

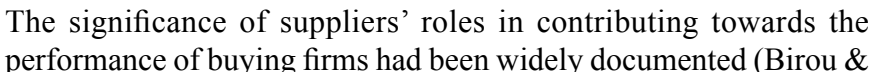


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## **BUYER-SUPPLIER RELATIONSHIP: IMPACT ON SUPPLIER'S PARTICIPATION IN THE LOCAL INDUSTRY**

LATIFAH CHE AHMAD  
ABU BAKAR ABDUL HAMID  
NORZAFIR MD. SALLEH

### **INTRODUCTION**



The significance of suppliers' roles in contributing towards the performance of buying firms had been widely documented (Birou & Fawcett, 1994; Carr, Kaynak, Hartley, & Ross, 2008; Corsten & Felde, 2005; Cousins, Lawson, & Squire, 2008; Gonzalez, Quesada, & Mora Monge, 2004; Handfield, Krause, Scannel, & Monczka, 2000; Larson, 1994; Kannan & Tan, 2004; Laugen, Acur, Boer, & Frick, 2005; Leenders, Nollet, & Ellram, 1994; Sanchez-Rodriguez, Hemsworth, & Martinez-Lorente, 2005; Wagner, 2006; Wong, 2002). This is hardly surprising, looking at the increasing reliance of buying firms on their external supply base for product development, quality, productivity, and technology. Because of global competition, inventory reduction and staff downsizing, many buying firms have moved to retain only core competencies where a large part of the buying firms' activities are outsourced. As a result, suppliers are being asked to assume additional responsibilities of many kinds such as earlier participation in product development, managing inventory for customers, delivering smaller lot sizes to narrowing delivery windows, producing near-perfect quality, providing steady price reductions, and many more. To a large extent, the external suppliers are now considered an extension of the

buying firm's organisation (Monczka, Trent, & Handfield, 1998). The changing role of supplier is probably the reason why Laugen, Acur, Boer and Frick (2005) identify supplier strategy as one of the emerging best practices of buying firms.

Acknowledging the importance of suppliers, many world class commercial companies have devised aggressive, continuing development activities with their suppliers, popularly themed as supplier development program, to help them improve in any and all areas of their businesses such as management, financial and technical aspects. Their philosophy is that stronger and more capable suppliers are able to allow the entire enterprise to reduce costs, streamline operations, and minimize defective products. As a matter of fact, most of these companies not only permit but also require their suppliers to offer their improved capabilities to other customers, including their competitors. They believe that this will help to create high performing suppliers who will be more responsive to their own needs who subsequently tend to be more competitive in the marketplace.

Yet, another reason for pursuing supplier development program is due to the deficiencies in performance on the part of the supplier. Kay (2005) provides explanation where suppliers who do not meet delivery schedules disrupt the supply chain which result in shutdown or rescheduling of production lines; this can cause huge losses to the buying firms. This contradicts the buying firm's efforts to increase competitiveness through squeezing costs out of their supply chain. In addition, she also demonstrates that poor supplier performance can account for billion of dollars in product recalls and even customer deaths through a notorious example of how Ford Motor Co. lost USD3 billion after it recalled more than 13 billion defective Bridgestone/Firestone tires running on its vehicles. The experts estimated the defective tires may have caused as many as 250 deaths. Such problems, combined with today's dynamic and global business environment, demand buyers to evaluate and manage their suppliers' deficiencies. This is because suppliers that fail to meet performance standards can cost buyers a bundle in actual expenditure, customer satisfaction, and lost business. In this regard, supplier development

program is implemented in order to bring the poor suppliers back on track (Handfield, Krause, Scannel and Monczka, 2000).

