

**Szent István University**

Gödöllő

Doctoral School for Management and Business Studies

**CORPORATE RELATIONSHIPS  
IN THE HUNGARIAN RETAIL PRACTICE  
(study of long-term business relationships)**

Thesis of Doctoral (PhD) Studies

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# **1. THE CAUSE AND OBJECTIVE OF THE RESEARCH**

## **1.1. The significance of the topic**

In the last few decades changes in several fields of economy have resulted in fiercer competition, thus forcing companies to have more efficient activity and resource allocation. Companies can respond to the challenges by exploring capacities that ensure competitive edge or by developing new competences that they can acquire by developing relationships with other actors. Business to business relationships are significant resources for companies in improving their competitiveness. By these types of relationships competition and cooperation is established at the same time which contributes to exploring new technologies, to improving efficiency and to better performance in the competition on the field of innovation. Therefore, while the 20th century was the century of companies, the 21st century seems to be the age of corporate networks.

The changes have triggered numerous theoretical researches, among others in the field of organization and strategic management. The research has found that business to business relationships do not only decrease the uncertainty of competition and dependence on resources but also serve as information channels, useful management tool as well as cost control (Pecze, 2005).

Behind the attitude linked to business to business relationships originally there is a question regarding the formation of production strategy, and that is ‘to purchase or to produce?’. This question has been extended to the “to purchase, to produce or to cooperate?” question by highlighting the role of business to business relationships and has become an important decision-making criteria in the formation of corporate strategy. When meeting strategic objectives companies do not only focus on their own activities, but according to the requirements of the environment they put the activities they hope to do, purchase or complete in cooperation with others, in a broader context. This extended attitude appears in the concept of supply chain, which provides value for the end-user by linking different corporate activities and value chains. The basic question is how the organizational boundaries can be eliminated and replaced by different relationships in order to implement the corporate strategy successfully (Szegedi, 2005).

The practical relevance of the topic of business to business relationships and my corresponding research is that business to business relationships have extreme importance for the Hungarian economy, as the business to business relationship networks, which were reorganized during the operation of market economy, determine the development of the Hungarian economy and they are also important factors of operation in the EU economy regarding the effect they have on the competitiveness of the real economy (Chikán, 2010).

## 1.2. The objective of the research

The research has a dual – theoretical and practical – objective. The theoretical part basically aimed at exploring and introducing the theoretical framework of business relationships of companies based on the literature. Business relationship is a broad term in the literature that is why it is necessary to define those relationships which are being studied. During my research I have studied those partnerships that on one hand record the co-operation of parties on long term, on the other hand are directly linked to the activities of the company, i.e. to the production and sales of their products and services. As a result, the focus of my practical, empirical research is the situation, characteristics and support of long term business to business relationships, as well as study of how much partnership and the techniques built on it are present in the national retail practice, in the relationships of retail chains and their suppliers. Starting from this the objectives of my empirical study:

- While forming business relationships it is an important question what form of relationship the company should choose in different environmental conditions. It is a strategic decision, as it is in interaction with how the company defines its own boundaries and basic capacities. As a result I intended *to study what role long term business relationships have in the relationships of retail chains and their suppliers*. Learning all these provides information regarding aspects of business to business relationships, the extent of corporate relationship network and the importance of certain relationships.
- The formation of the corporate strategy is based on learning the interior and exterior environmental conditions, i.e. the market position of the company, its position in the competition, its bargaining power with its customers and suppliers, its industry affiliation, its market objectives and its performance. Based on the above, during my research my objective was to *explore, how these environmental conditions influence the formation of long-term business relationships between retail chains and their suppliers*.
- To have a successful and mutually beneficial partnership it is essential for the partners to cooperate and share basic business information on certain fields, i.e. to have sufficient information flow. During my research it was my objective to study *the fields of co-operation between partners, the expectations drawn up during the co-operation between partners, and the information flow between partners*.
- Finally, *exploring the differences between companies having different motivations for long-term relationships* was also the objective of my research.

What made processing this topic difficult is on the one hand the fact that results of international quantitative surveys regarding the characteristics of the long-term business relationships of retail chains and their suppliers can not be read, foreign benchmark was not available so they could not serve as starting point. On the other hand, the actors of the national consumer goods sector primarily are in different position compared to their foreign counterparts. The novelty of the research is confirmed by the fact that international quantitative surveys regarding the characteristics of the long-term business relationships of retail chains and their suppliers were

only made from a different point of view, from the aspect of expectations and customer power. Elaboration of the literature also made my research more difficult in a way. Although there are a lot of quality international and national publications, which with proper organization could be linked to my research, there are few that can be directly linked to my research.

Besides the importance and actuality of the topic my work is also the reason why I have decided to study business to business relationships, as I have been teaching trade logistics in tertiary education for over 10 years. A very exciting research topic within the framework of supply chain management is corporate relationships, as there is increasing scientific interest in the topic, which aroused my interest, too.

## 2. THE ISSUES AND METHOD OF THE RESEARCH

My research concerns five issues:

1. The first one is *'what are the most important characteristics of long-term business relationships'* and *'what factors influence them'*.
2. The second one is *'what are the most characteristic fields of co-operation with suppliers'* and *'what mutual expectations arise between partners during co-operation'* as well as *'what characteristics information relationships essential for co-operation have'*.

Regarding all these, I have analyzed a complete corporate sample while doing this part of the research. This mainly meant analysis of basic statistics along with analysis of contingency and analysis of variance.

Applying multivariate methods is essential due to the multidimensional feature of motivation of partnerships. Consequently during my research I used factor analysis (main component analysis) as a multivariate statistical method. Individual variables characterizing the motivation of long-term partnerships were formed into factors which later were used for analysis while studying issues number three to five with the isolated corporate subsamples. Corporate subsamples include groups of different 1. size, 2. scope of activity, 3. strategic objective and 4. different performance.

3. The third issue of the research was *'what factors influence the motivation of long-term business relationships'*. Different environmental factors (sectoral characteristics, market forces etc.) and the corporate strategy have different effect on why companies co-operate. Exploring and understanding these effects helps understanding the Hungarian situation in more details and by exploring the connections useful information can be gained regarding the motivation of business relationship.
4. The fourth issue is *what factors influence*
  - a) *the involvement of partners into the supply chain,*
  - b) *the expectations regarding partners,*
  - c) *the information relationships with partners.*

To study this issue, it was the isolated subsamples and their differences that were studied. To explore the differences among sub-samples, I used analysis of ANOVA tables with both

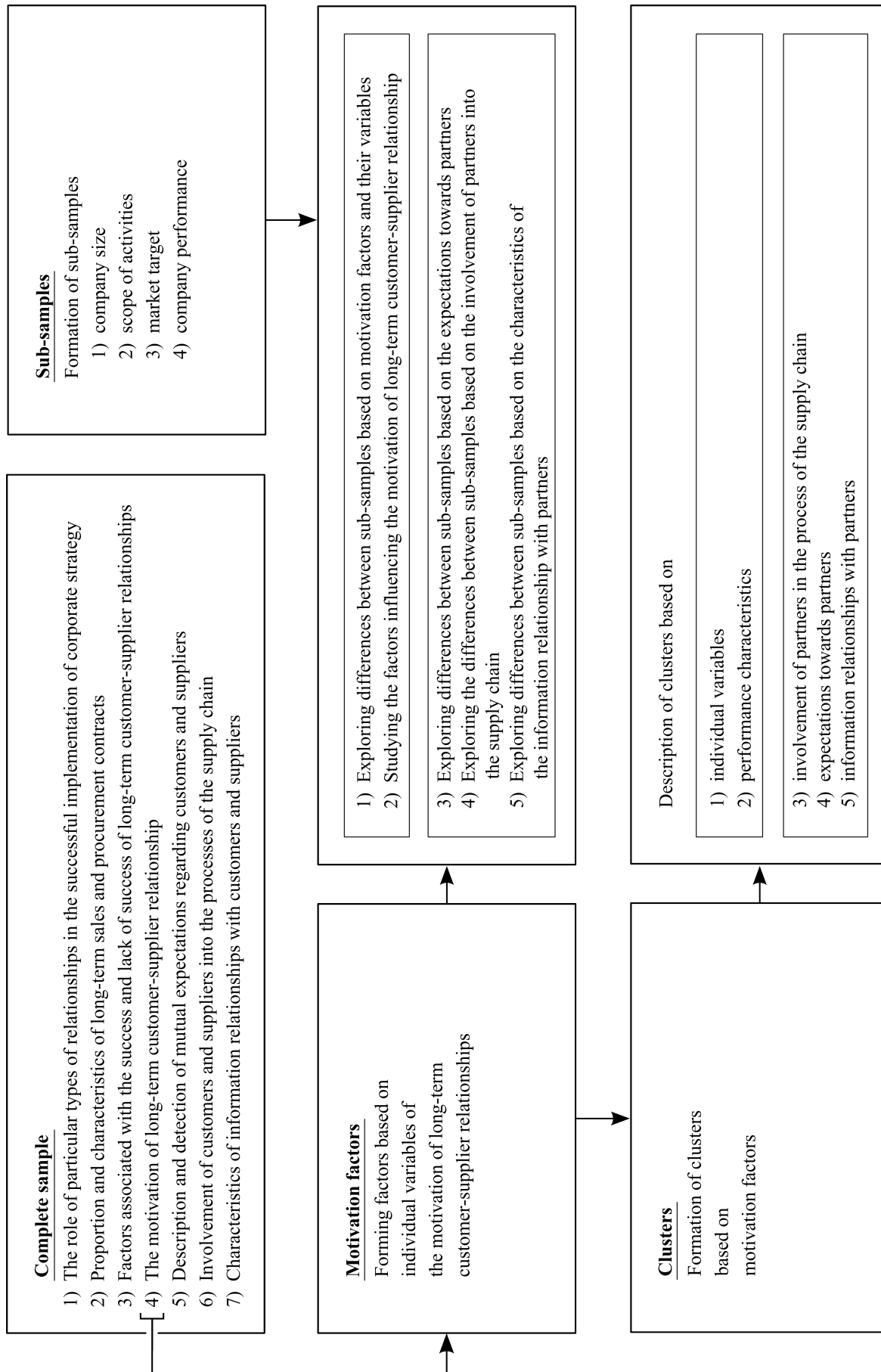
issues. During this process I highlighted and examined significant characteristics at minimum  $p=0.10$  level statistically.

