The influence of business and political ties on supplier selection decisions: the case of the Nigerian public sector

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Abstract: Extant relevant literature suggests that nonmarket elements such as social ties are important strategic options that may help organisations enhance their competitiveness relative to other competitors when bidding for important supply jobs. However, our current understanding of their effects on organisational outcomes, especially in public supplier selection decisions in emerging economies, is far from complete. Using a sample of 342 experienced senior management team (SMT) members and senior level staff in 40 public sector organisations in Nigeria, this study examined the relative importance of business and political ties as sources of advantage and strategic intelligence for prospective vendors and contractors during strategic supplier selection decisions. Our findings show that both business and political ties are significant predictors of supplier selection outcomes, and their relative importance in the selection outcome is indistinguishable and key to strategic decision making. Overall, our result suggests that both business and political ties can be utilised as sources of important resources by supplier firms.
Keywords: business and political ties; supplier selection decision; public sector.


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1 Introduction

For the past few decades the literature on business-to-business (B2B) marketing strategies has increasingly emphasised the importance of relational and other non-market variables in explaining organisational buying behaviour (Iyer et al., 2015; Hadjikhani and Laplaca, 2013; Flynn and Davis, 2014; Johnson and Tellis, 2008; Wilson, 2000). The current emphasis on relational determinants of organisational buying behaviour is partly due to the inadequacies of ‘rational’ economic models in explaining the ‘irrational’ buying behaviour observed in most social institutions and not-for-profit organisations who often pursue multiple (and sometimes conflicting) goals (Flynn and Davis, 2014; Augier, 2013; Ariely, 2009; Wilson, 2000; Milan, 1998). For example, one important assumption of rational economics theory is that firms are rational economic entities who will always be objective in their decision behaviour. In other words, organisations will only patronise suppliers who offer a product/service bundle with the optimal quantity/quality, price, and delivery time, etc., thus paying minimal attention to the socio-cultural and behavioural underpinnings of such choices (Ariely, 2009).

Furthermore, evidence from interdisciplinary studies in the areas of psychology, sociology, political science, economics, organisational science, as well as the emergence of the behavioural science movement in the 1970s and 1980s provided the impetus for questioning some of the conclusions of rational economic theories (with respect to rational organisation buying decisions), thus creating the need to develop alternative explanatory frameworks for organisational buying behaviour (Iyer et al., 2015; Hadjikhani and Laplaca, 2013; Van De Ven and Lifschitz, 2013; Wilson, 2000; Ford, 1990). The seminal work of the Industrial Marketing and Purchasing (IMP) Group in the late 1980s demonstrated that interpersonal and interorganisational relationships are critical in any business market (Ford, 1990). Consequently, several current studies in the B2B literature pay more attention to socio-psychological and relational factors that may explain organisational buying behaviour (for example, see Roman, 2017; Iyer et al., 2015; Gonzalez et al., 2014; Garrido-Samaniego and Gutierrez-Cillan, 2004).

One topic of study that has gained great attention in relationship marketing and general B2B marketing strategy literature is the issue of social ties and their role in organisational processes (Gonzalez et al., 2014; Sheng et al., 2011; Sun et al., 2011; Gu et al., 2008; Peng and Luo, 2000; Granovetter, 1983). Because of their potential in providing valuable social capital (Striukova, 2012) and ‘insider’ information (Li et al., 2008), they may constitute an integral aspect of an organisations’ nonmarket strategy. Despite their potential benefits however, very few studies have examined their importance as sources of strategic intelligence and competitive advantage during strategic (important) supplier selection decisions in public sector organisations. Marchand and Hykes (2007) defined strategic intelligence as having the correct information available for the correct people make informed business decisions about the future of their organisations. Without this information, it would be difficult to make the correct decisions to achieve and maintain competitive advantage.

