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**ASSESSMENT OF LOGISTICS MANAGEMENT COLLABORATION  
ON COMPANY COMPETITIVE ADVANTAGE -THE CASE OF  
MOENCO**

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***CERTIFICATE OF ORIGINALITY***

This is to certify that the project titled “Assessment of Logistics Management Collaboration on Company Competitive Advantage -The Case of MOENCO” is an original work of the Student and is being submitted in partial fulfilment for the award of the Master’s Degree in Business Administration of Indira Gandhi National Open University. This report has not been submitted earlier either to this University or to any other University/Institution for the fulfilment of a course of study.

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## ***ABSTRACT***

Internal excellence is not enough anymore; there is also a need for external excellence in the whole supply chain. The supply chain lies no longer with an individual company. Either it will not be able to be managed separately. Professions became so specialized and time to market is one of the most important aspects of competitiveness. As a result, organizations have become aware of the fact that working alone is almost impossible. The purpose of the study is to assess and/or investigate the possible difficulty or gap in the logistics collaboration for company competitive advantage. The researcher used both primary and secondary sources of data/information. Primary data sources have been collected through Interviews and Questionnaire (empirical study), while secondary data sources were collected through extensive literature reviews. In order to select sample respondents, the study used a purposive and stratified sampling technique. Management of MOENCO focuses more on building relationships basically to influence supplier's quality and sharing technology. Majority of the respondents said trust and commitment is pushing MOENCO to collaborate from among various factors. As it is revealed by the study, trust and commitment, two-way communication and right mix of channels has been used as a remedial measure by the company since yet to cure the failed collaboration. However, significant effect has not been seen. Besides this, failure to reach a common understanding, prioritizing self-interest, difference in opinion significantly affect the company logistics collaboration management practice.



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## **ACRONYMS**

CLM	Collaborative Logistics Management
SCM	Supply Chain Management
MOENCO	Motor Engineering Corporation
SNA	Social Network Analysis
VNA	Value Network Analysis
BSC	Balanced Scorecard
TAM	Technology Acceptance Model
ITNBSC	Information Technology Network Balanced Scorecard
CVS	Core Value Systems
R&D	Research and Development

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 BACKGROUND OF THE STUDY**

A supply chain is a network of suppliers, factories, warehouses, distribution centers and retailers, through which raw materials are acquired, transformed, produced and delivered to the customer. Being a complex network of suppliers, factories, warehouses, distribution centers and retailers, the success of any supply chain management system depends on how well these system components are managed and contributed. Levi et al. (2003) state that even if a firm has the available resources to perform a particular task, another firm in the supply chain may sometimes be better suited to perform that task simply because its relative location in the supply chain better positions it to do so.

Actually the parties are collaborating to ensure that the end customer is satisfied. To do this companies involved must share information, knowledge, risk and profits. Sharing entails understanding how other companies operate and make decisions, and goes much deeper than cooperation. Collaboration is mutual goal setting that goes far beyond a normal written contract or partnership. According to Anthony (2000), Collaboration is defined as two or more companies sharing the responsibility of exchanging common planning, management, execution, and performance measurement information (Min et al., 2005).

Effective supply chain demands a kind of partnership where each individual in the chain adopt a standardized solution and stands on common goals. Every participant looks after the chain optimization rather than individual advantage. In fact, a very

immediate and available opportunity when two or more companies involve in a chain is the situation where parties would be able to recognize each other competencies and combine them in order to satisfy the customer requirements (Min et al. (2005).

According to Bownan (2004), the best supply-chain performers are deeply involved in relationships that call for tight links between partners. It's an environment where information flows freely in both directions, upstream to suppliers, or downstream to customers. The situation where manufacturers, distributors and retailers respond quickly to changing business conditions and customer service is paramount.

Consequently, such kind of research undertaking can simply indicate the possible options and opportunities that certain company can gather by working with collaboration with others and being informed how to share benefit from it.

The study tied to asses and /investigate the possible difficulty or gap in the logistics collaboration of MOENCO and its competitive advantage.

MOENCO was founded by Mr. Y.D. Lappine on January 1959 in a small rented house with a capital of 200,000 Ethiopian birr in the heart of Addis Ababa, around the area commonly known as Mexico. Nine years later, MOENCO took over the Toyota franchise business for Ethiopia when Inchape, a London based international organisation become a major shareholder and injected a considerable amount of capital. This was a milestone moment in the firm's journey to become the MOENCO of today. In addition to the Toyota business MOENCO used to represent General Motors for various types of Americans vehicles and trucks, Lmgersoll- Rand,

WABCO, Pettibow, Universal, Dupont, General Tire, Frigidaire, Zanussi, and Tomas De La Rue and Co. of England.

In 2009, MOENCO became the largest automotive company in the county, representing over 20 brands. The company has grown both in terms of size and in terms of modernisation of its service shops and parts distribution centres, which display a passion for creating the ultimate customer experience.

## **1.2 PROBLEM STATEMENT**

Internal excellence is not enough anymore; there is also a need for external excellence in the whole supply chain. The supply chain lies no longer with an individual company. Either it will not be able to be managed separately. Professions became so specialized and time to market is one of the most important aspects of competitiveness. As it is mentioned concentrating in core competencies is a dominant motivator for companies to enter in a partnership.

Globalization, rapid technological change, shorter product life cycles, changing customer preferences, and hyper competition are just some characteristics of today's business environment. As a result, organizations have become aware of the fact that working alone is almost impossible. Therefore, they began to understand that building relationships are keys to a successful business.

For organizations to compete in today's business world which is characterized by globalization, increased customer responsiveness, channel integration and advances

in information and communication technologies, they have no other alternative other than participating in a supply chain (Soosay et al., 2008).

Keeping this in mind, data from preliminary information indicated that the organization under study does not recognize the gain from supply chain collaboration. This may result lack of efficient practice and management of joint planning, management, and measurement; and sharing goals, objectives, benefits, sharing resources, open communication, sharing risks and reward with partners, which critically escalates cost the company incur in its logistics operation in its supply chain.

Thus, the purpose of this study is to assess and/or investigate the possible difficulty or gap in the logistics collaboration for company competitive advantage.

### **1.3 RESEARCH QUESTIONS**

In order to come up with the solution for the issues at the problem statement the study pose different basic questions, which includes.

- ✓ What are the driving forces, or benefits of collaboration in logistics management in the supply chain of the company?
- ✓ Where to collaborate in the supply chain?
- ✓ What are the barriers of effective collaboration in the company logistics management in the chain?
- ✓ What kind of way-out taken place for challenge of collaboration



## **1.4 OBJECTIVES OF THE STUDY**

### **1.4.1 General Objective**

The overall aims of the study was to Assess and Evaluate Logistics Management Collaboration on Company Competitive advantages.

### **1.4.2 Specific Objectives**

Specific objectives of the study include:

- ✓ To identify the driving forces, or benefits of collaboration in logistics management in the supply chain of the company.
- ✓ To indicate where to collaborate in the supply chain?
- ✓ To examine barriers of effective collaboration in enterprises logistics management in the chain?
- ✓ To indicates way-out takenplace for challenge of collaboration?

## **1.5 SCOPE AND LIMITATION OF THE STUDY**

This research delimits its subjective scope on the logistics management collaboration in the Supply Chain. While, geographically delimited on its Head Quarter of the company which is found hear in Addis Ababa. Moreover, the study tried to assess three years data only from 2013 to current period to give a sound analysis on the issue under study.

## **1.6 SIGNIFICANCE OF THE STUDY**

Conducting this study has a benefit to different parties those which are directly or indirectly related with the research result/report. Thus, it includes;

- ✓ To the Company under study, indicate the possible gap and way of remedial measures on the problem at hand.
- ✓ To the researcher, create an opportunity to be informed on the issue in the study.
- ✓ To the others serve as reference on future research conducted on similar or related issues

### **1.7 ORGANIZATION OF THE STUDY**

This research study was organized in four sections. The first chapter has been cover introductory aspect of the study which includes Background of Study, Statement of Problem, Objective of the Study, scope of Study, Significant of Study, Methodology and Others. The second chapter also include Literature Review. The third chapter was dealt with Data Presentation, Analysis and Interpretation of Study findings, while the fourth chapter focus on Summary of the Findings, Conclusions and Recommendations. Finally, list of Bibliography to be used and other appendices annexed.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 DEFINITION**

A supply chain is a network of suppliers, factories, warehouses, distribution centers and retailers, through which raw materials are acquired, transformed, produced and delivered to the customer. Being a complex network of suppliers, factories, warehouses, distribution centers and retailers, the success of any supply chain management system depends on how well these system components are managed and contributed. Sandberg, E. (2005), state that evenif a firm has the available resources to perform a particular task, another firm in the supply chain may sometimes be better suited to perform that task simply because its relative location in the supply chain better positions it to do so.

Organizations to compete in today's business world which is characterized by globalization, increased customer responsiveness, channel integration and advances in information and communication technologies, they have no other alternative other than participating in a supply chain. Every successful supply chain strategy requires integration, cooperation and collaboration, which in turn demand aligned objectives, open communication, sharing of resources, risks and rewards (Soosay et al., 2008).

The definition clearly illustrates the importance of coordination and collaboration with channel partners. In fact in order to have an effective and resistant supply chain, all the entity inevitably should perform a least level of collaboration with



other members in the chain. The fundamental rationale behind collaboration is that a single company cannot successfully compete by itself. Indeed no truly successful supply chain could be found where parties involved do not collaborate. Within this definition of supply chain management, collaboration could be defined as a means by which all companies in the supply chain are actively working together towards common objectives.

Actually the parties are collaborating to ensure that the end customer is satisfied. To do this companies involved must share information, knowledge, risk and profits. Sharing entails understanding how other companies operate and make decisions, and goes much deeper than cooperation. Collaboration is mutual goal setting that goes far beyond a normal written contract or partnership. According to Tom Anthony (2000), Collaboration is defined as two or more companies sharing the responsibility of exchanging common planning, management, execution, and performance measurement information.

