IMPACT OF BUYERS DEPENDENCE AND ABSORPTIVE CAPACITY ON BUSINESS PERFORMANCE: THE MODERATING ROLE ETHICAL LONG-TERM RELATIONSHIP

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Abstract: Aim of this study is to examined the impact of buyers’ dependence and absorptive capacity on business performance and the moderating role ethical long-term relationship. Direct data gathering from respondents is a primary component of research methodology. The first data was gathered using a self-administered questionnaire from prior research and an online Google form. data gathered for one month, starting in January 2023. Respondents from Sindh pharmaceutical firms in Pakistan who are either directly or indirectly engaged in buying represent the study’s population. In acknowledgement of a variety of restrictions, including time, location, and financial concerns, we have used the convenience sampling and cross-sectional methodology. Strongly disagree to strongly agree on a five-point Likert scale (1-5). The results showed that direct effect hypothesis buyer dependency and absorptive capacity are support, Therefore, the proposed H1, and H2, which are both positive and significant relationship with business performance. In addition, the moderation effect of the present analysis also demonstrate that ethical long-term relationship does not moderated relation between buyer dependency a business performance was rejected. Last ethical long-term relationship does moderated relation between absorptive capacity a business performance was accepted. These variables should be taken in future polices in order to better firm performance.

Keywords: Buyer’s dependence, Absorptive capacity, Business performance, Ethical long-term relationship

INTRODUCTION

Suppliers’ responsiveness is essential for enabling purchasing organizations to react quickly to customer requests (Richey et al., 2022). This happens because suppliers can recognize and execute the adjustments that are required for acquiring businesses due to their better resources and skills, adding value, and increasing the dependency of the purchasing firms (Son et al., 2021). Interorganizational alliances, joint ventures, mergers and acquisitions, and board interlock have all become important tools for managing these interconnected connections in this setting. These types of partnerships make sure that both parties put a lot of effort into the relationship and show a higher degree of dedication, which lessens the negative effects of unequal reliance (Bader et al., 2022). Building a long-term relationship with a big supplier is vital from a strategic point of view, in accordance with the relational view (RV) approach, as it enables the purchasing firm to access crucial resources and obtain insights about its potential for future growth. Such a collaboration needs a cooperative setting that encourages dialogue and the identification of values that are advantageous to both parties (Patricio et al., 2020). According to the research, maintaining a relationship with suppliers over time is essential for reducing the negative consequences of a buyer’s reliance and deterring them from acting opportunistically. Interorganizational learning, which happens when a company is reliant on other organizations and must learn from them, is the subject of the second topic of research (Nathues et al., 2023). Absorptive capacity—the capability
to gather, process, and apply new knowledge—is necessary for this (Božič, & Dimovski, 2019). According to the knowledge-based view (KBV) paradigm, firms must continually create new skills and capacities to fulfill shifting customer expectations in a dynamic and unpredictable market. A company's capacity to gather and use new knowledge is essential to effective management of market and supply situations (Kale et al., 2019).

Building solid and lasting connections with customers is essential for the success of any firm in the highly competitive business world of today (Chaithanapat & Rakthin, 2021). Buyer reliance and absorptive ability are two crucial variables that in this context might affect how well a corporation performs. Buyer reliance describes how much a customer depends on a certain provider to meet their demands, whereas absorptive capacity describes a company's capability to obtain, absorb, and use information from outside sources, including customers (Matthess et al., 2022). The absorptive capacity and dependency of the customer can both directly affect the success of the business, but there may also be a mediating component at work: the long-term, ethical connection between the buyer and the provider. A connection between customers and suppliers that is founded on trust, respect for one another, and a commitment to long-term collaboration is referred to as an ethical long-term partnership. This kind of partnership may boost the advantages of absorptive capacity and lessen the negative impacts of buyer reliance, improving firm success (Skilton et al., 2020).

The current research on the effects of customer reliance, absorptive capacity, and long-term ethical connections on corporate success has mostly concentrated on industrialized nations, with rising economies like Pakistan receiving less attention. Additionally, past research has mostly concentrated on the impressions of top-level executives, with little research examining the perspectives of lower-level employees. As a result, there is a study gap in analyzing the effects of customer reliance, absorptive ability, and long-term ethical connections on business performance in the setting of manufacturing enterprises in Sindh, Pakistan, from the viewpoints of both upper- and lower-level employees. By shedding light on how customer reliance and absorptive capacity affect corporate performance in a developing nation like Pakistan and how moral long-term connections moderate these linkages, this research would add to the body of knowledge already in existence.