Emerging economies are characterised by volatile political, regulatory and economic systems, which may present severe challenges to prospective marketers (Zhou and Poppo, 2010). While scenario planning may help organisations accommodate and mitigate some of the turbulence in such business environments (Duus, 2016), the interpersonal and informal exchange mechanism engendered by the social ties cultivated by firms may enhance their capability to succeed in such environment (Striukova, 2012; Cooper et al., 2010; Gu et al., 2008; Hillman, 2005).
Furthermore, most of the studies which examined the values of ties in business marketing strategies either considered the importance of business ties (i.e., relational linkages with buyers, suppliers and other collaborators, etc.) or treated social ties as a unidimensional construct without distinguishing the relative importance of the component parts of social ties – business and political ties. Overall, very few studies in B2B marketing context have explicitly examined the effects of business and political social ties on strategic supplier selection decisions in public sector organisations. Irrespective of level of development, the public sector (or the government market) in any country is the largest business goods/service consumer in terms of sales volume and dollar turnover (Lindskog et al., 2010). Nigeria as an emerging economy is socio-culturally and politically different from other emerging economies (including China where most of the studies in the literature emanate). With an economy valued at over $500 billion (in terms of nominal GDP) as at 2015, Nigeria is currently on the list of the world’s 20 largest economies. It also became Africa’s largest economy in 2014, beating South Africa to this position after a rebasing exercise, which saw the inclusion of 13 new subsectors into the GDP calculations (World Bank, 2017). In contrast to previous studies, our study focuses on the supplier selection decision stage rather than the entire public procurement decision process. This stage in the procurement decision process presupposes that a shortlist of pre-qualified suppliers has been drawn and the decision problem consist of selecting one among a few qualified contractors (Lindskog et al., 2010).

Against the background of relational governance theories which postulate the existence of benefits for socially-connected groups and subgroups (Poppo and Zenger, 2002; Ford, 1997; Hakansson, 1982; Granovetter, 1983), our study examines the relative importance of business and political ties as strategic intelligence inputs in the strategic management process and information for prospective suppliers planning to do business with public sector firms in an emerging economy like Nigeria. This study contributes to the literature by showing that social ties are veritable strategic options which may inform organisational policies aimed at acquiring or sustaining a competitive edge when bidding for supply contracts in volatile or emerging business environments.

2 Literature review and hypotheses

Most of the current discussions in the social ties literature on the conceptualisation and importance of interpersonal social ties in organisational processes and outcomes (for example, see Gonzalez et al., 2014; Kwon and Adler, 2014; Dong et al., 2013; Bowler et al., 2011; Lin, 2001) bear much on the work of Granovetter (1973). Granovetter (1973) in a seminal paper advanced a social theory on the spread of information and influence in social networks. Furthermore, he argued that the strength of the dyadic interpersonal friendships and relationships between any two individuals is the locus of any possible beneficial relationship/resources that can link hitherto separate/distinct social groups/circles of which the individuals are part (Granovetter 1973, 1983). Defined as either strong, weak (intermediate) or absent (e.g., a ‘nodding’ relationship), the strength of a tie is measured in terms of “the combination of the amount of time, emotional intensity, intimacy (mutual confiding) and the reciprocal services which characterize such ties” (Granovetter, 1973, p.1361). The main postulation of his contention is that although a combination of weak and strong ties holds members of any
given society together, bridging weak ties, rather than strong ones, ensures the flow of beneficial information between the sub-groups which inevitably exist within any social system. This theory was based on the reasoning that if A and B are very close friends/relations (i.e., having a strong tie), it is highly unlikely that there cannot be an overlap in their cycle of friends. However, where A and B are only acquaintances or ‘loose’ friends (i.e., having a weak tie), it is also unlikely that their cycle/network of friends would overlap (otherwise, they should have known each other through their concentric cycle of friends). Therefore, “since, in general, each person has a great many contacts, a bridge between A and B provides the only route along which any contact of A to any contact of B, and consequently, from anyone connected indirectly to A to anyone connected indirectly to B” (Granovetter, 1973, p.1384).

Although Granovetter’s theory appears to emphasise the importance of weak ties relative to strong ones, it also concedes that strong ties can serve as a beneficial bridge between two social groups/systems if that is the only strong tie between the two groups, thus providing access to information and resources beyond those available in their group (Granovetter, 1983). Indeed, several empirical studies show that both strong and weak ties are important as sources of beneficial resources. For example, Levin and Cross (2004) demonstrate that strong ties are effective in providing useful information and knowledge because such relationships are built on trust and weak ties are only so important when underpinned by mutual trust between parties in the relationship.

