The Interconnected Role of Cognition, Commitment, and Capability in Supply Chain Relationships: A Hermeneutic Approach

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Abstract

Researchers argue that appropriate management of SC relationships is a determinant of firm performance. The literature argues that managing relationships across a supply chain network can help a firm establish a distinctive advantage. However, research has shown that major methodological issues blur our understanding of the link between tightly coupled relationships and performance. Through hermeneutical analysis, we evaluate the operationalization of these relationships using interview data from 11 manufacturers and retailers. We identify the conditions under which these relationship strategies are justified and the elements that constitute an effective relationship strategy. We then introduce the cognizance, commitment, capability framework.

Keywords: Collaboration, SC Relationships, Hermeneutics

Introduction

Strategic decision makers persistently struggle to help companies achieve differential firm performance (Porter, 1991; Rumelt, Schendel, & Teece, 1991; Allred et al., 2011). To provide insight into this challenge, Dyer and Singh (1998) presented the relational view of the firm and contrasted its insights to those of industrial organization theory (Porter, 1980) and the resource-based view of the firm (Wernerfelt, 1984; Barney, 1991). Dyer and Singh (1998) have argued that vital resources reside outside a firm's boundaries. Only by working collaboratively can firms access these dispersed, complementary resources, leveraging them for supernormal rents. Dyer and Sigh essentially suggest that the relevant entity of competition is no longer the firm; rather, it is the supply chain network. Research has indeed shown that collaborative organizations outperform their less collaborative counterparts (Allred et al., 2011; Dyer & Hatch, 1998; Fawcett et al. 2011; Gulati et al. 2000).

As Table 1 illustrates, a growing body of empirical research shows links the effective co-mingling of supply chain competencies to improved firm performance (Allred et al., 2011; Dyer & Hatch, 2006; Fawcett et al. 2011; Gulati et al. 2000). Frohlich and Westbrook (2001) along with other researchers indicate that close working relationships and shared resources are associated with productivity and market share performance (Narashimhan and Kim, 2002; Rosenzweig et al., 2003; Nyaga et al., 2010; Allred et al., 2011; Cao & Zhang, 2011; Huo, 2012; Schoenherr & Swink, 2012). Research further indicates that organizational interdependence in terms of shared knowledge and skills coupled with a deep understanding of an organization's supply chain lead to competitive advantage (Zacharia et al., 2009). Importantly, emerging research has shown that the capability to work closely with other members of a firm's supply chain network allow companies to achieve competitive advantage through the development of new products faster, enhanced quality, lower costs, quicker fulfillment times, and improved customer service (Cachon & Fisher, 2000; Frohlich, 2002; Ketchen et al., 2007; Rinehart et al., 2008).

Table 1 - Exploring the Empirical Link between Tightly Coupled SC Relationships and Performance

Positive	Negative/None	Complex/Mixed
Degree of integration is positively associated with productivity and market share performance (Frohlich & Westbrook, 2001).	Executive risk bearing reduces willingness to make risky decisions and thus discourages supply chain integration (Villena et al., 2007).	Supplier selection decision will have an impact on the buying firm's ability to interact with the supplier effectively (Petersen et al., 2005).
Supply chain integration is positively associated with competitive capabilities and business performance (Rosenzweig et al., 2003).	Most companies do not align their IT implementation with their supply chain strategy (Thun, 2010).	Only high levels of integration manifest statistically significant positive effects towards product innovation (Koufteros et al., 2007).
Collaborative activities lead to trust and commitment, which in turn lead to improved satisfaction and performance (Nyaga et al., 2010).	Supplier development and supplier partnership do not provide performance benefits in a given domain (Koufteros et al., 2012).	Some integration routines have a positive impact on product development outcomes and market success, while other routines can hamper the collective effort (Koufteros et al., 2010).
Collaboration improves collaborative advantage and has a bottom-line influence on firm performance (Cao & Zhang, 2011).	Supply chain collaboration set up either internally or jointly play no significant role in changing the level of execution directly (Kotab et al., 2011).	Both internal and external process integration partially mediate the impact of the antecedents on performance (Narayanan et al., 2011).
Internal integration improves external integration, which directly and indirectly enhance company performance (Huo, 2012).	Many companies struggle to achieve high levels of collaboration. Cultures change slowly, requiring managerial fortitude and vision. Missed goals are the most common result (Fawcett et al., 2008).	Strategic supplier integration is significantly linked to market performance, but not to customer satisfaction (Swink et al., 2007).