Theoretical framework & Hypothesis arguments

Buyer dependence
According to the Resource Dependence Theory (RDT), businesses are interconnected via a network of exchange relationships that aid them in navigating the complexities of their environment (Jiang et al., 2023). In circumstances where businesses lack the resources necessary to address sustainability risks and dynamics, they become growing dependent on unique supply chain members. This dependence may result from geopolitical fluctuations in the demand for production factors, resulting in energy and raw material scarcity (Jones et al., 2020). To regain control over their environment, businesses look for solutions, and RDT recommends that they rely on their primary suppliers if they are unable to manage all the conditions necessary to produce what they want to produce. This study employs a supplier's significance to a buyer's operations as an indicator of the buyer's dependence on the supplier (Zhang et al., 2021). In response to increasing competition, corporations may choose to rely more on complementary shared resources across inter-organizational boundaries, refocus on their core competencies, and increase outsourcing, all of which could lead to an increase in consumer dependency. According to RDT, such dependencies arise when individual companies in the supply chain possess vital resources for managing environmental outcomes and dynamics (Kalubanga & Gudergan, 2022). Considering the above literature examination, the following alternative hypothesis is presented.

H1: Buyer dependence is negatively related to business performance.

Absorptive capacity
Purchasing organizations must be able to recognize and efficiently use pertinent external knowledge if they are to stay up with shifting customer preferences (Tolstoy, et al., 2022). Absorptive capacity is the ability to take in and use new knowledge. The idea of absorptive capacity describes how companies gather, create, and use new information to obtain a competitive edge (Marrucci et al., 2022). Getting information from outside partners, such as suppliers, may help
a business establish and keep a competitive edge. Organizations may improve their learning by monitoring and identifying knowledge in the environment with the use of scanning procedures like absorptive capacity (Moraes, et al., 2020; Saeed et al., 2021). Industry studies have also emphasized how crucial a buyer's ability to assimilate information is in their interactions with suppliers. Toyota's strong capacity for absorption is what motivates these actions and procedures. This gives the business the opportunity to learn from its errors and gather knowledge that can be applied to enhance its operations (Lee et al., 2021). Considering the above literature examination, the following alternative hypothesis is presented.

**H2: Absorptive capacity is positively related to business performance.**

**Moderating role Ethical long-term relationship**

The significance of commitment, trust, integration, and interaction for successfully managing performance when a firm depends on a big supplier has been emphasized by recent studies (Sahoo et al., 2023). The company's strategy emphasizes the advantages of building long-lasting partnerships with major suppliers, which can make it simpler to access important skills and resources. Long-term partnership agreements are required to produce revenues and utilize complementary resources from partner organizations (Kamalaldin et al., 2020). Strong commercial partnerships enable organizations to better comprehend one another's objectives, capacities, and stances on collaboration, competitiveness, conflict, and control (Ricciardi et al., 2022). In this context, we suggest that it is suitable to explore the link between a buyer's dependency on a supplier and the long-term relationship between the two parties using Relational dependency Theory (RDT) and Relational View (RV) (Badorf, et al., 2021). We argue that, when considering RV, a long-term cooperation agreement between the buyer and the key supplier can moderate or mitigate the negative impact of dependence on the buyer's performance. Previous studies have suggested that a buyer's performance may suffer due to dependence on a key supplier (Awan et al., 2021; Schwieterman et al., 2020; Nu'man et al., 2020). We discover existing evidence to support this point of view. Considering the above literature examination, the following alternative hypothesis is presented.

**H3: Ethical long-term relationship moderates the relationship between Buyer dependence and business performance.**

**H4: Ethical long-term relationship moderates the relationship between Absorptive capacity and business performance.**

**METHODOLOGY**

**Procedure, population, and sample size**

Primary research methodologies consist of the direct collection of data from respondents (Chang et al., 2020). Using an online Google form and a self-administered questionnaire from previous studies, the initial data was collected. Data collected between January 2023 (one months). The study's population consists of respondents from Pakistan's pharmaceutical companies of Sindh, Pakistan’ employee, who are involved in purchasing directly or indirectly means. We have adopted the convenience sampling and cross-sectional method in recognition of numerous constraints such as time, place, and cost considerations. Scale was five Likert ranging from strongly disagree to strongly agree (1-5).

