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An Evaluation into the Use of Arbitration as a Dispute Resolution Method in Supplier-Buyer Relationship

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Abstract:
Nowadays, the creation and the management of effective supplier relationship is considered a sine-qua-non for the continued survival of business organisations. However, the benefits of effective supplier relationships could be overshadowed with the eruption of dispute in the supply chain. This study evaluates the usefulness of arbitration in resolving commercial disputes in supplier-buyer relationship of the Nigerian upstream oil and gas industry supply chain. Online questionnaires were sent to a sample of 49 oil and gas exploration and production companies. Forty-one completed questionnaires were received and analysed using descriptive statistics and content analysis technique. Analyses of the responses revealed that delays in performance of duty, payment related issues and complexities in the contract terms and conditions as the main causes of disputes between majors and contractors in the industry. Part of the analyses also shows that most contractual relationships in the industry contain arbitration clauses at the signing up of the contract agreements thereby limiting the number cases that go through the formal arbitration process. Additional analysis further shows the benefits of arbitration in resolving commercial disputes to include, among other benefits, timeliness, privacy and the expertise of the arbitrator in the field of the dispute. These are not quite different from the list of benefits cited by other literature on arbitration. Nevertheless, majors and suppliers may encounter challenges of choosing the appropriate law and the appropriate arbitrator when deciding to use arbitration in resolving their disputes. One interesting outcome of this study is that the adoption of arbitration as a method of resolving contractual disputes in the Nigerian oil and gas industry does not result in ending contractual relationships between majors and contractors/suppliers and for this the author concludes that arbitration could be an effective means of resolving commercial disputes in the upstream oil and gas industry supply chain.

Keywords: *Supplier-buyer relationship, dispute resolution, arbitration, Nigerian oil and gas industry, supply chain*

1. Introduction

Modern business practice suggests that the success of business organisations is not only a function of their internal operations but also a function of the commitments, cooperation and collaboration of other stakeholders in their supply chains (Lambert, 2008).Suppliers of raw materials and services play important roles in the operations and profitability of business organisations (Van Weele, 2010). This calls for greater emphasis for the creation of mutual and long-lasting relationships between buyers and suppliers. As competition shifts beyond the boundary of business circles, success depends on management's ability to integrate its network of relationships (Lambert & Cooper, 2000; Miocevic & Crnjak-Karanovic, 2012). Thus, effective and sustainable supplier relationship has been seen to increase the efficiency in cost management and supply chains of organisations (Lambert & Cooper, 2000; Kulmala, 2004).

Supply chain management has been defined by Christopher (2005, p.5) as "the management of upstream and downstream relationships with suppliers and customers to deliver superior customer value at less cost to the supply chain as a whole." On his part, Harland (1996) conceptualised a four-level supplier relationship when describing supply chain management: first, the internal integration of supply chain that involves the flow of materials and information within a company; second, the management of relationships of a company's immediate suppliers; third, the management of relationships of a company's supplier's suppliers and customer's customers; and, in the fourth level, Harland (1996, p. 64) defined supply chain management as "the management of a network of interconnected businesses involved in the ultimate provision of product and service packages required by end customers." These, and many other definitions, clearly show that the essence of effective supply chain management is the management of the inter-relationships between business organisations and their suppliers, customers, and other stakeholders in their supply chains with the aim of providing goods and services commensurate with customers' expectations that will lead to the achievement of competitive advantage through cost efficiency and sharing the benefits thereof. Lambert (2008, p. 6) stressed that "supply chain management is about relationship management."

The supply chain function in the Nigerian upstream oil and gas (hereafter NOGI) industry plays important roles in the continued operations of companies in the industry. This is because of its function of ensuring that the companies get all that they need (materials, equipment and services) at the right time, at the right place and from the right supplier. This underpins the importance of maintaining good relationships with their suppliers.However, as supplier-buyer relationships

are based on mutual contractual agreements between companies and their suppliers, conflicts are bound to occur, potentially leading to animosity in the relationship, long and costly court proceedings and eventually, causing serious disruptions in the supply chain. Hence the need for a seamless, cheaper and friendly means of resolving contractual disputes that will preserve the companies' finances, reputation and relationship with their suppliers. Arbitration provides an alternative means for resolving commercial disputes in a cost effective, less cumbersome and timely manner (Hayford, 2000; Baum, 2010). According to Alramahi (2011), arbitration has become a major mechanism in resolving disputes in the oil and gas industry particularly in contracts involving suppliers from different countries which is one of the features of the oil and gas contractual transactions.

1.1. Aim and Objectives

Although a great amount of attention has been paid to the creation, management, and maintenance of effective and efficient supplier-buyer relationships by supply chain management literature, less attention is being paid to the ways of resolving supplier-buyer relationship disputes by both practitioners and academicians in the discipline, leaving the vanguard to the legal profession. This justifies the need for an empirical investigation into the use of arbitration by supply chain managers to resolve disputes especially in the oil and gas industry supply chain.The aim of this study therefore is to evaluate the usefulness of arbitration as a dispute resolution method in supplier-buyer relationship in the NOGI supply chain. To achieve this aim, the following objectives were drawn.

- To identify some of the causes of disputes in supplier-buyer relationship in the NOGI supply chain.
- (To evaluate the extent to which arbitration is used to settle contractual disputes in the NOGI supply chain.
- To identify the benefits of using arbitration rather than conventional litigation in resolving contractual disputes in supplier-buyer relationship in the industry.
- To evaluate the obstacles impeding the adoption of arbitration in resolving supplier-buyer relationship disputes in the industry.

This research project is organised as follows: section one introduces the topic of the project including its aim and objectives;section two reviews the literature on supplier relationships and dispute resolution methods in the oil and gas industry;section three introduces the methodology used in the collection and analyses of data for the study; section four presents the analyses of the data collected;section five discusses the findings of the study; and section six wraps up and concludes the study.

2. Literature Review and Rationale

2.1. Supplier Relationships

Supply chain management has gained considerable attention over the past decades (Tan, 2001). It has matured from a function that was seen by many as a mere operational, clerical, tactical or administrative function to a function that contributes to the strategic competitive advantage of organisations (Gebauer & Zagler, 2000; Murray, 2001; Pujawan, 2004; Van Weele, 2010; Lysons & Farrington, 2006). With the increasing local and global competition and the realisation of the fact that sales revenues spent on purchased materials varies from more than 80% in the petroleum refining industry to 25% in the pharmaceutical industry (Huang & Keskar, 2007), coupled with the trends by many organisations for the vertical integration of their supply chains (Guan & Rehme, 2012), business organisations no longer consider their suppliers as separate entities but rather as part of a single conglomerate and partners for their continued survival. Suppliers are now involved in long-term planning, new product design and development (Petersen, Handfield & Ragatz, 2005), and in knowledge/information sharing and transfer (Kotabe, Martin & Domoto, 2003; Paulraj, Chen & Flynn, 2006). In addition, some companies try to streamline their suppliers' bases to manageable sizes with a view to ensuring proper identification and effective management (Karpak, Kasuganti & Kumcu, 2011). With this, they are able to enter into collaborative agreements designed for specific product and service for the benefit of both the companies and the suppliers (Lambert & Schwieterman, 2012).

The establishment of integrated and cooperative supplier-buyer relationship is particularly noticeable with the realisation of its importance by manufacturers in just-in-time manufacturing environment which operates with little or zero level of inventory (Tan, 2001; So,& Sun, 2010). However, "supply chain management requires cross-functional integration within the firm and across the network of firms that comprise the supply chain" (Lambert, 2008, p. 1). This however underpins the importance of establishing long-term strategic relationship with suppliers, especially in oil and gas industry where contractual transactions run into billions of dollars and cross national boundaries (Alramahi, 2011).

Studies have shown that long-term relationship, strategic partnership or as Maloni & Benton (2000) refer it, integrated relationship, promotes the creation of competitive advantage through improved responsiveness and lower cost. It also encourages mutual commitment, mutual trust (Chen, Paulraj & Lado, 2004) and social integration and social commitment between the parties (Carey & Lawson, 2011; Bernardes & Zsidisin, 2008). Similar study indicates the positive impact of supply chain relationship on design quality – new product design and development - (Fynes, Voss & De Burca, 2005). Recent literature on industrial marketing suggests that supplier relationship management and supply chain orientation have significant influence on organisational buying behaviour (Miocevic & Crnjak-Karanovic, 2012). In addition, the impacts of other variables on the buyer-supplier relationship have also been studied. To this end, the influence of the four types of justice (distributive, procedural, interpersonal and informational) on the buyer-supplier relationship performance has been analysed by the supply chain literature (Liu et al., 2012). Summarily, coordination,

collaboration, commitment, communication, trust, flexibility, and dependency have been generally considered to be the focal point for good relationship (Kannan & Tan, 2006).

On the other hand, literature on dispute resolution has shown arbitration to have significant savings in time, costs, and in the management of resources in disputes in electric utility industry (Coughlin, 1995). Similar studies also indicate the timely resolution of environmental disputes (Matsumoto, 2011) and common interest development disputes (Baum, 2010) when arbitration proceedings and other forms of alternative dispute resolution (ADR) were employed. According to Stipanowich (1997), arbitration has become an essential element in the construction industry's contracting agreements. Even in the energy sector particularly the oil and gas industry, the study of ADR methods has confirmed the usefulness of arbitration in providing speedier, flexible, cheaper, and less ambiguous means of resolving contractual disputes (Alramahi, 2011).

However, despite numerous studies on the potential benefits of effective and efficient supplier-buyer relationship on the supply chain performance on one hand, and on the importance of arbitration in resolving commercial disputes on the other hand, there has been little attention by researchers in the supply chain management literature on the best dispute resolution mechanism to adopt in resolving dispute involving suppliers and buyers in their relationships. This study tries to integrate these two disciplines by investigating the effectiveness of arbitration in resolving contractual disputes in the supply chain of one of the most important sources of energy to industries and households.

2.1.1. Types of Supplier-Buyer Relationship

Giannakis (2007) conceptualised the nature of supplier relationships into two: their levels of analysis and their genesis of developments. Under the level of analysis, supplier relationships are considered as been evolving from and an extension of interpersonal, inter-departmental and inter-organisational relationships. The developmental typology consists of three dimensions that consider the formation of the relationship. These are the pre-contractual stage, which looks at the factors that inform the selection of potential suppliers; the institutional stage, that involves the setting up of the relationship and the establishment of appropriate governance structures that include both contractual and non-contractual binding agreements among the parties; and the operational stage, which refers to the coordination of activities and the interactions of the parties in the relationship under agreed terms.

However, the two most widely cited forms of relationships are the arms-length relationships and strategic partnership relationships (Hoyt& Huq, 2000; Cadden, Humphreys & McHugh, 2010).

2.1.2. Arms-Length Relationship

The arm's-length is essentially a transaction-based process, involving multiple suppliers, whereby the buyer does not consider the suppliers as contributing to the competitive advantage of the organisation (Nguyen & Harrison, 2002). Nguyen & Harrison (2002) added that the main idea behind the arm's-length relationship is that suppliers and buyers are separable, and suppliers are only needed for short period or one-off transaction. Some regard it as an adversarial relationship whereby each party tries to gain advantage at the expense of the other (Duffy & Fearne, 2004; Lee & Kwon, 2006).