Notwithstanding the popularity and benefits of supplier development program, many companies have yet to embrace this idea because of time, resources and knowledge. There also appears to be a number of cultural and business barriers which cause the supplier development program to vary considerably among companies and sectors (Boden, n.d., Kay, 2005). In view of the significance of supplier performance and its ubiquity, the triumph of such development program is utmost eminent mutually for research and in practice. The need for a study of such nature also stems from the fact that the majority of existing studies have been conducted in the developed economies such as the U.S., Europe and Japan, with little attention given to developing countries such as Malaysia. Insofar, only one study was conducted in Malaysia which was constrained to the Malaysian government's initiatives in encouraging supplier development through the Vendor Development Program (VDP) (Abu Bakar, 2002). It leads one to safely conclude that little is known about the supplier development program, particularly by the manufacturing firms in Malaysia.

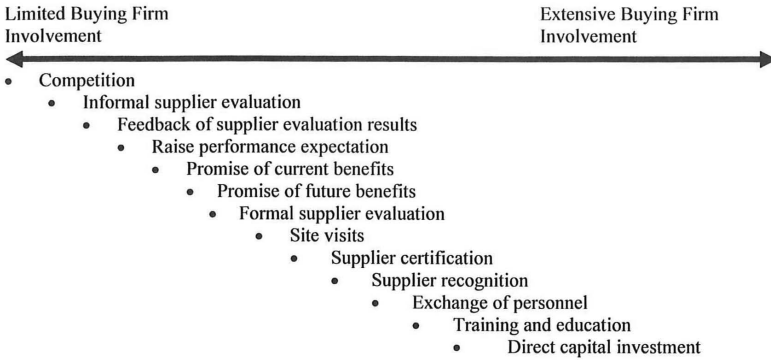
This research therefore aims to contribute to filling the vacuum by investigating the supplier development program in a manufacturing firm in the Malaysian setting. Specifically, it explores the types and extent of supplier development activities undertaken. The four major factors which affect supplier development efforts are also discussed. They consist of suppliers' commitment, support from the suppliers' top management, effective communication between the buyers and suppliers, and the attitude of the buying firms towards supply base. A review of preceding literature indicates that only a handful of studies have examined all the factors in a single setting (Abu Bakar, 2002). In addition, the importance of supplier development goals was also explored. Accordingly, a perennial understanding of the issues examined may inform decisions regarding the pre-requisites necessary to fuel supplier improvement initiatives. It also helps to discover weaknesses and guide improvements in the current efforts

undertaken.

The rest of the paper is organised as follows. The next section reviews relevant literature pertinent to the focus of this study. The methodology used is presented next, followed by the empirical results and analysis. The subsequent section presents the discussion and implications of the findings. The final section deals with the research limitations and explores possible avenues for future research.

## **LITERATURE REVIEW**

In their study to determine factors contributing to supplier development success, Krause and Ellram (1997) identified a comprehensive range of buying firms' efforts in their supplier development activities. These efforts vary significantly from an informal supplier evaluation and a request for improved performance to those activities that include training of the supplier's personnel and investment in the supplier's operations. To ease understanding, Krause (1995) synthesizes the various factors into a continuum of supplier development activities (see Table 1). At one end, activities toward the "limited" side of the continuum tend to require relatively little efforts by the buying firm. On the other hand, activities toward the "extensive" side of the continuum tend to be hands-on activities that require relatively greater efforts by the buying firm.



Source: Krause (1995)

**Table 1:** Continuum of Supplier Development Activities

With regards to the focus of the supplier development activities, Watts and Hahn (1993) conclude that they are most likely to be on a short-term focus, targeting at improving the performance of suppliers' products or services rather than on a long-term focus such as improving the capabilities of suppliers. Similar finding was reported by Abu Bakar (2002) in which the Malaysian buying firm surveyed tend to focus its supplier development program on achieving shorter-term results of product quality, price and delivery.

### **Factors Affecting Supplier Development Efforts**

A review of literature indicates that there are four factors affecting supplier development efforts which have garnered impressive theoretical and practical support. These factors are explained in the following sub-sections.

