

Factors affecting supply chain management essay sample

[Business](#), [Management](#)



An overview of the topic Supply chain management is a cross-functional approach that includes managing the movement of raw materials into an organization. There are different people, which are involved in supply chain process. Managing this process can increase the performance of the firms and can help the firm to form long term bonds with different suppliers. SCM has gained importance in multinational companies in recent years and it will assume significant importance in years to come. Clearly, SCM has a significant role to play in helping their organizations to achieve their objectives and prepare for the uncertainty ahead. The research focuses on the factors affecting the supply chain relation in business to business marketing. There are two types of relationships according to this article, partner like relationship and contract like relationship. A partner type relationship is beneficial for the companies to improve the supply chain performance and to avoid the uncertainties in future.

Moreover supply chain performances is also affected by the country itself like massive size, inefficient information systems, poor logistics, distribution systems, lack of supply chain management expertise. Furthermore strong government control over limited resources also affects supply chain performance. This main jest of this paper deals with the relationship between immediate suppliers, supplier's suppliers or the whole of chain relationship, along with the most important factor, the country itself. Now there are different variables that affect the supply chain relation of any organization. No matter what the country is or what is the size of the country or the resources provided to the organization. Supply chain management is a process of managing the movement of raw materials into an organization. It

includes different important functions of any firm including, inventory management, procurement, product delivery, etc.

Globally supply chain management has gained a lot of importance as it is key element for many firms to get competitive advantage in the global market. The research signifies the importance of supply chain management in today's business, while explore and defines different factors for the managers and firms, that affect the supply chain management. Supply chain management is all about managing relations with immediate supplier, supplier's suppliers and customers. It is more important to deal with customers when it comes to business to business transaction, where the suppliers and the customer, both are individual firms. In the competitive market, there are lot of options for the firms and suppliers to shift from one another which creates different problems regarding quality, pricing and timely delivery of the products. Effective supply chain management helps in tackling all these problems. Healthy relations of firms with its suppliers help in improved quality of products, negotiations in pricing and timely delivery of the product which avoid customer's dissatisfaction. Using supply chain management as a dependent variable, different variables or factors are identified by keeping in view the tradition of normal supply chain network.

For example trust is an important factor when it comes to managing relations with suppliers. Another factor would be communication that is really important factor for making supply chain management effective. The sharing of information is very important in maintaining relations with suppliers and customers. The significance of the study is two dimensional.

Firstly they study would help the firm and its managers which are engaged in the transactions with other firms (suppliers and customers), while secondly it would help the supplier firms to understand the supply chain management. Findings of the study would help both, the firm and supplier, to implement all positive elements in their supply chain practice to make it effective, and to avoid all those negative factors which would weaken the supply chain relations. Managers can implement all the factors in their system to make it effective which would eventually increase organizational performance and overall efficiency of the firm, moreover would enhance the supply chain relationships. For example communication, positively affects the supply chain management.

So the study aims to give direction to the business firms and suppliers to involve in effective communication where the information is available and shared of right quality. Proper information may decrease the transaction costs of both parties. Research Questions What are the internal factors of the firms and suppliers which affect the relationship of firms with their suppliers? What is the relationship of these internal factors such as communication and trust with supply chain management? What are few external factors of the firms and suppliers which play vital role in the development and maintenance of health relationships? Find out the relationships of these external factors such as buying power with supply chain management? Which factors are essential in creating value in supply chain network? What are the factors responsible for discouraging healthy relations of firms with their suppliers and customers? Literature Review: A detailed literature review

is done by analyzing and interpreting different articles and studies on supply chain management that focuses on the following factors such as trust, commitment, communication, etc. Initially each variable would be defined generally by examining different reference articles.

Moreover for each variable a hypothesis would be designed and latterly it would be tested through the analysis of present and past literature.

TrustHo1: There is no positive relation between trust and supply chain management. Trust is the confidence of one partner in the other partner's honesty. Trust generates relationship commitments which lead to long term relationships. When it comes to supply chain management trust is very important factors, which also helps in the proper communication of quality information. After reviewing various articles it can be said that the relation of supplier with customer in context of b2b is an analogy of marriage relation. The importance of trust in both cases is more or less the same. More would be the trust stronger would be the bonding between supplier and customer. A detailed research and analysis have done to find out the relation of trust and supply chain relation in (Collins, Are supply-chain relationships more influenced by buyer-supplier, 2012). A comparative example of China and Australia has been explained in this article. The article concludes by showing findings and results that in Australia due to high level of trust, supply chain network was effective while in china it wasn't effective due to lack and absence of trust. This means that the relation of supplier and customer highly depends on the level of trust present between them. If there is high

amount of trust between the two parties, eventually the quality of the service increases.

