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Value creation through relationship management in supply chains

A social capital perspective

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Abstract

The business world is changing towards complexity and most businesses are parts of multiple different relationships. Well managed relationships create value in many ways but this research deals with social capital perspective. Social capital refers to the valuable assets that stems from the existing relationships with external partners. Lengthening supply chains and today's accelerating competition make the approach essential especially in the supply chain context. More traditional, transactional value is not enough anymore, and value creation should be sought from new sources.

Developing the social capital of relationships has a vast effect on a firm's performance. Companies can create value through improving operational performance but also the performance of relationships which has been less discussed in the past academic literature. Utilization of social capital perspective can result in, innovations, enhanced inter-organizational learning, better satisfaction with external relationships, improved operational excellence, and many other valuable improvements. Literature expresses that social capital can be built mainly through creating trust and commitment and integrating supply chains. The practical implementation of activities that are leading to these desired results are, however, relatively less discussed.

Negative issues of social capital, like raising opportunism, are expressed and they are in a critical role for managers to consider if the social capital perspective is implemented in the company. To create new concrete suggestions for managers about the practical activities of building social capital more empirical studies are needed. The thesis gathers the existing practicalities of building social capital but also it gives the direction for future research.

Keywords Relationship management, Social capital, Value creation, Supply chain

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1 Introduction

The business world is changing towards complexity and most businesses are parts in multiple different relationships. Due to increased competition and higher efficiency requirements, collaboration with external partners or outsourcing is not a requirement only in some specific business field like for example manufacturing or logistics, but it comes into consideration in all of the company's functions, including marketing, finance, customer service, supply chain management, and many others. So, the challenging business environment is not only an issue for the departments that traditionally have been the ones acting with external partners but nowadays it is a common challenge for entire organizations. To maximize the value creation new perspectives of relationship management are needed.

Managing external resources can be approached through many kinds of lenses. This research approaches the issue through the supply chain management perspective. The topic has become even more important in the field of supply chain management after only organizing the operations effectively started not to be enough alone to excel in competition. Value creation is searched from new sources to ensure success in the middle of increasing global competition. A careful and systematic approach to collaboration is essential and so also the supply chain literature presents the needs for closer relationships between supply chain parties. The aspect of collaboration as a value creator is broadly acknowledged (e.g. Flynn, Huo and Zhao, 2010; Cao and Zhang, 2011; Pandiyan and Muhammad, 2016). Koza and Lewin (2000) lists in their research, reasons for failures of alliances that are, inter alia, lacking collaboration and trust, lacking advanced planning, and focusing too little on actually managing the relationships. The list points out that besides just organizing operations between partners, there is still something additional to be done to get the relationships to maximize the value creation of the company.

The social capital perspective was chosen firstly because of its importance in value creation (Whipple, Wiedmer and Boyer, 2015) and secondly because its critical details have been long in the shadow of the other, more traditional, aspects like for instance operational improvements (Singh, Garg and Sachdeva, 2018). Issues that Koza and Lewin

(2000), already listed are exactly in the center of the social capital view; Trust and collaboration are essential for success. Social capital is defined as a valuable asset that stems from relationships and interaction between individuals, firms, and networks (Coleman, 1988; Granovetter, 1992; Nahapiet and Ghoshal, 1998). Considering and utilizing the social capital perspective leads to better results in the form of improved performance. Improvements in performance are achieved primarily through supply chain integration and creating trust and commitment in the relationships between supply chain parties (Kwon and Suh, 2004; Terpend *et al.*, 2008; Nyaga, Whipple and Lynch, 2010; Pandiyan and Muhammad, 2016). The actual concept has been studied a lot, but the other question is, what are the actual activities to implement the perspective of social capital?

In this research, the aim is to dive more deeply into the practical issues of implementing the social capital perspective in the supply chains and also to bring up the challenges that are related to it. The methodology of the research is a literature review. The topic is broadly discussed in the existing literature, but practical issues have been less discussed. The focus of the previous researches has been more on the studies of the outcome side, performance improvements, and general level activities, but in practice, how can the value be created and what are the possible negative effects that companies can face and how managers can avoid them?

1.1 Research objectives and research questions

Social capital perspective is not a new invention in the field of research and even in the supply chain context. In the existing literature, outcomes of utilizing social capital perspective in relationship management are broadly studied, and in the previous researches, the mediators between improvement activities and outcomes have also gained more attention. However, the implementation issues of practical activities have been relatively less discussed, so the aim is to overview the existing practical level findings and explore what kind of practical activities existing literature offers for managers to be considered while improving the relationship performance of supply chains. Also, the negative aspects of social capital in relationships have gained more attention in the previous research, so the research also presents the most common negative effects and brings up the practicalities of avoiding them.

To conclude the objective of the research shortly, it is to create an understanding of the possibilities of relationship management from the social capital perspective in the supply chain context and to present the findings from existing literature about practical activities for managers to be considered. Also, the aim is to create a reminder about the possible negative issues of social capital and present what practical ways existing literature offers to avoid them.