The interaction theory, popularised by the IMP group (Wilson, 2000), adopts a system view of interpersonal relationships (Ford, 1997). According to Ford (1997), interactive relationships among members of buying systems occur at two levels: (i) among members in the buying centre; (vii) among members of the buying centre and “outsiders” – vendors, supplier, competitors, labour unions, government officials and other stakeholders. According to Wright (2004), organisational buying decisions are usually made by the buying centre or decision-making unit (DMU), which is a group, either formal or informal, comprising personnel from different departments who participate and influence the buying process.

Studies, especially after the mid-1980s, increasingly show that organisational buying activities are embedded in networks of interpersonal, intra-organisational and inter-organisational connections (Peng and Luo, 2000; Gonzalez et al., 2014; Dong et al., 2013). Social ties describe a manager’s level of internal (intra-organisational) and external (inter-organisational) connections, which gives them leverage (social capital) to access core “insider” information (Li et al., 2008). In other words, social ties of organisational actors are embedded with resources from which influence originate or are re-enforced (Karahanna and Preston, 2013). The influence of social ties is evidenced irrespective of organisational form and type, and such influences result from the ‘boundary-spanning’ personal and professional relationships maintained by members of buying centres in their capacity both as members of the organisation and as members of the larger society (Sun et al., 2011). This view is supported by Bowler et al. (2011, p.7) who, using a ‘social network perspective’ argue that the relational ties maintained by organisational members is only a subset of the much larger relationship that impacts on organisational processes.

Social ties have been known to be shaped or moderated by context-specific environmental elements such as level of socio-cultural and economic development (Sheng et al., 2011; Li et al., 2008). In this regard, it has been argued that although organisations in developed and developing/transiting economies share certain
similarities, differences abound in terms of their economic and institutional development, which may impact on their strategic organisational processes (Sheng et al., 2011). For instance, because of the volatility and unpredictability that sometimes characterise the business environment in developing countries (abrupt changes in policies resulting from political and governmental changes), the social connectedness of individuals and firms could either guarantee survival and performance (Sheng et al., 2011) or become a liability (Sun et al., 2011). Therefore, marketing managers who are looking forward to doing business in developing and transiting countries may overcome some of the hurdles presented by such operating environments by seeking and cultivating ties with key organisational players with whom they wish to do business (Gonzalez et al., 2014; Sheng et al., 2011).

Organisations’ (or their members’) network of social ties could either be simple (defined by direct and reciprocating ties), complex (consisting of people who are more distantly related or engaged in asymmetric relationship), or multiplex relationships (where the members are related through multiple types of relationships—friendship with co-workers, socialites, public figures, religious groups, professional groups, government officials, etc. (Gonzalez et al., 2014; Bowler et al., 2011). In reality, most organisations engage in multiple ‘boundary-spanning’ relationships, which involve personal interactions with people and groups from various backgrounds and walks of life. For example, it is not uncommon to find managers both in public and private sector organisations who are either appointed or refereed by politicians, or attended the same school or club with a supplier, or share the same faith or ethnicity with some influential members of the organisation’s buying centre, or know someone who knows another person who is well-connected, etc. These different layers and levels of ties maintained by organisational actors sometimes lead to the development of “cliques” or closely knitted informal groups who share vital information and other resources (Bowler et al., 2011; Sun et al., 2011; Granovetter, 1983).

Studies on social networks also disaggregate social ties into formal and informal networks (Gonzalez et al., 2014). Formal networks are relationships based on an organisation’s vertical and horizontal chain of command and authority. It is a relationship that derives from the organisation’s organogram or structure. Informal networks, on the other hand, are those self-motivated interpersonal discretionary relationships cultivated and nurtured by organisational members. Informal relations can further be broken down to internal connections (relationships with other members within the same organisation—supervisors, superiors, peers, etc.) and external ties (relationship with influential groups and individuals outside the organisational structure—political actors, suppliers, confidants, etc.). Formal network ties are usually ‘official’, that is, sanctioned and prescribed by organisations’ ‘rules of engagement’. Informal ties, in contrast, are characterised by ‘boundary-spanning’ connections and activities which researchers agree to have strategic importance to both individuals and organisations who possess them (Gonzalez et al., 2014; Kwon and Adler, 2014; Bowler et al., 2011; Carpenter and Westphal, 2001; Lin, 2001).

