BUSINESS-TO-BUSINESS ADAPTATION – CUSTOMER PERSPECTIVE

Adaptation is an essential process of business-to-business relationships. It is through the adaptation that relationship develops. The research presented in this paper shows that even in the specific conditions of the construction industry, adaptations occur not only on the supply side, but also on the customers. The scope of adaptation is different in the highlighted clusters of companies. Adaptations are low at companies that have the largest number of employees what lets them use their market position. On the other hand, one third of smaller businesses adapt to their key suppliers, mainly in the financial and logistical dimension.

Key words: business-to-business, relationship, adaptation, alignment, buyer, customer

Introduction

The meaning of interactions in the theory of social exchange caused that neither units nor groups, but their mutual interactions were assumed as the research subject. In this context, the concept of social interaction understood as a social activity which results from a human-oriented approach has the core meaning and comes as a feedback to their behavior and activities. This paper refers to that research stream and bases mostly on the relational approach, introduced by Dyer and Singh\(^1\), which was further developed by other researchers centered around the IMP Group\(^2\). It examines dyadic pairs of firms and intra-relations between them in order to explain what is happening in the firms and the firms’ outcomes. In this paper, focusing on the relationships, assumptions concern its key process - adaptation.

This paper refers also to the concept of the supply-chain management, which, as well, conducts research on the level of dyadic, buyer - supplier dyads or supplier/customer chains. The key aspect of that concept fosters building competitive advantage by functional and organizational integration instead of relying on company’s resources. The particular firms included in the supply-chain are supposed to cooperate to foster competitive advantage of the whole chain and, thus, itself\(^3\). Supply-chain management assumes that outcomes achieved by firm, do not emerge only from its activities, but are conditioned by the whole chain. By implementing this framework on the supplier-buyer relationship, one may acknowledge that effectiveness of each relationship’s party depends on the activities of the other part. Focusing on the

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relationships is particularly visible here - the analysis of publications in the most prominent scientific journals concerning supply-chain management indicates that relationship belongs to the most frequently occurring constructs. In this line, the paper also discusses often neglected - especially in business-to-business marketing - the relationship approach from the customer’s perspective. These considerations are important because they concern relationship - the key subject in the business-to-business marketing, and they tend to explain customers’ behavior in order to enrich the notion of the relationship marketing and customer relationship management. The relationships issue is discussed in the construct industry, where companies avoid adapting, because they appreciate more the benefits from avoiding dependence. The use of adaptation raises concerns about entering too much dependence of the supplier and customer, and lack of flexibility. Construction companies avoid relying on the one particular supplier, especially if it was necessary to use some specific technology. Therefore, the standardization is considered to be more effective than customization. Sundquist et al. point out that adaptations need constant and intensive interactions between supplier and buyer. During such interactions, needs are being defined and possibilities of meeting them are being discussed. In construction industry however, interactions are occasional and limited by execution of contract.

This paper is organized as follows: firstly, the revision of the literature on relationships and adaptation is presented. Secondly it presents the research: problem, method, analysis and results. Then it concentrates on conclusions aimed at construction industry.

**Relationships with suppliers**

Since the 1990s, purchasing role has significantly increased. It is said to have influenced the firm’s strategy and competitive position. Nowadays, purchasing is regarded as the key element of the supply-chain management, where it plays a significant role shaping the customer’s relationships with suppliers. Relational approach, which claims that a firm is not a lonely island and therefore must rely on its activity on the interactions with other entities, in case of purchasing is evident.

The papers discussing the business relationships since the 1990s have indicated that the character of the supplier relationship might become the source of competitive advantage. This approach might be found in the concepts of the study fields to which – in the context of conducted assumptions - special attention is drawn, such as: supply-chain management, suppliers’ evaluation, suppliers’ relationship management, supplier development programme. The concept of the supply-chain management concerns the whole range of material ad non-material flows between firms, which lead to delivering

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product or provided services to the final buyer. It shifts the attention from the internal-oriented to external flows between entities. Especially the two research streams are interesting: business relationships with suppliers\(^{10}\) and comparison of buyer’s and seller’s perspectives\(^{11}\). Chen & Paulraj examined over 400 publications which allowed to outline the supply management capabilities, concerning the cooperation with its suppliers in the following dimensions: limiting the number of suppliers, communication with suppliers, functioning of project teams and engaging suppliers to the customer’s activity\(^{12}\). A constant development of purchasing causes that suppliers are treated as a factor which influences the capabilities of achieving goals and the position held by the company.

