



Chapter V

Information Sharing in Supply Chain Systems

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Abstract

This chapter considers the importance of information-sharing techniques and strategies employed by industry sectors. Well-developed supply chain management often brings with it improved buyer-supplier communication processes, and we consider the impact of these not only from an intersector point of view, but also from a cross-sector viewpoint. The particular perspectives of the small business within a supply chain structure and of the supply chain customer are examined in detail. We conclude that information sharing is a critical component of business success both inside and outside the supply chain structure. However, while globally and at the large business level, both development and implementation of such technologies have mushroomed, smaller enterprises have tended to be left behind to cope as best they can with multiple pressures to conform.

Introduction

In Kannan and Tan (2002), the authors consider relationships between supplier management and improvements in business performance within several large US firms. In their study, they examine “relationships between the perceived importance of supplier selection and assessment criteria for items being used in production and business performance” (Kannan & Tan, 2002). Included in the study are several hard criteria such as price and quality, as well as a number of soft criteria such as management compatibility, integrity and buyer-supplier fit.

The authors conclude that “no evidence exists on the impact of supplier management on a buying firm’s business performance” (Kannan & Tan, 2002). However, they identify one supplier assessment factor that correlates positively with all performance measures—a factor that also was considered to be least important by the group of respondents to the survey. This factor was information sharing. The authors conclude that “the results suggest the need for further study of buyer-supplier communication processes” (Kannan & Tan, 2002).

In this chapter, we discuss information-sharing mechanisms employed by industries in a number of sectors. In general, we restrict the discussion to those industry sectors in which supply chain management has been undertaken in an attempt to involve the entire sector. However, we also look at some of the sectors where it is evident that a lack of sector organization is causing major problems. Well-developed supply chain management often brings with it improved buyer-supplier communication processes, and we consider the impact of these not only from an intersector point of view, but also from a cross-sector viewpoint; not only within Australia, but also beyond national borders.

In a 2002 survey by the Center for Automotive Research (Frontline Solutions, 2002), it is reported that 47% of respondents expect adoption of e-business procedures as a supply chain tool to be a requirement for doing business with the automotive industry within two to three years. Additionally, the survey showed that a majority (81%) of suppliers anticipate a consolidation of the automotive supply chain in the near future and that, in consequence, customers will reduce their supply chain base all the way along the chain. A major result of these changes is likely to be a greatly increased information-sharing capability between the members of the supply chain.

An additional factor promoting information sharing is an industry sector’s self-review process, which can reveal major inadequacies in operating methods. For instance, a report of the Australian Construction Industry Forum (PricewaterhouseCoopers, 2002) indicated that 30% of a construction project’s total cost is the result of poor information management. The cost savings anticipated from rectifying such problems are a powerful motive for the adoption of new operating methods.

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