In order to maximize the success of such collaboration there is a need for a deeper understanding of a number of issues, such as, the motivation to collaborate, where and with whom a firm can collaborate in the supply chain, type and scope of collaboration. These issues will be considered in detail through this chapter. Subsequently, a frame work which indicates the necessity of collaboration in today's world of business will be described through its relation with complexity and innovation.

## 2.2. COLLABORATION

The supply chain lies no longer with an individual company. Either it will not be able to be managed separately. Professions became so specialized and time to market is one of the most important aspects of competitiveness. As it mentioned concentrating in core competencies is a dominant motivator for companies to enter in a partnership. Effective supply chain demands a kind of partnership where each individual in the chain adopt a standardized solution and stands on common goals. Every participant looks after the chain optimization rather than individual advantage. In fact a very immediate and available opportunity when two or more companies involve in a chain is the situation where parties would be able to recognize each other competencies and combine them in order to satisfy the customer requirements.

Some other features which may participant anticipate when entering in a partnership are joint planning, management, and measurement; and sharing goals, objectives, benefits, resources, information, and risks with partners. Collaboration is a recognized term which may could explain and entail all of the above features. Based on Min *et al.* (2005), collaboration should be defined as a firm's culture of working together with other firms toward a common set of goals that bring mutual benefits to a partnering relationship.

According to Bownan (2004), the best supply-chain performers are deeply involved in relationships that call for tight links between partners. It's an environment where information flows freely in both directions, upstream to suppliers, or downstream to

customers. The situation where manufacturers, distributors and retailers respond quickly to changing business conditions and customer service is paramount.

### **2.3. DRIVING FORCES**

According to the literature Collaboration between companies participating in supply chain setups is generally believed to increase efficiency and decrease costs.(Harrison et al., 2008) Collaboration among the partners in the chain has several positive effects and it can be argued that they have either cost advantage, value advantage, or both of them. That is, collaborating in the chain and between the partners supposes to decrease the costs and/or bring a surplus value over the offering product/service which the later lead to preference over the competitors.

According to Lynch (2001), it is critical to understand that collaborative logistics is driven by a changing corporate vision that views competition and suppliers as potential collaborative partners in logistics. Smart companies are leveraging these relationships to gain efficiencies through shared operations (ibid). As it was already mentioned collaborative logistics can significantly reduce costs, increase supply chain efficiency, and make trading partners more flexible in addressing shifts in consumer demand. Therefore the two very immediate reasons that companies enter to collaboration are cost reduction and improve total system responsiveness.

In addition to these two, However, the motives for this purpose may vary from company to company and different depend on the company's position in the chain.

Emmett et al. (2006), classified the driving forces (the reasons why companies enter collaborative relationships) from both buyer and supplier perspectives.

## **2.4. COMPETITIVE ADVANTAGES TO LOGISTICS COLLABORATION**

Harrison, A. and Van Hoek, R. (2008), "Logistics Management and Strategy Competing through the supply chain", 3rd edition, indicate competitive advantages to logistics collaboration.

- ✓ Complexity: teams improve the ability to solve complex problems.
- ✓ Concentrate on satisfying the customer's needs.
- ✓ Creativity: Bringing together people with different experiences and backgrounds, create creativity and effective brainstorming techniques.
- ✓ Organizational learning: The team is more easily able to develop new technical and professional skills, learn more about other disciplines and learn how to work with other people who have different skill sets.
- ✓ Single point of contact: One place to go for information and for focus about a project or customer.

## **2.5. COLLABORATIVE PERFORMANCE INDICATORS**

Performance Indicators (PI) are a set of quantifiable metrics used by companies to assess their performance according to their established strategic and operational goals. For individual enterprises management, there is a number of well identified and consolidated performance indicators, but not so much for collaborative networks, despite some research efforts in this direction. Soosay, C.A. and Hyland,

P.W, and Ferrer, M. (2006), "Supply chain collaboration: capabilities for continuous innovation".

The assessment of collaboration benefits is still an open issue. However, some contributions can be borrowed from a number of research lines such as collaboration benefits and value systems, and used as a basis for the establishment of performance indicators suitable for collaborative networks. Other relevant areas of research are the social network analysis (SNA), from which a structural analysis can be adopted, including notions such as centrality and cohesion measures, and the value network analysis (VNA), which attempts to overcome the limitations of SNA by the establishment of metrics to assess the complex dynamic exchanges of tangible and intangible values, among the network participants.

### **2.5.1 Enterprise Performance Indicators**

For individual enterprises, there are several well-defined performance indicators. The most well-known is the Balanced Scorecard (BSC), a classical method of performance measurement which includes a set of performance indicators consistent with the vision and strategy of the enterprises, Bowman, R.J. (2004).

The BSC is defined by the authors as "a set of measures that gives top managers a fast but comprehensive view of the business. The balanced scorecard includes financial measures that tell the results of actions already taken. And it complements the financial measures with operational measures on customer satisfaction, internal processes, and the organization's innovation and improvement." According to

Kaplan and Norton (1997) divided the BSC into four perspectives: financial, internal business processes, customer satisfaction, and learning and growth. The concept was innovative at the time (focused only on historical financial data), because it introduced a new type of metrics, the leading indicators, resulting not only in the identification of patterns, but also in predictable results. Although collaborative networks face different challenges than individual organizations, in which BSCs are widely applied, it is worth to consider some existing attempts to extend BSCs to collaborative organizations, mainly in the case of supply chains.

### **2.5.2 Balanced Scorecards for Collaborative Networks**

In recent years some authors suggested the convenience of using BSCs in CNs. An attempt in this direction was suggested by Duan and Park. These authors proposed a model highlighting the “perceived usefulness” and “perceived ease of use” associated to the intentions to extend the use of BSC approach to CNs, based on related literature and insights from the Technology Acceptance Model (TAM). The TAM attempts to explain behaviour related to information technology usage, suggesting that the perceived usefulness (PU) and perceived ease of use (PEU) should be the key factors of the information technology acceptance and usage. According to this study, the perceived usefulness and desirability are strongly related to intentions of use the BSC approach in CNs. On the other hand, the perceived ease of use is strongly related to perceived usefulness.

The ease of use of BSC is also related to intention to use BSC. However, perceived desirability is not significantly related to usefulness of BSC in CNs. Although these results are not very representative of the real world (as this study was done using 125 in-class survey questionnaires), the potential use of the BSC in CNs has been identified. However, apparently this research work has no further developments. Another example, focused on enhancing the efficient use of Information Technology (IT) resources by collaborative networks, is the IT Network Balanced Scorecard (ITNBSC) suggested by Schmitt et al. This proposal selects four perspectives among the most mentioned in BSC literature analysis: information technology financial, stakeholder orientation, future orientation, and network contribution.

Various other case studies applying the BSC methodology to supply chain performance measurement have been reported. One example is the work of MK Sharma, R Bhagwat (2007). Supported by three case studies, the BSC is used to measure and evaluate daily business operations according the typical four perspectives: finance, customer, internal business processes, and learning and growth. As a result, the authors propose a balanced performance Measurement system to map and analyze performance in supply chains. Another example is a mathematical model to calculate the performance deviation from the objectives of a supply chain, using the BSC approach.

This work, supported by a case study, evaluates the effectiveness of a supply chain, first identifying the indicators affecting each of the four BSC perspectives, then

prioritizing each indicator, and finally calculating the performance deviation from the objectives for each perspective. Another work, also supported by case studies, adopts the concept of BSC to evaluate the business performance of individual firms after the supply chain integration. According to these authors, supply chain integration is intended to integrate suppliers, customers, relationships, internal processes, planning, and measurement, in a common supply chain management system.

The supply chain performance evaluation follows the four BSC perspectives, contributing to understand the potential impact on companies when adopting supply chain cooperation practices, Kaplan and Norton (1997).

Although the above described attempts to apply BSC in collaborative networks are very interesting for themselves, they are very disparate not constituting a common reasoning line to be adopted as a strategy to design performance indicator.

### **2.5.3 Collaboration Benefits**

Various works have contributed to identify and suggest a set of benefits that result from collaboration. An example is a research work which identifies a set of collaboration benefits determined through a set of collaboration variables and corresponding target goals. In this work, the authors argue that there is a relation between collaboration benefits and strategic goals perspectives, the last one comprising performance increase and survival capacity. Another example is a model



to estimate business benefits in the context of product development in horizontal collaborative networks. This model considers four phases, Barratt (2004),

- ✓ Evaluation of opportunities to be generated by the network;
- ✓ Design of a graph for the product realization, by assigning a weight to each opportunity;
- ✓ Search the best combination of enterprises for the product development; and
- ✓ Calculate sum of revenues.

#### **2.5.4 Value Systems**

From another direction, and combining elements from economy and social sciences, a number of conceptual models of value systems for collaborative networks have emerged. One example can be found in, which presents a conceptual model to identify the objects that can be evaluated and the corresponding mechanisms of evaluation; Datta, S. (2004), "Adaptive Value Networks-Convergence of Emerging Tools, Technologies and standards as Catalytic Drivers. A more recent development of this work suggests methods to assess the alignment between the value systems of the members of a network. This work includes a framework to support the qualitative analysis and assessment of Core Value Systems (CVS) alignment in the context of CNs, which is based on causal models and graphs. This framework performs the analysis of the alignment between CVSs at two different levels: the alignment among network members and the alignment between each network member and the network. For this analysis, Datta, S. considered the following parameters;

- ✓ “The shared core values between CVSs”;
- ✓ “The positive impacts between core values of the two CVSs”;
- ✓ “The negative impacts between core values of the two CVSs”.