The literature further disaggregates informal social network ties into business and political ties (Dong et al., 2013; Sun et al., 2011; Sheng et al., 2011; Peng and Luo, 2000). Business ties describe the informal social relationships cultivated and maintained by members of one organisation with another – including customers, supply chain managers and other market collaborators (Karahanna and Preston, 2013; Sheng et al., 2011). On the other hand, political ties explain a firm’s informal social linkages with
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government officials and other political stakeholders at different levels of administration (You and Du, 2012; Sun et al., 2011; Bliss and Gul, 2012). The literature also demonstrates that both forms of ties generate different kinds of ‘resources’ to the ‘connected’ firms or individuals. For example, while business ties provide market-based information that may not be available in the open market (Sheng et al., 2011), political ties may guarantee managers’ tenure and favourable policy dispositions (Sun et al., 2011; Li et al., 2008). In short, business and political ties should be viewed as different sides of the same coin even though they have been studied separately (for example, see You and Du, 2012; Sun et al., 2011) and as a composite (for example, see Sheng et al., 2011). What is more, both forms of ties are based on informal personal interactions rather than formal organisationally prescribed contacts.

While some authors treat both business and political ties as one and the same (for example, see Peng and Luo, 2000), it makes more sense to distinguish them because they provide different types of resources and may also have different effects on organisational processes. For example, Dong et al. (2013) contends that while business ties impede the effect of channel capability of firm performance in China, political ties strengthen it. Disparity in the beneficial effects of social ties can partially be attributed to contextual or organisational factors (Li et al., 2008), with most authors generally agreeing that the resources provided by social ties are more important in business environments characterised by poor support infrastructure and weak institutions (Sun et al., 2011; Peng and Luo, 2000).

The Nigerian public procurement environment is a case in point. Although Nigeria has made developmental strides in its economic, social, political and legal institutions, loopholes in the procurement system mean that only socially connected individuals and firms get important public supplies and works contract (Achua, 2011). Similarly, loopholes and vulnerabilities in the Nigerian procurement system have led to conflicts of interest and the accommodation of parochial and self-enhancement objectives during public sector selection decisions (Ijewereme, 2015; Nwapi, 2015). For instance, the Local Content Act of 2010 allow members of the Content Monitoring Boards, in facilitating their duties, to accept gifts of money, land and other properties from bidding organisations (Nwapi, 2015). In some cases, a minister can waive a bidding organisation’s obligation to meet the requirement of the Nigerian Local Content Law for a project (Nwapi, 2015). These kinds of discretions permitted by the Nigerian public procurement system open the door to a wide range of subjective behavioural and non-objective forces that are often associated with contractor selection decisions in the Nigerian public procurement system. Given these issues, it is conceivable that organisational actors may take advantage of personal socio-political relationships (social ties) and the internal organisations’ attitudinal environments (ethical work climates) engendered by the socio-cultural norms prevalent in society during important strategic supplier selection decisions.

However, as the literature suggests, business and political ties differ in terms of the resources they provide (Sheng et al., 2011). By extension, it may also be expected that the degree to which these two kinds of ties affect outcomes in different kinds of organisations may differ. By their nature, public sector organisations have formal structural linkages with the Government. Despite the commercialisation and privatisation of most public firms, as well as the introduction of private sector management principles to make public sector firms more autonomous and accountable, government remains an important shareholder/stakeholder in most public firms (Lindskog et al., 2010).
Intuitively therefore, we expect political ties to be relatively more important in predicting supplier selection decision than business ties. To test the foregoing claims, we put forward the following two hypotheses:

