

# **Supplier-Partnering Management: A Case Study of the Kaisha**

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## **ABSTRACT**

Over the last decade many business have begun to recognise the competitive advantages that can be found from developing co-operative partnerships with suppliers. The automotive industry has been in the forefront in developing buyer-supplier partnerships as they attempted to remain competitive with the Japanese firms.

This case study examines the factors that may influence buyer-supplier relationships, in particular as they relate to the procurement operations of an American automotive subsidiary of a Japanese firm. The Japanese parent company has a long history of keiretsu<sup>1</sup> supplier relationships and how these have translated into the American firms operations is of particular consideration. The American subsidiary is undergoing an organization restructuring that will have a future impact on supplier relations.

Several factors are proposed for consideration for future research. These include how the parent firm's keiretsu relationships impact the American firm's supply base. Also of consideration is how successful the firm will be in determining the particular aspects of different supplier relationship models that will provide the most benefit in establishing a supplier-partnering management program.

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<sup>1</sup> A keiretsu is a corporate relationship linking Japanese companies. It usually involves a non-controlling interest in each other, strong high-level personal relationships, and interlocking directorships.

## **Introduction**

The development of buyer-supplier partnerships has been credited with allowing firms to compete more effectively in global markets. Businesses have begun to recognise there are competitive advantages in developing co-operative partnerships with suppliers (Langfield-Smith, 1998).

The automotive industry in particular has embraced the concept of supplier partnering in an attempt to remain competitive with Japanese firms. U.S. automotive firms have recognised that part of the reason for the success of Japanese automotive companies is their close supplier relationships (Dyer, Cho, & Chu, 1998).

The U.S. automotive industry has begun in the last decade to rid itself of the traditional arms-length supplier arrangements they have had in the past and to seek the same type of relationships with their own suppliers that have contributed to the Japanese firms success (Langfield-Smith, 1998). DaimlerChrysler, in particular is the U.S. automotive firm that has concentrated on developing co-operative arrangements with their suppliers (Putnam & Chan, 1998).

The purpose of this paper is to consider the factors that may influence buyer-supplier relationships. This case study examines the supplier relationship of an American subsidiary of a Japanese automotive manufacturer conducting procurement operations in the United States. The American operation is referred to as the "Kaisha", which is the Japanese word for "large Japanese company" (Yoshimura & Anderson, 1997). The Japanese parent company is referred to as the "Mother Kaisha".

The study of the Kaisha's procurement operations is pertinent to the body of knowledge regarding buyer-supplier partnerships due to the control exercised by the Mother Kaisha. The Mother Kaisha has a long history of keiretsu relationships and the effect of those relationships on the Kaisha's operations is worth noting. Adding to the complexity of the Kaisha's procurement process is its location in the United States with the majority of its suppliers being North American firms. The remaining supply base is composed of Japanese supplier firms that have established operations in the United States, some solely dedicated to supplying the Kaisha.

As the Kaisha attempts to define its procurement strategy, the differing relationships between the North American and the Japanese suppliers are of particular interest in this study.

This paper examines aspects of the co-operative buyer-supplier partnering models and how each is utilised within the Kaisha's procurement operation.

## **Case Study**

The Kaisha is an automotive assembly plant located in the United States. The U.S. operation is a wholly owned subsidiary of a Japanese automotive manufacturer. Upper management, until recently, consisted of mainly Japanese on assignment from the Kaisha's parent company the Mother Kaisha.

A number of Japanese co-ordinators from the Mother Kaisha work on assignment in virtually all of the Kaisha's departments. Their assignment times average three years and at the end of their tenure at the Kaisha, some are placed in management positions at one of the Mother Kaisha's suppliers.

The purchasing organization is the only Kaisha department that has attempted to define the co-ordinator's role within the organization. Purchasing policy defines their role as assisting the American staff in their daily activities and facilitating communication between the Kaisha, its suppliers and the Mother Kaisha. The co-ordinators are to take part in training the American staff in the methods and practices of the Mother Kaisha in such areas as supplier relations and cost analysis of supplier quotations.