High-trust relationships yield vital benefits for supply chain partners, including increased relationship satisfaction and enhanced firm performance. So there is a significant positive relation between trust and supply chain relationships. Commitment_{Ho2}: There is no positive relation between commitment and supply chain management. Commitment can be defined as the belief of partners that their relation value the cost of struggle put in to make sure that the relation survives. Commitment is very important factor when it comes to maintaining relations because one party has to fulfill their obligations to other party. In supply chain management commitment plays a vital role in maintaining the relations. A detailed research was conducted to find out the relation and effect of commitment in supply chain network and maintain supply chain networks.

Focused on supply chain network of two different countries, entirely, having different culture. Australian people having more commitment in partners and intending to develop more strong relationships have high level of commitment that eventually strengthen the supply chain network. On the other hand china having low commitments with suppliers intends to have weak relationships with their suppliers and customers, which make their supply chain network ineffective. So after studying the research carried out in the referred article it can be proved that there is a significant relationship between commitment and supply chain management. Buying power_{Ho3}: There is no negative relation between buying power and supply chain

management. Buying power of suppliers or organizations involved, basically deals with the level of dominance each firm/partner can create changing the level of dependency.

With the availability of resources firms can change the level of dependency and can dictate the suppliers with their own terms, this is often called the resource based view and it can affect the relationship between firms and their supply chain network, which is also the dependent variable in our research; as mentioned in (Collins, Are supply-chain relationships more influenced by buyer-supplier, 2012) if China is dependent upon Australia for food items which are a rare commodity in China then the Australian suppliers or firms exporting can dictate their stipulations e. g. raising the prices or the transportation charges and the overall contractual agreement, hence the relationship comes at stake when the dependency level changes and the supply chain performance gets affected and proper implementation is hindered.

So for a relationship to prosper both the parties need to ‘ cooperate’ and ‘ compromise’ and move together with the partnership, setting a course for effective supply chain management. (Hunt and Nevin, 1974; Lusch, 1976; Michie and Sibley, 1985) found relatively positive effects of non-coercive power on satisfaction and negative effects from coercion. It is mentioned in one of the reference article that power plays significant role in maintaining relations. The exploitation of the supply chain by the power partner may lead to dissension and under performance and makes the supply chain relation weak. Furthermore the supply chain management process requires

cooperation and collaboration at each and every stage of action. Hence the relation of supply chain management and buying power is negative. More the buying power, weaker would be the relation of supplier and customer.

Information Technology
Ho4: There is no positive effect of IT enabled technology on supply chain management.

The article goes on the notion to prove that IT enabled technology has a positive effect on the supply chain network and would help to improve the internal coordination and communication within the firm and most importantly external communication with the supply network, integrating the whole supply chain to make operations management a lot easier for the business using IT enabled technology; this would not only help the business itself but all the suppliers linked to it. The article relates that with the advent of globalization and outsourcing techniques, IT enabled systems are a must have solution and needs to be adopted by all means, it further relates that in B2B transactions daily operation tasks like purchasing, production, shipment and payment needs to be recorded in a proper manner, schedules have to be made to prioritize ways to increase production efficiency and productivity and IT is a major solution for it. Firms that engage in inter-organizational collaboration incorporate a wide range of IT into their business processes and operations in order to conduct business with consumers and suppliers electronically (Teo et al, 2006). The article further elaborates two theoretical based theories which are resource based theory and institutional theory.

Resource based theory basically defines the specific resources of the firm, its strength as far as resources are concerned, i. e. to implement IT enabled

value creation. On the other hand institutional theory explains the firm's adoption behavior against external forces and how it couples up with them, i. e. IT enabled technology can be an adaptive behavior against external forces. The article concludes with the fact that adopting internal and external IT enabled systems would surely add value to the business and would allow the firm to have a competitive advantage in this globalized era; though IT system adaption could bring challenges like it has to be operated by all the partners in the supply chain network and every supplier has to communicate and coordinate accordingly and needs to train their employees regarding this electronic use. So the article with its hypothesis and research framework proves that there is a positive impact of IT enabled technology on supplier networks, and could be a major breakthrough.

