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Chapter VIII

A Process Model of Inter-Organisational SCM Initiatives Adoption

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Abstract

While the benefits of adopting interorganisational supply chain management (IOSCM) initiatives, such as efficient consumer response (ECR) and collaborative, planning, forecasting, and replenishment (CPFR), have been widely reported within industry, their adoption has been slow and below industry expectations. There is a lack of theory within the literature to explain this problem in IOSCM initiatives adoption. Employing an inductive case-study approach to theory building, broadly in the tradition of grounded theory, this chapter develops a process model that captures the complexity of intra-industry interactions in the course of IOSCM adoption and argues for a normative path that necessarily has to be taken to achieve the increasing levels of integration envisioned in IOSCM initiatives. The model proposes that three sets of requirements have to be

met to achieve a certain level of integration: supply chain integration, interorganisational structures, and relationship intimacy. However, to achieve the higher levels of integration implicit in initiatives such as CPFR, it is necessary to have mastered capabilities at lower levels of integration demanded by earlier initiatives. We argue that this path dependence constitutes a major barrier to the adoption of more advanced IOSCM initiatives.

Introduction

Over the last two decades, the practice of supply chain reengineering among supply chain partners has become an important strategy to increase the capabilities of whole supply chains to survive and compete more effectively in a highly competitive and volatile marketplace (Clark & Stoddard, 1996). Supply chain reengineering is the process of transforming and synchronising supply-chain-related activities between groups of organisations along a traditional value chain to increase channel efficiency and effectiveness (Humphreys, Lai, & Sculli, 2001). Reengineering efforts often involve the adoption of various initiatives or programs that embody innovations in supply chain management thinking and processes. These initiatives, which we refer to in this chapter as *interorganisational supply chain management (IOSCM) initiatives*, are aimed at increasing the levels of cross-organisational interoperability and integration, such that greater visibility, velocity, and reduced variability along the supply chain can be achieved. Successful adoption of IOSCM initiatives promises reductions in overall supply chain costs and an increase in the quality of customer service (Clark, 1994). Some examples of such initiatives include just-in-time, quick response, efficient consumer response (ECR), and, more recently, collaborative planning forecasting and replenishment (CPFR). IOSCM initiatives usually also involve, concurrently, the implementation of various types of interorganisational systems (IOS) (Johnston & Vitale, 1988) to facilitate the electronic exchange of information across organisational boundaries. Examples of related IOS include Electronic Data Interchange (EDI); data synchronisation hubs, such as EANNet or UCCNet; and more sophisticated collaboration hubs such as GlobalNetXchange.

Although the benefits of supply chain synchronisation and collaboration are reasonably clear, many have found that the path to achieving the envisioned extents of integration within highly competitive environments is not an easy one (Crum & Palmatier, 2004). This is evident in the large proportion of organisations that have piloted initiatives with major trading partners but have failed or faced delays in formally implementing and scaling-up these initiatives (Frankel, Goldsby,