



Unchained from the chain: Supply management from a logistics service provider perspective

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ABSTRACT

The last few years have seen increasing recognition of the work of logistics service providers, as well as the significance of functioning supply relationships. This paper proposes an alternative view of supply management that builds on the observation that traditional supply chain management focuses on logistics clients rather than the service providers themselves. The paper utilizes the 4 Resource Interaction tool to illustrate how a logistics service provider faces different idea structures and activated structures than its clients in three different markets. The resulting resource perceptions and preferred resource combinations create tensions and tradeoffs between the logistics service provider and its clients. Unchaining logistics from the conventional chain structures achieves a more comprehensive understanding of interactions between shippers and logistics service providers.

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1. Introduction

The integration and management of logistics and manufacturing are fundamental dimensions of interorganizational strategy (e.g., Pagh & Cooper, 1998). Indeed, observers are increasingly perceiving supply chains as essential representations of interorganizational relationships; some researchers even argue that competition has shifted from firm vs. firm competition towards supply chain vs. supply chain struggles (e.g., Ketchen & Hult, 2007). This development implies the growing importance of management of supply relationships.

Previous work on supply chain management has focused on understanding how logistics can interact with strategy and structure in order to provide a manufacturing firm with a competitive advantage (cf. Stock, Greis & Kasarda, 1998). This concern has also started to cover the use of logistics resources (cf. Gadde, Håkansson, Jahre & Persson, 2002; Jahre, Gadde, Håkansson, Harrison & Persson, 2006). From a resource interaction standpoint (e.g., Håkansson & Waluszewski, 2002; Wedin, 2001), the value of resources depends on their combinations with other resources, both inside and outside organizational boundaries.

The basic rationale of the present paper is that mainstream supply chain management essentially builds on the strategies, structures and resource combinations that seem appropriate for manufacturers and retailers; that is, the organizations that are traditionally the supply chain's primary actors (cf. Lambert, Cooper & Pagh, 1998). The literature has not directed sufficient attention to the so-called support

actors, such as logistics service providers, and their view of supply management.

This is unfortunate given the importance of companies trying to understand, from the perspective of the other participating actors, how their relationships and networks function (cf. Håkansson & Ford, 2002: 138). Idea structures, which represent an actor's underlying knowledge, ideas, and goals, influence the actor's viewpoint. A clearer and more articulate idea structure enables the interacting parties to understand each other better (Baraldi & Waluszewski, 2005; Håkansson & Waluszewski, 2002). The value chain model (Porter, 1985) is the field's dominant idea structure and provides the basic explanation behind the imbalanced focus on manufacturers and retailers in the supply chain literature. Like other areas of strategic management, the supply literature is "chained to the value chain," to borrow a phrase from Normann (2001). Furthermore, idea structures have an intimate association with activated structures. The supply chain literature has a corresponding close association between the value chain model and the emphasis on supply chains.

This study aims to unchain the logistics service provider from the value chain logic by addressing the following questions: What are the basic differences between the idea structures and the associated activated structures, guiding logistics service providers and their customers? How will such differences influence the perception and combination of resources in supply relationships?

The well-known value chain model (Porter, 1985), and the more recent value network model (Stabell & Fjeldstad, 1998) represent two important idea structures in supply relationships. The common notion of supply chains and the more recent perspective of supply networks are regarded as the main activated supply structures. The 4 Resource Interaction framework (e.g., Håkansson & Waluszewski, 2002) is used

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for analyzing the structures. The study's main contribution is the explanation of how the dominating idea structures and activated structures delimit our understanding of logistics service providers' contribution to functioning supply relationships.

2. Supply management and associated idea structures and activated structures

The basis of an idea structure is a set of principles and technologies and the idea structure refers to a “pattern of different logic, includes knowledge of different technological possibilities as well as different actors' problems, goals and ambitions” (Håkansson & Waluszewski, 2002: 80). An idea structure can be more or less in accordance with an activated (physical) structure. The development of the idea structure takes place in close relation to the activated structure and the expression of the idea structure can occur in manuals, pictures and drawings, including a set of principles.

Håkansson and Waluszewski (2002) further stress that the idea structure is important to the activated structure by facilitating an interpretation of the activated structure, including an understanding of how it works and the technology involved. The idea structure can also act as a source for making conscious decisions regarding change in the activated structure. Fig. 1 illustrates the following presentation.