CooperationHo5: There is no positive relation of cooperation to the performance of the supply chain management Supply chain involves a number of operational activities ranging from logistics, inventory, purchasing and procurement, production planning, from inter and intra organizational relationships and performance measures. The article explains that with all these activities a supply chain network can be termed as a complex structure and i. e. it is necessary to overlay a coordination system which as pointed out in the article, should include definition of processes, responsibilities and structures aligned with the objectives of the supply chain network to come up with a complete solution in a manner which is productive and efficient, ultimately fulfilling the objectives of the company itself. The supply chain members as illustrated in the article cannot compete

or rely on their own, they need to coordinate and collaborate with the suppliers in the whole chain and come up with a productive answer that fulfils the requirements of all involved; thus the article pertains that cooperation is basically a 'unified system' of operation which can only stand out if all the members equally participate, collaborate and to top up, coordinate with each other. According to Ballou et al. (2000), cooperation is a central lever of SCM.

The article basically deals with the elements of coordination in supply chain management and gives an overview regarding it. The article reveals that collaboration, integration and cooperation are all terms which are linked together to form supply chain coordination (SCC). The article then relates deeper into the coordination element by presenting ways of coordination, which can be in the form of supply chain (SC) contracts, IT, Information sharing, and joint decision making and these can be further integrated to boost up the coordination plan. Furthermore the article explains that coordination is one of the most difficult parameters of supply chain management and needs to be managed accordingly and the management needs to actively take part in the implementation of coordination efforts among supply chain partners. The article relates that many B2B firms fail in maintaining coordination among suppliers due to lack of knowledge and implementation practices and even if the firms do know how to coordinate, they often lag behind due to inter-organizational conflicts which deter the coordination aspect.

The article highlights another major point which is dominance and it basically implies that if the main organization involved is dominant over the other supplier partners than coordination could be stressed upon by the dominant organization and implementation could be easier, but if others are more dominant, than conflicting issues could arise leading to improper and ineffective supply chain management. Thus the article concludes by giving an insight into the importance of cooperation in the supply chain network and its impact could lead to newer and effective ways of achieving success.

CommunicationHo6: There is no positive relation between communication and supply chain management Communication can be defined as a verbal or nonverbal process involving a monotonous rotation of originating, preserving and dismissing information is a research based on finding out the relation of effective communication in supply chain network. Communication is a very critical process when it comes to linking two partners or firms. Any miscommunication or communication gap can create troubles for both parties.

Communication should be effective among all stakeholders who include the firm itself, suppliers, employees and customers. These all stakeholders form a complete supply chain network. Effective communication then plays a key role in avoiding all future possible problems which can take place due to poor sharing of information and poor quality of information. Effective communication also plays a vital role in reinforcing suppliers and customers to continue with receiving and giving service to each other. Effective communication can be called as a mediator or motivator factor which can

cause repurchase intentions in partners in terms of business to business markets. This is because; the level of trust and commitment of any network depends on the communication channel of that network. More open and clear the communication channel, effective would be the communication. And eventually effective communication becomes responsible for strengthening the supply chain management or firm and supplier relation. Communication is a factor which highly depends on the level of sharing and quality of information.

Effective communication takes place when right amount of information is shared at the right time with the right people. A research has been conducted in the past with lot of effort to find out the importance and relation of effective communication with reference to supply chain management. The study actually consists of two different researches which took place in Australia and China respectively. The article by discusses two different supply chain practices in two different countries. Firstly it discussed the supply chain practices of Australia where the supply chain management was very effective. After research it was concluded that effective communication was one of the main factors which made supply chain practices effective. Effective communication between two partners decreases the transaction cost and strengthen the relationship. While second research took place in China were the supply chain practices were not very effective. And after the research it was found out the in china the partners didn't have effective communication. In fact in Chinese supply chain network there were lot of issues regarding communication gap and

miscommunication mentioned in the article. So it can be stated that there is a positive relation between communication and supply chain management as it strengthens the relationships.

OpportunismHo7: There is no negative relation between Opportunism and trust & commitment Opportunism is an engagement of a person in a selfish act to fulfill self-interest without regarding the circumstances other people might face. When we talk about supply chain management there are number of firms and suppliers locally and globally who are working in the same market with the same type of business. This increases the competition and the level of dependence of one firm on the other decreases because when there are more firms, the monopolism is discouraged. In such case the firms can take advantage of opportunities because then the negotiation level of everyone comes down due to number of options. And firms and suppliers when are more concerned about their own interest, opportunism takes birth. The level of information sharing, and information quality also play some role in availing opportunity. If right and timely amount of information is shared between partners, so that might lead to negotiation at both ends which would discourage opportunism. Moreover, the company policies also make some difference in negotiation between partners. Another fact which should be taken into consideration is the buying power of the company.