The proposed system can be used to characterize core value systems in business ecosystems. Although it does not directly provide assessment mechanisms, it is worth to consider its conception of value in CNs for the establishment of performance indicators in a collaborative business ecosystem. Another contribution suggesting a conceptual model for value systems of virtual organizations breeding environments roughly suggests a performance measurement system which aims at evaluating value co-creation processes by proposing a set of indicators that quantify the VBE results, allowing monitoring its progress. The proposed value system relies on value concepts from sociology - considering the VBE’s ethical code and culture, and economy - focused on production factors, such as land, labour, capital, and knowledge - and integrates three elements:

- ✓ Value generation objects: considering different types of VBE capital held by the breeding environment and its members, such as VBE member capital - capital that each member has generated by itself; VBE platform capital - represented by the methodologies, ICT, and tools of the breeding environment; and VBE system capital - synergy of the capital of all VBE members and capital of the VBE support platform;
- ✓ Performance measurement: system to evaluate the value co-creation process;
- ✓ Ethical values: guide the exchange of values among actors (customers and stakeholders), considering the set of accepted conduct standards.

Value systems are related to both economic and social values, which must be considered when it comes to assess collaboration in business ecosystems. In such networked environments, organizations with different values and culture work together to accomplish business opportunities. Potential incompatibilities among those values may lead to conflicts and affect the performance of the network. Thus, the identification of collaborative core values and the mechanisms to assess the alignment of the value systems of the network participants, can contribute for the establishment of metrics to measure the performance of the business ecosystem.

### **2.5.5 Supply Chain Metrics**

Traditional supply chains, as mentioned above, have been evolving towards more integrated collaborative structures, and the efforts to improve the supply chain management (SCM) are significant. As such, progresses made towards SCM performance measurement and metrics can be considered a relevant input to the elaboration of performance indicators for business ecosystems; Soosay, C.A. and Hyland, P.W, and Ferrer, M. (2006), "Supply chain collaboration: capabilities for continuous innovation". The suggested metrics are focused on the main activities of the supply chain: plan, source, make/assemble and deliver are grouped according to their relevance at the planning, strategic, tactical, or operational levels. Many subsequent studies have been proposing metrics and measurements for SCM.

For instance, Gopal and Thakkar made a comprehensive survey of approaches to measure supply chain performance, covering the period 2000- 2011. In spite of the

various performance measurement methodologies, models, frameworks, and metrics focused on SCM, the increasingly relevant concern about sustainability has been overlooked in the early stages.

Harrison, A. and Van Hoek, R. (2008), identified this gap and defined a sustainable SCM as “the management of supply chain operations, resources, information, and funds in order to maximize the supply chain profitability while at the same time minimizing the environmental impacts and maximizing the social well-being”. For these authors, this definition implies not just satisfying multiple conflicting objectives in a supply chain, such as maximizing profits, maximizing the social well-being without additional costs, and minimizing the environmental impacts, but also addressing other challenges such as the estimation of the environmental impacts and social benefits. The same authors conducted a comprehensive study on sustainable performance measures concluding that no research has widely discussed the three dimensions of sustainability (society, economy, and environment).

## **2.6. BENEFITS OF LOGISTICS COLLABORATION**

The most immediate benefits that businesses can expect from collaboration in logistics are lowered inventory risk and costs, along with reduction in warehousing, distribution, and transportation costs. In the long term, the most significant benefits to business with advanced collaborative capabilities will be dramatically improved customer responsiveness, increased flexibility for changing market conditions, and finally improved customer service and satisfaction. The important point in

consideration of collaborative logistics is that while collaboration's yield may be shared unevenly among the partners, one must look at beyond an entity's gain and consider all the positive effects along the supply chain (Czaplewski et al., 2002).

In fact trading partners must realize that all the benefits gained by each entity represent a more efficient performance in a cumulative base when companies share their ideas, information, or any other resources which may benefits total system rather than individual firm (ibid). This understanding definitely leads to the final goal of any logistics system which is final customer satisfaction.

## **2.7. FORM OF COLLABORATION**

Collaboration in business can be found both in inter and intra organization and ranges from the simplicity of a partnership to the complexity of a multinational corporation. According to Barratt (2004), there are a variety of forms of potential supply chain collaboration, which can be divided into two main categories, horizontal and vertical collaboration. Furthermore, Soosay et al. (2008) states the third form of collaboration namely 'lateral collaboration', where it combines the benefits and sharing capabilities of both horizontal and vertical integration.

### ***2.7.1 Horizontal collaboration***

Horizontal collaboration requires cooperation between non-competing (or even competing) companies that would not otherwise engage in business, e.g. two manufacturers sharing a warehouse space enabling shared deliveries to retailers, or a number of small manufacturing firm joining their shipments together to buy full vehicle loads (FTL) instead of each paying higher part load rates (LTL).



### 2.7.2 Vertical collaboration

This kind of collaboration would perform internally or along the supply chain. In the case of externally, along the supply chain, it means working more closely with trading partners to improve each other's efficiency for collective benefit. It is about giving and gaining visibility into each others processes so that each can do a better job. For instance manufacturer can directly access the stock holding figures of their retail client to know when replenishment will be needed, the warehouse operator can know when the manufacturer will be calling for a replenishment order from stock, or the raw material supplier can know that the manufacturer has depleted his stock by fulfilling an order and can carry out a delivery.

#### Vertical Collaboration

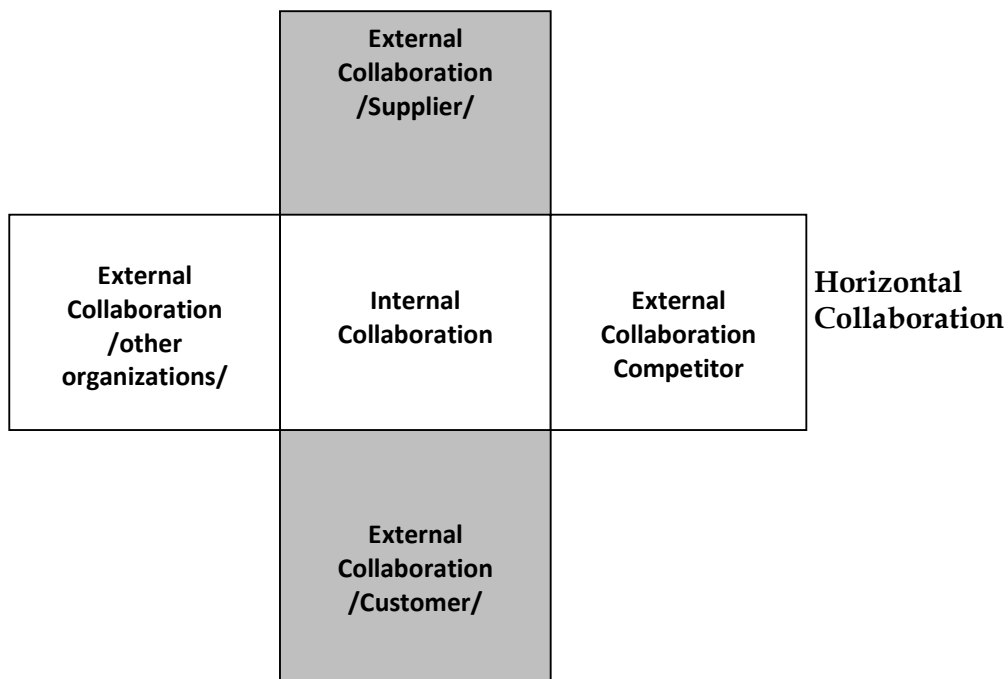


Fig: 1 Vertical Collaboration

Source, The scope of collaboration: Barratt, 2004

## 2.8. TYPE OF COLLABORATION

Integration is understood to increase the organization's efficiency both internally and externally. According to Harrison *et al.* (2008), if significant improvements can be achieved by internal integration, potential for the benefits of external integration could be even higher. Relationship between organizations can range from arm's length relationships to partnership (collaboration) or even further to joint ventures and vertical integration. Based on Lambert and Stock (2001) normally a firm will have a wide range of relationships spanning the entire spectrum, the majority of which will not be partnerships but arm's length association. Arm's length relationships are more transactional in nature. In economics, a transaction cost is a cost incurred in making an economic exchange. Therefore relationship in this level is about to be like a simple contract. For instance a seller provides a product (service) for several buyers which it normally has in a standard format. While this kind of relationship might be proper in many cases, there are situations where parties need to work closer especially when they move towards their core competencies. Generally an organization is involved in several business areas like providing, manufacturing, marketing, distributing, etc. where some or at least one of them is its core competency. Depending on the company's specific policy, some fields of its job are more important than other and in the case of outsourcing decisions it must be considered more carefully. Whereas some insignificant ones could be achieved through arm's length relation, the one closer to the core competency of the company understood to be achieved with some kind of partnership where collaborative approach is considered as one of the best practice for this purpose.

## 2.9. A FRAMEWORK FOR COLLABORATION

There are a variety of issues and points that play a role in the selection of appropriate type, form, and a level of collaboration. According to Barratt (2004), a company cannot collaborate with everybody. He states that organizations need to realize that the resource intensive nature of collaboration means that they need to focus their attention on a small number of closer relationships rather than trying to collaborate with everyone. Often a combination of position in the supply chain, resources and expertise determine the most appropriate firm in the supply chain to perform a particular function (Levi *et al.* 2003).

Gadman *et al.* (2005) suggests that company's collaborative strategy should reflect its competitive strategy. That volatility in the environment, the amount of risk they were prepared to take, how they planned to create value for their customers, and how that value supported financial objectives all played a part in decisions to collaborate.

An important element that should be considered when a company starts to define and design its collaborative approach is the understanding of final customers' requirements. According to Burt *et al.* (2003), the degree of flexibility and speed of responsiveness required by the customer, cause a firm the appropriate level of performance. The same situation is correct for defining the level of collaboration with suppliers. Also as said by Gadman *et al.* (2005), when it came to strategic partnering, the results showed that the companies did not take a standard approach. Instead, they employed different strategies depending upon their competitive focus, their



financial goals and how they created value for their customers and their willingness to take risk. But still the question is remained, with whom should a company collaborate? Most of the literatures suggest that the solution is to look for the key suppliers or customers and develop collaborative relationships with them alone. Once collaboration begins with key supply chain members, it eventually becomes routine and the focus can turn to new relationships (Barrat, 2004).

