

Chapter 5

Coopetition in Supply Chains: A Case Study of a Coopetitive Structure in the Horticulture Industry

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ABSTRACT

Supply chain management has been increasingly seen as a strategic tool to improve the competitiveness of companies. Coopetition, the mingling of competitive and cooperative relationships, has been utilised by New Zealand companies in the horticulture industry to help break into and develop new markets. Using a case study various elements of the supply chain are examined from both strategic and operational perspectives for this group of companies and their customers and suppliers. The connections to the customer are shown to be enhanced through careful implementation, as the group of companies act to adjust their entire supply chains to make them increasingly customer-orientated. Significant benefits that are shown to accrue include improved information flow, increased ability to supply, and flexibility to meet customer requirements.

INTRODUCTION

Primary sector commodity chains are very important in many developing countries and are still critical to several developed countries like Canada, Australia, and New Zealand. Price com-

petition is rampant with many of these products being impacted by 'commoditisation' and 'perfect competition' due to the homogenous nature of the products. Under these circumstances price is a key consideration for buyers; suppliers are 'price-takers' as "they have no control over the price they receive for their products" (Burt, Petcavage, & Pinkerton, 2010, p. 323). The ability to supply

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while controlling costs and developing appropriate supply chain structures to support customers can lead to significant advantages for producers. This chapter focuses on a case of New Zealand horticulture exporters and the development of a 'coopetitive' (Brandenburger & Nalebuff, 1996) structure within the supply chain, where the members simultaneously compete and cooperate with each other. A review of strategic supply chain management positions this case, which is followed closely by supporting lessons and an examination of how the firms involved have implemented a strategic supply chain management approach in their activities. The use of coopetitive structures to improve customer orientation is outlined, along with some important considerations for managers who seek to operationalise the concept. The thesis of this chapter is that coopetitive structures, carefully used both operationally as well as strategically, enable individual firms to more effectively in their customer-orientation and improve their profitability and competitive positioning.

LITERATURE REVIEW

When understanding the management of the supply chain from the perspective of a group of firms it helps to understand *what* is being managed and *how* it is managed. Supply chain management has its roots in logistics management and the terms have come to mean similar things today (Jonsson, 2008). Both logistics and supply chain management have frequently been relegated to tactical level and charged with cost-efficiency in providing adequate customer service (Bovet & Martha, 2000), yet the discipline of supply chain management has increasingly been given significance and recognition at the boardroom level (Boubekri, 2001; Dath, Rajendran, & Narashiman, 2010).

One of the first scholars to recognise the significant implications of the supply chain on the competitive positioning of firms was Fine (1998,

2000), who investigated the dynamic changes in both the horizontal and vertical dimensions of various supply chains and concluded that "the ultimate core competency of an organization is 'supply chain design,' which [can be defined] as choosing what capabilities along the value chain to invest in and develop" (Fine, 2000, p. 213) to enhance success. The design of the supply chain therefore becomes a *strategic* concern to firms. But what does 'strategic supply chain management' mean? Hult, Ketchen, and Arrfelt (2007) assert that " 'strategic supply chain management' – [is] the use of a supply chain not merely as a means to get products where they need to be, but also as a *tool to enhance key outcomes*" (Hult et al., 2007, p. 1036; emphasis added); a supply chain is for getting goods to where they need to be but may also be of importance to a firm to enable attainment of other, *strategic*, outcomes. Paraphrasing Hill and Hill (2009, p. 25), the strategic role of supply chain managers will be to support competitive drivers in their company's market, for which the supply chain team is responsible.

Fisher (1997) also sees that supply chains are associated with product flow as well as providing a means for market mediation to ensure the right mix of products reach the market. Such traditional product flows require firms "to synchronise the requirements of the customer with the flow of material from suppliers in order to effect a balance between what are often seen as the conflicting goals of high customer service, low inventory investment and low unit cost" (Stevens, 1989, p. 3). These synchronised and integrated flows of material are similar to vertical integration where there is coordination over successive phases of production so there is operation as a unified process (Frank, 1925); however, supply chain management is not integration and sits on a continuum between integration and separate firms (Ellram, 1991). Overall, in the supply chain this synchronisation of flow should limit wastes in excess or obsolete inventories and should improve profits. In this way the supply chain may be used

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