However, empirical consensus has yet to emerge. Some empirical research has demonstrated either non-significant or negative relationships between tightly coupled supply chain relationships and firm performance (see Table 1). For example, Koufteros et al, (2012) found that supplier development and partnership do not provide performance benefits. Thun (2010) suggest most companies are unable to align their IT implementation with their supply chain strategy, impeding integration and thus performance improvements. Villena et al. (2009) show that executive risk bearing reduces willingness to make risky decisions and thus 1) discourages close working relationships among supply chain partners and 2) hinders performance improvements. Further, additional research shows more complex and nuanced relationships exist between close supply chain relationships and improved performance. For example, Terjesen et al, (2012) show that the relationship between supply chain integration and operational performance is an inverse U, suggesting that there are costs to a high degree of internal and external integration. Das et al. (2006) found that there is an optimal level of integration. Efforts that fall below or above this optimum diminish performance. Further, effective internal integration antecedes external integration and improved performance.

Discrepancies in the research findings clearly illustrate that despite the intuitive appeal and intense interest in tightly coupled supply chain relationships, our understanding of how to effectively conceptualize and operationalize such relationships is still developing. This reality suggests that a more nuanced exploration into the dynamics of tightly coupled supply chain relationships is needed. Through hermeneutical analysis, we evaluate the operationalization of these tightly coupled supply chain relationships using interview data from a combination of 11 manufacturers and retailers who practice collaborative behavior. Through an iterative approach based on an orienting conceptual framework, we identify the conditions under which tightly coupled relationship strategies are justified and the elements that constitute an effective relationship strategy. From these findings we introduce the cognizance, commitment, capability framework.

Orienting Conceptual Framework: Two Perspectives on Relational Strategies

This section presents an orienting conceptual framework for further Hermeneutical analysis on relational strategies (Thompson et al., 1994; Thompson, 1997; Woodside et al., 2005; Murray, 2002). This framework is used to help interpret meaning of the phenomenon of relational strategies and the dynamics of the interplay between etic and emic. An investigation of the relational strategies literature indicates that many theories have been used to look at supply chain relationships. Table 2 reviews those theories.

Table 2 - Theories Used in Supply Chain Relationship Literature

Theories Used	% of theoretical incidents in Literature 33 articles/75 incidents
RBV	14.7
TCE	13.5
Contingency Theory	8.0
Social Exchange Theory	7.1
Relational View Theory	4.0
Information Processing Theory	2.7
Coordination theory	2.7
Knowledge-based View	2.7
Social Network Theory	2.7
Force Field Theory	1.3
Relational Governance Structures	1.3
Resource Dependency Theory	1.3

The orienting conceptual framework for the hermeneutical analysis is based on the theories that are found in the Supply Chain Relational Strategies literature. We identify in the framework two perspectives that will ground our investigation. First, the value appropriation perspective which focuses on theories such as transaction cost economics and resourced dependency theory where decisions to use either vertical integration or market mechanisms depends on the relative monitoring of costs that arise from uncertainties due to opportunism and collaborative partners' self-interest. (Kaufmen et al., 2000; Cao & Zhang et al, 2011). Second, the distinctive value co-creation perspectives based on relational theories such as resource-based view of the firm, relational view and social exchange theory, which explain how firm performance is implemented through strategic resources such as core competence, dynamic capabilities, and absorptive capacity (Barney, 1991; Pahalad & Hamel, 1990; Teece et al., 2007; Cohen & Levinthal, 1990). While both of these perspectives may have some over lapping operationalization, they also have some very distinct qualities.