5. The fifth issue was to answer the question *‘what differences companies with different motivation have based on*
- a) company performance,*
  - b) involvement of their partners into their supply chain,*
  - c) the expectations regarding partners,*
  - d) the information relationships with partners.’*

To separate the groups having different motivations I used cluster analysis, a methodically hierarchical method (ward method). To characterize clusters I invoked motivation factors and their unique variables as well as their performance indicators given in comparison with the sectoral average. I studied the differences between single motivational clusters based on their expectations towards their partners, the characteristics of their information relationships and the partners’ involvement into their supply chain processes. To explore the differences between clusters I also used the ANOVA method.

During the study of the issues of my research, the description of ‘modern cooperation factors’ regarding business relationships was very important. What I mean by this is the quality features associated with partnerships after Mohr and Spekman (1994), such as the possibility of a common strategy, common problem-solving and common development co-operation. It is important to highlight these factors because based on them we can get an answer for the question whether the criteria of common strategy, development and problem solving are present in the relationships of national companies and if so, what weight they represent.

The connection of the issues is summarized on a research map (Figure 1).



**Figure 1: Research map**  
(Source: own)



### *Characteristics of the sample*

The sample consists of 110 companies involved in my research based on questionnaires between September 2008 and March 2009. To characterize the sample I formed groups of companies, with the aim of forming categories that can be the base of analysis described later. Some of the characteristics are based on objective, i.e. measurable or clearly classifiable aspects such as size or sector, while others are connected to the (market) objectives of managers or based on their opinion.

Questionnaires were filled out by personal interviews thus possible interpretation problems could be avoided. The interviews were conducted on the one hand by me and my supervisor, on the other hand graduate, MSc and MBA students of the Budapest Business School and the Szent István University, Faculty of Economics, who were motivated and experienced enough to conduct the interviews in a professional manner, as they intend to study this field. The sample includes retail chains operating in Hungary and their suppliers, most of whom participated the interview on the condition that I accept confidentiality.

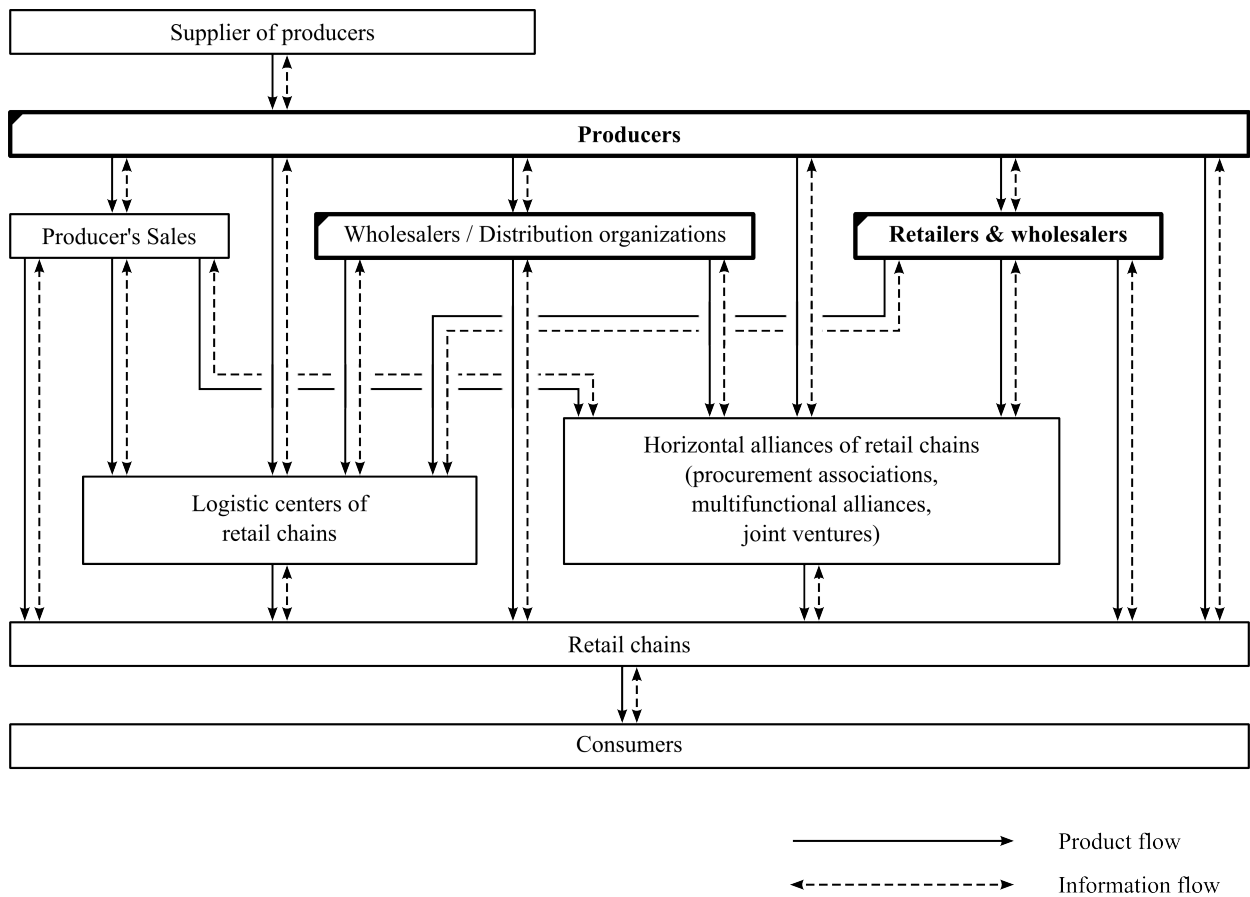
For individual sub-samples see Table 1

**Table 1: Individual sub-samples**

<b>Company size</b>	<b>Number of companies</b>	<b>% in the total sample</b>
Small company	39	35.45%
Medium company	32	29.10%
Big company	39	35.45%
<b>Scope of activities</b>	<b>Number of companies</b>	<b>% in the total sample</b>
Chains	26	23.85%
Food product trade	14	12.85%
Non Food product trade	36	33.03%
Food product production	26	23.85%
Non Food product production	7	6.42%
<b>Company performance</b>	<b>Number of companies</b>	<b>% in the total sample</b>
Lagging behind	55	51.89%
Average performance	27	25.47%
Leading	24	22.64%
<b>Market target</b>	<b>Number of companies</b>	<b>% in the total sample</b>
The objective is to keep the market position	22	20.00%
The objective is moderate growth	75	68.18%
The objective is aggressive growth	13	11.82%

*(Source: own)*

Food and non-food traders in the sample are involved both in retail and wholesale, as one of their distribution channels is supplying chains, but they also have other wholesale and retail sales channels. During the analysis of long-term partnerships of these companies, besides studying their relationships with suppliers and customers, I studied them as suppliers of chains, i.e. they were asked about their relationship with chains. This is also true for producers of food and non-food products (Figure 2).



**Figure 2: Possible distribution channels between retail chains and producers of consumer goods**

(Source: own)

### 3. RESULTS HYPOTHESES AND ASSESSMENT OF THE RESEARCH

My research focused on the study of the nature of long-term business relationships of retail chains and their suppliers, especially the motivation and factors influencing it, the fields of cooperation and the information relationships; with the need of finding possible explanations for the existence or non-existence and the characteristics of these relationships.

