

COMPLETION REPORT

Causal Relations Analysis on Supply Chain Alliance between Japan and Taiwan

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Supply chain alliance in between countries of Taiwan and Japan has recently raised a high attention as it is taken as a strategic movement for manufacturers to increase the global competitiveness and firm performance. In an age of consolidation and fast product cycles, a good understanding of manufacturing alliance practice in between the two countries is an advantage to the global market competition. As both Taiwanese and Japanese manufacturers are facing a severe market competitive intensity, the supply chain strategic alliance between these two countries becomes an emerging study area. This study aims to establish a causal model of the factors that influence supply chain collaboration based on Transaction Cost Economics (TCE) and Relational Exchange Theory (RET).

In this empirical study, a total of 15 Taiwanese firms and 4 Japanese firms were participated in the Decision Making Trial and Evaluation Laboratory (DEMATEL) survey. The result of this study shows that the asset specificity between a manufacturer and its supplier would impact the level of collaborative processes practiced by the manufacturer with its supplier. Also, the trust that a firm has in its supplier can affect the collaborative processes practiced by both firms. This study also reveals that environmental uncertainty influences the collaborative processes practiced by the manufacturer with its supplier. In addition, environmental uncertainty has an impact on the asset specificity between a manufacturer and its suppliers. For both environmental uncertainty and asset specificity have been found to have relationships with the trust that exists between a manufacturer and supplier.

This study has shown that the existence of trust is a key factor that can lead to successful collaborations. In order to promote supply chain alliance, managers should thus foster trust among their partners. Trust enhances the flexibility of a firm while maintains firm's agility in the market and production. Trust enables the firms in supply chain to make faster decisions, and also lets the firm be more innovative and reduce of unproductive works, thus increase the competitive advantage. One way to foster trust is by investing in assets that are dedicated to the specific partner firm, as this represents a firm's dedication towards the success of the collaboration. These investments also play an important role in achieving the objectives and potential competitive advantages that are promised by a strategic alliance. Therefore, managers in between Taiwanese and Japanese firms who plan to use supply chain alliance as a business strategy should be prepared to make relationally specific investments if these will foster trust and promote cooperative behavior.

This empirical study has shown that environmental uncertainty affects a firm's alliance behavior. With the spread of globalization, the boundaries of a firm's environment have been extended to an international level, and managers must keep in mind that they are competing in a transnational arena. Enterprises should thus shift their strategies from ones that are based on individual transactions with other firms, to the creation and growth of partnerships.

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