Interaction with suppliers is conducted primarily through the various departments of the Kaisha. The purchasing department is designated the primary window department for all supplier matters. Engineering for vehicles produced by the Kaisha comes from the Mother Kaisha. Design and engineering is provided to the Kaisha from Japan. The designers and engineers for Kaisha vehicles also are responsible for the same activities for all of the Mother Kaisha's vehicles regardless of where they are produced. North American suppliers provide 70% of the total production parts the Kaisha uses with the remaining 30% provided by the Mother Kaisha.

The Kaisha's supply base is composed of American, Canadian, and Japanese transplant firms. Transplants are the U.S. based operations of Japanese automotive supply companies whose business structures resemble those of the Kaisha and the Mother Kaisha.

The Kaisha has 275 production part suppliers and regularly purchases materials and services from an additional 500 suppliers. Annual purchases for production parts average \$1.5 billion per calendar year, with materials and services purchases, including raw materials, averaging \$500 million per year. These Japanese transplant firms comprise roughly a third of the total production supply base, and account for 55% of total production dollars spent on a calendar year basis.

The Kaisha's procurement strategy in terms of supplier-partnering management has not been clearly defined. Even though the plant has been in operation over 10 years, the Kaisha has not established a formal supplier-partnering management program. Management of supplier relations has been left to individual buyers as well as other personnel from the quality and production control areas.

The Kaisha's informal supplier-partnering management program is a hybrid of the different supplier relationship models described in the literature. Some characteristics of the Japanese keiretsu model's supplier relations have carried over to the Kaisha, especially in terms of Japanese transplant suppliers. Characteristics of the adversarial arms-length relationship model are evident in the Kaisha's relationship with some of its North American suppliers. The Kaisha has implemented programs characteristic of supplier-partnering management. These include joint development work with suppliers, as well as formal supplier support and cost reduction suggestion programs.

The Kaisha has begun to reorganise its operations, and Americans are being placed in top management positions. New programs are being implemented to improve communication within the Kaisha and the organization has launched major cost cutting initiatives. As of yet, the Kaisha has not addressed the need to establish a formal supplier-partnering management program.

#### *The Effect of Trust on Supplier-Partnering Management*

Research indicates a stronger inter-organizational trust can be established between the buyer and supplier firms when buyers are given more autonomy. (Burt & Doyle, 1993; Helper & Sako, 1995; and Laester, 1998) At the Kaisha, buyers are not given any leeway when making sourcing decisions. Production buyers do not have a minimum approval level, and several layers of management, dependent on the annual dollar volume, must approve all sourcing selections. When questioned why buyers were given such limited freedom in making sourcing decisions, upper management expressed that most buyers did not have sufficient qualifications to make such long-term financial decisions. However, no plan is in place at the Kaisha to provide these buyers with the skills necessary to allow them to function more autonomously.

Purchasing is not the only department that interacts with suppliers on a regular basis. The production control and quality control departments are often involved with suppliers and have established relationships with supplier personnel. This has created problems both within the Kaisha and with suppliers in terms of consistent communication. Suppliers rated clear and consistent communication from all departments as important to building a strong buyer-supplier relationship, however their rating of the Kaisha in this area was average. The message being sent to suppliers is that the Kaisha departments are not unified in terms of their expectations for supplier performance. The mixed messages suppliers receive also contribute to increased cost. This is evidenced by instances where other departments request the supplier to make changes in parts or packaging and the resultant cost increase is then submitted to the purchasing department who had no knowledge of the change. This lack of communication between the Kaisha's departments results in inter-departmental conflict as well as not presenting the supplier with the impression of an organization who participates in cross-functional decision making.

#### *Information Sharing*

In the supplier survey (April 1998), suppliers rated two-way information sharing as one of the most important aspects of a strong supplier-partnering relationship. Suppliers also rated direct communication with engineering and clear and consistent communication from all departments as

important to building a strong buyer-supplier relationship. Despite the emphasis suppliers' place on information sharing, the Kaisha has not put forth much effort in developing the tools available to facilitate communication.