To support the objective of the research, three research questions have been chosen:

1. What is the dynamic of social capital and value creation?
2. What are the central relationship management activities to be considered from the social capital perspective?
3. What is the negative side of social capital, where it originates from and how to prevent it?

Research questions are used throughout the thesis to support the core aim of the research and in discussing and summarizing the topic of the research. The first question is meant to highlight the dynamic between activities and outcomes. The second is presenting the practical activities that existing literature acknowledges from a social capital perspective and the last question considers the negative side of the social capital.

1.2 Scope of research

Supply chain management, relationship management, social capital generally or in a business context, value creation, are all, even separately, very broad research areas. Defining the reasonable scope for the thesis and making strict limitations according to the decided scope, is central from the perspective of the relevance of the thesis. Due to the broad research area, limitations are made in the following way.

Social capital which stems from external relationships is in a central role of the research. It is approached through the three dimensions; Relational, cognitive, and structural, expressed by Nahapiet and Ghosal (1998). Alternative definitions and approaches are

ignored to keep the focus in a research objective, in practical activities and implementation issues.

Literature, reviewed in this study, is gathered primarily from the supply chain management perspective. Relationship management is studied also in the other fields, like marketing and strategic management (Tanskanen *et al.*, 2017), but to keep the focus, the thesis does not dive deeper into researches, where relationship management is more broadly discussed, excluding the findings of practical activities that were sought more broadly due to their limited existence in only supply chain management studies. Some researches are still borrowed from the field of other disciplines, but the main focus is on supply chain management's researches.

Nevertheless, supply chain management is the context of the research, it still does not focus on only one specific relationship type like for example only in buyer-supplier relationships or upstream- or downstream integrations. The purpose of that decision is to highlight the aspect of utilizing social capital perspective in value creation and especially the practical issues of implementing the proposed activities. The literature review indicates that similar relationship management activities are used in diverse relationships, so to ensure the relevance, limiting the relationship type, is not necessary for this context.

1.3 Structure of the research

The thesis builds on information and theories which are gathered from the existing literature and the research is structured in the following manner. Chapter 2. is a literature review that is done to explore the existing knowledge about the topic. Also, the most important terminology is explained. Chapter 3. defines the methodology used in the thesis work and deepens into the approach which is behind the literature review. After methodology, the thesis continues to chapter 4., which discusses the results of the literature review with the help of research questions. Chapter 5. concludes the research.

2 Literature review

A literature review is built in the following manner. First, it clarifies what is social capital and the three dimensions of it and what are the two different sides of the social capital. Second, it defines what is supply chain perspective and what are the central concepts around it, and in the last chapter, it deepens in value creation and its multiple measurements.

2.1 Social capital

Social capital theory (SCT) is a theoretical framework that enables exploring the value creation companies receive through their social relationships with external partners. Social capital is defined in existing literature as a valuable asset that originates from access to resources that are available through social relationships (Coleman, 1988; Granovetter, 1992). Approach to the theory has changed from the more structural Colemans (1988) view about the capital that arises from the interaction between individuals, to approach that takes also interactions between bigger communities and networks into account (Nahapiet and Ghoshal, 1998).

During the history of social capital research, many different approaches to social capital have been explored. Relational, structural, and cognitive dimensions have been studied all together, one at a time or some studies have been recognizing only two of the dimensions; Relational and structural. This thesis uses the three-dimensional approach and the next subchapter explains the approach more precisely. After that the chapter continues to explore, what are the negative issues of the social capital and how they should be taken into account when exploiting the theory.

2.1.1 Social capital dimensions

The three-dimensional approach of social capital is expressed originally by Nahapiet and Ghosal (1998) and it contains relational, cognitive, and structural dimensions. It is the approach that has been under the exploration later, compared to a two-dimensional view which leaves the cognitive dimension out but which has been used in the many previous

researches of which as an example Autry and Griffis (2008). Nevertheless, in this research, the focus is on Nahapiet and Ghosal's three-dimensional approach.

The dimension of relational capital refers to trust, obligation, reciprocity, and friendship that are developed in interaction with external partners (Granovetter, 1985; Nahapiet and Ghoshal, 1998). Presented as such, relational capital indicates the strength of the relationship and makes the interaction between parties easier, more cost-efficient, and overall more fruitful. Also, Sherman (1992) expresses in his study, that one-third of strategic alliances fail because partners are lacking trust in each other, so the necessity of understanding relational aspects is clear. From the supply chain perspective, the issue of trust has been highlighted, because supply chains usually have high dependability on other external parties (La Londe, 2002). From the supply chain perspective, strong relationship and trust make possible to share sensitive information to partners and gain performance advantages through that.

Common values and shared vision are playing the central role of the cognitive dimension of social capital (Tsai and Ghoshal, 1998). Cognitive capital refers to shared representations, values, interpretations, and systems of meaning (Nahapiet and Ghoshal, 1998). When companies share their vision and values, it can benefit the whole organization not only supply chain operations. Examples of benefits for different functions are, for example, operational benefits, that stem through improved performance in cost efficiency, quality, delivery, and flexibility (Krause, Handfield and Tyler, 2007) and strategic benefits that evolve through closer collaboration (Singh, Garg and Sachdeva, 2018).

