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# **Strengthening the Purchaser-Supplier Partnership:**

**Factors that Make a Difference**

by Judi Brownell, Ph.D.,  
and Dennis Reynolds, Ph.D.

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## Strengthening the Purchaser-Supplier Partnership:

### Factors that Make a Difference

*by Judi Brownell, Ph.D., and Dennis Reynolds, Ph.D.*

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A survey of 73 food-service purchasing agents, representing several segments of the food-service industry, was jointly conducted by The Center for Hospitality Research and Richmond Events. The study found that trust and communication are key elements in developing a strong partnership between purchasers and suppliers. Partnerships have come to be viewed as a competitive advantage for food and beverage purchasers who are looking for long-term economic success.

The food-service purchasers agreed that the most essential characteristic for establishing a strong relationship was trust. Trusted suppliers were described as communicating effectively, listening well, and demonstrating a willingness to work collaboratively to anticipate and solve problems. Also important to purchasers is the supplier's willingness to help solve the purchaser's problems in a timely and proactive manner.

Communication is another important factor. Suppliers who communicate clearly and directly, and who listen well, are judged to be more effective than their peers. One intriguing finding is that personal connections with the supplier's representative remains an important element of the purchaser-supplier relationship despite the increasing use of electronic communica-

tions of all kinds. Due to the importance of these personal relationships, turnover in supplier representatives continues to be one of the most troublesome challenges that purchasers face in cementing partnerships.

When purchasers responded to an open-ended question asking them to consider the attributes that make for a good supplier, they described someone whom they could trust and someone who demonstrates business acumen by providing excellent service—a factor purchasers judged to be more important than product price or brand.

Looking ahead, the respondents suggested that, as purchasers, they will likely be dealing with reduced budgets and will need to carefully control costs. Turnover will also remain a key concern. In a time of constant change and increasing globalization, most purchasers expect that they will make increasing use of available communications technology. In spite of this transition, personal interaction will continue to be essential to building the strong partnerships that will define successful business practice in the decades ahead. In this regard, there is no doubt that suppliers' personal characteristics will influence the effectiveness of the purchaser-supplier relationship.

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# Strengthening the Purchaser-Supplier Partnership:

## Factors that Make a Difference

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**F**ood-service organizations have increasingly begun to realize the importance of long-term supplier partnerships in creating value and in maintaining a competitive advantage. Through long-term partnerships both purchasers and suppliers can “future proof” their businesses, as one author put it.<sup>1</sup>

The value to purchasers of creating and maintaining an ongoing relationship with suppliers is virtually indisputable. Focusing beyond short-term gain and recognizing the long-term advantages of partnerships undoubtedly will distinguish the successful food and beverage purchasers in the decades ahead.

A partnership can be defined as a strategic relationship between independent parties who share

“compatible goals, strive for mutual benefit, and acknowledge a high level of mutual interdependence.”<sup>2</sup> As participative leaders design flatter organizational structures, a partnership also provides purchasers with greater discretion to act on behalf of their companies. The entire organization, therefore, benefits from the greater knowledge base, joint problem-solving opportunities, and the increased information sharing made possible through long-term associations.

### Trust Is Key to Building Strong Partnerships

Recent research indicates that one consistent key to effective partnerships is mutual trust. When a buyer makes a purchase decision, he or she will seek the person who

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<sup>1</sup> S. Avery, “Negotiating an ASP Deal? Focus First on These Areas,” *Purchasing*, Vol. 130, No. 8 S. (2001), pp. 59-60.

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<sup>2</sup> V. Herzog, “Trust Building on Corporate Collaborative Project Teams,” *Project Management Journal*, Vol. 32, No. 1 (2001), p. 30.

is perceived as most trustworthy.<sup>3</sup> Many argue that trust is the single most important ingredient in making the purchaser-supplier partnership work. Trust provides a genuine and sustainable competitive advantage, as the purchase transaction exists within an ongoing context of past and future interactions.

Expectations of trust, which is defined as the willingness to risk increasing one's vulnerability to a person whose actions are beyond your control, facilitates information sharing.<sup>4</sup> The process is cyclical; negotiators who trust each other share more information. As suppliers become more knowledgeable, they are in a better position to provide individualized, high-quality service. Increased information flow also allows both purchaser and supplier to discover more ways to align their activities and to collaborate in reaching shared goals. Problem-solving communication and the development of innovative solutions require non-routine interactions; partners with a strong relationship make better decisions as high trust

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<sup>3</sup> S.L. Srikonda, "Staying Power," *Industrial Distribution*, Vol. 89, No. 6 (2000), pp. 104-108.

<sup>4</sup> J. Butler, Jr., "Trust Expectations, Information Sharing, Climate of Trust, and Negotiation Effectiveness and Efficiency," *Group & Organization Management*, Vol. 24, No. 2 (1999), pp. 217-238.

permits a greater variety of options to be explored.

In a comprehensive study of the factors affecting trust in purchaser-supplier relationships, Zineldin and Jonsson examined the importance of such factors as relationship bonds, willingness of

**Trust may be the single most important ingredient in making the purchaser-supplier partnership work.**

the supplier to adapt to the purchaser's needs, and communication effectiveness.<sup>5</sup> These researchers found statistically significant, positive relationships among these variables. That is, suppliers who were responsive to buyers' individual needs and who were effective communicators were also perceived to be highly trustworthy. Zineldin and Jonsson proposed that the development of partnerships in supply-chain relationships will become one of the most powerful purchasing strategies in the decades ahead. For such strategies to be effective, trust is essential.

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<sup>5</sup> M. Zineldin and P. Jonsson, P. "An Examination of the Main Factors Affecting Trust/Commitment in Supplier-Dealer Relationships," *The TQM Magazine*, Vol. 12, No. 4 (2000), pp. 245-267.

## Effects of Culture and Technology on Partnerships

Two additional dimensions have the potential to affect the purchaser–supplier relationship and the development of mutual trust—namely, culture and technology. While little is known about the effects of these variables, researchers and practitioners alike believe that they will strongly influence purchaser–supplier partnerships in the future.

**Culture.** In the global hospitality industry, cross-cultural negotiations will become increasingly common as purchasers find themselves negotiating across interna-

**The effect of distance technologies in developing purchaser–supplier partnerships remains largely unexplored.**

tional boundaries. New questions and issues are inevitable as representatives negotiate at both a business level and at the interpersonal level in creating shared meanings. Exactly what, for instance, do a contract’s terms *mean* to each party? Are those terms always binding, for instance, or would some circumstances void performance? Further, the social contract—the “spirit of the deal”—often governs expectations about

the nature, extent, and duration of the venture. Such understandings are largely determined by cultural norms.

**Technology.** Facilitating the growth of global business are distance-spanning technologies, notably, the internet. One question in this connection is, to what extent can the Internet replace direct interaction between purchaser and supplier? Moreover, what are the consequences of dealing electronically, and how does technology complement face-to-face negotiations? In a recent study,<sup>6</sup> buyers were found to place a high value on maintaining personal contact with suppliers.