The other point is the **Level of Collaboration**, i.e. how much the firm should get into the partnership or is it essential at all. Although this discussion is not new, still it is one of the most challenging topics both in research and business area. While there could be found lots of scenarios about successful collaboration and partnership, numerous companies have been hurt as a result of selecting wrong levels of collaboration, partners, area, type, and so on. Consequently, the need for a logical collaboration framework has not diminished and several authors and researchers try to help the organization in this matter. To begin companies should be aware of matters contributing in the creation of a realistic and acceptable collaborative activity.

Gadman *et al.* (2005) describe a set of questions on the collaboration strategies:

- ✓ How collaborative projects originated and how they worked;
- ✓ What the incentives were for people to participate;
- ✓ How they found, joined and left projects; and
- ✓ How the work of many contributors was coordinated;

Add to the preceding, who to collaborate, where in the chain, what form of collaboration, and so on. This might create a somehow complex situation which appears from its origin 'the supply chain'. In fact, even if the journey towards the

ultimate SCM has been facilitated by the business and management concepts, these issues have still proved to be a difficult task for most companies and not many companies have therefore arrived successfully in a total SCM environment (Sandberg, 2005).

Thus, to go from arm's length agreements where only internal short term costs have been in focus, to collaboration, seems to be a difficult task for companies, despite the many obvious advantages mentioned in the literature. Therefore, working towards collaboration in the supply chain not only is an easy task it might also create some problems for the organization. Furthermore, these scenarios are not the same and would be different by every company's circumstances. According to Wilding (1998), one key issue known to impact on the effectiveness of a supply chain is that of uncertainty. Generally a variety of issues contribute to uncertainty which is inherent in every supply chain and cannot be eliminated completely.

Levi *et al.* (2003) states some factors interfere to uncertainty, they emphasized the challenge of matching supply and demand, the impact of inventory and forecast, and finally factors except those embrace demand as a source of uncertainty; including delivery lead times, manufacturing yields, transportation times, component availability, and so on can also have significant supply chain impact. Research at Intel, investigating the match between actual call off and the actual forecast, estimated that supply and demand were in equilibrium for 35 minutes in

ten years. Furthermore, as supply chains become larger and more geographically diverse, natural and manmade disasters can have tremendous impact.

However, although uncertainty cannot be eliminated, its effect in the supply chain could be minimized. Particularly nowadays that we are facing with totally different situation than decades ago. As an example, revolution in information system and its availability could be mentioned. In addition, organizational, social, and other technological advances will perceive the innovative progresses which assist companies to reduce uncertainty and consequently the bullwhip effect.

#### 2.10. SUPPLY CHAIN COMPLEXITY AND COLLABORATION

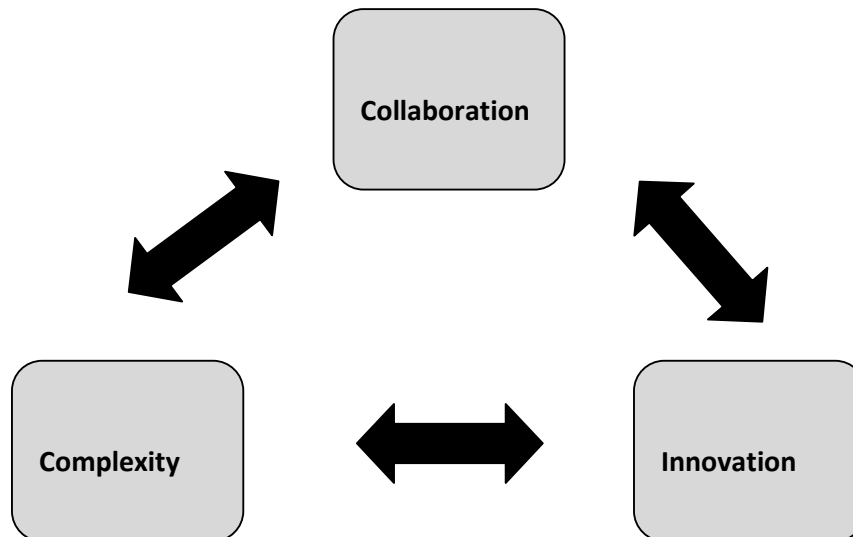


Fig: 2 Supply Chain Collaboration Triangles source:Christopher, 2005

Today's marketplace is so volatile. It is characterized by turbulence and uncertainty (Christopher, 2006). The uncertainty has tended to increase recently for a number of reasons. They include globalization, heavy competition, change in consumers buying habit which leads to huge uncertainty in demand, increasing the number of products

and technologies which their life cycle have shortened significantly, etc. Also considerable 'chaos' exists in the supply chains through the effects of such actions as sales promotion, quarterly sales incentives or decision rules such as reorder quantities (ibid). Furthermore, recent and stricter governmental rules as a result of unstable situation like terrorist attacks, political and economical aspects, climate change (natural disasters), and some social concerns, have contributed a lot in increasing the market turbulence. Generally, these situations 'companies and their associated market place' are characterized more and more by uncertainty, unpredictability and finally complexity.

Considering the matters mentioned above, it is apparent that the origin of chaos and complexity in the supply chain are more or less the companies themselves and this is obviously not an amazing point since they are seeking a better, simpler, more efficient, and costless way of doing the business. In fact, it could be argued that complexity arise from the competitive advantages companies and subsequently their associated supply chain are trying to reach. Alternatively, when it comes to competitive advantage, for a company to stay profitable as well as competitive in this kind of environment it has to focus on the drivers that help the specific company to be competitive. One major driver for most companies is cost.

The cost reduction is overwhelming for the business's competition. Martin Christopher (2005), also introduced one more driver called value advantage which gives the product or offering a differential 'plus' over competitors offerings and

increasingly it is the case that markets are becoming more service sensitive. Successful companies either have a cost advantage or they have a value advantage, or a combination of both. It can be argued that these two factors are the most important drivers for being compatible. Actually the challenge for company is to seek the strategy that will take the business towards a secure position of strength in the market based upon differentiation and cost advantages considering supply chain complexity management. As a result a set of management actions are needed that uses complexity drivers to create competitive advantage where possible. Although, those that are not considered key to competitive advantage should be eliminated.

Vickers et al. (2006) state a three steps action that helps the companies to perform this conversion, from complexity to competitive advantage: - Set top-down targets for performance improvements;

- ✓ Identify your key complexity drivers; and
- ✓ Adopt the practices necessary to manage those drivers most effectively.

Evidently, collaboration and collaborative efforts could be grouped as those necessary practices to effective exploitation of drivers. In fact, as globalization, highly diverse workforces and new ways of competing reshape the business landscape, there is growing evidence to suggest that using collaborative networks to leverage all elements of a firm's intellectual capital is not simply a business advantage, it is a business imperative (Gadman et al., 2005).

The fundamental notion behind collaboration is that by continuous increasing the number of global corporations, covering more countries, employing more people

and addressing more market sectors; and non-stop transformation in technology specially information and data interchanges, requirements for possessing a least level of assets 'particularly knowledge' is growing while the organization's capability to leverage those assets is effectively decreasing (ibid). Therefore companies try to seek and develop these drivers outside their four walls. By doing this, they may be able to get an appropriate response to the supply chain complexity while take their business towards a secure position in the market.

Other considerable concern in this context is the level of complexity. Winning companies have learned how to manage the complexity drivers for their particular industry and specific situation. Clearly, as the level of complexity change, different set of action is required. Although this might not respected as a rule and the choice of collaborate or not to collaborate is regarded by variety of aspects, from the complexity point of view requirement for collaborating increase as the level of complexity increase in the system and vice versa.

According to Gadman et al. (2005) pp.29-30, in situations where there is high complexity and high need for knowledge creation which cannot be fully satisfied by existing intellectual assets, partnership strategies move beyond the four walls of the firm. Information technology and the internet enable a community gathering place for social and commercial interaction. Networks provide strategic and operational benefits by enabling members to collaborate effectively. Boundaries are permeable. The number and density of connections to the environment is increased to speed information flow and adaptation.

Although, the expression above suggests that the higher the level of complexity the more eagerness to collaborate in order to benefit from all possible opportunities, at the same time the attention should be taken to the fact that firms go through collaboration activities in order to share both risks and rewards. There is always the other side of the coin as well! Therefore still organizations need to study their situation and define all the elements of collaboration before making any arrangement with each other.

As final point, since the business becomes more and more sophisticated, customer demands modify and fluctuate greatly which cannot be satisfied on time, falling stock market in an area or a little change in a share price cause irreparable loss for a company, firms should be up to date and innovative. They need to seek and acquire as much as they can all the assets 'tangible and intangible' in order to survive in today's fierce competition. They must retain customers and increase their loyalty by proving that the supply chain is kept healthy and can be reacted to all logical requests. What required is to eliminate the boundaries, accept a reasonable level of risk and try any kind of partnership which can shift the entire chain to the victory.

## **2.11. COLLABORATION AND INNOVATION**

The preceding subtitle concludes to this point that each the level of complexity increase in the system the requirement for capitalizing all the assets controlled by a company amplify and since no or rare individual entity exists that owned all the resources necessary to be compatible enough consequently the need for collaboration increase as well. When it comes to assets both tangible and intangible

was pointed out so in addition to physical resources which should be utilized, the knowledge and organization's ability to leverage that knowledge is considered an essential mission. One outcome to employ knowledge for the company is differentiation. Remind the argument regarding the value advantage which gives the product or offering a differential 'plus' over competitive offerings. Indeed, nowadays emphasis is on the new idea 'product or service' and to do so organizations should be innovative.

People always attract to the new and different stuff, especially when it comes to technological products. New evolutions in computer, vehicle, aviation industry, etc. become one of the hottest news in the media and important parts of our life. Companies in the same area compete to introduce new version of the products and try to take the more portion of the market as they can. In fact they spend lots of capital on their R&D 'Research and Development' program in order to develop the new and different idea. Actually the winners are those who can more utilize the knowledge pool which have been growing as global business and corporation continue to grow. Subsequently the old organizational culture becomes barriers to keeping up with demand, and responding with innovative products and solutions (Gadman et al., 2005).