Searching for justification of the companies’ relationships was often examined in the research process, nevertheless it was indicated by Eiriz & Wilson as one of the most important research subject still need to be studied\(^{13}\). Each relationship is being held for the determined intentional functions, which in case of relationships between firms refer to economic goals\(^{14}\).

Constituting relationships firms expect beneficial results, which can result directly from the given relationship, but can also indirectly emerge from influence of the relationship on the future prospects and relationships. One of the key concepts is relational rent, which consists of extra advantages, jointly formed by the intra-exchange within relationships, which could not be achieved by any firm individually, only if included ultimate contribution of both parties. The rent can emerge from following sources: specific resources/assets, means of knowledge-sharing, accessible in the relationship, complementary resources and capabilities, and effective governance\(^{15}\).

In case of institutional buyers, purchase decisions affect two important firm’s functions: productivity and innovation. The first one results from the capability/competence and possibility of joining specific internal and acquired resources and the second one result from the access to new resources enabling new combinations of existing possibilities. Consequently buyer needs to make decisions concerning various resources, which will be acquired, and the way of acquiring them from suppliers\(^{16}\).

Both issues are related to each other, because easy access to external resources may weaken belief/conviction about the necessity of ensuring resources inside a firm. By maintaining long-term relationship with suppliers, buyer can improve access to external


resources that the company needs, and consequently strengthen his international competitiveness.

Supplier relationship management is sometimes reported as a mirror image of customer relationship management. In fact the latter concept became a basis to work on solutions concerning supplier relationships. In the marketing literature it is often emphasized that the aim of the supplier relationship management is to provide long-term and profitable relationships, and consequently improve firm competitiveness by making use of the synergy of mutual business activities with the suppliers. The benefits included: reduction of cost, quality improvement, and innovation development.

**Adaptation in relationships with suppliers**

Relationship development and achievement of mentioned advantages require adjustment to relationship parties. It can be achieved through adaptation, which is described as the elementary processes of relationship. On the basis of previously proposed definitions in the literature it might be assumed that adaptation in the relationship between companies means introducing changes at the individual, group or corporate level in order to meet the expectations of another company and taking into account new circumstances.

Conducted studies reveal a variety of internal reasons for making adaptation. Studies indicated that companies decide to adapt in order to increase sales and reduce costs, to meet the expectations of customers occurring at the end of the value chain. Studies revealed also non-economic motivating factors: strengthening relationships by investing in it or boosting up confidence through social exchange based on the fulfillment of the promises and engaging resources. Opportunism and enforcement of dominant position become strong motivators. Companies tend to achieve own goals by imposing others to their will in order to gain access to the necessary resources.

The adaptation issue and its effect in the shape of adjustment is often discussed in the literature on purchasing in reference to the operational (transactional administering, searching for suppliers, negotiating and order-making) and strategic level (identification, acquirement, access allowance and management resources needed to fulfill strategic goals). These activities concentrate on the strategic adjustment referring to the company’s internal part. Next research issue concerns developing the relationship with the chosen suppliers and investing in them in order to achieve previously mentioned

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19 (Canning and Hamner-Lloyd, 2001, Brennan et al., 2003)
advantages. In this case, it is rather said about coordination of supplier’s and buyer’s activities. In case of balance of both parties, coordination requires adaptation both at supplier’s and buyer’s. In practice, with a stronger buyer position, coordination leads customers to set requirements to introduce adaptation processes by suppliers. Suppliers are able to conduct customer-oriented adaptation to bigger extent than customers to suppliers. Schmidt et al. showed that suppliers tend to do it more often and in bigger scale, while adaptation on the customer’s side are rare. On the buyer’s inclination to adaptation often influence the supplier’s activity to develop such relationship. The lack causes that adaptation on the customer’s side does not appear. Persons responsible for purchasing have claimable approach to adjustment, claiming that supplier is responsible for compatibility in relationships. These opinions also concerned these suppliers whom they knew and appreciated.