The determination of the sample size is based on a 10:1 criterion, or 10 samples for each article Zheng et al., (2021). Roscoe (1975) proposed that rule-of-thumb methodology can be applied to multiple regression and quantitative research. Applying the rule of thumb to the total number of items in this study yields 160 (16:10). In order to obtain more accurate results, the investigation will examine a sample of 250 participants.

**Measurement**

The independent variable buyer dependency is taken from the Prajogo et al., (2020). Items are “The key supplier provides technology that are critical for an organization’s success, The key supplier provides information that are critical for an organization’s success, it would have been difficult to replace this key supplier &The key supplier helps us to avoid demand uncertain”.

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The independent variable Absorptive capacity is taken from the Prajogo et al., (2020). Research items are “Our firm has the ability to understand, analyze and interpret information from external knowledge, our firm has the ability to combine existing knowledge with the newly acquired and assimilated knowledge, our firm has the ability to apply new external knowledge commercially and invent a new product and Our firm has a sound and updated knowledge base in our business area to recognize the usefulness of new external knowledge”.

The Moderating variable ethical long-term relationship is also adopted from the Prajogo et al., (2020). Research items are “We expect our ethical relationship with a key supplier to last a long time, we ethical work with this key supplier to improve their quality in the long run, the key supplier sees our ethical relationship as a long-term alliance and We view this supplier as an extension of our company”.

The dependent business performance is taken from the Prajogo et al., (2020). Measured as the “Return on sales, Sales growth, Market share growth and Return on investment (ROI)”.

Statistical Tools
In the current investigation, structural equation modeling (SEM) is employed to test the proposed hypothesis. SEM helps corroborate the validity of existing theories through numerical evidence (Al-Mamary, 2022). Thus, the SEM is utilized to validate the relationship between latent variables and their respective factors. In addition, a subsample of 5,000 bootstrap samples was utilized. Researchers suggest that smart-PLS should be considered when dealing with complex models such as mediation or moderation, etc (Mata et al., 2023). SEM is comprised of two crucial stages. First, the instrument’s validity and consistency will be tested, followed by the structural equation modeling for the proposed hypotheses after data collection from the appropriate respondents.

RESULTS AND DISCUSSION
Common biased method
Biased methods may be unintentional or deliberate, and they may produce inaccurate or misleading results (Stewart et al., 2021). Because they can compromise the validity and dependability of a study, biased methods are typically not used on purpose. However, they may be caused by a variety of factors, including defective sampling techniques, measurement errors, and interpretation bias (Baumgartner, et al., 2021). Due to a dearth of knowledge or cognizance of the potential sources of bias, researchers may employ biased methods inadvertently. In addition, they could be under pressure to produce positive results or have personal biases that influence their methods or interpretation of the results. For the present study value is less 0.50 which is 45.137, in regard it can be concluded that there is no issue of common biased method. Results are shown in Table 1

<table>
<thead>
<tr>
<th>Factor</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% of Variance</td>
</tr>
<tr>
<td>1</td>
<td>7.620</td>
<td>47.623</td>
</tr>
<tr>
<td>2</td>
<td>2.938</td>
<td>18.363</td>
</tr>
<tr>
<td>3</td>
<td>1.121</td>
<td>7.008</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Axis Factoring.

Reliability and Validity
In research, both reliability and validity are essential because they ensure that the measurements and results are accurate and meaningful (Clark & Watson, 2019). A reliable but invalid measurement may produce consistent results, but these results may not be relevant or accurate. A valid but unreliable measure may generate accurate results, but these results may not be consistent over time or across conditions. Internal consistency and reliability of a scale or questionnaire are evaluated using Cronbach’s alpha, composite reliability, and average variance extracted (AVE) (Shrestha, 2021). In the context of exploratory factor analysis (EFA) and confirmatory factor analysis (CFA), these measures are frequently employed. In general, in order to ensure the internal consistency and reliability of the scale or questionnaire being used, researchers seek for high values.
The Cronbach's alpha, composite reliability, and AVE (Barati et al., 2021). The research's subject and the characteristics of the construct being assessed should be taken into consideration while evaluating these findings, it is essential to keep in mind. The Cronbach alpha, composite reliability, and average variance extraction (AVE) values in the current research are all higher than suggested levels, and their values are shown in Table 1 and Figure 1. These results suggest that a hypothesis may be tested and the study's reliability and validity are established.