However, this response requires a considerable effort and attention. According to Ettile (2006), the more change in the technology of products, services, and operations, the more change in administrative procedures, new strategies, new



organizational structures, and new operating procedures will be required to successfully capture the potential benefits of the venture.

## **2.12. RISK SHARING**

Outsourcing, Lean manufacturing and Just-in-time inventory are considering as some of the best business strategies in the world which can help to minimize cost and let the companies to focus on core competencies. While these strategies are generally believed to increase efficiency and decrease costs they also may stretch the supply chain to its breaking point (Bosman, 2006). Recent trends in outsourcing the production of goods to low cost far-away facilities have significantly increased risk within the supply chain. Distance and longer lead times have heightened the chances of interruptions in supply of the products. However, those negative effects of such strategies might be lightened by sharing the risks developed through collaboration. In fact a truly integration which entail justly shared of benefits, costs, and risks between organization is required to exploit those strategy efficiently.

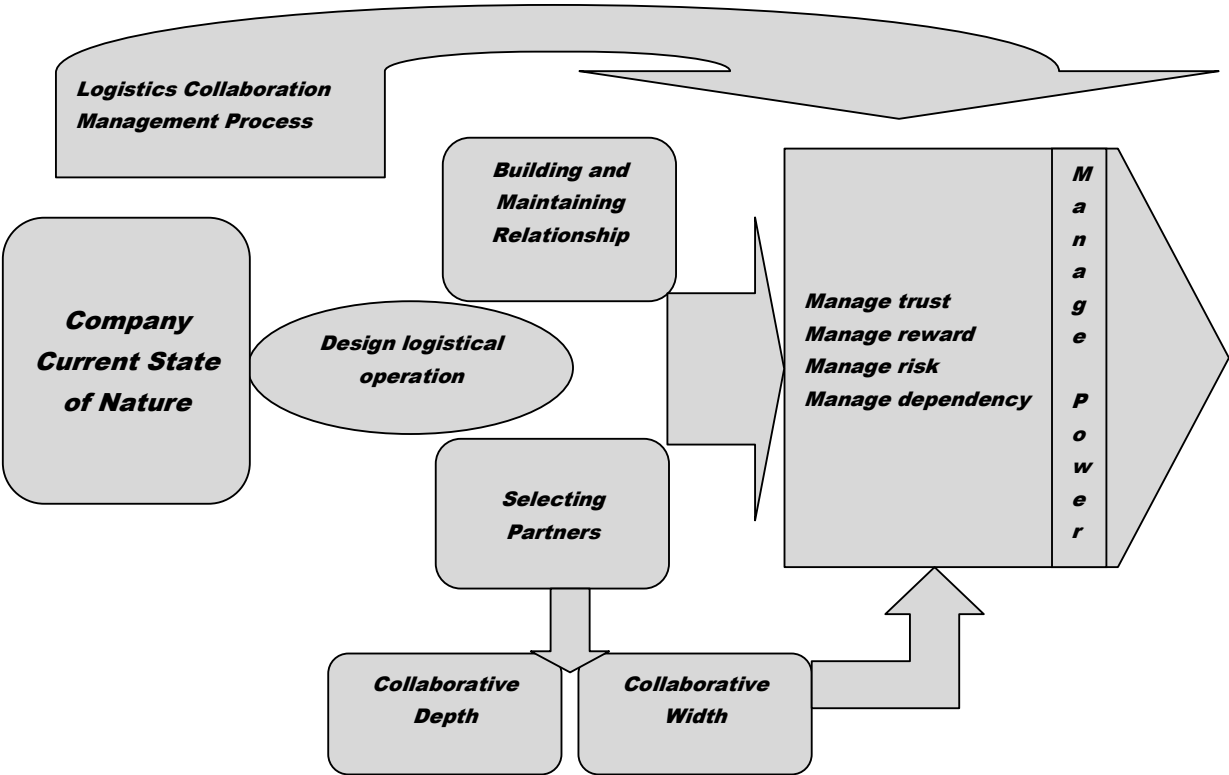
## **2.13. BARRIERS**

Generally, barriers facing company for logistics collaboration are human or technology related. Although this classification does not cover all the factors that restrain the collaborative approach, but most of the important reasons fall in this category. The most common barriers contributing to failed collaboration is listed in table 6.3. Among them, some are more serious and need more consideration.

Generally, like other kind of partnership's strategy, collaboration start with contracts. A very clear contract which delivers the same understanding to all involved parties is mandatory. In a simple buyer-seller collaboration two following problem may arise as a result of failure to reach an understanding. Buyer does not describe properly the requested job. And seller does not consider its competencies and accept the contract while it is over the company's ability.

The former may happen as a result of not having the understanding of owns company's functions and competencies. One other major pitfall in effective collaboration is transactional methods of partnering. According to Emmett (2006), many companies still desire to do business based on transactional method. A major reason for this is that business is founded on power. It is easy to beat someone up when other have some power. Power here is from the position of the buying company and the control they have of the resources (ibid).

Furthermore, companies have become used to regularly negotiating rates with suppliers and carriers, with the main goal of getting the lowest price possible at a given time (Czaplewski, 2002). This is exactly conflicting with collaboration thought which is a win-win situation. Another impediment to collaboration is the expectance of short term results. Alternatively, long term and more beneficial results are the consequence of collaboration. Trust is another main barrier on collaboration. How might a company release its critical data for other partners while he/she does not trust them? Finally communication plays an important role to implement any kind of partnership.



**Fig 3: conceptual framework of company logistics collaboration management**

*Own source*



## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 RESEARCH DESIGN

The design of the study has been descriptive in nature. Related literature was studied regarding logistics management collaboration and supply chain. This provided a clear theoretical framework that formed the basis for the study.

#### 3.2 Nature and Source of Data

Both primary and secondary sources of data/information were used. Primary data sources has been collected through interviews and Questionnaire (empirical study), while secondary data sources was collected through extensive literature reviews.

#### 3.3 Sample and Sampling Techniques

180 employees of MOENCO working at headquarter are population of the study; of which 50% of them which are representatives were taken as sample respondents. In order to select sample respondents, the study used a purposive and stratified sampling technique. The intention of using purposive sampling is to focus on those who have expert knowledge about logistical operation of the Company and while, stratified sampling was used due to existence of heterogenous category of respondents.

Table 1: database of employees

	Management	Employees
Procurement	2	43
Transportation	2	43
Warehouse	2	43
Marketing	2	43
	8	172

Source: MOENCO 2017

### **3.4 Data Collection Techniques**

Interview and questionnaire were used as a technique to collect primary data. The questions was structured and measured using a five-point Likert response format with the end points (1) “strongly disagree” and (5) “strongly agree”, and (1) “no extent” and (5) “a very great extent”. The intention of using interview as a data collection method came from the study believes that the nature of the topic to be assessed needs in-depth and complete clarification from the data source. While secondary data wear collected through literature study and review.

### **3.5 Data handling and Analysis**

The data was analysed descriptively using descriptive statistical data analysis method. Thus, data were analysed and presented using SPSS in order to make the analysis more expressive.

Considering non return rate of questionnaires the researcher distribute 100 questionnaires to the employee and administered structured interview to 4 management respondents, accordingly 90 of them were properly filled and returned, that is 100% response rate .



**CHAPTER FOUR**  
**DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

This stage deals with presentation, analysis and interpretation of data obtained from respondents through administration of questionnaire and interview. In order to make complete and reliable the output of the study, appropriate type of data were collected, presented, analyzed and interpreted in the upcoming section. Considering non return rate of questionnaires the researcher distribute 100 questionnaires distributed to the employee and administered structured interview to 4 management respondents, accordingly 90 of them were properly filled and returned that is 100% response rate . And also, 4 management bodies were served structured interview, thus, all the data collected properly edited and coded for proper analysis using SPSS analytical tool.

**4.1 GENERAL INFORMATION OF RESPONDENTS**

To recall what has been sighted earlier the respondents of this study are employees and management of MOENCO working under different department in different managerial and/or operational area and/or position of the Company. Gender, Current Position, Service Year and Academic Status is presented in the following session.

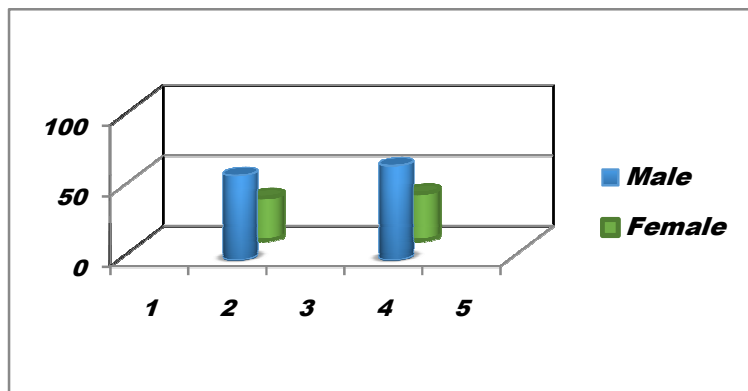


Fig: 4 graphical explanation of company gender distribution Source: MOENCO 2017



Table 2: Gender, Position ,Service Year and Education					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	60	67	67	67
	Female	30	33	33	100
	<b>Total</b>	<b>90</b>	<b>100</b>	<b>100</b>	
Position					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Purchaser	16	18	18	18
	Import officer	15	17	17	35
	Marketing officer	24	26	26	61
	Accountant	27	30	30	91
	Import and clearing officer	8	9	9	100
	<b>Total</b>	<b>90</b>	<b>100</b>	<b>100</b>	
Service Year					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5 Years	11	12	12	12
	6-10 Years	61	68	68	80
	11-15 Years	15	17	17	97
	Above 15 Years	3	3	3	100
	<b>Total</b>	<b>90</b>	<b>100</b>	<b>100</b>	
Education					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below BA Degree	21	23	23	23
	BA Degree	55	61	61	84
	MA/MSC	14	16	16	100
	<b>Total</b>	<b>90</b>	<b>100</b>	<b>100</b>	

Source:MOENCO 2017

In the table above seen that, the job position of the respondents that 16(18%), 15(17%), 24(26%), 27(30%) and 8(9%) of them belongs to non supervisory employee i.e. Purchaser, Import officer, Marketing officer, Accountant and Import and clearing officer. This implies diversified skill and knowledge application of the job operation. On the other hand, in the same table next item tells us majority of the employees i.e. 61(68%), of the respondents working six to ten years with in the company. This can implies that, respondents are capable of reflecting logistics operation practice of MOENCO.

