
**ROLE OF NEGOTIATION IN BUYER SUPPLIER RELATIONSHIP IN THE
NIGERIAN OIL AND GAS INDUSTRY**

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ABSTRACT

The purpose of this study is to determine a better understanding of the role of negotiation in buyer-supplier relationships in the Nigerian oil and gas industry. Despite the contribution of negotiation in buyer-supplier relationships, opportunism is a major cause of failure in buyer-supplier relationship. Therefore, this exploratory study employed extended literature review to investigate further, the role negotiation plays in building supplier relationships and how it could be understood as a dialectical process with focus on buyer- supplier relationships in oil and gas industry, key objectives of buyer- supplier relationships, relationship building through buyer- supplier relationships and negotiation as an improvement tool. This resulted in contribution of buyer-supplier relationship support in the oil and gas industry and great role of negotiation as an ongoing organisational conversation for continuous improvement in the entire oil and gas business network.

Keywords: Buyer-supplier relationship, negotiation, oil and gas industry, relationship building

INTRODUCTION

Oil and gas are a natural endowment in Nigeria. Despite the giant strive of the oil and gas industry to remain competitive, in addition to environmental, sociocultural and political challenges, there are supply chain problems in the context of procurement within organisations. Studies focused on oil and gas companies identified prevalent problems in the procurement units of buying and supplying stakeholders. Thus, risk of familiarity in buyer-supplier relationships (Ampe et al., 2020) is developed over time by long term supplier relationship built on trust (Pemartin et al., 2019; Wang et al., 2015; Gullet et al., 2009).

However, the negative aspect of buyer-seller relationships is associated with risk of breach of trust, whereby necessary checks and balances are disregarded and attention to details is ignored. This may lead buying firms to grievous risk of underperformance, failure to meet customer's needs and expectations regarding item classification, quantity, delivery time and stability of purchasing processes and collapse of business (Karatzas et al., 2017; Butt, 2019; Butt & Ahmad, 2019; Gelderman et al., 2016). Gelderman et al. (2020) argues that both buyer and supplier in a strategic relationship could exhibit opportunism, including false threats, breach of contract, false promises, deception, cover ups, withholding information and alteration of data.

Supply chain issues may be more pronounced in developing countries like Nigeria where there is need for poverty alleviation, provision for health care, free or inexpensive education and infrastructural development (Daubry, 2020; Singh & Chudasama, 2020; Lin et al., 2020; Tang et al., 2020; Alcott et al., 2020; Leonce, 2020). Unlike, in advanced nations with intense focus on consumer protection, climate change, fair trade, green marketing, etc. (Li et al., 2019; Jorgensen & Remmen, 2018; Herbert, 2020; Da Fonseca, 2020). Assessment from a procurement perspective

illustrates that unethical or nontransparent actions violates supply chain professional ethics (Valentina, 2020).

The right deal in negotiation is not only bidding for the cheapest price to avoid a situation where discounted prices would be compromised by quality. Rather, consideration of other factors such as, delivery time, payment terms, value for money, quality etc. that meet business requirement also takes prominence. A good bargains are regarded as one that meet all requirements but buyers need to consider, whether to do business with a specific supplier. Both buyers and suppliers ought to come to terms with trade partners they are happy and comfortable with (win-win negotiation) to avoid situations where one party develops a feeling of being forced into a tight corner which may lead to unsuccessful negotiation.

The importance of buyer-supplier relationship in supply chain management is well emphasized in literature. With strategic relationships, businesses flourish. It is only when it is abused that the negative aspect could manifest in practice. This study investigates the role of negotiation in buyer-supplier relationships in Nigeria's oil and gas industry, and how it could be understood as an ongoing conversational exercise with regards to stakeholders' performances and not just as a one-off event. The study viewed negotiation from the perspective of trust between organisational stakeholders (Stark, 2020), both internal - employees, management and external - suppliers or vendors.

This research is relevant both to the academia and the oil and gas industry; as it adds value to the industry by bridging existing gaps in literature on how to improve inter-organisational relationships and procurement practices in terms of delivery time, value for money, quality and payment terms; and provides more insight on pillars of successful buyer-seller relationships in academic literature.

RESEARCH QUESTION AND SEARCH THEMES

In lieu of report of previous studies and sequel to identified problems and government intervention in negotiations to quell crises and enable peaceful operations of 'oil companies' in Nigeria's Niger Delta region, this study questions the role negotiation plays in buyer-supplier relationships in the Nigerian oil and gas industry. The following search themes guided the review of literature:

Theme 1: Buyer- supplier relationships in oil and gas industry.

Theme 2: Key objectives of buyer-supplier relationships.

Theme 3: Relationship building through buyer-supplier relationships.

Theme 4: Negotiation as an improvement tool.

This research is exploratory as it seeks to identify causes of practical procurement problems, with explanations and supporting evidences for continuous improvement. This validates the view of Bell et al. (2018) of the importance of business research in solving organisational problems. The study adopts a qualitative approach, and relied on secondary data in extant literature. The researchers used an inductive approach associated with qualitative methods, whereby relevant theories were drawn from explored data. The research is axiological, as the researchers' prejudice or partiality of any kind are totally removed. The study adopts a pragmatist philosophy which proposes the relevance of an idea where it supports action. Hence, the use of relevant secondary data that supports the question and themes of this research.