#### *Supplier's commitment*

Morgan and Hunt (1994) define relational commitment as beliefs held by the exchange partners that an ongoing relationship with another

party is so important that it warrants maximum efforts at maintaining it. In their study, the association between relationship commitment and cooperation, longevity of the relationship, willingness to compromise, and trust in a tire manufacturer/dealer relationship were investigated. They found commitment to be positively associated with all the factors surveyed. Similarly, Handfield, Krause, Scannel and Monczka (2000) also insisted that lack of supplier commitment will lead to the failure in implementing the improvements related to the supplier development program. Handfield and colleagues termed such lack of commitment as supplier-specific pitfall.

#### *Support of supplier's top management*

Krause (1999) conducted an empirical study to look at factors leading to the utilization of supplier development. He found that top management's recognition of the importance of the purchasing function is one of the significant factors leading towards buying firm's adoption of the supplier development program. However, enthusiasm by the buyer organisation alone will lead to nowhere if the supplier does not share the same aspiration, or worse, if the supplier believes that such efforts will only benefit the buyer alone. As such, Leenders and Blenkhom (1988) opine that the buying firm's top management must interact with the supplier's top management in order to persuade the supplier to accept the supplier development challenge. It is imperative for the supplier's top management to recognize the need for continuous improvement (Monczka, Trent, & Callahan, 1993) as well as the benefits brought about by the supplier development program to both parties. Undertaking supplier development program requires both the buyer and supplier to invest time, personnel and financial resources. This is more so if the buyer intends to build the supplier's capability through process-oriented supplier development efforts, where measureable results do not come quickly (Hartley & Jones, 1997). Such a long-term investment can only be allocated if the supplier's top management supports the supplier development efforts (Monczka, Trent, & Callahan, 1993).

## **Communication**

In their study to look at the impact of inter-organisational alliance in improving supplier quality, Carter and Ellram (1994) found that good communication and trust are required to facilitate information exchange regarding an organisation's existing design to suppliers. This is particularly important when proprietary technology is at stake. In addition, a supplier needs to have a clear understanding of the end product's final application. Such communication is critical in order to achieve the true benefits of quality improvement at the supplier level. The finding confirms Galt and Dale's (1991) research on ten firms from various industries in the United Kingdom. Mohr and Spekman (1994) conclude that when communication quality in buyer-supplier relationships (as measured in terms of accuracy, timeliness, adequacy, and credibility) is higher, the higher the satisfaction would be with the buyer-supplier relationships. This is because frequent and timely communication could assist in resolving disputes as well as in aligning perceptions and expectations between the two parties (Morgan & Hunt, 1994). The importance of effective communication has also been reflected in Abu Bakar's (2002) study who found that lack of communication between the parties involved in the VDP as one of the major reasons contributing to the lack of effectiveness of this government-initiated development program.

### *Buying firm's attitude toward supply base performance*

In an empirical study to look at the factors influencing inter-organisational cooperation in supplier development, Krause (1995) suggests that inadequacies in the supplier's performance and capabilities, if dealt with aggressively and proactively, will potentially lead to improvement in the supply base's performance and capabilities. This suggests that the attitude of the buying firm can have a significant impact on the supplier's performance and capabilities. This is confirmed by Krause and Ellram (1997) who concluded that organisations experiencing successful supplier development efforts

are generally more proactive and highly involved in the suppliers' activities and performance that include, among others, the formal evaluation of supplier and the feedback of results to the supplier, supplier recognition, training and education of supplier's personnel, and investment in the supplier's operations. Abu Bakar (2002) also recommends dynamic periodical evaluations as well as progress monitoring among the participants of the supplier development program in order to ensure that the program's objectives are met.

As a conclusion, the preceding literature has established a comprehensive range of supplier development activities which are dependent upon the extent of involvement of the buying firms. However, empirical evidence seems to point towards the same direction where many of the development programs are oriented towards short-term focus. There are four major factors identified from the literature which affect the supplier development efforts. All these elements will be examined in the current study. The next section presents the methodology used.

## **METHODOLOGY**

Based upon the objective of this study, this research focuses on the supplier development program undertaken by an electronics manufacturing firm located in Johor Bahru, Malaysia with its local suppliers that provide the firm with made-to-order commodities. The researchers employed the quantitative technique through the use of a self-reporting questionnaire to generate data for this study.