Regarding the academic background of the study participants 21(23%), 55(61%) and 14(16%) of the respondents are, below BA Degree, BA Degree and MA/MSC degree respectively. Thus, respondents reflect reliable data to the study.

#### **4.2 DATA ANALYSIS AND DISCUSSION**

Collaboration occurs primarily as a result of competitive dynamics. Such dynamics encourage organisations to utilise resources and competences of other organisations that together create customer value. By bringing complementary resources together, organisations can develop relational capabilities that create above average economic rents and improve organisational performance. Collaboration, which facilitates benefits such as innovation, resource sharing and access to economies of scale, is a strategy that is increasingly being advocated (Fawcett, Magnan & McCarter 2008).





<b>Table 3: Existence of Logistical Collaboration</b>					
		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	Very Great extent	20	22	22	22
	Great extent	62	69	69	91
	Some extent	8	9	9	100
	<b>Total</b>	<b>90</b>	<b>100</b>	<b>100</b>	

Source: Primary data obtained from questionnaires

As it is indicated in the above table, majority of the study respondents agreed that MOENCO has been built and operates Logistics Collaboration so long, that is 62(69%); Whereas, the rest not complain about existence of Logistical Collaboration which occupies 20(22%) and 8(9%) respectively. Thus, which implies the company has being aware about competitive advantage of Logistical Collaboration.

One of the recent extensions of the supply chain collaboration conceptual framework is collaborative logistics management (CLM). The objective of CLM is to reduce or eliminate inefficiencies in the logistics process (for example time, inventory, space, errors and distance) through collaboration, in order to bring benefit to all trading partners. This approach leads to assets such as facilities and capital equipment being used to the fullness of their capacity and economies of scale being maximized.

Mangers working at MOENCO, state about ultimate objective of company logistics collaboration to the study during the interview session, the company aim to create sound system of logistics operation that can be responsive to the total system. In this

regard also, the study has been asked employee respondents regarding objective of the company logistics collaboration, and accordingly the result depicted as well hear under.

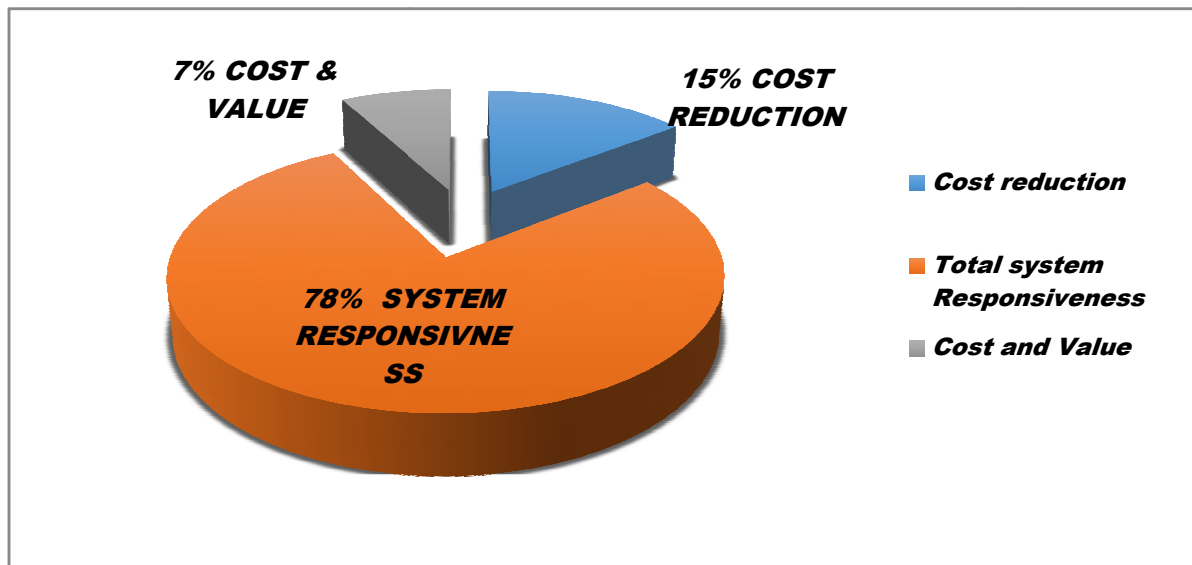


Fig: 5 Objective of Company Logistics Collaboration

Source: Primary data obtained from questionnaires

As seen in the above figure and in Table 4 below, majority of the respondents i.e.70(78%) of them belongs to agreed members of the company that logistics collaboration work for enhancing total system responsiveness. While the remaining 13(15%) and7 (7%) replied that, cost reduction and cost and value respectively. This implies that, MOENCO has made an effort to consume responsiveness in its overall operation through logistical partnership by setting its ultimate goal enhancement of system responsiveness.

As it was already mentioned collaborative logistics can significantly reduce costs, increase supply chain efficiency, and make trading partners more flexible in addressing shifts in consumer demand. Therefore the two very immediate reasons that companies enter to collaboration are cost reduction and improve total system responsiveness. In addition to these two, however, the motives for this purpose may vary from company to company and may differ depending on the company's position in the chain. Emmett et al. (2006), classified the driving forces (the reasons why companies enter collaborative relationships) from buyer perspectives, price of delivery item, secure reliable source, influence supplier quality access new technology etc. In this regard the study respondents reflect three view as depicted hear under.

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	Cost reduction	13	15	15	15
	Total system Responsiveness	70	78	78	93
	Cost and Value	7	7	7	100
	<b>Total</b>	<b>90</b>	<b>100</b>	<b>100</b>	

Source: Primary data obtained from questionnaires



		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Price of delivery item	29	32	32	32
	Secure reliable source	33	37	37	69
	Influence supplier quality	10	11	11	80
	Access new technology	13	15	15	95
	Support JIT imitative	3	3	3	98
	Reduce procurement Procedure and Cost	2	2	2	100
	<b>Total</b>	<b>90</b>	<b>100</b>	<b>100</b>	

Source: Primary data obtained from questionnaires

As it signify in the above data, 29(32%),33(37%),10(11%),13(15%) and insignificant number of respondents said that, price of delivery item, secure reliable source, influence supplier quality, access new technology, support JIT initiative and reduce procurement procedure and cost respectively. Moreover, similar point have been discussed with respective management of MOENCO during the interview session.

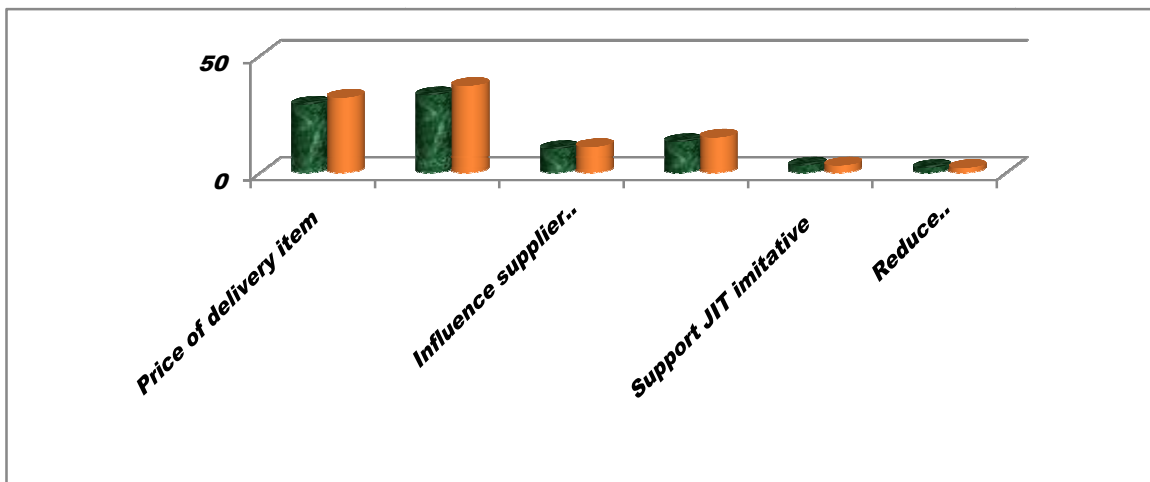


Fig: 6 Collaborative Relationships From Buyer's Perspectives Source: data obtained from questionnaires



However the management focus more on building relationship basically to influence supplier's quality and sharing technology.

To employ logistics as an effective competitive level and as a significant component of strategy, management must take two actions. First, it must adapt logistics programs to support ongoing corporate strategies in the short term. Second, it must factor logistics into the design of business operating strategies on a continuing long-term basis. Steps necessary to ensure this include the performance of a logistics strategy audit, possible logistics system redesign, and the maintenance of procedures to ensure continued attention to logistics as an integral element of corporate strategy.

**Table 6: Company Logistics Strategy Support For Cost Reduction and Enhance Efficiency**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	78	87	87	87
	Agree	8	9	9	96
	Disagree	4	4	4	100
	<b>Total</b>	<b>90</b>	<b>100</b>	<b>100</b>	

Source: Primary data obtained from questionnaires

As it can be seen in the table above, majority of the respondents that is 78(87%) replied that, the company logistics strategy significantly supports operational cost reduction and enhancement of efficiency. While the remaining 8(9%) and 4(4%) of them also agreed and disagreed respectively. Moreover, data from the management of the company indicates that strategy will serve to bring logistics efforts into alignment with



corporate needs in the short term and/or long-term that will be strongly related to logistic cost and efficiency.