Research problem
The above outlined discussions lead to description of the research problem, which concerns the buyer’s adaptation in the supplier relationship. It is developed through alteration of the already discussed concept of supplier’s activities in relation to customers. The preeminent issue is determined by three main questions:

Q1. What is the objective scope of purchaser’s adaptation?

Relationship is based on the resources, human beings, activities interactions. It might have a variable scope. Schmidt et al. divided adaptation into hard (product and production processes) and soft ones (human behaviour). Johanson and Mattsson distinguished between five different kinds of adaptation, what allows to propose following operationalization:

1. Technical: adjusting product/service parameters and quality to to customer expectations
2. Logistical: adjusting quantity of installment/batch and delivery date and conditions to customer expectations
3. Administrative: adjusting methods of placing orders, level of work formalization, working time and business practice and processes to customer expectations
4. Knowledge-sharing: adjusting methods of communication and desire to knowledge sharing to customer expectations
5. Financial: adjusting price level and time and conditions of payment to customer expectations.

Above division into five dimensions allows determining the scope of adaptation. Its scale may vary in each mentioned field.

Q2. What is the scale of buyer’s adaptation?
The need to build close relationships with customers is well proven in the literature track record concerning marketing on the institutional market. If relationship is constructed through mutual adaptations, the question arises about the scope of such adaptations. Even if one might expect from the supplier a high inclination to adaptation, the buyer’s behavior in this matter is less investigated, especially in construction industry. The research problem determines the question of the scope of buyer-to-supplier adaptation.

Q3. Which determinants motivate purchaser to adaptation?
The question refers to the adaptation’s motives. It may arise from the inner part of firm (strategy) its surroundings (buyers’ expectation or competitors’ activity) or from the relationship itself (supplier’s expectation).\(^{20}\)

Methodology
In order to answer above questions the empirical research material was gathered. There was a need to describe the dependence between the examined features which emerged the quantitative approach was accepted. Data was collected from either persons employed in purchase units of Polish firms, because their key competence was the activities concerning the choice of supplier and relationship management or members of board responsible for purchasing.

It was decided to relate the buyers to a specific supplier in order to avoid too general considerations. This approach was adopted from the Ulaga and Eggert research on perceived relationship value.\(^{31}\) Respondents were asked to choose one of the key suppliers assuming that such relationship is important enough to trigger adaptation at customer side.

To collect data, the questionnaire was prepared and it included questions concerning adaptation’s activities, relationship’s features, and details of the examined companies. Questionnaire was prepared in Polish and English.

All data was collected during direct interviews with the Budma trade fairs visitors. Every 10\(^{th}\) visitor was asked about his involvement in purchasing activities of his company, and if it was high he was qualified to the research. Conducting research during Budma – the biggest construct trade fairs in the Central and Eastern Europe enabled to reach the significant number of respondents from one industry in the same time. The survey was carried on the second and third day of fairs. Collected data consisted of 128 answers (98 from Poland and 30 from abroad).

This sample consisted of purchase managers (46.0\%), executive managers (30.0\%) and buyers (24.0\%). Respondents should be described as experienced - half of them have been dealing with purchasing for 6 or more years. More than two thirds declared a relatively significant or significant relation of contacting with suppliers, but also planning purchasing and taking part in designing new products and services. This


indicates strong commitment of the respondents in the business’ purchase routines. More than one third of the sample group represented persons from commercial or trading firms, fewer represented service companies. The majority of examined companies represented SMEs (Me=25 persons).

**Data analysis**

First, the scale reliability used to measure the level of adaptation was examined. Scale consisted from 13 elements, which are based on $\alpha$-Cronbach = 0.89 and can be considered suitable for the measurement of adaptation. The result of the level of adaptation, basing on the average evaluation in the relation to the supplier rates 3.2 (with the scale ranging from 1 to 5, where 1 was the worst and 5 was the best responding to adaptation). Then it was calculated according to five adaptation dimensions indexes. Their values depicted in Table 1.

