



A strategic skill based model of supplier integration and its effect on supply management performance

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ABSTRACT

Supplier integration is a tool to help organizations gain competitive advantage. Strategic supply management skills and the supply management function's perceived status are hypothesized as antecedents to supplier integration leading to supply management performance. The sample for this study includes 152 executive level supply management professionals. The empirical results suggest that strategic skills and perceived status are essential antecedents to supplier integration and subsequent performance. Further, the relationship between strategic skills and performance is mediated by supplier integration. Results of a dominance analysis also suggest which strategic skills are most likely to explain status integration, and performance. These findings have significant implications for supply management theory and practice.

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1. Introduction

The trend towards globalization has intensified business competition and resulted in shrinking profit margins in many industries. One strategy to restore profit margins is the shift from the firm level competition to the supply chain level competition (Ketchen & Giunipero, 2004). Successfully implementing this new strategy requires supply chain integration (e.g., cooperation among firms in the same supply chain) to realize enhanced performance (Hedaa & Ritter, 2005).

Supply chain management (SCM) is typically regarded as the key operational perspective for achieving such integration among supply chain partners (Mentzer et al., 2001). Recent conceptualizations of SCM detail its role within and across organizations and identify it to include activities and corresponding skills specifically pertaining to integration (Gibson, Mentzer, & Cook, 2005). Supplier integration, however, requires a set of skills that extend beyond mere order placement to managing supply bases and combining resources with key suppliers (Wagner, 2003). Developing an optimal set of supply

chain skills for effectively managing integration requires an identification of certain key skills. The focus of this research is therefore on strategic supply management skills and how they impact status and integration enabling a higher level of supply management performance.

Previous literature documents a strong link between supplier integration and firm performance (Birou & Fawcett, 1994; Gundlach, Bolumole, Eltantawy, & Frankel, 2006; Petersen, Handfield et al., 2005; Petersen, Ragatz et al., 2005; Wagner, 2003). However, the study of supplier integration antecedents, such as skills and status, and their impact on supply management performance is largely overlooked. It is essential for marketing and supply management professionals to understand the practices and characteristics that contribute to improving the supply function's performance and enhancing its contribution to organizational success.

This study fills a gap in both business to business and supply management literatures by examining the impacts of strategic supply management skills and the supply management function's perceived status on the level of supplier integration and performance. Though other strategic options, such as transactional approaches and disintegrated relationships, exist outside of integration (Jaspers & Van den Ende, 2006), emphasizing one specific option allows for a deeper assessment of antecedents and outcomes. Another reason for investigating these variables is that the majority of research pertaining to them is conceptual or case-based. Hence, empirical testing adds validity and generalizability to previous findings.

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This study uses the resource-based view as a theoretical underpinning to investigate potential antecedents to supplier integration and their relative importance in affecting supply management's performance. Understanding the relative importance of these antecedents in creating increased value by the supply management function will help managers in both marketing and supply areas rationalize their investments in various inter- and intra-departmental directives (e.g., developing appropriate types of supplier relationships, assessing and selecting the right skills in the supply management function, and gaining higher status internally).

The research begins with the development of a conceptual model that builds from a review of relevant literature. A set of hypotheses inherent in the model is then developed and empirically tested. Additional tests of the importance of strategic supply management skills to supply management performance and its direct antecedents are then provided. The findings and managerial implications are then presented along with some potential limitations of the study and directions for future research.

2. Literature review and hypothesis development

Early research in purchasing tends to emphasize the tactical and clerical decisions involved in purchasing products and supplies. During the 1990s purchasing evolved and began to be viewed as part of a broader management function referred to as procurement or "the systematic process of deciding what, when, and how much to purchase; the act of purchasing it; and the process of ensuring that what is required is received on time in the quantity and quality specified"). Today, many researchers are taking a broader view of purchasing that also emphasizes supply management, which is "the identification, acquisition, access, positioning, and management of resources the organization needs or potentially needs, in the attainment of its strategic objectives" (Cavinato, 2001; Kauffman, 2002).

