

015-0660

BUYER-SUPPLIER RELATIONAL CHARACTERISTICS: AN AUTOETHNOGRAPHIC  
RESEARCH IN A BRAZILIAN SUBSIDIARY OF A EUROPEAN MULTINATIONAL FIRM

Gustavo Menoncin de Carvalho Pereira

FGV-EAESP

Fundação Getulio Vargas - SP, Escola de Administração de Empresas de São Paulo

Departamento de Produção e Operações

Rua Itapeva, 474, 8o. Andar, São Paulo-SP, 01332000, Brazil

Tel.: +55 11 3799-7777

Susana Carla Farias Pereira

FGV-EAESP

Fundação Getulio Vargas - SP, Escola de Administração de Empresas de São Paulo

Departamento de Produção e Operações

Rua Itapeva, 474, 8o. Andar, São Paulo-SP, 01332000, Brazil

Tel.: +55 11 3799-7777

POMS 21<sup>st</sup> Annual Conference

Vancouver, Canada

May 7 to May 10, 2010

# **BUYER-SUPPLIER RELATIONAL CHARACTERISTICS: AN AUTOETHNOGRAPHIC RESEARCH IN A BRAZILIAN SUBSIDIARY OF A EUROPEAN MULTINATIONAL FIRM**

## **ABSTRACT**

Multinational firms are increasing their investments and business in Brazil. Relationships are one of the most important elements in Brazilian business culture. It includes dealing with suppliers, an issue that Procurement is in charge of. Carr and Pearson (1999) affirm that a strategic procurement function is important for the firm's success as it is to implement supplier evaluation systems.

This article investigates the negotiation process in a subsidiary of a European multinational firm with operations in Brazil, based on Lamming et al., (2008) relationship evaluation model. The methodology applied is autoethnography – reflective writing genre in which the researcher becomes the object of inquiry.

Data was gathered through observations, interviews and documentation. Results are based on reflections and impressions collected by the author.

Relationship based on transaction characterizes the process that was observed. Conflict and power-dependence were predominant; interpersonal inconsistency was evident.

## **1. INTRODUCTION**

The main role of the area and its purchasing professionals has been highlighted as to increasingly coming closer to their suppliers. The goal is to establish partnerships and at the same time evaluate the performance of the supplier of materials or services.

The objective of this research is to analyze the negotiation process in a subsidiary of a pharmaceutical industry in Brazil with its main Brazilian suppliers. Data was collected through

observations, interviews and documentation, to reflect on the existence of mutual relationships and their characteristics.

The technique used was autoethnography - a research strategy in which the researcher "becomes" the phenomenon to be investigated. The study results are based on the reflections and impressions of one of the authors who experienced the process of negotiation between suppliers and buyers, and of a researcher from the area.

This research is set in the relations of an industry and its suppliers of materials and services for production. The company is a multinational pharmaceutical industry in Brazil since the 50s. The Procurement area has a management which responds to the Board of Logistics and Supplies and this management is divided into purchasing of materials and services related to medicine production and purchasing of materials and services not directly related to the production of medicines.

To maximize its operations, the company believes in a closer relationship and a greater understanding of its suppliers. This strategy is adhered to the study of Johnston and Lewin (1996) that analyzed 25 years of research on the purchasing behavior of organizations.

In order to implement the proposed strategy in 2004, the analyzed company invested in the structure, training, and people, as the creation of the position of Procurement Intelligence and Supplier Relationship Management. In the period from 2004 to 2008, some results were achieved, such as the renegotiation of contracts and improved levels of service, but it has never been possible to clearly analyze and measure these results. The crossing of quantitative data of the results was not consistent with the market reality that the area of intelligence showed in the reports. There was no way to obtain a correlation between one variable and another; in the events of certification and awarding of the best suppliers, the concepts of partnership and mutual relations were increasingly strengthened, but were not translated into numbers.

Those facts called the attention of the Supply Manager, responsible for the area, who tried to find a numerical explanation for the results obtained. The manager felt that although there were some

more data related to products, services and suppliers, they could not be handled to get the necessary information to manage the area, such as mathematical models initially created on the area's own initiative to analyze the cost structure of suppliers, and volume effects on prices. From 2005, the same techniques were repeated in the analysis of claims for adjustments demanded by suppliers, without helping build or create an evolution in the techniques and tools used.

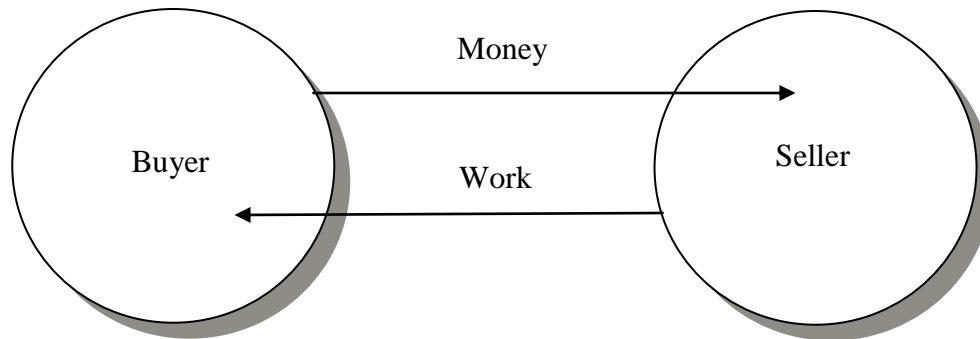
Being the manager directly involved in the process, he realized there was a great dependence on the presence of the purchasing manager (the managers himself) in the negotiations for the applicability of the techniques, so the manager started to think whether this fact was not caused by a disconnection in the credibility of buyers and suppliers in an approach of mutual relationship. The interest was to understand, based on the statements of the research subjects (the manager, buyers and suppliers), the problems in the relationship (mutual or transactional) between buyers and sellers who would be investigated in the supply manager's point of view. Hence the decision to develop this autoethnography within the proposal, that to indicate relationship and its features, it is necessary to live the situation.

