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Title: The Power of Buyer-Supplier Relationship in the Foreign Direct Investment behavior of Ancillary firms: The case of Japanese automobile parts manufacturers affiliated to Mazda Motor Corp.

This work engages the understanding of how the buyer and supplier interrelated in the conduct of commercial exchange to explicate exchange instances that may have shaped ancillary firm's FDI decisions with respect to the principal buyer. The empirical setting was developed to examine the link between the manufacturing activities of Mazda Motor Corp. in China and the types of response of affiliated suppliers between 2002 and 2007. Specifically, the estimations from probit model, using a panel data of 464 entries from Mazda affiliated suppliers, have shown that when a ancillary firm has discretions, the number of top officials hired from the buying firm, and intensity of interaction with the principal buyer, captured by number of car models and product categories a supplier is involved, have upward influence on supplier's FDI decisions. Extent of relational specific assets, captured by the volume of output going to the principal buyer, indicated a negative influence. On the control variables, experience with the principal buyer in other markets had positive influence, while experience in the focal country depicted a negative influence. The size of the company, measured by capital employed was not statistically significant.

The findings of this analysis suggests that in a follow-the customer FDI behavior, ancillary firm looks for procedures that minimize the need for predicting uncertain future events. One method, denoted by the analysis, is the use of feedback from established process and procedures with the principal buyer. Another way is to rely on individual judgment, particularly those knowledgeable about the principal buyer, in order to provide flexibility and simplification of decision processes. Thus, the analysis implies that links to a particular home-country buyer are not amounting to universally positive influence. Moving away from describing the follow-the-customer FDI behavior as justified a belief of historical buyer-supplier relationship, this study contributes to enunciating new avenue of analysis that can afford clues about whether, when, and where a particular ancillary firm may engage in FDI.