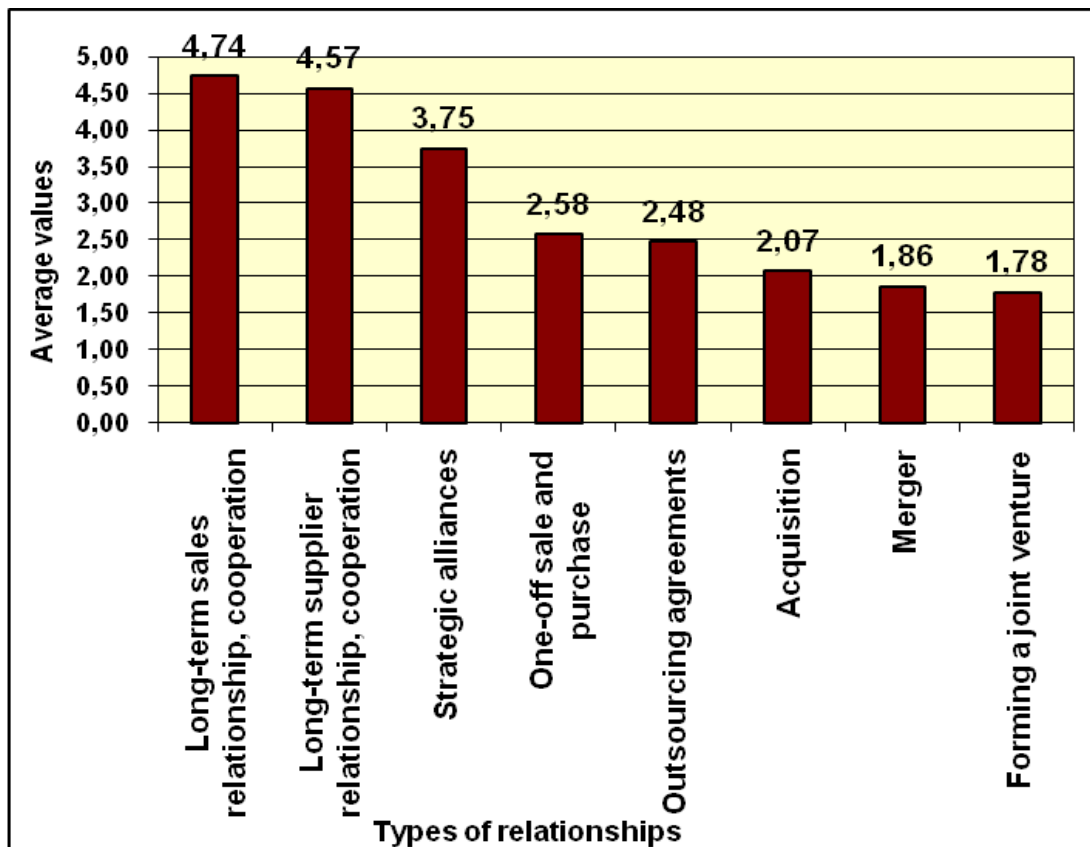
The following section contains the introduction and assessment of my initial hypotheses set up according to the issues of my research described earlier.

#### *Long-term relationships of Hungarian companies and their motivation*

International experience shows that in modern economies among the motivations of long-term business relationships cooperation between partners is increasingly stressed. The need for common strategy making, problem solving and developments became increasingly important in the relational system of companies. Based on all these, this is expected to be the tendency in case of the actors of the Hungarian economy, so my corresponding hypotheses and their verification is as follows:

#### **H.1.1 In the relational system of companies long-term business relationships play the most important strategic role**

*Accepted:* While forming different business relationships it is an important question what form of relationship a company should choose in different environmental conditions. Differences in business relationships are determined by the way particular types of relationships contribute to the successful implementation of company strategy. Learning the different types of relationships in the relational system of companies provides information regarding aspects of business to business relationships, the extent of corporate relationship network and the importance of certain relationships. Among all these type of relationships managers interviewed consider forming long-term business relationships to be the most important (Figure 3). They highlight long-term sales relationships and cooperation in the first place, 82.7% of them consider this type of relationship extremely important, 95.5% considers them to be important or very important. It is followed by long-term supplier relationships and cooperation, which is considered to be extremely important by 76.6% of respondents, while 94.4% consider it to be important or very important.



**Figure 3: The role of particular types of relationships in the implementation of corporate strategy**

(Source: own)

To summarize, in the relational system of companies long-term business relationships play the most important strategic role. Among them sales relationships get greater importance, which refers to sound customer-oriented attitude.

#### **H.1.2 While forming long-term sales and procurement relationships the role of factors regarding cooperation with customers and suppliers has been upgraded**

*Partly accepted:* What motivates companies to make long-term agreements with customers and suppliers is stability, predictability and the need for cost reduction. These aspects are important or very important for 60% of companies. To summarize, in the background of long-term customer and supplier contracts there are still the traditional operational factors connected to the company's operation and management.

On the customer side 'modern cooperation factors' related to business relationships are less typical causes of long-term contracts with customers. Factors that were important for my research, such as common problem solving, common strategy, cooperation in developments, the expertise of the partner or the possibility of sharing sectoral solutions, were less important than the average. This refers to the lack of strategic attitude regarding partnerships as the most motivating factors highlighted by the companies themselves can be criteria in a short-term relationship.

On the suppliers' side though, among the most typical causes of long-term procurement contracts there are the cooperation factors emphasized in my research.

On the whole, traditional motivation factors ensuring the operation and management of a company are more important in partnerships both in the long-term supplier and customer relationships, but motivations promoting and extending possibilities for co-operation, thus requiring more relationship specific investments and the ones that facilitate the stability and closeness of relationship also appear on the supplier side.

### *Role of factors influencing the motivation of long-term business relationships*

The process of forming the corporate strategy is based on the knowledge of environmental conditions. It means the knowledge of the market position, competitive position and bargaining power of the company (Porter, 1980). Based on this I think it is important to compare companies based on their size, market objectives and performance. Due to their market position and their bargaining power small companies are in a less favourable position than the leading companies of their sector when forming relationships, so willingness to cooperate is expected to be more typical in their case.

Differences regarding performance, i.e. in finance, technology, quality and market share between companies and other companies in their industry influence the implementation of their activities and their pursuit for more economical and efficient operation.

Besides sectoral characteristics are also determinate environmental factors. Companies operating in different sectors appear on the market with different product-service combinations. This also means a basic difference during their operation, as providing operational functioning is the characteristics of companies in the processing industry, while more flexible exploitation of new market possibilities is typical of trade companies.

Similarly, market growth objectives also influence the willingness of companies to cooperate with their partners.

Consequently, we can suppose that motivations for relationships of companies of different size, profile, performance and strategic objective are also different. So my corresponding hypotheses and their verification is as follows:

#### *1. Corporate size*

##### **H.2.1. During their operation small companies are more motivated to cooperate with their partners due to their market position, power and bargaining position.**

*Disapproved:* Companies with appropriate power and bargaining position due to their size, capital strength and position on the market, are not necessarily forced to cooperate with the actors of their industry as they are more able to maintain their competitiveness independently or willing to cooperate in a different way. In contrast, small companies, due to their position, are in a less favourable position regarding financing and power relations when forming relationships than the leading companies of their industry. As a result small companies are more likely to cooperate with their partners, as it is either advisable to cooperate with other companies in the same or similar position, to realize some operational fields together or they become suppliers of big companies. The

findings of the research show though, that small companies are mostly motivated by the exploitation of relational benefits and they try to take the advantages of handling and keeping contact with a smaller supplier base; to make use of the more reliable way of gaining information and thus more stable operation; as well as to exploit other operational advantages. This is also true for their relationships with their customers. Cooperation with partners, especially mutually beneficial one, motivates them to a smaller extent, in forming and maintaining relationships their priority is the maximalization of their profit. Co-operation with customers and suppliers mostly motivate big companies.

## *2. Scope of activities*

### **H2.2 Sectoral affiliation mainly influences motivation factors connected to the operational functioning of the company when forming long-term business relationships.**

*Accepted:* Comparison of sub-samples according to sectors confirmed that motivations of long-term business relationships are influenced by sectoral affiliation, as companies operating in different sectors significantly differ in the motivation factors of operational benefits and their individual variables both on customer and supplier side. It can be stated with 91.9% certainty on the customer side and with 96.5% certainty on the supplier side that motivation of companies working in different industries differ regarding motivation connected to the functioning of partnerships. Companies involved in different activities differ the most in operational factors regarding predictability, stability, cost- and time-saving.