2.1.3. Strategic Partnership Relationship

This is based on collaboration, trust, sharing of information between buyer and supplier on product design and development, and mutual benefits for the buyer and the supplier (Duffy & Fearne, 2004). Suppliers are considered as long-term strategic partners who are integrated into the organisation's production processes (Nguyen & Harrison, 2002). It essentially involves a win-win philosophy whereby both parties feel that they have benefited from the relationship (Zachariassen, 2008). Because it is a long-term relationship, selected suppliers are often maintained for a reasonable period of time. As indicated by Table 1, strategic partnership relationship reduces uncertainties and costs for both the buyer and the supplier in the course of their dealings as well as improves the responsiveness of the parties in new product/process development and faster delivery (Maloni & Benton, 2000).

Reduced Uncertainty for Buyers in	**Cost Savings from**
Materials costs Quality Timing and lead times Availability and responsiveness Decreased administration costs	Economies of scale in Ordering Production Transportation Decreased switching costs Integration of processes, technologies Improved asset utilisation
Reduced Uncertainty for Suppliers in:	Enhanced Responsiveness from:
Convergent expectations and goals Reduced effects from externalities Reduced opportunism Increased communication Shared reward	Joint product and process development Faster time to market Improved cycle times

Table 1: Benefits of Integrated Supplier-Buyer Relationship
Source: Maloni & Benton (2000, P.38)

2.2. Dispute Resolution in the Oil and Gas Industry Supply Chain

According to Alramahi (2011, p. 78), "oil and gas is one of the most dispute-intensive industries in the world" going by its nature of operations and the operators involved. Disputes could occur when an issue which has previously not been taken care of in the contract agreement happens to manifest. The kind of disputes, especially those that have to do with suppliers in the oil and gas industry, include disputes in construction projects, disputes in the supply of equipment and marketing of crude oil, as well as disputes arising from the delay in delivery of equipment, among others (Alramahi, 2011). Other forms of disputes in the oil and gas industry are the delays and defects in the manufacture of oil rigs and exploration and production facilities (Gaitskell, 2010). The construction of these facilities is often technology-wise and requires a lot of funding for which a slight delay or defect could have significant negative effects on the companies' bottom line (Gaitskell, 2010). Dispute could also arise when one party fails to perform his/her own part of a contract agreement (Richards, 2007).

2.2.1. Methods of Dispute Resolution in the Oil and Gas Industry

Generally, the two methods of dispute resolution are litigation and ADR (Baum, 2010). The ADR is further subdivided into, among others, arbitration, mediation, conciliation, negotiation, adjudication, expert determination. There is however a debate on the relevance or irrelevance of regarding arbitration as a form of ADR (Alramahi, 2011) due to the fact that it retains many features of litigation. Nevertheless, there are other characteristics, which shall be seen in subsequent sections, that detach arbitration from litigation and which might support its classification as an ADR (Baum, 2010). A major feature of ADR is "a third-party neutral assisting disputing parties in selecting, designing, and conducting one of a range of processes designed to help parties find mutually acceptable solutions to their disputes" (Lock, 2007, p. 82).

According to Alramahi (2011), two approaches to resolving contractual disputes in the oil and gas industry are the formal dialogue and the informal dialogue. The informal dialogue, which normally occurs at the beginning of the dispute, involves the commitments by the disputants, usually represented by top management, to seek to resolve the dispute in good faith and in an informal manner. The formal approach, Alramahi added, is the ADR and involves the invitation of a third party to serve as a go-between and make a binding or non-binding decision. However, the approach to dispute resolution to be adopted depends on the circumstances of the disputes and the preferences of the parties (Connerty, 2001).

2.2.2. Arbitration as a Dispute Resolution Method

One important feature of arbitration is the ability of the parties to choose an expert in the field in which they have dispute on (Stipanowich, 1997). Thus, arbitration has been defined by the American Arbitration Association (AAA) (2011) as "the submission of a dispute to one or more impartial persons for a final binding decision, known as an award." Alramahi (2011, p. 79) sees arbitration as "the resolution of disputes between two or more parties through a voluntary or a contractually required hearing with determination by an impartial third party." Common features of these definitions are that the issue in dispute is submitted to an impartial party, the impartial party examines the issues that led to the dispute, and the impartial party gives a final decision. This is of significant importance to oil and gas industry where contractual relationships between suppliers and the oil companies span for a long period of time and involve large sums of money (Alramahi, 2011). Both the supplier and the oil company can unanimously and jointly appoint an impartial third person, usually an expert in oil and gas transactions, who will look into the case and give a final decision. With this, apart from saving time and money, the supplier-buyer relationship is preserved.

Arbitration can be binding, non-binding, formal or informal (Baum, 2010). Binding arbitration is a "private process in which opposing parties submit their disputes to a binding determination by one or more third parties" (Stipanowich, 1997, p. 505). In this case, the decision of the arbitrator is binding on the parties and therefore have limited right to appeal. On the other hand, non-binding arbitration allows the parties the right to appeal. However, it has been stated that binding arbitration has become a popular instrument among other instruments in resolving international contractual disputes (Lock, 2007). And this explains the reason why most contracts nowadays contain arbitration provisions (Stipanowich, 2010).Arbitration is formal where the dispute is to be heard by arbitration professional bodies such as the AAA, the Chartered Institute of Arbitrators (CIArb), etc. who have set down rules and procedures for the hearing and the administration of awards. However, relevance the formal arbitration might be, arbitration procedures are normally spelled out during the drafting of the contract agreement even before the occurrence of any dispute (Stipanowich, 1997). Informal arbitration involves the settling of disputes by a trade union within an industry.

Alramahi (2011) however sees arbitration as being either ad-hoc or institutional. Ad-hoc arbitration allows the parties to decide the arbitration procedures to follow. Conversely, institutional arbitration is referred to an arbitral institute such as the London Court of International Arbitration (LCIA). Arbitration has a plethora of benefits over litigation in resolving disputes between suppliers and buyers particularly in the oil and gas industry. However, it has many limitations that need to be carefully considered.

Arbitration is usually faster and cheaper than litigation (Baum, 2010; Coughlin, 1995). Unlike litigation where judges need to consider other disputes, the arbitrator only hears a single case at a time (Witz, 2011). The speed of arbitration process is further increased with the appointment of an expert in the field of the dispute as the arbitrator (Alramahi, 2011). The appointment of an expert and the hearing of a single case at a time make the cost of arbitration cheaper to both parties as against an expensive and long-lasting court hearing (Hayford, 2000; Baum, 2010). This is also of

beneficial to the oil and gas industry in that long and expensive court hearing might have negative effects not only on the financial positions of the companies but also on their relationships with suppliers.

Arbitration is less belligerent than litigation when it comes to the issue of the rule of evidence (Powell & Bales, 2011). The rigorous formality associated with presentation of facts and evidences in litigation is not present in arbitration (Hayford, 2000). According to Baum (2010), in arbitration, disputants are allowed to present their evidence and to air their grievances informally which would otherwise not be allowed in litigation. By allowing the parties to present their grievances, the arbitrator is provided with all the necessary information needed to make a final award that benefits the parties. In the oil and gas industry, where disputing parties air their frustrations before an expert, arbitration provides a resolution that each party feels satisfied as all their grievances were presented.

Privacy is another important feature of arbitration (Stipanowich, 1997; Powell & Bales, 2011). Unlike litigation, arbitration proceedings are not publicised. According to Baum (2010, p. 926), in most cases, "the parties' motivation for choosing arbitration is the privacy that it affords." Privacy is of particular importance to companies in the oil and gas industry (Alramahi, 2011) especially in disputes that have to do with supplier-buyer relationships. The parties' business reputation is spared because investors, competitors, the media and the general public do not have an insight into the arbitration proceedings. The privacy provided by arbitration alleviates investors' panic about the safety of their investments and competitors would not have the chance to use any negative information that may stem out of court proceedings against the companies, thereby sparing costly damage to the parties (Baum, 2010).

Arbitration allows the parties to choose an expert in the field of the dispute (Alramahi, 2011; Coughlin, 1995). Choosing an arbitrator with expert knowledge in oil and gas business saves time and money of hiring experts to educate a judge about the technical aspects of a dispute involving suppliers and oil and gas companies. Additionally, unlike a judge, an arbitrator is usually appointed to resolve one dispute at a time (Witz, 2011). This further reduces the time frame for the completion of the arbitration proceedings. Where arbitration is binding, there is no right to appeal the arbitration award. This brings the dispute to its final conclusion at first instance and reduces the cost of multiple appeals associated with litigation (Baum, 2010). As the dispute is brought to final conclusion at first instance, contractual relationships between oil companies and their suppliers could continue without seriously disrupting the relationships and the supply chains.

Unlike judges, arbitrators are more flexible in the award they can present (Baum, 2010; CIArb, 2009). With this flexibility, arbitrators' awards always seem to present a win-win solution whereby both parties feel satisfied. The feeling of a win-win situation by suppliers and oil companies could preserve their relationships and prevent future disruptions in the supply of vital equipment, materials and services.Further important advantage of arbitration especially as it relates to oil and gas industry, which operates and enters into contractual agreements with foreign suppliers, is the cross-border enforceability of international arbitration (Alramahi, 2011). This is especially the case where the countries of both parties are signatories to the 1958 United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards or where the contract agreement stipulates to refer to the Convention in the event of dispute (CIArb, 2009). According to Alramahi (2011), parties can decide the country, the legal system and the language to be used in the arbitral proceeding. Hence, arbitration provides an important platform for resolving disputes in international commercial transactions such as those involving oil and gas companies and their suppliers. This may shield the perceived bias of foreign courts, the possibility for the application of the international private law rules of a foreign court, and the complexity associated with the application of foreign law by a local court (Witz, 2011).

However, despite its numerous advantages, arbitration is not without limitations. Baum (2010) stressed that arbitration is just another form of litigation. It involves the formal litigation process of presentation of evidences to a third person who observes the evidences and declares a winner and a loser (Alramahi, 2011; Witz, 2011). Stipanowich (1997) asserts the likelihood of arbitration to providing faster means of resolving disputes than litigation in smaller cases but uses many of the techniques employed by courts in resolving large and complex cases, further subjecting it to another form of litigation. Additionally, it has been observed that arbitration has grown to be as expensive as litigation (Alramahi, 2011; Stipanowich, 2010). Also, as noted by Witz (2011, p. 1), an arbitrator is deficient in "imperium". He lacks the power to enforce the arbitration award. Party to a dispute can refer to court to enforce the arbitration award and this may expose the whole process to negative publicity (Baum, 2010).

Moreover, Baum (2010 p. 931) stressed that "many of the positive attributes of arbitration disappear when arbitration is non-binding. Non-binding arbitration gives the parties the chance to refer to court if they were not satisfied with the arbitration award. This leads to increased cost, increased time and exposes the whole process to public domain. Furthermore, just like litigation and unlike mediation, parties to a dispute do not have control over the final outcome of arbitration (Coughlin, 1995).

