

**NETWORKING CAPABILITY IN SUPPLIER
RELATIONSHIPS
AND ITS IMPACT ON AGILITY AND FIRM
PERFORMANCE - A PUBLIC SECTOR
ORGANIZATION PREVIEW**

By

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**A thesis presented to the Department of Management Sciences, Bahria
University Karachi Campus, in partial fulfillment of the requirements
of the MBA degree**



SPRING, 2017

Bahria University Karachi Campus

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Abstract

Purpose– The aim of this paper is to propose and empirically investigate the concept of networking capability (NC) for the management of supplier relationships and their dynamics to control firm's Supply chain (SC)Agility (Firm's ability to respond successfully to dynamic activity/ activity impacting on firm's performance) . NC of supplier relationships is conceptualized based on dynamic capabilities aimed at relationship beginning, relationship improvement, and relationship termination. Moreover, the study tests the interaction of NC with relationship proclivity as an organizational feature, and examines latent classes of NC affecting firm's agility (Firm's ability to respond successfully to dynamic activity/ activity impacting on firm's performance).

Design/methodology/approach– This study assessed prior research on company routines related to inter-firm networking, the dynamic capability approach to strategy, and literature on inter-firm innovation. The study utilizes questionnaire based data gathered from 250 professionals/ suppliers operating in the ship's maintenance industry in Pakistan.

Findings– This research provides proof for the positive influence of NC with respect to supplier relationships on firm agility (Firm's ability to respond successfully to dynamic activity/ activity impacting on firm's performance), as well as overall firm performance. Relationship proclivity is shown to magnify this impact. At the same time, the research shows that NC may be applied in different combinations in the context of supplier relationship portfolio management. Two mechanisms are cautiously identified: firms using "static optimization" focus mainly on supplier relationship development capabilities, while those using "dynamic optimization" utilize supplier relationship initiation and ending capabilities.

Research limitations/implications– This research focuses on one setting (i.e. the ship repair and maintenance industry in Pakistan). Further studies need to broaden these findings to other industries and countries, specifically those which show a different cultural make-up from Pakistan. Furthermore, this research indicates the existence of two distinct mechanisms as to how different aspects of NC impact firm agility (Firm's ability to respond successfully to dynamic activity/ activity impacting on firm's performance) in supply chain (SC). While it is reasonable to identify these mechanisms as networking "strategies," this study does not clarify whether this represents intended strategies by firms or relates to emerging capability patterns.