Companies in the production sector take the operational advantages of long-term contracts the most. On the customer side it is true for food producers while on the supplier side it is true for non-food producers. Chains are the less motivated in exploiting operational advantages. What is important for them regarding their operation is the cost- and time-saving that can be achieved by long-term supplier relationships. The most important operational advantage in the food product sector is cost reduction and the possibility of stable capacity utilization. The non-food product sector is less motivated in the latter one. Companies producing non-food products deem it to be very important to know the potential quantities and quality expectations in advance on the customer side, while on the supplier side they appreciate favourable transport and storage possibilities as well as operational factors regarding cost- and time-saving.

To summarize, based on the analysis of sub-samples we can state that motivation factors connected to the operation of the company are more significant for producing companies, while they have a secondary role at trade companies.

### 3. Strategic objective

#### **H.2.3 Companies with an aggressive growth strategy are more motivated to cooperate with their partners in their long-term business relationships to meet this market objective**

*Accepted:* Findings of the research show that sub-samples that are different in their market objectives show significant difference regarding the customer side cooperation factor. Here the motivation of companies with aggressive growth strategy is outstanding, i.e. companies aspiring for aggressive market growth are more motivated regarding cooperation with customers, as it has an important role in meeting their objective. The possibility of common problem solving and the application of common developments in other relationships are especially important for them, the latter cooperation factor being significant in both their customer and supplier relationships.

Companies with aggressive strategies wish to meet their objectives primarily by exploiting their relational benefits with customers and by cooperating with them. At the same time the supplier side is important for them as well as the exploitation of benefits of long-term relationships. In this context, besides strategic alliances and outsourcing agreements types of relationships meaning a higher level of vertical integration also get more important role during their operation, which factors together make it possible for companies to implement their strategy successfully. The attitude of this group of companies is more balanced compared to the other sub-samples as beside relationships connected to the customer side, supplier side relationships also become important. These companies are more consistent when forming relationships, their approach is more developed in linking strategic objectives and the success of business relationships; they make greater effort to exploit the benefits of relationships and cooperation with partners; and their long-term market relationships are motivated by a customer service based on the formation of a stable and cooperative supplier base.

### *Connection between motivation of business relationships and company performance*

As it has already been mentioned, the corporate performance and the differences in it influence their activities and their aspiration for more economic and efficient operation.

In relation to corporate performance there is another question arising, i.e. whether successful companies are driven by different aspects when forming their long-term business relationships and whether better performing companies have more need for cooperation with partners.

My related hypothesis and its verification are as follows:

**H.3.1 Among the motivations of long-term business relationships of companies having higher performance, factors and possibilities of cooperation with partners are more important. However, corporate performance tends to influence factors related to the operational functioning of the company when forming long-term business relationships rather than cooperation factors**

*Accepted:* The results of the factor analysis (see motivation factors in Table 2) show that companies with different performance significantly differ in the motivation factors of operational benefits and their individual variables both on customer and supplier side. It can be stated with 91.7% certainty on the customer side and with 95.7% certainty on the supplier side that motivation of companies performing differently differ regarding motivation connected to the functioning of partnerships. Companies with top performance are the most motivated in exploiting operational benefits as these benefits enable them to increase their performance - especially their financial performance further. During their operation, expectations regarding cost play a very important role both on the customer and the supplier side. These expectations include possibilities for cost reduction, making use of better transport and storage facilities to a greater extent, and on the supplier side lower, more stable prices. Moreover, on the customer side the possibility of stable capacity utilization and the reliability of the customer is the most important, the latter being a less important aspect for companies with average performance. The aspiration to exploit all these operational advantages facilitates further increase of performance of highly performing companies thus reinforcing their leading role.

It is remarkable that companies lagging behind regarding the exploitation of operational advantages are less motivated, especially on the supplier side. The minor significance of exploitation of operational advantages connected to suppliers is reflected in the minor significance of lower, more stable prices, better transportation and storage facilities and possibilities for cost reduction. It is surprising that despite their lower company performance, this group of companies differ significantly in reaching lower and more stable prices; this factor especially does not have motivational force for them.



**Table 2: Motivation factors**

<b>Customer side</b>	<b>Supplier side</b>
<b>1. Motivation of relational benefit in the sales contract factor</b>	<b>1. Motivations of relationship benefits in the procurement contract factor</b>
The factor reflects motivation connected to and originated from the market environment of companies. This factor includes variables connected to the utilization of partnership on other fields, but certain variables refer to the fact how much motivation of long-term relationships of companies is influenced by their partners and competition on the market. Thus this factor carries information on the power and bargaining position of the company compared to their competitors.	
<b>2. Motivations of contracting benefits in the sales contract factor</b>	<b>2. Motivations of contracting benefits in the procurement contract factor</b>
The factor includes the motivation of advantages of long-term sales contracts, which companies can utilize in forming more stable, more flexible and broader relationships.	
<b>3. Motivations of cooperation benefits in the sales contract factor</b>	<b>3. Motivations of cooperation benefits in the procurement contract factor</b>
The factor includes cooperation factors of long-term relationships. The result of factor analysis confirms that 'modern cooperation factors' have single motivational force when forming long-term business relationships. According to CEOs' view the motivation of cooperation possibilities in development, common problem solving and common strategy belong together. These individual variables of motivation factors emphasize the common activities of partners. In partnerships they concern meeting common objectives and improve performance that can be reached by common activities. The factor analysis confirms that companies treat these factors together.	
<b>4. Motivation of operational benefit in the sales contract factor</b>	<b>4. Motivation of operational benefit in the procurement contract factor</b>
The factor includes individual variables connected to the provision of more stable, more predictable and more efficient company operation. These factors are not only in close connection but are also intertwined.	
<b>5. Motivation of information benefit in the sales contract factor</b>	
The factor includes motivations connected to better information obtaining coming from partnerships.	

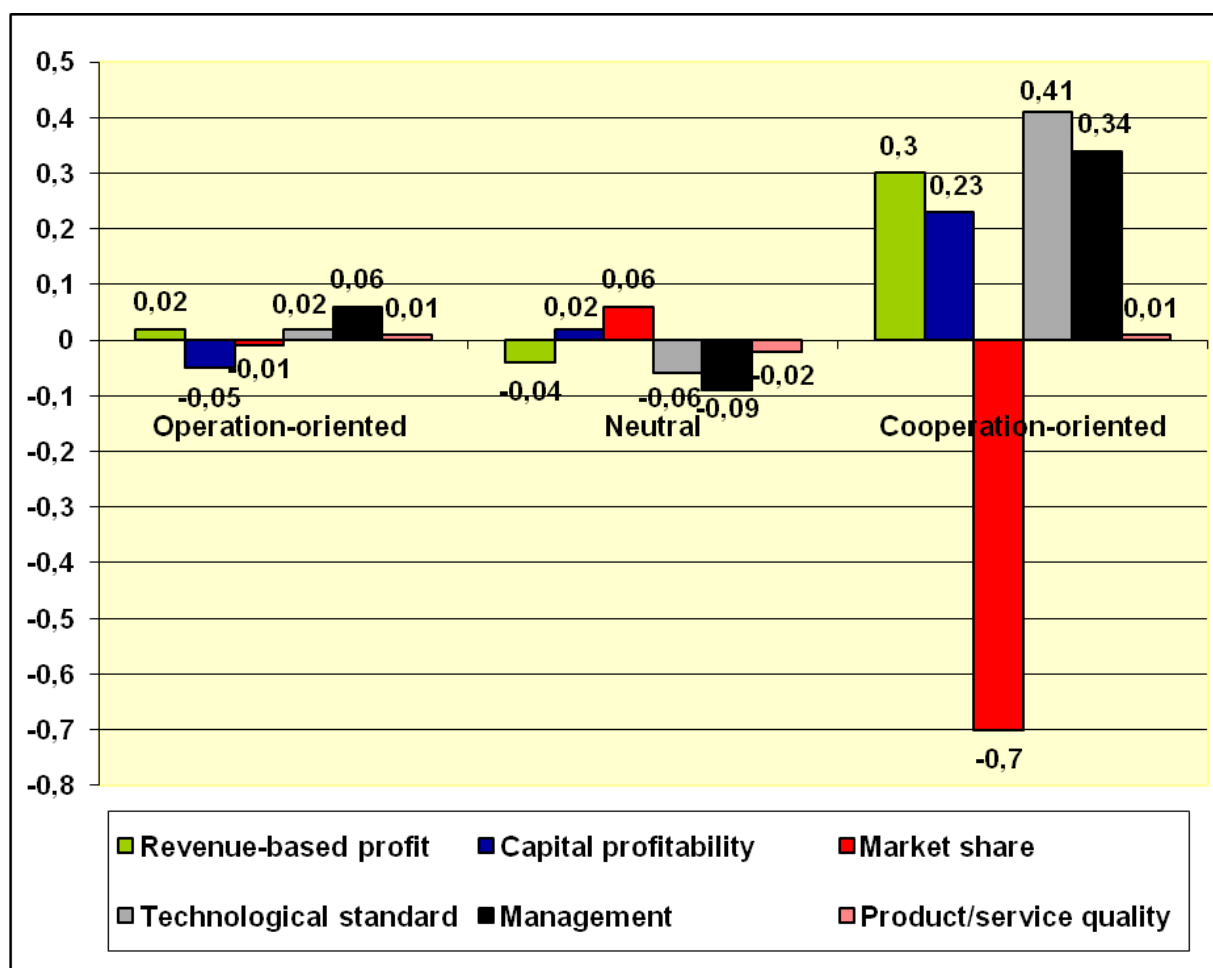
(Source: own)

Besides all this the question arises whether or not those companies where apart from providing operational functioning possibilities for cooperation with partners is also important show better results. The results of cluster analysis show that companies having higher performance are characterized by the motivation of cooperation with partners. Those companies perform the best who aspire to cooperate both on customer and supplier side. They are the cooperation oriented companies.

