

Industrial Supplier-Manufacturer Relationship and Environmental Dynamism on Strategic Outsourcing Success: A Conceptual Study

Mohamad Ghozali Hassan*, Mohammed Rizal Razali, Asmat Nizam Abdul Talib

School of Technology Management and Logistics, College of Business, Universiti Utara Malaysia, 06010 Sintok, Kedah, Malaysia

*Corresponding author: ghozali@uum.edu.my

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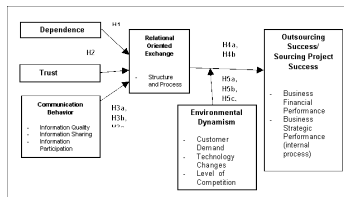
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Graphical abstract



Abstract

Poor outsourcing performance of a manufacturing industry could be improved through relational-oriented exchanges and its antecedents. Researches that examine the link among relational-oriented exchanges and their antecedents, environmental dynamism, and outsourcing performances in the manufacturing industry are still in its early development stage. Owing to high competition and risks in a manufacturing environment, the present study aims at conceptualizing a framework that examines the link between relational-oriented exchanges, the antecedents of relational-oriented exchanges, environmental dynamism, and outsourcing performances by recommending environmental dynamism as a moderator on the link between relational oriented exchanges and outsourcing performances. The research will be beneficial to the practitioners, as it will identify the utilization of environmental dynamism as the supplier's ability of adapting to novel conditions and to maximize confidence in their partners' future activities.

Keywords: Outsourcing success; relational-oriented exchange; environmental dynamism; supplier-manufacturer relations; strategic outsourcing; framework; Malaysian manufacturing

Abstrak

Kelemahan prestasi khidmat luaran bagi suatu industri pembuatan dapat diperbaiki lagi melalui perkongsian berorientasikan hubungan dan antedecednya. Kajian yang meneliti hubungan kait antara perkongsian berorientasikan hubungan dan antedecednya, dinamisme persekitaran, dan prestasi khidmat luaran dalam industri pembuatan masih di dalam peringkat awal pembangunan. Akibat dari persaingan hebat serta risiko di dalam persekitaran pembuatan, kajian ini bermaksud untuk menghasilkan konsep suatu rangka kerja yang meneliti hubungan kait antara perkongsian berorientasikan hubungan, antesedent kepada perkongsian berorientasikan hubungan, dinamisme persekitaran, dan prestasi khidmat luaran dengan mengemukakan dinamisme persekitaran sebagai penyederhana keatas hubungan kait antara perkongsian berorientasikan hubungan dan prestasi khidmat luaran. Kajian ini akan bermanfaat kepada pengamal, kerana ianya akan menentukan penggunaan dinamisme persekitaran sebagai keupayaan pembekal untuk menyesuaikan diri terhadap suasana baru dan memaksimumkan keyakinan kepada aktiviti-aktiviti masa hadapan rakan kongsi.

Kata kunci: Kejayaan khidmat luaran; perkongsian berorientasi hubungan; dinamisme persekitaran; hubungan pembekal-pengeluar; khidmat luaran strategic; rangka kerja; pembuatan Malaysia

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1.0 INTRODUCTION

Malaysian manufacturing has positively contributed 45% of total Gross National Products [1]. This indicates strong manufacturing presence towards the country's economy. Historically in the 1990s, Malaysia has gained manufacturing competitive advantage through low labour cost. However, Malaysia's competitiveness rank has dropped to the 26th based on the latest world economic forum ranking while local economists and a survey by the [2] reported that Malaysia must focus on value added activities for trade competitiveness. Evidently, Malaysia even after benefitting from technology and foreign direct investment (FDI), and gaining export

competitiveness, must start to recognize that it can no longer compete based on the previous competitive edge. It should start to improve the business models with outsourcing arrangement to enlighten customers.

Outsourcing, or what is commonly known as subcontracting, employs resources out of the organization. The purpose is to carry out jobs which are generally performed within the organization on its own. In this current competitive world, successful outsourcing is a powerful tool. Organizations can materialize as to create value and expand the competitive advantage ahead of competitors. Organizations can concentrate on their main competencies and then depend on outsourcing partners for complementary operations.