The effect of distance technologies (our term for internet-based communication) in developing partnerships and building trust is an area that remains largely unexplored. We believe that a transition to greater dependence on the internet and other electronic media is almost inevitable. Consequently, we suggest that this issue will become increasingly important to purchasers and therefore requires further exploration.

<sup>6</sup> M. Vigoroso, “Buyers Still Prefer to Close Deals the Old-fashioned Way,” *Purchasing*, April 9, 1998, pp. 16–19.; and P.D. Larson and J.D. Kulchitsky, “The Use and Impact of Communication Media in Purchasing and Supply Management,” *Journal of Supply Chain Management*, Vol. 36, No. 3 (2000), pp. 29–39.

It is clear that, in challenging economic times, there is a pressing need to understand the forces that shape purchaser–supplier partnerships. While research indicates that the perception of trust is a critical factor in successful partnerships, too little is known about the specific behavior patterns that lead to judgments of trust in the purchaser–supplier context.

The interpersonal relationship between purchaser and supplier is one of the most critical and dynamic variables that affect successful negotiations. Given the importance of purchaser–supplier relationships to food and beverage management, a study was undertaken to explore a number of questions related to the purchaser–supplier interaction.

## **Description of the Purchaser–Supplier Partnership Study**

If it's true that long-term partnerships create competitive advantage for food and beverage managers, then it would be useful to know more about the personal characteristics and the interpersonal behavior that facilitate the development of these associations. As discussed above, research has suggested that it is the development of trust that distinguishes long-term partnerships in the purchaser–supplier context. Any information that can be gained

regarding this relationship and how it is perceived and strengthened can help food and beverage purchasers increase the effectiveness of their efforts.

Specifically, this study addressed the following questions:

- (1) How important is trust to a strong purchaser–supplier relationship?
- (2) What behavior patterns contribute to a strong purchaser–supplier partnership?
- (3) On what actions do purchasers base a judgment of a supplier's trustworthiness?
- (4) What do purchasers view as their most important future challenges?

We answer these four questions at the end of this report. In recognition of the global marketplace and the increase in the use of distance technologies, purchasers' perceptions regarding the influence of these dimensions on the purchaser–supplier partnership were also assessed.

## **Survey Design**

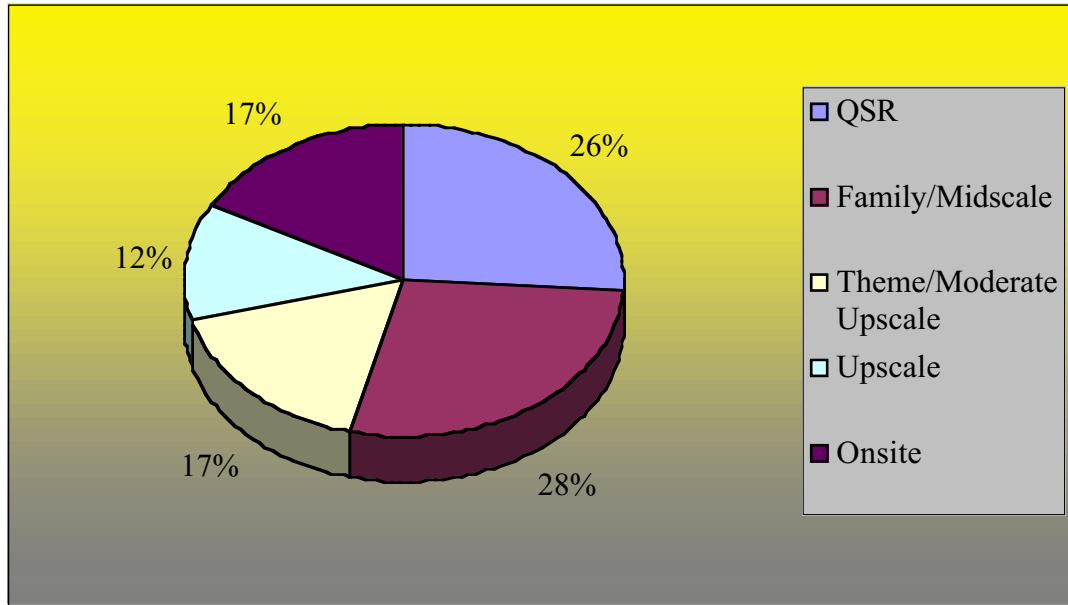
In collaboration with Richmond Events and Cornell University's Center for Hospitality Research, we created and sent a survey to all food and beverage purchasers listed on a database supplied by Richmond Events. Respondents were invited to return their surveys either in self-addressed, postage-



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**EXHIBIT 1**  
*Respondents by Food & Beverage Industry Segment*



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paid envelopes or by facsimile to the Center for Hospitality Research. Of the 86 purchasers surveyed, a total of 73 usable questionnaires were returned, for a response rate of 85 percent.

The survey itself was divided into four sections. The first section requested demographic and background information from respondents. The second “general partnership” section presented purchasers with a list of statements and solicited their views on various aspects of the purchaser-supplier relationship. Respondents were

asked to indicate the level of their agreement with each statement on five-point Likert-type scales from “strongly agree” to “strongly disagree.”

The third section of the survey asked respondents to respond to a set of statements while considering a particular supplier representative. Respondents were then asked to indicate, again on five-point Likert-type scales, the degree to which each of 13 single-item statements applied to that particular supplier representative. Ratings were also requested on five addi-



tional statements, which were clustered to create a trust dimension. Each of the single items, as well as the trust dimension, was then correlated with the following three additional, more broadly based judgments: **(1)** the perceived quality of the relationship, **(2)** the supplier's performance, and **(3)** the likelihood that the supplier would be retained.

In Part 4, respondents were invited to answer an open-ended question that asked for the personal characteristics and actions that they believed described a highly effective supplier. (As we will discuss below, when the responses were analyzed, four distinct categories emerged.) Finally, purchasers were asked to look to the future and respond to several questions about their vision for the years ahead.

## Major Findings of the Partnership Study

Approximately 20 percent of the purchasers surveyed were women. Nearly half of all respondents, 48.6 percent, were between 36 and 45 years of age. Just over a quarter, 26.4 percent, were between 46 and 55, while the remaining group was divided equally between the youngest (26–35 years) and the oldest (over 55) categories. Just under one-third of the respondents had been in their positions from three to six years,

and another one-third had been in their positions more than ten years. Twenty-five percent had been in their positions less than three years, and the remaining 12.3 percent had worked in their current job between seven and ten years.

The purchasers surveyed represented five food and beverage industry segments. Of the 73 respondents, 26.2 percent were in quick service, 27.7 percent identified themselves as being family or midscale restaurants, and 16.9 percent were theme or moderate upscale. Just over 12 percent of respondents are associated with upscale food service, and 16.9 percent indicated that they were affiliated with on-site, noncommercial food service (see Exhibit 1, at left). Eighty-two percent of those responding had group or corporate responsibilities. Only 6.8 percent worked at the unit level, and 11 percent were responsible for a division or brand.