One of the greatest benefits from long-term logistics collaboration is the cost savings that result from routinized procedures over the life of the relationship. The longer the relationship, the more indirect costs—operational and otherwise is reduced. These cost savings are shared by both buyers and sellers, increasing the benefits to both. On the other hand, Collaborations are examples of rich sources of reciprocal flows between organisations that occur in a dynamic business ecosystem. Organisations are effectively part of a broader network, a system of interconnecting parts ‘that are not centrally directed’ (Ritter, Wilkinson & Johnston 2004,). Effectively, collaborations are a touch point for diverse, interacting systems, connecting key components of the business ecosystem. Forming collaborations occurs in this dynamic environment and may provide the rationale for organisations working together strategically, often utilised to cope with uncertainty (Park & Ungson 2001).

**Table 7: Benefit Company Want To Share From Logistics Collaboration**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sharing of benefit	49	54	54	54
	Sharing of cost	27	30	30	84
	Sharing of risk	14	16	16	<b>100</b>
	<b>Total</b>	<b>90</b>	<b>100</b>	<b>100</b>	

Source: Primary data obtained from questionnaires

As it can be seen in the table above, responses have been asked about the benefit that their company wants to seek from logistics collaboration, accordingly the response depicted as 49(54%), 27(30%) and 14(16%) of them replied that, sharing of benefit, sharing of cost and sharing of risk respectively. From this, one can easily infer that MOENCO logistics collaboration management based on taking advantage on cost and benefit. On the other hand, in addition to the above depicted factors, study respondents testified through interview and questionnaire lowering inventory risk, lowering distribution and transportation cost, improve customer responsiveness enhance flexibility and customer served improvement to very great extent our company wants and strives to achieve from collaborative logistics practice and management.

Automated Identification (Auto ID) applications can provide corporate information systems with the identity of each physical item in the supply chain in an automated and timely manner. The real time availability of item identity allows other information, related to the item, to be drawn on in order to assess both the current state of the product and future actions required. In the context of supply chain operations, widespread introduction of such systems represents a major opportunity to overhaul and improve tracking and tracing systems, process control and inventory management. In the longer term, it is possible that Auto ID systems may enable a complete re-engineering of the supply chain, by removing a number of the constraints that limit today's supply chain structures.



<b>Table 8: Extent of Identifying Inefficiency In Company Supply Chain Operation Process</b>					
		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	Strongly agree	37	41	41	41
	Agree	37	41	41	82
	Neutral	3	3	3	85
	Disagree	13	15	15	100
	<b>Total</b>	<b>90</b>	<b>100</b>	<b>100</b>	

<b>Table 9: Factors pushing MOENCO to Collaborate</b>					
		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	Info sharing/communication	22	24	24	24
	Trust and Commitment	42	47	47	71
	Top Management Support	17	19	19	90
	Right mix of channel partner	9	10	10	100
	<b>Total</b>	<b>90</b>	<b>100</b>	<b>100</b>	

Source: Primary data obtained from questionnaires

Regarding the extent of identifying inefficiency in the company supply chain operation process the study pose question to the respondents and accordingly replied as 37(41%), 37(41%), 3(3%) and 13(15%) strongly agree, agree, neutral, and disagree respectively.

Logistics collaboration has emerged a prevalent strategy to mitigate challenge individuals and organizations encounter. A successful collaboration, however, depends on certain trustworthy behaviours partner exhibit. To that end, understanding aspects constituting behavioural uncertainty and mechanisms by which such aspects affect partner trust is a necessary. This necessity counts on emergent behavioural trust



uncertainties, constituted by partner's actions and interactions occurring during collaboration.

On top of this there are factors that can push the company to collaborate as indicated on Table 9 above, Majority of the respondents that is 42 (47%) said Trust and commitment is pushing MOENCO to Collaborate. While the remaining 22(24%), 17(19%) and 9(10%) Information sharing/communication, Top Management Support, Right mix of channel partner respectively. From this one can easily infer, the collaboration practice of the company in some particular points has not functioned well.

The use of information and communication systems to improve productivity in all segments of business has been demonstrated by numerous research efforts as well as through subjective case studies. In order to achieve the efficiency improvement targets established by the different institution for the supply chain and logistics sector, a step function advance in the use of current and emerging information and communication technologies is required.

Currently, the integration of the supply chain and logistics processes of supply chain participants is limited by the complexity of current systems technologies, the lack of communications and information standards, the dominance of proprietary systems, high costs, conflicting regulatory requirements, incompatible business processes, and outdated business practices. Improvements in the use of information, computing and communication technologies, via simplification and standardization, business practice



revisions, business process harmonization, and networking and collaboration will allow stakeholders in the supply chain and logistics domain to more cost effectively integrate their operations, manage the complexities of their supply networks, and improve asset utilization.

**Table 10 : Information Communication System and Its Effect On Logistics Operation Of the Company**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very great extent	29	31	31	31
	Great extent	53	59	59	90
	Some extent	8	10	10	100
	<b>Total</b>	<b>90</b>	<b>100</b>	<b>100</b>	

Source: Primary data obtained from questionnaires

As it is seen in the above table, majority of the respondent i.e. 53(59%) said to great extent information communication system support efficiency of company logistics operation. On the other hand significant number of respondents i.e. 29(31%) and 8(10%) of the respondents replied that, very great extent and to some extent support the company logistics operation.

**Table 11 Barriers Encountered that Hinder Efficient Operation Yet**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	12	13	13	13
	Agree	64	71	71	84
	Neutral	14	16	16	100
	<b>Total</b>	<b>90</b>	<b>100</b>	<b>100</b>	

Source: Primary data obtained from questionnaires



The study asked respondents about the barriers that has been occurred yet that affects operation. Accordingly 12(13%), 64(71%) and 14(16%) respondents replied that, strongly agree, agree and neutral respectively as shown on the above table. Thus, majority of the respondents’ agreed on existence of challenges that can have potential to hinder logistics operation of the company.

**Table 12: Barriers Contributing to Failure Of Logistics Collaboration**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Failure to reach an understanding	20	22	22	22
	Lack of top management support	15	17	17	39
	Poor communication	5	6	6	45
	Opportunism and self interest	21	23	23	68
	Difference in benefit /risk sharing opinion	21	23	23	91
	Technical difficulties	8	9	9	100
	<b>Total</b>		<b>90</b>	<b>100</b>	<b>100</b>

Source: Primary data obtained from questionnaires

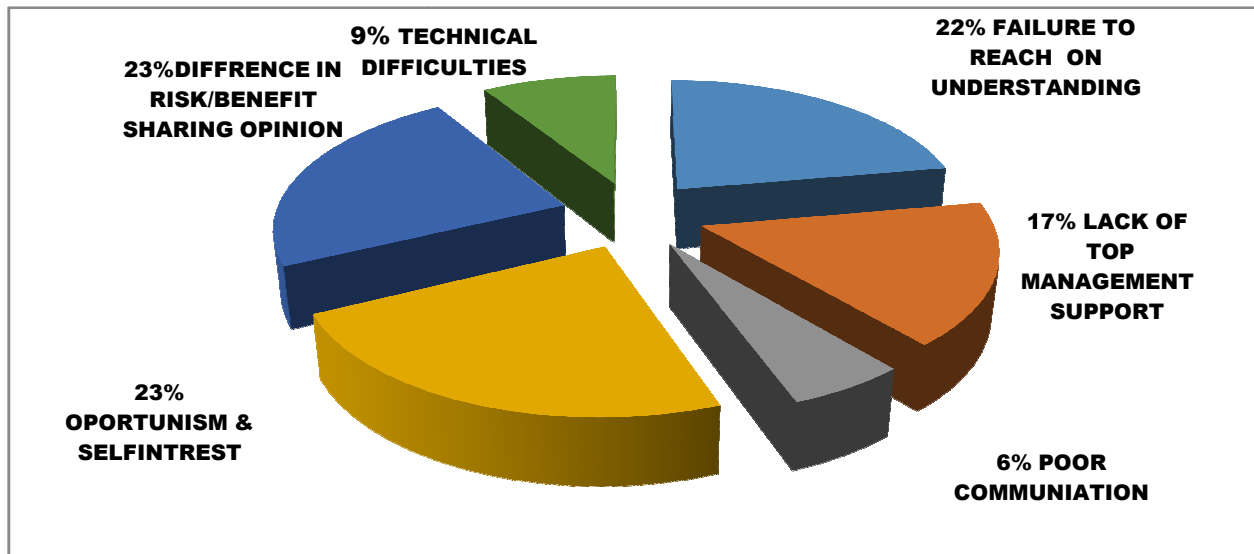


Fig: 7 Barriers Contributing to Failure of Logistics Collaboration Source: Primary data obtained from questionnaires

As it is seen in the above figure and on table 12, 20 (22%), 15 (17%), 5 (6%), 21 (23%), 21 (23%) and 8 (9%) replied to the question regarding the barriers contributing to failure of logistics to be; failure to reach an understanding, lack of top management support, poor communication, opportunism and self interest, difference in benefit /risk sharing opinion and Technical difficulties respectively. This implies that, majority of them agreed on failure to reach on common understanding, prioritizing self interest, difference in opinion and management support significantly affect the company logistics collaboration management proactive. Moreover data obtained through interview from the management indicates that, by preparing our initiative for these common barriers at an early stage, the company tries to overcome each obstacle.

Respondents were asked to share about the action that the company have taken, yet to bridge failed collaboration, accordingly the response given depicted table 13 below. 48(52%) that is the majority agreed that MOENCO has tried to bridge failed collaboration in its previous operation. While 21(24%) of the respondents replied that they are being neutral and the remaining 21(24%) disagree of the issue which has been raised.