<table>
<thead>
<tr>
<th>Adaptation Division</th>
<th>$\alpha$-Cronbach</th>
<th>Level of Adaptation (mean)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>0.81</td>
<td>3.2</td>
</tr>
<tr>
<td>Technical</td>
<td>0.82</td>
<td>3.4</td>
</tr>
<tr>
<td>Knowledge-sharing</td>
<td>0.71</td>
<td>3.2</td>
</tr>
<tr>
<td>Logistical</td>
<td>0.77</td>
<td>3.3</td>
</tr>
<tr>
<td>Administrative</td>
<td>0.81</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Source: own research

Adaptation indications were normally distributed (Shapiro-Wilk test). In this particular situation, in order to determine various groups of adaptation levels, the cluster analysis was carried basing on the values described for five adaptation segments (clustering by k-means). The analysis demonstrated the existence of three clusters, which were examined in Table 2.

In order to exclude differences between the segments resulting from the different characteristics of enterprises included in the segments, it was studied whether they are similar in terms of business profile (chi-square test, $s<0.05$) and a number of employees (test t, $s<0.05$). No difference was observed in terms of profile (trade/service/manufacturer), the only significant difference in the number of employees occurs between the biggest cluster (1) and smaller ones (2, 3). Next, the source of motivation for adaptations to the key supplier was determined. The cluster characteristics are shown in Table 2.

The study results show that the buyers’ adaptive processes in relation to suppliers are limited (average 3.2 on a scale of 1-5). Studying the data for the entire sample group, the lack of diversity in the adaptation is noticeable. The cluster analysis shows that in that sample group appeared firms with a diversified approach to adaptation. They can be categorized as follows:

- cluster 1: firms of little adaptation to the key supplier, the least in logistics dimension (test t, $p<0.05$); these are the biggest firms in the sample group,

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• cluster 2: firms of moderate adaptation, in technical and logistical dimensions higher than others which shared the same level (test t, p<0,05),
• cluster 3: firms of highest adaptation, in technical and logistical dimensions higher than other dimensions (test t, p<0,05), cluster of companies with the lowest average number of employees.

The study revealed different motivations to adaptation. In case of cluster 2 and 3, which together account for 76% of the surveyed companies, the important factor inclining to adaptation in the supplier relationship were the customers’ requirements. A characteristic feature of the cluster of high adaptation is the multidimensional nature of motivation to adapt to the suppliers.

It was different in clusters 1, were firms of insignificant adaptation were motivated from the inside - from the strategy adopted in the enterprise. One can assume that it was strategy of low relationship involvement and transactional approach to suppliers.

Table 2. Clusters characteristics

<table>
<thead>
<tr>
<th>Distribution</th>
<th>Cluster 1</th>
<th>Cluster 2</th>
<th>Cluster 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>% sample</td>
<td>22.6%</td>
<td>41.4%</td>
<td>35.9%</td>
</tr>
<tr>
<td>Profile</td>
<td>trade</td>
<td>37.9%</td>
<td>32.1%</td>
</tr>
<tr>
<td></td>
<td>service</td>
<td>20.7%</td>
<td>32.1%</td>
</tr>
<tr>
<td></td>
<td>manufactury</td>
<td>41.4%</td>
<td>35.8%</td>
</tr>
<tr>
<td>number of employees</td>
<td>95.0</td>
<td>59.1</td>
<td>48.1</td>
</tr>
<tr>
<td>Adaptation financial (ADAPT_F)</td>
<td>2.36</td>
<td>3.01</td>
<td>3.94</td>
</tr>
<tr>
<td>technical (ADAPT_T)</td>
<td>2.26</td>
<td>3.33</td>
<td>4.13</td>
</tr>
<tr>
<td>logistical (ADAPT_L)</td>
<td>1.78</td>
<td>3.30</td>
<td>4.22</td>
</tr>
<tr>
<td>administrative (ADAPT_A)</td>
<td>2.37</td>
<td>2.97</td>
<td>3.82</td>
</tr>
<tr>
<td>knowledge-sharing (ADAPT_K)</td>
<td>2.24</td>
<td>3.08</td>
<td>3.89</td>
</tr>
<tr>
<td>motivating factors supplier’s requirements (SUP)</td>
<td>2.38</td>
<td>3.00</td>
<td>3.52</td>
</tr>
<tr>
<td>my customers’ requirements (CUST)</td>
<td>3.17</td>
<td>3.98</td>
<td>4.09</td>
</tr>
<tr>
<td>my competitors (COMP)</td>
<td>2.55</td>
<td>3.38</td>
<td>3.84</td>
</tr>
<tr>
<td>my company’s strategy (STRA)</td>
<td>3.86</td>
<td>3.48</td>
<td>3.91</td>
</tr>
</tbody>
</table>