Information on the purchasers' specific roles within their organizations also was gathered. Within their respective industry segments, 78 percent of all respondents authorize purchases. Over half (53.4 percent) set their company's annual food-service budget, and 71.2 percent negotiate directly with the supplier's representative. Approximately 83 per-

**EXHIBIT 2**  
**Annual Purchasing Budgets**

Budget Size	Respondents	
	Number	Percentage
Up to \$5 million	12	16.7%
\$5+ – \$10 million	14	19.4%
\$10+ – \$25 million	18	25.0%
\$25+ – \$50 million	9	12.5%
\$50+ – \$75 million	3	4.2%
\$75+ – \$100 million	2	2.8%
\$100+ – \$200 million	8	11.1%
\$200+ – \$300 million	1	1.4%
\$300+ – \$400 million	1	1.4%
\$400+ – \$500 million	2	2.8%
\$500+ – \$750 million	0	0.0%
\$750 million+ – \$1 billion	0	0.0%
\$2.5+ – \$5 billion	1	1.4%
\$5+ – \$15 billion	1	1.4%
<b>Total</b>	<b>72</b>	<b>100.0%</b>

cent of the purchasers who were surveyed indicate that they “identify new trends and products,” and 17.8 percent of respondents are involved in formulating the company’s purchasing strategy.

Exhibit 2 indicates the breakdown of annual purchasing budgets. In brief, just over one-third of the purchasers surveyed reported annual budgets of under \$10 million, while approximately the same number spent between \$10 and \$50 million each year. Seven percent managed budgets of between \$50 and \$100 million, and another 11 percent indicated that

they spent between \$100 and \$200 million annually. The remaining 8.4 percent were responsible for annual budgets of over \$200 million.

## Frequency and Nature of Purchasers’ Communication with Suppliers

Finally, a two-part question in the background section focused on the frequency of purchasers’ communication with suppliers. Part one asked how frequently purchasers communicated with suppliers in person, and part two asked how often purchasers used distance technologies to carry out their business transactions.

Exhibit 3 compares responses to these two questions. As you can see, 38.3 percent of respondents indicated that they communicated in person with suppliers one to three times each month. Approximately 18 percent communicated more frequently than that, and 43.8 percent less frequently.

When communication frequency through the use of distance technologies was explored, however, results revealed that nearly half of all purchasers communicated with suppliers one or more times each week, and approximately 40 percent communicate with suppliers one to three times each month.

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**EXHIBIT 3*****Frequency of Communication Comparison***

<b>Frequency</b>	<b>Communicate in Person</b>	<b>Communicate Using Distance Technologies</b>
Daily	1.4%	13.7%
2-3 times per week	4.1%	13.7%
Weekly	12.3%	20.5%
2-3 times per month	17.8%	16.4%
Monthly	20.5%	23.3%
Less Often	43.8%	11.0%

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## **Survey Findings: General Partnership**

General-partnership questions focused on the extent to which respondents perceived each of a number of variables as affecting their relationship with suppliers. Again, ratings were provided on five-point Likert-type scales from “extremely important” to “extremely unimportant.”

Purchasers were first asked to indicate how important each of six personal characteristics was to them in building a strong relationship with a supplier’s representative. Those characteristics were sincerity, sense of humor, trustworthiness, empathy, initiative, and problem-solving ability. Trustworthiness was rated as the most critical trait, with slightly more than 83 percent of respondents

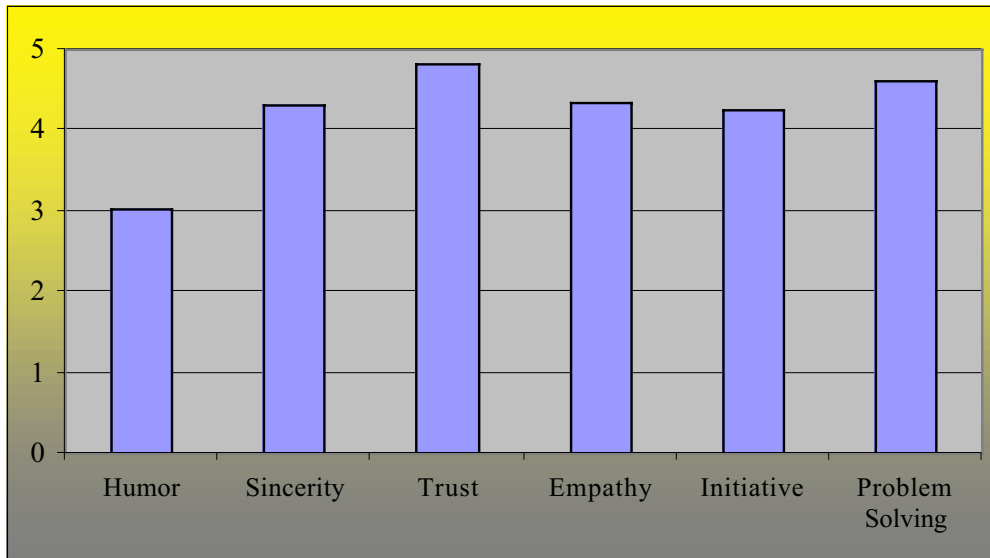
indicating trust to be “extremely important” and the remainder indicating that it was “very important.” The overall mean for this item was 4.83 on the five-point scale (see Exhibit 4, next page).

Problem-solving ability was close behind trustworthiness, receiving 61.1 percent of ratings in the “extremely important” category and producing a mean rating of 4.60. Empathy and sincerity were clustered together with mean scores of approximately 4.32. Initiative was perceived as only slightly less vital, as indicated by a mean of 3.26. Purchasers placed sense of humor lowest on the list, with 25 percent of respondents indicating that this characteristic was “not very important.”

A second question solicited purchasers’ judgments regarding

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**EXHIBIT 4***Mean Importance Ratings of Personal Characteristics*