## **2. RELATIONSHIP BETWEEN BUYERS AND SUPPLIERS**

### **2.1 Mutual and Transactional Relationship**

A simplistic view of the purchase activity is the mere act of buying, which in essence consists in finding a supplier who is willing to exchange goods or services required by a certain sum of money. This perception of purchasing has become known as the "transactional" vision, and is based on the idea that the act of purchasing concerns simple exchanges with buyers and sellers interacting with each other at close range (Figure 1). The basic interest of the buyer (BAILY et al. 2000) in this limited scenario is to get the maximum amount of resources for the least amount of money needed to pay.

**Fig.1: Transactional Relationship**

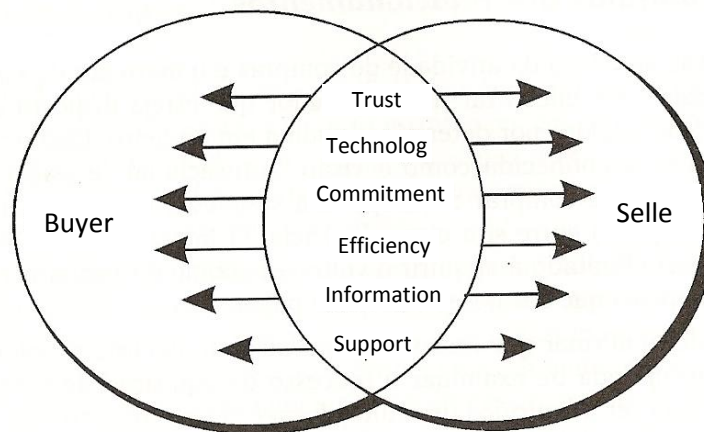


Source: Baily *et al.* (2000)

In a mutual relationship, the emphasis is on building a satisfactory result in conjunct (Figure 2). Both sides are invested with trust and support in order to add value, a process that is not possible in a simple transaction.

Baily *et al.* (2000) emphasizes that as the purchasing activity develops, a greater proportion of the buyer's time is dedicated to “the most strategic aspects” and less operational activities. This is particularly true when the purchasing function becomes more involved in the strategic management of the supply chain.

**Fig. 2: Mutual Relationship**



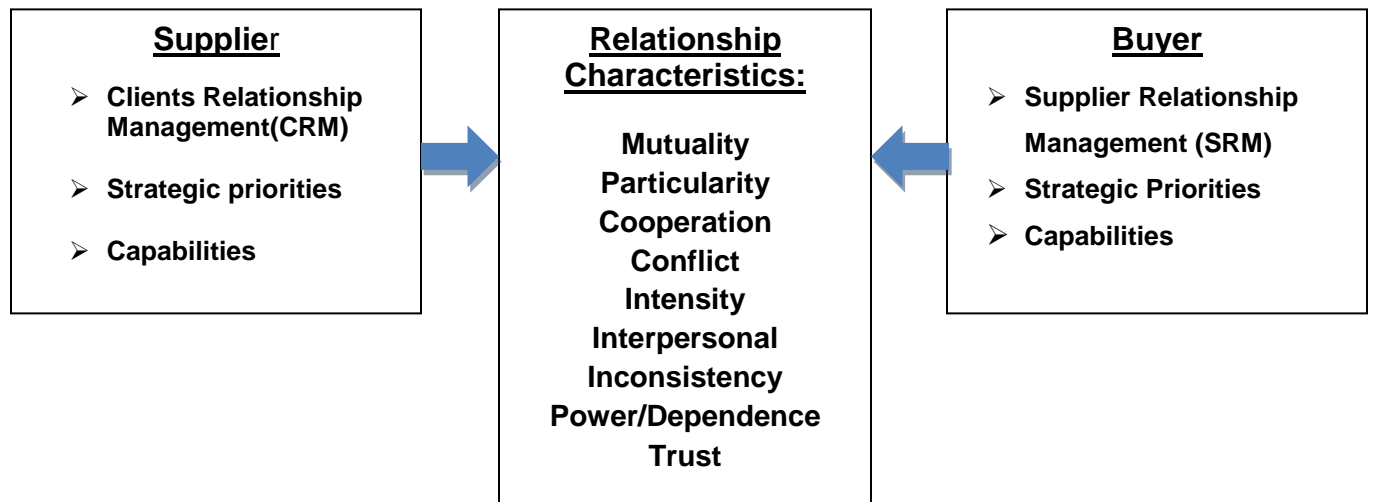
Source: Baily *et al.* (2000)

## **2.2 Group of characteristics that make a Relationship**

Carr and Pearson (1999) affirm that to have procurement as strategic function is important for the success of the company. According to the authors, companies with strategic purchasing approach should foster the implementation of a supplier evaluation system. Lamming et al. (2008), based on a review and analysis of 20 years of literature on models of evaluating the supplier performance and relationships show the development in this field and propose a model. One of the conclusions of these authors' study is that the transactional model gives way to mutual relationship, as the relationship and the necessities to search for jointly results grow. From the study of evolution presented in several papers reviewed was that Lamming et al. defined the characteristics expressed in relationships between buyers and suppliers and their relevance for assessing the quality of this relationship. The proposed model is shown on figure 3. The characteristics of the relationship between buyer and supplier are influenced by the suppliers of suppliers and by the customers of customers, in terms of limitation of technology and capacity. The authors recognize that they present a more conceptual model than operational.

