

A REVIEW OF COLLABORATIVE STRATEGY FOR SUPPLY CHAIN

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Abstract

Corporations now have to compete in the borderless global market as well as locally. Individual businesses can no longer compete as stand-alone entities with only formal relationships, but need to refashion their supply chains to include a closer network of relationships among suppliers and partners. Those organizations which were able to manage their network in such a way that they gain competitive advantage over their competitors would be able to survive and succeed in the long run. Therefore, this article aims to describe and explain various concepts which constitute collaborative strategy. The increasing presence of environmental uncertainties and competition is what drives firms to adopt a collaborative strategy with their partners. Yet the concept is complex and not to be adopted without a thorough understanding of what it involves.

INTRODUCTION

Collaborative strategy is now considered to be of great significance for partners in a supply chain. In the early days of supply chain management, partnership was mainly about co-ordinating deadlines so as to keep inventory and stock-out to a minimum, and thus minimize cost and keep the customers happy. This came to be seen as an insufficient use of the potential of collaboration in the face of more intense competition and the growth of uncertainties due to the increasing complexity of trade. Relationships of sharing, based on trust between partners, providing win-win situations, are now considered to be an advanced form of collaborative strategy, enabling the achievement of specific characteristics which are difficult for competitors to copy.

The increasing presence of uncertainties and competition is what drives firms to adopt a collaborative strategy with their partners. Yet the concept is complex and not to be adopted without a thorough understanding of what it involves. Therefore, this article describes and explains, by reference to previous research, various concepts which constitute collaborative strategy.

RESPONDING TO THE CHALLENGE OF UNCERTAINTIES

Managing supply chains is a challenging task because of obstacles in the supply chain known as uncertainties. Firms face supply uncertainty that may be caused by a malfunctioning production process at the supplier, or late delivery (Ho, Chi, & Tai, 2005). In addition, firms usually face demand volatility caused by forecast inaccuracy or information hoarding (McCullen & Towill, 2002; Lee, Padmanabhan, & Whang, 2004). Davis (1993) proposed that variations in manufacturing lead time were the major source of manufacturing uncertainty. Companies have to find ways to control these three uncertainties with the aim of minimizing cost and maximizing service. The challenge for managers is to implement an appropriate strategy to achieve this aim.

Supply chain management integrates supply and demand management within and across companies (CSCMP, 2004). This includes the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. It is important that it also includes collaboration with channel partners (suppliers, intermediaries, third-party service providers, and customers), because supply chain management is a collaborative-based strategy by nature.