



## THE INNOVATION FROM BUYER AND SUPPLIER'S COLLABORATION

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### ABSTRACT

**Purpose:** *The goal of this research is to investigate the innovation between buyer and supplier's collaboration in order to create the values. The first one is the research identify that innovation elements between buyer and supplier' collaboration on cost down on the switching costs, new product performance, and create a new market.*

**Design/methodology/approach:** *This study is focus on the literature review which approaches on the generation the innovation from buyer and supplier's collaboration within value. Nevertheless, the switching casts focus on the transaction cost which builds up the buyer and supplier's relationship. The new product performance generate from the collaboration of buyer and supplier. Furthermore, the employment of buyer and supplier's collaboration to create a new market together. From above, those of outcomes come from buyer and supplier's collaboration on the innovation. It without doubt, after the buyer and supplier's collaboration's value readily lie in their innovation base on the advantage.*

**Findings:** *From this research, we discuss the value on the innovation that to find out the factors from buyer and supplier's collaboration. There are two points of this study: one is to find out what is the really value from buyer and suppliers' collaboration, the other one is to explore how to innovation from the buyer and supplier's collaboration.*

**Originality/Value:** *We expect to find further value and the way of innovation work together from buyer and supplier's collaboration.*

**Keywords:** Innovation, buyer and supplier's collaboration, value



## **INTRODUCTION**

Taiwanese business firms famous on the high technology supply chain management. Yet, they were doing the ODM (Own Designing and Manufacturing) and OEM (Original Equipment Manufacturing) before. This mean they do not have own innovate products and services. Recently, they are prefer to have own brand by themselves. That is pushing they must have to create the new products. That is why this research to do the innovation from the supply chain channels. If they have a very good relationship to does the collaboration from supply chain channels? Recently, business firms focus on the innovation and collaboration with their suppliers. That is why we are going to do the topic for buyer and suppliers' collaboration for innovation.

This research structure is to identify those innovation elements between buyer and supplier' collaboration on cost down on the switching costs, new product performance, and create a new market. The first one, this study is focus on the literature review which approaches on the generation the innovation from buyer and supplier's collaboration within value. Nevertheless, the switching casts focus on the transaction cost which builds up the buyer and supplier's relationship. The new product performance generate from the collaboration of buyer and supplier. Furthermore, the employment of buyer and supplier's collaboration to create a new market together. From above, those of outcomes come from buyer and supplier's collaboration on the innovation. It without doubt, after the buyer and supplier's collaboration's value readily lie in their innovation base on the advantage.

Findings parts: From this research, we discuss the value on the innovation that to find out the factors from buyer and supplier's collaboration in the next step but not from this papers. The reason is the interview companies and their collaborate partners still are looking. However, there are two points of this study: one is to find out what is the really value from buyer and suppliers' collaboration, the other one is to explore how to innovation from the buyer and supplier's collaboration.

The innovation is difficult on the attitude of fail from business firms. If they do the innovation is not successful after they invest the resource. That is many parts can to discovery for this research.



## BUYER AND SUPPLIERS' COLLABORATION ON UNNOVATION

The innovation comes from consumers attracted by the newfangled products. How can the firms to recognize the consumers' desires? Business firms can work with their suppliers on this issue. Those follows literature review is going to discuss it:

Sivakumar *et al.*, (2011) said that global innovation generation focus on the alliance from any types which to examine the performance. This can explain the innovation need the business firm collaboration together, as like suppliers, buyers and wholesalers. They can collaborate on the materials innovation from suppliers. The suppliers suggest what kind of materials can use for the products in order to add the profits. Another proposes is about the style of new products, suppliers are able to design it, how to manufacture and know the advantage for the factories. This about the processes of manufactured goods on innovation. The other collaboration approach is the buyer look for the collaborate suppliers is not only provide the lone material. The buyer anticipates their suppliers can do integrate materials or semi-finished goods to support them. That can see the larger to larger industrial model to emerge based on their large suppliers from the brand business firms.

