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SUPPLIERS' INTEGRATION: ASSOCIATED CHALLENGES AND FUTURE DIRECTION

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ABSTRACT

The contemporary organizations are facing lots of challenges from different sides, and organizations are trying various ways to overcome those obstacles. One such thing is the supplier relationship management. There are various benefits that an organization can attain from partnering and integrating with its suppliers, yet this area has to be developed further so that organization can take advantage of this. The purpose of this research was to evaluate challenges associated with the integration of an organization with its suppliers. For this purpose, the researcher used two-fold strategy, which included a review of the literature and a personal reflection on the selected topic. The findings of research revealed some challenges including different types of organizational systems, different priorities, issue of trust and secrecy, different level of the supply chain, etc. Future researchers should evaluate this issue keeping in mind soft organizational factors such as employee motivation, loyalty, commitment, etc.

KEYWORDS

Supplies Integration, Future Direction.

1. INTRODUCTION

It is the first section of this paper and presents the introduction of the paper. Different sub-sections, which will be submitted in this section, include background, problem discussion, research question and methodology as well as limitations of the research.

1.1. BACKGROUND

Engadget (2014) suggested that in the present times, organizations are facing an ever-high level of competition. To survive in such stiff competition, organizations are trying to come up with different ways/strategies through which they can survive and excel in hostile markets. In a quest to do, organizations are not relying on their owned resources only rather managers have moved out of their value chains and used resources from a wider supply chain (Wisner et al., 2015). In the present time, the reliance of organizations on their suppliers is ever higher, and with the increase in the level of outsourcing practices, it is likely to increase in future (Quinn and Strategy, 2013). Because of such linkages between organizations and its suppliers, it is important that organizations should consider ways through which they can develop a better relationship with their suppliers so that all the parties in the supply chain can cooperate with each other for mutual benefit (McCarthy et al., 2013). According to Li et al. (2014), organizations need to collaborate with its suppliers strategically. This can be done by sharing of information between the members of the supply chain, coordination of movement of goods and services as well as through participation in the financial decisions of the members of supply chain. Jia et al. (2015) regarded supplier relationship management as an important area as this serves as a basis for competitive advantage for the firms. Cooperation and coordination between the supplier's lead generation of new knowledge, which may act as the basis for the development of new products and services.

1.2. PROBLEM DISCUSSION

Jia et al. (2015) highlighted that supplier relationship management (SRM) is an issue of pivotal importance. A good rapport between an organization and its suppliers may serve as the basis of competitive advantage. Scheer et al. (2010) highlighted that effective and efficient relationship between members of supply chain leads to both short-term as well as long-term improvement in the quality of process as well as products offered by the members of supply chain. In addition to this, such cooperation may also lead to the reduction in overall cost of production along with the improvement of delivery performance. Further to this, Yusuf et al. (2014) highlighted that if reliable suppliers are available, the organization does not have to spend money on development of its resources as organizations can rely on the resources of its suppliers. Likewise, organizations do not have to spend money on acquisition of new technology as organizations can outsource same technology from its suppliers. However, Fawcett et al. (2014) suggested that development of such relationship between suppliers is not free from efforts. It requires integration between the members of the supply chain as if considered on overall supply chain level, all the members of the supply chain are highly interdependent. Owing to this importance, supplier relationship management is a paramount issue of supply chain management, and if organizations want to achieve competitive advantage then organizations should strive for improving their relations with their suppliers. In this regard, when an organization and its suppliers intend to develop a relationship, they have to consider the level of integration between the two. Mohsen and Laadjal (2015) regarded that supplier integration is associated with the degree of interdependence between an organization and

