

Commitment in supply chain management



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Dwyer, Schurr, and Oh (1987) describe the term “ commitment” as “ an implied or clear assurance of the continued relationship among trade partners.” Commitment is an important component for successful durable relations that are a constituent of the implementation of Supply Chain Management (Gundlach, Achrol, and Mentzer 1995).

Morgan and Hunt (1994) defined commitment as “ the partner in an exchange is believing that the current relationship with other partner has so much importance that it deserves the optimum level of efforts to sustain it; that is, the party who has made the commitment believes in the enduring relationship for committed party believes the relationship endures for the foreseeable future.” and commitment plays an essential role in relational exchanges among the firm and the partners.

TOP MANAGEMENT COMMITMENT:

Top management commitment is when there is direct contribution by the people acquiring top rank positions in some definite and significantly vital aspect of an organization (BusinessDictionary, 2010).

In the study of Morgan and Hunt (1994), they said that commitment by the top level management executives can provide results that will promote effectiveness, efficiency and increased level of productivity.

Without senior management commitment up to the CEO of the organization, the vision needed for the success of supply chain cannot emerge. Only the top levels of the management can dedicate resources and realign the rewards and measures that are needed to make Supply Chain Management an organization-wide priority. When there is lack of support from top

management, it almost guarantees that the integrative efforts are ineffective and superficial. (Ogden, Fawcett, Magnanand Cooper, 2006)

A. Keramati, and M. A. Azadeh (2007), Top management commitment happen to veracity when the acceptance of the responsibility for a successful business plan implementation comes from a manager of company or division. The manager should show his involvement and interest and should add special talent and expertise that enabled him to become a president. The term “ top manager” is usually referred as chief executive. All the activities including communication of company’s quality value, buttressing quality messages congregating with the work force as well as the customers providing formal and informal recognition, to receive training and training others all come under the umbrella of top management commitment. Top level management develop and facilitates the achievement of company’s mission and vision, create and develop values that are required for long-term success and apply these by means of appropriate actions and behaviors, and show their personal involvement in ensuring a developed and implemented organization’s management system.

Krause and Ellram (1997), in their research of “ Success Factors in Supplier Development” stated various factors that are related to the top management commitment. These included supplier development actions such as site visits, supplier recognition, and direct investments in supplier’s firm. Hacker and Couturier (1999) gave a conceptual model about trust that sets for three elements: capability, commitment, and consistency. When there will be lacking top management commitment, then the resources may proscribe capability, there will not be any firm intention to cooperate. Certainly the <https://assignbuster.com/commitment-in-supply-chain-management/>

supplier or the supply manager can't be counted on to consistently performed. So, this will result in no trust. Zsidisin and Ellram (2001) in their research argued that top management of the firm determines the measures of the supply chain success. In order to receive support and be successful, the measures of Supply Chain performance must support the performance measures of the organization.

Mentzer, Witt, Keebler, Min, Nix, Smith and Zacharia (2001) in their study stated that top management commitment and support plays an important part in determining the standards of an organization, its direction and orientation. Day and Lord in 1998 stated in their research that the top level management executives have a generous impact on the performance of any organization. Lambert, Douglas, James and Lisa (1998) proposed that support, headship and commitment from the top management are crucial predecessor to the implementation of Supply Chain Management. Within the same framework, Loforte (1991) argues that when there is lack of support from the top level management, it is then considered as a barrier or hurdle to the Supply Chain Management.

Kimball and Stanley (2004) stated in their research that without top management commitment, the successful relationships can also become unsuccessful in the upcoming period. There are various reasons for this, but many of them are very clear and evident. Successful supply chain relationships straddle between the organizational boundaries and its functions.

One of the way in which the relationship management ability can be built is by providing widespread training and edification the existing decision making bodies. Top management has to be familiar with this skill as it is a necessary condition for successful implementation of the supply chain.

(Blackwell and Blackwell, 1999)

To achieve desired collaborative breakthroughs, the key is to establish a strong managerial commitment to Supply Chain Management (Akkermans 1999; Lummus, 1998). Commitment should come from all the levels of the organization and also from the key channel “ partners.” Marien (2000) in her research stated that top level management must endorse Supply Chain Management initiatives and provide necessary resources. The dedication of resources and realigning the incentives for developing true cross-functional capabilities can only be done by the top levels of the management. At the same time, the managers at lower level and workers across variety of functions who should implement the initiative must enter into the Supply Chain Management program or it cannot be succeeded (Blackwell and Blackwell, 1999; LaLonde, 2000; Bowersox and Closs, 2002; Tyndall, 1998).

