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Supply chain collaboration aligns order-winning strategy with business outcomes

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Abstract The paper aims to find out whether appropriate choice of collaboration will enable the required order-winners, leading to improved business outcomes. Structural equation modelling (SEM) was employed with cross-sectional data to test the hypothesised relationships among order-winners, modes of collaboration, and business outcomes. Results indicate that firms that focus on flexibility, quality, and delivery should develop strategic collaboration with suppliers to achieve market and innovation improvement. Cost- and quality-focussed firms should develop operational collaboration to achieve resource efficiency. The model allows managers to understand the right alignment of external suppliers while working on their own order-winners being pursued to win business performance.

Introduction

Managing supply chains has become increasingly strategic for firms as competition is now more between supply chains rather than individual firms (Hult, Ketchen, & Arrfelt, 2007; Whipple & Frankel, 2000). While the firm, being a chain partner, is making every attempt to become competitive through multifactor performance enhancement, this is unlikely to be achieved until manufacturing strategies are aligned appropriately with business strategies (Cousins, 2005). The need for such alignment between manufacturing and business strategies does exist, but it raises a question about what mode of collaboration benefits this in the long term. Scholars in extant literature have drawn attention to buyer–supplier collaboration for long term performance improvement where the focus is on issues either at buyers' or at suppliers' level (Cannon, Doney, Mullen, & Petersen, 2010; Koufteros, Vickery, & Dröge, 2012). This study focuses on the manufacture (buyer) side of the collaboration. Before we pitch our research on this collaboration, we would like to bring in three theories that we deem appropriate and provide the basis for this paper. First, the strategy–structure–performance (SSP) paradigm argues persuasively that a firm's strategy must be designed to satisfy the needs of customers, and the supply chain strategy needs to be complementary with that of the supply chain partners' (Defee & Stank, 2005). We extend this SSP supply integration concept in our research arguing that choice of manufacturing strategies can enhance business outcomes if

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they can be coupled with supplier collaboration. We consider a manufacturer-supplier dyad in this research. Second, the strategic focussed outcomes model (SFOM) proposed by Cousins (2005), and in support of the above SSP framework, proposes that firms pursue inter-organisational collaboration essential for the order-winning strategies being practised. The order-winning concept used in this research goes beyond the order-winners used in Cousins's model. Third, Fisher's (1997) model on the choice of supply approach emphasises the types of product (i.e. functional or innovative) that decide the modes of collaboration. We extend Fisher's model of efficient supply approach and market responsive approach in combination with the above two theories in the context of manufacturers inviting external suppliers to collaborate.

Although the above three theories have addressed the buyer–supplier collaboration framework separately, the challenge is how to organise all three into an over-archial model which is novel in this study. A set of order-winning strategies pursued by buyers (i.e. manufacturers) is yet to be studied in this relationship. Cousins (2005) considers cost-focussed strategy as playing merely a cost-reduction role in the short term, whereas differentiation strategy (i.e. careful management of resources and capabilities) would see supply as strategic. Although Cousins's model focuses on cost as order-winner, other order-winning criteria such as quality, delivery and flexibility are beyond the scope of Cousins's study. Further, Koufteros et al. (2012) examine the strategic selection of suppliers again based on resource-based capability (i.e. RBV) similar to Cousins (2005). These two studies have followed the SSP paradigm directed to cost- and RBV-focussed manufacturing strategy but have not covered other order-winners essential for full customer satisfaction. We submit that order-winning driven collaboration (i.e. operational and strategic) is the contribution of this research. A recent study by Hung, Hung, and Lin (2015) examines the relationship of order-winners, in the form of competitive priorities, with firm performance significantly moderated by strategic alliance in the context of the Taiwan electronic industry. In our understanding, no study so far has addressed an integrated model where dyadic collaboration pursues order-winners with business outcomes.

This paper therefore moves a step further by correlating the order-winners, modes of collaboration, and business outcomes within a sample of Thai manufacturers. The Thai manufacturing industry is diversified, and mainly assembly-focussed, anchoring on low-cost labour competitiveness (Prajogo, Laosirihongthong, Sohal, & Boon-itt, 2007). The industry is highly vulnerable to competition from other Asian countries. Phusavat and Kanchana (2007) argue for value-chain improvement across the Thai manufacturing industry. Prajogo et al. (2007) add that Thai SME manufacturers urgently need to improve their strategies to cope with ever changing competition in the region. This forces Thai manufacturers to seek collaboration with external suppliers in order to improve the currently low competitive advantage of the industry. To the best of our knowledge, an empirical study on Thai manufacturers' supplier collaboration is not yet documented in literature.

Therefore, in this paper, we examine the modes of collaboration that manufacturers require so that their manufacturing strategy achieves the order-winners for their customers. It is believed that the right mode of collaboration will deliver those critical order-winners, and improve business performance. The paper is organised as follows. First, manufacturing strategy with order-winners, modes of collaboration, and business outcomes are discussed along with associated hypotheses based on relevant literature. Second, the research methodologies are described, including sampling and measurement. Third, results for the confirmatory factor analysis, test for reliability and validity, hypothesised structural path model, and hypothesis testing are presented. The findings and managerial implications are then explored with directions for future research.

Literature review

Manufacturing strategy with order-winners

Skinner's (1969) pioneer work on the manufacturing-business strategy points out that the former drives the components of the latter. A clear understanding of what constitutes manufacturing strategy could lead to an appropriate choice of manufacturing processes. On the other hand, if a firm fails to recognise the relationship between manufacturing decisions and business strategy, it may become saddled with a non-competitive production system which is expensive and time-consuming to change (Skinner, 1969). Manufacturing strategy (MS) is a sequence of decisions over time enabling a firm to achieve a desired manufacturing structure, infrastructure and set of specific capabilities (Hayes & Wheelwright, 1984), and to determine the choice of a firm's investment in process and infrastructure (Hill, 2000). Manufacturing strategy is vital for a firm to stay ahead of others and hence remain competitive.

The choice of order-winners is considered to be an important part of the strategy of a manufacturing firm for success. Going beyond competing in the market as a "competitive priority", order-winning strategy aims to win customer orders by linking manufacturing to customer needs (Hill, 2000). Competitive priorities can be conceptualised as the generalisation of an order-winning strategy. Various types of order-winning strategies have been studied (Frohlich & Dixon, 2001; Phusavat & Kanchana, 2007), of which four generic criteria are widely accepted. These are cost, quality, delivery, and flexibility (Fabbe-Costes & Jahre, 2008; Hayes & Wheelwright, 1984; Peng, Verghese, Shah, & Schroeder, 2013). When a piece of research aims to collect data from more than one industry, these order-winners give the framework a wider suitability for various types of manufacturers' conditions. Further, the cumulative capability model (Ferdows & De Meyer, 1990) argues that order-winners can be developed simultaneously with quality being at the core of strategy making. The definitions of these order-winners are summarised below (Fabbe-Costes & Jahre, 2008; Ferdows & De Meyer, 1990; Trent & Monczka, 2003).

- Cost-focussed: the capability to produce and distribute products at low cost
- Delivery-focussed: the capability to meet the promised schedule with speed and high reliability in delivering product to customer

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