**H1:** Both business and political ties have positive effects on supplier selection decisions.

**H2:** Political ties are a stronger predictor of supplier selection than business ties.

### 3 Research methodology

#### 3.1 Sample and data collection

We selected government business enterprises or quasi-autonomous governmental organisations (Wright, 2004) in Nigeria as our empirical setting. These organisations are created as extensions of government agencies and are ultimately responsible both to the central government and the society. Although these organisations engage in business activities, neither their ownership structure, motivation, funding, nor their condition for doing business can be compared to private sector organisations. Unlike other forms of organisations in Nigeria which come into existence only after receiving a certificate of incorporation from the Nigerian Corporate Affairs Commission (CAC), quasi-autonomous governmental organisations are created by Acts of Parliament. The Schedule to the Nigerian Fiscal Responsibility Act of 2007 and the Nigerian Government Gazette constitute the sampling frame for this study. In all, 40 public sector firms were selected for the study. This study also focused on the strategic decision-making units in the target organisations as the unit of analysis. The strategic decision-making unit of an organisation typically comprises the chief executive officers (CEO) and the senior management team (SMT), and are normally senior level staff (Engelen et al., 2013; Nath and Mahajan, 2011). To ensure the selection of respondents who are familiar with their organisation’s strategic decision-making processes, only experienced senior level staff members and SMT members were included in the sample. To ensure that a cross-sectional approximation of opinion is captured in each of the target organisation, we employed a multi-informant approach.

For the formal survey, we selected 15 participants per the 40 target organisations based on their explicit responsibilities in the respective organisations. In all, the survey questionnaires were personally administered to 600 participants. The CEOs in the surveyed organisations were excluded from participating to reduce the bias that may result from self-report. The administration and retrieval of the questionnaires lasted seven months (December 2015 to June 2016). In total, we retrieved 366 questionnaires (representing a response rate of 61%). As a quality check, information was collected on the number of years respondents have worked in the public sector, their current position, highest educational attainment, and age range. As an additional filter question, the respondents were asked the question: Has this organisation engaged in the purchase of assets (such as the purchase of capital equipment or contracting for important projects) within the past 3-5 years of which you are aware? Those who answered ‘NO’ to this question were excluded.

After checking for data quality in terms of completeness of the returned questionnaires, 342 were found usable for the analysis. On average, the informants have worked in the public sector for 12.7 years and at their current position for 4.5 years. Their
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positions include heads of departments (8.2%), governing board members (9.7%), senior admin personnel (19.5%), senior marketing/purchasing personnel (21%), senior engineering personnel (18.3%), senior finance/accounts personnel (18.2%), and other senior level staff (5.1%). It is important to note that the retrieval rate per organisation range from 33.3% (i.e., 5 of 15 participants) to 80% (i.e., 12 of 15 participants) returning their completed questionnaire.

4 Measures

All the measurement items used in this study were adapted from the validated scales used in previous studies. The measures for business ties were adapted from Peng and Luo (2009) and consist of four (4) items which captures the extent to which the CEO and other SMT members have a good connection with various economic stakeholders including contractors, potential suppliers, other public and private business organisations. The measures of political ties (5 items) were adapted from Li and Zhang (2007) and Peng and Luo (2000). It captures the extent/importance of the personal relationships CEOs and SMT members cultivate/maintain with government officials/agencies and political stakeholders, including regulatory authorities, elected/appointed public officers and political groups. The measures of strategic supplier selection decision (3 items) were adapted from Rahim (2013). It captures the extent to which the organisation attaches importance to the selection of suppliers during important asset purchase and the criteria for who is selected as supplier/contractor during important purchase decisions.

All items, except for the filter/demographic items, were measured on 5-point Likert scales (1 = Strongly Disagree to 5 = Strongly Agree). The reliability tests on the subscales for business ties (α = 0.72), political ties (α = 0.83) and strategic supplier selection decisions (α = 0.74), suggest that the scales are internally consistent (Field, 2009). Each respondent’s arithmetic mean scores on the items that constituted each of the sub-scale was computed to give an aggregate for each of the variables. The composite mean (standard deviation) for the constructs are: business ties = 3.66 (0.84), political ties = 3.93 (0.59), and supplier selection decision = 3.91 (0.71).

5 Results

This study is set out to establish the extent to which the component dimensions of relational social ties (i.e., business and political ties) affect or explain strategic supplier selection decisions in public sector firms, as well as determining which of the two components has greater influence on supplier selection decisions. To achieve these aims, a multiple regression analysis was performed with business and political ties as the independent variables, and supplier selection decision as the dependent variable. Before performing the analysis, assumptions of data linearity, normality and non-multicollinearity were checked and established. Our analysis shows that a significant regression model was found [F (2,339) = 39.60, P<0.001, with an R^2 of 0.19].

