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The Impact of Retailer-Supplier Cooperation and Decision-Making Uncertainty on Supply Chain Performance

Ju-Miao Melody Hsiao

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Faculty of Economics and Business
The University of Sydney

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ABSTRACT

Buyer-supplier relationships have been increasingly considered a critical part of contemporary supply chain management. In response to dynamic and unpredictable market changes, buyers and suppliers enter into cooperative relationships to pursue individual goals and joint goals for better economic and non-economic performance of the supply chain. On the other hand, cooperation between channel members is surrounded by uncertainty, which can create a detrimental impact on the performance of a supply chain.

Previous research has focused on various aspects of uncertainty that could affect supply chain member behaviour. The present research contends that relationship behavioural factors play an important role in increasing or mitigating channel members' perceived uncertainty in their supply or purchase decision-making. Specifically, the purpose of this research is to investigate the impact of retailer-supplier cooperation and retailer/supplier's decision-making uncertainty (DMU) on retail supply chain performance from the perspectives of both the retailer and the supplier. A holistic model was developed as the theoretical framework for this conceptualisation. A sample of 202 retailers and 64 suppliers in the sporting goods retail business in Taiwan was used to separately test a number of hypothesised relationships by using structural equation modelling (SEM).

The findings indicate that both cooperation and DMU are the key determinants of retail supply chain performance, including financial performance and non-financial performance (i.e., supply flexibility and customer service). Financial performance is positively affected by retailer-supplier cooperation and negatively affected by DMU in both the retailer model and the supplier model. The five dimensions of retailer-supplier cooperation (i.e. trust, *guanxi*, dependence, coercive power and non-coercive power) have significant effects on cooperation. However, apart from *guanxi* with the retailer/supplier, neither other relationship dimensions nor retailer-supplier cooperation have any influence on retailer's DMU or supplier's DMU. The results also indicate that differences and similarities exist across retailers and suppliers with respect to the effects of several relationship dimensions on cooperation and uncertainty.

The holistic empirical model developed for this research contributes further to understanding the links, which have been lacking in the extant channel relationship literature and supply chain management literature, between buyer-supplier relationships, DMU, and supply chain performance. The findings that a retailer/supplier's DMU can erode the performance of a supply chain in various aspects highlight the need for improvement in some areas of supply chain efficiency and effectiveness, through cooperation-enhancing actions between the retailer and the supplier. From a managerial perspective, the performance improvement in the supply chain, in turn, will motivate more reciprocal commitment and efforts from the retailer and the supplier to maintain their working relationship. As such, mutual trust and enriched *guanxi*, dependence and non-coercive power help both the retailer and the supplier to have less uncertainty in their purchase/supply decision-making process. It creates a win-win position for both parties in the supply chain.

Key words: supply chain management, buyer-supplier relationship, cooperation, decision-making uncertainty, supply chain performance

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STATEMENT OF ORIGINALITY

I certify that this work has not previously been submitted for a degree or diploma in any university. To the best of my knowledge and belief, the dissertation contains no material previously published or written by another person except where due reference is made in the dissertation itself.

Ju-Miao Melody Hsiao
Institute of Transport and Logistics Studies
Faculty of Economics and Business
The University of Sydney

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