The development of strategic relationship can normally produce synergy between organizations. Synergism is capable of been directed to immediate and permanent advantages with some of them measured in financial terms while others in non-financial terms.

Malaysian American Electronic Industry reported that local electrical and electronic industries face gaps in their outsourcing practices. It was not able to raise local sourcing by 50% being inflexible to customer needs, despite substantial investment [3]. These arguments show that the electrical and electronic industries outsourcing performance in Malaysia needs improvement. Hence, this study will examine the factors that contribute to electrical and electronic industries outsourcing success in Malaysia.

■ 2.0 LITERATURE REVIEW

2.1 Outsourcing Management in Malaysian Manufacturing Context

As organizations shift their focus towards their core competencies, the outsourcing of less critical functions to a third party is becoming an attractive option. There are two main issues concerning the enhancement of outsourcing success. First, for the improvement of outsourcing performance, relational-oriented exchanges in terms of structural and process dimensions would play a major role [4, 5]. The relational-oriented exchange is considered as a durable relation of the two parties controlled by the relational norms and ethical principles [6]. For the manufacturing industry, these relationships are separated by structure and process elements of any long-term relationship between supplier and manufacturer [7]. The structural dimension refers to the close relationship and the process reflects a joint action of activities between supplier and manufacturer. In supplier-manufacturer exchanges, the performance hinges largely on relational exchange providing intense cooperation, joint planning, and mutual adopting of each other's needs [8].

Second, the outsourcing performance is also closely related to the antecedents of relational-oriented exchanges [9]. Antecedents of relational-oriented exchanges are the elements determining the relational orientation of an exchange [9]. In the manufacturing industry, those variables are categorized as economic factor, social factor, and communication behaviour to motivate, or drive the development of supplier-manufacturer relationship quality [10]. Dependence on the economy is the determinant of governance type [11], while trust is the key social variable that explains inter-firm cooperation and long-term relationships [12], [5] analysed economic and social factors affecting the behaviour and result of inter-firm relationships while [13] suggested that communication behaviour is the antecedent of relationship formation to maintain competitive advantage. Therefore, relational orientation of an exchange has its own factors to represent its quality, indicating that several variables influence the degree of relationship quality, and that the degree of relationship quality is related to the outsourcing success.

Empirical studies have shown the relationship between relational-oriented exchange or durable relationship and performance, especially on the non-financial measures [14, 15]. Hence, improvement in outsourcing performance is expected to be explained by relational-oriented exchange and factors as antecedents of a relational-oriented exchange. However, the nature of the relationship between the elements has not been fully understood [16]. Furthermore, in manufacturing industry, outsourcing performance is mainly measured by financial indicators [17]. The linkage among relational orientation of an exchange, the antecedent of that relational-oriented exchange, and the balanced performance measurement is still ambiguous.

The lack of studies analyzing the moderating role of environmental dynamism in the relational orientation of an exchange and outsourcing performance relationship broadens the research opportunities [10]. Environmental dynamism factors are customer demand, level of competition and technology change [18]. In the manufacturing industry, customer demand, level of competition and technology change are associated with the complexity and instability of the supplier-manufacturer relationship exchange environment [19, 20]. Hence environmental dynamism catalyzes the relationship between supplier-manufacturer through relational orientation of an exchange and performance [10]. Therefore, environmental dynamism is expected to moderate the relational oriented exchange-outsourcing success. To the researcher's knowledge, the moderating effect as a single construct has never been investigated by prior research.

In summary, the poor outsourcing performance of manufacturing industry could be improved through relational-oriented exchanges and its antecedents. Researches that examines the link among relational-oriented of exchange and its antecedents; environmental dynamism, and outsourcing performance in the manufacturing industry is still in its early development [21]. Owing to high competition and risks in a manufacturing environment, the present study recommends environmental dynamism as the unanticipated change, predicted to moderate manufacturing outsourcing performance. Hence, this study aims at conceptualizing a framework that examines the link between relational-oriented exchanges, the antecedent of relational-oriented exchanges, environmental dynamism, and outsourcing performances. By examining the link between the antecedents of a relational-oriented exchange, the involvement of environmental dynamism would be identified to substantiate outsourcing success so that improvement in the manufacturing- outsourcing performance can be achieved.