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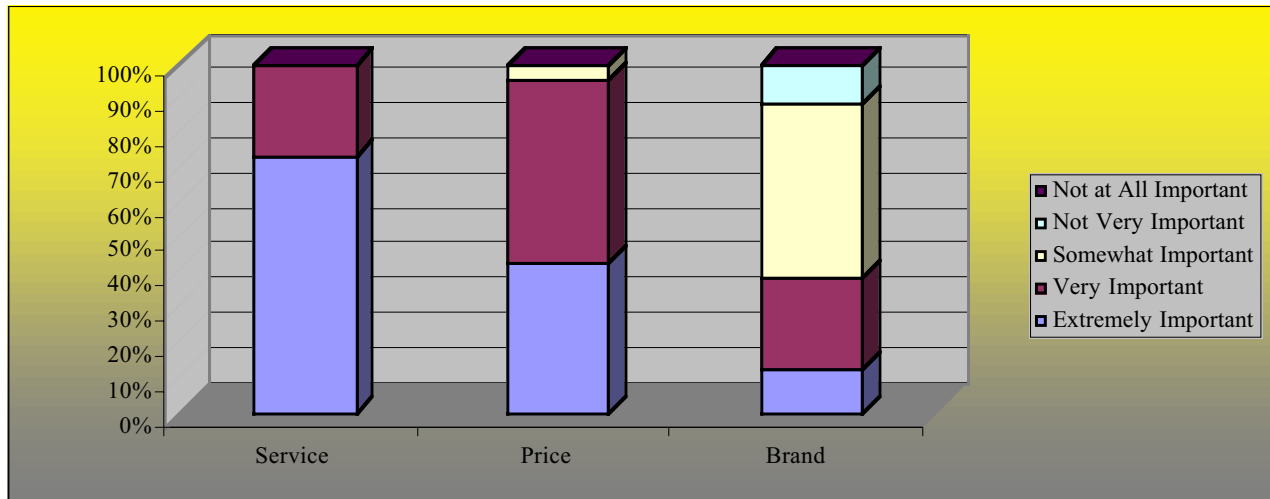
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the relative importance of each of three items in their decision to maintain a partnership with a particular supplier. The factors were service, price, and brand. As you can see from Exhibit 5, purchasers rated service higher than the other two items, with nearly three-quarters of all respondents judging service to be “extremely important” and the rest rating it as “very important.” Price, with a mean rating of 4.39, was the next-most-important factor in purchasers’ decisions to retain a particular supplier. Brand was judged to be substantially less important in the decision to maintain a relationship. Half of all respondents believed brand was only “some-

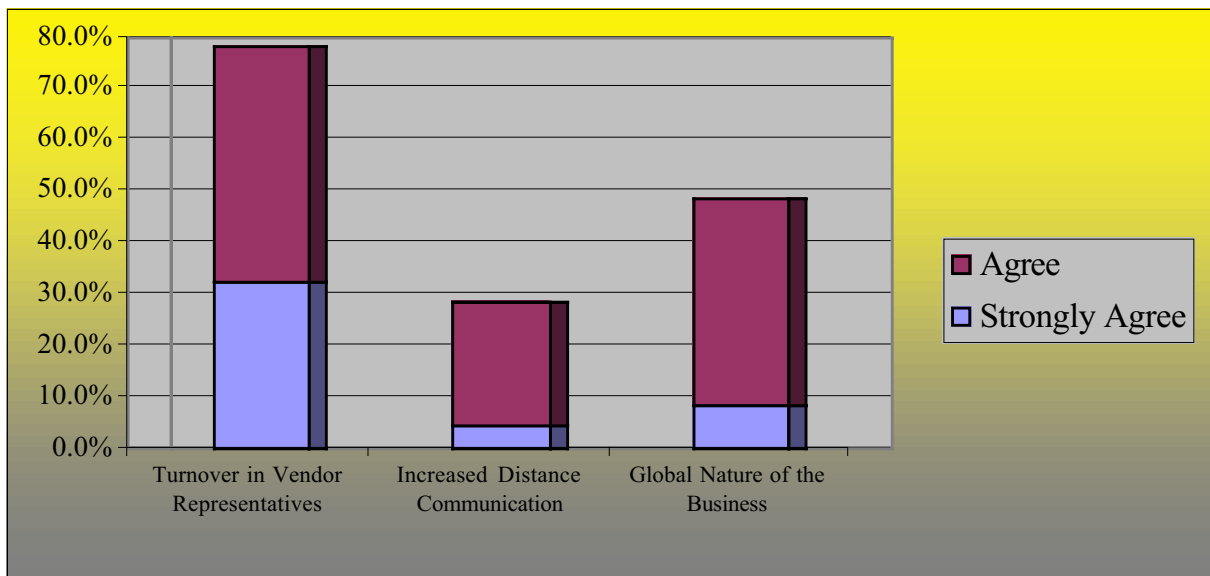
what” important and over ten percent felt it was “not very important.”

In addressing items that may make it difficult to maintain strong partnerships, purchasers indicated that turnover in supplier representatives was their primary concern. While over three-quarters of respondents either agreed or strongly agreed that maintaining strong partnerships was made more difficult by supplier turnover, relatively few—just slightly more than one-quarter—believed either distance communication or the global nature of business was a problem (see Exhibit 6). In fact, over a quarter of respondents disagreed or strongly disagreed

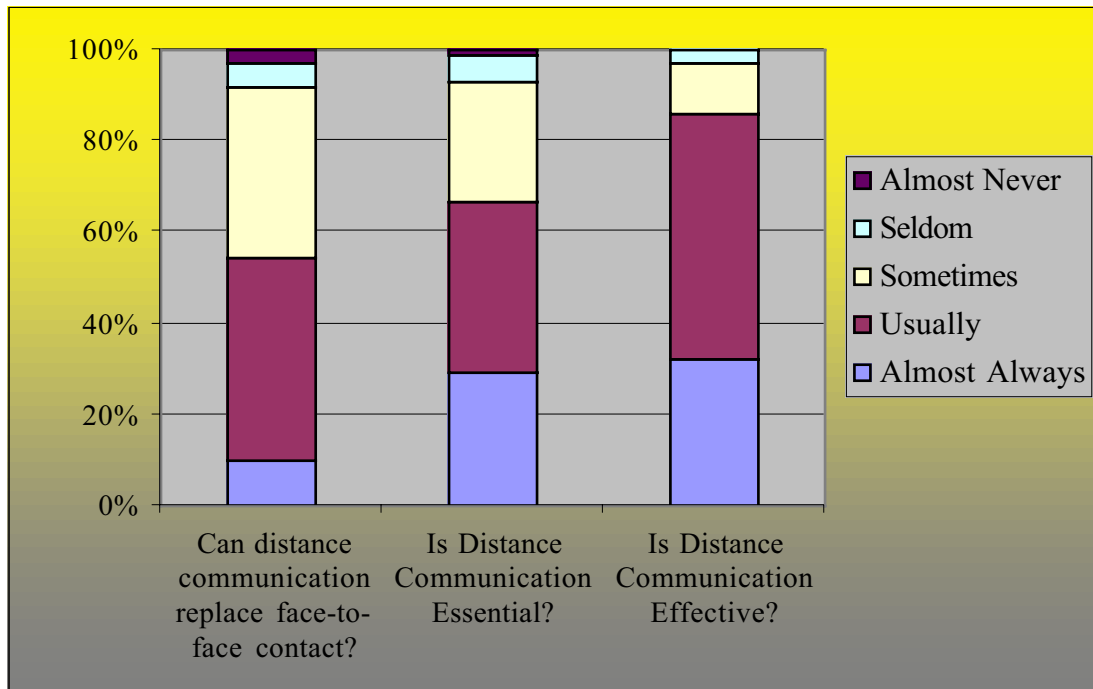
**EXHIBIT 5**  
*Relative Importance Placed on Service, Price, & Brand*



**EXHIBIT 6**  
*Extent to Which Turnover, Distance Communication, & Globalization are Perceived as Obstacles to Strong Supplier Partnerships*



**EXHIBIT 7**  
*Issues Associated with Distance Communication*



that either distance communication or the global nature of business were obstacles to maintaining strong supplier partnerships.