This study aims to understand in a particular case, the type of relationship between buyers and suppliers. The adoption of the model and characteristics (Figure 3) is due to the result of the work of Lamming, Johnsen and Johnsen (2008), which was built based on a synthesis of the literature based primarily on the research of the areas of Industrial Marketing and Purchasing and Supply Management. This model is called Supply Relationship Evaluation Model by the authors.

**Fig. 3 Mutual Relationship**



Source: The authors, adapted from **Lamming, Johnsen and Johnsen (2008)**

The eight relationship characteristics identified in the Supply Relationship Evaluation Model proposed by Lamming et al., (2008) are defined as follows:

**a) Mutuality**

Mutuality implies that there are common goals and interests that bind firms in a shared purpose. In evaluating a relationship it is important to identify the extent to which an actor is willing to surrender individual interests to increase the positive outcomes of one another. Mutuality is a trade-off between short-term opportunism and long-term gain.

**b) Particularity**

Particularity concerns the direction and uniqueness of interaction in a relationship. This characteristic reflects levels of adaptations that one party makes to suit the specificity of the other. It includes the extent to which the two parties invest in, are prepared to adapt in, and demonstrate commitment to the relationship. To some companies this is not always a matter of choice: particularity may be imposed on a company and thus become a constraint or burden.

### **c) Cooperation**

Cooperation is a measure of the extent to which companies work together to determine or implement a direction for the relationship. It is based on the recognition that no firm or organization has the capacity to perform all activities or own all resources required for it to fully meet the demands of the markets. Cooperation tends to grow exponentially when companies perceive new opportunities for growing together by combining activities and resources in innovative ways.

### **d) Conflict**

All relationships are characterized by a mixture of conflict and cooperation and there are no clear boundaries between relationships that are conflicting and those that are co-operative. Conflict may arise from the differing expectations, goals and cultural norms of one organization when compared one to another. Conflict is therefore a critical aspect to consider when evaluating the relationship between buyers and suppliers, and if identified, it should not necessarily be regarded as a problem, but treated constructively in the relationship.

### **e) Intensity**

Relationship intensity can be seen as an important element of relationship evaluation, reflecting the level of contact and resources exchange between a buyer and supplier. An intense relationship includes professional interaction from both sides in projects and problems solving between the parties composing cross-functional groups between the companies.

### **f) Interpersonal inconsistency**

Interpersonal inconsistency relates to the personal expectations and individual interests influencing interaction. This means that the same areas of the companies can have different understanding of the problems and interact in a different way, as for example, the way commercial areas relate is different from the way technical areas relate. In bringing different companies and managers, with varied views, cultures, strategies and capabilities, it can offer a scope for creativity or innovation in the development of relationship.

### **g) Power – Dependence**

When seeking to evaluate supply relationships it is important to understand that power is not the monopoly of a company over the other : it may be diagnosed by the prevalence of a specialty of one party over the other towards one party at one level (e.g. technical supremacy over the economic) and the other party at another level(e.g. economic). The power-dependence dimension therefore cannot be ignored when seeking to evaluate strategic supply relationships, but needs to be addressed as a multi-dimensional concept.

### **h) Trust**

The characteristic of trust is an important support against uncertainty in the form of opportunistic behavior. Three types of trust are listed: Contractual Trust: The trust that the other party will adhere to the explicit and implicit points of the contact as agreed; Competence Trust: The trust that the other party has the ability, or competence to be able to produce what the contract requires; Goodwill Trust: The trust that the other party will perform tasks in excess of the agreed terms and conditions, reverting to a value and benefit greater than expected.

## **3. METHODOLOGY**

The research is qualitative and interpretive, seeking to find standards in data and develop conceptual categories that allow illustrating, confirming or objecting to the theoretical assumptions (GODOY, 2006). This type of research does not intend to seek the objective and absolute truth. Qualitative research is "rooted in the phenomenological paradigm which holds that reality is socially constructed through individual or collective definitions - it conceives the man as subject and actor", and takes as one of its assumptions that "the study of human beings is the study of moral actors, or people who act on the basis of their own values and rules "(Lima, 2005, citing Santos Filho, 2002).

Ethnography is a research methodology widely used in the humanities, especially in the Social Sciences and Education (LIMA, 2005). From the testimonies of the research subjects, it seeks to understand, from the point of view of the researcher, the social problems that have been investigated.

The so-called autoethnography, a branch of ethnography, has recently emerged, and has as key and object of investigation, the investigator's own self, from his own life stories.

