

# SUPPLY CHAIN DYNAMICS, AGILITY AND RELATIONSHIP MANAGEMENT: BSS 421



**WEEK 15 : BUYER–SUPPLIER RELATIONS**

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# Task for Last Week



1. What is the role of communication in supply chains?

**To communicate the requirements and roles that buyers, suppliers, distributors and sellers at retail level play in supply chains.**

2. How does conflict affect supply chains ?

**It can stop the flow of goods and cause a shortage very far in the supply chain from the point where conflict is occurring.**

# Recap of last Week Topic



We discussed various aspects impacting on global supply chains.

These included;

1. Elements of logistics
2. Local Supply Chains and Global Supply
3. Drivers of Global Supply Chains Logistics
4. Global logistics Networks
5. Distribution Channels
6. Importance of Global Supply Chains
7. Logistics Partnerships
8. Challenges in Global Logistics
9. Global Logistics and Supply Chain Dynamics

# Objectives of this Week's Topic



The overall objective of the topic is to discuss buyer- supplier relations and the specific objectives are ;

1. To describe buyer - supplier communication in business transactions.
2. Explain the relationship between communication and conflict
3. Explain the relationship of Communication, conflict and supply chain dynamics

# Introduction to Buyer- Supplier Communication



Buyer – supplier communication occurs ;

1. At the point of initiating a relationship.
  2. During supplier appraisal.
  3. When negotiating for a purchase.
  4. Routine communication for contract management.
- At the point of initiating a relationship both buyer and supplier are very careful of what they say to each other for the sake of stating a relationship.
  - During supplier appraisal and negotiations for a purchase everything that buyer or supplier says is taken very seriously because of the implication to winning a contract by the supplier.
  - Note routine communication for contract management it taken as normal communication.

# Buyer- Supplier Communication for Negotiation



Lewick et al.( 2003) pp 1-3 Defines negotiation as a process that occurs when parties are trying to find a mutually acceptable solution to a complex conflict. Buyer and supplier negotiate because resources :

1. Are not similar.
2. They are scarce. These give competitive edge to buyers and suppliers.
3. Are not evenly distributed. Movement of certain goods is restricted,
4. Cannot be copied easily. Substitutes are not available.
5. The resource must be valuable.

These contributes to the accomplishment of buyer-supplier objectives.

Barney (1991)

Resource based theory explains these.

# Buyer- Supplier Communication for Negotiation Cont'd



Resources for buyers and suppliers that take them for negotiations include various supplies such

1. Capital goods such as main equipment for processing.
2. Supplies for business operations or MRO( maintenance repair and operations supplies)
3. Key supplies for processing or main supply that runs the business.

The motive for negotiations is to make buyer and seller chose approaches for negotiation which sets the tone for communication.

# Approaches to Buyer- Supplier Negotiations Cont'd



- There are two main types of negotiations that set the communication tone. These are Collaborative negotiations and competitive negotiations. Compromise negotiations, avoiding negotiations and accommodating negotiations are generics of the two.( Babe & Chavi, 2015) pp1-5
- Characteristics of Collaborative and competitive negotiations that determine communication are ;

Baber w.w & Chavi C. Y & Chen F. ( 20215)

Practical Issues in negotiations. Taylor and Francis group Routledge

# Approaches to Buyer- Supplier Negotiations

## Cont'd



### **Characteristics of Collaborative.** (integrative approach to negotiations)

1. The outcome is a win-win
2. It leads to high joint benefits.
3. both buyer and supplier get satisfied with the results.
4. Collaborative negotiators are open and honest.
5. Negotiators understand the concerns and interests of the other party.
6. They enjoy negotiations, especially if it involves finding creative business solutions that are beneficial to their organizations.