3. Methods

In order to appropriately determine the methodology for this study, it is essential to revisit the research aim and objectives in section 1.1. Having the aim and objectives in mind will guide in choosing the appropriate research methods and techniques for data collection and data analysis for the study. This study adopts the descriptive survey design as it seeks to find the views of the participants about the usefulness of arbitration as a dispute resolution method in the supplier-buyer relationships. The descriptive survey uses a precise representation of the population to find the views of the respondents on a specified subject, in a predetermined and organised manner (Ghauri & Gronhaug, 2005). Questionnaire was used as a medium for the collection of data for the study. The questionnaire provides a platform through which large number of participants can be contacted at a relatively lower cost than an interview (Cameron & Price, 2009).

A list compiled by Jarushub in September 2017 indicates that Nigeria has about 127 companies operating in the upstream sector of the country's oil and gas industry. Nearly half of these companies are into exploration and production activities; some provide base logistics and life camp management services; others are into oil servicing such as geophysical, seismic, data processing, geology and geosciences services; some provide market survey services; still, others are into oil servicing (such as drilling contractors, drilling fluids and chemicals, drilling and well services, directional drilling, barites, betonies, Mud logging, and reservoir services); while some are just government agencies that are into production and/or regulation activities. This study however is limited only to those companies that are involved in the production and exploration of oil and gas in the country, which the author was able to identify 54 of them. Each company in the list has equal opportunity of being selected and was treated equally. Semi structured questionnaires were sent to 49 supply chain/procurement managers and/or legal department managers of these companies. Before the questionnaires were sent to the respondents, their consents were sought for, inviting them to participate in the study and assuring them of the high sense of confidentiality their responses would be subjected to. This is because of the sensitive nature of the study - not every manager would like to report on dispute and its resolution his company has been involved in.

In this study, the questionnaire was predominantly closed-ended. However, some few open-ended questions were asked. Email messages requesting for a permission to administer the questionnaires were sent to the sample respondents. Some of the companies responded that they were ready to accept and to respond to the questionnaires while some abruptly indicated their unwillingness to participate in the survey. Based on this, a total of 49 questionnaires were sent to the companies a week later. Reminders were sent to the respondents two weeks later thanking those that responded to the questionnaire and reminding those that did not responded. Further reminders were sent to the respondents a week later and at the end, a total of 41 responses, representing 84% response rate, were collected.

Descriptive statistics - tables, figures and percentages - were used to analyse the data. For the few open-ended questions, the content analysis technique was used to analyse the data. Content analysis is a systematic data analysis technique that enables a researcher to draw conclusion based on the frequency of occurrence of key themes raised by the respondents during interviews or as part of their questionnaire responses (Cameron & Price, 2009). However, merely counting the frequency of occurrence of a specific theme may not be sufficient in providing the needed answers to the research questions thus, analytical explanations and discussions were carried out in section five based on the objectives of this study.

In order to ensure that the privacy of the respondents was not infringed, their consents to participate in the study were sought for. Their identities and those of their companies were assured to be kept silent. This is why none of the identities of the respondents and those of their companies were asked to be disclosed or retrieved by the author while collecting the questionnaire responses.

4. Data Presentation and Analysis

This section presents the data collected for this study and the method adopted in their analyses. As mentioned in the previous section, descriptive statistics and the content analysis technique were used for this study at the analysis stage. The data will be analysed on a question-by-question basis and analysis will be based on the answer each question aims to provide to a specific objective of the study. After the analysis, appropriate interpretations, based on the aim and objectives of the study, will be made.

4.1. Data Presentation

This section presents the data collected for the study. Each question will be presented separately. For the closed-ended questions that allow the respondents the freedom to provide answers in their own words, the content analysis was used. This helps in picking the most frequently cited themes from the responses. The findings of this study will be analysed based on the objectives of the study that were cited in section 1.1.

4.1.1. Questionnaire Responses

A total of 49 questionnaires were sent to the respondents. Out of this, 41 completed questionnaires were received. This corresponds to 84% response rate. There are 13 questions altogether and the table below presents the topics of the questions.

Question 1	The position of the respondents
Question 2	Type of supplier relationship
Question 3	Whether arbitration has been used to resolve dispute in supplier relationship
Question 4	Causes of disputes in the oil and gas industry's supply chain
Question 5	The stage in the contract agreement at which arbitration is used in the industry
Question 6	Whether arbitration leads to continued relationship between majors and their contractors in the industry
Question 7	Percentage of arbitration taking place in foreign countries
Question 8	Whether arbitration is cheaper than litigation
Question 9	Whether arbitration proceedings are faster than litigation
Question 10	The benefits of using arbitration
Question 11	The challenges of using arbitration
Question 12	Whether arbitration awards were satisfactory to the respondents
Question 13	Whether the respondents go to court if not satisfied with arbitration awards

Table 1: Topics of the Survey Questions

4.1.1.1. Question 1: The Position of the Respondents

Figure 1: What Best Describe Your Position in Your Company? (Please Tick Only One)

Question 1 asked each respondent to select from a list of options what best describes his/her position in his/her company. Respondents can select from either the supply chain/procurement/purchasing manager function or the legal department manager function. There was also the 'other' option where respondents can give his/her position different from the two mentioned above. 33 respondents, representing 80%, were supply chain/procurement/purchasing managers, 4 respondents or 10% were legal managers while another 4 respondents or 10% identified their position as secretaries or officers at the procurement department.

4.1.1.2. Question 2: Types of Supplier Relationship

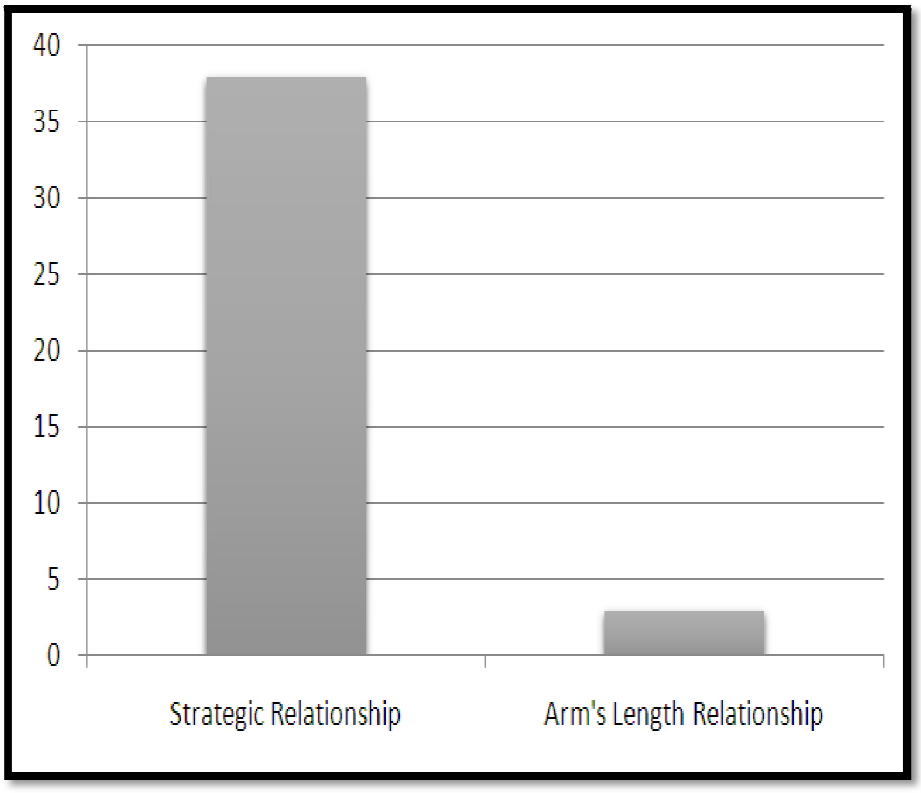

Figure 2: How Would You Describe Your Supplier Relationship? (Please Tick Only One)

Question 2 asked the respondents to choose the type of supplier relationship they operate from either the strategic relationship or the arm's length relationship. 38 respondents, representing 93% use the strategic relationship while 3 respondents or 7% adopted the arm's length relationship.

4.1.1.3. Question 3: Whether Arbitration Has Been Used to Resolve Disputes in Supplier Relationship

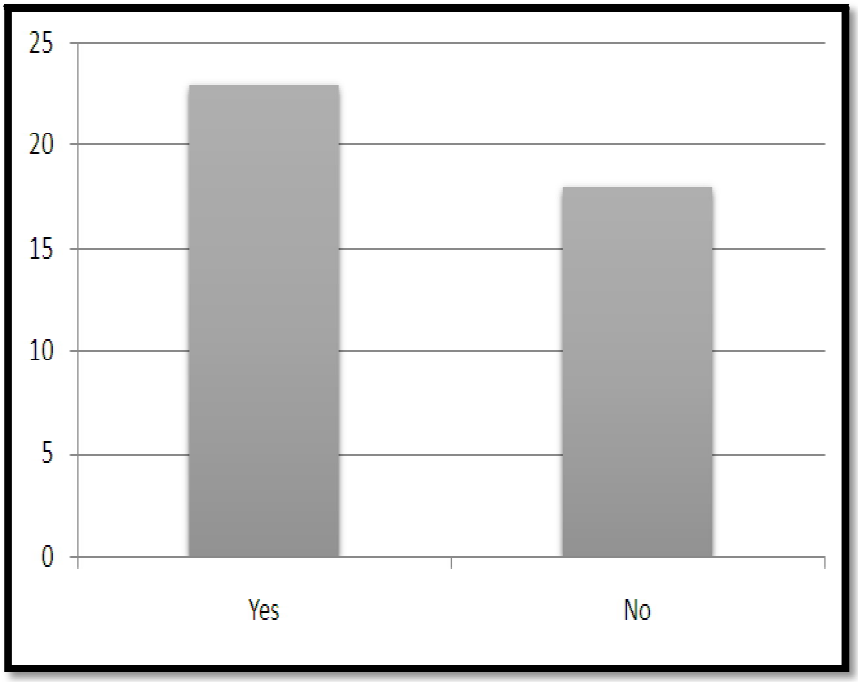

Figure 3: Have You Ever Used Arbitration as a Dispute Resolution Method in You're Relationship with Your Suppliers/Contractors? (Please tick only one)

Question 3 seeks to know whether the respondents have used arbitration in resolving contractual disputes in their relationships with their suppliers/contractors. 23 respondents, representing 56% of the responses have previously used arbitration in their relationships with their suppliers. On the other hand, 18 respondents or 44% of the respondents reported that they have never used arbitration in resolving contractual disputes in their relationships with their suppliers/contractors.

4.1.1.4. Question 4: Causes of Disputes in the Nigerian Oil and Gas Industry Supply Chain

Here, different causes of disputes have been deduced from the responses as supplied by the respondents. Table 3shows the different categories of these issues.