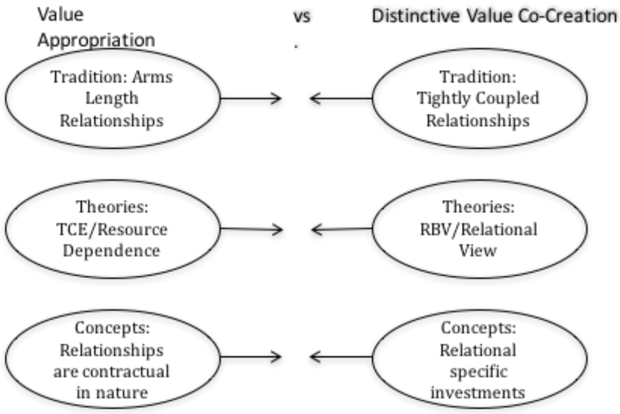

Figure 1 - Relational Strategies Orienting Conceptual Framework

Value Appropriation Approaches

The first perspective is a value appropriation approach. Supply chain collaboration is viewed as a business process where supply chain partners work together toward common goals to reduce costs. Theories such as transaction cost economics (Williamson, 1975; Barringer & Harrison, 2000; Cao & Zhang, 2011) and resource dependency theory (Emerson, 1962; Pfeffer & Salancik, 1978) are very influential. From the perspective of TCE, integration and collaboration can be viewed as an investment in a transaction-specific asset because it cannot be redeployed to a different partner if the original relationship is terminated (Zhao et al., 2008). Resource dependency theory suggests that collaboration at times is asymmetrical in power, organizations form relationships because of dependence upon another organization in order to succeed (Pfeffer & Salancik, 1978).

The concepts behind value appropriation approaches are strategic in nature and focus on contracts. For example information sharing strategies would focus more on market strategies and planning (Narasimhan & Kim, 2002; Zhao et al., 2008; Kim, 2009; Wong et al., 2011; Sanders, 2008; Wiengarten et al., 2012). Problems facing manufacturing, such as parts shortage, delivery and quality problems and cost increases, are rooted in the lack of effective integration and collaborative strategies and are usually solved via short term fixes (Flynn et al., 2010; Rosenzweig et al., 2003). The relationships are “arms-length” and usually do not last over time (Fawcett & Magnan, 2002; Richey et al., 2010), meaning that alliances and partnerships are not formed. Further, these relationships may be asymmetrical in power and are inherently unstable (Lawler, 1986; Rubin & Brown, 1975).

Drivers behind value appropriation approaches suggest that when resources and competencies are not readily or sufficiently viable, firms are likely to establish ties with other organizations (Child & Faulkner, 1998). Zhao et al., (2008) suggest that information sharing, synchronized planning, and working together with customers and suppliers to jointly resolve problems and facilitate operations are important drivers for collaboration between organizations (Zhao et al, 2008). The determinants of most value appropriation approaches are frequency of the interaction, specificity, environmental uncertainty, limited rationality, and opportunistic behavior (Williamson, 1981). Next we will discuss distinctive value co-creation approaches.

Distinctive Value Co-Creation Approaches

The second perspective, distinctive value co-creation approaches focus on a formation of close, long-term partnerships where supply chain members work together and share information, resources, and risks to accomplish mutual objectives. RBV argues that firms that develop valuable, inimitable, rare, and non substitutable capabilities will outperform their competitors (Dierickx & Cool, 1989; Barney, 1991). Through value co-creative efforts, firms become more dyadic, focusing on a buyer/supplier relationship (Fawcett and Magnan, 2002), and organizations are able to develop a competitive advantage from relationships that are collaborative with alliance partners.