Finally, the last section of the three dimensions, structural capital, refers to patterns and structures between external parties. It describes how interaction is organized and addresses the importance of information sharing (Granovetter, 1973; Nahapiet and Ghoshal, 1998; Koka and Prescott, 2002). Supply chain management would be hard without clear structures in relationships with external partners, and the optimization of even lengthening supply chains requires organizing the information sharing between enterprises (Sahay, 2003). Taking the structural dimension into account is essential to create a systematic approach and enable the management of the actual relationship.

Even the dimensions are presented separately in the definition of Nahapiet and Ghosal (1998), according to Whipple, Wiedmer and Boyer (2015), there is a strong correlation between all of the dimensions. That finding allows approaching the social capital as one entity without focusing on only one of the dimensions at a time. Still recognizing the differences between dimensions would help with the improvements in the practical implementation phase.

2.1.2 Two sides of social capital

Like mentioned, social capital is seen as a valuable asset that can enhance firm performance. Building social capital and especially trust decreases the chances for relationship problems but the whole picture is not that clear. Existing literature recognizes two sides for the social capital; the bright side that leads to improved firm performance and the dark or negative side which indicates the increased vulnerability of parties due to close relationships.

Many previous researches recognize opportunism occurring in different supply chain relationships (Jap and Ganesan, 2000; Krause, Handfield and Tyler, 2007; Villena, Revilla and Choi, 2011; Lew, Sinkovics and Kuivalainen, 2013). For instance, Villena, Revilla and Choi (2011) bring up in their research that building social capital can have a positive effect on firm performance but on the other hand, taken to an extreme, it can increase opportunistic behavior in the relationships. Kim and Choi (2015), in turn, studied the strength of the relationships and how that affects the value creation of relationships. From the thesis perspective, an important finding from their article is that intermediate ties, which refers to relationships that are neither strong nor weak, are more vulnerable to opportunistic behavior. That means that building social capital and strengthening the relationship would probably have a positive effect on the relationship performance, but the right balance seems to be challenging to find.

Opportunistic behavior is not the only negative issue that building social capital can cause. Tight collaborations can lead also to suboptimal decisions if the relationship is too strong and decisions are made to maintain the relationship and not keeping the value creation in the center of decision making (Bendoly *et al.*, 2010). Being part of a collaborative relationship can also discourage independent thinking due to relying too much on the relationship partner and in the end it can lead to undesirable results (Autry

and Griffis, 2008). A tight and collaborative relationship with strong social capital is an attachment for many companies and getting out of the relationship can be hard (Kim, Oh and Anand, 2006). In this context, the strong attachment can be seen as a cause for passing some market opportunities that evolve outside the relationship. The company does not have an opportunity to exploit the new opportunities if it is strongly attached to only one relationship. Koka and Prescott (2002) express also that information sharing, which is a central part of building social capital, can be taken into too extreme and it is then seen as a waste of resources. Focusing too much on activities that are building the social capital can lead to losing the focus from the core business. These different challenges form the negative or the so-called dark side of social capital. Solving the issues is essential if the aim is to maximize the value creation in supply chains through the social capital approach.

The solution to the challenges is not obvious and already in early sociological studies, Granovetter (1985) brings up the problem of relying on trust too much and warns about the opportunism that it can cause. The mentioned study shows that a strong and trustful relationship is not always only a positive outcome and the dark side should be carefully considered. Villena, Revilla and Choi (2011) summarized the issue well; “Either too little or too much social capital can hurt performance”.

Also, the aspect, that supply chain integration results in an improved outcome (Pandiyan and Muhammad, 2016), is argued. The argument itself is explained more precisely later in the thesis, but according to Fabbe-Costes and Jahre (2008), a conclusion about the more supply chain integration, the better performance, is not possible to draw. In turn, Lawson, Tyler and Cousins (2008) present the opposite view and argue, that the more integrated supply chain, the stronger is the relational capital and they see it as a mediator to better performance. Aspects seem to be in a contradiction and creating one clear picture of the situation remains challenging and more research is needed.

The previously mentioned findings show that building social capital and increasing collaboration is not a totally clear and unambiguous task and many aspects should be considered. To highlight both sides of the social capital, the study of Woolthuis, Hillebrand and Nooteboom (2005) studied the relation of trust and control. They found that dependent on a situation, trust and contracts can act as both, substitutes and complements for each other, which means, that for instance, as a substitute, trust can

replace the need for the binding contracts. Comparing the finding of the research, with the other articles, the multidimensional picture of the issue strengthens even more. In other words, in some cases trust has been the mediator for better performance and in some cases mediator for opportunistic behavior (Granovetter, 1985; Villena, Revilla and Choi, 2011).