**Table 13 Action has Been Taken to Bridge to Failed Collaboration**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	48	52	52	52
	Neutral	21	24	24	76
	Disagree	21	24	24	100
	<b>Total</b>	<b>90</b>	<b>100</b>	<b>100</b>	

Source: Primary data obtained from questionnaires

**Table 14: Enablers that has been Taken to Bridge Failed Company Collaboration**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Two way communication	22	24	24	24
	Common interest	5	6	6	30
	Better management support	14	15	15	45
	Trust and commitment	28	31	31	76
	Right mix of channel	19	21	21	97
	Financial and non financial investment(e.g. training, technological update	2	3	3	100
	<b>Total</b>	<b>90</b>	<b>100</b>	<b>100</b>	

Source: Primary data obtained from questionnaires

As we can see in the above table, 22(24%), 5(6%), 14(15%), 28(31%), 19(21%) and 2(3%) replied that, two way communication, Common interest, Better management support, Trust and commitment, Right mix of channel, Financial and non financial investment. (e.g. training, technological update) respectively regarding the question raised about which Enablers Taken to Bridge Failed Company Collaboration. This simply indicated that, two way communication, trust and commitment and right mix of channel has been used as premedical measure by the company since yet to cure the failed collaboration.



At the final juncture of all issues, the study rose questions to have general explanation about the logistics collaboration management practice of the Company.

Respondents explained MOENCO has well organised, carefully handled supply chain which is supported by computerised system with good working relationship with its suppliers.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1. SUMMARY OF MAJOR FINDINGS**

According to the study, majority of the respondents which is 62(69%) agreed that MOENCO has logistics Collaboration practice and 70(78%) of them belongs to agreed members of the company that logistics collaboration work for enhancing total system responsiveness. As respondents serve the company for significant service year which implies they reflect genuine practice of the company to the study. Besides, respondents has diversified academic background and status which indicates the company operation is carried out in a reliable manner.

Management of MOENCO focus more on building relationship basically to influence supplier's quality and sharing technology. Majority of the respondents that is 42(47%) said Trust and commitment is pushing MOENCO to Collaborate from among various factors.

The study reveals, 53(59%) of the respondents said information communication system support efficiency of company logistics operation to a great extent. On the other hand, the rest of the respondents' agreed on existence of challenges that can have potential to hinder logistics operation of the company.



This implies that, minority of them agreed on failure to reach on common understanding, prioritizing self interest, difference in opinion and management support significantly affect the company logistics collaboration management practice.

Finally, 78(87%) replied that, the company logistics strategy significantly support operational cost reduction and enhancement of efficiency. And also, 48(52%) agreed that MOENCO has tried to bridge failed collaboration in its previous operation.

## **5.2. CONCLUSIONS**

As indicated by the study, Collaboration is growing and increasing more complex and potential risks, it must be properly executed and monitored in order for automakers and suppliers to realize its potential benefits without suffering off setting negative consequences. Accordingly MOENCO logistics management operation has created its own strategy by collaborating with its partners to cope with the circumstances and the increasingly complex nature of logistics operations, are causing to focus on their core competencies and work with others.

As revealed by the study, MOENCO has been built and operates Logistics Collaboration in order to enhance total system responsiveness. However, practicality of such a fact makes difficult to get competitive advantage, because as companies without a competitive advantage cannot enjoy a position of enduring superiority over competitors, in terms of customer preference.



According to the study, MOENCO focus more on building relationships basically to influence supplier's quality and sharing technology, which can simply strengthen logistics operation target achievements. In addition to this, Trust and commitment is the main problem of MOENCO to Collaborate, this may cause failure of company logistics collaboration and/or partners to move elsewhere.

Finally, the study reveals that, trust and commitment, two way communication and right mix of channel has been used as a remedial measure by the company since yet to cure the failed collaboration, however significant effect has not been seen. Beside this, failure to reach on common understanding, prioritizing self interest, difference in opinion significantly affect the company logistics collaboration management practice.

### **5.3. RECOMMENDATION**

Effective logistics management can provide a major source of competitive advantage to a company, ensuring that it is able to continuously respond more effectively and efficiently than competitors, to customer requirements world-wide. On top of this the following points forwarded by the study behind detailed analysis and interpretation data has been collected from the target area and company as well.

In order to maintain MOENCO's logistics management success and goal achievement at its desired level it should have to continue to be improved in overall efficiency by means of continuing sound logistics collaboration management decisions. Moreover, various collaborative logistics activities, and the integrative operation management, will

play an ongoing and important role in determining whether MOENCO's customer receives the right product, at the right place, in the right condition, at the right cost, and at the right time. Managing the various activities as collaborative logistics system must lead not only to the maximisation of customer satisfaction, but also to the lowest possible total cost. These leads to logistics management of the company to contribute significantly to overall efficiency, competitive advantage and profitability.

In order to reduce company's collaborative logistics barriers as well as neutralize it and convert to its benefit, MOENCO strongly advised to segregate its collaborative threats to make some arrangement with its chain partners in turn may lead to many improvements and other possibilities for a company as it is freed up to refocus on its core competencies. It may also enhance customer service levels, reduce capital requirements, increase profitability, reduce supply chain costs due to economies of scale, simplify industrial relations, help companies keep up to date with world-wide technological trends, and introduce innovative ideas and concepts.

The study recommended that to be in a position to create sound relationship, quality delivery and lead time reduction as a whole building effective, efficient and responsive logistics collaboration, ensuring application of Sophisticated information systems such as electronic data interchange (EDI) which support companies within a particular supply chain seeking to reduce operating costs and overall lead times.

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**SCHOOL OF MANAGEMENT STUDIES  
INDIRA GANDHI NATIONAL OPEN UNIVERSITY  
MAIDAN GARHI, NEW DELHI – 110 068**

*Appendix A*

**Dear Participant;**

I am a graduate student at **INDIRA GANDHI NATIONAL OPEN UNIVERSITY**. My final project will be on **ASSESSMENT OF LOGISTICS MANAGEMENT COLLABORATION ON COMPANY COMPETITIVE ADVANTAGE -THE CASE OF MOENCO**. Because you are working for the Company, I am inviting you to participate in this research study by completing the Questions.

The following questionnaire will require approximately 15mts of your time to complete. There is no compensation for responding nor is threat and known risk. In order to ensure that all information will remain confidential, please do not include your name. If you choose to participate in this project, please answer all questions as honestly as possible and return the completed questionnaires promptly.

Thank you for taking your time to assist me in my educational endeavors.

Warm appreciation ahead of all'

**Respondent Biography**

1. \_\_\_\_\_ Gender
2. \_\_\_\_\_ Current Position
3. \_\_\_\_\_ Service Year
4. \_\_\_\_\_ Academic Status



**Driving Force of Logistic Collaboration Management**

5. To what extent do you agree with existence of logistics collaboration in your company?

- V. great Extent
- Great Extent
- Some Extent
- Low Extent
- No Extent

6. What is the ultimate objective of your company logistics collaboration?

- Cost reduction
- Enhance total system responsiveness
- Cost and Value
- Other, please specify \_\_\_\_\_

7. How do you rate the reason why your Company enters collaborative relationship from buyer’s perspective?

S.N	Item	No Extent	Low Extent	Some Extent	Great Extent	V. great Extent
	Price of delivery item					
	Secure reliable source					
	Influence supplier quality					
	Access new technology					
	Support JIT imitative					
	Reduce procurement Procedure and Cost					

8. How do you rate the reason why your Company enters collaborative relationship from supplier’s perspective?







S.N	Item	No Extent	Low Extent	Some Extent	Great Extent	V. great Extent
	Lower Inventory risk and cost					
	Lower Distribution and transportation cost					
	Improve customer responsiveness					
	Increase flexibility					
	Improved customer service					

**Where to Collaborate in the Supply Chain**

12. Based on your Knowledge, do you think your Company properly identifies its inefficiency in the Supply chain?

- Strongly agree                       strongly disagree  
 Agree                                       disagree  
 Neutral

13. Rate which factors pushing your company to collaborate?

S.N	Item	No Extent	Low Extent	Some Extent	Great Extent	V. great Extent
		1	2	3	4	5
	Information sharing/Communication					
	Trust and commitment					
	Top management support					
	Right mix of channel partner					
	Other _____					

14. To what extent your company install information and communication system



that support efficiency of Company Logistics Operation.

- V. great Extent
- Great Extent
- Some Extent
- Low Extent
- No Extent

**Barriers of Effective Collaboration**

15. Based on your experience do you agree your company logistics operation face barriers that hinder its efficient operation yet?

- Strongly agree
- Agree
- Neutral
- strongly disagree
- disagree

16. Rate the following barriers contributing to failed collaboration at your company?

S.N	Item	No Extent	Low Extent	Some Extent	Great Extent	V. great Extent
		1	2	3	4	5
	Failure to reach an understanding					
	Lack of top management support					
	Poor communication					
	Opportunism and self interest					
	Technical difficulties (e.g, IT)					
	Startup factors(e.g, initial cost)					
	Failure to measure benefit					
	Difference in benefit/risk sharing opinion					
	Other _____					



17. To what extent your company has system which properly identify its logistics collaboration barriers?

- V. great Extent                       Low Extent  
 Great Extent                               No Extent  
 Some Extent

**Way-out taken place for Challenge of Collaboration**

18. Your Company takes bridges to the barriers of failed collaboration?

- Strongly agree                               strongly disagree  
 Agree     disagree  
 Neutral

19. Which enablers have been taken to bridge failed collaboration at your company?

S.N	Item	No Extent	Low Extent	Some Extent	Great Extent	V. great Extent
		1	2	3	4	5
	Two way communication					
	Trust and commitment					
	Common interest					
	Better management support					
	Financial and non financial investment(e.g. training, technological update					
	Right mix of channel					
	Other _____					



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20. In general how do you observe your company logistical collaboration practice, please specify in short and precise manner?

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The following interview question has been rose to the management of MOENCO.

1. What would be the driving forces that your company initiate to logistics management collaboration?
2. How do you know Where to collaborate in the supply chain?
3. Does your company properly identify areas of collaboration?
4. What are the barriers of effective collaboration?
5. Does your company has system for way-out to cope challenge of collaboration?