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# An Empirical Study of Buyer-Supplier Relationships within Small Business Organizations

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### ABSTRACT:

A paradox exists in small business organizations; although effective buyer-supplier relationships are essential to the success of small businesses, these organizations may not have the purchasing and selling power in terms of managerial resources to implement them. This provides us an opportunity for research to determine how well developed are buyer-supplier relationships within small business organizations. Grounded in transaction cost and resource dependence theory, this paper presents and empirically tests a model that examines the relationships between buyer and supplier specificity and long-term buyer-supplier relationships and the latter's impact on organizational performance from the buyers' perspective. The results of this study provide insight into the development and impact of buyer-supplier relationships within small business organizations. Several managerial implications can be determined.

### KEY FINDINGS:

Key finding from this study are:

- Increased buyer specificity positively impacts long-term buyer-supplier relationships in small businesses.
- Increased supplier specificity does not appear to moderate the relationship between buyer specificity and long-term buyer-supplier relationships in small businesses.
- Long-term buyer-supplier relationships positively impact organisational performance in small businesses.

### IMPLICATIONS FOR MANAGERS:

- If small business managers desire a closer or longer-term relationship with a particular supplier, they should seek out ways to increase their specificity toward that supplier or at least signal to the supplier their willingness to do so.
- Small businesses develop and maintain relationships by investing in specific assets in the same way as do large firms and that this can enhance success.
- However, buyers are unlikely to further commit to the relationship even when the supplier increasingly commits resources.