Relational Attributes in Supply Chain Relationships

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ABSTRACT

The objective of this research paper is to examine the relational attributes underpinning supply chain networks, which linked firms need to manage on an ongoing basis. In examining the connections, which are different from transaction-based connections, this study measures the effects of face-to-face communication, trust, involvement, job title, and sales volume on performance. The hypothesized relationships are mostly supported and provide nuanced insights into relational attributes that affect supply-chain relationships and performance. These attributes are the basis for creating relationship intensity, magnitude, and history, described as collaborative facilitators that can enhance performance. All levels of management have a role to play in how the relational attributes are applied and managed. Senior leadership such as CEOs may need to play a larger role in trust development and involvement maintenance, while mid-level and line managers may need to engage in more face-to-face communication in maintaining trust and collaboration intensity.

Keywords: Face-to-Face Communication, Organizational Roles, Performance, Relational Attributes, Sales Volume, Supply Chain Network Relationships, Trust

INTRODUCTION

Over the last decade, there has been a growing consensus about the strategic importance of integrating suppliers, manufacturers, distributors, and customers (Reck & Long, 1988; McGinnis & Kohn, 1993; Clinton & Closs, 1997; Lummus, Krumwiede, & Vokurka, 2001; Van Hoek, Harrison, & Christopher, 2001; Barrait, 2004). A number of strategies of supply chain management have emerged, ranging between the extremes of full vertical integration (ownership) and informally aligned activities, with several intermediate strategies based in contracting, risk-sharing alliances, and partnerships of many forms, as well as use of increasingly efficient and varied communication practices (Shub & Stonebraker, 2009). However, alliances and mergers can no longer be built simply on synergies among lines of business, markets or customers. To unlock the added value generated when organizations mesh their supply chain networks, and to identify what systems will stand in the way of deriving the merger’s upside, organizations must give their supply chain partners a seat at the table (Sheffi & Michelman, 2005). The objective of this research was to
examine the nature of the connections in supplier and buyer relations that move supply chain contractual partnerships and alliances toward integration and improved firm performance. As demand and supply chain planning applications become more linked through enterprise systems, those interactions will be significant, required and necessary, frequently or less frequently depending on the life-cycle stage of the firms, state of the partnerships, and contingencies. This study examines the nature of those interactions, i.e., one-on-one conversations-talk, meetings, site visits, cross-trainings etc., specifically the relational attributes framing and emergent from those connections and interactions that can affect performance of linked firms.

The lack of empirical studies regarding the nature of connections in the relationships among supply chain members that move a supply chain partnership or network towards integration is the source of motivation for this study. Research in relationship marketing recognized how collaborative communication is important to developing and maintaining inter-organizational relationships (e.g., Mohr & Nevin, 1990; Mohr, Fisher, & Nevin, 1996). A number of scholars in operations management showed that inter-organizational communication enhances buyer-supplier performance (e.g., Carter & Miller, 1989; Claycomb & Franwick, 2004; Prahlinski & Benton, 2004). But what comprises this communication or what is its nature and some attributes? More recently, scholars have studied antecedents and outcomes of inter-organizational communication processes between supply chain partners. Cousins, Handfield, Lawson, and Petersen (2006) explored the impact of formal and informal socialization processes that create relational capital, on the premise that socialization acts to enable each partner to learn about the other’s culture, establish whether there is potential for alignment, and in some cases adjust behavior accordingly to establish successful outcomes. Paulraj, Lado, and Chen (2008) established inter-organizational communication as a relational competency that may yield strategic advantages for supply chain partners because inter-organizational communication among supply chain members may foster inter-organizational learning that is crucial to competitive success. Gulati and Kletter (2005) identified four dimensions that materialize the relational architecture of high-performing organizations: customers, suppliers, alliance partners, and internal units. Our study focuses on attributes of inter-organizational communication and their impact on financial performance within supply chain management. Specifically we examine how performance may be affected by three relational attributes of interactions: face-to-face communication, trust between the parties, and supplier involvement. We also examine two concomitant factors that can potentially affect any interaction and relationship of network members.

Our study is important in focusing attention on communication attributes which firms must manage on an ongoing basis and which underpin all network relationships. Complex interconnections between multiple suppliers, manufacturers, assemblers, distributors, and retailers are the norm for industrial supply networks (Pathak et al., 2007). While our study is described from the perspective of the manufacturing firm, the research may be applied from any firm’s perspective, whether buyer or supplier or trade intermediary or internal unit. A linear progression of relationship stages from transactional to increasingly higher levels of collaboration is a logical expectation; yet within the relationship trajectory, there is often interpretation, re-evaluation, negotiation, conflict, perhaps retrogression, and other mediating contingencies either internally or externally generated. Even IT-enabled cooperation needs to be nurtured; otherwise it can degenerate into conflict (Kumar & van Dissel, 1996). How a manufacturer views and manages its relationships with its channel members greatly affects channel cooperation, channel efficiency and the manufacturer’s competitive advantage (Kaleka, 2002; Lin & Chen, 2008). A contribution of our study is to help researchers and practitioners to gain insights into how SCM as mediated by select relational attributes could affect a firm’s performance; thus, managers can consider the
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