The intensely reflexive nature of this research strategy allows the organizational researcher to make the link between the individual and the organization. (PARRY and BOYLE, 2007). However, the autoethnography may expose the vulnerability of the researcher, putting him at personal and professional risk and, being in some cases the most dangerous of all fields of work (PARRY e BOYLE, 2007).

Duarte (2007) describes autoethnography as an autobiographical genre of writing and research that displays multiple layers of consciousness connecting the personal to the cultural. It is part of a more recent style in anthropology known as "reflexive ethnography" in which the researcher's personal experience becomes the focus, illuminating the culture behind the study.

It is a personal style of research that does not figure in more conventional styles of academic writing. Autoethnography doesn't have the pretension to be objective. The researcher's own experience becomes the object of investigation.

Autoethnographic writing begins with a descriptive narrative of events and activities where a particular culture is embedded and then develops into a reflective analysis of these events and activities to generate new insights on the subject (DUARTE, 2007).

In the case studied in this article, activities and events are covered for a period of three months when negotiations between the purchasing company and three suppliers took place during the year of 2009. The supply manager, one of the authors of this article, assumes a new identity during this period which is described here as a supply specialist on a journey of investigation on the existence of a relationship between buyer and suppliers and the predominant features in this relationship.

In this work, autoethnographic methodology is based on three survey instruments used together: description of unstructured interviews, observations of situations experienced in meetings and analysis of documents generated by the negotiations between buyer and supplier.

The analysis of data collected was performed by a specialist in supplies with the help of a researcher from the area. We used for the content analysis a technique with methodological characteristics as objectivity, systematization and inference (RICHARDSON et al., 1999:176).

The process of data analysis is systematic and comprehensive, but not accurate (Godoy, 2006). The analysis only ends when new data cannot add anything anymore. The data is segmented, divided into relevant units. These are categorized according to a system of organization derived from the data itself. The main intellectual tool is the comparison: The comparative method is used in almost all tasks to form categories, establish their borders, assign data segments to categories, summarize the contents of each category and find negative evidence.

Godoy (2006) still reinforces the issue of accuracy in qualitative case study (autoethnographic study is a qualitative study, case study is one of the available techniques to perform it) within the concepts of authenticity, validity and generalization (external validity) in this kind of research. In this work, authenticity was the concept used to ensure accuracy.

After the categorization generated by data themselves, the interviews contents were re-grouped by emerging themes, especially the recording units, grouped into empiric categories according to the work of Lamming et al. (2008): Mutuality, Particularity, Cooperation , Conflict, Intensity, Interpersonal inconsistency, Power / Dependence and Trust.

### **3.1 Research Steps (or operation mode)**

To conduct this research, the three ethical principles of social research were followed: Informed consent, the right to privacy and confidentiality guarantee (ALCADIPANI and HODGSON, 2009). In March 2009 I had a meeting with the purchase team (composed of three professionals) of materials

and services directly related to production, and suggested conducting a research, after receiving the company's approval (by the President and the Logistic and Supplies Director). The goal was to understand which characteristics of the buyer and seller relationship were more eminent, after four years of support areas deployment. To do that, I took as basis the definitions presented by *Lamming et al.* (2008), in his model of suppliers relationship evaluation process (RAP – *Relationship Assessment Process*)

The study was focused on three situations that had been in process of negotiation of commercial conditions, requested in March with the buyers. The planning was defined as follows: first, for each situation, the buyer that was going to negotiate would be interviewed before the first meeting with the supplier, after, the progress of this first meeting would be observed; during the period between the first and second meeting, the observation process would take place in the purchase department, following the possible contacts through the phone, emails or even visits that could come. Finally, a second meeting with suppliers would be scheduled (in addition to the three situations? Wouldn't it be better to mention four steps/situations?) to observe how the negotiation would evolve. Next, there would be a final interview with the buyers. The meetings were scheduled in April and a date was settled for a second meeting to be held until the end of May. Thus, at the end of the analyzed period, there had been six interviews and six meetings notes, as well as the documentation collected between the first and second meetings.

To conduct the research, there were selected three of the company's most important suppliers with presence in Brazil, which together represent 25% of total purchase of materials. The suppliers were previously informed about the specialist interest in studying the relationship between the companies and agreed to participate as it was previously informed to them in an informal way. The company, as well as its buyers, interested in knowing the results, formally authorized the research. Therefore, it was clearly established that observations of the meetings could be held and that generated documents would be analyzed to understand the relationship between the companies.

However, the three suppliers did not authorize to disclose the names of their respective companies or any data that could identify them. With the data collected and experience acquired, the specialist could produce reflections about the features that involve the relationship between buyer and supplier.

#### **4. ANALYSIS AND INTERPRETATION OF COLLECTED DATA**

In this session the specialist's impressions will be presented, as well as the parts of the interviews. Therefore, it will be used in the first person.

I started the research interviewing each buyer individually. We went to a private room to avoid any kind of disturbance. My co-existence with the professional has always been distant from his day-to-day work despite being working in the same department for more than four years.

Next, I show some parts from the interviews performed with the involved participants. Those pieces are considered essential for the understanding of the reflections I was able to reach at the end of the study. As a code, the letter "C" stands for buyer, there are 3 buyers, so we have C1, C2 and C3. The suppliers are represented by the letter "F", being F1, F2, and F3. The interview from where the parts were taken is shown by the letter "E". Therefore, "C1, E1" means that the part was taken from the first interview with the buyer number 1. The letter "D" represents the documentation collected in the research.