Stock *et al.*, (2012) suggest the business firms' strategy focus on resources from collaborate culture for innovation. The reason is the firms' collaboration with their business partners can do more things. The collaboration's teams work together on many issues. This is about innovation on which part; it could be the materials' innovation, the products' innovation, and marketing. The firms' suppliers can support it, it will be to discover the new material or design the new products. Furthermore, the business firms' collaboration culture for innovation needs to deeply to practice it. This involves the buyer and suppliers' collaboration's motivation. The buyer and suppliers need to think the negotiation for their collaboration. The other thing is how to integrate their suppliers to do the collaboration. However, the collaboration is able to get more advantage for buyer and suppliers, such as to create the new products and marketing.

Stanko *et al.*, (2013) referred three demand-side features which on the switching costs, customer preference stability and network externalities. They found from experiential research the new product development on the innovation regard as the three elements to prove it. The switching cost is effects on the early applicant are better to generate the innovation. When customers trust the business firms from innovate products in order to steadiness and link the networks. This observes from the demand side but have the benefits from supply sides.

Mishra and Slotegraaf (2013) pointed that even scholars reflect why business firms to rely on the poor performance and cannot to do the innovation to increase their competitive advantage. Nevertheless, firms have to identify the value from advantage.

On the other hand, the business firms fear the innovation is not successful so that they don't want to do the innovation sometimes. They consider they spend a lot of resources and then to do the innovation. This is not only the suppliers but also buyer do the collaboration for the innovation. It is without doubt when the firms would like to do the innovation and collaborate firms need to work together. Their research and development employee, purchasers, marketing have to work about it. How do the marketing reflection? How to manufacture the products from new materials? In addition to this, they invest the innovation issues and desire to make out the good result. Yet, it is huge stressful for the innovation team, especially they do not know whether or not successful. That is why Stanko *et al.*, (2013) referred that business firms can get the innovation from a competitive advantage and dissimilar kind of acquirements from the result of innovation. Therefore, business firm must to have the ability to do the innovation in order to get the position advantage. It can be seen, the buyer and supplier collaboration on the innovation is very significant.

## **COLLABORATION**

The buyer and supplier also can works on the innovation; as like Soosay (2008) defined that *“Collaboration in supply chains is important for innovation as partners realize the various benefits for innovation such as high quality, lower costs , more timely delivery, efficient operations and effective coordination of activities”*. This can say collaboration increase the supply chain partners do more effective operations on the innovation in order to increase the supply chain management efficient. That is can see from Soosay (2008) referred *“Management was conscious of the need to determine and priorities efforts to save costs and satisfy customers and at the same time collaborate for efficient allocation of resources throughout the supply chain”*.It can see the collaboration though the supply chain management is very important and also can create the innovation issues from it.

In addition to this, Perks and Moxey (2011) said *“Product innovation requires the division and sharing of tasks and resources”*. When the firms do the innovation for the products and can share their resource for supply chain members. On the other hand their referred that *“This approach leads to high innovativeness of the lead firm, but the network as a whole is not utilized for innovation activities. We find that network partners are unlikely to go beyond what is necessary to carry out specified tasks.”* The innovation may not to be a network

because of it is confidential issues within supply chain. Furtherer, Fang *et al.*, (2011) explains “*Relationship learning is a special type of interorganizational learning. Interorganizational learning may be based on either collaborative relationship or arm’s length relationship*”. It will be a special relationship as like they pointed out “*That is, organizations need to excel in both types of innovation instead of focusing on only one at the expense of the other. Therefore, exploring the factors that enable firms to engage simultaneously in both types of innovation is a critical issue*”. Nevertheless, the collaboration is very important within supply chain management.

It is without doubt, Corsaro *et al.*, (2012) said “*Innovation is acknowledged by practitioners, policy makers and academics as a vital element for most companies and nations’ competitiveness and growth*”. The innovation is not only focus on the supply chain channel but also cross the nations. It can to be cross the nations to do the innovation together from supply chain partners.

