

Advances in accounting

Finance



A CRITIQUE OF COST TRANSPARENCY IN SUPPLY CHAIN Introduction Cost Transparency in Supply Chains is an issue of fundamental and practical significance in any organization in the business. In an increasingly competitive world, firms have a responsibility to determine their supply chains to ensure that they are not disadvantaged in one way or the other in terms of having the value for money based on the products received. While cost transparency in supply chains is of critical importance, there are certain fundamental flaws that characterize the concept that need to be defined as appropriate. This text offers a critique of the concept of cost transparency in supply Chains.

The assumption in cost transparency in the supply chain is that firms have visibility of the products that are supposed to be offered to them for business. In the modern dispensation, information concerning products is not easily retrievable. Firms in most instances follow the supply chains even to the fourth tiers just seeking information about the products. Some organizations use agents in order to find the most appropriate information before committing to the costs (Koster & Delfmann 2007, p. 31). In most instances the firms fail to get the relevant products that are required to the extent that the costs are not easily verifiable. The fundamental flaws that are experienced due to information deficiency cannot ensure transparency as appropriate. Companies may not have the appropriate information based on the complexity of the product or the technology used. To this extent, transparency in cost supply chain may not be realized.

Sharing information is a fundamental issue in supply chains. Information does not stop with demand and supply, but involves sharing sensitive and crucial details concerning the costs. Sharing of information does not

guarantee that the details given are forever in safe custody. Leaking of information is an inherent phenomenon that cannot be wished away. The information that is sensitive within the framework of open-book accounting settlement is not a guarantee that the sensitive data shared among the partners are based on cooperation or trust. The mutual behavior and trust of supply-chain partners is not a factor that can be relied on for safe custody of information on products and to this extent, cost transparency in the supply chain is a fallacy. The business environment is characterized by competitiveness to the extent that trust and cooperation may not be a factor to consider when it comes relationships between buyers and suppliers (Koster & Delfmann 2007, p. 32). Cost transparency in the supply chain can only be realized in a utopian market where the assumption is that information sharing on products, supply and costs involved are not compromised by the supply chain partners.

Conclusion

Information concerning goods that are supplied in the market is crucial because it helps the firms in making crucial decisions aimed at cutting costs. However, information visibility is not easily attainable and it affects the essence of cost transparency in supply chains. Sharing of information among supply chain partners is an issue of practical fundamental importance though. Though is important to note that the partners are not bound by circumstance to keep the sensitive information especially on the cost of products. Cost transparency in the supply chain is cannot be achieved in totality based on a number of fundamental challenges.

Bibliography

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