The questionnaire consists primarily of two sections. The first section comprises of 13 questions asking the respondents on the types and extent of supplier development activities. The second section deals with 9 questions on supplier development goals. The constructs were operationalized based on extensive review of literature. Respondents were asked to rate the 13 questions based on a five-point scale, i.e. 1 = always to 5 = never; and 1 = very important to 5 = very unimportant



for the nine questions asked in the second section. The questionnaire has been piloted prior to dissemination and therefore, face validity has been achieved.

The respondents involved in the questionnaire survey consist of officers, engineers, managers and senior managers from various departments (i.e. purchasing, marketing, planning, engineering, design and development, and quality) from within the manufacturing firm. A total of 33 employees were identified and questionnaires were distributed to them. However, only 26 responses are found to be usable for further analysis. About 7 questionnaires were ignored due to incomplete or missing data in certain sections.

The next section presents the research findings.

## **RESULTS AND ANALYSIS**

### **Background of the Firm**

The firm employs about 480 employees and is involved in the design and development of electrical and electronics products that carry its own brand name. In Malaysia, the firm's products have captured about 30 percent of the market for the segment in which the products are competing on. In addition, the products are also being exported to Singapore, Indonesia, China and the Middle East countries. In producing these products, more than 50 percent of the materials' costs are contributed by made-to-order commodities that are mainly supplied by local suppliers. Besides the design and development of its own products, the firm's business activities also include being a contract manufacturer of printed circuit board assemblies for multinational customers located in Holland, Poland, Singapore, Japan, and China. The background of the firm, particularly on its significant reliance on suppliers, make it an ideal target for a study of such nature to be conducted.

### The Types and Extent of Supplier Development Activities

Table 2 indicates that the buying firm has often adopted the following activities in order to improve its suppliers' performance and/or capabilities: verbal or written request for the suppliers to improve their performance (mean=2.00) and the promise of future benefits, such as consideration for future business (mean=2.46). The activities adopted at a lesser extent are those related to the use of two or three suppliers to create competition among the suppliers (mean=2.62), promise of current benefits such as higher volume order (mean=2.69), assess the supplier through informal evaluation, which takes place on ad-hoc basis (mean=2.92), and inviting supplier's personnel to the buying firm's premises in order to increase awareness of how their product is used (mean=2.92). Meanwhile, the buying firm hardly adopts the activities such as training and education of the supplier's personnel (mean=4.15), use of certification program to certify supplier's quality (mean=4.50), recognition of supplier's achievements or performance in the form of awards (mean=4.81) and investment in the supplier's operations (mean=4.96). However, the high standard deviation scores found in many of the items imply inconsistencies in the respondents' answers.

Supplier Development Activity	(1)	(2)	(3)	(4)	(5)	Mean	SD.
Verbal or written request that the supplier improve its performance	9/26 34.6%	9/26 34.6%	7/26 26.9%	1/26 3.8%		2.00	.894

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<p>Promise of future benefit such as consideration for future business</p>	<p>4/26 15.4%</p>	<p>12/26 46.2%</p>	<p>5/26 19.2%</p>	<p>4/26 15.4%</p>	<p>1/26 3.8%</p>	<p>2.46</p>	<p>1.067</p>
<p>Use of two or three suppliers for this purchased item to create competition among suppliers</p>	<p>5/26 19.2%</p>	<p>9/26 34.6%</p>	<p>5/26 19.2%</p>	<p>5/26 19.2%</p>	<p>2/26 7.7%</p>	<p>2.62</p>	<p>1.235</p>
<p>Promise of current benefits such as a higher volume order of the purchased item</p>	<p>3/26 11.5%</p>	<p>10/26 38.5%</p>	<p>7/26 26.9%</p>	<p>4/26 15.4%</p>	<p>2/26 7.7%</p>	<p>2.69</p>	<p>1.123</p>
<p>Assessment of supplier's performance through informal evaluation, which takes place on an ad-hoc basis with no set procedures</p>	<p>2/26 7.7%</p>	<p>8/26 30.8%</p>	<p>8/26 30.8%</p>	<p>6/26 23.1%</p>	<p>2/26 7.7%</p>	<p>2.92</p>	<p>1.093</p>