# Approaches to Buyer- Supplier Negotiations

## Cont'd



### **Characteristics of Collaborative Cont'd.**

7. Negotiators exchange information and ideas. Sharing information sends the message that the supplier trusts the buyer with information.
  8. Negotiators create issue for mutual gain in order to enhance the possibility of finding a solution.
  9. Negotiators are objective in evaluating the performance of the their organizations.
- It is used by buyer and suppliers who are in close relationships such as outsourcing, partnerships and co-destiny.

# Approaches to Buyer- Supplier Negotiations

## Cont'd



Competitive negotiations also known as distributive negotiations.

### **Characteristics of Competitive negotiations**

1. It is a win- loss negotiation where one party gains all while the other loses all.
2. It is insensitive to long- term relationships.
3. It has a strong bias towards confrontation which encourages use of coercion and emotional pressure as means of persuasion.
4. It is hard on relationships because it may cause mistrust feelings of isolation, frustration and anger.

# Approaches to Buyer- Supplier Negotiations Cont'd



## Characteristics of Competitive negotiations cont'd

5. It results in frequent breakdowns in negotiations and distortions in communication which produces misinformation and misjudgment
6. It is defensive and limits responsiveness by opponent. This restricts access to meaningful gains.
7. Contributes to probability of alternative means of resolving a conflict such as through court which can be very expensive compared to negotiations.