Outsourcing is considered among the many ways for the government to conduct operations in an effective manner while at the same time saving costs [22]. The Malaysian government is actively involved in supporting the idea of outsourcing. According to the report of the Ministry of International Trade and Industry (MITI), Malaysia is listed in the third position of countries that have attractive destinations for outsourcing following India and China [23, 24]. With this, Malaysia is equipped with what it takes to attract organizations to invest in outsourcing ventures. This is because Malaysia's infrastructure is robust and coupled with a sound and affordable fiscal/tax/regulatory environment [25]. In this perspective, a consulting study by International Business Management urged ASEAN manufacturing outsourcing industries to prepare for consumer value drivers and reshape the chain into flexible value networks [26]. By the same token, Malaysia recognized the contribution from manufacturing industries towards GDP, export, economy and employment [27]. The need to move up the outsourcing list and stay competitive with the advent of technology changes especially in electrical and electronic industries is also recognized by Malaysia [28]. Consulting firms have acknowledged Malaysia's chances of being a main player in the outsourcing arena on a global scale, particularly as an outsourcer. This requires correct positioning otherwise, the opportunity will be lost.

Malaysia is poised to be an alternative to India and China with its well-developed infrastructure, attractive business environment and strong government support [29]. In addition, Malaysia has been receiving increasing support as the global preference for a platform of shared services outsourcing. However, Malaysia is still relying heavily on electrical and electronic exports that make up 50-60% of total exports [30, 27]. Moreover, local authorities have recognized the country's supply chain, either local based small medium enterprise or multi-national companies, is still not

competitive and is reliant on government to improve logistic infrastructure and special manufacturing incentives [31]. Outsourcing initiatives are reported to be able to reduce inventory cost, increase responsiveness or profitability. These are the competitive advantage Malaysian manufacturers need to have to move up the outsourcing list [32]. In order to accomplish this competitive responsive value chain, organizations must acquire comprehensive supply chain internal strategies, infrastructure, outsource non-value added activities and focus on knowledge or human capital [33]. Hence, these arguments hinted that Malaysian manufacturing organizations are recommended to engage in outsourcing management initiatives which may be lacking as of now.

2.2 Issues Related to Outsourcing Success

Malaysia Investment Development Authorities [27] has emphasized that manufacturing organizations should not only rely on cost competitive advantage. They should also consider other competitive factors such as technology, customer orientation or outsourcing arrangement to move up the value chain. Furthermore, [34] reported that Malaysia Institute of Economic Research—which is closely associated to operational and outsourcing practices—is in the “de-industrialized dilemma” where Malaysian manufacturers failed to respond to changing market conditions. At the same time Malaysia is facing rising internal labour cost against the manufacturers from Vietnam and China. With these problems, Malaysia Institute of Economic Research has recommended creating organizations with effective implementation of outsourcing arrangement to improve coordination of relevant supply institutions of suppliers and manufacturers towards high organizational performance.

The positive impact of outsourcing upon organizational performance and business performance on monetary return has been studied comprehensively [35, 16, 36]. However, as evidence from several academic literatures, empirical findings particularly in developing countries including Malaysia is inadequate, particularly those dedicated to outsourcing in non-monetary benefits [37]. Dynamic changes in the market call for the adoption of strategies focusing on current success. In addition, investment in such activities will lead to the promotion of a competitive advantage needed for success. Among the many commonly suggested strategies for management in order to improve competition is “outsourcing” [38]. Managers consider outsourcing as the only way to be competitive in this century [39]. Outsourcing efficiency is primarily gauged through non-monetary perceived measures, as discussed by previous studies [40, 14, 41]. [37] exercised Elmuti Outsourcing Success Model to institute relationship on Customer Service Management. The study was carried out on 1,000 firms across Malaysia. The model provided predictive implications of organizational performance, stemming from the activities of key factors showing successful outsourcing. Stated differently, for the improvement of organizational performance, outsourcing activities should be controlled.

