



Contents lists available at ScienceDirect

## Journal of Business Research

Unity is strength: A study of supplier relationship management integration<sup>☆</sup>Pejvak Oghazi<sup>a,\*</sup>, Fakhreddin Fakhrai Rad<sup>a</sup>, Ghasem Zaefarian<sup>b</sup>, Hooshang M. Beheshti<sup>c</sup>, Sina Mortazavi<sup>a</sup><sup>a</sup> Linnaeus University, 351 95 Vaxjo, Sweden<sup>b</sup> Leeds University Business School, University of Leeds, Leeds LS2 9JT, United Kingdom<sup>c</sup> Radford University, VA 24 142, USA

## ARTICLE INFO

## Article history:

Received 1 February 2016

Received in revised form 1 March 2016

Accepted 1 April 2016

Available online xxx

## Keywords:

Supplier relationship management  
Supply chain management, manufactory  
Process

## ABSTRACT

Researches on the supply chain management within the last decade demonstrate that business processes integration can increase the performance effectiveness and efficiency across the chain. This study intends to investigate the integration of the supplier relationship management (SRM) process between the manufacturer and its first upstream tier of suppliers within the construction equipment industry. This research also strives to identify the potential obstacles to the SRM integration and provides solution suggestions to overcome these barriers. In this regard, the review of the literature and subsequent analyses of the empirical findings from European construction equipment manufacturers illustrate that the SRM process integration can take place through the integration of its several sub-processes into strategic and operational characteristics. In this context, the lack of goal congruence, commitment, and trust between the manufacturer and its supplier are the major potential barriers to the SRM integration.

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## 1. Introduction

The intensive global market competition encourages manufacturers to establish strategic long-term relationships with their suppliers to have more efficient and effective performance and thus attain higher competitive advantages (Tseng, 2014). Supplier relationship management (SRM) process integration (Barua, George, Motilal, Porter, & Vann, 2013; Croxton, Garcia-Dastugue, Lambert, & Rogers, 2001; Vanpoucke, Vereecke, & Boyer, 2014) can help achieve this objective. Berente, Vandenbosch, and Aubert (2009) define integration as a synchronizing action that coordinates two or more organizational processes with the goal of performance improvement. Similarly, Forslund and Jonsson (2007) define integration as a process in which two or more enterprises jointly conduct and carry out the activities and processes within the supply chain. (See Tables 1 and 2.)

Given the benefits of the SRM integration, several researchers (Bharadwaj & Matsuno, 2006; Kato & Schoenberg, 2014; Vanpoucke et al., 2014) have called for further studies about this integration within the supply chain actors. In this context, Park et al. (2010) provide a framework for the SRM process integration. Kato and Schoenberg

(2014) study the impact of the SRM process integration on the customers. Perols, Zimmermann, and Kortmann (2013) conduct a research on SRM process integration focusing on time-to-market aspects in healthcare and information technology (IT) industries. Despite these efforts, no case-based research focuses on SRM process integration between the manufacturer and its first upstream tier of suppliers within the construction equipment industry of Sweden. Existing research merely discusses the importance of electronic supply chain management in Swedish firms (Oghazi, 2014) or investigates the antecedents and consequences of enterprise systems exploitation in Swedish service firms (Oghazi, 2013). Nevertheless, these studies draw on surveys and do not explicitly reflect the notion of SRM process integration between the manufacturer and its first upstream tier of suppliers.

Furthermore, SRM process integration could face potential obstacles. Forslund and Jonsson (2009) discuss obstacles in performance management process integration within a dyad. Katunzi (2011) discusses potential obstacles for manufacturers in integrating with their supply chains partners. Despite these efforts, no studies explicitly study the obstacles to the SRM process integration between the manufacturer and its first upstream tier within the Swedish construction equipment industry.

To address these research gaps, this study focuses on Swedish construction equipment industry. This industrial sector encounters low demand level, which is noticeable in its little activities in the export market (Teknikföretagen, 2014). This study, by offering a solid theoretical base and a framework for SRM process integration, can help those firms that are active in this sector to achieve higher competitive advantage thus leading to a higher demand for their products.

