not only for the terms of the individual purchase with this buyer, but also for the continuance of the relationship	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Maintaining a long-term relationship with this buyer is important to us	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## 12. Relationship quality \*

	1 strongly disagree	2 disagree	3 somewhat disagree	4 neutral	5 somewhat agree	6 agree	7 strongly agree
The results of our existing cooperation with this buyer are satisfying for us	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Overall, we are satisfied with this buyer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We are pleased with what this buyer does for us	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## 13. Yes, please! I want to get a visual report of the results and an executive summary.

My email:

**Thank you, your input has been extremely helpful!**

\*The survey replies are analysed confidentially and the research results are presented in a way that solely survey participants are impossible to recognise.