Inviting supplier's personnel to your site to increase their awareness of how their product is used	2/26 7.7%	7/26 26.9%	10/26 38.5%	5/26 19.2%	2/26 7.7%	2.92	1.055
Site visits by your firm to supplier's premises to help supplier improve its performance	2/26 7.7%	1/26 3.8%	14/26 53.8%	5/26 19.2%	4/26 15.4%	3.31	1.050
Assessment of the supplier's performance through formal evaluation, using established guidelines and procedures	2/26 7.7%	2/26 7.7%	9/26 34.6%	11/26 42.3%	2/26 7.7%	3.35	1.018
Use of four or more suppliers for this purchased item to create competition among suppliers		1/26 3.8%	7/26 26.9%	10/26 38.5%	8/26 30.8%	3.96	.871
Training/ education of the supplier's personnel		2/26 7.7%	5/26 19.2%	6/26 23.1%	13/26 50.0%	4.15	1.008

Use of a supplier certification program to certify supplier's quality, thus, making incoming inspection unnecessary			5/26 19.2%	3/26 11.5%	18/26 69.2%	4.50	.812
Recognition of supplier's achievements/performance in the form of awards			2/26 7.7%	1/26 3.8%	23/26 88.5%	4.81	.567
Investment in the supplier's operation				1/26 3.8%	25/26 96.2%	4.96	.196

Note: (1) Always, (2) Often, (3) Sometimes, (4) Seldom, (5) Never, (SD) Standard Deviation

**Table 2:** Type and Extent of Supplier Development Activities

Table 3 shows that the majority of respondents have rated improvements in product quality, delivery, and cost reduction as among the most important goals of the supplier development efforts. Meanwhile, improvement in the supplier's capabilities comprising technical, management and financial aspects have been rated at lesser degrees of importance. Three of the items recorded standard deviation scores of more than 1.0, implying inconsistencies in the responses obtained.

Goals of Supplier Development Program	(1)	(2)	(3)	(4)	(5)	Mean	SD
Improve quality of purchased item	21/26 80.8%	3/26 11.5%	1/26 3.8%	1/26 3.8%		1.31	.736
Reduce cost of purchased item	18/26 69.2%	4/26 15.4%	3/26 11.5%	1/26 3.8%		1.50	.860
Improve delivery performance	14/26 53.8%	9/26 34.6%	2/26 7.7%	1/26 3.8%		1.62	.804
Increase supplier's service/ responsiveness	9/26 34.6%	16/26 61.5%	1/26 3.8%			1.69	.549
Improve supplier's technical capability	7/26 26.9%	12/26 46.2%	3/26 11.5%	2/26 7.7%	2/26 7.7%	2.23	1.177
Improve product development capability	6/26 23.1%	8/26 30.8%	7/26 26.9%	2/26 7.7%	3/26 11.5%	2.54	1.272
Reduce existing supply base	3/26 11.5%	3/26 11.5%	16/26 61.5%	2/26 7.7%	2/26 7.7%	2.88	.993
Increase supplier's management capability	2/26 19.2%	5/26 19.2%	13/26 50.0%	2/26 7.7%	4/26 15.4%	3.04	1.113
Increase supplier's financial strength	1/26 3.8%	1/26 3.8%	15/26 57.7%	5/26 19.2%	4/26 15.4%	3.38	.941

Note: (1) Very Important, (2) Important, (3) Neutral, (4) Unimportant, (5) Very unimportant, (SD) Standard Deviation