<sup>☆</sup> The authors thank Benoit Lebel and Bingzhou Wu, Linnaeus University, for their contribution in previous versions of this study. This article has its empirical and theoretical foundation in the thesis project of Fakhreddin Fakhrai Rad, Lebel, and Wu (2015) at Linnaeus University.

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**Table 1**  
SRM process integration through the sub-processes.

Name of SRM sub-process	Company	SRM sub-process integration
<i>❖Strategic sub-processes</i>		
Review corporate, marketing, manufacturing and sourcing strategies	Engcon Sandvik Scania VCE	-Integration through the exchange of accurate and reliable information regarding the potential suppliers' production capability, capacity, quality, cost of product, flexibility and speed of production.
Identify criteria for segmenting suppliers	Engcon Sandvik Scania Peab	-Integration in order to have access to the suppliers' production capacities, technical skills and transportation facilities with the purpose of implementing a dual sourcing strategy.
Provide guidelines for the degree of differentiation in the product and service agreement	Engcon Sandvik Scania Peab	-Information that the suppliers provide in the first strategic sub-process allows one to identify the criteria for the suppliers' segmentation into the key and standard ones. -Integration through the jointly design of a "common" product and service agreement (PSA) that meets the demand of both manufacturer and its suppliers.
Develop framework of metrics	Engcon Sandvik Scania VCE Peab	-Integration through the comprehensive negotiations with the key suppliers over the creation of "customized" PSA that satisfies their requirements in order to motivate the key suppliers to be more committed and establishing solid long-term relationship with them. -Exchange of intra-organizational data between the manufacturer and its suppliers in order to have better understanding of each other capabilities and needs. This exchange takes place in the first strategic sub-process.
Develop guidelines for sharing process improvement benefits with suppliers	Engcon Sandvik Scania VCE Peab	-Then based on the exchanged data that reflects partners' capabilities, the integration takes place through the discussions that occur by face-to-face meetings between the partners about the feasible and realistic metrics that they can determine for future performance measurement. -Integration through the partners' agreement for sharing the profit that results from the process improvement (e.g. reducing the lead time).
<i>❖Operational sub-processes</i>		
Differentiate suppliers	Engcon Sandvik Scania Peab	-Information exchange that results from the integration of the first strategic sub-process enables the manufacturer to assess the suppliers based on their growth rate, profitability, and strategic value.
Prepare the supplier/segment management team	Engcon  Peab Scania VCE Engcon	-Holding inter-organizational meetings with each one of the five key suppliers independently. -Integration with the key suppliers through these meetings by structuring a mechanism for sharing the technical resources. -Creating a cross-functional team and involve both the key and standard suppliers into this team. -Having an independent cross-functional team with each key supplier. Each team includes members of both the key supplier and the manufacturer for better operationalization of the PSA in the further sub-processes.
Internally review the supplier/supplier segment	Engcon Sandvik Scania Peab VCE	-Developing a key supplier account management structure for better control and coordination during the PSA execution. No integration.
Identify opportunities with the supplier/supplier segment	Engcon Sandvik Scania Peab VCE	-Supply chain partners desire to improve four key performance indicators during their partnerships. These indicators are cost, quality, environmental affect and delivery performance. -The inter-organizational team that results from the integration during the second operational sub-process can develop a decision of consensus between both integrated partners regarding the opportunities and indicators improvement. To do so, partners can exchange resources, knowledge, and transportation facilities: three initiatives which are triggers of the integration.
Develop the product and service agreement and communication plan	Engcon Sandvik Scania Peab VCE	-After the development of the PSA through the negotiations in the second and third strategic sub-process, the integrated supply chain partners should draft and then write down the agreed elements and factors in order to finalize the PSA for its execution. -The PSA should also clearly state the communication procedure to avoid future potential disputes.
Implement the product and service agreement	Engcon Sandvik Scania Peab VCE	-During the PSA implementation, partners should integrate through the exchange of knowledge and technical support. -For better coordination, partners should have meetings on the regular basis and discuss the implementation comprehensively.
Measure performance and generate supplier cost/profitability reports	Engcon Sandvik Scania Peab VCE	-Integration through the joint performance measurement along with the supplier helps the manufacturer to track the roots of deviations within wider range of supply chain actors. -Integration can also increase the accuracy of measurement because the integrated supplier is closer to and has higher involvement with the further upstream tiers of suppliers.

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