

# Chapter 54

## Managing E–Relationships in a Supply Network

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### ABSTRACT

*This chapter investigates the dynamics of the formation and transformation of electronic supply relationships (e-supply relationships) in the Chinese cultural, technological, and industrial network context. It focuses on a newly-formed large Chinese telecom company. The aim is to provide better insights into inter-organisational relationships (IORs) enabled by the application of newer types of Internet technology in different contexts, and to develop a new conceptual framework of e-supply relationships. In this research, the conceptualisation of the transformation process of e-supply relationships represents circuits of interactions between managerial actions and social structures, as well as the particular cultural and technological context within which the interactions take place.*

### INTRODUCTION

*According to Sain, Owens, and Hill (2004), e-procurement can be considered as “the electronic integration and management of all procurement activities, including purchase request, authorisation, ordering, delivery, and payment between a purchaser and a supplier.” E-procurement allows buyers to make their purchasing decisions while Internet technology enables suppliers to enjoy wider access to markets across the world (Dai & Kauffman,*

*2002). Therefore, the impact of emerging Internet technology on global competition is transforming the networked supply chain. It is claimed that supply chain management is becoming more important as a result of dynamic inter-organisational cooperation to maintain organisational global competitive advantages. Harland, Powell, Zheng, Caldwell, and Woerndl (2002) argue that the most critical partnerships to be developed and nurtured are those with suppliers and customers; the more a company can capitalise on its networks of suppliers and customers, the greater the chance it may gain a sustainable competitive advantage (Harland, 1996; Jarillo,*

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1993). However, technology is almost always seen as a “Western” concept (Shoib & Nandhakumar, 2003). Walsham (2000) argues that there is less emphasis on the process of globalisation and related development of Internet technology affecting the emerging economies in the world. Shoib and Nandhakumar (2003) state that global information systems (IS) are also new themes for research on emerging economies.

It is widely recognised that the world is becoming increasingly interconnected in terms of its economic, political and cultural life (Walsham, 2000). Companies are required to work in global markets; however, they still need to deal with the uniqueness of local conditions. The idea that organisations do business differently as a result of their different cultures gives the reasons why the interactions and business relationships between organisations have different consequences. Therefore, this study aims to explore the cultural issues in managing e-supply relationships by presenting the findings from an in-depth case study researching the dynamics of e-relationships in a newly-formed large Chinese telecom enterprise—TelcoX (pseudonym). It explains the cultural differences between China and the UK, as well as how and why these differences are important in an electronic setting.

## **Literature Review**

Since 1978, the Chinese government has maintained an “economic reform,” opening China to the outside world (She & Yu, 1993). In accordance with the requirement of the market and to facilitate its own development, China’s telecom industry has undergone a series of major reforms over the past two decades in terms of its development and transformation (Harwit, 1998). These reforms have enabled the industry to break centralised monopolisation, introduce competition in value-added markets, and promote the rapid development of the entire industry. As seen, China is becoming more and more open to the outside world, and it

has shown remarkable economic growth during the past few years. It is claimed that the Internet technologies present a great potential for network services in China. A new era of digital economy in China has led to a demand for telecom services (Chen, 1993; She & Yu, 1993). Thus, international business and electronic commerce (e-commerce) are the main driving forces for Internet technologies use in China.

Increasingly more and more global organisations are forming business relationships with Chinese partners. These relationships enable the organisation to grow and develop, and are also a constraint on their development and activities (Ford, Berthon, Brown, Gadde, Hakansson, Naude, Ritter, & Snehota, 2002). However, the management of business relationships in Chinese-based business varies from Western practice (Pang, Roberts, & Sutton, 1998). Chinese cultural context is not represented well in the literature. This is a limitation for Western organisations to build business relationships with Chinese enterprises. A growing body of organisational studies with different perspectives has been contributed to the explanation and analysis of inter-organisational relationships (IORs) (Grandori & Soda, 1995; Oliver, 1990). Many of the earlier studies, from an economics view, are based on transaction cost economics (Williamson, 1975). Different conceptual models are developed and suggested as different ways for the management of business relationships (Cousins, 2001; Lamming, Cousins, & Notman, 1996). However, Cousins (2001) argues that a relationship should be viewed as an intra- and inter-organisational process which is referred to as a “quasi-firm” (Blois, 1972) sitting between two organisations (Ford et al., 2002; Lamming, 1993). Therefore, it is essential to develop a conceptual framework focusing on the dynamics of business relationship formation and transformation process.

Moreover, there are only a few large-scale in-depth case studies on Internet technology-enabled business relationships management (Kim, Lee, &

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