The Kaisha does not use e-mail or the Internet to communicate with suppliers. The Kaisha does utilise electronic data interchange (EDI) to transmit production schedules to suppliers and most suppliers use EDI to communicate advance shipment information to the Kaisha. Despite the fact that the use of EDI can significantly reduce administrative cost, as well as reduces errors, the Kaisha has not committed resources to the development of additional EDI transaction sets. The Kaisha uses the advance shipment information from suppliers as a measure when evaluating supplier performance. The lack of an EDI transmission to notify suppliers when an advance shipment transmission is rejected has contributed to suppliers believing that their performance measures do not reflect actual circumstances.

The Kaisha and the Mother Kaisha do not transmit design information to suppliers on-line. This lack of integration of computer-aided design helps contribute to slow development times. Engineering documents are still primarily in the form of paper drawings that can take up to two weeks to be received by the Kaisha. The Kaisha then processes the drawings before mailing to suppliers which can take an additional two weeks. The resulting effect is four weeks for a North American supplier to receive engineering documents. This is in direct contrast to the Japanese transplant suppliers who receive such documents direct from their parent company much quicker.

The Kaisha does provide its North American suppliers with a supplier guide. This guide details the business processes and requirements suppliers are expected to comply with when doing business with the Kaisha. The guide is comprehensive and covers all aspects of the buyer-supplier business relationship. To facilitate distribution of the pertinent sections of the guide to affected supplier areas, the Kaisha publishes the guide in a loose-leaf format to encourage reproduction of the various sections. However, it has been found that suppliers do not distribute the guide to those areas needing the information it contains. For example, one supplier stated that the guide was on a shelf in the sales representative's office and none of the sections had been distributed to the supplier's operational areas.

### Supplier Development

The Kaisha has a supplier development program that differs from those of Honda and Toyota. (Lincoln, Ahmadjian & Mason, 1999) The Kaisha's program is not as intensive and is only for four days at a supplier location. Of the four days, the first two days are spent training suppliers on how to conduct vendor assurance activities, then selecting an area of a suppliers operation to focus on during the remaining two days. The program calls for all levels of participation by a supplier and a commitment to dedicate these personnel for the duration of the program. A portion of the last day of the program is spent teaching suppliers how to continue the activities after the Kaisha's personnel leave.

When asked on the supplier survey to rate how important a supplier development program was on strengthening relationships it was rated 22<sup>nd</sup> in importance out of 27 items. Interviews with suppliers who had participated in the Kaisha's supplier support program also indicated that less than one-third continued to utilise the tools taught during the program.

### Top Management Support

Suppliers indicated on the survey that top management support from both parties was critical in the successful formation of a supplier-partnering management program. The high importance the Kaisha's suppliers place on top management support from both companies supports the literature assertion that this type of interaction is crucial to the development and maintenance of a strong relationship.

When suppliers were asked to rank whether the Kaisha and supplier top management met on a regular basis, the mean response was indicated that suppliers felt that there were an insufficient number of meetings. This ranking holds with interview results indicating that top management of the Kaisha only meets with supplier top management when there is a problem with the quality, delivery or cost of the item being supplied.

Suppliers must interact with several different departments within the Kaisha, and the lack of a top management model on which to base their behaviour, there is a tendency for inconsistent communication from one department to another. Suppliers indicated on the survey that clear and consistent communication across departments was critical to building successful supplier-partnering management programs. When asked if the communication received from departments within the Kaisha was clear and consistent, the suppliers indicated this was a problem area within the relationship with the Kaisha.

The top management of the Kaisha has not established a policy defining their expectations with regards to supplier-partnership management. The lack of such a policy has resulted in individual departments pursuing their own agendas when dealing with supplier firms.

Kaisha personnel involved in the direct day-to-day interactions with supplier personnel have no model for guiding their behaviours. Top management has not clearly defined their expectations for the Kaisha personnel when interacting with suppliers. The lack of top management involvement has created a situation where buying personnel are left to their own devices for managing the supplier relationships.