When looking for distinctive value co-creation approaches, researchers would identify concepts more relational in nature. The relational view suggests that exchange relationships occur when the partners invest in relation-specific assets, develop inter-firm knowledge sharing routines, use effective governance mechanisms, and exploit complementary capabilities (Dyer & Singh, 1998). These strategies would include such behaviors as investing in partner capabilities and process development and developing long-term relationships (Saeed et al., 2011; Flynn et al., 2010; Koufteros et al., 2007). Close contact would be maintained with strategic partners and satisfaction would be measured (Swink et al., 2007). All forms of resource sharing strategies would take place along with shared expertise and training (Nyaga et al., 2010; Allred et al., 2011; Saeed et al., 2011).

Distinctive value co-creation approaches suggest that most firms cannot develop all capabilities needed internally, this need drives organizations to develop relationships between partners that allow organizations to obtain these resources (Golicic & Mentzer, 2005). Relationships enable firms to take advantage of complementary assets and to reduce redundancy (Dyer & Singh, 1998). The more capabilities an organization needs, the more likely they are to look at build a closer relationship with the organization that can provide those capabilities (Golicic & Mentzer, 2005). Some of the drivers and determinants behind value co-creation approaches include the desire for trust, commitment to the relationship, complementary resources and capability development, relation-specific assets, knowledge sharing routines, and effective governance (Dyer & Singh, 1998).

Methodology

Despite enduring and intense interest in cooperative strategies, relational capabilities remain poorly understood. To ground the research in the extant literature, David and Han's (2004) approach for performing a comprehensive and relevant literature search was employed. Specifically, the ABI Inform and ProQuest databases were searched using the following key words: "integration,'' "coordination,'' "collaboration,'' in the supply chain setting. Over 200 articles were reviewed to inform and design the phenomenological interview guide. Next, an advisory board—composed of executives with extensive backgrounds in collaborative planning—provided feedback on the research content and process, ensuring managerial and theoretical relevance. Finally, the research team attended national meetings of VICS CPFR Planning Committee and participated in a CPFR certification course to firmly ground them in the language and practices associated with collaborative planning. This three-step process helped assure that the open- ended interview guide could be appropriately used to gain insight into how companies are developing and managing the relational capabilities needed for effective collaborative planning, forecasting, and replenishment.

Hermeneutic Analysis

The Hermeneutic approach is an iterative approach, which entails two distinct stages in the interpretation of textual data. This two-step approach proceeds through a series of part-to whole iterations (Arnold & Fischer, 1994; Thompson et al., 1994, Thompson 1997). The first step allows the researcher to gain a sense of the whole understanding of each individual interview (Giorgi, 1989). Using each interview as an n of 1, the intra-text cycle readings were used to develop an integrated understanding of the conveyed meanings of the text (Thompson, 1997). During this process temporal sequencing was highlighted and narrative framing was used to develop a story for each interview company (Murray, 2002).

The second part-to-whole movement is a shift from interviews to stories as an inter-textual analysis emerges. Here, the researchers looked for patterns and differences across different story lines (Thompson, 1997). The interpretive cycle shifts between the intra-textual and inter-textual data. To arrive at a holistic interpretation of the data, the researchers used an iterative process, based on an orienting conceptual framework in which each reading of the text where cultural patterns and themes emerge, arriving at a holistic interpretation of the data.

The Interconnected Role of Cognition, Commitment, and Capability

Using the value appropriation vs. value co-creation approaches as an orienting frame of reference, three common overarching themes were interpreted: "Cognition of Relational Benefits," "Commitment to the Relationship," and "Capability Development." These themes or ideas help us begin to answer the question, "Why have firms not been able to formalize relational capabilities?"

Cognition

Sometimes collaborative efforts break down because decision makers don't fully understand all the nuances of the situation that are happening. They are aware that collaboration can be beneficial, however, awareness is not enough. A cognizance of the phenomenon is needed. Awareness and cognition are two different things. Cognition captures the heart and the mind. Awareness is strictly a mind issue. That is the starting point. Supply chains are complex systems (Cooper, Lambert, and Paugh, 1997; Mentzer et al., 2001) and the need to recognize its complexity is crucial for any type of change to take place (Fawcett, Andraski, Fawcett & Magnan, 2009). Within the SC network, firms must be cognizant of the surrounding environment. Organizations depend on the environment for resources while at the same time they must also evolve with the environment as it changes. Cognition involves internalizing the need both in terms of threats within the company and opportunities for growth.