**Table 3:** Importance of Supplier Development Goals

## DISCUSSION AND IMPLICATIONS

The results reveal that the manufacturing firm under study focuses on the supplier development activities that require little or no involvement on its own part albeit its substantial reliance on its suppliers. It is obvious that the firm has no intention to develop closer relationship with its suppliers, more so to invest in their operations. In addition, the findings also suggest that the firm has a short-term, results-oriented focus in product quality, delivery and cost reduction. This is reflected by the empirical results where the manufacturer attempts to reduce supply base and use numerous suppliers at times to guarantee high supplier performance. There is obviously a lack of emphasis on the activities that lead towards improving the supplier's capabilities. To some extent, mixed findings were obtained in terms of the development of the supplier's product and technical capabilities, as reflected by the higher standard deviation scores. The findings also show that the firm has not been fully utilizing the expertise of its suppliers in its product design and development activities. The results are very much in line with the findings of prior studies (Abu Bakar, 2002; Wagner, 2006; Watts and Hahn, 1993). Abu Bakar (2002) reasoned that the small orders of commodities made by the manufacturer against the suppliers' overall outputs has rendered the buying firm less influential in pushing its suppliers for improvement. Besides, it also confirmed prior findings where very few organisations have managed to develop an intensive supplier development program (Anonymous, 2000; Boden, n.d.; Kay, 2005). This implies on the challenges faced in initiating a supplier development program as reported in the literature, i.e. trust, security, other competing initiatives, lack of resources, participation and support, time and knowledge (Batson, 2002; Frahm, 2003). Overall, these findings point towards the essence of initiating of a proper supplier development program.

It is imperative for the buying firm to consider revising its existing supplier development program. Its current short-term and results-oriented approach is incapable to ensure sustainable improvements among the suppliers. This is because the suppliers are not equipped with the right capabilities to continue with the improvements once left to function on their own. The buying firm ought to realize that the rewards for undertaking a long-term supplier development initiative are well worth its effort. Some of the benefits of a good supplier development program include reduction in sourcing cycle time, time-to-market, lower inventory costs, improved quality, reliability and manufacturability of new designs, increased responsiveness to customer needs and market dynamics, and improved collaboration and knowledge sharing across the extended enterprise (Jones, 2002). Besides, suppliers that comply with the buying firms' requirements benefit by obtaining continued business (Kay, 2005) as evident from the findings. Armed with these positive impacts, the buyers and suppliers should be able to weigh them against potential risks in order to calculate the impact of a successful supplier development program.

It is evident from the current study that suppliers are often being asked to improve their performance, implying deficiencies on their part. As production and service outsourcing are increasing for most companies, a successful supplier development program should begin even when the buying firms select potential suppliers. Research suggests that in today's competitive operating environment, a proper selection process is becoming a more important and critical decision in order to help buyer organisations in achieving high quality products and customer satisfaction (Gonzalez, Quesada, & Mora Monge, 2004; Vokurka, Choobineh, & Vadi, 1996). Pressey, Tzokas and Winklhofer (2007) opine that the "fit" between buyer and supplier firms' competitive strategies and organisational culture must be given due emphasis. Besides, it is probably rewarding if the commitment and attitudes of the suppliers, particularly their top management toward the development program can be ascertained from the early stage so as to avoid supplier-specific pitfall (Handfield,



Krause, Scannel and Monczka, 2000). This is in light of the fact that both parties' co-operative behaviors are strongly influenced by the expected continuity of the relationship (Johnston & Kristal, 2008) and therefore their positive attitude and commitment toward the program will have a direct and significant impact on the buying firms' business performance (Kannan & Tan, 2008). Other selection considerations by the buying firms include cost, technology, quality, investments in development and design, and management and service-oriented indicators such as business philosophy, management and strategic plan, response time and the like. For final supplier decisions, it is suggested that the buying firms rely either on cross-functional teams or inputs from their plants, or both.