Similarly, there is no doubt that the relationship between supplier and manufacturer in light of an outsourcing arrangement is a crucial one. This relationship can be best described by the agency theory. As such, the agency theory has been used as a guide to evaluating outsourcing relationships [42]. The agency theory provides a description of the relationship through the contract metaphor [43]. Agency theory mentions only two parties which are the principal and the agent who interacts with each other to accomplish desired outcomes. On the other hand, in the present research supplier-manufacturer relationship in an attempt to assess outsourcing a success, the antecedent of relational exchange theory is employed to reinforce and to test the theoretical framework. The

relational exchange antecedent will comprise of trust, dependence and communication behaviour adding more synergy to the relational-oriented exchange variables’ effect upon the outsourcing successes variables. On the contrary, outsourcing variables can be extended by bringing in monetary benefit. They are, for instance, firm performance theory that comprises of ROI, sales per employee and stock value. However, an addition to the outsourcing success is the non-monetary benefit which is expected to present a more significant outcome as the bottom line of every firm’s survival lies in financial stability. The expression of monetary benefits is estimated to reduce bias.

3.0 RELATIONAL-ORIENTED EXCHANGE (ROE)

In this study, relational exchange refers to durable relationships in terms of principles and norms which govern the behaviour of two parties. Following previous scholars [8, 44], this study defines relational-oriented exchange as “the extent of long-term supplier-manufacturer relationship of electrical and electronic industry that are primarily managed by relational norms and ethical principles”. The norms and principles are ways of relationship control and coordination. This relationship is distinct from other types of relationships such as vertical integration, power hegemony or a market relationship owing to the coexistence of continuity agreements, cooperation norms and action procedures. There are two dimensions of relational-oriented exchange—structure and process. Structure in this study refers to “the extent of close supplier-manufacturer relationship projection through time and the desire for continuity in the long-term” [45, 46]. It is the members’ respective positions in the relationship (the distribution of functions) along with temporal orientation [47]. According to [45] and [46], the major feature of close buyer-seller relationship is its maintenance through time and the desire for continuity in the long-term. It is interesting to note that its main feature is the anticipated prolongation of the relation as opposed to the duration agreed upon in the contract currently enforced.

The “processal dimension” indicates the dynamic elements of exchange comprising of actions and behaviour in the relationship [48]. Based on the definition of ROE by previous scholars [49, 50, 12], this study defines process as “the extent of a close, long-term supplier-manufacturer relationship process that can be recognized by the degree of joint action, the tendency to closeness, the cooperation and the coordination of activities”. In line with this view, this study regards processal dimension as a dimension of relational-oriented of exchange or action and behaviour within the relationship that can improve organizational performance. Therefore, relational process may be gauged by the extent of cooperation between the members and their communication level [49, 12].

4.0 ANTECEDENT OF RELATIONAL-ORIENTED EXCHANGE

The antecedent of a relational-oriented exchange is defined as a motivation of supplier-manufacturer relationship formation. In line with the definition of the antecedents of a relational-oriented exchange by [9], this study defines an antecedent of a relational-oriented exchange as “the extent of the motivation or underlying causes that lead to the development of the relationship between supplier and manufacturer”. There are three dimensions of antecedents of a relational-oriented exchange—dependence, trust, and communication behaviour.

Trust refers to one party’s belief of the motives or the intention of the other party. Following previous scholars [51, 52], this study

regards trust as “the extent of believing that another company will perform actions that will result in a positive outcome for a firm, as well as not take actions that would result in negative outcomes for the firm”.

Dependence has been widely considered as a main determinant of inter-firm relationship performance in light of financial outcomes, cooperation, and conflict [53, 54]. Based on the definition of antecedent of ROE and previous scholars’ [47, 46] definition, this study defines dependence as “the extent to which a target firm needs the source firm to achieve its goals”.