2.2 Supply chain relationship

The supply chain has been defined in many ways during its long history. Mentzer *et al.*, (2001) studied the different definitions and as a result, they define it as a set of entities that are involved in the flows of goods, capital, or information from the beginning to the end of the transformational journey. Handfield and Nicholas (2002) define the supply chain as a network of entities that transform the raw materials into the ready goods for the use of end customers. The supply chain does not contain only organizations that are parts of it but also the internal business processes that are involved in the journey of goods. In short, supply chains contain all the operations and entities that products and services face during their way from raw materials to the end customers.

Relationship management, in turn, is a very broad concept that is hard to define without setting it into a specific context. Relationship management has been studied in marketing in the form of customer relationship management and relationship marketing (e.g. Payne and Frow, 2005), strategic management has studied similar management activities in a form of managing strategic alliances (e.g. Koza and Lewin, 2000; Koka and Prescott, 2002) and supply chain management approaches the relationship management mainly through managing a different kind of buyer-supplier and network relationships (e.g. Terpend *et al.*, 2008; Whipple, Wiedmer and Boyer, 2015). As a definition relationship management can be seen as a management of customer and partner relationships with an aim to create value and improve the relationships. All the disciplines are aiming to reach competitive advantage and improved performance through relationship management. Especially in the field of supply chain management, the focus on managing relationships and collaboration has increased after managing internal activities started not to be enough to compete in the middle of accelerating global-wide competition (Singh, Garg and Sachdeva, 2018).

Despite many disciplines are offering a wide range of studies to be used in the context of relationship management, the thesis keeps the focus on the supply chain management perspective. Mentzer *et al.*, (2001) brought up that in addition to the supply chain, also supply chain management has faced a broad range of different definitions. They divide supply chain management into the three sections that are management philosophy, implementation of management philosophy, and a set of management processes, which together describe the wide extent of the concept. In this thesis, supply chain management can be seen as a management of the external partners, supply chain activities, and collaborations in the supply chain through sharing information and developing and aligning business processes (Mentzer *et al.*, 2001). Supply chain management combines all the company's operations and builds a transformation journey of the goods as efficient as possible. Lambert and Cooper (2000) also remind that supply chain management is not only about managing external relationships but it contains managing the supply chain as a whole, internally and externally.

Many types of research express that relationship management and especially its collaborative aspect is a central part of the supply chain management (e.g. Lambert and Cooper, 2000; Flynn, Huo and Zhao, 2010; Cao and Zhang, 2011; Pandiyan and Muhammad, 2016). Lambert and Cooper (2000) also mention that the management of different relationships is often compounded as such to supply chain management even though according to earlier definitions it is also about many other activities. The finding indicates that supply chain management is strongly associated with the management of external resources and from the thesis perspective it creates an important link between the supply chain context and relationship management. The focus of this thesis is particularly on managing external resources and supply chain partner relationships, so the supply chain management aspect of developing internal business processes is mostly ignored, excluding the situations when they come into developing the social capital of the relationships.

2.3 Value creation

Value creation can be approached in many different ways. For example, Hillman and Gerald (2001) use traditional shareholder value as a metric when they research

stakeholder management of primary stakeholders (e.g. customers, suppliers). Financial literature knows also many other value definitions for value creation, but one of the most popular value measurements is economic value added by Prober (2000). Economic value added (EVA), measures what is the financial value that the company can produce. Economic value added is used in many research fields and for example, Presutti (2003) uses it as a value creation measurement in the supply chain context. The decision, about how to measure and define value creation is not easy, and therefore frameworks that combine different approaches are created.

One of the best known of different perspectives combining measurement frameworks, The Balanced Scorecard, is created by Kaplan and Norton (1992). The framework combines four value-creating dimensions that are, customer perspective, financial perspective, internal business perspective, and innovation and learning perspective. In the paper, they create a model to answers to increasing complexity where the measurements cannot be too simplified, and many different perspectives should be taken into account. Kaplan and Norton's balanced scorecard approach has been used broadly around different disciplines and for instance, Bhagwat and Sharma (2007) have applied it in the context of measuring supply chain performance.

Considering how value creation is seen from the thesis perspective, where the social capital and supply chain context should be both considered, lots of different aspects can be found. Tsai and Ghosal (1998) approach the value in the form of the company's ability to create innovations. Yim and Leem (2013) explore, how social capital affects supply chain integration and firms' performance and keep them as value-creating metrics. Studies about the impact of collaboration in supply chain management bring up effects of improvements mainly in the form of cost savings, decreased inventory risk, increased productivity, accelerated product delivery times, and many other more traditional operational measurements (Horvath, 2001). Nevertheless the broad literature in the research area, Shepherd and Günter (2006) find in their research that existing supply chain literature does not yet have a generally established way to measure performance.

According to the literature review, in the field of supply chain management, value creation is seen mostly in the form of operational improvements. Some researchers have taken also measurement like customer satisfaction into account and broader view like the

balanced scorecard. Studies express, that from the supply chain perspective, value-creating performance improvements are necessary to be done in many functions of the company and not only in central supply chain operations (Maestrini *et al.*, 2017). The finding indicates that broader measurements like the balanced scorecard, for instance, would be a reasonable choice for measuring the performance, because while the development of the relationship management happens in the entire organization, also the results should be measured broadly from different perspectives.

