ABSTRACT

The goal of this paper is to examine the influence of incentives on supplier performance under various conditions of buyer-supplier dependence. We propose that incentives fall in two main categories: competitive incentives that reward suppliers based on how well they perform relative to other suppliers, and cooperative incentives that are shared between buyer and supplier based on their joint-performance. Using empirical data collected from 226 buyers in a sample of US industrial firms, we measure the effects of those two types of incentives on various measures of performance, as well as the moderating effects of the buyer-supplier dependence relationship.

KEYWORDS: Purchasing, buyer-supplier relationships, Incentives, supplier performance, Social Exchange Theory, survey research.