Source: own research

Discussion
In the interpretation of the presented results it is difficult not to refer to the context created by the industry conditions which entities participating in the study operate. Constructing companies are not convinced to develop long-term supplier-customer relationships and do not make use of their potential. Dubois & Gadde explain the reasons of such approach by following factors: the complexity of construction projects which are connected with dependable elements, high level of uncertainty, focusing on realization of a target project, a need to implement actions to the local conditions of a maintained project and the influence of tender procedures and cost approach to the rate

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of effectiveness\textsuperscript{34}. These factors cause that construction industry is perceived as focused on time limited projects and switching suppliers from one project to another. As a result it is difficult to develop long-term relationships with customers.

Such picture of construction industry emerges from research conducted in the countries of the European Union: United Kingdom\textsuperscript{35}, Sweden\textsuperscript{36} and France\textsuperscript{37}. Also in Poland the concept of relationship marketing is hardly recognizable in the construction industry. Economic crisis, fall-out of the conducted investments and commissions in the construct industry in 2008-2010, did not facilitate broaden use of relationship marketing\textsuperscript{38}.

In the period preceding the survey, Poland was the leader of growth in the construction industry in the European Union. For many companies, it became an incentive to enter the Polish market. However, while having examined the construction industry in Poland, the industry slowed/ cooled down, after the investment boom associated with the use of EU funds and the organization of EURO2012, when Poland was called "the largest construction site in Europe". The condition of construction industry worsened, companies went bankrupt because of the wrong costs estimation of investments in previous years\textsuperscript{39}. A closer look in this context on the research results may come as a surprise that one fifth of the companies closely adapt to suppliers, and another 30% adapts in the average range. If relationships on the examined market are weak, then adaptation should occur to a very limited extent. Adaptations become an investment to relationship: they require time and certainty that invested effort will bring the expected results.

In case of the examined companies, however, one observes a significant group of subjects, which adapt to the supplier. This may indicate a transformation in the relationship approach that provides stability during economic downturn and influencing reaction of other factors, inducing adaptation. The second option is supported by the conclusions of the study: the smallest firms conduct/are focused on adaptation most strongly because they may experience pressure from greater suppliers. At the same time the biggest of researched companies adjusted to customers at the lowest level, justifying their strategy - probably not too flexible approach to suppliers. On the other hand, part of small firms took the opposite strategy - flexibility. This demonstrates the use of a position of strength and opportunistic behaviour in encouraging the adaptation of the supplier-buyer relationship.

The results of the research also indicate the importance of the value chain. In case of the two largest clusters (2 and 3), the motivation for the adaptation was associated with the needs and expectations of the end-customer. They trigger adjustment processes throughout the value chain, in the end of which the end-customer is encountered.

Conclusions
Adaptation is an essential process of business-to-business relationships. It is through the adaptation that relationship develops. Marketing literature rarely looks at this process from the buyer perspective, it rather shows a supplier perspective. This fact justifies the current research that indicates a balance towards suppliers adaptation. However, the research presented in this paper showed that even in the specific conditions of the construction industry, the customer undertakes adaptive actions that result from internal or external reasons. The scope of adaptation is different in the highlighted clusters of companies. Adaptations are low at companies that have the largest number of employees what lets them use their market position. At the same time there are two groups of smaller companies: a moderate adaptive cluster 2 and high-adaptive clusters 3. This indicates that not the size of company does is not the only determinant of the adaptation approach.

Limitations
The study results should be seen from the angle of specific conditions of the construct industry. Specific features of that industry limit possibilities to compare the results/comments with other industries. Conducting surveys during exhibition fairs allows receiving data in the same time and reduces the impact of variable factors, on the respondents’ opinions while collecting data. On the other hand, one can assume that companies taking part in the exhibition fairs as exhibitors are not representative for the whole branch. Respondents answered questions concerning only one relationship - with the key supplier. It can restrict the result received from the study research.

References

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