

# Managing interaction for learning and value creation in exchange relationships: A commentary

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# **Managing Interaction for Learning and Value Creation in Exchange Relationships: A Commentary**

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## **Abstract**

This paper is a commentary to the paper by Hammervoll published in this issue, which discusses the management of value creation in exchange relationships. His paper conceptualizes three particular types of interaction: unilateral supplier learning, unilateral supplier development and bilateral learning, and reports on a Norwegian survey to identify links between relationship governance, value creation initiatives and value creation. This commentary discusses the conceptualization and operationalization of these interaction types, identifying potential limitations and making suggestions for further research.

## **Introduction**

Despite the impressive amount of research on exchange relationships in recent years, the link to value creation and types of learning and development is potentially interesting, not least because this touches on several fields, in which I am interested, including marketing, purchasing and learning. My commentary here focuses on the three interaction types proposed and tested, the conceptual model and its operationalization, and the nature of suppliers to which the study relates.

## **Interaction types**

Scholars have written extensively in recent years about the interaction process between industrial customers and suppliers and the Industrial Marketing & Purchasing (IMP) group has contributed significantly to developing this field. Hammervoll's conceptualization of interaction types builds on IMP research in addition to a range of complementary theories, including strategic management (e.g. Dyer and Singh, 1998; Borys and Jemison, 1989) and operations and supply chain management (e.g. Handfield et al, 2000). Drawing from such varied theories, Hammervoll conceptualizes three types of interaction: unilateral supplier learning, unilateral supplier development and bilateral learning.

In short, unilateral supplier learning takes place when customers supply valuable information to suppliers, such as market demand information. The paper describes sequential interaction as when one party (the customer) needs to transmit information before the other party (the supplier) can react. Unilateral supplier development concerns what one might describe as traditional supplier development where the customer coaches the supplier with a view to improving its capabilities (Handfield et al, 2000). Hammervoll asserts that the interdependence in unilateral supplier development is reciprocal, because such interdependence requires an interactive process that involves feedback loops. Finally, the paper characterizes bilateral learning as mutual learning and sharing of strategic information. Hammervoll states that bilateral learning requires reciprocity: interaction rather than action and re-action ("sequential interdependence").

The main problem I see with the conceptualization of the three types of interaction is the lack of clarity as to why two forms of learning exist (bilateral and unilateral) but only one form of development. Why does the model not include bilateral (supplier) development? An alternative organization of the types in a two-by-two matrix (axes being unilateral-bilateral and learning-development), would reveal four types of interaction. Conceptually, bilateral supplier development therefore appears to be missing. Practically, I also think unilateral and bilateral supplier development need to be distinguished. Traditional supplier development programmes tend to assume that the development process is one-way, that is, the customer develops the supplier through activities such as on-site consultation, education and training programmes, temporary personnel transfer, and the transfer of knowledge and qualifications into the supplier's organization (Krause, 1997; Krause et al, 2000). However, some supplier development research does highlight the need for a two-way approach, for example, Forker et al's (1999) paper on "examining supplier improvement efforts from both sides". Lamming (1996) makes a similar argument for supplier development programmes to allow suppliers to pass knowledge to customers, and Modi and Mabert (2007) suggest that "collaborative communication" and "bilateral top management support" are important factors in ensuring supplier development success (although their empirical results only support the former). I am also aware of a practical example where a company implemented supplier development as bilateral development because a unilateral approach did not work: Unipart (the UK automotive supplier) initially launched a supplier development programme, asking suppliers if Unipart could develop their capabilities through a supplier development programme. However, its early implementation efforts showed a need for a two-way knowledge-sharing approach as suppliers also needed to

develop Unipart's capabilities; Unipart decided on the name "supply development" instead of "supplier development". Such mutual development seems to be a missed opportunity so I would suggest that future typologies of interaction, focused on learning and development, incorporate the concept of bilateral supplier development.

Furthermore, why is unilateral (i.e. traditional one-way) supplier development reciprocal, when unilateral supplier learning is described as sequential? Arguably, all interaction types must have elements of interaction rather than action-reaction, but supplier development programmes usually begin with a customer initiative to improve the supplier. Therefore, an initial action by the customer usually precedes the supplier improving its capabilities. In my view, unilateral supplier development, in traditional form, is sequential, and would only become reciprocal if involving mutual (bilateral) learning.

### **Conceptual model and operationalization**

The paper presents a conceptual model that specifies three types of value creation initiatives (information supply, coaching problem solving, and strategic knowledge sharing), and formulates hypotheses that focus on positive impacts on value creation, divided into unilateral supplier learning, unilateral supplier development, and bilateral learning). Seemingly what the model shows as three types of value creation are in fact value creation initiatives and not measures of value creation as an outcome. Handfield et al (2000) define supplier development in terms of *activities* (i.e. initiatives) to improve a supplier's performance and/or capability (p. 37), but Hammervoll's model seems to suggest a different causality. The paper concludes with a

note on further research to consider other conceptualizations of (more outcome or product/service focused) forms of value creation and I think this more traditional relationship value construction would make for an interesting extension of the present study and help to avoid conceptual problems.

### **Which suppliers?**

Finally, I am not convinced that the study captured the importance of the strategic nature of customer-supplier relationships. The main study included two control variables, focused on relationship duration and duration of experience. Whilst the long-term nature of customer-supplier relationships is an important variable, this does not necessarily say anything about the extent to which a relationship is strategic. The supplier development literature, for example Forker et al (1999), suggests that supplier development be reserved for strategic supplier relationships, typically those that reflect high value and supply risk (Kraljic, 1983; Gelderman and van Weele, 2005). The study could useful have identified different types of relationships, including, for example, strategic and non-strategic.

Overall, the paper by Hammervoll makes an interesting contribution to the field and I would encourage JBR readers to read the paper.

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