#### Supplier Evaluations

The Kaisha conducts annual supplier evaluations with the best performing supplier firms receiving supplier awards. Suppliers are evaluated on the previous calendar year's performance in the areas of quality, cost and delivery. The Kaisha's supplier evaluations have encountered the same problems that Toyota experienced in implementing the Toyota Supplier Assessment system (Langfield-Smith and Greenwood (1998). These problems include suppliers feeling that measures were too subjective.

Kaisha suppliers interviewed during the course of this research indicated the same concerns regarding the Kaisha's supplier performance system. They felt that in particular the measurements regarding competitiveness were subjective on the part of individual buyers. They also felt that the Kaisha's system for tracking defects and delivery problems did not take into account situations where the Kaisha was the one ultimately responsible.

Unlike Toyota of Australia, the Kaisha has not solicited supplier feedback regarding performance measures. The only change to the Kaisha's evaluation criteria since the inception of the program in 1995, has been to simplify the delivery criteria due to a lack of accurate data.

#### Joint Product Development

Suppliers rated direct communication with customer engineering as the most important aspect in a successful supplier-partnering management arrangement.

The Mother Kaisha provides engineering services to the Kaisha. All production parts and material specifications are designed and established in Japan by the design-engineering department. The engineering department incorporates all engineering changes and all production part drawings are prepared in Japan.

The geographical distance between the engineering department, coupled with the Kaisha and Mother Kaisha's failure to utilise the latest communication technology has created a time lag not experienced by other manufacturers.

When a supplier initiates an engineering change request it can take several months to get reviewed and approved, first by the Kaisha, then by the Mother Kaisha's engineering department. An on-site research and development group, independent from both the Kaisha and the Mother Kaisha, can approve engineering changes on an emergency basis only. However, engineering changes to improve supplier processes can take up to 4 months to be approved and implemented through the system.

Suppliers rating the Kaisha's performance indicated that engineering aids, such as drawings, CAD data, etc., were not provided in adequate time for development and that the engineering aids they received were not sufficient. They also felt that the Kaisha did not give them adequate notification of engineering changes. Suppliers also felt that production part designs received from the Kaisha were incompatible with their processes.

The suppliers surveyed were production part suppliers for the Kaisha's new 1999 model sedan. During the design of this model, the Mother Kaisha implemented a program called Design-In. The objective of this program was to work with American suppliers to design the most cost-effective part that the supplier's process could support to produce high quality parts. This program fell short in many areas. Production part designers, due to both the geographic problems and the Mother Kaisha's failure to utilise communication tools effectively, failed to design parts that would be compatible with supplier's processes. They also fell short in utilising proven design and technology suppliers were already using with other automotive manufacturers.

The Mother Kaisha also implemented a new program during the development of the new model, called prototyping. By having American supplier prototype the production parts they had been selected to supply, it was felt that engineering changes could be minimised on these parts. In the past the Mother Kaisha had had prototype parts for new models produced by prototype shops in Japan who would not be the end provider of the part. The use of the American supplier selected to supply the part to provide the prototypes of the part was intended to reduce the cost of both prototyping and the ultimate production of the part. However, again the geographic location and lack of communication tools hindered the program.

According to interviews conducted with both Kaisha and the Mother Kaisha personnel, there was much confusion during the prototyping program as to responsibility for timing, computer aided drafting, as well as inspection and acceptance of the prototype parts. Design changes were late in being communicated by the Mother Kaisha to the suppliers, and several times prototype parts had to be scrapped. The cost for these scrapped parts was borne by the Mother Kaisha.

The Kaisha's purchasing department acts as the liaison between the supplier and the Mother Kaisha's engineering department. The prototyping program not only pointed out the communication problems inherent in such a long distance arrangement, it also highlighted communication problems within the Kaisha and the Mother Kaisha themselves.