The results show that there is very little formal assessment on the supplier's performance. Even if there is, evaluation is carried out in rare occasions on an ad-hoc basis with no clear procedures. This suggests that a formal supplier evaluation system must be established to monitor the suppliers' performance on a periodic basis so that appropriate feedback and corrective actions can be provided to bring the poor performing suppliers back on track. It is vital that frequent visits are made to the supplier's firm as a means to assess their performance for improvement. As echoed by Primo, Dooley, and Rungtusanatham (2007), buying firm's reaction to a supply failure is important because buyer dissatisfaction may induce related development or switching costs. When the buying firm is satisfied with its supplier development efforts, it is likely to put more efforts and resources into such efforts, and exhibit greater willingness to share information with its suppliers (Krause & Ellram, 1997). Among the common metrics buying firms could use to evaluate their suppliers include aspects on cost, delivery, innovation, product service and/or quality (including defect rate), quality program, responsiveness, technology, administrative, customer service and the like. To be effective, awards can be presented to the best suppliers as a means to recognize their achievements and to motivate them to maintain and/or improve their performance level. In addition, the buying firm can also rely upon the supplier certification program in order to minimize

inspection and to guarantee consistent performance delivery. However, undertaking such a development program requires the willingness of both the buyer and supplier to invest time, personnel and financial resources, which is the case in point why many development programs failed. The top management of the supply firms must be made to understand that such initiatives require time before it begins to deliver results and that their continuous and mutual support is vital for the program's success.

Once the supply base is in place, it is vital for the buying firms to develop and foster a close relationship with their suppliers in order to ensure continuous and sustainable improvements. This is because by monitoring supplier performance alone is not of itself sufficient, but rather the close proximity between buyers and suppliers which actually provides a critical differentiator between high and low performers (Cousins, Lawson, & Squire, 2008). In this case, effective communication between the parties is necessary to foster strong trust and satisfaction among the parties. The findings suggest the manufacturing firm invite the supplier's personnel to its premises on a regular basis in order to increase their awareness on how their product is used. This can act as a means to relay the buying firm's expectations to the suppliers as well as to provide the suppliers a clear picture of how their components fit into the overall product of the firm. In addition, many buyers appreciate the convenience of suppliers being available for quick meetings and consultations and vice-versa. Without communication, the success of the supplier development program is cumbersome and may not be forthcoming.

The increasing competitive parity in the areas of cost and quality has forced manufacturers to seek other sources of competitive advantage with new product development rapidly becoming the focal point in the quest for sustained growth and profitability (Birou & Fawcett, 1994). In this regard, it is of paramount importance for the manufacturers to recognize the expertise of their suppliers by involving them in new product development even from the early stage of design. Buying firms ought to remember that the essence of today's new product development strategies is the simultaneous development

of the new product and the accompanying manufacturing process such as that quality is enhanced, costs reduced, and lead times shortened. Their involvement could thus promote better resource utilization, the development and sharing of technological expertise, and network effectiveness (Birou & Fawcett, 1994). However, the use of new technology requires skilled workers from the suppliers' side and the development program must capture this requirement by offering some level of training and/or education to the suppliers' personnel, in which the practice is so far absent in the current study.

## **CONCLUSION AND SUGGESTIONS FOR FUTURE RESEARCH**

Successful companies have indeed learned the importance of having a supplier base that they can rely on to provide services and materials consistently on time, and consistently meeting specification requirements. These can only be achieved through partnerships where the partners share common interests and are willing to go the extra mile for each other, which in turn creates loyalty and financial success. As the Malaysian economy has long relied on a strong and diverse manufacturing sector, a proper supplier development initiative can facilitate the performance improvement needed to ensure that suppliers successfully supply and strategically partner the manufacturers for the competitiveness of Malaysian firms in the global economy. In addition, businesses, government and educational institutions may use the findings to drive or assist in the supplier improvement efforts of both buyers and suppliers.

The findings reported in this study need to be interpreted with caution due to limitations that warrant further research. Firstly, the limited sample size may restrict the generalizability of the findings. Secondly, although this study is conducted in a unique developing country context, the impact of cultural forces on the success of this program has not been examined. These open the venue for future

research to be conducted to cover the gaps. Future research may shed more light by increasing the sample size across different industries or even cross-culturally. In addition, by correlating the variables with a set of performance measures using advanced statistical techniques and/or by incorporating new variables may yield interesting results.

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