

Chapter 82

Supply Chain Relationships: From Conflict to Collaboration

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ABSTRACT

The evolving field of supply chain management is rooted in the premise that traditionally independent firms need to work together in order to achieve supply chain success. This article outlines supply chain collaboration, which is a critical strategy for the field of supply chain management. While firms have traditionally operated in a manner that only considers their own well-being, a transition is occurring where open market relationships are diminishing and cooperation, coordination, and collaboration are becoming much more common. There are several key dimensions of collaboration that serve as drivers to its success, and firms that engage in these activities should experience closer relationships with channel partners and ultimately achieve higher levels of success. While this issue has been thoroughly covered in the logistics and supply chain management literature, its limited implementation and lack of widespread success provides evidence that the topic should continue to be a focal point in future research.

INTRODUCTION

The field of supply chain management has developed in recent decades from the convergence of different functions within the firm, such as procurement, production, and logistics. Numerous definitions exist for the term (Mentzer et al, 2001), and a common theme among these definitions is the premise that collaboration and close relationships are an integral facet of the field. For example, the Council of Supply Chain Management Professionals (CSCMP), a leading organization for the supply chain profession, defines supply chain management as:

The planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third party service providers, and customers. In essence, supply chain management integrates supply and demand management within and across

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companies. Supply Chain Management is an integrating function with primary responsibility for linking major business functions and business processes within and across companies into a cohesive and high-performing business model. It includes all of the logistics management activities noted above, as well as manufacturing operations, and it drives coordination of processes and activities with and across marketing, sales, product design, finance and information technology. (Supply Chain Management Terms and Glossary, 2013)

As seen in the CSCMP description, some of these definitions even require collaboration. In other words, they posit that supply chain management may not truly exist without firms participating in close, boundary spanning relationships. The primary objective of this chapter is to clearly explain the criticality of supply chain management and collaboration. Supply chain management represents a way of managing the business and relationships with other members of the supply chain (Lambert et al., 1998). All firms participate in the supply chain from the raw materials suppliers to the end customer (Lambert & Cooper, 2000). These firms working together are analogous to teammates competing against other supply chains on a worldwide scale. Since close relationships are so critical to the field of supply chain management, this article seeks to present a thorough and clear explanation of collaboration and its different characteristics.

BACKGROUND

In the global marketplace, companies do not compete – supply chains do (Christopher, 1997; Lambert et al., 1998; Burgess, 1998; Lummus & Vokurka, 1999; Lambert & Cooper, 2000; Christopher & Juttner, 2000; Duclos et al., 2003; Myers & Cheung, 2008). As a result, firms can no longer compete in isolation of their suppliers or other entities in the supply chain so they must seek understandings with other firms (Lummus & Vokurka, 1999; Leeuw & Fransoo, 2009). This is taken further by Christopher and Towill (2001) when they point out that to be truly competitive requires not just an appropriate manufacturing strategy, but an appropriate supply chain strategy. Thus, firms must focus on optimizing all aspects of their supply chains in order to create the greatest opportunity to gain a competitive advantage over time.

Every company sources globally, sells globally, or competes with someone who does (Mentzer et al., 2006). With higher standards of performance being demanded in the current business environment, companies are looking to their suppliers to help them achieve success (McHugh et al., 2003), since two or more companies working together may be able to achieve greater success than can be attained in isolation (Daugherty et al., 2006). Therefore, collaboration with supply chain partners is critical since this is the driving force of effective supply chain management (Sahay, 2003; Sheu et al., 2006). An important step is to recognize that supply chain management can be used as a competitive weapon to secure and maintain customer loyalty (Burgess, 1998). In addition, channel members have much to gain by working together in an environment of mutual trust and cooperation (Sheu et al., 2006). Not only does this allow firms to share resources, but it helps to reduce a burden since risk and costs can be spread out among the participating firms (Soosay et al., 2008).

Although the previously mentioned CSCMP definition of supply chain management is now widely accepted, this description has significantly evolved over recent decades as numerous authors have proposed varying definitions as the field has developed (Mentzer et al., 2001). Figure 1 shows the continuum that represents the transition from an open market to collaboration (Spekman et al., 1998). In its infancy,

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