### *Cross-Functional Teams*

Even though there has been a trend over the last few years toward cross-functional teams to support sourcing decisions (Trent and Monczka, 1998), the Kaisha has not implemented a formal cross-functional team program. However, various departments involved in the development of a production part meet on an informal basis to discuss sourcing decisions. When the buyer makes a sourcing decision for a new production part, they include in their justification, prepared for management review, whether various departments within the Kaisha concur with the potential source.

The Kaisha has informally declared the purchasing department as responsible for taking the lead in supplier activities, however, several departments have regular contact with various supplier personnel. These departments are each focused on their own primary objective during the development of a production part, which creates communication and co-ordination problems both within the Kaisha and with the supplier.

The Kaisha does not emphasise cross-functional team skills in performance evaluations. Teamwork abilities are evaluated during performance appraisals but only as one attribute, in a list of many, employees should possess.

The assumption can be made that the limited involvement of top management in supplier-partnering activities has prevented a cohesive cross-functional team structure from being developed within the Kaisha. Without a behavioural model to emulate, employees are greatly left to their own devices to deal with other departments. Interviews with Kaisha personnel indicated that many times the various department's desire to allocate blame for a problem precluded constructive problem solving.

With engineering located in Japan, Kaisha management felt it would be difficult to implement a cross-functional team encompassing all operations involved in the development of a production part. The Kaisha has not explored the possibility of establishing formal cross-functional sourcing teams within its own operation. The Kaisha also has no plans to provide formal training to Kaisha personnel in skills necessary to promote the successful implementation of teams.

### Costing Strategies

The primary driver for supplier selection at the Kaisha is cost, however, consideration is given to all areas of the potential suppliers capabilities. Prior to the selection of a new supplier, the Kaisha conducts a comprehensive evaluation of the supplier's capabilities. These evaluations are conducted by personnel from the Kaisha operational areas and are very comprehensive in nature. A potential source must obtain a minimum score before being selected as a supplier. However, before reaching the stage in the selection process where a source evaluation is undertaken, the source had to have submitted the lowest overall cost quotation.

Even though low cost is the primary driver of supplier selection, on occasion the co-ordinators in the purchasing department will select the supplier. With the concurrence of Japanese top management a Japanese transplant supplier is selected for the supply of a part. These type of decisions are rarely based on cost factors, and buyers are not privy to the reasoning behind the selection. They are however held accountable for ensuring the supplier achieves the target cost for the part. This practice has led to resentment and substantial turnover in the Kaisha's American buying personnel.

The Kaisha still demands annual cost reductions from suppliers with little regard for the supplier's profit margin on the part. Annually, letters are sent to production suppliers requesting a 3% reduction in piece cost.

The Kaisha uses target costs for production parts similar to other automotive firms. Target cost is determined by the Mother Kaisha's cost planning department based on what a similar part would cost to be manufactured in Japan. They first determine what the sales price of the completed vehicle will be then work backwards to determine target cost for each component. Buyers frequently expressed confusion on how the Mother Kaisha determines target cost, citing as an example, identical left-hand and right-hand parts with different target costs. The Kaisha's purchasing personnel are unable to furnish suppliers with detailed information on how the target cost for a part is established since they have very little understanding of the process themselves.

The Mother Kaisha in Japan also determines the budgets for supplier tooling, however, unlike with piece cost targets, the Kaisha has some input into this process. Tooling experts in the purchasing department review new model changes and based on previous tool cost, submit to the Mother Kaisha their estimate for tooling cost. The Mother Kaisha then uses these amounts when developing the tooling budget. Again, how the budget amounts are allocated to tools needed for individual parts is confusing to the Kaisha personnel.

The Kaisha is given model year targets by the Mother Kaisha, which are then allocated to all operational areas. The purchasing department is tasked with meeting cost reduction targets for purchased components. The Kaisha implemented a formal supplier cost reduction program in 1993 to encourage suppliers to submit ideas for reducing the cost of their components.

The Kaisha gives consideration to transportation cost, tooling cost, and potential packaging cost when selecting a production part source. However, there is not a reliable source of this type of information available to those personnel recommending sources to purchasing management.