LITERATURE REVIEW

The purpose of this section is to review previous studies to uncover important themes, relevant to critical examination of buyer-supplier relationships and their objectives in a procurement context within and through inter-organisational relations. To evaluate the role of negotiation in the management of buyer-supplier relationships, other stakeholders in the business network and influence on problem solving in order to establish the relevance of negotiation in the context of dialectical processes for continuous improvement.

Negotiations are central to buyer-seller relationships, and play important roles in the value creation process of companies. A brief assessment of buyer, buyer-seller relationships from the perspective of customer relationship management showed three phases (Buttle & Maklan, 2019): the customer acquisition phase, retention phase that looks at keeping profitable customers and the business performances enhancement phase (Rahimi, 2017). In line with customer relationship management principles, La Rocca (2020) states that buyer-seller relationships are preferred than transactional exchanges.

The industrial setting cannot extricate uncertainties orchestrated by business dynamics and external socio-economic factors (Alqudah et al., 2020; Ding et al., 2020; Parast, 2020; Wizar & Wali, 2020b; Pahurkar et al., 2020), as such, is assumed to be volatile (Sangvikar et al., 2019) and requires buyer-seller relationship not just for balance but as a predominant factor over the traditional idea of quality, delivery and price as sourcing drivers.

Udoanyang et al. (2020) reveals that oil value pose significant effect on cost effectiveness towards wealth creation in vending corporations in Nigerian oil and gas sector. As such, advises management of companies to devise effective strategies to control effects of oil value on corporate earnings. Therefore, strategic alliances considered to be effective means to form and sustain competitive advantage are valuable tools for entrepreneurial firms, especially in benefitting their sustainability (Han et al., 2018).

Hence, Pahurkar et al. (2020b) argues that buyer-seller relationship is formed on the basis of clear, explicit and mutual goals. At strategic and operational level, Pauer et al. (2019) states that transparent and swift information sharing, interpersonal relationship with clear communication channel are important. In the view of Pahurkar (2014), both formal and informal coordination mechanism, involvement of lower and top management in decision making, top management acceptance to support and nurture the relationship and compatibility of management structure and philosophy are key to buyer-seller relationship formation.

Pahurkar et al. (2020) and Pahurker (2014) argue that long lasting buyer-seller collaboration hold social and environmental consequences. Zaefarian et al. (2017), narrates that resource based view theoretical framework is a unifying paradigm for business relationship which proposes that superior company performance is achieved through successful buyer, supplier relationships in which the determinants are the following relationship characteristics; Trust (Wang et al., 2020a), Commitment (Gezhi et al., 2020; Chen et al., 2011b), Communication and Cooperative norms, which means the belief that both parties in relationship must have combined efforts, or cooperation to build successful relationship (Shahzad et al., 2016).

Opportunism (information asymmetry) is described by Miththrananda and Priyanath (2020) as seeking self-interest with a calculated effort to mislead, distort and disguise information which is

either ex-ante opportunism (a phenomenon of hiding information prior to a transaction with calculated attempt to mislead the transacting partner) or ex-post opportunism otherwise known as post contractual opportunism or moral hazard which is an individual's hidden action to increase economic welfare after transaction due to unobserved information asymmetry (Lu et al., 2020; Zavolokina et al., 2020) by the other party after a transaction and this averts decisions for efficient transactions.

Furthermore, a review of opportunistic behaviours of professionals engaging in strategic supplier relationship by Gelderman et al. (2020), extracted first-hand information (personal opportunistic behaviour) from self-reporting professional buyers using critical incidence technique (CIT). The outcome was that opportunism which occurs in both strategic and leverage supplier relationships manifest in three categories, first is violation of existing relational norms that are shared values to improve interaction (Tangpong et al., 2010) which may vary with similar contracts. The second is violation of contractual agreements (referred to as non-compliance or breach of contract) and third is violation of general standard of common decency (bullying attitude).

This study investigates power and dependency as determinants of collaboration (Jaiswal & Ha-Brookshire (2018). Thus, Carbajal et al. (2019) opine that suppliers' dependence on buyers hinders their possibilities for autonomy. Similarly, Gelderman et al. (2019) proposes resource dependence creates power relationship and glitches of vulnerability, in which the weaker party could be lured to indulge in opportunism as to reduce dependence on the dominant party (Morgan et al., 2016).

Furthermore, Zaefarian et al. (2013) argue that power, long term contracts or dominant positions are invoked where there is no commitment in the buyer-supplier relationship, although there are criticisms on the tendency of one partner to control the interaction and dictate the pattern of the relationship. Gadde and Snehota (2019c) proposes that the exploitation of partners' resources require cooperation in addition to established belief that collaborative relationships are not only conditional but on mutual understanding of the parties involved. However, Gelderman et al. (2020) suggests that firms do not have everything they need to attain competitive advantage, and are thus compelled to develop strategic relationship with suppliers that are based on power balance, to gain access to needed key resources.