Communication refers to transmitting, receiving, and processing information. Following previous scholar [55, 56, 57, 58], this study defines communication behaviour as ‘the extent of communication among alliance members essential role in creating and sustaining successful supplier–manufacturer relationship to achieve the maximum benefits of collaboration”.

There are three dimensions of communication behaviour–information quality, information sharing and information participation. Intensive communication is expected to result in better informed parties making every party confident in the relationship more inclined to sustain it [18]. As such, this study views information quality as “the extent of effective communication between supplier–manufacturer which is essential in order to achieve the intended objective”. Partnerships can result in competitive advantage with the help of strategic sharing of the organizations’ core information [59]. Thus, information sharing is regarded as “the extent to which critical or proprietary information is communicated to one’s partner”. According to [60], the active participation of the members in a partnership has a key role in improving the partnership’s sustainability through the years. Based on the definition of communication behaviour, this study defines information participation as “the extent of one partner’s actions influence on the ability of the other to compete effectively, the need for participation in specifying roles, responsibilities, and expectation increases”.

■5.0 ENVIRONMENTAL DYNAMISM

Environmental dynamism may result from complexity and instability in the environment of the exchange [19, 61]. In line with the definition of environmental dynamism by [62], this study defines environmental dynamism as “the extent of frequency of change in technology, demand and competition”. There are three dimensions of environmental dynamism–technology change, customer demand and level of market competition.

Technological Change: In this study, technological change is considered as the possible technological enhancement–in other words, to novel technology which may make the current technological efforts obsolete. Following previous scholars [18], this study defines technological change as “the extent of changes in the supplier–manufacturer relationship resulted from technology advancement within the industry”.

Level of Competition: An exchange might face different possible levels of competition in a new market. Levels which may have different implications on the exchange partner’s market strategy. Based on the definition of previous scholar [61], this study defines the level of market competition as “the extent of the level the environmental entities facing a channel are dissimilar to one another and the minimal extent to which these entities are coordinated or structured”.

Customer Demand: An exchange between supplier–manufacturer may face unsystematically fluctuating levels of customer demand for a product or product type. Based on the definition of volatility by [63], this study defines customer demand

as “the extent of unanticipated changes in the forecasted volume requirements and the mix of items needed”.

■6.0 OUTSOURCING SUCCESS

Outsourcing must have a particular goal having a measurable outcome. Successful outsourcing is described as the implementation factors that the company undertakes in order to achieve its objectives, goals and expectations [14]. Organizations would be required to identify their key specific goals or expected benefits to provide an overview of the achieved improvement from out-sourcing effect. This research choice includes: financial performance and strategic performance of attempts at outsourcing suggested by several authors [64, 65, 66]. Traditionally, financial data has been considered as the basis for organizational decision-making for a long time; however, managers have no idea of how to utilize non-financial data for improving decision making [67]. Kaplan and Norton’s balanced scorecard is hereby introduced in this study to enhance a mixed method of assessing outsourcing success using both financial and non-financial data.

The financial performance considerations are referred to as: “the tangible, measurable, hard dollar benefits to the company from outsourcing.” Many companies calculate the financial considerations of the outsourcing initiative in many different ways. The financial perspective defines the long-term objectives of the business unit, and therefore [68] identified three different stages: (1) rapid growth—at the early stages of the business life cycle, business units have to make investments on everything; (2) sustain—the majority of business units will be in this stage and still need reinvestment; (3) harvest—reaching a mature phase of life cycle and waiting for the harvesting of investment from the preceding two stages. In addition, [68] also indicated three financial themes to achieve organizational business strategies: (1) revenue growth and mix, (2) cost reduction and productivity improvement, and (3) asset utilization and investment strategy. The balanced scorecard can customize financial objects and measures through these three financial themes with any of the three generic business strategies.

