

Chapter 80

A Social–Exchange Perspective on Supply Chain Innovation

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ABSTRACT

Supply chain innovation has become all the more important in today's competitive world. Supply chain innovation is the development of newer technologies and procedures along with implementation of new ideas of products and services through necessary supply chain activities. As supply chains are network of inter-connected firms; hence the importance of relational and social exchange attributes like trust, commitment, reciprocity and power are paramount in developing supply chain capabilities. The current investigation adopts a social exchange perspective and investigates the importance of trust, commitment, reciprocity and power on integration of logistics capabilities and their subsequent role in developing supply chain innovation. As supply chain innovation aims to provide better performance implications for the focal firm; the impact of supply chain innovation on firm performance was also explored using a service perspective. Data collected through a web-based survey from 173 logistics and supply chain professionals largely support the proposed relationships.

INTRODUCTION

With increasing length of operations across the globe, supply chain operations are growing in complexity and increasingly vulnerable to disruptions (Gunasekaran et al., 2008; Wagner and Bode, 2008). Further the unit of competition has shifted from firm to supply chains in recent times (Gligor et al., 2013). Accordingly, the focus is more on supply chain capabilities rather than firm specific capabilities. Hence firms are in strong need of innovation in their supply chain capabilities so as to provide a proactive response to growing environmental uncertainties. Accordingly, supply chain innovation has been identified as an essential and critical supply chain capability in modern times. To encourage innovation in supply chains various efforts are being taken different recognized bodies. For e.g. one such effort was by ACSCMP (American Council of Supply Chain Management Professionals) in identifying the most innovative organization and rewarding the same with their “Supply Chain innovation Award”. Arlbjorn, Haas, and

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Munksgaard (2011) noted in this regard “.....among the nominees have been prestigious organizations such as the U.S. Air Force, Motorola, Kellogg’s, and Blockbuster Inc. The list of award winners includes companies like Intel, Cisco Systems Inc., and Hewlett-Packard. The winner is selected out of 45–50 submissions each year, based upon criteria related to the degree of innovativeness, impact on overall supply chain, and sustainability in results (revenue, cost savings, etc.)”. It is argued that supply chain innovation is a must therefore for the following reasons: (a) for gaining competitive edge in the market (b) for managing the different types of risks prevailing in the supply chain (Wagner and Bode, 2008) and (c) for meeting proactively the different forms of uncertainties in the adjoining environment. However, the literature on supply chain innovation is sparsely developed. Earlier works on innovation in logistics and supply chain relating to innovation have not differentiated between logistics innovation and supply chain innovation. The current study stresses on this distinction and argued that logistics is an essential part of supply chain management as demonstrated by Council of Logistics Management (2003): *Logistics management is that part of Supply Chain Management that plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, services, and related information between the point of origin and the point of consumption in order to meet customer requirements.* Accordingly, the current investigation probes on unifying individual logistics capabilities of supply chain partners at the supply chain level for developing integrated logistics capabilities as an essential process for developing supply chain innovation. The current study takes a social exchange perspective and discusses the influence of trust, commitment, reciprocity and power in a supply chain context in their influence in developing integrated logistics capabilities and in turn on supply chain innovation. The importance of adopting a social exchange perspective is based on the rationale that supply chain relationships have a strong influence on supply chain operations and associated performance (Srinivasan et al., 2011) and social exchange theory explains the negotiated exchanges between supply chain partners for executing efficient and effective supply chain management processes (Wu et al., 2014). Social exchange theory (SET) argues that individuals or groups adept to form contact with others for the expectation of a reward (Yang et al., 2008). SET assumes that attitudes and behaviors can be assessed by the rewards of interaction minus the cost of that interaction. In the context of supply chain, a supplier makes a contribution to its manufacturer via their partnership policies and an expectation from its manufacturer forms for the return of a contribution at a later time (Narasimhan et al., 2009; Wu et al., 2014). Hence SET can be well used for explaining supply chain management processes. Further, supply chain innovation aims to develop newer products through innovative business practices and technologies spread across the supply chain. Hence in a supply chain context, innovation brings benefit for the all the parties involved either in the short run or in the long run (Afuah, 2011). This is because of the differences in core competencies of the involved parties. Some of the partners will be in a better position to enjoy the benefits shortly while for others it might take some time because of their strategic positions. Therefore, adopting a social exchange perspective, a supplier while makes a contribution to its manufacturer via their partnership policies and helps in reaping the benefits of innovation; it will expect the same to be extended to him (supplier) in the near future. The paper is arranged in the following manner. The next section discusses the theoretical backdrop and the research model. The subsequent section discusses the hypotheses followed by data collection and empirical testing. Finally, the study discusses the findings and concludes with managerial implications and scope for future research. Limitations of the study have also been addressed.

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