In case of this group of companies almost every motivation factor shows a value above average, but the formation of their long-term relationships is mostly motivated by cooperation with their partners. They want to keep their partners so flexibility within the framework of a contract is an important motivation for them as well as predictability and reliability. They are also motivated in common developments, strategy building and problem solving with their suppliers, as well as exploiting relational benefits. They also aspire to exploit information and other benefits inherent in keeping closer contact with their suppliers. All these are important because they refer to the appearance of network attitude in this group of companies. In their case it is perceptible that value created on the appropriate supplier base is the precondition of company and customer value creation as well. This motivation cluster includes small, medium and big companies as well; whose market

objective is moderate growth. Regarding their performance they are companies lagging behind or average regarding performance, mainly from the trade sector and the food producer sector. Their motivation for cooperation is in harmony with the latter ones, but it can also facilitate the improvement of their company performance. It is confirmed by the fact that during the research in case of five in six indicators studied, cooperation oriented companies perform over average. In connection with the central element of their motivation, their performance is outstanding regarding the level of technology and they are also the best regarding the work and efficiency of management as well as financial performance, i.e. pre-tax margin and return on equity. Besides all these though, their market share is mostly under average. Its increase might be incentive in their partnerships (Figure 4).

In summary we can state that in forming long-term business relationships company performance mostly influences factors connected to the company's operational functioning, but those companies perform better who, besides meeting operative objectives, attach greater importance to motivation factors such as possibilities for cooperation with partners.



**Figure 4: Connection of motivation clusters and performance criteria (differences from the average)**  
(Source: own)

### *Connection of characteristics of partnerships and involvement of partners in the processes of the supply chain*

To have a successful and mutually beneficial partnership it is essential for the partners to cooperate and share basic business information on certain fields, i.e. to have sufficient information flow. The question arises though, whether companies who strive for long-term business relationships with their partners are led by different aspects in forming their long-term business relationships, are characterized by more intense claim for cooperation with their partners in several fields and also whether they share business information with each other. My connected hypothesis and its verification are as follows:

#### **H.4.1 Companies who have a higher proportion of long-term contracts are more likely to cooperate with their partners, so they build up a closer relationship with them and involve them in their supply chain processes in several areas**

*Partly accepted:* Results of the research on customers' side show that regarding certain fields of cooperation with customers, companies where the proportion of long-term sales contracts is over 81% significantly differ from each other in the field of planning and forecasting demand, planning and scheduling sales and planning the distribution system. This group of companies involve their customers in the processes related to sales in these fields to a greater extent thus promoting their more efficient operation in the chain on the customer side. In case we take the 61% proportion of long-term sales contracts into consideration, in accordance with their long term partnership concept, these companies involve their customers more in every field of coordination, except in the field of establishing a common facility which is the least typical field of cooperation anyway.

Studying companies, where over 80% of the turnover comes from a few customers or who are in contact with fewer than 20 customers, we can say that this group of companies having sales connections with a few customers and who mainly work in the food producer and non-food vendor supplier field of the SME sector, also significantly differ from other companies in agreement on shipping schedule and harmonizing and sharing sales figures. They also have higher average values in all the other fields, so they exploit the advantages of having fewer customers and closer partnerships.

The picture on companies' willingness to cooperate and build closer partnerships can be further diversified if we consider how much they try to meet their customers' individual requirements. Companies who customize all the time or often tailor their basically standardized products to their customers' needs involve their customers more in their processes related to sales, which is confirmed by the fact that they have significantly higher averages in every cooperation area examined, compared to other companies. They are also typically food producer and non-food vendor suppliers in the SME sector.

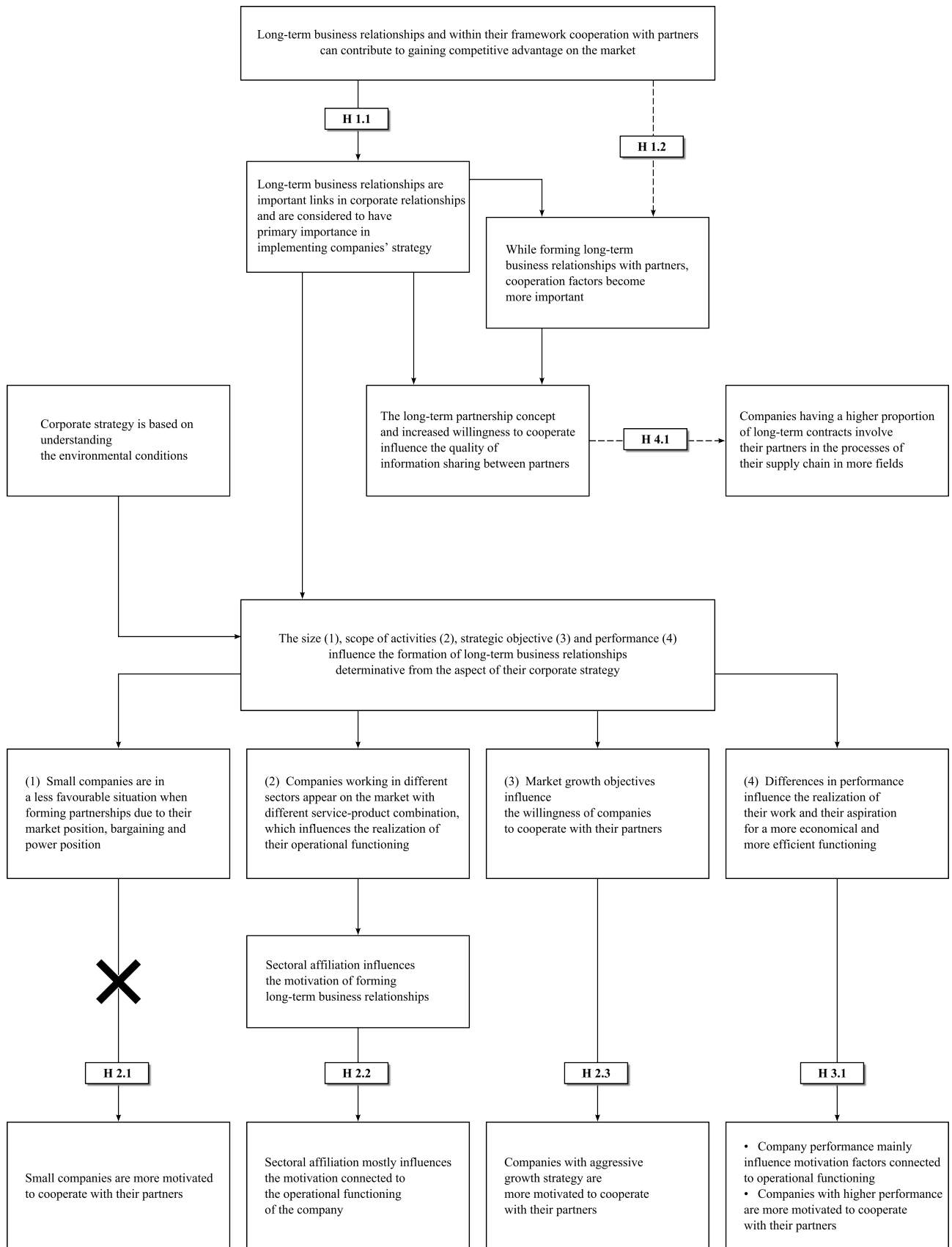
Regarding fields of cooperation with vendors, companies where the rate of long-term procurement contracts is over 81%, vendors are significantly more involved in the processes of the

supply chain in the field of sharing inventory data, using VMI, planning and scheduling sales, operating a common facility. In these areas this group of companies involve their suppliers more in the processes of their supply chain thus promoting their more cost-effective operation on the vendor side. If we consider the over 61% proportion of long-term procurement contracts they even cooperate more in the planning of a common distribution system.