"The supplier is bigger than our company. We don't represent large sales volume for him; therefore I believe it will be difficult to reverse his request for price adjustment."

(C1, E1)

"Although we have evidence that the prices asked are above the market, what can we do? He claims that his costs have risen, but refuses to provide us with documentation to be handled to the area of intelligence to be analyzed. "(C1, E1)

"Every year is the same thing; I believe that to avoid the increase, we must open a competitive bidding." (C2, E1)

"I would like your opinion in this case. This supplier has been asking for price adjustment for over 18 months and so far we have been resisting. Now, he has pointed out that he can no longer supply anything at the old prices (2006). All items, even now, are still unique and we have no options. We have an alternative supplier under a development period, but the plant is testing each product and it will still take 18 months. The guy has said he will not provide any invoice regarding his products, for possible cost analysis. The question is: look at the annual impact of the problem, see if we need to spend more time, with the situation, or should we just negotiate the most of this % of adjustment and close the issue." (C3, E1)

"On March 25th, our technical area had a meeting to discuss about a technical problem. On this occasion I was not invited to the meeting. Our technical area relies too much on this supplier, we can't run the risk of interrupting the supply because of price, if we don't buy from him, who will we buy from? It takes too long to develop a new supplier in this company." (C2, E1)

"We are returning on this date the material billed yesterday, due to having a higher price than what we had negotiated. On the issue of price adjustment, the last request we received was on 18/Mar, and we replied on the same date. I also took the opportunity to ratify that for any readjustment request we need to receive all documentation for analysis. But it seems they do not take it seriously." (C2, E1)

Observing the buyers in the interviews, they seemed incredulous that they could have some success in the negotiation meeting with the suppliers already scheduled. They showed that their knowledge of cost indicators helped to understand that suppliers had no reason to request price adjustments, but it seemed that to have this piece of information did not increase their bargaining power. To subsidize the buyers in their negotiations, the area of Purchasing Intelligence was created.

This area collects internal and external data on factors that influence the negotiations of what is purchased from suppliers. After processing the data, they are available to buyers on request, and customized according to the negotiation. Buyers did not question the data and analysis provided by the Intelligence. They did not ask how the study was performed and dismissed the participation of the intelligence analyst as a support in the negotiation meeting.

The first contact made with buyers after the interviews was to confirm the date and time of the meeting with suppliers. In the period preceding the meeting, no other kind of contact was established (for 15 days on average) between buyer and seller.

Parts of suppliers' talks are shown below, as the meetings were being held.

The first supplier of raw materials was received in our company. The buyer started the meeting, highlighting that the reason for this meeting was that we had received an adjustment request, sent by the supplier and we needed to understand the motive for this. The supplier then reported at the meeting:

"From all my customers, you are the only one that has not accepted the adjustment. Everyone knows what is happening to the dollar, the global crisis, and our adjustment request reflects this reality." (F1, E1)

"We can't, due to the company's strategic decision to open our costs to you. They are confidential and we must preserve them." (F1, E1)

"None of my customers asks us to produce the invoices we pay our suppliers." (F1, E1)

"My increase is of 15%, but as you are a special customer, for you, we are only increasing 7% in respect to our relationship of so many years." (F1, E1)

"Let's do this: you pass me 3.5% and report to your board that from the 15% requested, you managed to reduce to 3.5% and I report that from 7%, I could increase 3.5%. So we can reach an agreement." (F1, E1)

"When are you going to visit our factory? We would like to schedule a day, we'll pick you up at the airport and we can enjoy lunch, there is a great restaurant in the region." (F1, E1)

"Yes, we can think of a point in the process where you could collaborate, and thus we can replicate to some gain, I will study it, and return to you in the next meeting." (F1, E1)

"Have you heard that the supplier you are thinking of developing has had some problems with ANVISA? Be careful, you get what you pay for.." (F1, E1)

After the meeting the feeling of the buyer was that our arguments didn't really have much effect on this supplier, but at the same time the hope that the supplier would assess the technical possibilities to minimize the request cheered me and the buyer up. The frustration was more in the sense that all our efforts to develop an intelligence to monitor the market, served to understand that we were right to not agree with what was being asked, but after listening to the suppliers' proposal to share the losses, I realized that there was no point in this discussion. And the fact is that we really depend on this supplier as the raw material he supplies is highly strategic. In pharmaceutical segment, raw material that is the active ingredient of a drug must undergo through several steps before being approved for use, a process that takes 2 years to cover all health requirements.

After we went to have a meeting with the packaging supplier, and we can highlight the following parts from the event:

"We want to keep the partnership. We haven't asked you for an increase in prices for 3 years, we've tried to hold it as much as we could, but imagine how can we stay 3 years without passing you the increase? Now we can't hold it anymore."(F2, E1)

"Unfortunately our supplier of the main raw material is a monopolist, we have to buy from him; there is no other choice. It's a question of specification, I cannot avoid it." (F2, E1)

“If you open a competitive bidding, I will be asked to participate in consideration of the years we have been working for the company? I don’t mean our prices are above the market, but you know we have always negotiated correcting our prices using inflation rates; this approach to evaluate each cost component is painful and will get to the same place. ” (F2, E1)

“Have you thought about giving me all your volume and not dividing the purchase any more? This could help us reconsider our price adjustment request.” (F2, E1)

"Our company will host a cultural event next weekend in São Paulo, wouldn't you like to participate? There will be buyers and technical staff from several companies in your segment, we will have a presentation and then a cocktail party for the guests, and it would be great to be able to count on your presence. "(F2, E1)

It causes some irritation, to see the supplier before a situation where the buyer realized that his arguments had an impact, to invite to a social event in the heat of a negotiation. But the question and the fear of competition made me believe that with this or in the case of this supplier, perhaps because of the facility and greater offer to replace him, our chances of getting a better result could be higher.