Opportunism depends on the dependence of one partner on the other. If in a contract or business both partners have equal power so the level of opportunism might be low. But in other case, when one partner is dependent on other partner, so the independent partner might take advantage of his

power. The example of sugarcane industry perfectly fits in this case. In case of sugarcane industry, the power entirely shifts on the company or firm which actually purchases the sugarcane from the supplier. In that case supplier has less power because the sugarcane starts getting rotten when it gets old. So the supplier wants to sell it as quickly as he can. At this point the purchasing firm takes advantage of the opportunity and purchases on such terms which actually are of their own interests and this discourages the level of trust between both partners and also weakens the relationship between the firm and supplier. A research has been directed in the history with lot of exertion to find out the significance and relativeness of supply chain management and opportunism. The study essentially contains two dissimilar investigations that took place in Australia and China correspondingly. The article bydiscourses two different supply chain practices in two different countries. Firstly it discussed the supply chain practices of Australia where the supply chain management was very effective. After research it was established that avoidance of opportunism was one of the core elements which made supply chain practices effective.

Opportunism between two partners decreases the strength of a relationship. While second research took place in China, where the supply chain practices were not very effective. And after the research it was found out the in china the partners opportunism was promoted which didn't allow firms and suppliers to build up healthy relationships. So it can be stated that there is a negative relation between opportunism and supply chain management as it strengthens the relationships. SatisfactionHo8: There is no positive relation

between satisfaction and supply chain management Satisfaction refers to the pleasure obtained after the fulfillment of any desire. In context of supply chain network, satisfaction refers to the appropriate fulfillment of transaction between the firm and the suppliers. Satisfaction is very broader term but this research narrow downs the term by explaining the causes and impact of satisfaction in supply chain network mostly in case of business to business transaction. Satisfaction in supply chain network takes place after the provision of desired services. For example a firm would be satisfied if it gets right amount of raw material or right specification of the due time. Similarly the opposite side of these activities would create dissatisfaction for the firm.

Looking the factors which might create satisfaction or dissatisfaction for the supplier might be delay in payment of the raw materials, shifting on other suppliers, relying on more suppliers, refunding the raw materials from suppliers and many others. Satisfaction plays an important factor in building up and then maintaining a healthy relation of different firms or partners.

When partners are satisfied with each other, there is a high chance that they would indulge in future business transaction due to the satisfaction level, and due to the level of trust which builds up after getting satisfied with previous business transactions. A research by provides the understanding of relationship of satisfaction with supply chain management by examining the supply chain network of two different countries Australia and China. By complete research and study it was found out that Australia was the country in which the level of satisfaction between the firms and suppliers was high as compared to the supply chain network in China and this was one of the

reasons that the supply chain practices in Australia were very effective and in China was ineffective. Another consequence of this factor was that the high level of satisfaction made the relationships of firms and its supplier stronger while low level of satisfaction was one of the reasons of weak supply chain relationships. Hence it can be concluded that there is a positive relationship between satisfaction and supply chain management as satisfaction strengthen the relation of buyer and supplier.

Shared ValuesHo9: There is no positive relation between shared values and supply chain management. Shared values refer to the common norms, values and culture shared by the employees and other stakeholders of the company. Shared values depict the culture and practices of any firm. Culture of any firm plays a vital role in maintaining relation and carrying out any business deal with other firms or partners. For example it becomes very easy for two firms to make any business transaction or deal when the culture of both firms is decentralized. Similarly if the culture of one firm is decentralized and other firm's culture is centralized so it creates barriers for any business transaction. Same culture and same shared values and norm in two different firms or partners helps in developing and maintaining healthy relationships. Supply chain network functions globally with wide range. And there are lot of barriers due to difference in culture and norms of firms and global suppliers. Administrators appear to understand that their supply chain practices may not be at all appropriate in the other parts of the world.

Nevertheless, while the existing supply chain management research confirms the intimidating challenge of managing a global supply base across

cultures, most of the studies are limited to comparing the differences between countries or cultures. As supported by culture plays an increasingly important role in supply chain management as many manufacturing firms have linkages to suppliers and customers from various countries. An extensive research was done by in order to understand the linkages between shared values and supply chain relationships. Through various investigations it was proven that the firms and suppliers engaged in a business contract who have same culture tend to have more strong relationships with each other as compared to the firms and suppliers who have different culture of their organization. And this fact tends to get wide when it moves from local perspective to global perspective where the culture barriers are higher. So after the deep analysis of few articles it can be rightly said that the same culture and shared values affect supply chain practices in a positive way.