Like we see and like the literature review points out, creating value is an abstract theme and it is approached very differently in different contexts. In this research, value creation is approached as an improved supply chain performance. Supply chain management's central purpose is to improve firm performance through arranging the use of resources and capabilities effectively, and so, creating a seamlessly cooperating supply chain is essential (Ketchen and Giunipero, 2004; Ketchen and Hult, 2007). Therefore, the thesis simply approaches value creation, as improved firm performance.

3 Methodology

The thesis is based on a literature review that is conducted primarily from the supply chain management perspective. The perspective is limited primarily to supply chain management, but the literature is borrowed also from other disciplines. Perspective is restricted so, to bring relevance to the research and because the topic would otherwise be too broad and general. To bring existing findings into the practical level and support management to take up activities, this thesis considers mainly practical aspects of the literature and does not pay as much attention to other findings of the previous researches, nevertheless, they might be in a central role in the articles.

External resource management has been researched in multiple disciplines (Tanskanen *et al.*, 2017). To support and complement the aspect of practical implementations, which is in a central role in this research, but which is overall less discussed in existing literature, some materials are gathered from other discipline areas, even the main focus is in supply chain literature. Perception, that only supply chain literature does not offer answers to the research questions and that the topic is actually researched in diverse disciplines, led the thesis to exploit the semi-systematic approach, which according to Snyder (2019), offers the best approach to a literature review in such a situation.

A literature review is a suitable methodology for this research because it offers a good view of existing knowledge around the theme. Also, a literature review is a good way to indicate the state of current research and makes it possible to create a picture of the needs of future research to support the further development of the topic area.

The literature is collected from the two main databases, Scopus and Google Scholar. Also, the method of citation tracking is used to find the relevant articles from the research field. The most important keywords that are used in data collection are relationship management, social capital, value creation, and supply chain management. Most of the readings are journal articles, published in the main journals of the research field. The number of citations is the most important criteria in choosing articles to the literature review. Newest articles are not necessarily cited as much due to their short duration from publication. Articles are gathered from a wide time range, 1973-2019, which gives a deeper view of the theme and indicates the evolution of the research around the topic.

4 Results and discussion

The literature review gives an overview of the existing academic literature which considers the given topic. Social capital is defined mainly in the literature of sociology and has been studied from many different perspectives (e.g. Granovetter, 1985; Coleman, 1988; Nahapiet and Ghoshal, 1998). Supply chain literature has used the theory broadly in the business context (e.g. Carey, Lawson and Krause, 2011; Yim and Leem, 2013; Whipple, Wiedmer and Boyer, 2015). Most studies in the field of the supply chain have a buyer-supplier relationship perspective, but the development of the research has taken also the network perspective into consideration (e.g. Bernardes, 2010). External relationship management found to be broadly studied also in the field of strategic management where it was studied mostly in the form of strategic alliances (e.g. Koza and Lewin, 2000).

The chapter is continuing as follows; First, it discusses how did the existing literature fill the objective of the research and what did the existing literature cover. Second, it presents more precisely, how did the literature review answer the research questions that were introduced in the introduction chapter.

4.1 Coverage of the literature

Like mentioned, the literature review offers an overview of the broad topic and understanding of the coverage of the literature. Especially the outcome side of exploiting the relationship activities is studied broadly. Also, the dynamics of the relationship activities and performance outcomes have gained lots of attention but still, the clear conclusion about its functioning is missing. What effects on what, and how, is still not clear in the academic world. Practical activities are mentioned in many researches, but they remain mainly on a general level and concrete suggestions about the practical activities are missing. The result of the literature search and selection is, that lots of materials can be gathered about the topic but still, conclusions and facts are limited if the aim is to implement the findings straight into practice. Concrete suggestions for the managers are challenging to constitute. Empirical data about implementing the activities is also very limited.

While considering the results of the research, the research objective of the thesis should be reminded. Creating an understanding of the possibilities of relationship management from the social capital perspective and to present the findings from existing literature about practical activities for managers to be considered. Also, the aim is to create a reminder about the possible negative issues of social capital and present what practical ways existing literature offers to avoid them. Reflecting the objective with the research findings indicates, that due to shortages of the literature of practical activities, some aspects are less discussed, but the overview of relationship management possibilities is covered.

Objective to create an understanding of the relationship managements possibilities and especially from a social capital perspective became clear and it is covered in many ways in different researches. Also, the supply chain perspective and arguments about the theory's suitability in the supply chain context are well covered. Literature expresses some practical activities but concrete suggestions for managers are lacking. Reminding about the negative issues of social capital is also part of the objective and it is explored in the subchapter "Two sides of social capital". The literature coverage of the dark side is satisfying but existing academic literature has plenty of divergent conclusions also about the concerned area. For example, trust is mentioned to be both, prevention and cause for opportunistic behavior. Practical activities for avoiding the dark side are found, but the number of them is very limited, and mostly legal bonds and contracts are mentioned.