Pack Right, a large consumer packaged goods manufacturer who has been successful in implementing the CPFR practices, shares an example of becoming aware of the environment and the need for a better relational capability.

> *John*: I think ours has been a journey, so it's not an ah-ha moment. It probably started helping—was when Greg was the sales manager, where the recognition that the retailer is an important component in our ability to reach the consumer shopper, as opposed to something we have to go through. That dialogue started very aggressively in with Pack Right, so how do we do business with these guys? That has continued to evolve. I think it really crystallized from a company strategy when our EG took over as a previous CEO and talked about the first and second only truth, and this whole idea of the moment of truth.

Back in the early 90s Pack Right was working with retailers to measure on stock at the shelf level. Therefore, when the application to collaborative work processes became a value-creating concept, they were already very pre-disposed to the idea that collaboration could reach significantly greater levels as an organization. As John says, "It is building awareness way beyond our retailer."

However, sometimes awareness of a relational capability is not always apparent. Kim works for Parktronics a small electronics manufacturer that works with the big box electronic stores. Kim's frustration is that these stores are not aware of Parktroncis capabilities to share information because they deem them as a "C" supplier.

> *Kim*: We're more like a C customer to them, so we get the C supplier treatment. We are not making the headway of true collaboration, where we do some real forecast sharing, where we take their forecast, where we can even provide them feedback on how good their forecast is. I've been begging my VP of sales to just give us a client. Let me talk to a customer. Give me the opportunity to talk to a customer because I think we have a really good story to tell. I don't even think our salespeople truly know what we're capable of. They don't really care to know, either. I think if we talk to a likeminded person on the customer side, ideally a purchasing manager or replenishment planning manager, they would go, "Wow, you guys can do that?" Maybe they think we're not capable of it and that's why they're treating us with that hands-off approach.

Kim's inability to make their capabilities known to their customers leaves them in a situation where they are left to only transactional relationships.

Further, the we find that the optimal course of action is dependent upon the internal and external situation. This means that managers must become cognizant of sequential, cause-and-effect relationships among environmental, decision-making, and performance variables Therefore, we found that managers must develop a *contingent response*—a strategy for utilizing the firm's resources to achieve a sustainable competitive advantage that leads to above normal returns on investment. Companies need to fit the response to the exigencies of the new situation. For example, Office Space a large retail office supply store designed the rules of engagement with their vendors, and defined their supplier guide. Working with over 20 vendors in a relational setting to set the rules for performance and goals, they were able to focus on sharing information to improve business and forecasts. This gave them capabilities to be cognizant of shifts in the market, which allowed for better decision-making. Robert shares with us how they kept the company apprised of new developments.

> *Robert*: In the beginning, it was forecasting and planning. Later we added things like compliance violations in terms of shipment integrity, if the shipments weren't making it into the CFCs, but a lot of it was centered around supply and demand. Are our forecasts consistent? Is there inventory based on what they have in the chain consistent with what our demand is? Do they see service interruptions? Some of them spin off into that. If there are other events going on during the year, whether it's: back to school, or holiday, or back-to-basics, catalog conversion, new customer acquisition, all of those are key drivers to where you may or may not see forecast variation.

For managers, the key is to become aware that the environment is changing and then correctly identify the forces driving the changes and their influence on competitive strategy. We found that managers should employ enablers to strengthen inter-functional and inter-organizational interaction and relational quality. As they evaluate their companies' strategic positioning, managers were likely to find that globalization, heightened customer demands, and compressed technology cycles were increasing competitive intensity, putting tremendous pressure on cost management. Greater focus on financial performance is further inducing managers to strive to increase asset returns and reduce concept-to-market lead times. Interestingly, an information technology revolution is accelerating these competition drivers.

