

From Operational To Strategic: How Firms Develop Collaborations with their Key Suppliers

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ABSTRACT

Rapid technological changes, shorter product life-cycle, and globalization have resulted in more dynamic and fiercely competitive markets. Firm competitiveness in such environments require critical resources that span across firm boundaries and are embedded within inter-organizational processes and activities. Thus, firms now seek collaborations with their supply chain partners to have access to valuable and complementary skills and resources to achieve competitive advantages. Collaborations between buyer and suppliers can occur at different levels depending on the buyers' needs and suppliers' capabilities. In manufacturing firms, these collaborations could be at an operational level (e.g. sharing operational planning and order management) and/or a strategic level (e.g. sharing technology or joint new product development). The nature of these two levels of collaborations is different as strategic collaborations will typically require significant investments into the relationship, hence, a higher degree of risk. As such, in this study, we seek to demonstrate that the strategic value of key suppliers will drive firms to develop strategic collaborations, but such strategies will be mediated by the collaborations at the lower level (i.e. operational). Using the dataset from Australian manufacturing firms, our research model shows that key supplier's value have positive effects on the development of both operational collaborations and long-term relationship with the supplier, which in turn enhance the collaborations at the higher level (i.e. strategic). Furthermore, the non-significant direct effect of supplier's value on strategic collaborations confirms that firms cannot directly building strategic collaborations without building the foundations of the collaborations in the first place.

Keywords: supplier's value, long-term relationship, collaborations, operational, strategic.