Overall the coverage of the literature is satisfying, but like mentioned, literature has shortages, especially in suggesting practical activities and implementation. The focus of the literature is more on studying social capital at the general level and in the future, to create more value for managers, practical issues should be explored more precisely.

4.2 Results of the research questions

The literature review offered answers to the research questions that are formed in the introduction chapter. This subchapter discusses the results to the research questions question by question and the last chapter, conclusions, in turn, discusses more precisely the implications, limitations, and overall concludes the thesis.

4.2.1 The dynamic of social capital and value creation

The results of the first research question, what is the dynamic of social capital and value creation, are explored in this subchapter. It is important to research the dynamics behind the activities and what effects on what and how. The existing literature does not have only one clear picture of the dynamics of the social capital activities but however, some conclusions can be made.

Central relationship management activities that are done from the social capital perspective are the activities that enhance the value of the relationships. The literature review points out that activities are not affecting on performance directly and to ensure the logic of this research it is first important to understand, what is the dynamics of supply chain development practices done from a social capital perspective, and actual performance improvements.

Studies about dynamics show, that practical activities, like sharing information, do not necessarily affect directly as an improved performance but it affects through improved supply chain integration (Pandiyan and Muhammad, 2016). Also, it is acknowledged, that trust and commitment have a big mediating effect on supply chain performance (Kwon and Suh, 2004; Terpend *et al.*, 2008; Nyaga, Whipple and Lynch, 2010). To conclude these findings, creating trust and commitment and integrating the supply chain, has a mediating role, which means, that practical improvement activities lead indirectly, through them, into improved performance.

According to literature, companies should simply invest in supply chain integration and to activities that are strengthening trust and commitment of the relationship. Figure 1. Shows an example according to Nyaga, Whipple and Lynch (2010), how they found the dynamics working in the context of their research. The figure simplifies the finding of mediators between improvement activities and outcomes, which are reached through mediators of the relationship. A similar structure that presents well the role of mediators between activities and outcomes is found also in studies of Lew, Sinkovics and Kuivalainen (2013) and Carey, Lawson and Krause (2011). Nevertheless, the content of the frameworks they used in their researches is different, the structure and the role of the mediators become clear through the visualization.

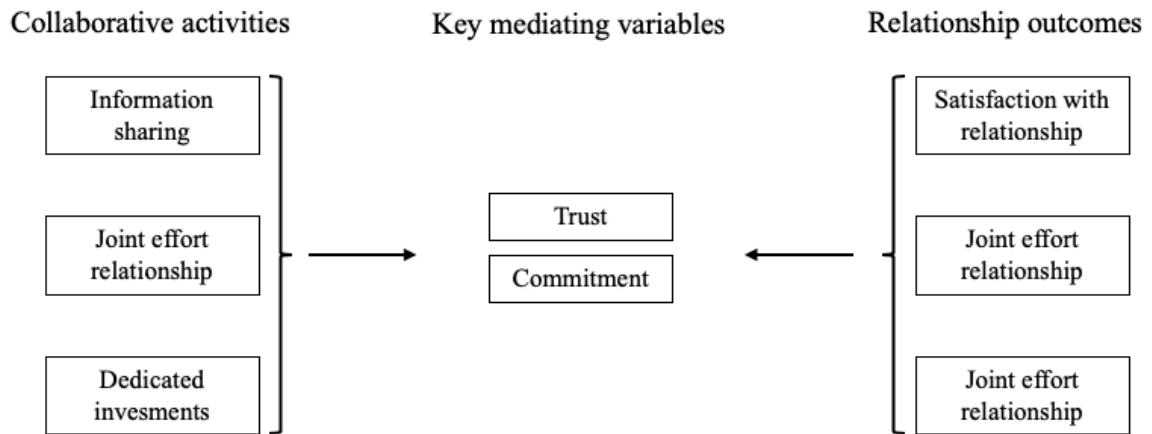


Figure 1. “Conceptual model” modified from Nyaga, Whipple and Lynch (2010)

However, the mediating role of the supply chain integration is not totally solid. Some researchers claim that supply chain integration does not always lead to better performance and therefore the boundaries should be carefully considered (e.g. Fabbe-Costes and Jahre, 2008; Hee-Yong, Young-Joon and John, 2016). Also, it is important to understand that there are limits also for trust, and taking it into too extreme level can provoke opportunistic behavior in supply chain partners (Kwon and Suh, 2004).

4.2.2 Central relationship management activities

The second research question, what are the central relationship management activities to be considered from the social capital perspective, is addressed in this section. The number of practical activities that existing literature recognizes is relatively low but however, some concrete development activities from the thesis perspective are found.