Commitment

At other times the collaborative effort breaks down in the commitment process. There are a couple of reasons that we found why commitment might not emerge. One is a change in management issue. Sometimes change is hard. We just can't develop the commitment to make the change. Commitment focuses on both the willingness to change and the need to mobilize “collaborative” resources. One large electronics company talks about this issue. This organization is a very consensus driven organization where decisions have to be made through a lot of meetings and involving a lot of people. Therefore, commitment to change takes a very long time. Jean elucidates this through her comments.

> *Jean*: In cases like this, where situations where we really need one group to be accountable for something and then saying that group is accountable for that and they should drive the forecasting decision across the company. There’s no procedure to—nobody buys off on that. I mean there’s no—ultimately, no structural process to ensure that that’s the team that has the decision-making authority. That’s my perspective.

Lewin’s (1951) force field analysis elucidates the role of resisting forces as impediments to change and counterweights to the previously discussed forces that are driving change. Because they freeze an organization in its entrenched behavior, resisting forces debilitate the strategy-implementation and organizational-transformation processes (Dent and Goldberg, 1999; Kotter, 1995). Thus, collaborative inventory initiatives that require altered behavior, revised roles and responsibilities, or the acceptance of new risks are extremely difficult to execute. Unfortunately, we found that when firms do not have the ability to change with the external environment or collaborate more efficiently than their rivals, they risk losing relevance. SC managers claim that they need to understand better the dynamics of change as well as the nature of core collaboration resistors. Only then will they be able to select and implement initiatives to mitigate these resisting forces.

Savoy, a large electronics manufacturer whose primary focus right now is getting back to a sell-through culture. Their goal is to get all of their groups aligned to support a sell-through culture and mentality, making sure everything that they do is getting them aback to the basics of being customer focused. Part of this is changing the company’s culture of accountability. Lonnie and Caley discuss the resisting forces that are facing them.

> Lonnie: I think just we’re not very good at having one group be accountable for something without another group—we’re a very consensus driven company. We are a consensus decision making, lots of meetings involving lots of people type of culture.
> In cases like this, where situations where we really need one group to be accountable for something and then saying that group is accountable for that and they should drive the forecasting decision across the company. There’s no procedure to—nobody buys off on that. I mean there’s no—ultimately, no structural process to ensure that that’s the team that has the decision- making authority. That’s my perspective. Cindy?
> Caley: Yeah. That and, honestly, aligning all the different groups on what the one number is and where it comes from.
> Lonnie: But other companies don’t even have to align is my point.
> Caley: Yeah. No, absolutely.
> Lonnie: When you have someone say, “I’m accountable for forecast,” there’s empowerment and structure and responsibility given, for example, P&L. That enables that process to move along.

Capability Development

The relational view represents the importance of collaborative relationships; yet, many organizations in our study lack the knowledge of the key constructs to capability development. As companies begin to share more information and work more collaboratively to design products, manage inventory, share transportation, we find that greater emphasis on governance structures is needed. The elements of the firm’s ability to interface with its supply network affect its development of relational capability. Once again we turn to Sam at Kool Creations as he discusses how they identify capability development:

> Sam: We said, what is the potential flow opportunity and the size of the inventory, velocity, cost savings potential, number one. Number two, what's the value of this customer. Not just how many dollars do we sell or do they buy from us, but how important are they to our brands, to our shopper to marketing effort. I'll give you examples later. Number three, customer's big now today, but maybe they won't be in the future, so skate to where the puck's going to be, and what's our supply chain capability.

However, notwithstanding the competitive potential of a mature relational capability, firms are struggling to effectively influence strategic supplier relationships in order to make a difference. Lacking the commitment and the understanding, we found that some firms fail to make appropriate and required investments in the governance mechanisms and infrastructure required to unlock the advantage that is embedded within the network. Even companies that have been successful upfront with CPFR are still asking the question how they need to develop better competencies in order to compete in today's market world. Sandia, a successful electronics manufacturer, won a VICS award for their CPFR capabilities. They were smaller then, and so they partnered with a large electronics retailer to help them develop better capabilities.