Pursuing the issue of technology further, respondents were divided on the question of whether they believed distance communication (e.g., telephone, internet) could replace face-to-face interaction. The mean of all ratings on this point was 3.53. Fifty-four percent of the purchasers indicated that distance communication “almost always” or “usually”

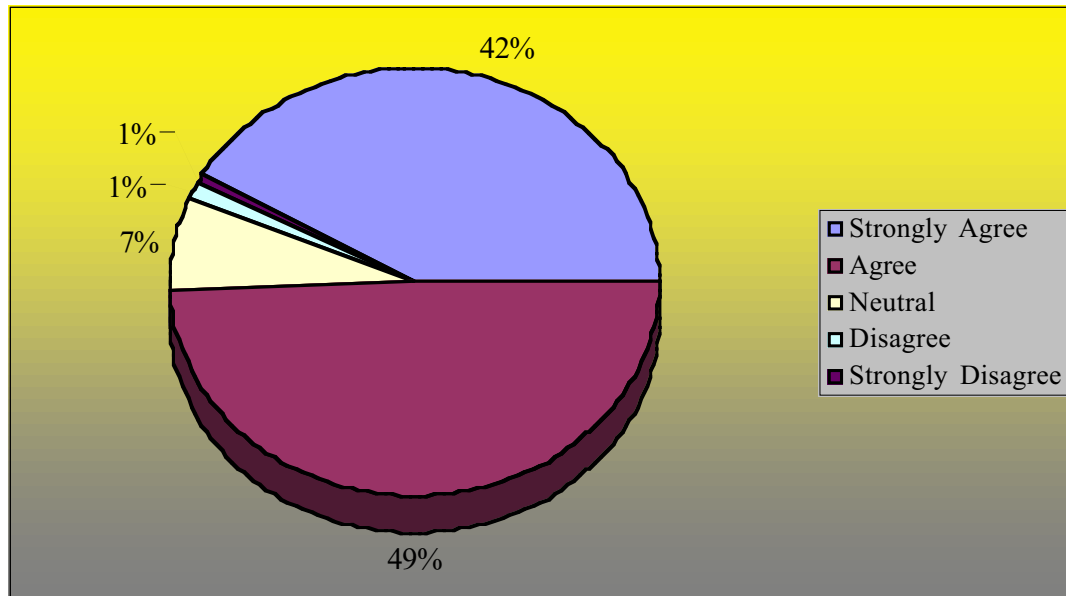
could replace personal contact, while 46 percent believed this was true “sometimes,” “seldom,” or “almost never.” Given this mixed response, it is interesting to note that 67 percent of respondents also believe that the use of distance communication with suppliers is essential to achieving their business goals.

Respondents were then asked how effective they believed they were in conducting business through channels other than face-to-face. Approximately 32 percent

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**EXHIBIT 8**  
*Importance of a Positive, Long-term Partnership*



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indicated that they were “almost always” effective, and another 54 percent felt that they were “usually” effective conducting business through distance communication. See Exhibit 7 for a summary of responses to the questions regarding distance technology and purchaser-supplier communication.

Finally, several questions in this section addressed purchasers’ perceptions of how important their relationship with the supplier was to their business success. Respondents were asked how

critical to effective business practice were “a positive relationship” and “maintaining a long-term relationship” with the supplier. The combined mean for these two questions was 4.30, with over 90 percent of respondents either agreeing or strongly agreeing that their relationship with a supplier was a critical success factor (see Exhibit 8). Nearly 85 percent of respondents agreed (43.8 percent) or strongly agreed (41.1 percent) that creating supplier partnerships was part of their long-term strategy.



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# Questionnaire Results (Five-point Likert scales (N = 73))

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## General Partnership Means

### Mean Item

#### Importance of characteristics in building a strong partnership:

4.83	Trustworthiness
4.60	Problem solving ability
4.33	Empathy
4.31	Sincerity
4.26	Initiative
3.01	Sense of humor
4.34	A positive relationship with this person is critical to my success
4.26	Maintaining a long-term relationship with a vendor is a critical business practice.
4.22	Creating partnerships with specific vendor representatives is part of my long-term business strategy.
4.15	I am effective conducting business through distance communications.
3.87	The use of distance communication with this person is essential to achieving my business goals.
3.53	Distance communication (phone, e-mail, etc.) can replace face-to-face communication with this person.
3.40	A strong personal relationship is essential for a strong business relationship.
3.14	When the vendor's representative changes, I reevaluate my business with that vendor.
2.35	When the vendor representative is from another culture, I find developing a strong relationship difficult.

#### How important is each of the following to your decision to retain a supplier?

4.74	Service
4.39	Price
3.40	Brand

#### Maintaining a strong partnership is made more difficult by:

4.04	Turnover in vendor representatives
3.00	Increased distance communications
2.99	The global nature of business

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## Specific Partnership Means

### Mean Item

#### Trust Dimension

4.78	We expect the complete truth from each other.
4.70	We count on each other to live up to our word.
4.63	Both of us demonstrate absolute integrity.
4.52	We absolutely respect each others' competence
4.40	We fully trust each other.
4.66	I can be straightforward with this person even when we disagree.
4.56	This person listens to me.
4.42	This person communicates clearly and directly.
4.22	I enjoy my interactions with this person.
4.18	This person takes initiative to help solve my business problems.
4.03	This person understands me.
3.96	We share the same values.
3.84	If this person has a need beyond the terms of our agreement, I will spend extra effort to meet it.
3.49	We go 50-50 to reach a fair agreement.
3.27	We discuss nonbusiness related matters
3.08	We have open disagreements.

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**EXHIBIT 9*****Dimensions and Items with Strongest Correlations*****Trust**

- Clear communication
- Good listening skills
- Straightforwardness
- Enjoyable interactions

**Performance**

- Clear communication
- Problem-solving ability
- Good listening skills
- Enjoyable interactions

**Communication**

- Straightforwardness
- Problem-solving ability
- Enjoyable interactions
- Shared values

**Relationship Quality**

- Ability to discuss nonbusiness matters
- Problem-solving ability
- Straightforwardness
- Enjoyable interactions

**Retention**

- Understands my needs
- Ability to discuss nonbusiness matters
- Good listening skills
- Enjoyable interactions

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## Survey Findings: Specific Partnership

In this section of the survey, respondents were asked to respond to a number of questions regarding their relationship with a specific supplier's representative.

Responses to each item in the series were then correlated with the trust dimension and with the following three more-general judgments that we call "overarching dimensions":

- (1) the perceived quality of their personal relationship,
- (2) respondents' assessment of the supplier's overall performance, and

- (3) respondents' estimate of the likelihood that this particular supplier would be retained.

The 13 individual items and the response means for each are shown at left.