Serial Number	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Issue raised	Delays	Payments issues	Complex contract terms	Design issues	Scope of work	Non-performance	Improper contract management	Poor communication	defects	Contract uncertainties	Lack of trust
Frequency	38	32	28	27	19	15	11	8	4	4	4
Percentage of mention	20%	17%	15%	14%	10%	8%	6%	4%	2%	2%	2%

Table 3: Frequency of Different Category of Causes of Disputes
Source: Results Taken from the Questionnaires Administered in 2018

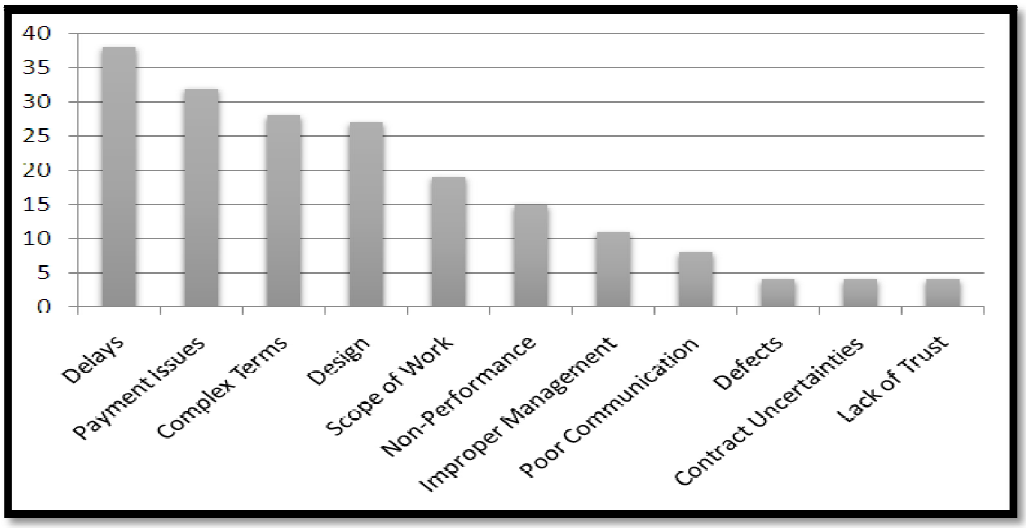

Figure 4: What Do You Think Could Be the Possible Causes of Disputes between Oil and Gas Companies and Their Suppliers/Contractors?

The most frequently mentioned cause of disputes has to do with delays in the performance of service or in the supply of vital equipment or in the installation and construction of oil rig and production platforms. This accounts for 20% of the issues raised. Next to delays among the causes of disputes between contractors and majors in the NOGI is payment related issues, accounting for 17% of the issues raised by the respondents. Payment related issues could be in the form of late payments, incorrect invoicing, inadequate cost control and disagreement in the cost of the contract. Another issue that does leads to disputes between majors and contractors in the NOGI that also accounts for 15% of the responses has to do with the complexity of and the interpretation of the contract terms and conditions. This issue also includes disagreement over the contract terms especially when more than two companies are involved in the contract, inadequate specifications in the contract terms and conditions, as well as the starting up of a contract without finalising its terms and conditions.

Further issue raised by the respondents is the design issue. This accounts for nearly 14% of the issues raised. Design issues could be in the form of improper designing and the subsequent supplying of equipment different from the required specifications or with poor quality. Unclear or poorly defined scope of work between the majors and the contractors is another prevailing issue raised by the respondents as one of the causes of disputes in the NOGI. As reported by most of the respondents (almost 10%), conflict might arise when there is a change in the scope of work for which proper communication to its effect has not been made.

Next on the list of issues identified by almost 8% of the respondents as one of the causes of disputes between oil and gas companies and their contractors is the non-performance of contract agreement and inadequate supply of materials or services by the contractors. Other causes of disputes in the NOGI are improper contract management (6% of responses), poor communication (4% of responses), defects related issue (2% of responses), contract uncertainty due to weather conditions or change in regulatory framework (2% of responses) and lack of trust (2% of responses).

4.1.1.5. Question 5: The Stage in the Contract Agreement at Which Arbitration Is Used in the Industry

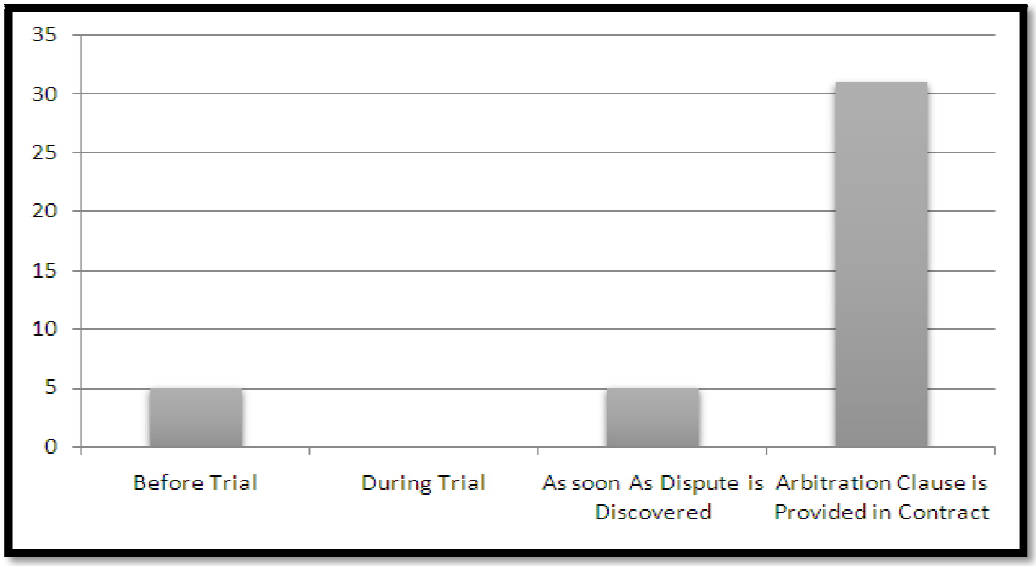

Figure 5: If You Ticked 'Yes' in Q3 above, at What Stage Do You Normally Use Arbitration? (Please Tick Only One)

Question 5 tries to establish the stage or the extent to which arbitration is used in the Nigerian oil and gas industry. Here, respondents were asked to state whether they use arbitration before trial, during trial, as soon as a dispute is discovered or whether arbitration clause is provided for in the contract. 31 respondents, representing 76%, stated that arbitration clause is provided for in their contract agreements. Five respondents, representing 12%, stated that their companies use arbitration before attempting for trial. Still five respondents (or 12% of respondents) also stated that their companies only use arbitration as soon as a dispute is discovered. However, none of the respondents reported using arbitration while the issue in dispute has already been taken to court.

4.1.1.6. Question 6: Whether arbitration leads to a continued relationship between majors and their contractors in the industry

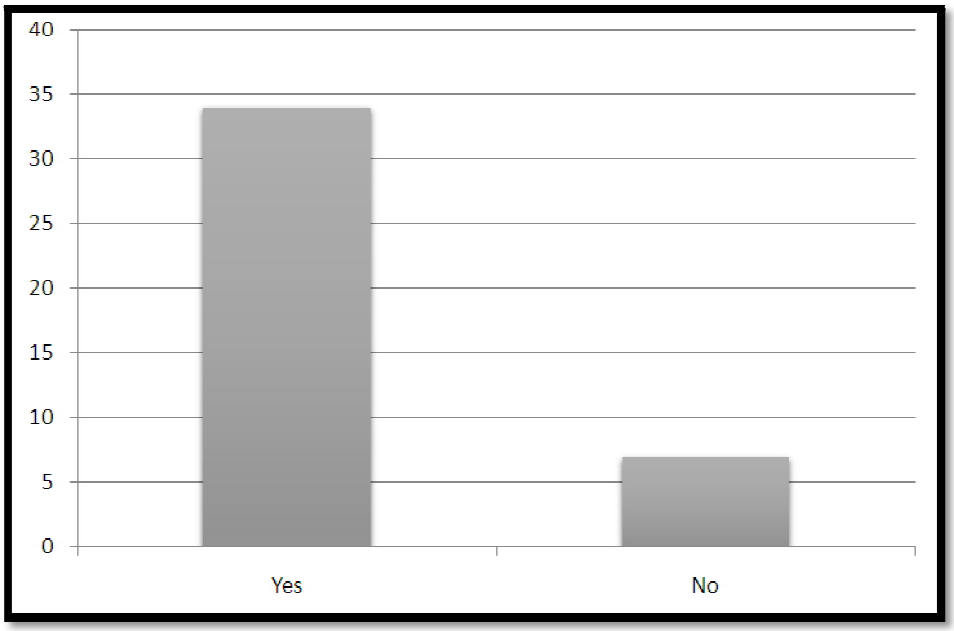

Figure 6: In Your Opinion, Does the Adoption of Arbitration Leads to Continued Relationship with a Disputing Supplier/Contractor? (Please Tick Only One)

This question seeks to find out the opinions of the respondents on the effectiveness of arbitration to foster a continued relationship between majors and contractors in the NOGI. 34 respondents or 83% stated that the use of arbitration has led to a continued relationship with their suppliers/contractors. Conversely, 7 respondents or 17% of respondents stated that arbitration does not lead to a continued relationship with their suppliers/contractors.

4.1.1.7. Question 7: Percentage of Arbitration Taking Place in Foreign Countries

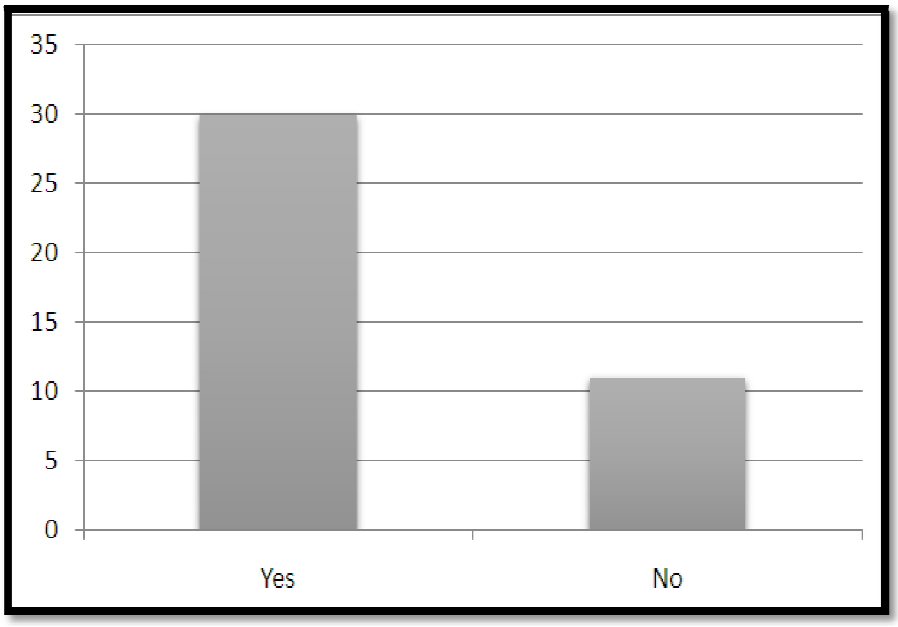

Figure 7: Have You Ever Been Involved in Arbitration Proceedings That Took Place in a Foreign Country? (Please Tick Only One)

This question seeks to find out the percentage of arbitration in the NOGI that took place in foreign countries. Only 11 respondents (or 27% of respondents) have had arbitration proceedings in Nigeria. On the other hand, 30 respondents (or 73% of respondents) did have their arbitration proceedings taking place in foreign countries.