### Table 1: Reliability and Validity (Instrument)

<table>
<thead>
<tr>
<th>Factors</th>
<th>Item SPSS coding</th>
<th>Factor loading</th>
<th>Cronbach alpha value</th>
<th>Composite Reliability</th>
<th>Average Variance Extraction (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyer Dependency</td>
<td>BD1</td>
<td>0.747</td>
<td>0.869</td>
<td>0.908</td>
<td>0.712</td>
</tr>
<tr>
<td></td>
<td>BD2</td>
<td>0.909</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BD3</td>
<td>0.883</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BD4</td>
<td>0.826</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absorptive capacity</td>
<td>AC1</td>
<td>0.871</td>
<td>0.903</td>
<td>0.932</td>
<td>0.775</td>
</tr>
<tr>
<td></td>
<td>AC2</td>
<td>0.881</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>AC3</td>
<td>0.895</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>AC4</td>
<td>0.874</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethical long-term</td>
<td>ELR1</td>
<td>0.837</td>
<td>0.920</td>
<td>0.944</td>
<td>0.807</td>
</tr>
<tr>
<td>relationship</td>
<td>ELR2</td>
<td>0.932</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ELR3</td>
<td>0.924</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ELR4</td>
<td>0.897</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Performance</td>
<td>BP1</td>
<td>0.880</td>
<td>0.914</td>
<td>0.939</td>
<td>0.795</td>
</tr>
<tr>
<td></td>
<td>BP2</td>
<td>0.890</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BP3</td>
<td>0.875</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BP4</td>
<td>0.921</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: This study

### Figure 1: Model Fitness

**Hypotheses Testing**

The proposed hypothesis was tested in the current study, and the results are displayed in Table 2 and Figure 2. 5,000 bootstrap sub-samples were used to evaluate the bootstrapping method’s stated hypothesis. Furthermore, the present study's confidence intervals were 95% wide. The current study set out to determine how ethical long-term relationship, which acts as a moderator between buyer dependency and absorptive capacity, affected business performance. In order to get indirect effects as well, Nitzl et al. (2016) and Preacher and Hayes (2008) employed the multiple analysis and the suggested investigative approach in this case. The H1, and H2, suggested hypotheses, which are all direct relationships, are all supported by the results shown in Table 2. Additionally, the
The results of the moderation effect of the current investigation are shown in Table 2, and they showed that H3 had no moderation effect and hypothesis rejected. Lastly, H4, accepted and revealed negative and significant as moderating role in this study.

**Table 2. Path analysis coefficient, t value and p value**

<table>
<thead>
<tr>
<th>Proposed Hypothesis</th>
<th>Path</th>
<th>Path coefficient</th>
<th>t</th>
<th>p</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>BD-BP</td>
<td>-0.194</td>
<td>2.786</td>
<td>0.006</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2</td>
<td>AC-BP</td>
<td>0.419</td>
<td>7.511</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3</td>
<td>Moderating Effect 1</td>
<td>0.081</td>
<td>1.625</td>
<td>0.105</td>
<td>Rejected</td>
</tr>
<tr>
<td>H4</td>
<td>Moderating Effect 1</td>
<td>-0.140</td>
<td>5.266</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

*Note(s):* BD= Buyer dependency, AC=Absorptive capacity, ELR= Ethical long-term relation, BP=Business Performance

**DISCUSSION AND CONCLUDING REMARKS**

The study contributes to the broader body of literature on buyer-supplier relationships by emphasizing the significance of ethical considerations in these relationships. Ethical issues, such as impartiality, trust, and transparency, can play a vital part in the success or failure of buyer-supplier relationships, according to prior research. By concentrating on the role of ethical long-term relationships as a moderator the effects of buyer’s dependence and absorptive capacity, this study reveals how ethical considerations can influence the outcomes of these relationships.

First limitations, the study utilizes a representative sample of upper- and middle-level pharmaceutical company employees in Sindh, Pakistan. This sample may be suitable for the research topic, but its applicability to other populations or industries is limited. Second, the study collects data through a survey, which may be subject to self-report bias. Respondents may provide socially preferable responses or report their experiences and perceptions inaccurately. In addition, the use of self-reported data may limit the ability to convey the complete complexity of the investigated relationships. Lastly, there may be additional variables that influence the relationship between buyer dependence, absorptive capacity, ethical long-term relationships, and business performance that are not accounted for in this study.

According to the results of the study you described, buyer dependence and absorptive capacity have a positive influence on business performance. However, this relationship is moderated long-term ethical relationships. Specifically, the study discovered that when buyers and suppliers engage in ethical long-term relationships are strengthened.
REFERENCES