In the following section, the results of the correlations between the individual items and the three overarching questions are presented. Also included are the correlations between these independent items and perceptions of trust. For our research purposes, we were interested in correlations at a  $p < .01$  level of significance. Further analysis would be required to determine whether one behavior causes the other.

**EXHIBIT 10**  
**Correlation Matrix**

	Trust	Communication	Relationship	Performance	Retention
Trust	1	.683	.470	.396	.257
Communication	.683	1	.350	.429	.263
Relationship	.470	.350	1	.421	.321
Performance	.396	.429	.412	1	.426
Retention	.257	.263	.321	.426	1

***Correlations between Individual Items and Overarching Dimensions***

A number of individual items had significant correlations with the general dimensions of interest. Exhibit 9 (on the previous page) presents the four individual items demonstrating the strongest correlations with each of these overarching concerns: trust, the perceived quality of the relationship, the supplier’s performance, and the retaining the supplier.

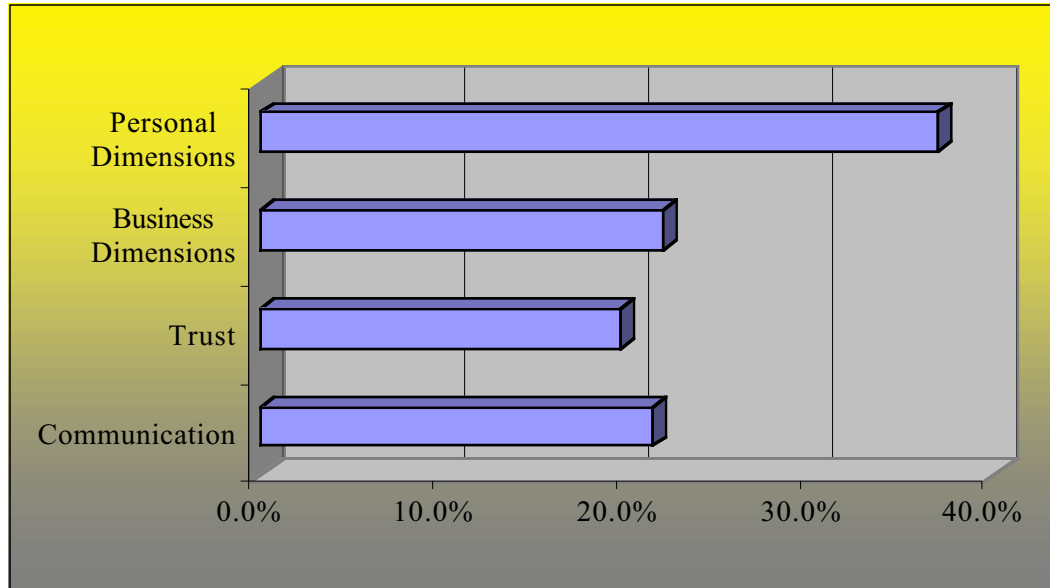
Recognizing the unusually strong correlation between perceptions of trust and the two independent items of clear and direct communication and effective listening, we combined those two items to create a “communication” dimension. Correlations between this communication factor and the remaining individual items were then calculated. The four single

items revealing the strongest significant correlations with the communication dimension are also included in Exhibit 9.

***Correlations among the Overarching Dimensions***

When correlations among the five overarching dimensions were examined, the trust factor was shown to correlate significantly with each of the other four overarching dimensions (see Exhibit 10). The strikingly strong and positive relationship between the trust and the communication dimensions suggests that trusted suppliers are also viewed as listening well and speaking clearly. As one would expect, the correlation between performance and retention was also strong, as was the relationship between communication and performance.

**EXHIBIT 11**  
*Response Categories & Frequency of Response*



## Description of an Effective Supplier

The survey also included the following open-ended question: How would you describe a highly effective supplier representative in terms of personal characteristics and specific behavior?

A content analysis allowed us to place responses to this question into one of four general categories: personal dimensions, trust, communication, and business dimensions. Exhibit 11 illustrates the percentage of responses in each category.

The personal-dimension category received the largest number of responses (36.9 percent) of

<i>Effective Supplier Characteristics #1</i>	
<b>Personal Style, Attitude, Approach: 36.9% of total response</b>	
Good problem solving/takes initiative to solve problems	10.7%
Research-oriented/finds answers	4.7%
Knowledgeable about purchaser's business/product	12.5%
Win-win approach/can-do attitude/goes extra mile	8.9%

the four categories, and, within that dimension, a majority of

statements related to the importance of the supplier’s gaining knowledge through his or her initiative to solve specific problems

<b>Effective Supplier Characteristics #2</b>	
<b>Trust: 19.6% of total responses</b>	
Honest/trustworthy	15.4%
Ethical	2.3%
Fair	1.9%

for the purchaser. Nearly 30 percent of all responses addressed the need for suppliers to make

<b>Effective Supplier Characteristics #3</b>	
<b>Communication: 21.4% of total responses</b>	
Approachable/personable/easy to talk to/concerned	5.9%
Well spoken/articulate/professional	7.7%
Listens/sensitive to purchaser needs	4.7%
Straightforward	3.0%

themselves knowledgeable about the purchaser’s business and needs and to take initiative in solving problems.

Another frequent response in this category had to do with valuing suppliers who took a “win-win” approach and who were ready to go the “extra mile.”

The most-frequent single response, constituting over 15 percent of all responses, related

specifically to the importance of honesty and trustworthiness. Approximately another 5 percent focused on ethical behavior or fairness.

Over 20 percent of all responses included some aspect of the suppliers’ communication behavior as being important to effectiveness. Four dimensions emerged from an analysis of responses in this category. The first dimension can be described as a “professional style.” Purchasers commented that their suppliers should be “articulate,” “clear,” and “well spoken.” The second dimension related to judgments of being “personable.” Purchasers indicated that they preferred suppliers who were “approachable” and who were “easy to talk to.”

Somewhat related, respondents also valued suppliers who listened and who were sensitive to their needs. They valued the extra effort suppliers took to accurately understand those needs. Last, a number of purchasers mentioned that they wanted suppliers to be “straightforward” and “direct” in their communication.

Approximately 22 percent of all responses related to the business-dimension category. At the top of this list and constituting over one-third of all responses in this category was follow-through;

purchasers valued suppliers who “deliver on their promise” (8.9 percent). Other actions that were valued included following up on tasks, demonstrating a service orientation, providing a high quality product, and being readily accessible.

## Discussion of Survey Results

The results of this survey confirm findings from previous research and add to the growing body of literature documenting the importance of purchaser-supplier relationships. Supplier partnerships were viewed by purchasers as critical to their success. A majority of respondents indicated that establishing supplier partnerships was part of their long-term business strategy.

**Response to Question 1:** How important is trust to a strong purchaser-supplier partnership? What other behavior patterns contribute to a strong partnership?

