Supply Chain Collaborative practices: A supplier perspective

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Introduction

The traditional concept of customer satisfactory requires only a good vertical supply chain between suppliers and its customers. According to this concept, customers maintain loyalty to the companies because by matching customers’ expectation they can provide quick product innovations and offer quality.

Since the mid 1990s, a new concept in the supply chain, Supply Chain Management (SCM), emphasises the importance of forming collaboration between suppliers in order to provide an efficient supply chain has attracted attention from both firms and academics. However, SCM has its difficulties: namely, unknown customer expectations, as well as costs and efficiency implications. Due to these difficulties, it makes sense to form collaboration among suppliers, who together, can provide a much better customer service to their customers. Such collaboration enables the suppliers to quickly respond to customer expectations, good product innovations and anticipate customer needs.

The Supply Chain Collaboration

It is a without a doubt that the successful development of SCM performance has to focus on customers’ needs and wants (Chandra and Kumar, 2000; Svensson, 2003). Consequently, the performance of the supply chains can affect customer satisfaction.
Therefore, the goal of SCM is to meet the needs of customer by supplying the right product at the right place, time, and price.

Furthermore, a part from the factor related to customer satisfaction, Lee and Amaral (2002) point to that SCM is anticipated to achieve well on both the costs and services from an operational perspective. That's why the best combination of the constituent has to be found, in order to ensure that the core objective of satisfying customer requirements at the lowest possible cost is achieved. No single component can be seen disjointedly from the other but they have to be viewed through both the effects of the channel system and the critical effect. The critical problem is how the chain members do collaborative in the chain network. This is why Cebi and Bayraktar (2003) explained that supplier selection was one of the most important decision-making problems, since selecting the right suppliers significantly reduced the purchasing costs and improved corporate competitiveness.

Collaboration, in the context of the supply chain (Barratt, 2004), is to share the joint objections; an intelligence of commitment; trust and respect; skills and knowledge; and intellectual agility. Supply chain collaboration (SCC) provides benefits to the chain members. That is why SCC has become one of the most talked about topics in business area (Min et al., 2005). Especially in today’s complex competition business environment, collaboration is the driving force behind effective supply chain management. However, the argument is that ‘collaboration’ is more important in the supply chain management.

The Supply Chain Collaborative Processes

Decision making processes in SCC

At first, SCC requires strategic decisions to identify the aim between the supply
chain collaborative partners. The aim can help the decision and responsibilities are the main requirement for a successful collaboration. The decision management can be defined as the extent to which the chain members are able to arrange critical decisions at planning and execution levels for their supply chain efficiency (Simatupang et al., 2002). This is can be done by face to face meetings and virtual discussion can be arranged to make certain decisions. This is for the reason that in supply collaboration, members need to coordinate critical decisions.

The decision making organisation is not only important for enabling the chain members to complete their demands on-time, and maintain lower inventory levels but also to create the necessary responsiveness to respond to changes in demand. The decision making organisation has significant additive effects that enables the chain members to improve their tasks effectively. Information sharing positively influences both their completion and inventory but has a less significant effect on responsiveness. In summary, the findings strongly support the view that the chain members who had higher levels of collaboration practices were able to achieve a better operational performance.

In addition to this, the collaborative process is developed to meet the specific needs of each individual company. Some of the most influential factors such as the future requirements and operations that affect a company’s specific approach are how fully developed the company’s SCC approach is, its particular business environment, the available technology, and their SCC relationships.

Supply collaboration’s relationship builds up trust and communication

The role of trust and communication in SCC began to evolve in the last quarter of the 1990s. As the latter half of the 1990s approached, the concepts of trust and
communication in SCC began to challenge the explanatory power of the transaction cost theory (Ghoshal and Moran, 1996; Chiles and McMackin, 1996). The challenge for SCC members is how to trust and communicate with each other in the channel. Handfield and Nichols (1999) stated the importance of trusting relationships in the supply chain and how the sharing of information and assets was essential for the success of a strategic partnership. This strategic partnership has the highest propensity industry such as pharmaceuticals, chemicals, energy, computers and semiconductors and telecommunications (Ellram; 1992). Hence, Dyer and Singh (1998) pointed that when firms collaborate are often in a position to share knowledge and resources. Especially “know how” in the high technology industry. In addition to this, Liedtka (1996) referred the importance of learning through trust and collaboration has to recognise the difficulties associated with collaboration. That is why Lengnick-Hall (1998) in response argued that trust, developed through effective communication, could create resources that lead to a competitive advantage; while Henriott (1999) pointed that information sharing is a prerequisite for trust. Finally, Peters and Hogensen (1999), Monczka et al. (1998), and Chandra and Kumar (2001) claimed that trust and collaboration were becoming more prevalent in supply chain relationships because of their ability to reduce uncertainty. However, trust is very difficult to state in SCCs, especially in the complex and changeable business environment.