If we look at the willingness of companies and suppliers to cooperate in the light of their interdependence, information regarding supplier connections related to the main activity of the company must also be studied. The group of companies where over 80% of purchase comes from a few suppliers or who are in contact with fewer than 20 suppliers significantly differ from other companies in the field of coordination and sharing sales figures, cooperation in using VMI, planning and scheduling sales, and common planning of the distribution system. This group typically consists of food producers and non-food trader suppliers from the SME sector. However, instead of exploiting the advantages of having connections with a few suppliers through closer cooperation, they involve their suppliers less in their sales-related processes. Looking at other fields of cooperation, there are lower average figures compared to other companies (although these differences are not significant), i.e. vendors are less involved in the processes of the supply chain in every field of cooperation to a smaller extent. The only exception is the field of planning and scheduling production, as they cooperate more with their suppliers here, although the difference is still not significant. Having done the analysis of contingency tables for companies doing business with few vendors and suppliers and having compared them, it can be seen that 90% of the companies having few vendors, also have few customers. As a result, these companies, as suppliers of chains to avoid being deleted from the list of suppliers, one-sidedly focus on their sales processes to operate more efficiently, because they involve their customers to a significantly greater extent in the processes of their supply chain in every field of cooperation, while the same is not valid for their vendors.

In summary, companies which have higher proportion of long-term sales contracts and have business relationships with fewer customers whose individual needs they try to meet, are typically more willing to cooperate with their partners and involve them in the processes of their supply chain more in the fields studied than other companies. Regarding the supplier side though, the initial hypothesis can not be clearly confirmed, as the group of companies with a higher proportion of long-term procurement contracts cooperate with their suppliers mainly in fields connected to stocks. Having closer relationship with suppliers does not mean greater willingness to cooperate with them, as they involve their suppliers in the processes of their supply chain to a smaller extent, except in the field of planning and scheduling production.

For the model of hypotheses justified by the results of the research see Figure 5.



**Figure 5: Model of hypotheses justified by the results of the research**  
(Source: own)

#### **4. NEW AND ORIGINAL SCIENTIFIC RESULTS**

1. With my primary research I have proved that long term business relationships have the most important strategic role in the relationships of retail chains and their suppliers. Among them sales relationships get greater importance, which refers to sound customer-oriented attitude.
2. Results of the research show, that currently in the relationships of chains and their suppliers regarding the motivation of long-term business contracts, traditional, operational factors ensuring the operation of a company are more important in partnerships, while motivations promoting and extending possibilities for co-operation and the ones that facilitate the stability and closeness of relationship are less important.
3. As the findings of the research show, sectoral affiliation mainly influences motivation factors connected to the operational functioning of the company when forming long-term business relationships. Exploiting different operational benefits, especially cost-reduction, stable capacity utilization is mostly typical of food producers. Regarding the importance of these factors, food producing companies significantly differ from the other companies, which confirms that especially in case of the small suppliers of the agricultural sector the stepped-up budgeting, capacity problems and appropriate capacity utilization are determinant operational factors.
4. Results of factor and cluster analysis show that those companies perform better who, besides meeting operative objectives, attach greater importance to motivation factors such as possibilities for cooperation with partners.
5. Primary results on partnership cooperation motivation of small suppliers show that quite unexpectedly, this group of suppliers has lower motivation level in the field of cooperation with partners. Reciprocity principle is less typical in their partnerships, their priority in forming and maintaining relationships is to maximize their profit and to achieve a win-win situation is less important for them. This might be due to their size and their market position as they are the suppliers of big chains. Moreover and in connection with it, meeting strategic objectives is less significant in their long-term business relationships. All these confirm the lack of strategic way of thinking which is very common in case of small suppliers.
6. In the relationships of suppliers and chains, results on connections between company size and coordination areas show that a bit in contrast to expectations, different manifestations of buyer power do not evidently affect weaker, smaller and more vulnerable suppliers the most, but rather the stronger, more dynamic ones, typically medium size companies. Due to their growth potential the basic interest of these companies is to reach the broadest possible range of consumers, so this group of companies is not in a situation to find an alternative sales channel, especially in a short time, in case of being deleted from the list of suppliers.

## 5. SUMMARY AND FURTHER DIRECTIONS OF RESEARCH

During my research I studied the specialties and motivations of long-term business interactions between large-scale retail chains and their suppliers from the aspect of their relationship to the corporate strategy. The review of literature has indicated that business to business relations play an important role in the implementation of corporate strategy. Thus the objectives set, when formulating relationships, reflect the attitude of companies towards their partnerships. To learn more about the topic I studied the role of particular types of relationships in the implementation of corporate strategy as well as the motivation factors of forming partnerships.

The study of business relationships of companies demonstrated that restructuring of organizations being one of the cornerstones of the corporate strategy's implementation, has already been completed. This is also confirmed by the fact, that outsourcing and integration do not play such an important role in corporate strategy. Currently long-term business relationships have the most important role in the implementation of corporate strategy. The proportion of successfully running long-term market relationships is significant, meaning that business relationships of company networks are stabilized, and companies prefer them in the implementation of their strategy.

Considering the results of my research we can say that the confidence play a prominent role in the cooperation among partners. This is not surprising, as common problem-solving, strategy forming and developments mean such an obligation in information sharing towards partners, which they only do if the maximum level of confidence is maintained among them. Results also indicate that for most of the companies the correspondence of partnerships and the strategic objectives is very important, determining the field of working relationships, taking theoretical considerations into account.

To summarize my primary research, the results achieved on the complete sample confirm that long-term business relationships are important links of long-term company relationships and are preferred in the implementation of corporate strategy. Among long-term contracts the sales contracts are getting higher priority, referring increasing customer-orientation of the firms. All this confirm that from the aspect of network research the investigation of the long-term business relationships are the most important field of company relationship systems.

Knowing the mutual expectations of partners is essential for efficient supplier-customer relationships. Companies asked about their expectations towards their suppliers found the expectations regarding professional competence, reliability, costs and long-term cooperation more important. Aspects making it possible to build higher level of partnership that would most require relationship specific investments are pushed into the background among expectations. This refers to the lower level of stability of business relationships, as relationship specific investment would fix them (Håkansson and Ford, 2002). It is also true for expectations towards customers that those expectations that would facilitate the formation of efficient, mutually beneficial partnerships are pushed into the background. Considering the fierce competition on the market, the competition of

suppliers generated by retail chains and the vulnerability of suppliers, it is surprising that forming sales alliances is among the last ones in the order of importance of expectations.

Regarding the motivation of long-term business contacts, the factors ensuring the operational existence of the company are considered more important, than those motivations promoting and extending the opportunities of co-operation or facilitating the stability and closeness of their partnerships.

Based on the results of research done on company sub-samples we can say that companies of different size are different in the motivation factors of long-term market relationships. As a result, exploiting relational benefits mostly motivates small enterprises, but they also try to exploit the operational advantages of long-term relationships, which can be easily understood by knowing their market position. Co-operation with their partners mostly motivate big companies, as they build their networks more consciously.

Companies operating in different sectors appear on the market with different product-service combinations, showing basic differences in their activities. Thus the affiliation of the firm to various branches mostly influence the motivational factors connected to the company operation, as the results of the research on sub-samples confirm it.

