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(Abstract for paper - competitive)

Competition and co-operation in supplier associations

Supplier associations and similar cooperative arrangements are established to encourage learning and innovation between a big customer and its SMEs/suppliers as well as among its suppliers. To build a supplier association often means cutting down the number of suppliers involved and building closer ties between the customer and the suppliers as well as between suppliers. Closer co-operation with a smaller number of suppliers may foster reciprocal learning. On the other hand it will increase mutual dependence. A powerful contractor can force existing SME suppliers out of business or in supplier associations. When the suppliers are forced into a supplier association it is a question if the co-operation can be of mutual advantage. It follows that closer relationship between customer and suppliers can change the notion of competition and co-operation.

The paper is part of an ongoing research project on supplier associations evolving process. Two attempts to form supplier associations are followed and in the paper the conceptual discussion will form a basis for an empirical study of the following questions:

- How will the SME suppliers as well as the buyers notion of competition and co-operation change during the establishment of the supplier association
- When forming a supplier association the mutual dependence increases between suppliers and buyers as well as between the suppliers. The price mechanism are no longer a short-term instrument to maintain competitiveness. How can competition be maintained between the partners in the supplier association? Having reduced the opportunity to change supplier in the short run, what do the buyer actually do to maintain efficient suppliers? And on the other hand: What do suppliers do to maintain some independence from the buyer?

The aim is to outline managerial consequences for SMEs participating in cooperation with bigger customers.