

GOVERNANCE RESPONSE STRATEGIES TO DISRUPTIVE ACTS BY SUPPLIERS

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Executive Summary

Although academics have touted trust and commitment and the development of close relationships as a panacea for many of the problems between industrial buyers and suppliers, we still observe dysfunctional relationships between industrial buyers and suppliers punctuated by disruptive acts by one or both parties. These disruptive acts are both by commission (e.g., lying, breaching agreements etc.) and omission (e.g., not telling the whole truth, not accepting responsibility etc.)

This study examines the responses of industrial buyers to the disruptive acts of suppliers. The responses include various ways to manage the relationship, including exiting from the relationship. The researchers argue that these disruptive acts should be treated as a cost to be weighed against the economic and strategic benefits that exist for the industrial buyers from the relationship. Also, the researchers argue that different combinations of economic and strategic benefit will elicit different patterns of responses.

To investigate this issue a four-stage approach is proposed. First, the researchers will conduct email interviews with a unique group of 8-10 leading firms to develop the scenarios and elicit examples of disruptive acts (both by commission and omission) to be used in stages two and three. This is a key stage in the research, as poor execution of stage one will render the results of stage two and three meaningless. Second, the researchers will conduct a pilot study of the iterative experiment with approximately 100 managers. This pilot study will further inform the experiment in stage three. Then in stage three of the research the researchers will conduct an iterative experiment that will

simulate the accumulation of disruptive acts by a supplier over a relationship and capture the responses of buyers to these acts occurring in relationships with different combinations of economic and strategic benefit. Finally, the researchers will analyze the data collected in stage three and write up the article and managerial summary.

The findings of this study will help to direct managerial action by suggesting strategies for managing dysfunctional relationships that involve treating disruptive acts as a cost to be balanced against the benefits gleaned from the relationship. It will also suggest modes of exit from the relationship for firms based upon the strategic benefits perceived in the relationship, as well as strategies to put effective trust back into the relationship.

Proposed Timetable for Project

Stage	Description	Start Date	End Date
Stage One	Email interviews with key executives from leading firms.	18 th October 2006	18 th November 2006
Stage Two	Pilot study of experiment.	27 th November 2006	20 th December 2006
Stage Three	Iterative experiment.	8 th January 2007	15 th February 2007
Stage Four	Analysis of data and writing of article and managerial summary.	20 th February	30 th April

