



Identification of Factor for Development of Buyer Supplier Relationship

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Abstract:- Now a day's relationship practices are playing a vital role in buyer supplier relationship improvement (BSRI). These improved relationships are characterized by a long-term commitment, shared common goals, two-way information sharing and a high level of trust. Face to face communication and fair treatment of supplier by buyer is positively related to development of trust, development of trust has a positive influence on readiness of supplier to invest in the specific requirements of buyer, strong relationship between buyer and supplier positively affects supplier performance and supplier performance is positively related to the organizational performance. It is recommended for buyer that they should not limit them up to supplier development practices (SDP) but should proceed for BSRP for being competitive.

Keywords:- Supplier Development Practices, Supplier Relationship Practices

I. INTRODUCTION

Firms began to realize that improving performance and efficiencies within the organization is not enough to be competitive in the market, which can be achieved by developing supplier base continuously [1]. Traditional approaches have been limited within an enterprise for being competitive in quality and cost due to increasing competition. Emerging way of SDP along with cooperation with suppliers can make buyer more efficient and thus enable goods to be purchased at lower prices and also makes buyer to look for his core competency to remain competitive [2,3]. More focus of these efforts for supplier development is towards supplier performance, BSRI and competitive advantage [1]. Now a day's not only SDP but also BSRP are becoming critical success factors for supply chain performance [4, 5]

II. LITERATURE REVIEW

SDP is emerging and feasible solution for buyer as it is not possible for him to search new supplier every time and to manufacture product in house. Buyer should make a proper evaluation of supplier by doing frequent visit and if some small issues are coming then by giving required training or help can improve respective supplier. Indirect/short-term supplier development improves suppliers' product and delivery performance and that direct/long-term supplier development improves supplier capabilities [4]. Supplier development is becoming crucial for buyer in improving the supplier performance and the organisation performance. It is necessary to make supply chain both responsive and Efficient which can be achieved through supplier development [6, 7]. First seven factors deals with supplier development practices and last 3 factors deals with buyer supplier relationship practices.

III. FACTORS IDENTIFICATION

Supplier Evaluation (SE):

First step of supplier development is supplier's evaluation because after this buyer can identify areas of supplier where improvement is needed. This step helps to point out exact cause of problem i.e. whether the problem is in material or in design or in production process or in workmanship [8,9]. Continuous evaluation sharpens supplier performance to raise his quality to remain competitive [10].

Training and Education (TE):

Evaluation of supplier leads to necessary training and education for supplier lacking in respective area and right type of training could then lead to increase in performance for the supplier [11]. Supplier training and education programs support the development of a supplier's capabilities usually with the assistance of a buyer.

Right type of training to supplier leads to improvement in technical capabilities of supplier which makes buyer more competitive [12].

Reward (RE):

Recognition and awards for outstanding suppliers can serve as an incentive for improved supplier performance [8]. Appropriate incentives for improvement should be developed to ensure that the improvement effort is not limited to a single process. The supplier must be encouraged to maintain their momentum for improvement and to incorporate continuous improvement into the company philosophy. Supplier development may be achieved by promises of increased present and future business if supplier performance improves [8, 13].

Effective Communication (EC):

Effective Communication between buyer and supplier leads to minimize misunderstanding and brings clarity in goal. Buyer-to-supplier information sharing, buyer-to-supplier performance feedback and buyer investment in inter-organizational information technology are key enablers of buyer-to-supplier communication openness [14]. Open and frequent communication between buying firm personnel and their suppliers is a key approach in motivating suppliers. Effective communication is significant parameter for supplier development and leads to strengthen buyer supplier relationship [6, 15].

Asset Specificity (AS):

Asset specificity improves the market responsiveness of a buyer [1] and also improves relationship effectiveness [16]. Asset specificity acts as a credible commitment for being competitive. Dedicated investments offer tangible evidence that a partner can be believed, cares for the relationship, and is willing to make sacrifices through such investments which lead to improvement in trust and relationship [17].

Joint Action (JA):

The concept of joint action with early involvement of suppliers gives additional advantage to supplier's innovativeness to buyer and reduces time for development of product [18, 19]. To achieve better result of joint actions, supplier should be capable, committed and faithful. Early supplier involvement benefits in time and cost saving with improved quality [20].

Top Management Support (TMS):

Top management has been found to be a key enabler in initiating a supplier development program based on the firm's competitive strategy [21]. Involvement and continuous follow of supplier development programme from top management leads to success of supplier development programme [13, 22].