Consequently, the following presentation extrapolates the notion of idea structures and activated structures into the realm of supply chain management, with a focus on the logistics service provider.

2.1. Traditional supply chain management (cell 1)

The value chain model (Porter, 1985) represents a powerful idea structure in supply relationships. The model builds on a number of principles that have had significant impacts on the understanding of logistics and supply chain management. The model has a certain pattern and a specific focus on a core technology and provides a specific view of actors' goals and ambitions. The value chain model also influences activity structures in the form of supply chains in a profound way.

One basic characteristic of the value chain—as the layout of the primary activities in the generic model indicates—is a long-linked technology (see Porter, 1985: 37). The process involves the serial execution of tasks, which means that interdependencies are sequen-

tial (e.g., the outputs of inbound logistics are the inputs of operation activities). A series of activities captures value creation. These activities transform inputs into products and explain performance as a result of the optimization of distinct production functions.

In line with the reasoning of Stabell and Fjeldstad (1998), the focus of the value chain firm is an organization that converts raw materials into more or less standardized, tangible products, the main cost driver of which is economies of scale. According to Porter (1985), the value of the product in the marketplace is the vehicle that creates differentiation from competitors' products. The focus on the physical products makes the model particularly relevant for product owners, such as manufacturers and retailers; that is, the clients of logistics service providers.

The supply literature typically represents the corresponding activated structure as a supply chain, portraying the structure as the flow of goods from the manufacturer to the warehouse/distribution center, then to meet retailers' orders, and finally to the consumer. In line with Porter's (1985) reasoning, value systems/supply chains consist of a number of sequentially interdependent value chain operations. This line of reasoning is in accordance with the content and focus of what supply chain management is all about, which is the same as managing upstream and downstream relationships with suppliers and customers (Christopher, 1998).

2.2. Industrial networks (cell 2)

One problem with the value chain logic is its characterization of logistics service providers and other intermediaries as non-value adding entities that perform routine functions in return for a portion of the margins in the supply chain (cf. Rabinovich & Knemeyer, 2006). Industrial network scholars refrain from labeling any particular supply actor either as a primary or support actor, acknowledging that the role of different actors and their views of the activated structure is significantly dependent on the actors' evolving network positions. Nevertheless, the product owner or manufacturer receives special attention when analyzing supply networks from an industrial network approach. The focal firms in Gadde, Håkansson and Persson (2010) include IKEA, Ducati, and Volvo, but the authors do not explicitly address the logistics service provider.

From a resource perspective, however, a key argument is that a resource does not have a given quality or value; embedding the

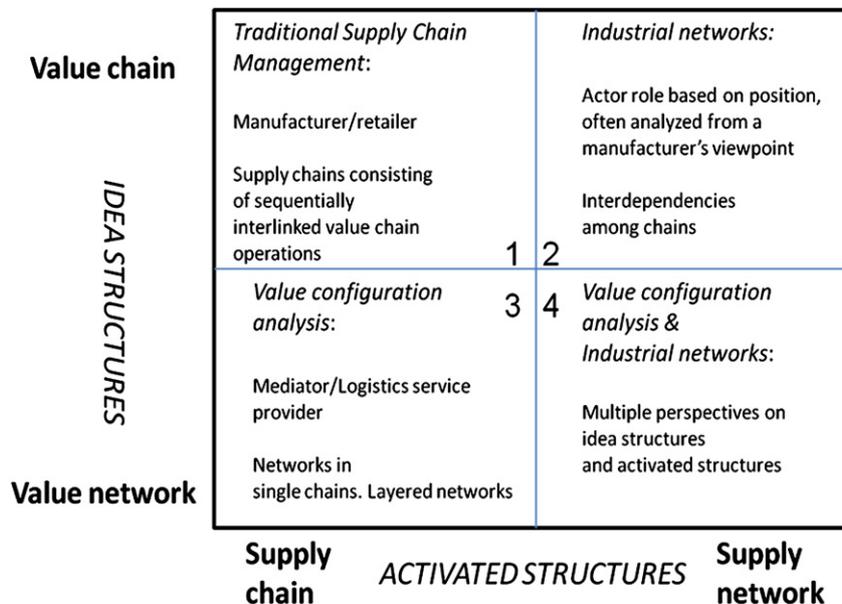


Fig. 1. Idea structures and activated structures in supply management.

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