It was also interesting to realize that the buyers after each experience seemed to be accepting it and also relieved to show me that the suppliers were acting according to the negative expectations that they had alerted me in the initial interviews.

In the case of services suppliers, the meeting can be summarized in the following parts:

“There is nothing to do. Our service is 100% labor, so I have to pass to you the increase that I am already paying to my employees.” (F3, E1)

“Imagine that our production line is like a bus, it can go full or empty, it has the same fixed cost, so we can only change prices if this bus is full, which did not happen last year. More passengers, more apportioned cost. “(F3, E1)

"Ah, but with the information on volume that you gave me now, even with the bus analogy, we need to acquire a new bus to meet the extra demand. What completely changes the scenario of prices charged up to now that were intended to fill in the idle capacity. "(F3, E1)

"I understand the fact that you didn't participate in the beginning of our negotiations and this can affect a little your understanding about the subject. But make sure that we will be providing you all the necessary details. "(F3, E1)

This was the most confused meeting in my point of view. He showed confidence that my business depended on him and certain arrogance when he wanted to set different arguments with a theory (the bus) and then use the same theory in his favor again.

The next step was a period of observation and documentation until the return of the three suppliers, after 20 days, with their proposals revised before our position to reassess their premises. In parallel, we started a process of market value to assess whether our intelligence data would have important information on offers from our competitors competitive offers to our current suppliers. Due to the short term and for having clear technical specifications and, only the price factor would be taken into consideration

Ten days after our meeting, and the bid announcement notice already distributed for price collection, the packaging supplier called us:

“We have been reviewing the costs of our proposal, but we also know you've been quoting prices. Would it be possible, as we've been partners for so many years, to let us know the price we should get for you to stop this process? “(F2, D1)

I was surprised with the call. I asked him if this meant that besides not having a price increase there would also be a possibility of reduction in prices. He confirmed that. I asked him why, if there was the possibility to reduce prices due to market conditions, he hadn't come to me before to negotiate this. He simply explained himself saying that he had recalculated the costs and got surprised with the results, and he would then pass them on.

I answered telling him to make the best price he could and told him that the sent proposal would be considered for the decision. I could notice the supplier was nervous with the situation. The next day, the buyer came to me and said that the supplier had called trying to get some information.

“We've been waiting for a proposal for our next meeting as we have settled. Please don't keep asking my team about what price you should get. This is unpleasant.” (F2, D2)

Less than an hour later, a buyer received from the supplier the following message:

“I want to apologize if yesterday I put you in a situation of embarrassment due to my request that was “complicated”. I want you to understand that I was trying to do my best to have good things for both sides. Anyway, I apologize again and promise that it won't happen again.” (F2, D3)

After that, the supplier didn't try to contact again until the day of the final negotiation meeting. In the other two cases there were no additional contacts, neither exchange of messages nor documents concerning the issue, even though the Intelligence area insisted with the buyers regarding the need of

having documents to help analyze the cases. But the answers to this questioning always followed the same line:

“We’ve been trying to offer our customers the best cost benefit to the use of our products, trying to find alternatives to reduce costs and increase productivity within the concept of final cost and not only just the price.” (F1, D1)

“I hope I’ve managed to explain, I know it’s difficult to convince, but we have always tried to be transparent and realistic in the negotiations. Unfortunately, owing to the company’s rule, we cannot send any kind of documents copy.” (F3, D1)

“We hope to be able to count on your understanding and trust which up to the present has always been part of our relationship.” (F3, D2)

The reflection during this period and before the attitude of the suppliers made me to think about the effectiveness of the market intelligence process and the suppliers’ relationship management. The three suppliers had kept commercial relations with the company for some time, but had macro positioning using strong phrases, but not willing to deepen the discussion or the relationship, although they kept emphasizing it. And when we received the proposals of the data collecting processes generated by the competition, it became clear that the three suppliers had different prices from the market. The feeling I had when I saw the proposals was of satisfaction, to see that the intelligence work had identified some signs that helped us negotiate with the suppliers, but it was mixed with resentment of practice versus speech. It works in a competitive market. The week of the second round of negotiation meetings started in the beginning of May. The first supplier was precisely the packaging supplier that started the meeting saying:

“My friend, the company should put up a statue for you and your buyer. We managed to make feasible a proposal that will reduce your costs compared to the prices paid today.”

When analyzing the proposal he presented, the prices were really competitive and consonant with what the market had shown. I once again asked the supplier why only under pressure, he decided to review his costs, and he insisted on using the same argument he had used before that he corrected his prices using inflation rates, and only when he reviewed the costs he noticed that the inflation of his industry had not followed the general rates.

This meeting was very fast. I felt as if I had achieved my objective, that initially was to avoid a price increase and in the end we could reduce the prices. My focus was similar to the focus of the supplier, but in inversely proportional targets.

