

Popularity outranks strategy in supply chain integration decisions

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Aalto University Professor Katri Kauppi together with Master's thesis writer Emma Nermes and University College Dublin Professor Virpi Turkulainen examined supplier integration in manufacturing plants and the background factors that affect its different forms. In the study, supplier integration referred to information sharing, supplier development, long-term commitment, conflict resolution and integrated information technology. In total, 261 plants from the electronics, machinery, and transportation industry from 9 countries, including Finland, took part in the survey.

The findings indicate that organizations that operate in the same operating environments also have very similar [supply chain](#) management practices, especially supplier integration.

'For example, the supplier integration practices of all the Finnish plants that took part in the survey were on average more similar to one another than for example the supplier integration practices of Finnish electronic plants compared to Spanish or Korean electronics plants,' Dr. Kauppi explains.

The researchers took a closer look at the companies' supplier integration practices in terms of information sharing, supplier development, long-term commitment, conflict resolution, and integrated information technology. The similarity in these practices was due to background factors of the organizations, in particular, the country in which they were located and their total number of personnel. However, the most prevalent

reason for similar operating practices is benchmarking carried out by the companies, i.e. the systematic comparison of an organization's own operating practices against the operating practices of other organizations.

'Thus, the similarities in supplier integration practices is a result of both consciously conducted comparison and the indirect copying of similar organizations,' Dr. Turkulainen says.

Approval is important

The growing similarity of companies due to direct and indirect pressures resulting from the environment has long been a topic of discussion in organisational studies: companies select commonly used operating practices in order to get the approval of e.g. customers, suppliers and the media. Only recently the phenomenon has been addressed with empirical research especially in the supply chain context. It came as a surprise to Kauppi, Nermes and Turkulainen how similar the [supplier](#) integration practices of the different [plants](#) really were; practiced appeared more influenced by operating environment factors than by the companies' strategic objectives. Kauppi notes that copying peer group companies can also involve risks.

'Operating practices may have been chosen solely on the basis of their popularity and are thus not suitable for a company's own operating culture, supply chain structures or objectives with regard to quality and costs. For example, the Lean practices spread - and are still spreading—from Toyota in Japan in a nearly cult-like manner as the best method for improving production efficiency. However, they are not an automatic key to success, if the company in question does not remember or is unable to integrate them in the long-term into their day-to-day activities.'

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