The strategic consideration is referred to as: “the non-tangible benefits achieved by the company from its business strategy.” Companies consider various strategic considerations that add value to the organization. These strategic considerations could be added to customer service, improved customer satisfaction, increased skilled resources, etc., thus achieving overall increased value to the company, and finally, to its stakeholders and shareholders. To define the strategic consideration and to link it with the objective of adding value to the company, the Balance Scorecard (BSC) performance measurement tool can be used. [69] developed this tool to translate the organization’s strategic considerations into financial or non-financial performance measures.

■7.0 PROPOSED RELATIONSHIP AMONG THE VARIABLES OF THE STUDY

7.1 Dependence and Relational-Oriented Exchange

Relational-oriented exchanges stem from the level of interdependence. That is the mutual dependence between supplier and manufacturer. For the reflection of interdependence variable, two concepts are identified which are magnitude and asymmetry [70, 71, 72]. The magnitude of this interdependence is referred to as the total dependence within the exchange and the asymmetry of dependence at the comparative dependence level. High magnitude of interdependence impacts the creation of relational structures and

processes as the close relationship encourages the employment of non-coercive force, reduces conflict, foments stability and promotes durability [7]. The degree of dependence of a supplier on a manufacturer may also influence relationship behaviour. This is because high dependence implies that a valued resource is available from the manufacturer which represents potentially gainful payoffs. To ensure continued supplies in a high dependence situation, one should be expected to cooperate, even if it is non-voluntary in nature. For low dependence, the level of relationship may be conditioned by other factors but is likely to be lower since desired payoffs may be perceived to be low and not immediately forthcoming.

7.2 Trust and Relational-Oriented Exchange

According to [73], trust, the belief of the reliability of the word of one party and his fulfilment of the obligation, is significantly linked to the firm's inclination for collaboration. In addition, [74] claimed that keeping other things constant, exchange relationships having trust are able to withstand great stress and present higher adaptability. This statement is reinforced by Anderson and [73] stating that following the establishment of trust, the supplier and manufacturer become convinced that joint efforts result in outcomes that go above what each of them could achieve. In conclusion, the literature concerning trust states that successful partnership should have ingrained high levels of trust. Partnerships between supplier and manufacturer, presenting greater levels of trust, show greater success compared to their counterparts [75] as greater levels of trust pave the way for tighter bonds between individuals and firms. These bonds result in relationship sustenance rather than break up. An indication of partnership efficacy is the prediction of its longer life [76]. Firms who trust their partners to a great extent present higher satisfaction with the partnership and thus, a satisfying partnership arises when mutual expectations of the partnership have been reached [77]. [78] proposed trust-commitment theory to clarify the way trust and commitment lead to successful relational exchange. Based on the empirical evidences, social perspective as trust is expected to be positively related to relational-oriented exchanges.

7.3 Communication Behaviour and Relational-Oriented Exchange

Communication processes and the sharing of information are the basis of many organizational functioning aspects [79, 80]. Two communication behaviour aspects addressing the level of information exchange are invaluable to the relationship namely, information sharing, and the level of information quality and participation. These aspects of information sharing (quantity and quality) are needed for the successful development of supplier-manufacturer relationships. Communication's impact on relational sentiments should come out as positive and it cements the channel of distribution and develops an environment characterized by mutual support and participative decision making [80].

The supplier's commitment to the manufacturing may be enhanced following the organization's provision of greater information quality. In the context of inter-organizational level; [81] revealed that a strong relation exists between communication quality and two kinds of organizational commitment which are consensus and resource. Information quality was also found to be related to the supplier-manufacturer relationship in a positive way [82]. The expectation is such that following the supplier's perception of the usefulness of information in a timely, clear and thorough manner, his commitment to the business relation will be reinforced.

Effective information sharing develops information value for people within and across organizations, and reduces the potential conflict among collaborative supplier-manufacturer relationship [83]. Both manufacturers and suppliers have perceived that information sharing contributes to operating efficiency and mutual benefit between trading partners in cross-national collaboration, thus improving performance [84]. In summary, information sharing has emerged as a key construct in area of strategic supplier-manufacturer relationship, and therefore has been revealed to be a significant predictor of relationship success [84, 13, 56, 83, 75, 56, 85].