The Kaisha utilises teardown activities to analyse competitor components. The selected vehicles are disassembled at the Kaisha and components are analysed with regard to weight, structure, number of welds, material, etc. Suppliers are invited to participate by estimating the cost of the components. The information obtained from these activities is then sent to the Mother Kaisha's engineering department. Kaisha personnel indicate they receive very little feedback from the Mother Kaisha's engineering department as a result of these activities. Changes to new model parts have been seen to incorporate some of the suggestions resulting from teardown activities, however, only those involved in the actual teardown can observe such changes. The Mother Kaisha does not communicate how parts are improved due to the Kaisha's teardown activities, and this leaves Kaisha personnel feeling that the activity is a waste of their time.

The Kaisha has not followed the lead of Chrysler in sharing the financial benefits of cost reduction suggestions submitted by suppliers. Cost reductions resulting from joint vendor assurance activities are taken completely by the Kaisha.

Suppliers indicated on the survey that sharing of cost reductions resulting from joint activities as extremely important for building a strong supplier-partnering management program. The Kaisha's not sharing of these reductions has contributed to adversarial relationships with some suppliers. Suppliers are reluctant to submit cost reduction ideas since any savings resulting from the suggestion will not be shared. Cost reduction submittals have decreased from almost 1,000 in 1994, the first full year of the program, to less than 300 in 1998.

The Kaisha also conducts process reviews with suppliers. These process reviews are conducted after the supplier's process is in place for production of a new model part. A review is undertaken of the supplier-submitted process and related cost items prior to the supplier visit. These visits can last from 2 to 5 days while Kaisha personnel investigate the actual process and raw material usage versus that the supplier initially quoted. Discrepancies between quoted and actual process and raw material usage are then negotiated between the Kaisha and the supplier in an attempt to lower the cost of the product for the Kaisha. These reviews have yielded substantial cost reductions for the Kaisha during the development of its newest model. The Kaisha is planning on continuing process reviews with the next three models to be launched. The Kaisha does not share these cost reductions with suppliers.

#### Supplier Segmentation

The Kaisha holds does not formally segment suppliers by product, total cost of the production part, or by how critical the component is to customer satisfaction. However in actuality, greater attention is given to those components that experience the greatest number of engineering changes prior to production. These parts tend to be the ones that could significantly impact customer satisfaction, such as, the instrument panel, audio components, etc. Kaisha personnel spend the majority of their time working with the suppliers of such components than with those supplying "shoot-and-ship", easily manufactured, parts.

#### Discussion

The Kaisha's procurement operation utilises characteristics from the keiretsu supplier relationship model, the arms-length relationship model and the supplier-partnering management model. However, the lack of a defined strategic supplier management program has hindered the Kaisha in terms of cost, quality and product delivery.

J.D. Power & Associates compiles and publishes Initial Quality Survey (IQS) data that measures customer satisfaction during the first 90 days of ownership. This industry accepted measure of quality and customer satisfaction has consistently ranked the Kaisha's products in the lower half of their market segments.

Financially the Kaisha has suffered from the lack of a clearly defined supplier-partnering management program. The Kaisha has only posted a profit for the calendar years of 1997 and 1998 due in part to cash infusion from the Mother Kaisha. With purchased components accounting for sixty to seventy percent of the total vehicle cost, it can be asserted that the lack of strong supplier partnerships has played a role in the Kaisha's difficult financial situation.

Communication problems with the Mother Kaisha's engineering department contributed to an eight week delay in the launch of the Kaisha's newest model. The supplier survey indicated that the communication of engineering changes early enough to allow successful implementation was critical to the buyer-supplier relationship. The geographic distance between the Kaisha and the Mother Kaisha creates logistics problems in the communication of engineering changes. However, the Mother Kaisha is only now beginning to give the Kaisha direct access to engineering documents on-line, and only on a limited basis.

