

Chapter 87

Managing Collaborative Relationships in Third Party Logistics: An Empirical Study

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ABSTRACT

Some supply chain management researchers have realized the potential of collaborative activities for enhancing supply chain performance while other researchers have explored the positive impact of relationship quality on supply chain performance. To date, however, no empirical research has integrated these two research streams. Drawing upon social exchange theory, the authors propose a holistic research framework to explore the relationships among collaborative activities, the inter-organizational relationship quality, and supply chain performance. Specifically, they examine the mediating effect of relationship quality on the association between collaborative activities and supply chain performance. The research model is then tested using survey data (n=219). The authors' results illustrate a positive impact of both collaborative activities and relationship quality on enhancing supply chain performance. Moreover, this paper also supports the hypothesis that relationship quality mediates the relationship between collaborative activities and supply chain performance in third party logistics.

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INTRODUCTION

An increasing number of companies worldwide have outsourced or are considering outsourcing their logistics activities to third party logistics (3PL) service providers in order to reduce supply chain cost and obtain competitive advantages (Bolumole et al., 2007), and it is estimated that this trend is going to continue (Lieb, 2008). In addition, supply chain collaboration has been shown to be an effective approach for improving operational performance (Vereecke and Muylle, 2006). From collaborative relationships, supply chain partners can gain unique value that cannot be created by either of them independently (Corsten and Kumar, 2005). Building collaborative relationships with 3PL partners is encouraged by many manufacturers to improve their supply chain performance (Wallenburg, 2009).

However, uncertainty and risk with outsourcing logistics performance indeed exist (Lieb and Bentz 2005). For instance, some crucial details such as “selecting the right partner, matching inter-organizational needs and capabilities, and clearly defining standards and goals” can be overlooked in using 3PL services (Daugherty, Richey, Roath, Min, Chen, Arndt, & Genchev, 2006). Current research regarding 3PL phenomena and their relationships among related entities largely lacks theoretical foundation (Selviaridis and Spring, 2007; Chen, Tian, Ellinger, & Daugherty, 2010). Therefore, more theoretically driven studies exploring the key issues regarding the collaborative relationship between 3PL service providers and 3PL clients are deemed to be crucial. In addition to examining and improving such a theoretical foundation, such studies have the potential to systematically build the knowledge framework in this area in order to guide managers in taking appropriate courses of action and in making sound decisions on logistics outsourcing.

A number of previous studies have explored 3PL relationships. Tian et al. (2008) found several antecedents of logistics clients’ trust towards 3PL providers, including logistics clients’ satisfaction with prior interactions with 3PL providers and 3PL provider’s relationship-specific investment, information sharing, and reputation. In studying the antecedents of customer partnering behavior in logistics, Hofer et al. (2009) found that 3PL’s expertise, customer’s perception of 3PL’s benevolence and the satisfaction with previous outcomes affect supply chain partners’ relationships. Chen et al. (2010) presented a framework of human capital resources as antecedents to the buyer-3PL collaboration. The human capital resources in the study model included 3PL employee customer service expertise and Guanxi, which is an informal personal relationship established between the members of the buyer and the 3PL provider. These human capital resources were found to positively impact collaboration, which enhanced the buyer firm’s logistic performance. Hofenk et al. (2011) suggested that “hard” contractual factors (such as contract formality) and “soft” relational factors (such as trust and commitment) are positively associated with the effectiveness of the 3PL relationship. Li (2011) specified that relational benefits such as special treatment benefits, value-added benefits, and collaborative benefits from their 3PL providers could lead to greater customer satisfaction and higher repurchasing intention. Chu and Wang (2012) found that in the China market, 3PL expertise (its importance) and information sharing are positive factors in enhancing the relationship of supply chain partners, while the presence of a legal contract has only a marginal positive impact. Even though empirical investigations have revealed that various characteristics or behaviors of 3PL providers may increase the intention of collaboration and/or strengthen the existing collaborative relationships, the body of research on this subject is rather fragmented and is lacking a common framework to describe the intrinsic relationship of the collaboration between a 3PL provider and its customer and the impact of this relationship on supply chain performance.

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