# communication as a tool for negotiation

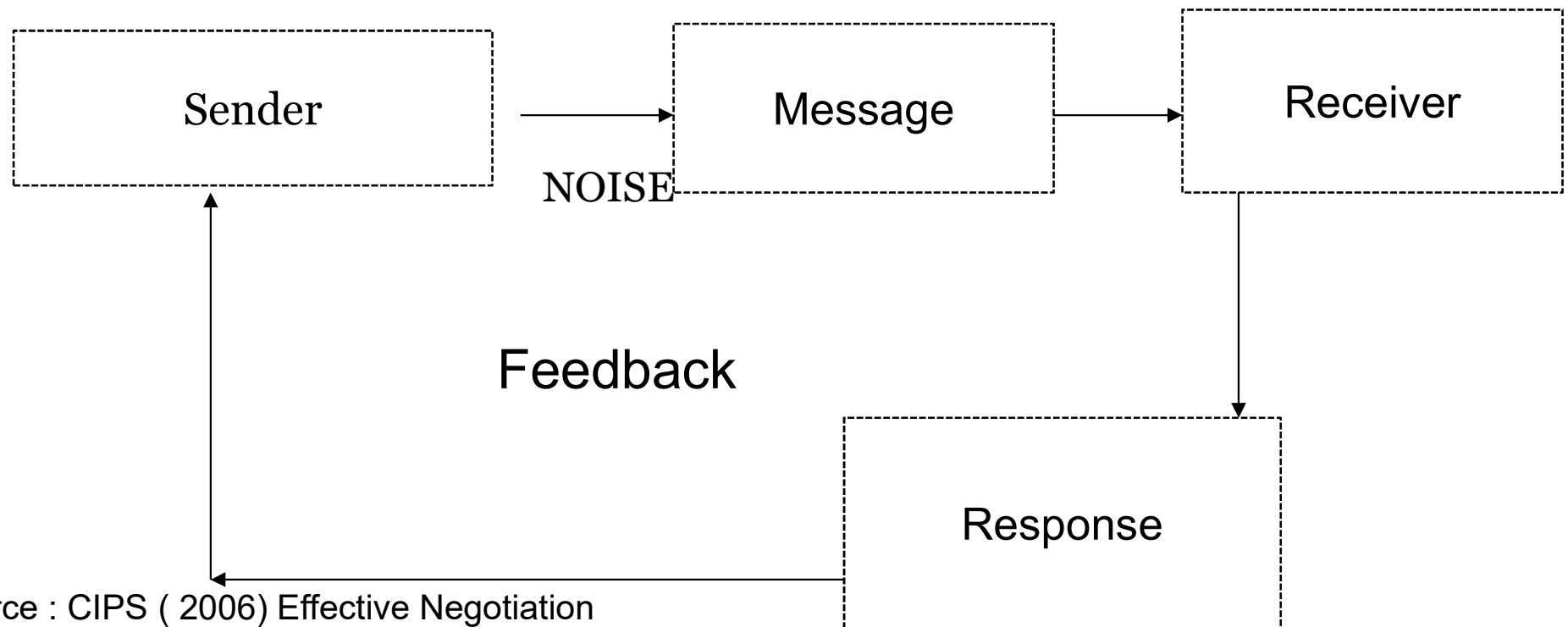


- Communication is used for persuasion.
- It is used to express who is powerful.
- The whole bargaining process is about convincing the other party about who has more power and it is used to manage negotiations.
- The objective of expressing power is to convince the other party to accept that the view as the best scenario in a given situation.
- The ability to influence is dependent on how the communication is sent and received and whether the message is central to the receiver.
- If the message is central to the receiver it means it is important and therefore the person is motivated to process the information.

# communication as a tool for negotiation Cont'd



Communication model underlies the theory of communication.



Source : CIPS ( 2006) Effective Negotiation  
p154

# Communication as a Tool for Negotiation Cont'd



Smart negotiators gather the necessary information regarding the parameters of negotiation and package it carefully in terms of the

1. Content of message
2. The structure of the message
3. Style of Message.

- **Content of message** is such that it suggests an agreement from the start. It is packaged in an attractive way and puts into account the values of the other party.
- The structure of the message is such that it presents both sides of the argument, breaks complex issues to simple understandable ones and in a way that it sinks into the heart and mind.
- It is concluded in a simple clear way.

# Communication as a Tool for Negotiation Cont'd



Use of peripheral influence to win in negotiation.

Buyers and suppliers send people who possess various types of power that can influence negotiation to their favour. These can be

1. People known to have integrity
2. Highly accomplished in their fields
3. Smart and intelligent
4. Attractive to people
5. High in the organizational structure
6. Orators etc

The negotiating id determined by the kind of transaction / deal required.

# Negotiations and Supply Chain Dynamics



- Buyer and sellers never go for negotiation to go back with nothing and therefore firms do not use either pure collaborative negotiations or pure competitive negotiations.
  
- Buyer and supplier go for negotiation
  1. When they are ready to search for a way to resolve the conflict which is a difference between what they have and what they don't have.
  2. They believe that by using influence they will achieve a better deal rather than accept what is on offer the first time.
  3. During the negotiations the buyer and supplier prefer to reach an agreement rather than continue to disagree.

# Negotiations and Supply Chain Dynamics Cont'd



3. Expect to give and take by modifying the demands through the bargaining process.
4. Success requires management of tangibles such as terms of agreement and intangibles such as the personal beliefs and values.
  - In business pure collaborative or pure competitive negotiations are not used in the pure format. Competitive negotiation has a lot of disadvantage and therefore it is only suitable when negotiating for quality and lead times.
  - Supply chains are created, built or strengthened by Negotiations. At the heart of negotiations is

# Negotiations and Supply Chain Dynamics cont'd



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  - Supply chains are created, built or strengthened by negotiations. It is during negotiations that deals are cut. Negotiations also result in competitive advantage

# Negotiations and Supply Chain Dynamics Cont'd



Communication during negotiations become complex because negotiators are shaped by ;

1. **Age.** Generational view is different in approaches to issues
2. **Level of education.** This broadens a person's view because an educated person is able to view issues from different perspective.
3. **Cultural background.** Culture shapes peoples view such that at adult age, there is always an aspect of culture that cannot be wished away because it is embedded in a person's behaviour.
4. Organizational policies and procedure.  
They provide parameters that guide a negotiator in the negotiation process.

# Communication and conflict in Supply chains



## **During Supplier Appraisal**

The formal processes of supplier appraisal are never a problem and communication is handled effectively. However communication problems arise. During the appraisal and after negotiations

## **During appraisal**

1. Depending on how the suppliers perceives the interest of the buyer in winning the business.
2. The type of information the supplier is given on whole supplier selection process.
3. Communication on the timing of the appraisal.
4. The likely cost of the appraisal on the supplier particularly on time and opportunity cost.
5. The extent of sharing the confidential information.