its supplier so that working together they can provide value to ultimate customers. Liao et al. (2011) suggested that supplier integration is traditionally considered as an issue in which an organization integrates with its suppliers vertically, however, now there are other ways in which this integration is being considered (Prajogo and Olhager, 2012). Further to this, Wisner et al. (2015) added that since customers' value is not confined to the value chain of only one organization rather, it is generated from activities of all the organization in the supply chain. Owing to this, members of the supply chain should look at the processes and activities through which such integration between the member firms may take place. This calls for increased attention and research in this area. Such research will be beneficial for both not only organizations in the form of process improvement, but customers of the organization will also get benefit from it in the form of better quality of products and services. Lowman et al. (2012) suggested that customers' requirements are in a constant state of flux which compels organizations to develop new products leading to a situation in which existing products may not be required by the customers and have to abandon. In this case, organizations have to change their relationship with its suppliers. Keeping launch of new products in mind, it becomes imperative that one should evaluate the issue of supply chain integration between the members of supply chain.

1.3. PURPOSE OF RESEARCH AND RESEARCH QUESTION

This research aims to assess challenges associated with the integration of an organization with its suppliers. For this purpose, the researcher will use two-fold strategy. To start, a review of literature will be carried out. This will be followed by a personal reflection of the research in this area.

The central research question that this paper will address is "In the domain of supplier relationship management, what are the challenges associated with supplier integration for new product's development.

For this task, the focus would remain on the evaluation of problems rather than the creation of framework related to integration. The objective of this paper would be to carry out an analysis of factors, which may serve as an obstacle towards integration of suppliers with its organization. Such integration between the supplier and organizations will increase effectiveness and efficiency of products and processes.

1.4. METHODOLOGY OF PAPER AND LIMITATIONS OF RESEARCH

For this work, a review of relevant literature conducted. The selected literature was not only presented in section one of this paper but also in the second chapter in the form of literature review. The focus of this review will be on identification of obstacles related to supplier integration. The analysis related to this paper presented in the third section of this paper. Finally, the conclusion of this study presented in section four of this paper. Primarily, information collected and used in this research based on secondary data resources. However, analysis part of this paper is not only based on literature review but also based on researcher's reflections.

The main limitations of this paper are that data used in this research based on existing literature and researcher's biases as the article based on personal observations of the researcher. Other limitations of this article are related to time, financial resources and scope of work. The primary focus of this article would remain on integration issues related to new product launch. The data collected for this research project was extracted mainly from Google Scholar.

2. LITERATURE REVIEW

In this section, review of selected literature on the topic will be presented. Various themes that will be introduced in this regard include the importance of supplier relationship management, level of integration, new product development and factors that may hinder integration between the organization and its suppliers.

2.1. Importance of Supplier Relationship Management

Jia et al. (2015) suggested that supplier relationship management is one of the neglected areas of business. The focus of all the business activities is to increase the satisfaction level of the customers by providing them more and more value. In this regard, organizations should attempt to improve their relations with its suppliers so that requisite level of value can be generated for the customers. Wisner et al. (2015) suggested that supplier relationship management should be given importance as this influences the attainment of competitive advantage. It is, therefore, should be considered a strategic approach. Based on this, both organization and its suppliers develop awareness about each other so that they can have the better know-how of the activities and processes of each other. Such knowledge helps both parties in improving communication between the two sides as well as in resolving issues related to business more effectively and efficiently.

There are many advantages related to effective supplier relationship management and integration. Turker and Altuntas (2014) highlighted the case of the fashion industry and emphasized that if an organization wants to deliver high value to its customers in the form of speed of material delivery as well as provision of quality products, then it should integrate with its suppliers. Such integration will help members of supply chain management in developing awareness of each other and based on this knowledge they can develop better quality products and services as well as they can timely provide goods and services to its customers. Further to this, Yusuf et al. (2014) suggested that integration between the supplier and the organization helps in the smooth-sailing production of products which can be provided to the customers in-time. Like, Roh et al. (2014) added that integration with supplier leads to high level of clients' satisfaction as well as an increase in business as the organization can capture more deals from the customers. Christopher and Ryals (2014) added that if an organization and its suppliers are integrated with each other then it would save the cost of operations which increase overall profits of the supply chain. By integrating with suppliers, both parties can move to the just-in-time system of inventory as well as can reduce stock-levels.

