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The Role and Value of Collaboration in the Logistics Industry: An Empirical Study in Australia

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ABSTRACT

This paper explores the role and value of collaboration through telephone interviews with 32 senior managers in the Australian logistics industry. Key findings from this elite sample include collaboration being a significant strategy which has been successfully utilised to grow business over the past three years by the majority of the sample. Their strong commitment to collaboration as a strategy demonstrates its perceived value to their organisations. The interviewees anticipate that the number of collaborations will continue to grow in the industry over the next decade, indicating that managing collaboration's key enablers, such as business facilitation skills, is important to ongoing success. Reinforcing collaboration enablers may benefit organisations collaborating in Australian and Asian logistics systems.

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1. Introduction

Collaboration, which facilitates benefits such as innovation, resource sharing and access to economies of scale, is a strategy that is increasingly being advocated (Eisenhardt & Martin 2000; Fawcett, Magnan & McCarter 2008). Collaboration is a valuable dynamic capability such that more agile companies can then reap the advantage (Barney 1991; Helfat & Petraf 2003). However collaboration is often seen as being unsuccessful and costly (Fawcett, Magnan & Fawcett 2010). Additionally working

closely with another organisation can require a change in managerial thinking and practices to see the value in working together. Consequently an organisation will also have internal enablers and inhibitors that impact the driving forces to collaborate (Fawcett et al 2012). A particular development of research interest is the growth of collaboration in the logistics industry. This paper studies the role of collaboration in the freight task, with a focus on the Australian logistics industry.

In Australia the task of freighting goods is expected to provide ongoing growth in demand for the logistics industry over both the short and medium term (KordaMentha 333 2013; Transport and Logistics Industry Skills Council 2013). In particular, recent free trade agreements signed with Japan, South Korea and China has provided Australian businesses with major opportunities to not only boost exports and break into key Asian markets but also import more Asian products to benefit Australian consumers. Consequently, the freight task is expected to grow further. Currently, the \$94bn logistics industry contributes approximately 3.1 per cent to Australian GDP (Kittel & Haugstetter 2011; KordaMentha 333 2012). The Australian Logistics Council (2012) suggests the significance of its impact on the Australian economy is greater, indicating a 14.5 per cent contribution to GDP. The industry employs approximately 1.2 million people in some 165,000 enterprises; 135,000 of these enterprises employ less than 10 people (Australian Logistics Council 2012; Transport & Logistics Industry Skills Council 2013). The industry is highly competitive with low returns, downward pressure on price and heavy investment in expensive fixed assets. Innovation, strategic management and sound management practices and principles become critical in this environment for long term viability.

Logistics service providers convey freight, creating a transport and storage network that connects suppliers and customers, for example from manufacturing sites to retail outlets. Despite apparent opportunities for interaction and collaboration in the network, recent research highlights low levels of collaboration in the Australian logistics industry (Storer & Hyland 2011; Torugsa 2011). This contrasts with international research that indicates the number of collaborations are increasing (Kampstra, Ashayeri & Gattorna 2006), providing impetus for this study in Australia.

Against the above background, this study investigates collaboration in the Australian logistics industry. Key issues studied include the use of collaboration as a strategy in a highly competitive, low margin environment; and, if collaborating occurs, what practitioners found to be key success factors.

Following this section, the paper reviews the literature pertaining to collaboration, including its drivers, benefits and enablers. The research methodology is explained, followed by the report of findings. This paper concludes with the study's implications for entities in logistics networks, with reference to Asian logistics, and its limitations.

2. Collaboration

Collaboration occurs primarily as a result of competitive dynamics. Such dynamics encourage organisations to utilise resources and competences of other organisations that together create customer value (Barney 1991; Eisenhardt & Martin 2000). Collaboration can occur either horizontally, for example amongst logistics service providers, or vertically, with other organisations in supply chains (Simatupang & Sridharan 2002; Mason, Lalwani & Boughton 2007). By bringing complementary resources together, organisations can develop relational capabilities that create above average economic rents and improves organisational performance (Dyer & Singh 1998; Harrison et al. 2001). Being able to combine and structure resources in novel ways that are difficult to replicate can create competitive advantage (Barney 2001; Eisenhardt & Martin 2000). The relational view of the firm supports this notion, by arguing that inter-firm resources and routines can be sources of advantage (Dyer & Singh 1998), with more valuable and rare resources yielding greater advantage (Barney 1991). By integrating complementary

competencies with routines, organisational performance may be improved by both reducing costs and improving customer satisfaction (Fawcett, Magnan & McCarter 2008; Pentland & Feldman 2008).

Increasing recognition that a large percentage of an organisation's non-imitable capabilities are sourced from outside its boundaries has led to the growth in collaboration-enabled supply chains. Extended enterprises provide opportunities for competitive advantage by accessing and melding resources and routines across the supply chain to improve performance (Mentzer, Stank & Esper 2008). Examples can be seen in the success of companies such as Wal-Mart, Dell and Cisco Systems (Moberg, Speh & Freese 2003). Empirical research confirms these positive outcomes of collaboration in supply chains, particularly by improving productivity, customer satisfaction and customer service (Fawcett, Magnan & Fawcett 2010). Collaborations thus provide an opportunity to both access external capabilities and develop routines that can further enhance competitive advantage, making a collaboration-enabled supply chain a powerful strategic tool for organisation sustainability. Such linked entities incorporate strategic opportunities for both exploitation and exploration. Collaboration is a valuable dynamic capability (Helfat & Peteraf 2003) such that more agile companies can then reap the advantage.

2.1. Collaboration Drivers

Collaborations are examples of rich sources of reciprocal flows between organisations that occur in a dynamic business ecosystem. Organisations are effectively part of a broader network, a system of interconnecting parts 'that are not centrally directed' (Ritter, Wilkinson & Johnston 2004, p 177). Effectively, collaborations are a touch point for diverse, interacting systems, connecting key components of the business ecosystem. Forming collaborations occurs in this dynamic environment and may provide the rationale for organisations working together strategically, often utilised to cope with uncertainty (Park & Ungson 2001; Spekman et al. 1998). For example, the increasing interest in the sharing and working together creating co-competition changes values and ways of thinking (Hurmelinna-Laukkanen & Ritala 2010; Song 2003). The boundaries between the collaboration, the parent organisations and the environment enable the interactivity and reciprocal flows. Reciprocal flows such as the movement of goods, factors of production and information within a marketplace encompass ways in which actions can reinforce or counteract each other (Senge 1990) as the exchange processes affect both the drivers to form collaborations and the outcomes of such activities.

The strategic decision to collaborate is informed by intelligence relevant to long-term returns on investment such as market trends and competitor analysis; strategic choices between activities are determined by perceived future benefits (Todeva & Knoke 2005). The initial drivers for collaboration arise from the many positive strategic outcomes that are possible when collaborating with other organisations. Strategic outcomes include the potential for cost savings, improved customer service, better decision making and innovation (Hansen & Nohria 2004; Helfat & Peteraf 2003). Such gains may arise through interaction effects (Walters, Bjattacharjya & Chapman 2011). Yet, as indicated by the diverse drivers given in Table 1, clarity surrounding the initial drivers for the formation of collaborations remains unclear. However the inherent dynamism in collaborations may, to some extent, be muddling the understanding of their drivers. As the effects of collaboration create more benefits, throughout the collaboration life-cycle, it may become more difficult to separate the drivers and the benefits. Further, with the multi-disciplinary

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