4.1.1.8. Question 8: Whether Arbitration Is Cheaper Than Litigation

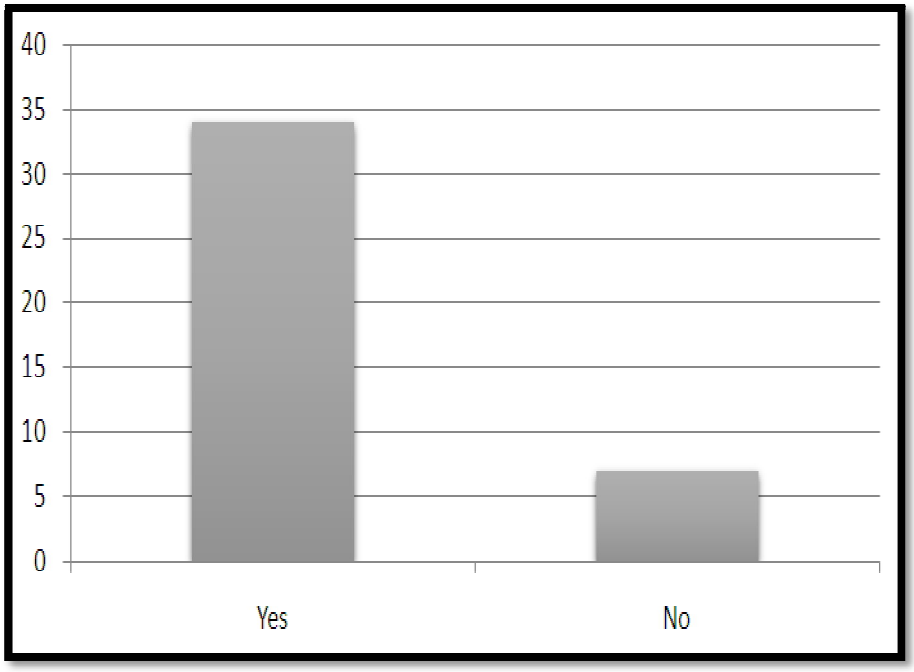

Figure 8: Compared to Litigation, Would You Consider Arbitration Cost Effective? (Please Tick Only One)

This question tries to find out if, compared to litigation, arbitration is cheaper. 34 respondents, representing 83%, stated that arbitration is cheaper than litigation while 7 respondents representing 17% stated that arbitration is not cheaper than litigation.

4.1.1.9. Question 9: Whether Arbitration Proceedings are Faster Than Litigation

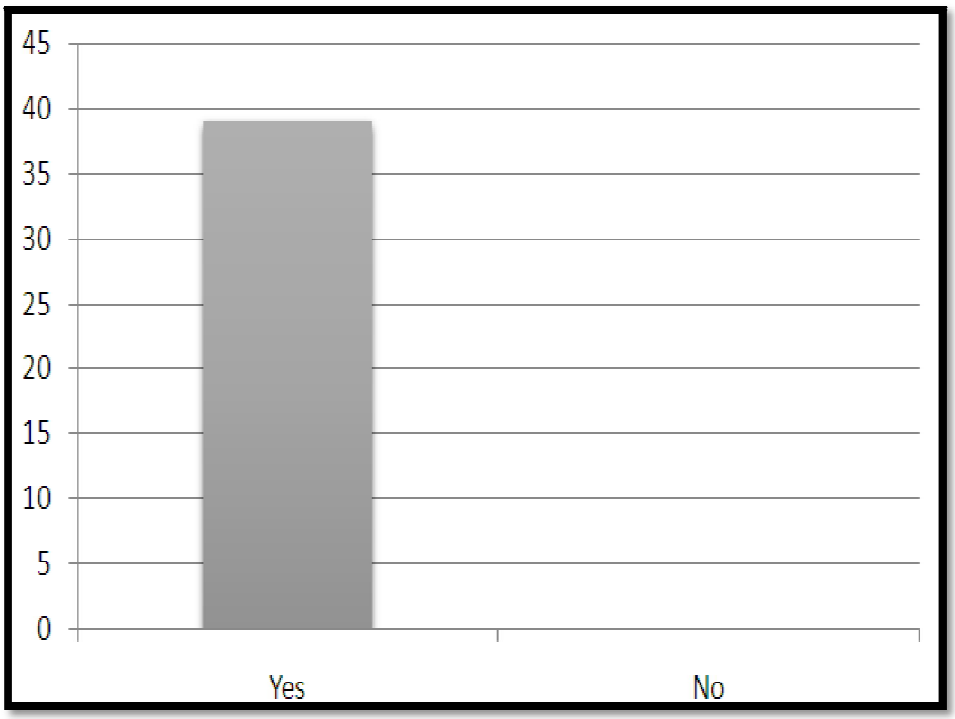

Figure 9: Judging from Your Past Experience Would You Say That Arbitration Proceedings Are Faster Than Litigation? (Please Tick Only One)

Question 9 asked the respondents if, based on their experiences, arbitration proceedings are faster than litigation. The entire 39 respondents that attempted this question agreed that arbitration proceedings are faster than litigation.

4.1.1.10. Question 10: The Benefits of Using Arbitration

Here, the focus is to find out what the benefits of using arbitration as a dispute resolution are in the NOGI? A number of benefits have been identified by the respondents and the table below outlines these benefits.

Serial Number	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Issue raised	Saves time	Privacy/ confidentiality	Expertise	Saves cost	Improves relationship	Greater flexibility	International enforceability	Mutual selection of arbitrator	Others
Frequency of mention	30	30	30	26	18	16	12	12	26
Percentage of mention	15%	15%	15%	13%	9%	8%	6%	6%	13%

Table 4: The Benefits of Using Arbitration
Source: Results Taken from Questionnaire Administered in 2018

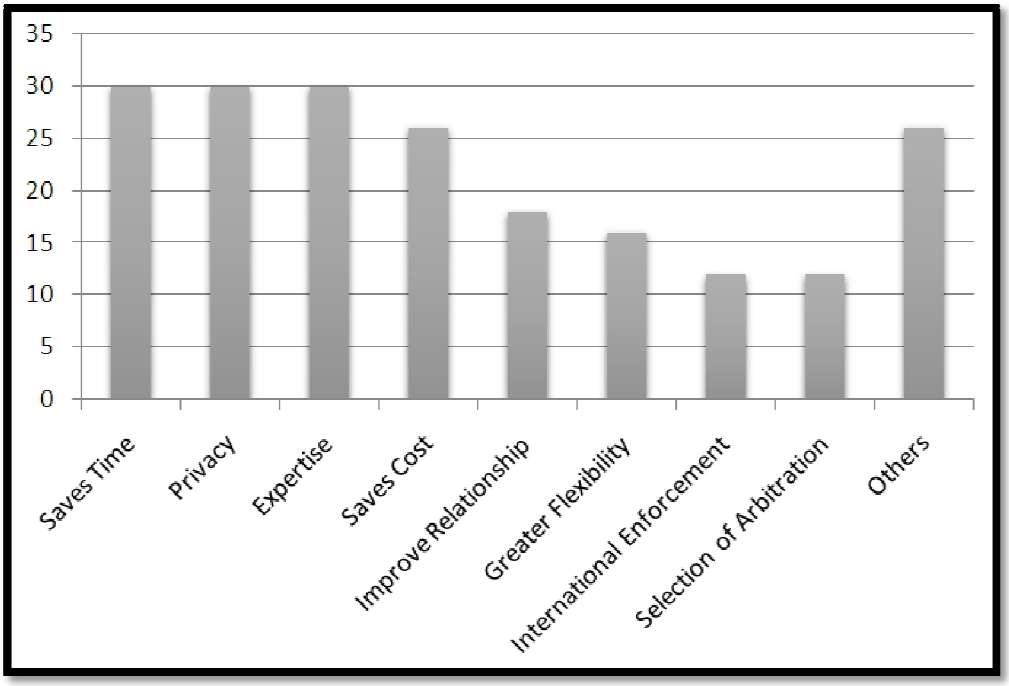

Figure 10: What, in Your Opinion, are the Key Benefits of Arbitration?

Three of the most frequently mentioned benefits of arbitration are the quickness, privacy and the expertise of the arbitrator in the field of the dispute. Each of these three issues was mentioned thirty times, representing 15% each of the total responses. Next on the list of benefits of arbitration are the cheapness, the ability to improve mutual relationship and the greater flexibility it provides. Each of these issues was respectively mentioned 26, 18 and 16 times with 13%, 9% and 8% of the responses in that order. Two other benefits that were mentioned 12 times by the respondents were the international enforceability of arbitration awards and the chance given by arbitration for the mutual selection of the arbitrators by the parties. Each of these benefits represents 6% of the responses received. Other benefits of arbitration include the greater neutrality, less adversarial, better results, provision of more efficient resolution platform, the ability to enforce findings especially when arbitration is binding, and et cetera. These altogether represent 13% of the total responses received.

4.1.1.11. Question 11: The Challenges of Using Arbitration

Question 11 aims to collect data on the opinions of the respondents about the challenges faced by majors and contractors/suppliers when using arbitration as a dispute resolution method in their relationships. The table below presents these challenges.

Serial number	1	2	3	4	5	6	7
Issues raised	Difficulty in the choice of law	Difficulty in the choice of the arbitrator	Could be costly as litigation	Limited right of appeal	Could end up in court to enforce award	May delay the commencement of contracts	others
Frequency of mention	26	26	26	18	18	8	8
Percentage of mention	20%	20%	20%	14%	14%	6%	6%

Table 5: The Challenges of Using Arbitration
Source: Results Taken from Questionnaire Administered in 2018