To test the hypothesis asserting that both business ties and political ties are positive determinants of supplier selection decisions in public firms, we inspected the standardised beta coefficients and the p-values for these independent variables (Table 1). The results show that both business ties (β = 0.271, p<0.001) and political ties
(β = 0.253) significantly and directly influence supplier selection decisions. The results also indicate that for every unit increase in business ties, supplier selection decision will also increase 0.271 times as much. Similarly, for every unit increase in political ties, supplier selection decision is likely to increase 0.253 times as much.

Table 1  Regression coefficients and their p-values

<table>
<thead>
<tr>
<th>Ind. Var.</th>
<th>Unstd. β</th>
<th>Std. β</th>
<th>S.E. of β</th>
<th>t</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business ties</td>
<td>0.227</td>
<td>0.271</td>
<td>0.044</td>
<td>5.131</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>Political ties</td>
<td>0.302</td>
<td>0.253</td>
<td>0.063</td>
<td>4.783</td>
<td>&lt;0.001</td>
</tr>
</tbody>
</table>

Note: Intercept = 1.895, \(R^2 = 0.189\), \(n = 342\).

The second hypothesis posited that political ties, rather than business ties, is a better predictor of supplier selection decisions. A cursory inspection of both the unstandardised and standardised coefficients (Table 1) shows differences in the sizes of the beta weights, which may suggest differences in their explanatory or predictive strength. While the unstandardised beta weight for political ties (0.302) is numerically larger than that for business ties (0.227), thus suggesting the former as a better predictor, the standardised beta weight (business ties, \(\beta = 0.271\) > political ties, \(\beta = 0.253\)) suggest the reverse. A conclusion based on the observable numerical differences in these coefficients (inference by eye-balling) may not be accurate; the observed differences should be tested to determine their statistical significance (Cumming, 2009).

To test the hypothesis that the standardised beta weights for business ties (\(\beta = 0.271\)) and political ties (\(\beta = 0.253\)) are statistically significantly different from each other, we standardised the scores on both the dependent and independent variables and then estimated a regression model based on their corresponding 95% confidence intervals via a bias-corrected bootstrap sample of \(n = 1000\) (Table 2). If the confidence intervals overlap by less than 50%, the beta weights would be considered statistically different from each other (\(p < 0.05\)) (Cumming, 2009). To determine the veracity of this hypothesis, half of the average of the overlapping confidence intervals was computed (0.070) and then added to the lower bound beta estimate for business ties better (i.e., 0.167 which equals 0.237. Since the 95% upper bound estimate for political ties (0.357) exceeds the value of 0.237, the difference between the standardised beta weights for business and political ties (\(\Delta\beta = 0.018\)) is not statistically significant, \(p > 0.05\) (based on the 50% overlap rule).

Table 2  Regression estimates of upper and lower 95% CI using standardised score and bootstrap sample

<table>
<thead>
<tr>
<th>Z-Variables</th>
<th>Upper 95% CI</th>
<th>Mid-point</th>
<th>Lower 95% CI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business ties</td>
<td>0.167</td>
<td>0.271</td>
<td>0.375</td>
</tr>
<tr>
<td>Political ties</td>
<td>0.147</td>
<td>0.253</td>
<td>0.357</td>
</tr>
</tbody>
</table>

6 Discussions

Drawing on relational social network theories (Gonzalez et al., 2014; Sheng et al., 2011; Granovetter, 1973, 1983) and interpersonal/inter-organisational interaction theories (Hakansson, 1982; Ford, 1997), this study investigated the role of social ties on
organisational processes in a non-western not-for-profit B2B context. Despite the growing body of research on the role of relational social ties on organisational processes and outcomes, very few studies have empirically considered the relative contribution of its distinct components (i.e., business and political ties) in strategic supplier selection decision in government-owned firms in emerging economies. Extant literature suggest that business and political ties provide access to different kinds of resources, and their effect is conditional on environmental factors (Sun et al., 2011; Sheng et al., 2011). As a source of ‘insider’ information not readily available in the open market, social ties can provide strategic intelligence and competitive advantage to firms who possess them (Striukova, 2012). The objective of this study, and therefore its contribution to the B2B marketing literature, is to examine the relative usefulness of relational social ties as determinants of competitive advantage during supplier selection decisions.