It was not surprising that trustworthiness emerged as the most important of the six characteristics presented in building a strong supplier partnership. Both trust and problem-solving ability, rated second of the six options, were also mentioned frequently in the open-ended question regarding critical supplier traits and

behavior. The importance purchasers placed on service over price and brand again reinforced

### *Effective Supplier Characteristics #4*

#### **Business Related: 22% of total responses**

Follows through/delivers on promises	8.9%
Follows up/service oriented	6.5%
Provides high quality product	3.6%
Readily accessible	3.0%

the fact that perceptions of the supplier’s discretionary behavior and initiative appear to have a significant influence on the relationship.

The specific supplier characteristics and behavior most critical for an effective partnership were traits associated with accomplishing business-specific goals. Characteristics like a sense of humor were perceived as unimportant, while personal traits related to providing quality service, problem solving, and initiative were valued highly. It would be interesting to explore whether cultural differences exist in respondents’ perceptions of important supplier characteristics.

**Response to Question 2.** What behavior patterns do purchasers associate with perceptions of trustworthiness?

Part 3 of the study examined relationships among a number of

variables. Individual items were correlated with a five-item trust factor, the strength of the purchaser-supplier relationship, perceptions of the supplier's performance, and with the likelihood that the purchaser would retain the supplier.

**The communication dimension was strongly correlated with positive judgments of the supplier's performance.**

Correlations between the five-item trust factor and **(a)** clear and direct communication and **(b)** listening were the highest by far of any individual items. It seems undisputable that communication effectiveness affects perceptions of trustworthiness. Suppliers who demonstrate clear and direct communication and who listen well to purchasers are perceived as more trustworthy than their counterparts. If there is any one dimension that suppliers can address to improve their chances of developing a strong partnership, we conclude that it is their communication effectiveness.

Since the individual communication items were perceived to be particularly important in determining perceptions of trust, the average of these two items was calculated to create a communica-

tion dimension. This dimension was then included when correlations were made among trust and the overarching issues of relationship, performance, and retention.

As was expected, when these five dimensions were correlated with one another, an extraordinarily strong link emerged between trust and communication effectiveness, as well as between trust and the strength of the purchaser-supplier relationship. Judgments of performance were also strongly related to perceptions of trust. Interestingly, while the trust dimension was more strongly correlated with the perceived quality of the purchaser-vendor relationship, the communication dimension was more strongly correlated with positive judgments of the supplier's performance.

Communication also frequently was mentioned in the open-ended question requesting purchasers to identify supplier traits and behavior that contributed to their effectiveness. Respondents placed value on suppliers who were "clear," "articulate," and "well-spoken." Listening effectiveness was also mentioned repeatedly as a significant characteristic.

**Response to Question 3.** What individual items correlated with three or more of the five overarching dimensions?



One individual item, “I enjoy my interactions with this person,” demonstrated one of the four highest correlations with every one of the five dimensions examined. It may be that when trust is high, when communication is effective, and when other dimensions are positive, purchasers are more optimistic about the purchasing transaction. This translates into “enjoying” the relationship more than when these broader qualities are lacking or when, for other reasons, purchasers are anxious or frustrated in their interactions.

Three other independent items placed among the four highest correlations with three of the five dimensions. These were taking initiative to solve problems, listening, and the purchaser’s comfort with communicating in a straightforward manner.

Suppliers who “take initiative to help solve my business problems” facilitated stronger relationships, were seen as performing better, and were viewed as more effective communicators. Listening effectiveness was found to have among the strongest correlations with perceptions of performance and trust as well as the likelihood of retaining the supplier.

Finally, purchasers revealed that when the relationship was strong, when communication was effective and a high level of trust

established, they then felt that they could “be straightforward” and open with the supplier even when they disagreed with him or her. In other words, these dimensions contributed to an environment where purchasers felt they could speak candidly about the issues at hand.

In sum, effective communication is likely to facilitate the information sharing that purchasers believe is essential to suppliers’ ability to help them solve their specific problems. Suppliers who take initiative and become a knowledgeable partner in the relationship are seen to be more effective than their more-passive peers.

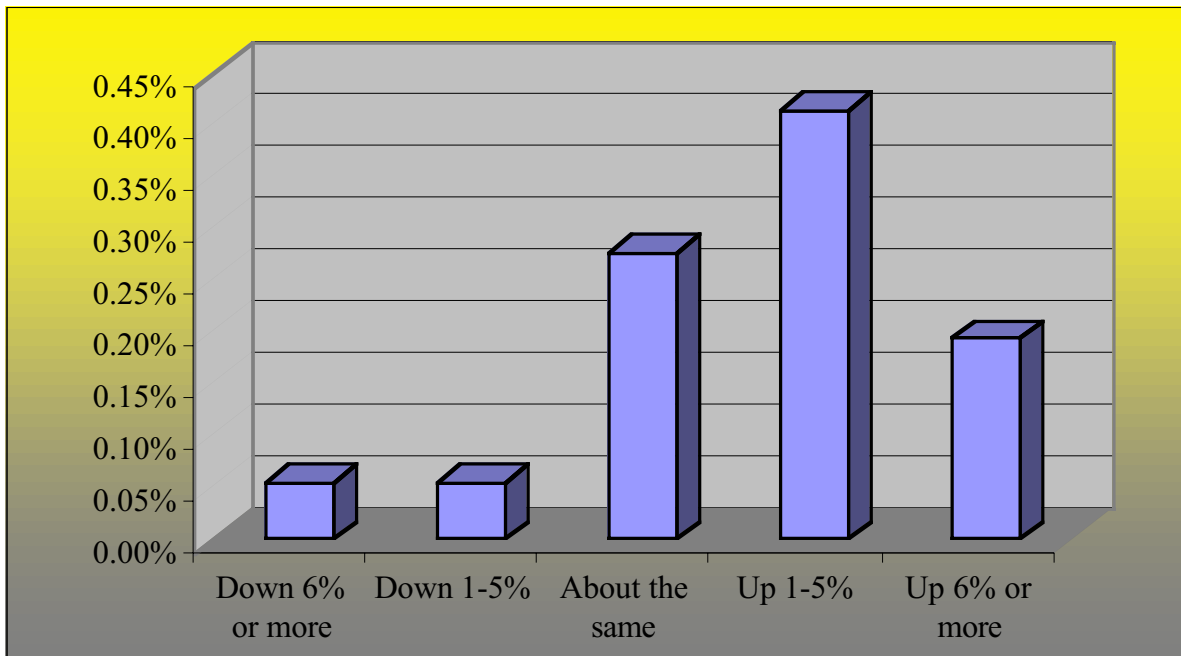
***Response to Question 4.*** What are the key challenges in maintaining strong purchaser-supplier partnerships?

While it was assumed that purchasers would be highly concerned about the effects of globalization and the emerging distance technologies on their relationships, such was not the case. Respondents saw turnover of supplier representatives, not globalization or technology, as a troublesome issue in maintaining strong partnerships.