The lack of on-line communications with the Mother Kaisha and suppliers has hampered the communication of critical information all parties need to support development schedules.

The Kaisha's Japanese transplant suppliers enjoy an advantage over the North American suppliers due to the keiretsu affiliation of the parent and the Mother Kaisha. Long-established relationships and close geographical proximity of the Japanese firms to the Mother Kaisha, engineering changes are communicated quicker than seen with North American suppliers.

Communication between the transplants and the Kaisha's Japanese co-ordinators are patterned after the relationship that exists between the transplant parent and the Mother Kaisha. Without a similar model, the Kaisha's American personnel are not as consistent in their interactions with suppliers.

The lack of top management support has contributed to the communication problems the Kaisha experiences both internally and with suppliers. The Kaisha has not followed the Mother Kaisha's lead in establishing study groups between supplier and the Kaisha top management.

The Kaisha has implemented aspects of the supplier-partnering management model, however each has been a limited imitation of other manufacturer's activities. This can be seen with the supplier development program where the Kaisha's program is a four-day activity versus other manufacturer's programs that may last from several weeks to months.

The Kaisha's supplier evaluation program is another example of an attempt to implement aspects of a supplier-partnering management program. In some of the evaluation criteria there is a lack of accurate data from the Kaisha's systems. The Kaisha has not sought feedback from suppliers to improve the measurement criteria to ensure they accurately reflect the supplier's actual performance.

Target costing is another area where the Kaisha has implemented a supplier-partnering management program aspect. However, since the Mother Kaisha establishes target cost, the benefits that can be derived are not being enjoyed by the Kaisha. Target costing, as part of a supplier-partnering management program, enable a buyer to share with a supplier its perception of how the cost of a product should be structured. Since Kaisha personnel are not involved, or informed of the method used, in establishing target cost, they are unable to communicate the exact breakdown to their suppliers. This has contributed to mistrust both for Kaisha personnel but for suppliers as well. Suppliers find it very difficult to accept the Kaisha's target cost as realistic when there is no explanation of how it was determined.

The Kaisha has also experienced significant turnover in its buying staff, which confirms interview results that the lack of a strong procurement strategy contributes to job dissatisfaction of buying personnel.

Even though the Kaisha has attempted to implement elements of the supplier-partnering management model, the lack of top management involvement and guidance has hindered the full development of these programs. It would appear that the Kaisha is missing an opportunity to establish and maintain supplier-partnering management. The lack of demonstrated top management support on an ongoing basis sends a message not only to the supplier that the relationship is not a priority, but it also sets the tone for the working level relationships as well. The day-to-day interactions with the suppliers have no model to guide behaviours within the relationships.

The Kaisha has attempted to integrate aspects from all three-supplier relationship models into their operations. The lack of a clearly defined supplier-partnering management program, which provides the foundation for managing the supply base, has prevented the Kaisha from gaining the competitive advantages enjoyed by those automotive firms that have committed to developing and maintaining strong supplier-partnering management programs.

### **Future Research**

As previously noted, the Kaisha has begun an extensive reorganisation with Americans filling the top management positions. As part of this reorganisation, the new top management is expressing a realisation that the Kaisha's lack of a clearly defined supplier-partnering management program is having an adverse impact on quality and profitability. Possible future research includes investigating how successful the Kaisha is in defining and implementing a supplier-partnering management program. The

steps undertaken in defining their program could also serve as a basis for future research. The opportunity to study the actual implementation of a supplier-partnering management program could offer contributions to the body of knowledge.

Additional research would also be appropriate to develop further understanding of the effects a foreign parent can have on its subsidiary's supplier relationships.

### **Conclusion**

The purpose of this paper was to present a case study exploring the factors that influences buyer-supplier relationships. While research has dealt with the benefits of strong supplier relationships, this case study provides a unique perspective in attempting to understand the effects the foreign parent can have on the its subsidiary's supplier relations. This case study also provides support for previous research, which indicates that only through the adoption of a strong supplier-partnering management can a firm gain the most competitive benefits from its relations with suppliers.

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