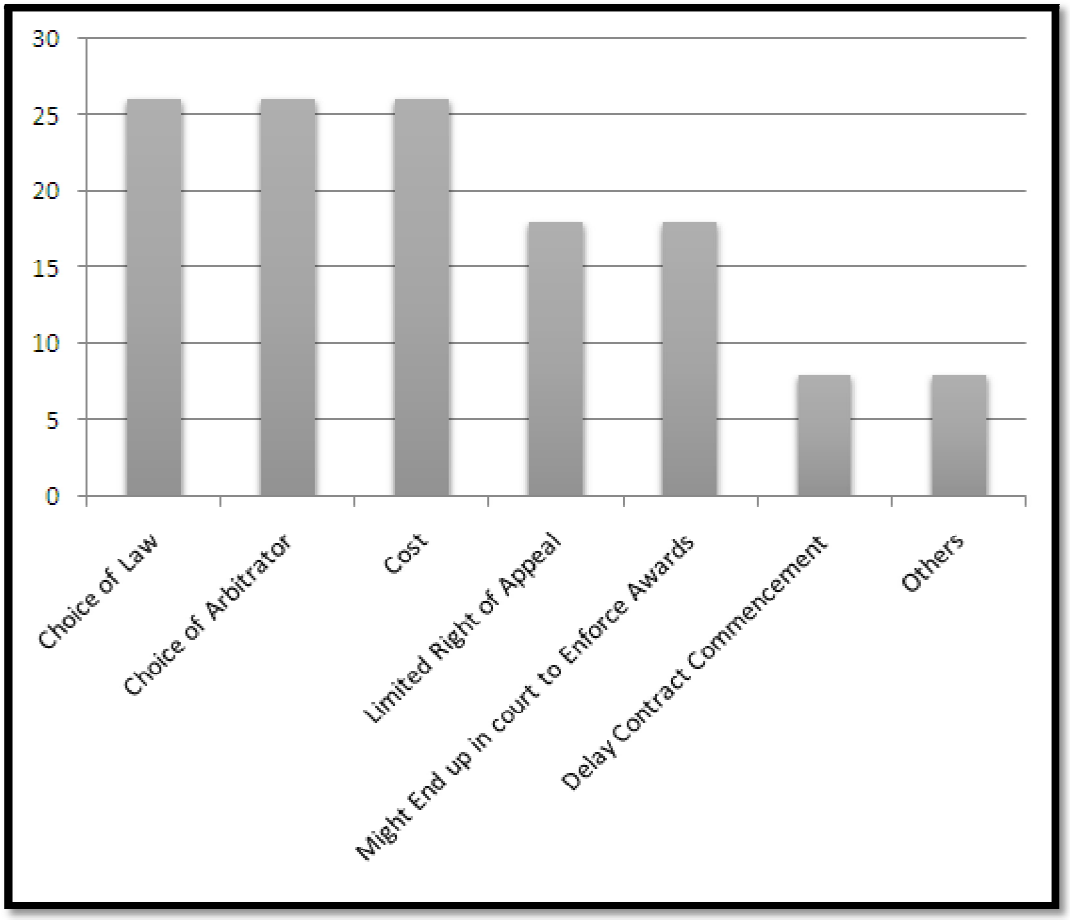

Figure 11: What, in Your Opinion, Are the Challenges of Using Arbitration as a Dispute Resolution Method?

Here, three of the most frequently cited challenges of using arbitration as a dispute resolution method are the difficulty in the choice of law, difficulty in the selection of the arbitrator and the fact that arbitration could be as costly as litigation. Each of this was mentioned twenty-six times by the respondents thereby each having a 20% of the responses. Also mentioned by the respondents are the limited right of appeal provided by arbitration when it is binding (cited by 18 respondents, representing 14% of responses) and the fact that arbitration award can only be enforced by a court (cited by 18 respondents, representing 14% of the responses) thereby leading to increase in cost and subject the process to the public. Eight respondents, representing 6% of the responses, mentioned that arbitration could delay the commencement of a contract where arbitration clause is to be provided for during the signing up of the contract agreement. Also, other challenges of arbitration as a dispute resolution method in the NOGI as mentioned by the respondents are issues related to disagreement on the wordings of the arbitration clause and the possibility of the parties to become reluctant to go for arbitration if its proceedings were public. These represent 6% of the responses received.

4.1.1.12. Question 12: Whether the Outcomes of Arbitration Awards Were Satisfactory to the Respondents

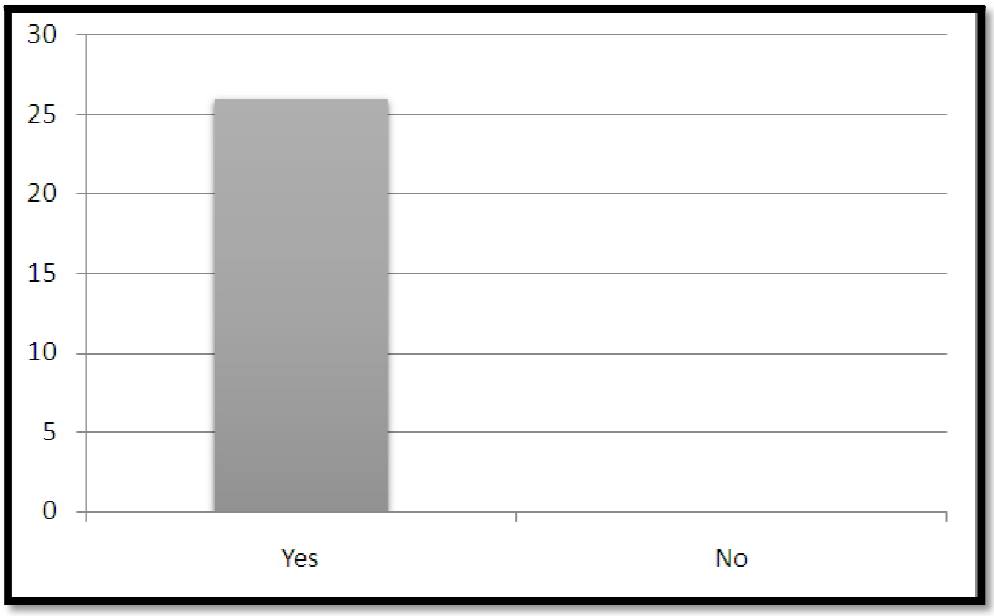

Figure 12: On Average, Were You Always Satisfied with Outcomes of Arbitration Awards? (Please Tick Only One)

Question 12 seeks to know whether, on average, the outcomes of arbitration awards have been satisfactory to the respondents. All the 26 respondents that attempted this question stated that when they use arbitration, they were satisfied with the outcomes of the awards.

4.1.1.13. Question 13: Whether the Respondents Go to Court If Not Satisfied with Arbitration Awards

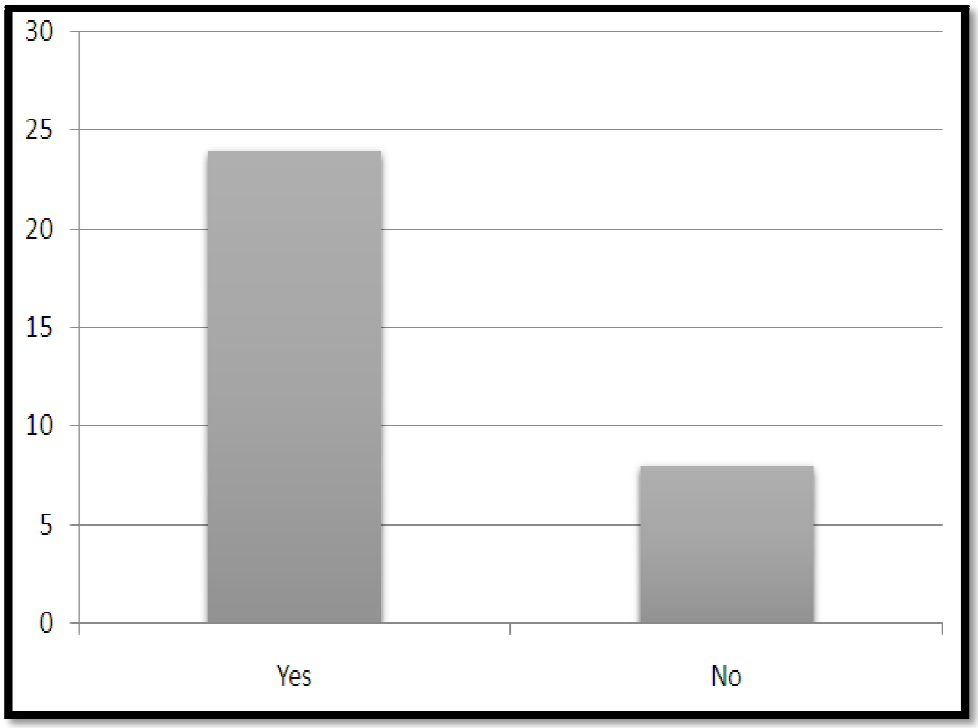

Figure 13: Where You Were Not Satisfied With Arbitration Awards, Did You Usually Proceed to Litigation? (Please Tick Only One)

Question 13 is closely linked to question 12 as it seeks to know if the respondents proceed to litigation when they were not satisfied with the outcomes of arbitration awards. Eight respondents, representing 25%, stated that they have gone to court when they were not satisfied with the outcomes of the arbitration awards. Conversely, twenty-four respondents or 75% stated that when not satisfied with the outcomes of arbitration awards, they do not normally proceed to litigation.

5. Discussions

In discussing the findings of this study, it is imperative to highlight the aim and objectives of this study. This study aims to evaluate the usefulness of arbitration as a dispute resolution method in supplier-buyer relationship in the NOGI supply chain. Specific objectives set for this study are to identify some of the causes of disputes in supplier-buyer relationship in the NOGI supply chain, to evaluate the extent to which arbitration is used to settle contractual disputes in the NOGI supply chain, to identify the benefits of using arbitration rather than conventional litigation in resolving contractual disputes in supplier-buyer relationship in the industry and to evaluate the obstacles impeding the adoption of arbitration in resolving supplier-buyer relationship disputes in the industry.

5.1. Some of the Causes of Disputes in Supplier-Buyer Relationship in the NOGI supply Chain

A number of causes of disputes in the NOGI have been identified by the respondents. Issues related to delays constitute the most frequent cause of disputes between majors and suppliers/contractors in the NOGI. Alramahi (2011) mentioned delays in the delivery of equipment among the causes of disputes in the oil and gas industry. Delays could be in the performance of service or in the supply of vital equipment or in the installation and construction of oil rig and production platforms. Gaitskell (2010) also corroborated in this regard that delays in the manufacture of oil rigs and exploration and production facilities often cause disputes in the oil and gas industry supply chain. Gaitskell (2010) added that the manufacturing and construction of oil rigs and production facilities are both capital and technology intensive often requiring a specific time frame for their completion, a slight change in the completion period may cause serious disruption in the crude oil production, potentially leading to conflict between the majors and their suppliers/contractors.

Among the causes of disputes in the NOGI is issue related to payments for services performed and for the construction of and the delivery of production equipment and facilities. In most cases, the economic benefits perceived to have accrued to contracting parties is the main motivation that drags them to go into contractual agreements. Payment related issues could be in the form of late payments, incorrect invoicing, inadequate cost control and disagreement in the cost of the contract. Disagreement in the cost of contract could be the result of starting the execution of a contract without finalising the terms and conditions of the contract. Alramahi (2011) captured this as he mentioned that disputes could occur when an issue which has not been previously taken care of begins to manifest.

Operations in the oil and gas industry is often complex and their execution may require the involvement of multiple players in the industry. Complexity in the contract terms and conditions is among the main causes of disputes identified by this study. In some situations, these complex contract terms might not be understood in the initial stage without legal assistance and which, after sometimes, the intended benefits arising from the contract might turn out to be unattainable. Gaitskell (2010) posit that the drafting of a contract agreement with its complex clauses may present a potential ground for disputes between parties to such a contract. Part of the complexities of the contract agreement might be issues related to the design and the scope of work each party is expected to perform during the contract execution. Because the manufacturing and/or construction of production facilities in the oil and gas industry are capital and technology intensive, slight change in their designs might be seen as a breach of the contract agreement. Alramahi (2011) captured, as potential causes of disputes, issues related to construction projects in the oil and gas contractual agreements. Complexities in the scope of work including unclear definitions and changes in the scope of work without appropriately resolving the vagueness or communicating the changes to the parties also have the potential for the escalation of disputes in a contract agreement. This study found that poor communication between contracting parties is one of the causes of disputes in the NOGI supply chain and this is one of the reasons put forward by Gaitskell (2010) for the eruption of disputes between contractors and majors in the oil industry.

