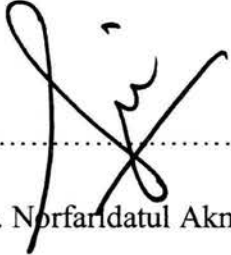


APPROVAL

I/ We hereby declare that I/ we have read this dissertation/report and in my opinion,
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FACTORS EFFECTING BUYER-SUPPLIER RELATIONSHIP:
A CASE STUDY IN MANUFACTURING INDUSTRY

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The thesis is submitted in partial fulfillment of the requirement for the award of
Bachelor Degree in Technology Management (High Technology Marketing)
With Honors

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JUNE 2018

DECLARATION

“I declared that this report is the result by my own work, except certain explanations and passage where every part of it is cited with sources clearly stated in Reference”

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DEDICATION

I would like to dedicate this research to my beloved parents and siblings. Big appreciations to my family who always give me supports in term of moral, motivation, advice and financial. It will not be easy for me to go through the completion of my FYP without their concern and support. Their unconditioned love and encouragement have allowed me to strive and push myself beyond limits that never thought would be possible. With their support, I was able to complete this research paper smoothly. Thank you for always supporting me.

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ABSTRACT

For this research, it is about a study the buyer-supplier relationship in manufacturing industry. It is a critical factor for manufacturing industry survival in this global business environment. However, to reach a good buyer-supplier relationship it not easy and have few challenges or issue need to face with the current condition and they have to look over how to achieve this buyer-supplier relationship in semi-conductor industry. Therefore, this study would look into factor effecting of buyer-supplier relationship in semi-conductor industry. In order to achieve this objectives, researcher use the qualitative study was employed by case study of in interview of one semi-conductor company. Researcher use the semi-structure interview of inquiry that combines a pre-determined set of open questions (questions that prompt dicussion) with the opportunity for the interview to explore particular themes or reponses further. The finding shows have a four factor effecting of buyer-supplier relationship consists of trust, communication, cooperation and power-dependence. Besides that, the finding achieve based on literature review and the case study about the buyer-supplier relationship. This study believe to supporting information for the existing knowledge. This study also can make the company or industry to be more aware about the buyer-supplier relationship especially in semi-conductor company.

Keywords: Buyer-Supplier Relationship, Manufacturing Industry, Semi-Conductor Company, Factor Effecting Buyer-Supplier Relationship, Case Study.

ABSTRAK

Untuk kajian ini, ini adalah mengenai kajian hubungan pembeli-pembekal dalam industri perkilangan. Ini adalah faktor penting bagi industri pembuatan industri dalam persekitaran perniagaan global ini. Walau bagaimanapun, untuk mencapai hubungan pembeli-pembeli yang baik, ia tidak mudah dan mempunyai beberapa cabaran atau keperluan yang perlu dihadapi dengan keadaan semasa dan mereka perlu melihat bagaimana untuk mencapai hubungan pembeli-pembekal ini dalam industri semi konduktor. Oleh itu, kajian ini akan melihat faktor mempengaruhi hubungan pembeli-pembekal dalam industri semi konduktor. Untuk mencapai matlamat ini, penyelidik menggunakan kajian kualitatif yang digunakan oleh kajian kes dalam wawancara satu syarikat semi konduktor. Penyelidik menggunakan wawancara separa struktur siasatan yang menggabungkan satu set soalan terbuka yang terbuka (persoalan yang timbul) dengan peluang untuk temu duga untuk meneroka tema atau tindak balas tertentu. Temuan menunjukkan mempunyai empat faktor yang mempengaruhi hubungan pembeli-pembekal terdiri daripada amanah, komunikasi, kerjasama dan pergantungan kuasa. Selain itu, pencapaian dicapai berdasarkan kajian literatur dan kajian kes tentang hubungan pembeli-pembeli. Kajian ini percaya kepada maklumat yang menyokong pengetahuan sedia ada. Kajian ini juga boleh menjadikan syarikat atau industri lebih mengetahui tentang hubungan pembeli-pembeli terutamanya dalam syarikat separuh konduktor.

Kata kunci: Perhubungan Pembeli-Pembekal, Industri Pembuatan, Syarikat Semi-Konduktor, Pengaruh Faktor Hubungan Pembeli-Pembekal, Kajian Kes.