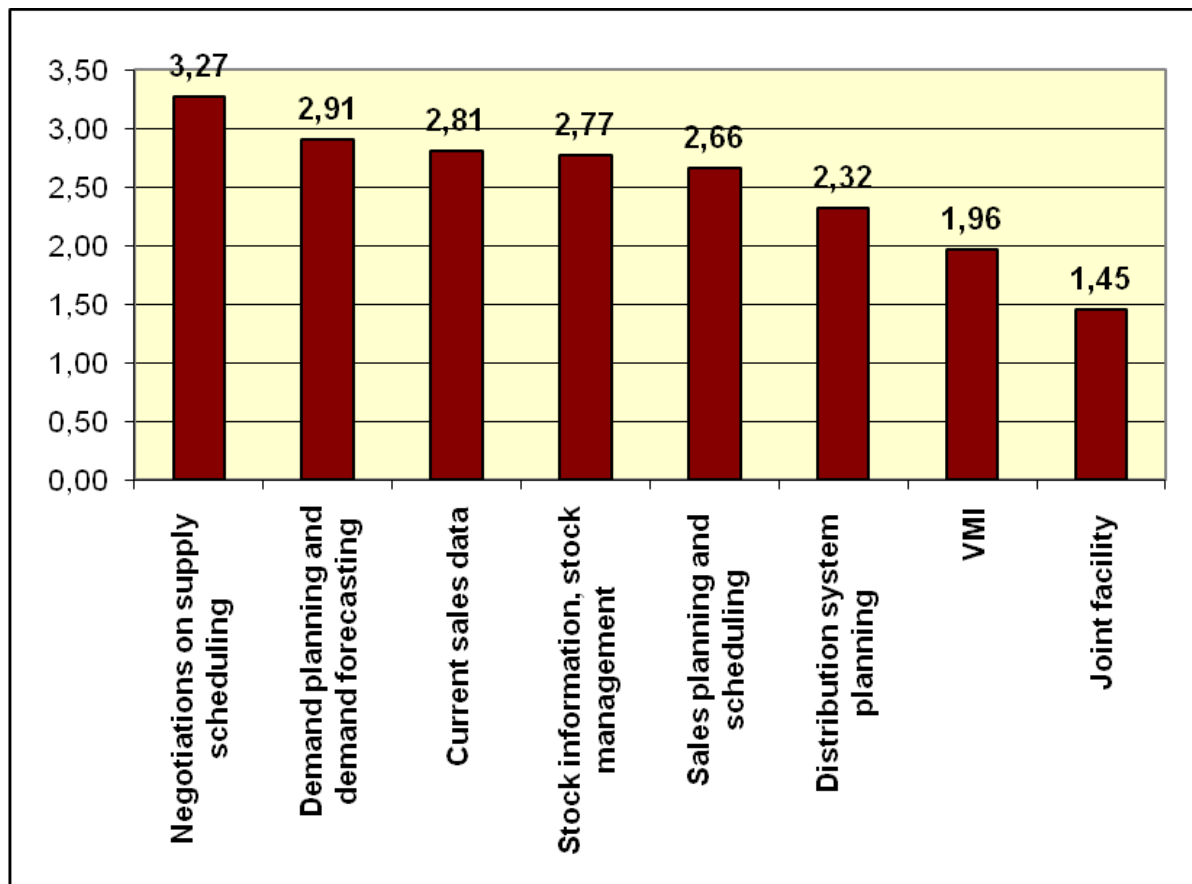
Companies having different strategic objectives are also showing considerable differences in their motivations establishing their long-term contracts. Business relationships of companies trying to keep their market positions are primarily motivated by the fierce competition on the market. This is manifested in the fact that in their customer relationships they are mostly motivated by gaining information and relational benefits. They try to meet customer requirements by realizing implicit benefits of long-term supplier relationships. Companies having aggressive growing strategies wish to meet their objectives primarily by exploiting their relational benefits with customers and by cooperating with them. However the supplier side is also important for them as well as the exploitation of long-term relational benefits. These groups of firms approach the problem in a more balanced way, as they treat the customer side relationships as important as the supplier side. These companies are more consistent in forming their relationships, their approach is more developed in linking strategic objectives and the success of business relationships; they make more effort to exploit the benefits of relationships and cooperation with partners; and their long-term market contacts are more facilitated by a stable and cooperative supplier based customer service.

Apart from pointing out differences in motivation among isolated sub-samples, it was also my objective to explore whether there are differences between the performances of companies having different motivations regarding their long-term market contacts. In the latter case the question is whether those companies achieved better performances which were emphasizing more their cooperation with partners. Results of factor and cluster analysis show that those companies perform better who, besides meeting operative objectives, attach greater importance to motivation factors such as opportunities for cooperation with partners.

An important aspect of partnership assessment is the field of cooperation with partners and the degree of their involvement in their supply chain process. As the life cycle progresses, the activity bonds between cooperating partners are increasingly intensive and paralelly both resource

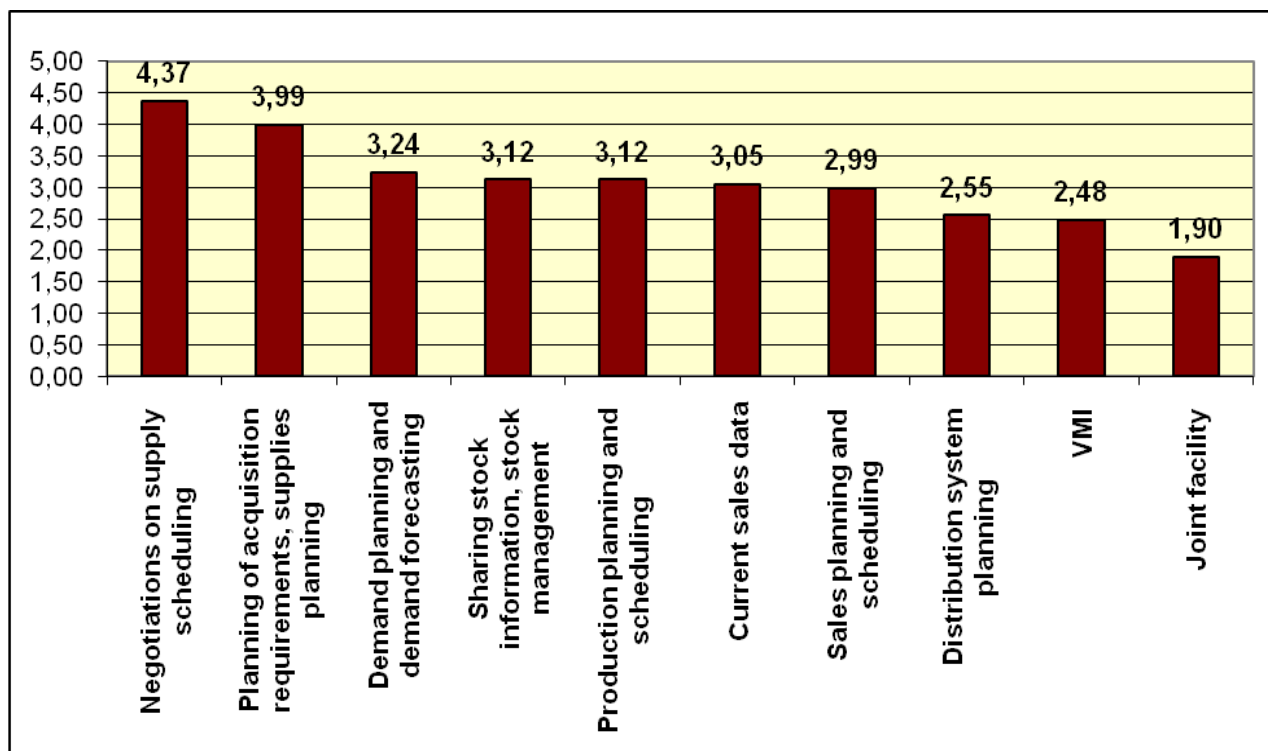


bonds and human and social bonds extend and become stronger. The results of the research show that regarding fields of coordination companies involve their suppliers more than their customers to harmonize their processes (Figure 6 and 7). On the customer side, companies where the proportion of long-term sales contracts is higher, cooperate with their customers to a greater extent in accordance with their long-time partnership concept and stronger customer oriented approach. However, all this is not valid for their long-term supplier relationships, i.e. as suppliers of chains they primarily focus on their sales processes to meet the chains' expectations and to avoid being cancelled from the suppliers' list. Companies also try to take advantages of having connection with fewer customers by forming broader cooperation with them. However, all this is not completely realized on the supplier side as companies take advantage of having connection with fewer suppliers to a smaller extent. On the customer side that group of companies who often tailor their products to their customer needs or customize products every time, try to cooperate with their partners in several fields.