It is critical that commitment is a success factor issue for achieving supply chain integration, with trust being the root of fostering such commitment. In addition to this, collaborative relationships require trust and commitment for long-term cooperation along with a willingness to share risks (Sahay and Maini, 2002). Morgan and Hunt (1994) called trust a major determinant of relationship commitment. It is difficult to
Imagine a serious business commitment without trust. Accordingly, no commitment is consummated unless the partners feel that an unbroken trust has been established. Therefore, there is a need to develop a link between the level of trust and commitment, as there needs to be a commitment that certain actions that benefit both parties will be consummated to improve the overall supply chain performance.

**Supply Chain Collaborative Systems**

**The network**

From the late 1980s, Harland (1996) define “supply networks” as sets of supply chains are the flow of goods and services from the original sources to customers. In addition to this, the supply network is not only a collective of related companies but consists of different settings (Osborn and Hagedoorn, 1997). Lamming et al., (2000) stated that supply networks encompass not only the "upstream" network of suppliers but also the "downstream" network of customers. In the 1990s, the supply network’s concept of production and mass customisation has been for products and services. Yee et al., (2004) said that it is significant not only to focus on inter-firm collaboration and relationships between two independent business units but also to take into consideration other members in the supply network. That is why some researchers (Lee et al., 1997; Hines et al., 1998; Narasimhan and Jayaram, 1998; Xu et al., 2002; Yu et al., 2001) have highlighted that collaboration could enhance supply network performance.

Finally, as Mills et al. (2004) stated, the supply collaborative network focuses on the flow of materials, services and any associated information. The new technology is a undoubted appears to be a very important part of successful SCC network.
Technological developments in SCC

Information technology (IT) consists of a collection of IT resources that are shared and used by a firm. It consists of both the technical and organisational capabilities that provide the opportunities to share IT resources with and across the firm. In addition to this, the progress of web technologies for innovations in the supply chain mainly focuses on helping the decision makers develop and manage customer relationships by professionally integrating applications, and allowing for collaboration between trading partners in real-time. However, the Internet offers the supply chain huge possibilities and completely new methods for the reorganisation and coordination between business partners and customers.

These new methods of electronic communications have been used as a key tool for at least 20 years (Caglinao, et al., 2003). Quick response (QR) is a business strategy that is facilitated by the use of Internet Technology to improve communication and coordination between supply chain partners. It makes sure that the commodities are in the correct place, at this exact time, using IT to reduce inefficiencies in the supply chain (Harries et al., 1999). A related strategy is Efficient Customer Response (ECR), which was originally based on QR, but specifically applies QR values to the organisation. However, QR and ECR are two of the business outcomes that firms have used to meet this competitive challenge (Mackay, et al., 2003). Using QR, the run of products and the flow of information are both faster than before. Delivery time is significantly shortened due to the reduction of manufacturing and shipment times and increased efficiency in the supply chain.
Collaborative Planning Forecasting and Replenishment (CPFR)

The SCM strategies have been replaced with “efficient consumer response” (ECR) and “collaborative planning, forecasting and replenishment” (CPFR) that reflect a shared value proposition in supply chains. Kracklauer et al., 2001 said “The importance of ECR and CPFR is for a competitive advantage and shared value propositions in the supply chain context”. Hence, ECR and CPFR lie in vertical channel integration to achieve some of the efficiencies of coordinated systems without ownership (Barratt and Oliveira, 2001).

Indeed, an ECR initiative is closely related to the concept of customer relationship management capabilities. Day (2000) explicates the ability to create value of its capability in customer relationship management. ECR can create value for the customers through in an efficient value system and provide appropriate value to channel members. Actually, they have little incentive to create the value of isolating mechanisms that prevent the immediate dissipation of profits associated with a value creating initiative (Mizik and Jacobson, 2003). However, the dynamics of how customers perceive value from suppliers and associate are understood (Flint et al., 2002).

As a new business model, CPFR helps businesses align processes and standardise technologies to share forecasts and other planning information securely, simultaneously, globally and in real-time. The key idea of this initiative is to share information, including forecasts, pricing and promotions, store openings, production and shipping schedules, inventory and replenishment, over the Internet and among business partners.
Conclusion

In the 21st Century, it is a necessity for businesses to use collaboration to get into competitive positions. Likewise, it can improve customer responses, and elevate capabilities much better than ever. In addition, they can share knowledge with each other.

This is why SCC has become a new important strategy for companies seeking to create a competitive advantage. This relationship can be managed through a small number of suppliers. Additionally organisation can work with limited strategic suppliers in order to maintain its collaborative relationships and also to cope the global competition in its supply chain (Cebi, and Bayraktar, 2003).

In addition to this, today’s SCC extends better beyond the first-tier suppliers and customers (Mejza and Wisner, 2001). The companies are also learning to listen to customer needs, with both consistency and modularisation being implemented to enable cost-efficient mass customisation. However, even with supply chain collaborative partners, information sharing may be limited to the easy and occasional sharing of thoughts and views amongst managers. In summary, the more effective SCC is, the more competitive the companies get. Finally, expectantly, not only can SCC act as an important role in team work but it can also generate innovation between the internal and external supply chain.
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