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Reinventing the wheel? A critical view of demand-chain management

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ABSTRACT

Demand–supply alignment as a means for value creation in the marketplace is not a new concept either in the marketing or supply chain management literature. Recent developments in demand chain management (DCM) revamp this issue, which is particularly critical for today's firms. DCM studies, however, remain isolated from wider academic debates and are unclear on the processes required for the demand–supply alignment inside the firm, incurring the risk of becoming irrelevant. Through a systematic literature review and qualitative content analysis, we leveraged the existing knowledge on interfaces between intra-firm departments to identify the dimensions of demand–supply alignment and map the drivers, enablers and consequences of implementing such an alignment. These outcomes, together with theoretical perspectives, are used to improve the idea of DCM, ground theoretical reflections on the concept and suggest avenues for research. This study should interest researchers and practitioners willing to adopt the DCM strategy.

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1. Introduction

An emergent strand of research suggests that to face global and complex competition and deliver superior value to customers, the alignment between the demand and supply chains is particularly relevant (Esper, Ellinger, Stank, Flint, & Moon, 2010; Jüttner, Christopher, & Baker, 2007; Piercy, 2009; Rainbird, 2004). Conceptualised under the name of demand-chain management (DCM) or demand–supply chain management (DSCM), the notion is proposed as a “new business model” (Jüttner et al., 2007, p. 377) capable of providing value in today's marketplace through the combination of the strengths of marketing (i.e. effectiveness) and supply chain management (i.e. efficiency). Studies on DCM raise again a fundamental debate – the alignment between the supply- and the demand-related processes – that is at the origin of the marketing discipline itself (Bartels, 1965) and was also included in early definitions of supply chain management, as in the seminal contribution of Fischer (1997) on the “right supply chain for your product”.

Although leading back to a critical issue for today's firms, DCM studies remain highly conceptual and unclear in relation to one of its main concepts: the alignment between the supply and demand chains (Hilletoft, 2011). The literature uses heterogeneous terms and partial

definitions to represent this idea. For instance, Hilletoft (2011) suggests that DCM involves the “coordination” of demand and supply processes and argues that equal importance should be assigned to both types of processes. Rainbird (2004), in turn, proposes that an effective DCM mainly involves the “interaction” between supply and demand activities. Jüttner, Godsell, and Christopher (2006) take a customer-oriented approach to suggest that DCM relates to the “integration” of demand- creation and demand-fulfilment processes. Furthermore, there is a lack of understanding concerning the organisational efforts required to implement the alignment proposed by the DCM approach (Hilletoft, 2011; Jüttner et al., 2006), especially in relation to the internal organisation of the focal firm in a network (Rexhausen, Pibernik, & Kaiser, 2012).

Although lack of clarity in relation to key concepts may be relatively common in new strands of research, as researchers are entering new grounds, much has been written on the management of the different touch points existing between intra-firm departments that execute supply and market-related activities, namely the organisational demand–supply interfaces. The seminal work of Lawrence and Lorsch (1967) explores the need for departments to work together in order to achieve the expected performance outcomes. Since then, researchers have been exploring why two or more interfacing organisational departments should combine their efforts and how they could achieve that (e.g. Barratt & Barratt, 2011; Ellinger, 2000; Gimenez, 2006; Griffin & Hauser, 1996; Ruekert & Walker, 1987; Shapiro, 1977). Additionally, according to Corsaro and Snehota (2011), the concept of alignment is frequently associated with how individuals and work groups line up practices, interests, information, goals and behaviours.

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The extant DCM literature could therefore be neglecting rich academic developments that would help in improving and stabilising DCM conceptualisation. Existing knowledge on interfaces emerging from the studies on the relationship between departments responsible for demand and supply activities inside the company should help clarify what this demand and supply chain “alignment” proposed by the DCM approach means and how it could be implemented. Such reflections could create the means to improve the DCM notion of alignment and contextualise it into wider academic debates. Given this context, we pose the following research questions to explore the knowledge on interdepartmental interfaces: *RQ1: What are the main components of aligned intra-firm demand-supply interfaces? RQ2: What are the drivers, enablers and consequences of intra-firm demand-supply interface alignment?*

Considering “interface” to mean the point of encounter between dispersed departments, work teams, activities and subjects, we used it as the main search term in a systematic literature review of the papers that have studied the various intra-firm demand–supply interfaces. Then qualitative content analysis was employed to analyse the issues emerging from the papers collected. The data analyses provided a detailed view of the specific demand–supply interfaces so far examined in the literature and evidences linked to the critical issues associated with managing their alignment. The outcomes were synthesized into a comprehensive conceptual framework that identifies the construct of “integration” as the one summing up the heterogeneous terms used to express the demand–supply alignment. The framework also depicts the core components of integration (i.e. cooperation and collaboration) and maps the factors at play (drivers, enablers, moderators and outcomes) in integrating supply and demand departments. Reconnected to related academic debates, these research outcomes were used to expand and critically examine the idea of DCM and to ground reflections on the concept both from marketing and supply chain management perspectives.