Another reason for the eruption of dispute in the NOGI supply chain mentioned by the respondents is the non-performance of contract as stipulated in the contract agreement by the contracting parties. Richards (2007) pointed that non-performance of a contract according to the stipulated contract terms and conditions could trigger the eruption of disputes between the contracting parties and could give the innocent party the right to repudiate and treat the contract as terminated. Issues related to non-performance could be averted if the entire contract has been properly managed. Poor contract management has been identified by this study as one of the causes of disputes in the NOGI. Where a contract is not properly managed, there is the possibility that the performance of the contract might fall short of expectation. Also, if not properly managed, major and minor defects might not be detected or might only be detected when it becomes extremely impossible to repair them, potentially leading to disputes between the parties.

Part of the causes of disputes in the supplier-buyer relationship in the NOGI is the uncertainty associated with operational activities. Extraction of mineral resources such as the black gold in especially deep water of the Nigerian Niger Delta is a highly risky operation, often affected by such uncertain events as bad weather, social unrest, and changes in the regulatory framework. Although bad weather or regulatory changes may fall outside the control of the contracting parties, disagreement may erupt over who should bear the burden and the loss sustained as a result of such uncertainties. Bad weather condition may however affect the performance of a contract in the industry thereby subjecting the contractual relationships into jeopardy.

A further cause of disputes in a supplier-buyer relationship in the NOGI captured by this study is the possibility for the non-existence of trust in the relationship. Where a contract is entered into just for the sake of it or due to pressure or some other influences, there is a potential possibility for the escalation of dispute in the relationship. This is tantamount to what Kannan & Tan (2006) had mentioned as one of the focal point for the building of good relationship and if missing could lead to commercial disputes.

5.2. The Stage at Which Arbitration Is Used to Settle Contractual Disputes in the NOGI Supply Chain

The 76% of the respondents that claimed that the stage at which arbitration is used in their contractual relationships with their suppliers is at the drafting up of the contractual agreement is a clear indication that most contractual agreements in the NOGIcontain arbitration clauses (see Section 4.1.1, Question 5). The arbitration clause spells out, in the event of a dispute, the arbitration procedures including the language, the place, the applicable law for the arbitration proceedings and the steps to be followed in the selection of the arbitrator. This suggests that both the majors and the suppliers try to safeguard their relationships by minimising the effect of any dispute that could arise during the execution of the contract.

The question now is does the inclusion of an arbitration clause in a contract clearly suggests the non-usage of arbitration in resolving disputes? Does it mean that it is only when a dispute arises, and the matter referred to an arbitrator that arbitration is used? The reason for these questions is premised on the fact that only 44% of the respondents have reported that they have previously used arbitration in their relationships with their suppliers while 56% reported that they have never used arbitration in resolving contractual disputes in their relationships with their suppliers/contractors (see Section 4.1.1, Question 3). One manager wrote in the accompanying email that "we have never had to use arbitration in the 9 years that we have operated …… we agree terms and conditions of business up front prior to adding any company on to our system".

The trend that emerged from the analyses of questions 3 and 5 is that while the majority of contractual disputes in the NOGI do not end up in arbitral proceedings that involve submitting the disputes to arbitrators who then decide the winners and the losers, arbitration clause is usually included in the contract during the drafting up of the contract agreement. This finding is in consonance with that of Stipanowich (2010) who asserts that binding arbitration provisions are now employed in virtually all forms of contracts, and as pointed by Stipanowich (1997), normally, arbitration procedures are spelled out during the signing up of a contract.

5.3. Benefits of Using Arbitration as a Dispute Resolution Method in the NOGI

Respondents cited the quickness, privacy and expert knowledge of the arbitrator as the main benefits of using arbitration in resolving contractual disputes in the NOGI. Respondents believed that the use of arbitration in resolving disputes is usually quicker than litigation. This is represented by the entire 39 respondents that attempted question 9 and the number of times the quickness of arbitration in resolving contractual disputes was mentioned in the responses from question 10.

Ideally, an arbitrator hears a single case at a time. The judge, on the other hand, has a multiple number of cases that he/she has to consider. In most cases, the judge might not have the requisite knowledge to fully understand the technical aspect of the case in question and thus has to seek the assistance of experts to explain the technicalities involved in the case. The search for and the appointment of the appropriate expert as well as the process of educating the judge is actually a time consuming process especially in the oil and gas industry. All these procedures are non-existent in arbitration proceedings. There is no need to look for an expert in the arbitration proceedings as the arbitrator appointed to hear the case is usually an expert in the field of the dispute. He understands the nature of the case and its complex and technical aspects. The expert knowledge of the arbitrator makes it easier and faster for the arbitrator to give his award regarding the issue in dispute. Baum (2010) and Coughlin (1995) supported the view that arbitration is a means of providing a faster platform of resolving disputes. Also, this finding corresponds to the assertion made by Alramahi (2011) that the quickness of arbitration in resolving commercial disputes is increased with the appointment of an expert in the field of the dispute.

Apart from the savings in time and the benefits of choosing an expert to look into the issues, privacy is another important benefit the respondents cited in this study. As the arbitration procedures only consider one case between the disputing parties, the proceedings are usually private. Privacy is an important element in a supplier-buyer relationship especially between majors and suppliers/contractors in the NOGI. Apart from the oil companies, the suppliers and the arbitrator, external parties (competitors, investors, the customers and the general public) do not have access to the contents and outcomes of the arbitration. Competitors would not be able to use the arbitration award against the companies. The reaction of investors will not also be devastating to the companies especially if the shares of the companies are listed on the stock exchanges. There would not be massive selling/dumping of the shares of the companies that is usually associated with most litigation outcomes especially where the outcomes turn out to be unfavourable to the companies. The general public and sometimes even the government are kept at a distance from the arbitration proceedings. All these help in preserving the dignity of the parties. This finding has been supported by Baum (2010) who states that in most cases, the choice of arbitration by the disputing parties is motivated by the privacy it affords.

Another important benefit of arbitration cited by the respondents to this study is the cheapness of arbitration to both parties. This has been mentioned 26 times by the respondents. This is in addition to the 83% of the respondents to question 8 that stated that arbitration is cheaper than litigation. Unlike litigation, which has a much formal procedure for the presentation of facts and evidences as well as the long-lasting debates by the counsels to the parties, in arbitration, the parties present their respective evidences in an informal or semi-formal way without following the rigorous procedures associated with litigation. This benefit of arbitration as a cost effective method of resolving commercial disputes is acknowledged by Hayford (2000) and Baum (2010) who linked the cheapness of the arbitration process to the appointment of an expert in the field of the dispute and the hearing of a single case at a time.

One of the most important benefits of arbitration cited by the respondents is the ability of arbitration to improve relationships between majors and contractors in the NOGI. The ability of arbitration to resolve contractual disputes

between suppliers and buyers has been cited 18 times (see Section 4.1.1, Table 4, Figure 10) by the respondents. This is in addition to the 83% of the respondents to question 6 who stated that the use of arbitration in resolving contractual disputes has led to a continued relationship with their suppliers/contractors. This could be as a result of the other benefits of arbitration mentioned earlier. Since it is believed that arbitration is cheaper, faster and less formal than litigation, it is possible that the disputing parties will embrace it. Additionally, the mutual selection of the arbitrator by the disputing parties is another important indicator that shows the effectiveness of arbitration in resolving supply chain disputes in the NOGI. One manager wrote: "we have long standing relationships with all our suppliers". As both the buyer and the supplier unanimously appoint the arbitrator, the possibility is that the two parties will be ready to accept the outcome of the arbitration award and the possible commitment of the parties to continue with their relationships after the arbitration proceedings than if the parties opted for litigation.

The flexibility associated with arbitration has also been mentioned by the respondents. Unlike judges who strictly adhere to the law of the land in making their decisions, arbitrators are more flexible in the decisions they can make. In most cases, the arbitrators derive their decisions from the agreement that authorises the arbitration provided the decisions do not go contrary to public policy. In the oil and gas industry, choosing an arbitrator who is an expert in the oil and gas business to resolve contractual disputes may likely lead to compromised decision that attempt to satisfy both parties. The flexibility cited by the respondents to this study corresponds to the idea put forward by Baum (2010) who stressed that the flexibility associated with arbitration provides the arbitrators with a leeway that enable them craft equitable decision that satisfy both parties than those provided by the court.

Another important benefit of arbitration cited by the respondents is the international enforceability of arbitration awards. This is particularly important to the NOGI which has many of its players having their bases from foreign countries. As most of the players stemmed from different countries, the possibility to enter into a contractual relationship with companies from different geographical background becomes inevitable. However, when a dispute arises in the relationship, going for litigation will subject the case to a specific jurisdiction whose outcome can only be enforced within the territorial landmark of that applicable jurisdiction. On the other hand, arbitration allows the parties to choose the law, the country and the language of the arbitration proceedings. Thus, even where the arbitration proceedings are conducted in a given country, its decision can be enforced in another country. It is this benefit of cross-border enforceability of the arbitration awards that Alramahi (2011) and Witz (2011) mentioned as one of the advantages of using arbitration in resolving commercial disputes. Witz (2011) added, the international enforceability of arbitration eliminates the biasness of foreign court and the possible application of international private law. Thus, arbitration provides a greater level of neutrality, less adversarial and better results, leading to a more efficient resolution platform.

Another important outcome of this study is the gradual shifting of supplier relationships in the NOGI from the arm's length to the strategic relationship as represented by the 93% of respondents that stated that they have a strategic type of relationships with their suppliers as against the 7% that claimed the otherwise. This finding corresponds with the findings of previous research by Nguyen & Harrison (2002) who assert that with strategic relationships, suppliers are considered as long-term strategic partners who are integrated into the organisation's production processes. One manager wrote: "we have long standing relationships with all our suppliers". This clearly affirms the increasing acceptance of the strategic relationship by the NOGI.

Additionally, as represented by the responses to question 7, it is clear from the study that most of the arbitration proceedings in the NOGI were conducted in foreign countries. This may not be unconnected to the fact that most of the major players and their suppliers in the NOGI are multinational companies that have their bases outside Nigeria.

5.4. Obstacles That Impede the Adoption of Arbitration in Resolving Supplier-Buyer Relationship Disputes in the NOGI

Just like litigation, arbitration is not a one-off process. Almost every country has its own arbitration law and each of these laws has its complex provisions that may or may not favour one of the disputing parties in a contract. Therefore, even where the parties have agreed to use arbitration in their relationships, the choice of law may present a challenging task to the parties. In the oil and gas industry in which the players might have originated from different countries, issues related to language, the origin of the parties, the extent of knowledge of a particular jurisdiction, the perceived fair treatment each of the parties believed he would receive from a given jurisdiction, et cetera, may well be brought up by the parties and extensively debated during the drafting up of the arbitration clause. Whenever these issues are brought up the chances of disagreements between the parties seem to be fresh. Alramahi (2011) noted that the parties can decide the country, the legal system and the language to be used in arbitral proceedings. Thus, the choice of the appropriate arbitration law, as shown by this study, is one of the obstacles that impede the use of arbitration in resolving supplier-buyer relationship disputes in the NOGI.