Our results indicate that both business ties and political ties are positively related to supplier selection decisions in public sector organisations. This suggests that managers in potential supplier organisations who consciously cultivate and expand their network of personal relationships with other stakeholders (managers in rival supplier organisations, important political actors, government information gatekeepers, business regulator/legislators, and important local industry players) stand a better chance of being selected for important public service or works contract. This result is consistent with previous studies that have found social ties to be an important strategic option for firms operating or intending to operate in business markets characterised by volatility and uncertainty (Duus, 2016; Gu et al., 2008; Li et al., 2008; Li and Zhang, 2007; Peng and Luo, 2000).

Because both business and political ties provide different kinds of social capital to managers, some previous studies have suggested that their effects on organisational outcomes are different. For instance, while Sheng et al. (2011) found that business ties are stronger and more important determinants of organisational performance than political ties (especially in emerging economies with consolidating market infrastructure), others have concluded that political ties lead to improved firm values and better corporate performance (Sun et al., 2011; Cooper et al., 2010; Hillman, 2005). Contrary to these opposing findings and our prior expectations however, our result shows that there is no significant difference in the relative impact of business and political ties on supplier selection decisions. One possible reason for this contradictory result may be the context of the study. Most of the studies on the role of social ties on organisational outcomes are conducted in mixed organisational samples in China. Moreover, China’s monolithic political system, its ‘dual-track approach’ to market liberalisation (Luo, 2007), and its level of infrastructural development is very much unlike the system operational in Nigeria. Though both countries are sometimes described as emerging economies, the level of development of market-supporting institutions and infrastructure in China is higher than in Nigeria. To guide against the inadequacies of formal institutions, organisations utilise informal governance mechanism, such as business and political ties, to enhance their interest. This interpretation is in line with institutional theory which contend that well-functioning support institutions are necessary for effective market exchange, that individuals and firms are more likely to rely on personal relational connections in advancing their course where formal supporting infrastructure are either inadequate or ineffective (North, 2005). Thus, our result may only be indicating that Nigeria is an emerging economy at an early market transition phase; in
such an environment, the cultivation of both business and political ties are necessary for organisations to optimise their strategic supplier selection decisions, to use as part of their strategic intelligence.

7 Implications and conclusions

The results of our empirical study have implications for both domestic and international firms planning to do business with public sector firms in Nigeria. Firstly, although business and political ties offer access to different kinds of resources, both are equally beneficial. To enhance their competitiveness and optimise their selection chances during important contract decisions, managers must make effort to build discretionary personal networks with business partners and government officials. The importance of such personal connections in Nigeria cannot be overstressed. For instance, loopholes in the Nigerian public procurement regulations ensure that Ministers and other contract-approving agents of government can waive a bidding organisation’s obligation to meet certain requirements for the awards of contracts under the Nigerian Local Content Law (Nwapi, 2015). With several recent reported cases of contract splitting (to stay within certain approval limits), anticipatory approvals, leakage of privileged tendering information, contract cancellations, protracted adjudication of contract cases (the average cost in Nigeria triple those of the O.E.C.D. countries with cases dragging in courts for up to 5 years because of lawyers/judges using delaying tactics), Achua (2011) has observed that contract security in the Nigerian public sector is guaranteed by the contractors’ level of social connectedness, especially to the ruling political class. This feature of the Nigerian business environment, also referred to as the ‘Nigerian Factor’ (Osisioma, 2001) or the ‘Man-Know-Man Factor’ (Essien and Etuk, 2012), is not unlike the Chinese ‘Guanxi’ (Sun et al., 2011). Therefore, one important strategy open to organisations intending to gain insights on how the Nigerian business environment operates (with a view to enhancing their competitiveness) is to develop social ties with important stakeholders in the environment.

Furthermore, our findings provide some empirical insights into one of the important factors that come to play during supplier selection decisions in the Nigerian public sector market. These insights may serve as valuable competitive intelligence for the strategic management process or foresight information for organisations intending to enter this or similar markets. As sources of valuable information, organisations can leverage on social ties as an innovative approach for keeping track of changes in their operating environment (Rinkinen and Makimattila, 2015). Therefore, in addition to product and process innovations which have been advocated for conquering new markets (Todiras et al., 2011), our findings suggest that relational ties can also provide strategic intelligence to inform strategies, policies and plans for entering and conquering volatile markets in emerging economies.