#### **METHODOLOGY INTENDED FOR CASE STUDY RESEARCH**

This research is going to do the case studies survey. The case study referred from Cassell and Symon (1995) comment that “*Case study research consists of detailed investigation, often with data collected over a period of time, of one or more organizations, or groups within organizations, with a view to providing an analysis of the context and processes involved in the phenomenon under study*”. This phenomenon related to the research question in order to find out the research answers. The collected data in case studies depends on the members of the organizations. The case studies include one or two more business to do the survey and then interview and observe their supply chain partners who have some relationship or do the innovation with their bossiness firms. By the way, the interview case studies need to be different business firm and then can do more survey from dissimilar point views. During a period of time, a survey is conducted within the organizations, or the prior data and history are collected in order to analyze the organizations’ context and processes.

On the other hand, the case studies can employ to do the quantity and qualitative research method. Yet, this study is going to do the qualitative research. Carson *et al.*, (2001) pointed out the qualitative research methods: in-depth interviewing and convergent interviewing; case-based studies; focus group interviews; ethnographic studies; grounded theory; action research and learning. They referred that case studies usually focus on research problems relating to ‘*how and why?*’ It is more significant to find implications rather than conclusions. The reason for this is that case study research is based on “*how and why*”. In addition to this,

they also point that “*Qualitative research is suitable where the research emphasis is on in-depth understanding of how, why and in what context certain phenomena occur; and what impacts upon or influences such phenomena*” (Carson *et al.*, 2001, p.66). It argues about the related compounds, social science and what the research wants to know. Consequently, case study research is descriptive research that integrates and gives details from inside to outside the situation of the cases. The description of the answers to the research questions how and why are not only in a straight line from one to another, but include many phenomenon factors in orders to answer the research questions. It is also linked to many factors that are the findings in case study research.

Yin (2003, p.1) said that “*The case study is but one of several ways of doing social science research. Other ways include experiments, survey, histories, and the analysis of archival information. Each strategy has peculiar advantages and disadvantages, depending on three conditions: (a) the type of research question, (b) the control an investigator has over actual behavioral events, and (c) the focus on contemporary as opposed to historical phenomena*”. That is why he said that case study research strategy contributes to the information about individuals and groups, and organizational, social, political, and related phenomena. The case study is focused on relations and processes. As Denscombe (1998) said, it is within a social environment to develop what is the one thing related to the other necessary features and how the other is a variety of things linked. It is not only the internal organizational features but can also be discovered from the external organization in terms of its social behavior.

The strength of case studies is that they can deal with a full variety of evidence from documents, facts, interviews, and observations in a historical study. In addition to this, the case studies collect primary data and focus on the particular organizations in a deeper interview within the context of this research method.

This research is going to finding the buyer and supplier collaboration with innovation, the first need to understand the motivation for buyer and supplier work together and how do they desire to innovation the products or service in order to create the new markets. The second one is to discover how to collaborate with their supply chain partners and what the way to collaborate together in order to find out the model for buyer and suppliers’ collaboration from supply chain channels. The final issues to combine the innovation and collaboration elements and then to detection the result for buyer and supplier collaboration from innovation issues in order to fit the research questions and have a findings for practice and academic to review the innovation topic.



## LIMITATIONS OF THE STUDY

This research limitation divides to two parts as follow:

The first one is the lack of agreement on theory and fieldwork generalizations from the findings. The reason is Taiwanese business firms famous on the high technology supply chain management. Yet, they were doing the ODM (Own Designing and Manufacturing) and OEM (Original Equipment Manufacturing) before. This mean they do not have own innovate products and services. Recently, they are prefer to have own brand by themselves. That is pushing they must have to create the new products. That is why this research to do the innovation from the supply chain channels. If they have a very good relationship to does the collaboration from supply chain channels? Conversely, the location of geography is limited. The fieldwork has a specific context so that it may not be suitable to generalize the findings to the field of buyer and supplier collaboration for other parts of the world. The presentation of these findings is expected to be of benefit to business firms who wish to increase their buyer and suppliers collaboration for innovation.

Therefore the findings lack more detailed discussion of operations between buyer and suppliers collaboration operations and process. The main limitations of this study are due to the interview time available, making it difficult for the researcher to observe the buyer and suppliers' collaboration for innovation. The other reason is that buyer and suppliers' business firms' work with the innovation topic confidential and the supply chain partners wished to remain anonymous. This meant having some limitations on the data and references presented in the findings sections.

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