Supply chain literature names a range of activities that improve the social capital of relationships and through that firm performance. Some of the activities remain more on a general level and more concrete suggestions about activities would enrich the literature. The focus of the literature review was particularly in finding literature about improving the three earlier mentioned dimensions of social capital; Relational, cognitive, and structural. To highlight the social capital perspective and to achieve positive performance outcomes through different activities it is important to realize that connections between activities and effects are not unambiguous. No activities affect only one of the dimensions but there is a spillage effect between all of the three dimensions.

To improve relational capital with external partners, companies should find activities that improve trust, obligation, reciprocity, and friendship (Nahapiet and Ghoshal, 1998). Nyaga, Whipple and Lynch (2010) found in their article, that collaborative activities, like information sharing, dedicated investments, and joint relationship efforts, affect trust and commitment of the relationship, which in turn, have mediating effect into performance measurements, with a positive impact. Researchers express also, that for instance, dedicated investment has an impact on the relationship that deters opportunism and protects the relationship from abuse of strong parties. To summarize the relational dimension, it is central to notice, that through adding collaboration in the supply chain relationships, relational capital increases and improves firm performance (Daugherty *et al.*, 2006; Nyaga, Whipple and Lynch, 2010).

Improving the cognitive dimension of social capital, which refers to common values and shared vision (Nahapiet and Ghoshal, 1998), comes quite close to relational aspects. For example, Carey, Lawson and Krause (2011) found that actually, relational capital is the mediator, and structural and cognitive dimensions affect performance only through it. In the same study, Carey, Lawson and Krause (2011) brought up also, that creating common values, shared vision, and other cognitive aspects, happens mainly through the same activities with relational and structural dimensions. From the managerial perspective, as concrete improvement activities for structural, and indirectly for cognitive dimensions, they expressed activating, for example joint workshops, social events, cross-functional teams, and team-building exercises. Nevertheless, that existing literature has very little concrete activities for improving cognitive aspects, shared vision, similar culture and common world view are seen as crucial parts of successful collaboration (Spekman, Kamauff and Myhr, 1998; Li and Lin, 2006). Having that knowledge and understanding in the mind, future directions for the research can be established.

To enhance structural capital, which deals primarily with organizing social ties and creating structures of communication, there are some practical implementations in the existing literature. To add to what Carey *et al.* (2011) suggested, also Cousins *et al.* (2006) used in their study joint workshops, cross-functional teams, and matrix-style reporting structure to measure how structures were created in companies to enhance supply chain socialization which refers, in their case, to improved performance.

Like it is mentioned in the previous paragraphs, relationship management activities, that are made from a social capital perspective, are affecting broadly in all of the three dimensions. From a practical and managerial perspective, it means that activities can be considered to improve the social capital of the relationship in general and not only one of the dimensions. Supporting evidence for that is, for instance, joint workshops (Cousins *et al.*, 2006; Carey, Lawson and Krause, 2011) that are mentioned as an activity enhancing the structural dimension of the social capital through organizing interaction between parties, but which is also improving, relational and cognitive capital through added collaboration and can lead to friendship and possibly to sharing same vision and values.

To summarize the chapter of practical activities it is relevant to note that existing literature does not deepen much into practicalities of improving the relationship through investing in social capital perspective. Some activities, like information sharing and dedicated investments, are mentioned, but literature does not clearly express activities that managers could implement as such. However, the literature review indicates, that in future research, low-level practical activities and their implementation, should be studied more detailed.

4.2.3 The complexity of social capital

The last research question, what is the negative side of social capital, where it originates from and how to prevent it, considers the less-discussed side of social capital and relationship management. The literature review points out, that taking relationships and social capital perspective into the too extreme level can, in the end, lead to negative effects in firm performance (Villena, Revilla and Choi, 2011). The close relationship enables to neglect of normal contracts as a consequence of strong trust between supply chain parties, and the possibility for launching opportunistic behavior raises. Opportunistic behavior is seen as a negative relationship aspect which means that another part of the relationship is trying to benefit at the expense of another. Building social capital stronger means, according to earlier sections, that trust becomes stronger and parties are more committed to the relationship. From the perspective of the dark side, tight collaboration leads to situations, where both parties of the relationship or even parties in networks become possibly more vulnerable for opportunism. The situation, where commercial secrets are shared openly with the partners can lead to a bad scenario with undesirable results.

Also, the other negative issues of strong social capital are expressed. Too high dependability on some partners may cause passing the market opportunities because getting out of the relationship might be challenging. Strong social capital may lead to a situation where relationship partners are not challenging each other, and they are falling into groupthink. Groupthink means that differing opinions are not expressed between the partners due to the fear of conflicts and isolation. Without challenging perspectives, it is hard to create new and innovative openings to develop the business.

Due to reason, that trust has also preventing effect from opportunistic behavior, an exact boundary between the right amount of relying on trust and contracts is hard to draw. The issue is about balancing between both sides and trying to find the optimal point to stay. Literature has a very limited number of concrete development suggestions and more clear recommendations about activities that could help to avoid the dark side issues are needed.