CHANNEL COMMITMENT:

Cooper (1997) depicted several paths for the successful integration of supply chain. When the management of an organization has a “ dyadic management” path, the organization will have a strong focus on the channel members that have immediate contacts with them. For “ channel integrator” path, a single party, a channel leader, will play key role in setting the overall strategy of the channel members and getting them involved in and show commitment to the strategy of the channel. In “ analytic optimization”

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approach, a single organization as a channel leader uses some kind of computerized modeling that can determine the best configuration for successful supply chain. Finally, there is concept of centralized channel leader in the “ keiretsu” approach; however, the leadership or control is greatly empowered by the partial ownership of other channel members. Despite the fact that these theories for integration are theoretically very useful, there are some companies that have moved away from the dyadic path. (Helde, 2004; and Barlas, 2004)

According to Ik-Whan G. Kwon (2004), a strong commitment and high level of trust between supply chain partners are the bases for a successful supply chain performance. Effective planning in supply chain based on trust and shared information among supply chain partners is a fundamental requirement for a successful supply chain management.

Bowersox et al. (2000) argued that information sharing at times require a release of guarded strategic, financial and other information to partners that might be and/or will be competitors, in view of the fact that “ effective information sharing is greatly dependent on trust initially within the firm and eventually extending to the supply chain partners”. La Londe (2002) argue that the trust and risk issues are of great importance in the supply chain relationships as these relationships heavily depend on the high level of interdependency among competitors. If the information is available but it is not possible for the partners to share it, there will be high level of degrade in values among the supply chain partners. When both trust and commitment are present among the supply chain partners, they will have positive impact

on the outcomes that will promote productivity, efficiency and effectiveness” (Morgan and Hunt, 1994)

Channel members should also share the commitment even though the rewards are not entirely shared of a flourishing initiative (Thomas, 1999). The inter-organizational and cross-functional nature of Supply Chain Management makes broad-based commitment a requirement (Kuglin, 1998). It is a challenge to establishing pervasive commitment and few companies are equipped to overcome, a governance infrastructure capable of cultivating collaboration is a necessity to build (Fawcett and Magnan, 2002).

Both the customer firm and the supply firm must make strong commitments that are required for a long-term perspective in the development of their businesses with each other.

In a study of Anderson and Weitz (1992), they investigated that how manufacturers, suppliers and distributors interactively develop and sustain commitment among them by making pledges that is actually acts of commitment to bind them in a relationship. Their empirically supported model suggests that commitment to a relationship by each firm is influenced by the perception it has for other firm’s commitment. When a firm makes pledges, it demonstrates commitment, and the other party also responds to this by making pledges, in this manner increasing its own commitment. Consequently, A reinforcement cycle is describes in their model that increases the commitment level of both parties over time.

In a particular business network relationship, value creation may entail the firm to participate vigorously in shaping the set of interdependent firms’

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roles so that they build up complementary capabilities and turn out to be competitive with firms in further business network contexts (Ramirez and Normann, 1993).

FUNCTIONAL COMMITMENT:

Outstanding processes that are capable to deliver competitive advantage are consistently comprised of activities that exist in diverse functional areas. Moreover, no set consisting of functional managers can possess all of the information that is needed to make great decisions throughout the system. These two facts indicate that the supply chain managers are completely reliant on other functional managers in the firm. Therefore, functional support for supply chain initiatives on broad basis is essential (Fawcett, Ogden, Magnan and Cooper, 2006)

Fawcett, Ogden, Magnan and Cooper (2006) argue that Functional managers believe that they are highly supportive to supply chain initiatives and feel that other functions are less supportive or even obstructive. A series of functional divisions appear to exist when it comes to support supply chain management.

Virtually, it seems impossible to get the functions like marketing and manufacturing closer without effective top management commitment and effective management techniques. Ik-Whan G. Kwon and Taewon Suh (2004). Fawcett, Ogden, Magnan and Cooper (2006) gave several key points that are related to functional commitment merit that are as follows:

The increase in the value-creation potential of purchasing is grounded by supply chain management and giving it a strategic position inside the firm.

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Similarly, boundary-spanning intermediary role of logistics place it in a position where it can facilitate collaboration. Supply Chain Management initiatives can be hampered by the absence of any of the logistics or purchasing commitment.

Manufacturing has a very narrow “ in-house” view for supply chain initiatives by associating them with outsourcing. As a result, it can foreshadow layoffs and/or weaken organizational stature.

Marketing has yet to influence integrated supply chain processes in order to enhance customer satisfaction. Occasional myopia leads marketers are lead to miss the instances where purchasing, logistics and manufacturing produce unique products and services.

One manager called supply chain management as “ relationship and technology management.” Since supply chain management dependent on information and so, the information systems managers must play a vital role to make it “ software” solution.

Across the value chain whether it is new product development or in the customer management, functional managers need to carry the concept of integration in order to bridge the “ exasperating” internal gap that often hinders successful SCM.

Unfortunately, it is found that the manager are unable to bring collaboration among their internal functions as compared to the external partners. They succeed in collaborating with the outside organization and supply chain

partners and fail to realize and maintain inter-functional collaboration.

(Ogden , Fawcett, Magnan and Cooper, 2006)