2.2. Levels of Integration

Turker and Altuntas (2014) suggested that there is an influence of level of supply chain integration on the performance of the organization as well as its ability to compete in the marketplace. Higher the level of integration between the firms, greater will be their capacity to compete in the marketplace. Lowman et al. (2012) suggested that with the increase in competition between the industries and firms, now more and more products have shorter product life cycles. It raised challenges related to process development and working with suppliers. Organizations have to work in close collaboration with its suppliers to satisfy customers in a better way as well as maintain better relations with the supplies. It requires that firms should work on integrating with its suppliers.

Stefan Schaltegger et al. (2014) suggested that supplier integration is a process which brings business planning and performance evaluation close to each other with an aim to improve competitiveness level of the business so that more and more value can be provided to the customers. It involves an active exchange of information and communication between the organization and its suppliers which may lead to a reduction in lead time, sales return, shorter product development times and reduced obsolescence levels. Supplier integration is the level to which an organization and its suppliers work together in a way that they can achieve mutually beneficial outcomes. It can be accomplished by mutual coordination, interaction, and collaboration between the parties in the supply chain. The members of the supply chain should work together in a way that manufacturing, purchasing, and logistics department work together so that performance levels can be improved. Knowledge of these processes will help in integration between the members of supply chain.

2.3. New Product Development

Davila (2000) suggested that new product development is a multistage process, starts from the generation of idea and ends by the time when the new product is developed and given to the market. Moving from the step 1 to the last step, the refinement of an idea takes place. During this process, several improvements made to the original product idea which improves overall business and technical feasibility of the product to be launched. Likewise, there are chances that during one or more of these stages, original product idea may be modified. Such modification in the product may be initiated by one or more of the members of the supply chain possibly by one of the suppliers. Chen (2011) highlighted that supplier of raw materials and services are a valuable player during new product development stages as they are the ones who provide essential materials/services which are to be used in the production of goods and services. In addition to this, suppliers also offer different types of technologies which may be crucial for the development of products and services for the organization. It may help in quick and better development of goods and services. Since the involvement of supplier is critical for new product development so, organizations should regard supplier relationship management as an important issue and analyze its current state of relationship with the supplier and attempt to improve it as per requirements.

2.4. Factors that Hinder Supplier Integration

Yusuf et al. (2014) observed and highlighted that there are different ways in which relationship between the organization and its suppliers influence new product development. The higher the level of integration between the supplier and the organization, higher will be the chances of development of effective and efficient products and services. Christopher and Ryals (2014) observed and presented the case of different companies where problems related to supply chain integration overcome by the companies and based on better integration between the two companies, new product development process was improved. In this regard, like many other things of the world, this is also not free from challenges so one should keep an eye on the problems related to integration between the suppliers. An account of few such factors given below.

2.4.1: Issue of Trust

An important issue related to the linkage between an organization and its supplier is related to that of trust (Brewer et al., 2013). If both parties do not trust each other then they would not collaborate with each other leading to lower level of integration between the two sides. A small degree of

integration between the two parties may have an adverse impact on the new product development process and organizations in the supply chain may lose its competitiveness against other organizations.

2.4.2: System Integration

Teo and Bhattacharjee (2014) highlighted that organizations tend to refrain from collaboration with its suppliers because it's hard to collaborate with them as systems of both organizations are not same. If the prevailing systems of the partnering organizations are not similar to each other then there are chances that organizations that intend to integrate with each other may not be able to do so. So, if two organizations plan to do such form of collaboration with each other, then such organizations may have to work together for the development of such systems.

2.4.3: Different Priorities

Dey et al. (2012) suggested that an important issue related to integration between an organization and its suppliers associated with various priorities. If one of the participating organization may have a focus on the provision of low-cost products whereas others have a focus on the provision of premium products, then these organizations would have different priorities. On one side, one of the partners attempts to minimize cost as much as possible whereas other would not have focused on such issues. It leads to lower level of integration between the two. As of an example, one of the partners may have focused on the maintaining an optimal level of inventory whereas, in case of other, this might not be the true.