Technology undoubtedly will have an increasing effect on the purchaser-supplier relationship, although purchasers were surpris-

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**EXHIBIT 12*****Expectations Regarding Changes in Budget***

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ingly confident about their ability to address emerging issues in the years ahead.

It is clear that purchasers are not ready to have exclusively distant relationships. Yet, they acknowledge that distant communication is now required in addition to face-to-face interaction to accomplish their business goals. In spite of this growing dependency on technology, many admit that they are less effective in this new environment. Results of this study provide a starting point as this topic is explored in greater depth.

## **The Purchasers' Crystal Ball**

Beyond issues directly related to the purchaser-supplier partnership, several questions were included in an effort to create a well-developed and collective vision of the challenges purchasers anticipate in the years ahead.

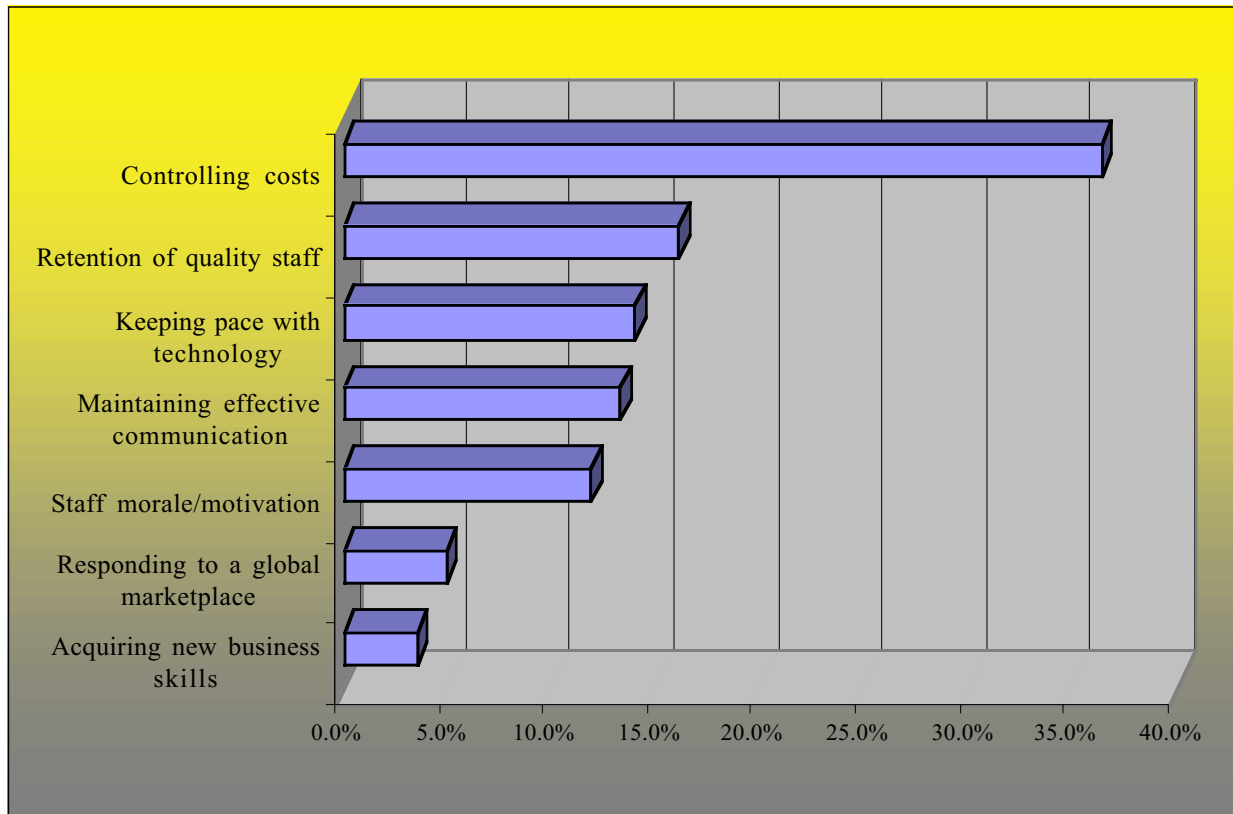
### ***Predicted Changes in Budget***

The first question asked respondents to predict their company's 2003 budget by comparing it to their current allocations. Exhibit 12 presents a summary of these responses.

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**EXHIBIT 13**  
*Projections of Future Industry Challenges*



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While approximately 11.2 percent believe budgets will be down—and half that number believe they will be down by 6 percent or more—the vast majority of respondents were optimistic. Over 40 percent judged that their budgets would be up by at least 5 percent, and approximately 20 percent more believe that their budgets will increase by over 6

percent. The remainder of the sample indicated that their company's purchasing budget would remain approximately the same through the following year.

***Change in Number of Suppliers***

When asked whether they anticipated a change in the number of suppliers they work with, 13.7 percent of the purchasers surveyed believe that the number will de-

crease over the next year, while nearly 25 percent believe the number will increase. The remaining purchasers believe the number will remain fairly constant during the year ahead.

### ***Industry Challenges***

Finally, respondents were presented with a list of seven industry challenges and asked to identify the two they believe will have the greatest effect on them in the future. As is apparent in Exhibit 13 (on the previous page), control-

**Controlling costs in the future is a frequently mentioned concern of purchasers responding to this survey.**

ling costs was by far the most frequent concern (chosen by 36.4 percent of respondents), followed by retention of quality staff (16 percent), and keeping pace with technology (14 percent). Not far behind were maintaining effective communication (13.3 percent) and motivating staff (11.9 percent). Responding to a global marketplace (5 percent) and acquiring new business skills (3.5 percent) were not viewed as key concerns.

It appears that economic concerns have been heightened in

the aftermath of 9-11 as the hospitality industry in general and food and beverage purveyors in particular plan recovery strategies. The labor force is a continuing challenge, as turnover drives up costs and makes quality standards difficult to establish and maintain. Purchasers recognize the importance of a dependable, well-trained staff to creating and maintaining a competitive advantage. Respondents also acknowledge that, while not as critical an issue for them as turnover, motivating and communicating with their employees distinguishes food-service organizations that are well prepared to prosper in the decades ahead.

As was addressed elsewhere in the survey, the implications of technology are also an issue that purchasers must anticipate and manage effectively. In this study, nearly 70 percent of all respondents agreed that the use of distance technology would be necessary to “achieving their business goals,” while over half believed that distance communication could replace face-to-face interaction with vendors. One thing is certain: distance technologies will become increasingly pervasive and sophisticated, affecting the nature and requirements of the purchaser-vendor relationship.

## Looking to the Future

All of these changes and challenges have implications for purchasers and many directly affect the purchaser-vendor partnership. Clearly, the years ahead offer purchasers new opportunities to forge relationships in a globally oriented, high technology environment. Regardless of outside trends, however, the purchaser-

supplier dynamic appears to be the key to developing and maintaining strong partnerships in competitive environments. Food and beverage purchasers who build strong supplier partnerships characterized by trust and effective communication will contribute substantially to shaping a bright and exciting future for their organizations.

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