Trust (TR):

Trust has been recognized in the literature as important in supply chain relationships. Trust refers to the extent to which relationship partners perceive each other as credible and benevolent [23]. Trust also leads to satisfaction with profitability. High level of trust is necessary in competitive environment to build relationship for result oriented process [24, 25]. Trust is important for knowledge integration and is perceived as key to product development success [7].

Long Term Commitment (LTC):

Long term commitment is a long-term cooperative effort between a buying firm and its suppliers to upgrade the supplier's technical, quality, delivery and cost capabilities and to foster ongoing improvements [13]. It develops quality attitudes in workers and management and continuously focuses on quality in design, production and performance [4]. Long term commitment helps to improve supplier's capabilities and the knowledge transfer from the buyer to the supplier [24]. First step in developing these long-term relationships starts with determining which suppliers will benefit a company's strategy and long-term goals [26].

Suppliers Perspective for Buyer Supplier Relationship (SPBSR):

Considering perspective of supplier in terms of long-term contracts and attractive prices, supplier shows readiness for investing in quality, labour and technology. Perspective of supplier mainly focuses on long term contract and profitable pricing, and buyer should think of it in rising price conditions of raw material [27]. Typical mistakes made by buyers in partnerships are too narrow focus on cost-cutting and micro-managing suppliers with an approach that is too prescriptive and too controlling. A supportive environment with consideration of supplier's perspective improves the performance of supplier [28].

Buyer–supplier relationship improvement (BSRI):

SDP initiatives by buyer and continuous follow up with suppliers perspective leads to improvement in BSR. So a more cooperative and long lasting relationship may be derived from supplier development programs [5, 29]. Improved relationship with suppliers can play a critical role in the successful implementation of a firm's innovation-focussed supply chain strategy [30, 31, 32]. Improved relationship with each other leads to positive influence on product and service quality outcomes and financial performance [33].

IV. COMPETITIVE ADVANTAGES

Researcher will focus on competitive advantages as, Technology Adaption, Operational Efficiency and Innovation

Technology Adaption (TAD):

Relationship with supplier is important parameter for new technology adaption and its implementation. Lack of support from supplier has been associated with impediments to technology acquisition and implementation [34]. It is recommended from supplier to adopt new technologies to remain competitive [31].

Innovation (INV):

Supplier innovativeness has always positive impacts on manufacturer performance across multiple dimensions and is always appreciated by manufacturer [35]. Technical capability of supplier affects greatly on innovation and buyer feels that the best resources of this supplier work for him [36]. Exchange of knowledge, investment in specific assets and commitment lead to innovation [37]. Improvement in buyer supplier relationship plays a vital role in innovation [38, 39].

Operational Excellence (OE):

Improved performance of supplier in operations focuses on improvement in quality, delivery, cost, inventory, lead time and the rate of new product introduction [40]. Improvement in operations and performances leads to competitive advantage as quality improvement, cost reduction and faster product development. SDP and relationship practices lead to increased competitive advantage including improvement in operations and performance [41].

Profitability (PR):

Higher profitability can be achieved through long-term relationships [42]. Increase in profitability leads to openness between suppliers and buyer and thus greater knowledge and appreciation of each other's contribution to the relationship improvement. [16]. Long term relationship with trust lead to creation of value, leading to the profit. Profitable project especially from the supplier's perspective leads to satisfaction and future business growth [28].

V. GAPS IN THE LITERATURE

From the study of literature, following research gaps are emerging for further studies.

- 1) Fewer studies in the direction of accelerating innovation, technology adaption and operational excellence from supplier's side.
- 2) Less focus on supplier's perspective for preferred buyer and supplier development programme.
- 3) Fewer studies dealing with minimizing risk of supplier switching and data/technology leakage from supplier side during or after his development
- 4) Dearth of studies linking supplier development and buyer supplier relationship practices for improving buyer supplier relationship.

VI. CONCLUSION

Study deals with practices for supplier development and buyer supplier relationship leading to competitive advantages. Supplier development practices and buyer supplier relationship practices are becoming crucial for buyer to remain competitive. Buyer should not only limit themselves up to supplier development but also move for relationship practices, which will help for improvement in relationship between buyer and supplier. It is necessary for a buyer to consider the perspective of supplier, which will make him as a preferred buyer. Perspective of supplier along with improved relationship will boost the competitive advantages. Supplier development can be considered as an indicator of a cooperative buyer supplier relationship. Developing a more thorough buyer-supplier relationship helps both buyer and supplier to achieve competitive advantages leading to profitability. Proper supplier development practices will improve performance of supplier and relationship practices will improve the relationship, which will be helpful for achieving the competitive advantages for buyer.

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