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LIST OF ABBREVIATIONS

ABBREVIATION	MEANING
AMT	Advanced Manufacturing Technology
BSR	Buyer-Supplier Relationship
ERP	Enterprise Resource Planning
NDA	Non-Disclosure Agreement
PO	Purchase Order
SBSR	Studies of Buyer-Supplier Relationship
S4 System	Integrated Logistics Support, Engineering and Sustainment Services for government and commercial programs.
SYSPRO	Software Development Company, Providing Integrated Business Software
SAP System	System Applications Product
US	United States
UTeM	Universiti Teknikal Malaysia Melaka

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CHAPTER 1

INTRODUCTION

1.1 Background of Study

As indicated by Helper and Sako, (2005) buyer-supplier connections allude to business exchanges between associations for the buy and supply of merchandise or administrations. Despite the fact that between authoritative exchanges have dependably been imperative in buying and promoting practice, it is just relatively as of late that enthusiasm for buyer-supplier connections has spread over a scope of administration disciplines reflecting worldwide changes underway strategies and work association in the late twentieth century that have made the administration of outside connections integral to understanding contemporary hierarchical practices and execution. Keeping up great relations with a provider ought to be as critical to an agreement overseer/end client as getting the best cost. A decent buyer-supplier relationship is an organization, a win-prevail upon circumstance the long run. A supplier who is treated with kindness, genuineness, and reasonableness will convey a quality item at the best cost, will give great administration, and will be receptive to crisis circumstances and extraordinary solicitations. There is likewise an advertising perspective to acquiring that ought not be ignored. An association's open picture can be an important resource. A supplier who is dealt with evenhandedly and professionally is probably going to discuss his positive encounters with your association to his partners, (Dwyer, Schurr and Oh, 2007).

Functional buyer-supplier relationships can have many benefits. Supplier firms can expect greater profitability and better buyer insights while buyers can experience tailored solutions and exchange efficiencies. Buyer and supplier, it's a fundamental of economics, and it all comes down to supply and demand. This much is obvious, but what may not be obvious is the importance of the relationship between buyer and supplier. Besides that, SBSR reflect acknowledgment by the buyer and supplier that for specific buys, collaboration instead of rivalry might be commonly gainful. While the subject of connections includes got much consideration inside the writing, it is evident that a relationship is certainly not a unidimensional build.

Moreover, outsourcing allows firms to exploit the capabilities, expertise, technologies, and efficiencies of their suppliers. Increased outsourcing, however, implies greater reliance on suppliers and a commensurate need to manage the supplier base. This has for some companies meant reducing and streamlining the supplier base, and/or developing closer relationships with suppliers (Scannell et al., 2000).

1.1.1 Buyer-Supplier Relationship

Acknowledgment by the buyer and supplier that for particular buys, support rather than contention may be normally important. While the subject of associations incorporates got much thought inside the keeping in touch with, it is obvious that a relationship is definitely not a unidimensional create. Without a doubt, there is some trade about what the term relationship surmises. Campbell (1997), for example, described four sorts of relationship is self-important (depicted by an accentuation on firm needs), singular dedication (shared commitment and obligation), basic wander (whole deal obligation for crucial great position), and political control (shared dependence and a lot of blend). While for particular trades pompous or discrete associations, ordinarily depicted as a protected separation, may be reasonable, for communitarian associations may be proper.

1.2 Problem Statement

The relationship between buyer and supplier can be a constant tug-of-war by both sides. The supplier complains that the buyer gives short notice on orders. The buyer complains that the supplier doesn't deliver the orders on time, or about the quality of the product. Each side points the proverbial finger at the other, which can cause tension and bad blood between the two. The truth is that both sides need each other. It is a symbiotic relationship.

There are some the problems or challenges a buyer-supplier might face attempting to keep. Firstly, timely billing and payment is this issue seems to be the most glaring when it comes to invoicing and payments. The buyer wants to stretch out payments to paid their cash flow. The bigger the buyer is, the more likely they are to have leverage over their small suppliers. The supplier, on the other hand, wants to get their payment as soon as possible, sometimes even offering discounts to buyers if they make their payments earlier. Buyers complain about suppliers not sending them detailed invoices and the timeliness of the invoices. Often times suppliers also complain about the timeliness of payments of buyers. The situation gets worse when the supplier is unable to track their receivables.

Secondly, shipments and delivery are become a point of friction for the supplier and buyer. The buyer complains of the supplier delaying the shipment of products and not always being truthful about the delivery of products. The supplier complained about the buyer not giving them enough notice with their purchase orders. The problems occur when the supplier wants the items as fast as they can get without concern other party situation. Last but not least, the quality and accuracy of shipments is sometimes rise a tension for buyers. It can be a point of frustration. If you can imagine, you are a buyer in the Malaysia who purchasing getting a supply from a supplier located in China. It is going to take three to six days for the product to be delivered to your facilities. Imagine if you finally get the order and you are missing product and some of it damage. Now, you have to return and get the new order. It has taken you two to three months to get your supplies.

