

The Dynamics of Social and Economic Factors Affecting Supplier-Specific Investment on Business Process Outsourcing: A Conceptual Paper

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Abstract

Supplier-specific investment is a strategic decision that involves cost and benefit. In order to meet the needs of buyers in outsourcing certain business processes, suppliers are required to be responsive to buyer's requirements to make specific investments to meet the needs of each buyer. Both buyer and supplier should not be concerned only with the level of risk they are willing to tolerate but also realize the benefit of those strategic decision. For that reason, the factors affecting suppliers' investment specific should be taken into consideration. This study attempts to develop a conceptual framework in relation to the dynamics of economic and social factors determining suppliers' specific investment on business process outsourcing. We do this by adding relational social capital as social factor which formed suppliers' specific investment. We also incorporates environmental uncertainty as moderating factors. Our conceptual model provides a way for firms and researchers to take a more systematic and comprehensive approach to understand suppliers' specific investment decisions. We conclude with a discussion of using both buyer and supplier perspective on future empirical studies.

Keywords

Suppliers' specific investment; business process outsourcing; transaction cost; social capital.