Supply management scholars borrowed from a number of different theoretical frameworks to inform their understanding of competitive advantage phenomenon and its pertinent practices and resources. Over the last two decades, the resource-based view of the firm has received a great deal of attention as a basis for explaining competitive advantage (e.g., Barney, 1991; Lepak & Snell, 1999). Initially, Barney (1991) identified four essential requirements for a resource to generate competitive advantage: *valuable, rare, imperfectly mobile*, and the resource must *not be substitutable*. Supply management scholars then began using the resource-based view to draw theoretical foundations for understanding how skills and practices act as sources of competitive advantage. Therefore, in developing a theoretical foundation for this study, we draw primarily from the resource-based view of the firm to discuss the impact of strategic supply

management skills and supplier integration on supply management performance. Fig. 1 shows the proposed model of supply management integration discussed next.

2.1. Supply management performance

Supply management performance is identified as a critical driver of overall firm performance (Carr & Pearson, 2002). Its operational antecedents, such as status and integration, and pertinent strategic skill sets, therefore, bear great importance to superior operations and competitive advantage (i.e., the value that a firm creates for its customers through cost leadership and meaningful differentiation) (Porter, 1985). The value of strategic supply management practices and characteristics primarily stems from the role each has in managing relationships with trading partners in order to attain effectiveness and efficiency for the supply chain (Harwick, 1997). For example, successful co-branding represents a form of value-added relationship and requires some level of integration within any supply chain (Bengtsson & Servais, 2005). Hence, well-managed integration is often key to competitive advantage (Wong, Tjosvold, & Zhang, 2005). Subsequent discussions position strategic supply management skills, supplier integration, and supply management function's perceived status as resources that potentially enhance supply management competitive advantage.

2.2. Supplier integration

Actions, such as supplier participation in cross-functional teams, proactive support for product development processes, and early involvement in the design process are indicators of supplier integration in the supply management process (Jaspers & Van den Ende, 2006). Indeed, supplier integration is often defined as "the combination of internal resources of the buying firm with the resources and capabilities of selected key suppliers through the meshing of inter-company business processes to achieve a competitive advantage" (Wagner, 2003). In other words, it is the process of incorporating or bringing together different groups, functions, or organizations, physically or by information technology, to work jointly and often concurrently on a common business-related assignment or purpose (Monczka, Trent, & Handfield, 2002).

Supply management typically involves integration of supplier and buyer operations in major supply decisions to generate valuable source of competitive advantage (Giunipero & Percy, 2000). As a result, effectively selecting suppliers and managing their involvement are capabilities that enable firms to achieve overall supply chain goals, such as customer satisfaction (Michael & Tan, 2001). Supplier integration is a valuable source of supply management's competitive advantage because it enhances responsiveness, flexibility, and

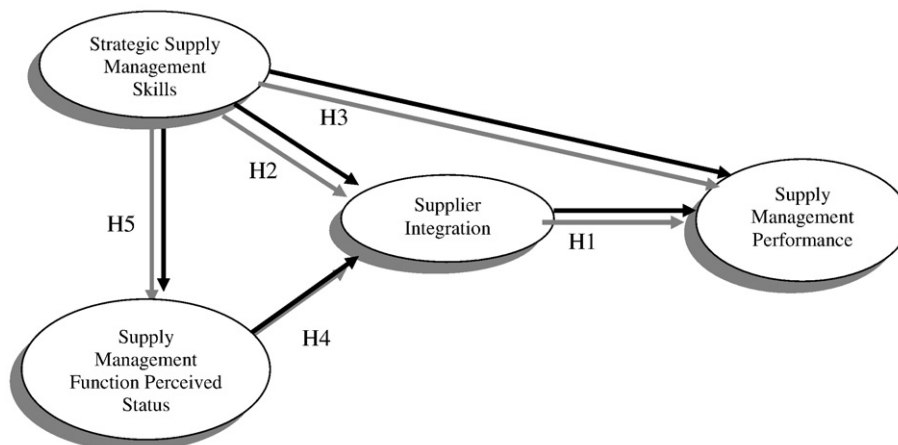


Fig. 1. Hypothesized model.

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