This study found that the choice of the arbitrator in a dispute involving operators and contractors may as well presents a challenge to the adoption of arbitration in supplier-buyer relationships in the NOGI. Just like in the case of the choice of the arbitration jurisdiction, the decision of each of the parties may be influenced by the origin of the company, the extent of expertise of the arbitrator, and the arbitrator's knowledge of a particular arbitration jurisdiction. Each of the parties may be single-minded, trying to back the selection of an arbitrator whom he believes will at least produce an outcome that would be favourable to him. Although this, ideally, is the wish of any rational business organisation, it may delay the selection of the arbitrator and where mutual agreement is not reached, the possible route is that the parties may discard the use of arbitration in its entirety and resort to litigation, despite its limitations. Even where there is a mutual understanding on who is to be selected as the arbitrator, time would have been wasted debating his or her selection before finally reaching a conclusion. In short, though the disputing parties enjoy the benefit of selecting the arbitrator themselves,

disagreement might arise as to who is to be selected and from where he or she should be selected. These may take time, involving extensive debates and possible compromise as each party tries to see that only an arbitrator he believes will be more lenient to him is selected.

One of the challenges of using arbitration mostly cited by the respondents to this study is the cost of the arbitration proceedings. As profit oriented organisations, operators and contractors in the industry have to consider the costs and the perceived benefits of using arbitration in resolving their disputes. Just like the case of litigation, arbitration cost might not be predicted with certainty and sometimes the cost may be in parallel or even higher than the litigation. The cost of the arbitration might well be a challenge to its adoption in the NOGI considering the nature of its complex operations and the technical activities in the industry. Though there is a general believe that arbitration is cheaper than litigation, Alramahi (2011) and Stipanowich (2010) have asserted that arbitration has grown to be as expensive as litigation.

The limited right of appeal associated with arbitration has been cited by many respondents as one of the reasons that might serve as a hindrance to its adoption in resolving contractual disputes in the NOGI. Arbitration, especially when it is binding, shelves the rights of the parties to appeal the arbitration award. Although this has the advantage of ensuring a speedier resolution of disputes, knowing clearly that the arbitration awards would not be appealed to a higher level may, at the initial stage, deter disputing parties from committing themselves to the arbitration. Even where the arbitration is not binding, disputing parties may see it as a waste of time since its final outcome is subject to appeal. Therefore, parties may decide to by-pass arbitration since they knew that its outcome is subject to appeal.

In the NOGI, parties to a contract may like to use arbitration in resolving contractual disputes in the industry due to its numerous advantages. However, considering the fact arbitration awards, if failed to be honoured, can only be enforced by court may deter the parties from committing themselves to the arbitration. The perceived fear that arbitration could end up in court to enforce its award is one of the challenges militating against the use of arbitration in the NOGI cited by the respondents. The parties might think that, especially where the dispute has become intense, instead of going for an arbitration whose award may only be enforced by the court in case of default, it would be better to go for the litigation in the first instance.

One of the benefits of using arbitration that could be overshadowed if arbitration is taken to court is the privacy it provides. Apart from the privacy issue, the cost and time of the whole process may be elongated as soon as the case is taken to court or where the arbitration proceedings are made public. The fear that arbitration, especially if non-binding, might end up in court to enforce the award, has been noted by Baum (2010) who stressed that many of the positive benefits of arbitration are overshadowed once the arbitration is taken to court.

Arbitration gives the parties the flexibility to choose the language, the place, the jurisdiction and the arbitrator themselves. These require extensive debates and compromises which may result in the existence of disagreements among the parties. In so doing, time may be wasted and the signing up of the contract and the commencement of its execution may be delayed. This may have presented a feeling of dismay and the possibility of its rejection especially where the disputes involve complex and technical cases associated with oil and gas transactions. The difficulty associated with the use of arbitration in complex cases has been corroborated by Stipanowich (1997) who asserts that arbitration could be a speedier method in resolving smaller cases but uses much of the court proceedings in resolving large and complex cases.

Thus, just like in any contractual relationship in other industries, the decision to arbitrate a dispute in the NOGI would be a challenging task to both the majors and the contractors in the industry.

6. Conclusion

Effective supplier relationship is a panacea for the achievement of competitive advantage through cost reduction, improved responsiveness, new product development, improved quality and delivery performance. The management of the supplier relationship has therefore become an integral part of business organisations. In today's business environment, the success of business organisations depends not only on the internal arrangement in those organisations but also on the ability of other stakeholders to embrace and to become part of the internal arrangements.

Supplier relationship in the NOGI has been gradually shifting from one-off relationship to strategic partnership relationship, exhibiting a trend advocated by most literature in supplier relationship management. In the organisational management hierarchy, integration of effective management of supplier relationship has become a centre-stage of modern business organisations, just as the inculcation of dispute management skills is becoming an inevitable part of most organisational settings of modern businesses. Disputes in supplier relationship have the potentials of causing serious disruption in the supply chain particularly in an oil and gas industry whose activities are capital and technologically driven, with a lot of complexities and uncertainties. Two commonly methods for the resolution of commercial disputes in especially the oil and gas industry are the litigation and the ADR. One of the ADR is arbitration which is the submission of a dispute to a neutral third person who look into the issues and make a decision without necessarily going through the hurdles of litigation.

In the NOGI, analyses of the findings of this study reveal that some of the causes of disputes in supplier-buyer relationship in the industry include delays in the performance of service or in the supply of vital equipment or in the installation and construction of oil rigs and production platforms. This may not come as a surprise because operations in the oil and gas are time conscious and any delay may be devastating to the companies. Another reason for the occurrence of disputes in the NOGI supply chain are issues related to payments for services or equipment delivered. These could be in the form of late payments, incorrect invoicing, inadequate cost control and disagreement in the cost of the contract. Issue related to the complexities, interpretation and disagreement over the contract terms and conditions were also cited as

some of the causes of disputes in the NOGI. Improper designing and/or the supply of equipment or the performance of service different from the required specifications or with poor quality have also been mentioned as potential causes of disputes in the NOGI.

Also, there are issues related to unclear or poorly defined scope of work between the majors and the contractors. This may come as a result of a change in the scope of work without properly communicating the change to the other party. In essence improper communication in any contractual relationship can be a potential premise for the eruption of dispute in the relationship. The non-performance of a contract agreement and inadequate supply of materials or services by the contractors are further reasons for the escalation of disputes between majors and suppliers in the NOGI. Further issues are those related to improper contract management, defects related issue, contract uncertainty due to weather conditions or change in the regulatory framework and lack of trust. All these have the potential for the escalation of disputes between the operators and their suppliers in the NOGI.

It appears from the responses that most contractual agreements in the NOGI contain arbitration clauses. That is to say the industry uses arbitration at the stage of drafting up of the contract agreement. This explains the reason why some of the respondents claimed not to have used arbitration in their relationships with their suppliers, despite the fact that majority of them stated to have included arbitration clauses in the drafting of their contracts with their suppliers. This suggests that most commercial disputes in the NOGI do not end up in the normal arbitral proceedings that involve submitting the cases to an arbitrator. This finding is in consistent with most literature on ADR particularly arbitration which indicates that most contractual agreements nowadays contain arbitration clauses detailing how, where and to whom commercial disputes are to be referred to, further suggesting the existence of mutual relationship between the operators and the contractors.

The benefits associated with the adoption of arbitration in resolving contractual disputes in the NOGI are not quite different from those mentioned by other authors in the field of arbitration. The most frequently cited benefits are the speed, the privacy and the expert knowledge of the arbitrator in the field of the dispute. Others are the cheapness, the strengthening of the relationship, the flexibility and the cross-border enforceability. The rest are the neutrality of the arbitration, its ability to provide less adversarial and better results, as well as the opportunity arbitration provides to enforce its awards especially when it is binding.

Usually, an expert in the field of the dispute is unanimously appointed by the disputing parties to hear the dispute. The reverse is the case in a litigation in that the parties do not have a say in who hears their case. The appointment of an expert to hear only the dispute submitted by the parties provides the arbitration process with a speed that is non-existent in litigation. This is in addition to the fact that the supplier-buyer relationship between the parties might continue after the arbitration award as, ideally, both of them might have developed trust in the arbitrator right from his appointment. Since the arbitrator is an expert in the field of the dispute, there is a likelihood that the award he will give will not be as adversarial as that provided by litigation and if the arbitration is a binding one, the whole process is brought to its final conclusion at first instance. These help in increasing the speed of the arbitration processes and possibly, the cost of the arbitration process is reduced compared to if litigation was opted for. Additionally, the court is limited to the law of the land in drawing its conclusion. On the other hand, the arbitrator has a greater level of flexibility and neutrality when crafting his award. One interesting outcome of this study is that the use of arbitration in commercial disputes does not result in ending of the relationship between oil companies and their suppliers. This indicates the effectiveness of arbitration in resolving supplier-buyer relationship disputes in the NOGI.

Similarly, the challenges encountered by majors and contractors in the NOGI are not far different from those cited by most literature on arbitration. The most frequently cited challenges have to do with the choice of law, the choice of the arbitrator and the fact that just like litigation, arbitration proceedings might be lengthy and costly. Others are the limited right of appeal, delay in the commencement of a contract in order to resolve disagreements over the wordings of the arbitration clause and the perception that arbitration may end up in court to enforce the awards.

The NOGI is an industry that consists of operators from different countries thus when drafting an arbitration clause, reaching a conclusion on the appropriate jurisdiction to adopt during the arbitration proceedings may present a challenging task to the parties. Each of the parties, probably due to its background, may have a specific law that itwould like to be used in the arbitration proceedings which the other party may have a contrary opinion. Closely linked to the choice of law is the choice of the arbitrator. Just like the choice of law, the choice of the arbitrator could also be a challenging task to the disputing parties. Each of the parties may be single-minded, trying to back the selection of an arbitrator whom he believes will at least produce an outcome that will be favourable to him. Efforts to resolve this disagreement may not lead to fruitful result and the possibility is that the parties may discard the use of arbitration and resort to litigation.

The cost of the arbitration proceedings is also one of the challenges impeding its adoption in the NOGI. The cost of arbitration, just like litigation cost, cannot be predicted with certainty by the parties and in some cases, as indicated by various studies, might even be equal or higher than the litigation. So, parties might particularly be worried about the cost of and the perceived benefits of arbitration especially in an industry with a lot of complexities and uncertainties. Parties to a dispute in the NOGI might be reluctant to use arbitration because of the limited right the parties have to appeal the arbitration award. Where the parties know that the outcome of the arbitration, especially binding arbitration award, cannot be taken further, they may be discouraged from committing themselves to the arbitration. On the other hand, the benefit of privacy and confidentiality associated with arbitration may be overshadowed if the arbitration award is taken to court as the entire process may become public. Knowing this clearly, especially when there is mistrust between the parties, may as well deter them from taking steps to use arbitration.

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