In relation to whether business or political ties are more beneficial, our findings suggest that it is more advantageous for managers and decision makers to invest in both types of personal relationships than just concentrating on one of them. Given the weak and ineffective business-supporting infrastructure that characterise the Nigerian public procurement landscape (World Bank, 2017), mangers must pay equal attention to their relationships to business partners/collaborators as well as government and political elected/appointed officials. Though these two types of social ties generate different types
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of resources to connected firms (though politically-connected firms run the risk of their connections turning into expensive liabilities in a volatile pluralistic political system like Nigeria’s), managers and their organisations stand to gain more by consciously cultivating both types of ties than by opting for either type. The caveat here is that managers must adopt a balanced approach to building such relationships. An advantage today may easily become a liability tomorrow in the event of abrupt economic and political changes (as is often the case in Nigeria’s pluralistic political system where a change in government may result in the renegotiation or cancellation of previously agreed contracts). Therefore, a good safety net would involve managers developing a wide range of interpersonal relationships with key actors across party and socio-cultural lines.

Finally, our findings have important implications for public procurement policies in Nigeria. The Nigerian procurement system has undergone a series of reforms aimed at making the system more transparent and equitable. The promulgation of the Public Procurement Act of 2007 (as amended in 2010) and other spin-off legislations such as the Local Content Act of 2010 and the Due Process Mechanism of 1999, are few examples of such reform efforts. However, the continuous prevalence of weak business-supporting institutions (which nurture the development of political ties) may scare away genuine investors who may be more interested in building mutually beneficial business relationships than being associated with a particular political group or ideology. Moreover, while business ties curb opportunistic behaviours by encouraging the development of trust, commitment and mutual dependence (because of its long-term nature), the transient nature of power makes political ties more risky, transactional, short-term, opportunistic and self-serving (Aggarwal et al., 2012; Faccio, 2010; Poppo et al., 2007). Therefore, policy makers should make efforts to discourage the influence of politicians and regulatory agents in public supplier selection processes by (1) blocking the apparent loopholes that exist in the Nigerian procurement laws; (2) strengthening business-supporting institutions to encourage checks and balances in the system; (3) establishing e-procurement protocols and systems to ensure that the contractor with the optimal overall bundle offer get the nod.

8 Implications for further research and limitations

Although this study has reached its aims, there were some unavoidable limitations which does not diminish the value of its contribution. First, because of the time limit, this study used cross-sectional data to test the hypotheses.

Therefore, to generalise the results further, to empirically predict causality in the examined relationships and to provide deeper insight into the complex nature of the role played by relational social ties in public sector organisational processes in Nigeria further studies should use longitudinal and mixed method designs.

Second, even though the literature suggests that the effects of ties on organisational outcomes are moderated by a wide range of context-specific variables including market and nonmarket environmental elements (Sun et al., 2011) the focus of this study was on business and political ties so our model did not incorporate any of these elements. Therefore, in future studies we plan to expand our model and enhance its explicative power by considering the moderating roles of organisational ethical work climates,
ethnicity, religious affiliation and managers’ political ambitions. These are some of the important nonmarket and cultural issues associated with ‘The Nigerian Factor’ as well as business-government relationships in Nigeria.

Third, our sample focused only on public sector organisations in Nigeria. Although public firms in most emerging economies may share certain similarities in terms of the characteristics of their business environment, their levels of adoption and implementation of market reforms and best practice principles in government procurement may differ significantly. Given the divergent results on the roles of business and political ties on organisational outcome in some emerging economies, the generalisability of the findings of this study is context related. In fact, we suggest that the socio-cultural idiosyncrasies of Nigeria should be taken into consideration when interpreting our result. Therefore, while international firms intending to do business with Nigerian public sector firms are advised to strongly consider the development of both business and political ties with public managers as one of their key nonmarket strategies, they must take cognisance of the complex socio-political characteristics that make up the Nigerian business environment.

References

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