Information participation is considered as the level to which partners take part in planning and goal setting in a joint manner [75]. The two information attributes of sharing and participation are linked to the strategic supplier relationship and are significant in the coordination of both parties' activities. For example, the purchasing executive has to be committed to offer superior and correct forecasts of requirements to suppliers to facilitate better planning of available capacity [86, 87, 88]. This implies that relational-oriented exchanges are linked with greater levels of information participation.

7.4 Relational-Oriented Exchange and Outsourcing Success

Many researchers have highlighted the increasing trend of outsourcing [89]. Through the outsourcing of activities to experienced suppliers, companies are able to concentrate on their core products and activities [90]. These specializations in core activities allows the minimization of the capital base and facilitate enhanced return on invested capital [91] and opens the firm to the possibilities of taking advantage of economies of scale. Nevertheless, outsourcing would entail placing important activities external to the firm [92]. Therefore, manufacturers and suppliers are required to cooperate through relational exchange the co-ordination of these activities in an efficient manner [93].

In short, relational-oriented exchanges enable firms to produce greater value [94, 94] and at the same time help develop additional benefits for firms over time [95]. Outsourcing firms provide the chance to benefit from the cost advantages in comparison to their vertically integrated counterparts [96, 97, 98, 66]. Outsourcing leads to decreased manufacturing and minimal investment in plant and equipment [96]. Moreover, the decreased investment in manufacturing capacity also decreases the fixed costs and results in an even lower break-even point. The improvement in short-run cost supports the decision to outsource making it an attractive technique for firms to improve their financial performance particularly in the short run.

8.0 DISCUSSION, LIMITATION AND IMPLICATION

The results of this study proposed a conceptual framework to investigate the antecedents of relational-oriented exchanges and outsourcing successes. However, the non-financial outsourcing benefits have been largely ignored in this study. One of these advantages is its promotion of competition among external suppliers guaranteeing the availability of superior goods and services in the long run [98]. Also, quality improvements may be achieved through outsourcing as suppliers whose products or services are the best in the world are selected [99, 66]. Moreover, outsourcing minimizes risk by spreading it [66]. Through the employment of external suppliers for products and services, an outsourcer can benefit from the emerging technology without having to invest in them. Therefore, the outsourcer is enabled to alternate between suppliers and market conditions as required. Under these conditions, it can be expected that relational-oriented

exchanges to directly affect the likelihood of manufacturers pursuing strategic outsourcing.

Social and relational exchange theories postulate that relational-based exchanges outperform transactional-based exchanges owing to their adaptation ability to novel environment and to maximize the partner's confidence in future actions, which reinforces risk-taking and reciprocity-based behaviours. With the increase in environmental uncertainty, it is important for exchange partners to adapt and enhance their flexibility and behavioural confidence of relational-based exchanges. As a result, greater uncertainty levels should improve the positive impact of commitment, trust, interdependence, and relational norms on exchange outcomes [10]. Additionally, the relational bonds ability to tamper down conflict should be more significant in environmental dynamism as with increasing disagreements, the requirement of negotiations will increase.

Although empirical research dedicated to this premise is limited, the existing ones support it. Among them, [100] revealed partial confirmation that as uncertainty increases; greater formality and stringent structures are called for between partners to minimize performance. In support of the flexibility benefit from relational-based exchanges, [101] revealed that relational norms improve performances in a high-uncertainty environment while [102] claims that relational governance's impact upon performance depends highly on environmental uncertainty. Within the Asian context, [103]Joongsan & Rhee (2008) have provided empirical evidence that technology uncertainties moderated the relationship between supplier capabilities and manufacturer-supplier collaborations in Korean automotive industry. Hence, it is proposed that the outsourcing benefits lead to the greater levels of environmental dynamism.