2.4.4: Difference of Metrics and other Aspects of Performance Management System

Forslund and Jonsson (2007) presented a performance management framework concerning integration between the suppliers and the organization. There are various steps in which such integration is required (see figure 1).

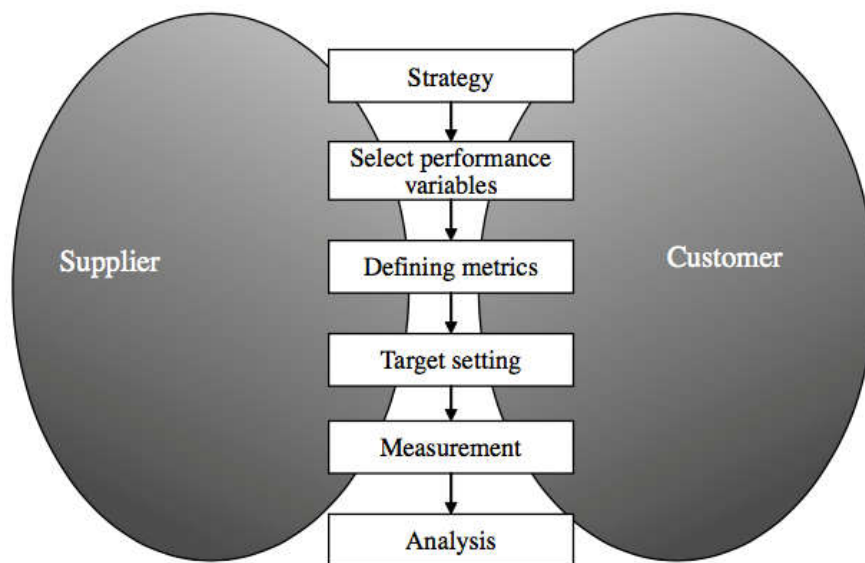


Figure 1: Supplier-Customer Integration

If the integration does not take place in all the areas mentioned above, then some chances partnering organizations may not reap all the benefits related to integration with each other. For instance, if the measurement system of the two organizations has different performance metrics then there are chances that partnering organizations have to strive hard for the attainment of desired results as both organizations may be focusing on different things.

The informational and organizational integration can, however, be expected to differ between activities. The level of integration of the activities “selecting performance variables,” “defining metrics” and “target setting” should, for example, be affected by the culture and organizational structure and functioning that allow for inter-organizational integration.

3. ANALYSIS AND DISCUSSION

In this section of the paper, analysis and discussion related to the integration associated with supplier integration at product development stage will be given. The literature presented earlier in this article identified that it is beneficial for the members of the supply chain to integrate with each other. Such integration will lead to a situation in which all the members of the supply chain including customers, may benefit. If organizations that are attempting to integrate with each other develop trust on each other then they would be more tempted toward integration (Brewer et al., 2013). Trust issues arise when organizations feel that because of integration of partnering with each other, they may lose their secrecy. The literature that we have reviewed for this paper did not identify the case of integration where there is a competition between the two members of the supply chain in the same area. Because of the fact, that two members of the supply chain are in competition with each other then they would not tend to cooperate with each other. This competition, as well as lack of cooperation, will lose the benefits related to integration. In addition to this, the existing literature does not specify the situation where one of the partnering organizations feel that because of integration, it may lose its competitive advantage. For instance, Wisner et al. (2015) suggested that supplier relationship management should be given importance as this influences the attainment of competitive advantage. An organization may use the technology and facilities of the supplier to gain the competitive advantage in its strategic group, yet it may fail to identify the viewpoint of the supplier who may provide his unique technology or make available its unique competencies to the organization and by doing so, may lose its competitiveness.