The foregoing shows that buyer-supplier relationship is in three stages: supplier involvement, supplier development and supplier relationship; and is developed over time. Two major types of buyer-supplier relationship are transactional (operational) and relational or strategic relationship which could either be adversarial or cooperative in approach. Collaboration is beyond making a concession to maintain peace and it upholds organisations in crucial periods. Stabilising strategy is an option for organisations to ensure good relationship performance with focus on trust and commitment which has positive impact on the success of business relationship.

Opportunism manifests in three categories, violation of norms, violation of contract and violation of general standard as a result of four triggers, (a) unresolved quality problems (b) internal pressure for price cut refused by sales representatives (c) inappropriate and provoking sales representatives' behaviours (d) self-justification. It is the major cause of failure in buyer, supplier relationships in organisations. The key objectives of buyer, supplier relationships are in two categories. The first category is the price benefits. It is evidenced with backward linkage development, increase forward linkages and risk reductions in the oil and gas industry. The second category is the non-price benefits which refer to suppliers' support beyond their contractual terms.

Negotiations prove that shared objectives, trust and long term contracts remain the central success factors in resolving issues in the oil and gas industry and buyer supplier relationships despite the use of bidding systems such as e-auctions and tender process. Negotiation that builds relationship in both organisations and inter-organisational affairs is beyond win-win or win-lose idea and contract terms to constant management of relationships of both parties with emphasis on personal conduct. This helps in handling strong issues constructively which justifies negotiation as an ongoing organisational conversation for continuous improvement.

CONCLUSION

This study critically analyzed the role of negotiation in buyer-supplier relationships in the Nigerian oil and gas industry. The extensive review of literature undertaken based in four search themes that guided the study showed that, buyer-supplier relationships undergo a 3-stage process namely, supplier involvement stage, supplier development stage and supplier relationship stage, which is developed over time. Literature also revealed that relationships requires relational norms such as trust, commitment and long term contracts. Two major types of buyer-supplier relationships identified are, transactional (operational) and relational (strategic) relationships. Transactional relationship may be adversarial or cooperative.

Cooperative transactional relationship is beyond making concessions to maintain peace. It upholds organisations in crucial periods which is very important for a successful competitive advantage. Stabilizing strategy is an option for organisations to ensure good relationship performance with focus on trust and commitment which has positive impact on success of business relationships. This strategy helps buyers stabilise procurement processes and reduce suppliers' risk. Opportunism is the major cause of failure in buyer, supplier relationships in organisations and it manifests in three categories, violation of norms, violation of contract and violation of general standard as a result of four triggers, (a) unresolved quality problems (b) internal pressure for price cut refused by sales representatives (c) inappropriate and provoking sales representatives' behaviours (d) self-justification.

Review of literature also showed key objectives of buyer-supplier relationships. The first category is the price benefits. It is evidenced with backward linkage development, increase forward linkages and risk reduction in the oil and gas industry. The second category is the non-price benefits which are suppliers' support beyond contractual terms. In addition, the literature review showed that negotiation-mediated buyer-seller relationship building is based on shared objectives, trust and long-term contracts. Resolving issues or conflicts timeously is also identified as a building block of buyer-supplier relationships.

Furthermore, it literature showed that negotiation is an improvement tool. Negotiations that build intra- and inter-organizational are beyond win-win or win-lose idea and contract terms to constant management of relationships of both parties with emphasis on personal conduct. This helps in handling issues constructively. This justify negotiation as an ongoing organisational conversation and a strong technique for continuous improvement in organisations in Nigeria's oil and gas industry.

Summarily, the discussions on the achieved themes prove that the research question has been answered. The findings constitute significant contribution to literature. There is need for appropriate guidelines, education and training regarding the roles and expectations of purchasing professionals whether new or old staff. There is need for management to regularly check individual

and company's relational norm as people hate to acknowledge wrong decisions, also be mindful of asymmetric information in order to mitigate opportunism. It is incumbent on both buyers and suppliers to demonstrate trust and commitment that is worthy of mutual cooperation, although the inherent nature of relationships could be very challenging. However, mutual understanding relationship expectations, honoring commitments and cooperation will promote trust and uphold partners' reputation. The shift from traditional purchasing to management of buyer-supplier relationship poses a challenge for practitioners to determine, if procurement strategy that is beyond the initial make or buy decisions should be handled as relationship and contractual strategy.

This exploratory study made use of extended literature review of secondary data sources which could be a limitation to generalisability. Future research may want to carry out further study on the role of negotiation and buyer supplier relationship using data collection through interviews or surveys. There is need to research specifically on opportunistic behaviours at organisational level and individual level to gain more insights on self-justification by professional buyers. Buyer and supplier relationship power and dependency needs further investigations to ascertain the influence it has on the party that is dominated. Future research from countries with cultural differences and developed nations with high standard of management of quality versus developing countries with less focus on management of quality will be of good balance for a comprehensive result in terms of mitigating factors.

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