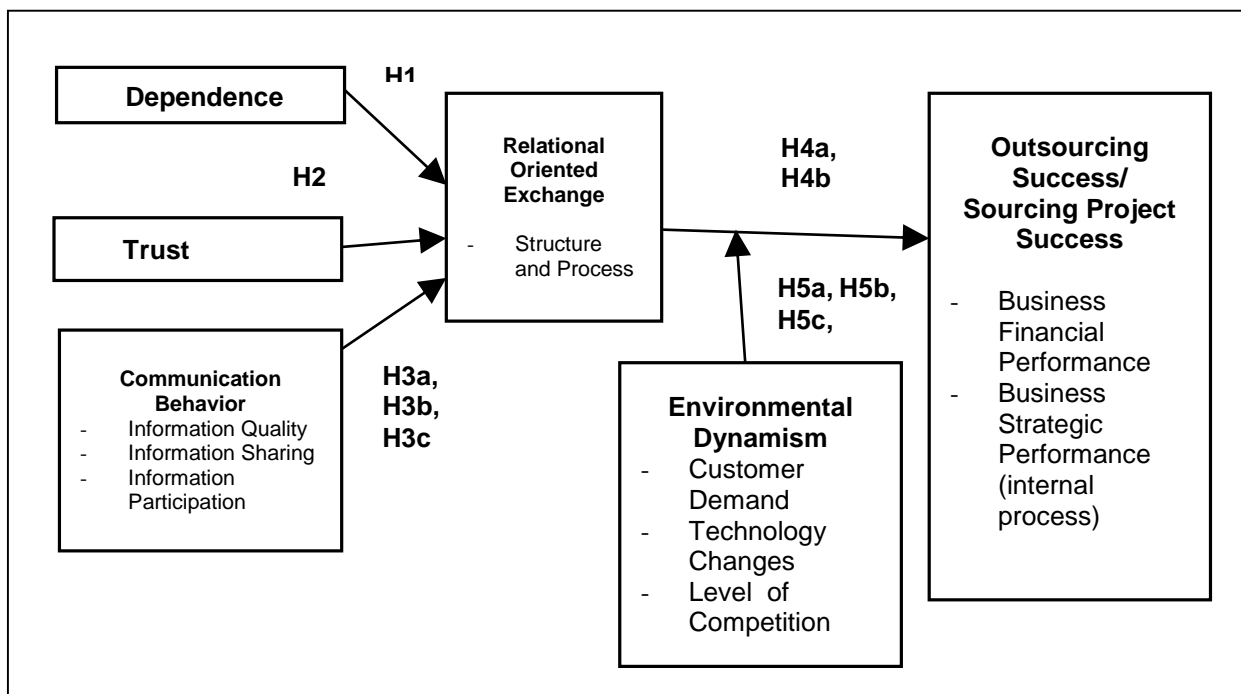


Figure 1 Proposed/conceptual framework

This study will be beneficial to the practitioners by identifying that environmental dynamism could be utilized as the supplier's ability of adapting to novel conditions and to maximize confidence in their partners' future activities. A manager may find it effective to expend more effort into the relationship and to invest in exchanges in the market having a greater level of environmental dynamism. The supplier may want to leverage this type of market in order to improve the effect of supplier-manufacturer relationship orientation through increased communication, and minimized opportunism in the hopes of increasing the customer's perception of intimacy and durable relationship.

9.0 CONCLUSION AND FUTURE-WORK

This study proposed a conceptual framework to investigate the antecedents of relational-oriented exchanges and outsourcing

successes. In this study, environmental dynamism is posited as a moderator that can substantiate the success of outsourcing from the perspective of a supplier obtaining a product transfer or outsourcing project from the principal throughout the outsourcing arrangement. It is suggested in this study that improvement in the supplier revenue may be achieved through relationship orientation between supplier and manufacturer. Also, the improvement in the strategic perspective or internal process performance may be achieved through relationship orientation between supplier-manufacturer.

The study stands as a basis on which future researchers can stand by empirically investigating the concepts of this study. Hence, future-work will involve using survey-based method to collect data to further empirically ascertain the framework. Also investigation should not only limit to the electrical and electronic industries but Malaysia manufacturing outsourcing generally.

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