Further to this, work carried out by Forslund and Jonsson (2007) suggested that if supplier and organization intend to integrate with each other, they have to work on some areas. These areas include strategy, selection of performance variables, defining metrics, target setting, measurement of performance variables, and analysis of the given issues. The work carried out by Forslund and Jonsson (2007) has focused on the dyadic level, yet their work did not highlight the case of more than two members in the supply chain. The existing dyadic level of analysis over-simplistic whereas the literature on the supply chain management tend to discuss the issues on the level of entire supply chain rather than only two members of the supply chain. Further to this, the existing literature on supplier relationship management has developed a compelling case for supplier integration. For instance, Jia et al. (2015) highlighted that supplier relationship management (SRM) is an issue of pivotal importance. A good relationship between an organization and its suppliers may serve as the basis of competitive advantage. Scheer et al. (2010) highlighted that effective and efficient relationship between members of supply chain leads to both short-term as well as long-

term improvement in the quality of process as well as products offered by the members of supply chain. However, the researchers did not find an equal emphasis on associated challenges related to the issue. For instance, I did not find an impact on the possible integration on the motivation level of the existing staff members of the partnering organization. There are chances that because of such integration, organizations may earn cost-efficiency by a reduction in the number of people. The researchers did not find literature on the motivation level of people who would be adversely influenced because of integration between the two companies in the supply chain. An evaluation of soft-factors should also be carried out, in this regard.

In addition to this, considerable evidence was available related to integration between the members of the same supply chain (For example, Jia et al. (2015), Scheer et al. (2010), Yusuf et al. (2014) and Fawcett et al. (2014)) yet researchers did not find literature where members from two different supply chains can cooperate with each other. It is to say that we did not find literature which highlights the potential benefits related to the integration of members from two different supply chains. These members could be from two different product/markets or even from same product/markets yet from two different locations. Further to this, researchers identified literature on supplier relationship management and integration along with the level of integration (low, medium and high) (For example, Lowman et al. (2012), Jia et al. (2015), Scheer et al. (2010), Yusuf et al. (2014)) yet researchers did not present material on sustainability of such integration. For example, researchers did not find literature on influence on the change in internal (organization specific, i.e., change in circumstances of partnering organization) as well as the external environment (change in political, legal, social, technological and economic factors surrounding an organization). Wheelen et al. (2015) suggested that a change in these circumstances do influence organization and its likelihood. It is an area that needs further investigation by the researchers in this field.

Further to this, existing literature on supply chain management indicates that members of supply chain should collaborate with each other (For example, Lowman et al. (2012), Jia et al. (2015), Scheer et al. (2010), Yusuf et al. (2014)) yet existing literature did not specify the issue on the level of cluster. Porter (2008) suggested that instead of focusing on individual supply chains, organizations should look at the competitiveness of the members of the cluster in which it exists. The existing literature does support the case of integration between the members of same supply chain, yet it does not address the issue on the level of the cluster. It is an area which needs to be addressed by the future researchers.

4. CONCLUSIONS

The contemporary organizations are facing lots of challenges from different sides, and to overcome those obstacles, organizations are trying different things. One such thing is the supplier relationship management. There are some benefits that an organization can attain from partnering and integrating with its suppliers, yet this area has to be developed further so that organization can take advantage of this. The organization can benefit in the form of reduction of cost, use of better competencies of the supplier, use of technology of the supplier as well as the utilization of the talent of the supplier. However, this is not free from challenges. Organizations may have different types of systems, which may compromise their collaboration with each other. Likewise, organizations may also have different priorities based on their own and industry situations which may also hamper their ability to integrate with other. In addition to this, issue of trust and secrecy

may also pose challenges to supplier integration. There are many areas in which existing literature address the issue of supplier integration yet there are other areas where this issue yet to be addressed. For instance, supplier integration should be evaluated at the level of entire supply chain rather than at the dyadic level. Likewise, future researchers should also consider supplier integration at the level of two different supply chains as well as at the level of clusters. Existing work could be regarded as simplistic as it deems only dyadic level of analysis. The future researchers should also evaluate this issue while keeping in mind soft organizational factors (for example, employee motivation, loyalty, commitment, etc.). An evaluation of the proposed research areas will be an excellent addition to the existing body of knowledge.

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