The remainder of this paper is organised as follows. In the next section, we provide a theoretical background on the DCM literature to position the contributions of this work. A methodological section follows that presents the method used to select, sort and analyse the papers. Then, we describe the data analyses outcomes. In the discussion, research outcomes are summed up in a comprehensive framework of intra-firm departmental integration. We then reconnect our framework to related contributions in marketing and supply chain management literature to improve the DCM approach, conclude and propose suggestions for future research.

2. Theoretical background

Two different approaches to the notion of DCM have been developed: one is more oriented to supply chain management issues, and the other focuses mainly on the competitiveness resulting from the DCM strategy (Agrawal, 2012; Hilletoft, 2011).

2.1. DCM as a supply chain management approach

DCM has been defined as a specific approach to manage the supply chain (Frohlich & Westbrook, 2002). According to De Treville, Shapiro, and Hameri (2004, p. 617), a demand chain is “a supply chain that emphasizes market mediation to a greater degree than its role of ensuring efficient physical supply of the product”. In this vein, Bustinza, Parry, and Vendrell-Herrero (2013) propose that the adoption of a supply chain versus a demand chain management approach depends on the type of offering and on the level of customer involvement in the value aggregation process. A supply chain management approach is then more appropriate for product offerings that normally ascribe lower degrees of customer involvement into value production, while demand chain management is preferable when the offering also includes service aspects and customers who play a central role as value creators.

De Treville et al. (2004) also explore the advisable conditions to favour a demand or a supply chain approach and propose a typology of nine different degrees of supply chain adaptation to the demand, depending on the combinations of supply lead time capabilities and demand information transfer. Frohlich and Westbrook (2002), referring to the internet-based integration, suggest to manufacturers to focus on demand–supply integration while advice service providers to mainly focus on demand integration.

The DCM approach has also been seen as a strategy to achieve wider customer relationship management objectives when managing the supply chain. Cambra-Fierro and Polo-Redondo (2008), for instance, studying how demand chain management can affect customer satisfaction, found that adaptation to customers' needs significantly determines the level of customer satisfaction. Heikkilä (2002), scrutinizing the customer–supplier relationship, also explored how to find balance between customer satisfaction and supply chain efficiency. The author highlights positive reciprocal influence between good relationships with customers and improvements of supply efficiency: good customer–supplier relationships contribute to reliable information flows that, in turn, result in higher supply efficiency. Moreover, good understanding of customers' needs builds a good basis for fruitful cooperation between customers and suppliers, increasing the supply chain efficiency and customer satisfaction (Heikkilä, 2002). Therefore, a three-step process to overcome the trade-off between supply and demand chain focus is suggested: 1) understand customers' needs, 2) develop manageable alternative modular service offerings, and 3) improve operational efficiency involving the customer.

2.2. DCM as a means for competitiveness

DCM has also been conceptualised as the coordination between the demand and the supply processes across intra- and inter-organisational boundaries in order to obtain superior competitive advantage (Hilletoft, 2011; Jüttner et al., 2006, 2007; Rainbird, 2004). Most of these studies have been devoted to definitional aspects of DCM, aiming to identify its constituent dimensions and positive contributions, especially to competitive advantage. In this vein, Hilletoft (2011) conducted a literature review to clarify the conceptualisation of DCM by determining its constituting elements, benefits and implementation requirements. Concerning the definition of DCM, he identifies that some core relevant aspects characterising DCM are: market orientation, coordination of demand and supply processes, equal importance assigned to demand and supply processes, and the contribution of both supply and demand chains to value creation, differentiation, innovativeness, responsiveness and cost-efficiency. Concerning the main DCM benefits, the author proposes that DCM leads to enhanced competitiveness, demand chain performance and supply chain performance. Finally, the main requirements for implementing DCM include organisational competences, demand–supply chain collaboration and information technology support.

Jüttner et al. (2006), in turn, refer to the alignment theory and define DCM as the alignment between demand-creation processes (domain of marketing) and demand-fulfilment processes (domain of supply chain management) in order to develop superior customer value, and deploy resources efficiently. Similarly, Rainbird (2004) argues that DCM mainly involves the interaction between the departments of the supply and demand chains. Accordingly, the author pinpoints that DCM is not just a particular kind of supply chain, but involves the dynamic interaction between demand and supply and its link to competitive advantage. In his own words: “The best factory in the world is useless if it is producing the wrong product. The best innovation is worthless if it cannot be implemented. Competitive advantage can however be spawned by excellence in either supply chain processes or demand chain activities, or of course preferably both” (Rainbird, 2004, p. 249).

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