Trust and Power Influences in Supply Chain Collaboration

Weiling Ke and Kwok-Kee Wei
School of Business, Clarkson University, USA
Department of Information Systems, City University of Hong Kong, Hong Kong

Abstract: There is an insufficiency of information and know-how sharing between organizations along the supply chain, though such collaboration may enhance the chain performance. In this paper, we study the factors affect the firm’s predisposition to share knowledge from a socio-political perspective. Drawing on knowledge exchange and socio-political theories, we derive a model, in which trust towards the partner, in the form of competence and benevolence-based trust, and the partner’s power are positively relation with the firm’s predisposition to share information and know-how. In addition to their direct effects on the dependent variable, these two types of trust also moderate the relationship between various types of non-coercive power and the dependent variable. Contributions and implications of this research are discussed.
1. Introduction

Continuous advances in information and communication technology, especially the development of Internet-based computing and communications, allow organizations to collaborate with their trading partners and integrate their supply chains (Lee and Whang, 2001). Supply chain collaboration, such as sharing information and jointly formulating demand forecast, may enable managers to stop optimizing their individual silos to work together with partners to gain global visibility across the supply chain. Thus, it makes organizations agile and responsive to market changes, ranging from customer demand to resource shortages (Lee and Whang, 2001; Sambamurthy et al., 2003). However, supply chain collaborations are not all successful. Lack of integration and information sharing are found to be the most critical factors causing the failure (Elmuti, 2002). The supply chain is still plagued with the unnecessary inventory fluctuations, often referred to as the “bullwhip effect” (Lee et al., 1997), which arises from uncoordinated channel decisions. Then what makes firms hold back in supply chain collaboration? What are the factors increasing their collaboration with trading partners? How can we help firms adopt supply chain collaboration? These are critical questions to answer before we see firms reap the great potential benefits theoretically proved by management scientists’ mathematical and simulation models (e.g., Chen et al., 2000; Lee and Whang, 2001) and revealed by success stories in the industry, such as the collaboration between Wal-mart and P&G.

In this paper, we intend to seek answers to the above-mentioned questions. While supply chain collaboration may involve joint decision making and/or risk sharing, we choose to focus on the sharing of information and know-how due to two reasons. First, sharing information and know-how serves as the foundation of any type of supply chain collaboration. Second, information and know-how sharing in the industry is not enough despite that there is great potential benefits in doing so (Anand and Mendelson, 1997; Bourland et al., 1996; Chen et al., 2000; Gavirneni et al., 1999; Gerard and Marshall, 2000; Srinivasan, 2001) and the Internet has reduced its cost (Bakos, 1991; Iacovou et al., 1995; Johnston and Vitale, 1988; Majchrzak et al., 2000; Massetti and Zmud, 1996). This phenomenon seems to be inconsistent with the profit-maximization principles of organizations. To unlock the mystery, we need to look beyond the perspective of economics, such as Transaction Cost Economics (Williamson, 1985). Indeed, as argued by socio-political theory, the existence of inter-organizational relationship does not depend solely on its cost-efficiency (Hart and Estrin, 1991; Hart