After, when interviewing the buyer, the surprise was present in his words:

“That’s the only way for the supplier to reduce prices, but for how long did we pay higher than we should? Don’t you think that even if he reduced his prices we should consider the possibility of changing the supplier? I don’t know if I’m happy or disappointed.” (C2, E2)

The raw material supplier started the meeting:

“Demonstrating our collaboration with you, we absorbed the increases occurred in the months of January and March/09 (F1, E2)

“We are aware of the prices reduction of our consumables used to produce what we supply to you, but other consumables and the labor evolved positively in the period somewhat balancing the need to alter the values of that date until May/09”(F1,E2)

“This is the motive why we didn’t accept your proposal to supply materials without readjusting prices and with a one-year contract. Therefore, if your company does not take the 15% linear readjustment, the supply will be discontinued.” (F1, E2)

It was not possible to continue debating around the issue. The supplier seemed not to listen to our arguments and insisted on saying that if we didn’t accept the new prices, there wouldn’t be supply. We then closed the meeting, and afterwards I went to interview the buyer who started saying:

“His raw material declined 25% in the period, IGPM increased 8.39%, 25% compensates 8%. You can see that the supplier does not talk about these facts; he says that one item increased, and another decreased and that there is no compensation, he always takes it to his side. What should we do? I have a proposal from a competitor and I think we will have to develop another supplier.”(C1, E2)

I can’t deny the frustration that came up after this second meeting. That impression that there was something in the relationship between us as customers and the suppliers that seems to disappear as the meetings developed. Under the pressure to get a price increase, or even to justify the continuation as suppliers, the positions were very different from the initial speech. The third and last meeting with suppliers happened in a similar way to the second.

“According to your request we inform that we do not agree with your argumentation. With the continuous cost increase it is not possible to keep the same prices, because every sector performs price reviews annually, including the pharmaceutical. Furthermore, you are not taking into consideration that in the negotiation to produce

your products, your prices were revised due to the partnership to consider the expressive increase in amount, as it would be an additional production in Brazil, added to the volume already bought by them. Besides, your own company has already consumed more than the current volumes. Taking into account our excellent relationship in many years, even having to adjust prices annually, and that from this same attitude meaning lack of partnership, it seems to us that in reality there has been a change from your part and not ours, being so, as it had already been informed, we will keep the prices for orders already placed and from there on, only with new prices “(F3, E2)

Once again there was a final position under the threat of interrupting the supply. We were getting a new price proposal because we had overdone the volume previously agreed, and another argument was that our industry passed price increases to the customers, so the supplier should do the same to us.

The buyer in this case, after the meeting was afraid of having a stock shortage in the plant and proposed:

“According to what we’ve agreed I sent a counter-proposal of 3.5% readjustment (initially it had been asked 7.5%) and they agreed. The supplier cannot send us products without readjusting prices. However, it’s not his profile to pass readjustments without having an understanding with the parts. We should remember that the readjustment would be 15.49%, and that would be especially for us, the index to be passed is 7.5%. I reinforce that we have an order awaiting this definition...” (C3, E2)

“I add that the supplier does not send copies of raw material invoices to customers. According to our meeting earlier today, follows the justification for the price readjustment in 2009: In the beginning of 2008, the readjustment negotiation was agreed in 7.9% and in July, we passed to the market another readjustment of 5.8%. Therefore,

analyzing the potential growth, the prices had not been adjusted in this period. Considering the great increase of consumables (Gas, raw material and labor), they passed to the market a readjustment of 15.49% in the beginning of 2009. However, following the same line of thoughts in the middle of last year, the readjustment for us would be 7.5% (F3, E2)

Then, in the final considerations, it is presented the categorization results of data per identified relational characteristic. The interviews with the suppliers (F) and buyers (C) plus the Documents (D) were associated to characteristics (categories) and summarized as the objective to find evidences to them.

## **5. FINAL CONSIDERATIONS**

To apply the autoethnography technique, being the researcher and his interaction part of the research provides a valid experience (DUARTE 2007). To apply a theory as a model of Lamming et al. (2008), from the use of this technique can provide a better understanding of what and how a relationship happens in practice, especially in matters of dispute and confrontation of a relationship between two organizational entities. The results of this study indicate that the transactional relationship does not seem to be obsolete, even though we are dealing with strategic and important suppliers; it is still, in the research performed, the most used procedure in the negotiation process. Table 1 shows the result of encoding the data collected, where the definitions proposed by the model of Lamming et al., (2008) are compared with the observations and analysis obtained through the technique of autoethnography.

**Table 1: Encoding of collected data: Definition versus Evidence**

	Definition	Research Evidence	Conclusion
Mutuality	Mutuality is a trade-off between short-term opportunism and long-term gain.	(C2,E1) (F1,E1)	It doesn't refer to this type of relationship in a positive way. The cuttings are opposed to it.
Particularity	This characteristic reflects levels of adaptations that one party makes to suit the specificity of the other. It includes the extent to which the two parties invest in, are prepared to adapt in, and demonstrate commitment to the relationship	(F2,E1)	It doesn't refer to this kind of relationship. It's only a moderate identified intention, but uncharacterized at the end of the negotiation process
Cooperation	based on the recognition that no firm or organization has the capacity to perform all activities or own all resources required for it to fully meet the demands of the markets	(C1, E1) ;( C2, E1), (F1,E1); (F2, D1)	It doesn't refer to this type of relationship. Recurrent to the attitude of not to sharing information about the resources used by the suppliers to provide the services and products to buyers
Conflict	It can be generated due to different expectations, objectives and culture from one company to the other.	(F1, E1); (F3,D1);(F3,D2)	It refers to this type of relationship. There was no evidence of managing the conflict; on the contrary, meetings, documents and interviews were intense and conflicting.
Intensity	An intense relationship includes professional interaction from both sides in projects and problems solving between the parties composing cross-functional groups between the companies.	(F2, E1)	It doesn't refer to this type of relationship in a positive way. The cuttings are opposed to it.