**Figure 6: Involvement of customers into the processes of the supply chain**

*(Source: own)*

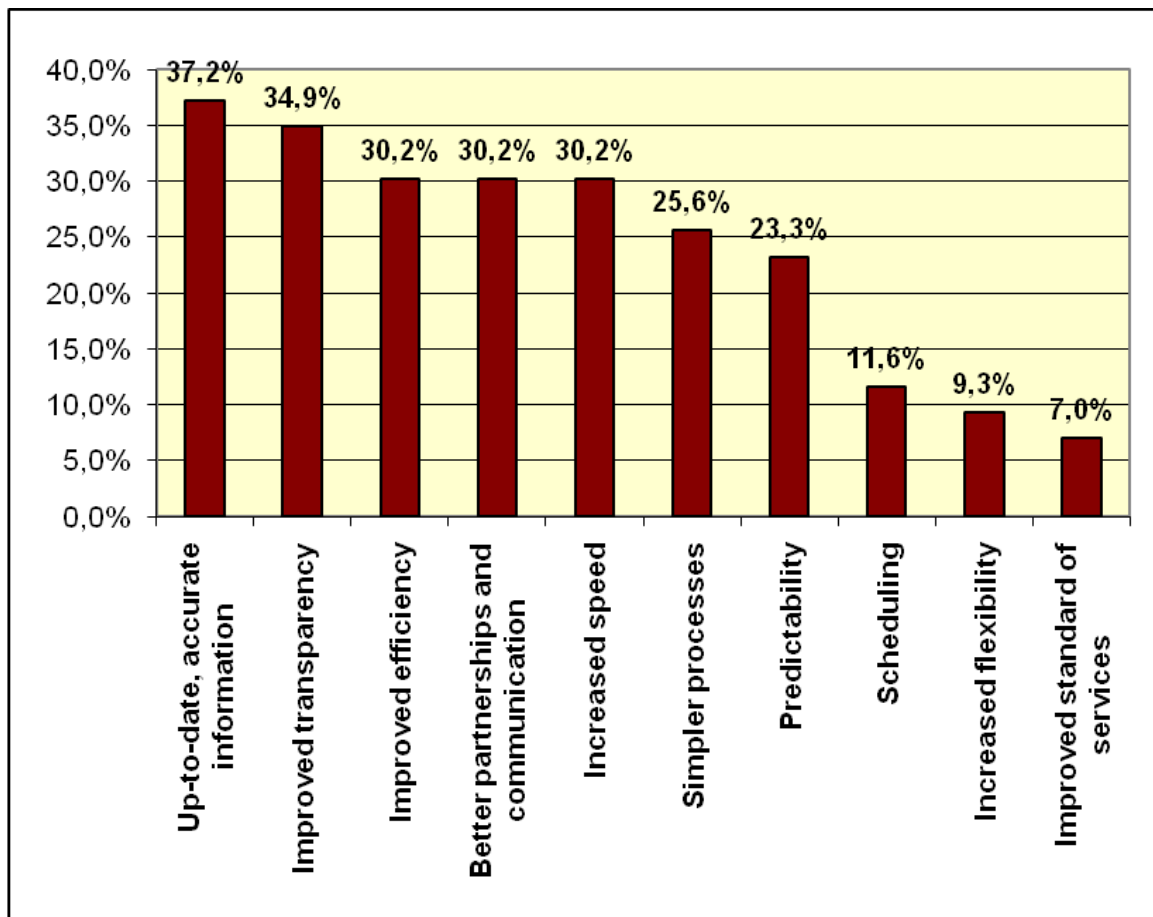


**Figure 7: Involvement of suppliers into the processes of the supply chain**

*(Source: own)*

Results on customer relationships and customization show the prevalence of the findings of the Irish and British surveys (Forfás, 2004, 2005) in the national retail sector, i.e. apart from cost effectiveness retail chains also find competitiveness regarding time increasingly important. It primarily has an accelerative impact in the field of daily supply of goods and product development, in which areas chains expect their suppliers to make further effort. This can only be beneficial for vendors too, if the trade and product demand forecast works accurately and gets to suppliers in time and it is not only about devolving the risk of sales to suppliers on behalf of chains.

To maintain efficient and fruitful partnerships it is essential to share basic business information as well as to know how much the corporate information system supports the decisions related to customer and vendor partnerships and how relevant the provided information is on the given field. It is also confirmed by the fact that the quality of communication plays an important role in the value judgement of companies among the factors of success or lack of success. This also shows the importance of this factor in forming and operating business contacts, as efficient cooperation very often depends on the communication between partners. In my questionnaire I asked companies if they have enterprise resource planning (ERP) system and what connection it has with their partners' information systems. According to the findings, over half of the companies interviewed have ERP system and 15% is planning to introduce it in the near future. Most of the companies having ERP system are satisfied with its operation, i.e. its usage in their partnerships brought benefits for them (Figure 8).

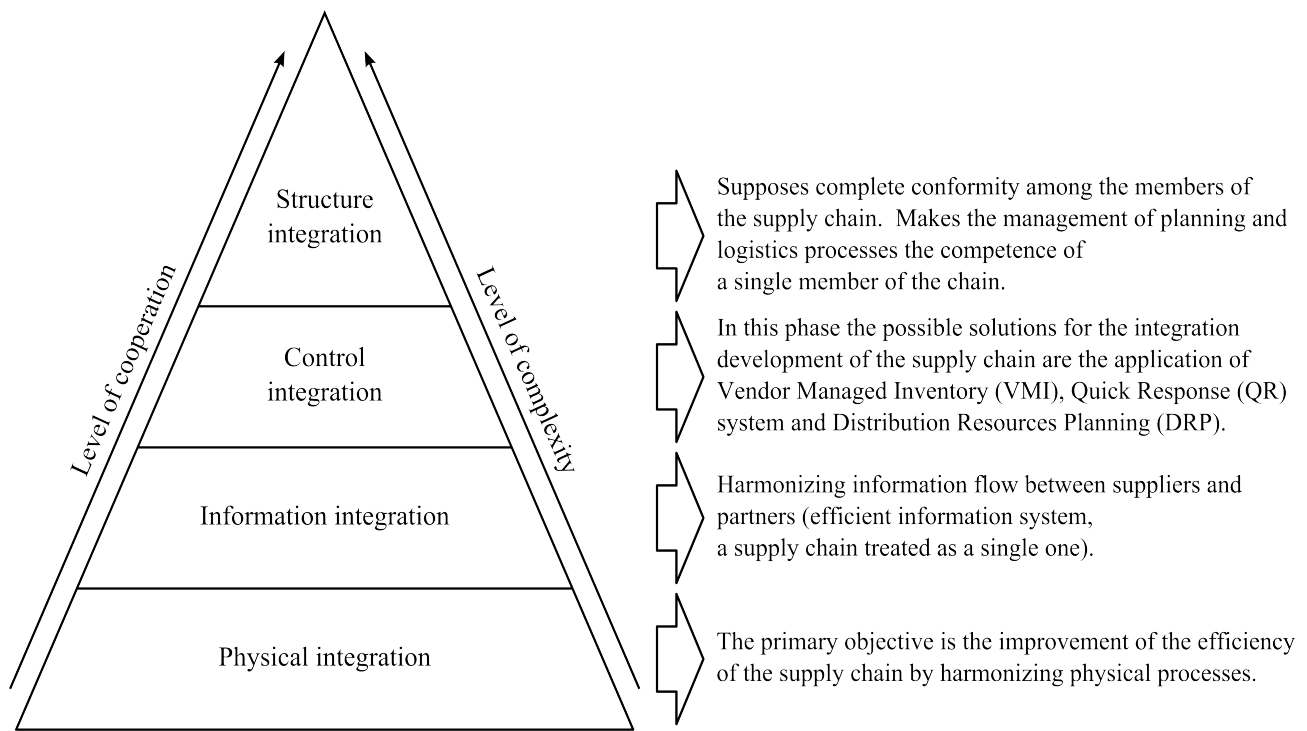


**Figure 8: Benefits of using ERP system in partnerships**

*(Source: own)*

Further results regarding the closeness of information relationships show that in case of companies maintaining EDI connections – a higher level of integration relationship – and online connections, pursuit for longer and closer relationships is not clearly typical. Companies having ERP system, which means the closest and most direct information relationship with partners, pursuit longer and closer relationships, but the share of such companies is low.

All in all, based on Van Goor's (2002) supply chain integration model (Figure 9) and the primary results on involvement of vendors and customers in the processes of the supply chain and the partnership characteristics of their information systems, we can say that the partnership of store chains and their vendors is characterized by a relatively low integration level of activities, partnerships are situated on the level of material and information integration and usually do not move on towards higher levels of integration. Based on the findings of the research regarding the nature and closeness of the connections of information systems we can say that meeting the requirement set by the chains, i.e. due to requirements on efficiency suppliers have to accelerate the introduction and use of information and communication technology, is still less realized.



**Figure 9: Development of partnerships - levels of integration in partnerships**

*(Source: based on Van Goor, 2002)*

#### *Further directions of research*

The main barrier of my empirical study was that the number of sample elements was low thus it could not represent retail chains and their suppliers with enough accuracy. Consequently the results of the study can't be respected generally. To be able to do so, the research concept should be conducted on a higher sample.

The topic of the research raises some further direction for research such as

- Exploring further details of analysis done on sub-samples and further connections between sub-samples.
- Studying the influence of competition based on a detailed investigation of market forces.
- Analyzing the attitude and practice associated with business relations treatment.
- Besides the study of the mechanistic of vertical co-operations in the retail sector, a further direction for research can be the more detailed exploration of the effect of customer power as well as the study of horizontal retail co-operations and alliances; and horizontal supplier co-operations and alliances.
- Through case studies the characteristics and value driver roles of strategic partnerships of corporate networks should be studies and analyzed.
- This method makes it also possible to form companies own relationship portfolio and to analyze experiences and pitfalls in more details.

To realize all these goals and step forward in the corporate practice, in research and in the higher education, the cooperation willingness of company managers is strongly needed.

Finally, to summarize the dissertation we can say that although companies are primarily driven by traditional aspects connected to operative work when forming and operating their long-term business relations, the motivations of long-term business contacts are more diversified and companies put different emphasis to each motivation factor. Based on the group of companies studied, we can state that stronger motivations for cooperation are also present in the firm's operation and they form the cooperation fields together with their partners according to these motivations. In the relationships of chains and their suppliers long-term contacts are increasingly common and although broader practical application of techniques built on partnership require longer time, our results are promising.

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