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COLLABORATION IN SUPPLY CHAIN MANAGEMENT

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ABSTRACT

Given the increase competition within the supply chain, many companies are engaging in long-term collaboration with their supply chain partners. The purpose of this article is to discuss the role of collaboration and information sharing in supply chain management. The article indicates that collaboration plays an important role in managing an effective supply chain. However, there are many factors that corporate leaders must consider before engaging in any collaboration or information sharing within their supply chains.

Keywords: Supply Chain Management, Collaboration, Information Sharing

1. INTRODUCTION

Supply Chain Management (SCM) is an emerging and promising field in both scholars and practitioners perspectives (Storey, Emberson, Godsel, & Harrison, 2006). Introduced by consultants in early 1980s, the term SCM has tremendously attracted the attentions of both scholar and business practitioners (Lambert & Cooper, 2000). SCM integrates demand management, distribution planning, quality management, manufacturing planning, and material management across the supply chain (Wishner & Choon, 2000). With the increase of globalization, global supply chain management is becoming an important field of practice and domain of research. This paper provides a discussion on the role of collaboration in supply chain management.

The explosion of the technology and worldwide competition are challenging companies to produce not only high-quality product and services, but to also provide exceptional customer satisfaction (Hilton, Maher, & Selto, 2006). In order to be successful in such an environment, it is vital to develop an effective supply chain. Therefore, companies are challenged to develop effective management systems across their supply chains not only with issues related to the quality of the products but also issues surrounding the conditions (labor, environmental, and social issues) in which these products are made (Mamic, 2005). Developing such an effective supply chain cannot go without the participation of supply chain partners. Supply chain partners include producer of raw material, suppliers, distributors, retailers etc. The more effective the supply chain is, the likely the company will become more competitive. Competition is between supply chains, not between companies (Myers & Cheung, 2008). As result of this trend, many companies are engaging in cooperative, mutually beneficial partnership with their suppliers, distributors, retailers, and other organization within their supply chain (Wishner & Choon, 2000).

2. ADVANTAGES OF COLLABORATION IN SUPPLY CHAIN

Collaboration is identified as one of the key trends in the field of SCM (Storey et al, 2006). It has been widely addressed in the literature of supply chain in the last decade (Cassivi, Hadaya, Lefebvre, & Lefebvre, 2008; Henke & Zhang, 2010; Lee, 2004; Myers & Cheung, 2008). Supply chain executives define collaboration in supply chain as a mean by which all companies in the supply chain are actively working together toward achieving common objectives; it is characterized by sharing information, knowledge, risks, and profits (Mentzer, 2001). Collaboration is a competitive weapon that can be used to improve business performance (SAP, 2007). Lee (2004) argued that

effective supply chains are not just fast and cost-effective; but they are also agile, adaptable, and they ensure that all their companies' interests stay aligned. In order for the supply chain to have these three qualities (agility, adaptability, aligned) collaboration and information sharing must exist between supply chain partners (Lee, 2004). Similarly, Myers and Cheung (2008) alleged that knowledge sharing makes more efficient supply chains and more effective organizations. Collaboration and information sharing are also believed to be drivers of innovation in the supply chain (Cassivi et al., 2008; Henke & Zhang, 2010). Henke and Zhang (2010) pointed out, "suppliers are more willing to invest in and share innovative ideas and technologies when their relations with customers are collaborative and open" (p. 44).

The progress of technology has made collaboration even easier between supply chain partners. Companies are taking advantage of new technologies to collaborate with their partner in a fast and effective way. Technology makes it easier and faster to share information across the world. E-mail, fax, video conference, file sharing technologies, etc. are widely used in SCM today. Lefebvre, Cassivi, Lefebvre, and Leger (2003) argued that e-collaboration plays a major role in achieving a sustainable competitive edge. E-collaboration in supply chain is the collaboration between supply chain partners using internet or other technology media.

3. ISSUES WITH COLLABORATION IN SUPPLY CHAIN

Many problems in the supply chain can be attributed to the lack of information sharing between the supply chain members (Li, Shaw, & Sikora, 2001). However, sharing too much information may have some negative effects on the supply chain. Some believe that information sharing between supply chain partners has a dark side that can outweigh the benefits (Myers & Cheung, 2008). Based on the impact it has on contracting parties, Seidmann and Sundararajan (1997) indentified four levels of information sharing: ordering information, operational information, strategic information, and strategic and competitive information. They showed that a critical predictor of the level of information sharing between companies is their relative positions on the supply chain, and that the drivers of the level chosen are relative bargaining power and potential agency costs.

Another important issue related to collaboration in the supply chain the ability to understand why, when, in which circumstance, and with who to share information. Companies must understand why and under which circumstance their trading partners are willing to share information (Madlberger, 2009). Madlberger (2009) advised to consider information sharing as a multidimensional construct with four dimensions. These four dimensions include "(a) the content, that is, the type of information shared (e.g., point-of-sales [POS] data), (b) the frequency of information shared (e.g., daily vs. monthly data), (c) the granularity of information shared (i.e., how detailed or aggregated the information is), and (d) the up-to-dateness of the information shared (e.g., data from a current period vs. past periods)" (Madlberger, 2009, p. 19). In the same study, Madlberger (2009) argued that several internal variables such as, top-management commitment, corporate information policy, internal technical readiness could affect companies' information sharing behavior. Trust is also an important element to consider in collaboration and information sharing. Madlberger (2009) argued, "although there is a stronger impact of trust on operational information sharing, there is no significant indication that this relationship exists in practice" (p. 30).

4. CONCLUSION

In conclusion, one may argue that collaboration and information sharing are key elements of successful supply chain management. However, corporate leaders need to do their homework before engaging in any collaboration or information sharing with their supply chain partners. Therefore several issues those need consideration before any collaboration or information sharing takes place in the supply chain. Before starting any collaboration, it is important to determine if the collaboration or information sharing should exist. Many partnerships fail to deliver values because they should not exist in the first place (Lambert & Knemeyer, 2004). Corporate leaders must also seek understand how and with who to collaborate, what type of information to share and when, in which circumstance, and why to share information.

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