Interpersonal inconsistency	The same areas of the companies can have different understanding of the problems and interact in different ways.	(C2, E1); (F3,E1)	There is evidence that this relationship really happens.
Power – Dependence	It is important to understand that power is not the monopoly of a company over the other.	(C1, E1); (C3,E1); (F1,E2); (F3,E2); (C3,E2)	The most evident of all relationships, but in order to exercise the supplier monopoly over the buyer.
Trust	Contractual Trust , Competence Trust and Goodwill Trust, it means that one part trusts that the other party will perform tasks in excess of the agreed terms and conditions, reverting to a value and benefit that is greater than expected	(C1, E2); (C2,E2); (F3,D1); (F3,D2); (F3,E2)	There is no evidence of this relationship in a positive way , but a constant climate of mistrust from the buyer to the supplier

**Source: the authors**

The results indicate that the relations of Conflict and Power-Dependence prevailed in the meetings, in the exchange of documents between buyers and suppliers and in the interviews with buyers. In cases where there was the possibility of changing the supplier to another competitor, this idea was more cogitated than renegotiate with the supplier himself. .. Conducting a competitive bidding process, or having this as a more feasible alternative in the process of negotiation with the supplier, seems to contradict what is expected from a relationship of partnership, such as Mutuality, Cooperation, Trust, intensity and Particularity (Carr and Pearson, 1999 ).

The Inter-Personal inconsistency, which shows the difference in expectations between the different areas involved with the same subject, appears in all cases where there was the intersection of the commercial area with the technical area.

The work developed here presents a new possibility to evaluate this relationship, through the application of a technique different from the ones previously used. The application of a qualitative technique seems especially appropriate because it involves the question of relationships among people. On the other hand, it has its limitations, as in autoethnography where the researcher has to keep under control the multiple layers of consciousness: the original proposal, reflections, interactions with the participants, and the theoretical narrative in the development of this study, over 3 months that was the greatest challenge.

### **Bibliographic References**

ALAJOUTSIJARVI, K.; MOLLER, K.; ROSENBROIJER, C-J; *Relevance of local nets in understanding the dynamics of business relationships* Journal of Business-to-Business Marketing, Vol.6, n.3, p.3-35, 1999

ALCADIPANI, R. & HODGSON, D. *By any means necessary? Access, ethics and the critical researcher* Tamara: Journal of Critical Organization Inquiry, *forthcoming*, 2009

BAILY, P.J.; FARMER, D.; JESSOP, D.; JONES, D. *Compras: Princípios e Administração*, Editora Atlas, São Paulo, 2000

CARR, A., PEARSON, J. N. *Strategically managed buyer-supplier relationships and performances outcomes* Journal of Operations Management (1999), Vol. 17, p. 497-519, 1999

DUARTE, F. *Using Autoethnography in the Scholarship of Teaching and Learning: Reflective Practice from “the other side of the mirror”* International Journal for the Scholarship of Teaching and Learning, Vol.1, n.2, 2007

FORD, D.; HAKANSSON, H.; JOHANSON, J. *How do companies interact?* Industrial Marketing and Purchasing, Vol. 1, n. 1, p. 26-41, 1986

GODOY, A. (2006) *Estudo de Caso Qualitativo* in: Godoy, C; Bandeira-de-Mello, R. & Silva, A. Pesquisa Qualitativa em Estudos Organizacionais. São Paulo: Saraiva.

JOHNSEN, R.E.; FORD, D. *Exploring the concept of asymmetry: A typology for analyzing customer-supplier relationships* Industrial Marketing Management forthcoming, 2007

JOHNSTON, W.J.; LEWIN, J. E. *Organizational Buying Behavior: Toward an Integrative Framework* Journal of Business Research, (1996), Vol. 35, p. 1-15, 1996

LAMMING, R. C.; JOHNSEN T.E.; JOHNSEN R. E. *Supply Relationship Evaluation: The Relationship assessment process (RAP) and Beyond* European Management Journal (2008), Vol. 26, p. 274-287, 2008

LIMA, D. F. M. *Traduzindo Horrores com H.P. Lovecraft (1890-1937): Aspectos Afetivos e Relação Tradutória* Dissertação de Mestrado, Universidade Estadual de Campinas, Instituto de Estudos da Linguagem, Campinas, SP, 2005

PARRY, K.; BOYLE, M. *Telling the whole story: The Case for Organizational Autoethnography* Culture and Organization, Vo. 13, n.3, p.185-190, 2007

RICHARDSON, R. J. *Pesquisa Social (Métodos e Técnicas)* Editora: ATLAS, São Paulo, 1999

WILSON, D. T. *An Integrated model of buyer-seller relationships* Journal of the Academy of Marketing Science, Vol. 23, n.4, p. 335-345, 1995