# Communication During Supplier Appraisal



## After appraisal

If communication is not done well, supplier is left with the following unresolved issues after appraisal

1. How the supplier performed in the appraisal if not given preliminary overview
2. Whether supplier was given a fair chance if no indicators to show other wise.
3. what the supplier could have done better if not informed
4. Fairness of treatment from the buyer
5. Whether supplier does not understand what the purchaser wants during the appraisal

The appraisal processes if not communicated well can lead to breaking a supply chain or not starting a strong one.

## Communication During Supplier Appraisal Cont'd



### **Conflict arises after appraisal when**

1. If the feedback is wholly negative and condemning.
2. If supplier feel like buyer has taken advantage.
3. If the buyer uses the process is to exploit supplier.
4. If the buyer was after information to drive down the prices.
5. If the buyer was not prepared to listen.
6. if the buyer sends the wrong people for the appraisal.

# Communication and conflict in buyer- supplier relations



In normal supplier- buyer relationship communication should be in terms of-

1. Extent of transparency and openness.
2. Quality of information.
3. How communication can be used to settle differences.
4. How communication can be used in negotiations.

# Communication and Conflict in Buyer- Supplier Relations Cont'd



For strategic alliance, partnership or co-destiny transparent communication

1. Disclosure of the business strategy so that the supplier can be able plan long term course.

2. Sharing specific plans on the roadmaps. Product life cycle information must be shared so that the partners can have input in development of the model and the markets.

3. Revealing cost, price and profit margin as way of demonstrating trust and openness. However, Its only on rare occasions that the purchasers feel the need for this.

4. To enable buyer and supplier carry out transactions electronically

# Communication and Conflict in Buyer- Supplier Relations Cont'd

**Factors that limit transparent communication in buyer- supplier relationship.**

**1. Negative experiences from previous relationship**

It may be that people involved in the relationship have a history of mistrust and feeling of being let down. For a new relationship it is important to hold the meeting and understand clearly the position of each other in the business relationship.

**2. Some people by their nature may behave as if in an adversarial relationship.** If the situation is not corrected,

it can degenerate to an adversarial relationship because business relationships are still affected by people characteristics.

**3. Genuine mis- understanding** may occur from time to time in conversations because of different meanings of the words. CIPS ( 2006)

# Communication and Conflict in Buyer- Supplier Relations Cont'd



**4.Role conflict.** The demands of different departments may not be taken kindly by other departments. For example, the decision by the IT team to secure information may not be taken kindly by a supplier.

**5.Changing of people in an organization.** If people leave an organization the replacement may not service the accounts of a supplier as the previous employee. It is important to hold a meeting and make it clear that the relationship is between organizations and not between individuals.

**6.Difficult business situation** can make difficult demand on the others because they are either in need of revenue or to lower the costs.

# Communication , Conflict and Supply Chain Dynamics



1. Communication is the main driver of supply chains. It is used to making orders, transportation , ware house management, inventory control and conduct all activities in the supply chains.
2. Technical communication is not a challenge because it is well structured. E.g. order placement and order delivery is not a problem because in most cases it is communicated via – technology after careful design. Sometimes there are standard templates of what is to be communicated.

# Communication , Conflict and Supply Chain Dynamics Cont'd



3. The role of communication in creating or destroying supply chains lies in people communication which is complicated by behavioral aspects such as emotions, lack of skills, lack of understanding of issues, careless nature of people, upbringing, level of education etc. The people aspect, communication and conflict are the real challenges that managers try to deal with continuously.
4. Simple careless verbal communication can bring down an institutions and consequently the whole supply.

# Task for next week



What are the emerging issues that are impacting on the environment where you stay.

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*THANK YOU ALL  
WISHING YOU WELL  
HAVE A LOVELY WEEK*