The main finding is that a concrete way to prevent the company from negative aspects of deepened relationships and vulnerability for opportunism is to exploit legal bonds which are having a positive effect on relationship performance (Carey, Lawson and Krause, 2011). Contracting mitigates opportunism due to the fear of possible sanctions. Also, the same practical activities that are used in the building of social capital are automatically decreasing the possibly opportunistic behavior (Nyaga, Whipple and Lynch, 2010), but the balance should be continuously considered. Forcing relationship parties into the contracts is not the best way alone due to the issue of imperfect contracts, so contracts should be complemented with building trust between partners.

Contracting is a way to prevent also the other issues like creating too high dependability on one partner or sharing information too much. Well created contracts are made so that getting out of the relationship is possible and limits between independent organizations are still existing. Also, it is crucial that the relationship parties could still sustain the possibility of doing independent decisions about the company's future.

Combining contracting and trust in a careful way forms a good balance of coercive and non-coercive aspects of the relationship management and the risk of the dark side effects mitigates. The rest of the challenges remain in the managers considerations due to lacking literature. Already acknowledging the issues helps the managers to create practical means to avoid the negative issues and continuing to find even better practicalities.

5 Conclusions

Most of the findings are already presented but this chapter aims to conclude the objective of the research and express the implications of the research findings. The missing details are also pointed out. The clear shortage of practical implementation researches around the topic was unexpected but it was a finding to highlight the future direction of the research. The results of existing literature about bringing the academic and theoretical findings of the topic into the practical level of daily business were not as broad as hoped and it caused challenges into the discussion of practical activities and implementation. Studying the practical side more precisely and creating a clear practical suggestion for managers would be a good complement for the existing literature.

5.1 Implications to research

Results of the literature review indicate that implementation issues and more specific activities that could support the building of social capital perspective in the relationship management are left into managers' consideration. Some activities are mentioned but they are not discussed in a more specific manner. Also, the overview of literature resulted that previous studies are not totally unambiguous, and the topic is not yet thoroughly studied.

Contradictions that literature review brought up are interesting and they have not reached much attention yet. For example, the role of the mediators is not totally clear although, trust and commitment and supply chain integration are mentioned to be in the most central role of value creation in supply chains. The dynamics are presented in many ways and a couple of most common concepts are introduced in the previous chapters. Also, the role of trust awakens questions due to its dual effect in supply chain relationships. Like mentioned trust is affecting, and on the other hand, preventing opportunistic behavior. Contradictions of the research should be clarified and brought in the light of daily business by producing more case studies and concrete examples from real-world business cases. In short, more empirical studies are needed.

5.2 Implications to practice

Based on the findings and despite the limited academic background of practical activities from a social capital perspective, some activities were still found. Also, more importantly, the research generated a conclusion that managers and especially supply chain managers, should focus even more on the social capital perspective, if they are aiming to create more value and succeed in the global, accelerating competition. The more traditional, operational improvements are already broadly studied and discussed also in the actual business world, but the perspective of social capital has been more in the shadow of other aspects. Taking social capital seriously as a part of supply chain management, real value can be created. All three dimensions of social capital form together a combination that takes different aspects into account and leads to better firm performance and higher value creation.

Managers should be cautious with the dual effect of social capital and make sure that both sides of social capital are taken into account. The right balance between contracting and relying on trust should be explored and continuous collaboration with the relationship parties can enhance the relationship, prevent negative issues and, in the end, through the social capital perspective, create value for the company.

5.3 Limitations and future research

The thesis has a few limitations that should be mentioned. Firstly, the supply chain context is quite freely complemented with findings from other research areas, mostly from strategic management. Complementing the literature with findings from other research areas should be always carefully considered and the findings might function differently in a different context. Secondly, even though the context is mentioned to be supply chain management, the relationship is not limited to any specific pattern, and relationships were considered in a more general manner. The approach could be limited for example to deal with only dyadic-, triadic- or network relationships in the supply chain context but due to the reason, that the main focus is in practical relationship activities, the limitation was dropped out. Thirdly, the restriction of choosing a specific industry for the thesis research is also left out. Across different industries, the findings might act differently, and also the

practical implementation might differ depending on, which industry is in the question. For instance, the role of cooperative forecasting might be more important in the supply chains of manufacturing companies, and on the other hand, collaborative workshops might add value more for example in the service industry's supply chains where knowledge is often the most central and important asset. Studying and discussing these aspects is left out of the scope but in the future, they should be studied to offer the best suggestions for the companies in the different industries. The last limitation to mention is the lack of research on the practical issues of the topic. Very few practical activities were found so the low number of practical researches can be seen as a limitation for the thesis.

The thesis gives an implication for the direction of future research. The topic should be studied more precisely from the side of practical issues and suggestions for managers should be brought up more clearly. Future studies should define more carefully how the balance between trust and contracting can be found and what kind of daily activities are leading to the best possible value in the relationships. The topic has been important already for several years but the development of utilizing external resources seems not to be slowing down so the future research can have a great effect on the direction of the social capital theory in the supply chain context. Empirical studies are clearly lacking, so completing the existing literature with empirical studies and real business cases are the thesis suggestions for the next steps for the academic development of the topic.

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