Company is looked with difficulties of keeping up compelling buyer-supplier relationship which makes clients unsatisfied because of absence of productivity and there is expanded lead time. Wastefulness in offering and acquirement of merchandise is famous in organization which makes a portion of its offering methods one-sided coming about to choosing unfit bidders who convey sub-institutionalized products and enterprises. This outcomes to the association causing additional expenses. Greater part of the staff in the association are come up short on along these lines demotivating them in this manner they do not work towards accomplishing hierarchical set targets. Absence of adequate data about market request, client inclination, or patterns expands the level of vulnerability saw by the buyer-supplier in its buy or supply choice. Johnston (2006) considered that the buyer-supplier connections turn out to be progressively critical in higher hazard buy circumstances and show that building an association with a solid provider decreases the apparent vulnerability and hazard.

1.3 Research Objective

The main phenomena under investigation of the thesis are effecting buyer-suppliers relationship. By undergoing this research, we would like to achieve our main objective that are:

1. To identify the factors of buyer-supplier performance.
2. To analyze the influence of the factors on buyer-supplier performance.

1.4 Research Question

1. What are the factors that had influence effecting of buyer-supplier performance?
2. What are the relationship between the factors and effecting of buyer-supplier performance?

1.5 Scope of Study

This study will be conduct at University of Technical Malaysia Melaka (UTeM) with involved several faculties. Topic for this study will focus on effectiveness of Buyer-Supplier relationship or purchasing process. The rationale for selecting this topic is because the researcher wants to gain further understanding about most important factors for the buyer supplier relationship and to identify what is the measure step taken by the people responsible. The respondents for this study will be focus on the semi-conductor industry in Melaka.

1.6 Limitation of Study

Limitation for this study is hard to get cooperation from the respondents. Respondents for this study are among the owner or employers of company. So maybe not all the employers will give the cooperation for the interview due to their tight schedule and do not have time to do the interview. This maybe because of the interview session is not conduct at the right time like lunch time or at weekdays because they do not have much time to answer the interview. Besides, they may also think that the interviewer will reveal the information that they give to the third parties. So that the respondents do not give the accurate answer to the question that interviewer ask and directly affect the result of this study.

1.7 Key Assumption

The researcher assumes that the respondents give honest answer. Next is the researcher assumes the respondents has adequate knowledge to be the part of respondents. Besides, the researcher assumes the respondents have more experience in handling this topic when he/she can provide justifiable answer.

1.8 Significance of Research

This study can give benefit to the others industry because this study can raise awareness about the effecting of Buyer-Supplier Relationship or purchasing process importance and also help the employers on how to protect their performance from getting misappropriated by others.

Besides, this study also able to helps university and other academic research because the result from this study can be used as their references in conducting new researches. This study also will help the academic research to have a deeper understanding about how employers in Melaka have a good buyer-supplier relationship in manufacturing industry. So that they can be prepare for future study by using result of this study.

1.9 Summary

In this chapter an explanation is provided about the issues or problem arises in business sector and why company should take it serious about the buyer-supplier relationship in manufacturing industry. It is explained the elements in the early stage of this research. Continuity from this, the research will move to Chapter 2.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Now a day every organization wants to live in win-win situation. These situations don't create by one section of organization in fact all of them work together to achieve best outcome. One of them is Supply Chain Management which is competitive advantage. Supply Chain management is in every organization, even a small store near to our corner and homes operate by your mother which might not know it. Supply chain management is brain wave or blood circulation of organizations network, linked upstream and downstream in processes and activities, producing products and services which are delivered into the hands of the ultimate customer. As, they performance well for that it is very necessary to build good relationship between supplier-buyer.

2.2 Definition

2.2.1 Buyer

A buyer is any individual who contracts to gain an advantage as an end-result of some type of thought. When somebody gets described by their part as a buyer of specific resources, the expression "buyer" gets new significance. For example, a "buyer" is a man who buys completed merchandise, ordinarily for resale, for a firm, government, or association.

Besides that, the buyer work customarily incorporates the way toward buyer. It includes deciding the buyer needs, choosing the provider, landing at a legitimate cost, indicating terms and condition, issuing the agreement or request, and following up to guarantee appropriate conveyance and installment. In the old days it was argued that the buyer function should obtain the proper equipment, material, supplies and service of the right quality, in the right quality, at the right place and time, at the right price and from the right source (Aljian, 1984, p. 3). In this description, the buyer function is regarded predominantly as an operational activity.

Buyer Function in this definition cover specifically activities aimed.

- Determining the buyer detail (as far as required quality and amounts) of the merchandise and administration that should be purchased.
- Selecting the most ideal supplier and creating strategies and routine to be able.
- Preparing and leading transactions with the supplier keeping in mind the end goal to set up an agreement and review the legitimate contract.