

HOW DO SUPPLIERS CONTRIBUTE TO MARKET COMPETITIVENESS OF BUYERS? THE EXISTING AND COMPETING SUPPLIERS APPROACHES

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Abstract:

Purpose – Buyer-supplier cooperation is essential to bilateral performance in industry practice. Raising market competitiveness needs considerable interior and exterior resources investment. Existing suppliers often make customization or even specific assets investment for buyers to reinforce such bilateral cooperation. On the other hand, a competing supplier is often decisive to current buyer-supplier relationship. However, there is seldom study on the relationships among existing suppliers, competing suppliers, and buyer market competitiveness. The goal of this study aims to analyze and bridge this research gap.

Design/methodology/approach – This study uses questionnaire survey as the research method and develops construct measures adapted from extant literature. Respondents are asked to grade all items using a five-point Likert-scale (1 = “strongly disagree” and 5 = “strongly agree”). Taiwanese electronics firms are selected because they are leaders in electronic product manufacturing and influential in the electronics industry. This study builds the sample frame comprising purchasing staffs in these Taiwanese listed electronic firms. Those staffs are the key persons related with suppliers, and thus are appropriate sources of information regarding the studying issues, with good internal validity.

The study distributes 1,475 questionnaires to the sample firms via mail and e-mail for data collection. Respondents are asked to reply to the questions contained in questionnaire regarding their major suppliers. A total of 277 eligible questionnaires are obtained, representing an effective response rate of 18.8%. This study then applies structural equation modeling (SEM) to analyze the questionnaire data, and examines the relationships and structural equations among the constructs.

Findings – The findings show that existing supplier asset specificity negatively influences existing supplier opportunism which has negative influence on buyer commitment. Existing supplier asset specificity also directly and positively influences buyer commitment which has positive influence on buyer market competitiveness. Attractiveness of competing suppliers has positive influence on buyer market competitiveness through the mediation effect of existing supplier asset specificity. However, attractiveness of competing suppliers hasn't significant negative influence on buyer commitment. Existing supplier opportunism hasn't significant negative influence on buyer market competitiveness. Buyer opportunism hasn't significant negative influence on buyer commitment and positive influence on buyer market competitiveness.

Practical implications – Existing supplier asset specificity directly and indirectly affects buyer commitment through the mediation of supplier opportunism. However, attractiveness of competing suppliers hasn't significant negative influence on buyer commitment. In practice, buyer commitment usually comes from long term relationships. The results imply that existing suppliers should focus on fulfilling specific demands from buyers to maintain buyer commitment, other than caring the competing suppliers. This study also shows that the attractiveness of competing suppliers can prompt more specific assets investments of existing suppliers for their customers. The finding indicates that buyers can utilize the introduction and leverage of competing suppliers in negotiation with existing suppliers, increase their bargaining power, and take better advantage of resources from existing suppliers to enhance their market competitiveness.

Originality/value – Supplier opportunistic behaviors can damage buyer performance. Buyers may also behave opportunistically to protect themselves from such supplier behaviors, or just for taking advantage of suppliers. Therefore, the roles of buyer and supplier opportunistic behaviors in studying suppliers and buyer market competitiveness related issues deserve further discussion. The contribution of this study lies in proposing an innovative integrated model to disclose the interaction between existing and competing suppliers with buyer market competitiveness based on buyer-supplier opportunism.

Keywords: *asset specificity, alternative attractiveness, commitment, opportunism, market competitiveness*