Our findings identify core elements of organizational architecture: culture, decision rules regarding division of labor and resource allocation, information exchange, performance metrics, people, processes, rewards, strategy, and as key antecedents to capability development. The dynamic capability literature hints that the investments in relational capabilities enable firms to reconfigure both internal and external processes, while organizing supply-based resources and routines (Teece et al., 1997; Eisenhardt and Martin, 2001; Newbert, 2007; Barreto, 2010; Allred et al., 2011).

The Cognition, Commitment, Capability Framework

To ground these findings into a framework for relational capabilities based on our orienting conceptual framework of value co-creation vs. value-appropriation, we investigated a derivative of strategy perspective proposed by Chen et al. (2007) that emerged in the rivalry literature as an overarching framework. Competitive dynamics theory suggests local firms need appropriate awareness, motivation, and capabilities to react to entrants (Smith, Grimm, Gannon and Chen, 1991; Chen, Su and Tsai, 2007). Chen et al. proposed an awareness-motivation-capability perspective to inform attacking behavior in rivalry situations. They suggest as companies become aware of the visible size or scale disparities that rival firms achieve, a cognizance of the competitive relationship becomes real (Ferrier, 2001).

Awareness is indicated by relative scale as a competitor's operating capacity compared with that of a focal firm (Baum and Korn, 1999). This awareness or cognizance motivates the firm to look at competitive actions taken by their competitor and provides the incentive for a firm's managers and industry stakeholders to consider the rival to be in direct competition (Chen et al., 2007). Capability is signaled by a rival's capability to contest, which in turn influences the intensity of the competitive relationship—the greater the scale of a given rival, the greater the perceived competitive tension (Chen et al., 2007). These three behavioral drivers influence a firm's decision to act or respond.

Whereas the awareness-motivation-capability framework is used in the rivalry literature, we note a similar, but slightly different relationship as we look at the processes needed to create relational capability. We borrow from and extend the work from Chen et al. based on our hermeneutic analysis to introduce the Cognizance-Commitment-

Capability Framework. Both in rivalry and relational activities, awareness or cognizance needs to take place in order for change in firm relationships is to be realized. Chen et al., (2007) argue that awareness leads to motivation; we likewise propose that in order for a relational capability to develop, cognizance must lead to a commitment to the relationship. Both a firm's perception (cognizance) and a firm's commitment to relational advantage dictate the capabilities that a firm creates. These capabilities cannot be appropriated, they must be understood and motivation must be applied. When perceptions of the organization lead to transformative commitment, firms succeed in developing unique, creative value. Figure 1 shows the relationship between the two antecedents of relational capabilities.

Conclusions, Limitations & Future Research

This research paper has attempted through an interpretive hermeneutic approach to answer the question "Why have firms not been able to formalize relational capabilities?" Using an orienting conceptual framework of value co-creation approaches versus value appropriation approaches to base our study, we suggest the use Cognizance-Commitment-Capability development framework to better understand organizations ability to create a relational capability. As with all attempts to enrich theory using qualitative inductive research, one must be careful generalizing the findings, while the nuances and interplay may be different from case to case. However, the framework developed in this paper begins to "lead to a better balance between theory building and theory-testing (McCutcheon & Meredith, 1993) and answers the call for more theory building research in supply chain management (Melynk & Handfield, 1998; Mentzer & Kahn, 1995).

Through our analysis, we found that some companies are achieving a relational capability that allows them to achieve better integration among their supply chain partners. However, the reality is that creating value across boundaries is difficult to achieve. Companies have long been designed to use move value appropriation approaches designed to maximize efficiencies and minimize risks. They are not designed to develop strong ties that create more value co-creation capabilities. The common approaches to promoting integration are inadequate drivers of behavioral change. At most companies, real commitment to a relational capability is missing. However, before high levels of managerial commitment can take place, managers must become cognizant of the need to develop a relational capability. As we continue to probe these questions, we can gain a better understanding of collaborative capabilities and the change management process. Greater clarity will emerge to help us to make sense of today's chaotic competitive environment to help us develop the capabilities to create value.

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Available on Request