

supply chain governance,

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summary

refers to the frameworks, policies, and practices that organizations implement to manage and oversee their supply chain operations effectively. As global supply chains have grown increasingly complex and interconnected, the importance of governance in ensuring accountability, sustainability, and risk management has gained significant recognition. Effective supply chain governance plays a critical role in fostering collaboration among stakeholders, navigating regulatory landscapes, and addressing social and environmental responsibilities, making it a vital component of modern business strategy.^{[1][2]}

The evolution of supply chain governance reflects shifts in market dynamics and stakeholder expectations, leading to the development of various governance models aimed at enhancing operational efficiency and strategic alignment. Central to these frameworks are principles such as transparency, trust, and accountability, which

serve to mitigate risks associated with supply chain disruptions and ensure compliance with diverse regulations.[\[3\]\[4\]](#) Moreover, the integration of Environmental, Social, and Governance (ESG) criteria has emerged as a pressing concern, as organizations increasingly face scrutiny regarding their sustainability practices and social impact.[\[5\]\[6\]](#)

Notable controversies in supply chain governance include the challenges of managing cross-border operations and maintaining ethical standards amid differing regulatory requirements. Issues such as human rights violations, environmental degradation, and the exploitation of labor within supply chains have prompted calls for stronger governance mechanisms and enhanced stakeholder engagement.[\[7\]\[8\]](#)

As organizations strive to implement effective governance strategies, the tension between operational efficiency and ethical responsibility continues to shape the discourse surrounding supply chain management.

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In summary, supply chain governance is a multifaceted field that integrates risk management, stakeholder collaboration, and sustainable practices to navigate the complexities of global supply chains. The ongoing evolution of this discipline underscores its significance in achieving not only business success but also broader social and environmental objectives.[\[9\]](#)[\[10\]](#)

Historical Context

The concept of supply chain governance has evolved significantly over the past few decades, reflecting the growing complexity and interdependence of global supply chains. Historically, supply chain management (SCM) was primarily focused on logistics and procurement, with limited emphasis on the governance structures that underpin these processes. As the field has matured, however, the recognition of governance as a critical component of effective supply chain management has gained traction.

Early Developments

In the early stages of supply chain management, the focus was predominantly on operational efficiency and cost reduction. Companies sought to streamline their logistics and procurement processes to enhance profitability. However, as market dynamics began to shift, the need for a more comprehensive approach that included governance structures became apparent. Scholars such as Young (1992) emphasized that governance represents the frameworks through which supply chain constituents share power and coordinate their actions, highlighting the importance of collaboration among various stakeholders[\[1\]](#).

Growth of Risk Management

Over the past decade, literature reviews of prominent SCM journals reveal an increasing recognition of the role that supply management plays in risk management[\[2\]](#). This shift has driven attention toward supply chain sustainability, prompting organizations to adopt governance mechanisms that not only address operational risks but also align with broader economic and social responsibilities. As noted by Frankel et al. (2008), effective supply chain management integrates supply and demand management within and across companies, underscoring the need for collaborative governance strategies[\[1\]](#).

Evolving Roles and Responsibilities

Recent developments within organizations illustrate the evolving nature of supply chain governance. For instance, one large building-materials company expanded its supply-chain function to include dimensions such as operational sustainability, premium service levels, and resilience against market fluctuations. This evolution necessitated the creation of new leadership roles, including a chief supply-chain officer who reports directly to the CEO, thereby enhancing the governance framework at the executive level[\[3\]](#).

The Importance of Governance Principles

Recognizing the complexities of modern supply chains, the United Nations Development Programme (UNDP) established guidelines for "good governance" that are applicable across various sectors, including global supply chains. These principles—legitimacy, direction, performance, accountability, and fairness—provide a foundational framework for organizations aiming to implement effective governance strategies within their supply chains[4]. The emphasis on stakeholder participation and strategic vision highlights the critical role of governance in navigating the intricate landscape of supply chain operations.

Key Concepts

Conceptual Framework

A robust conceptual framework for supply chain governance integrates contextual factors, relational governance instruments, and expected supply chain (SC) performance. This framework yields three core propositions: (1) the influence of contextual factors on the choice of relational governance instruments varies; (2) trust mediates the relationship between contextual factors and both governance instruments and SC performance; and (3) the impact of governance instruments—specifically flexibility, solidarity, and information sharing—on SC performance differs depending on the context[5].

Relational Governance Instruments

Governance instruments can be categorized as formal or informal, each with specific applications depending on the context. Formal instruments are typically adopted in dynamic, unstable circumstances characterized by risk and uncertainty. They facilitate coordination and control, leading to enhanced viability and performance outcomes. Conversely, informal instruments are often favored in contexts where prior relationships exist between stakeholders[6].

Importance of Trust

Trust is a critical component in supply chain governance, affecting how effectively governance instruments can be implemented. A nuanced understanding of power dynamics and trust enhances the explanatory power of existing frameworks like transaction costs and social embeddedness. This emphasis on trust opens avenues for further research, including longitudinal studies that investigate its evolving role within supply chains[6].

ESG-Focused Operating Model

Transitioning to an ESG (Environmental, Social, and Governance) risk management model requires organizations to reassess their current governance approaches. Key

elements of this model include establishing a clear organizational structure, defining roles and responsibilities, and implementing tools for performance management and collaboration. Such measures are essential for fostering effective communication and promoting shared strategic visions among stakeholders[7][1].

Supply Chain Management Overview

Supply chain management encompasses a comprehensive range of activities, including sourcing, procurement, logistics, and collaboration with partners. As the importance of risk management has magnified, supply chain management now increasingly integrates aspects of sustainability and social responsibility into its framework. This evolution reflects a growing recognition of the interconnectedness of supply chain activities and their broader implications[1][8].

Characteristics of Effective Governance

The Sustainable Collaborative Governance Framework emphasizes the dynamic nature of supply chain governance. It asserts that the strategies and practices employed must be adaptable to changing internal and external environments. Organizations are encouraged to implement mechanisms for ongoing adjustments to avoid stagnation and ensure continuous improvement in performance and competitiveness[9].

Implementation Best Practices

To establish effective supply chain governance, organizations should define clear objectives, develop a governance structure, and ensure robust communication channels among stakeholders. Fostering transparency and accountability is vital for mitigating risks and enhancing supplier relationships. Companies are encouraged to integrate ethical considerations and sustainability into their procurement processes, aligning their operational practices with their strategic values[10][11][12].

Governance Models

Overview of Governance Models

Governance in the supply chain encompasses a variety of models aimed at enhancing collaboration among stakeholders while ensuring operational efficiency and strategic alignment. These models integrate policies, processes, and structures that guide and control supply chain operations. By establishing an organizational framework, these governance models define roles and responsibilities and promote alignment with corporate objectives and values[13].

Sustainable Collaborative Governance Framework

One notable model is the Sustainable Collaborative Governance Framework, which emphasizes a governance structure that allows decision-makers to proactively address sustainability challenges within the supply chain. This framework suggests the establishment of a decision-making committee and an information-sharing platform, serving as the nerve center for governance efforts. It facilitates the effective coordination and collaboration necessary for sustainable operations[8].

Key mechanisms within this framework include:

1-Communication and Trust Mechanism: Effective communication fosters mutual understanding and trust, enhancing the overall reputation and identity of the supply chain[8]

2-Benefit and Risk Sharing Mechanism: This mechanism encourages equitable distribution of rewards and risks among stakeholders, thereby promoting collaboration and commitment[8]

3-Collaborative R&D Mechanism: Joint research and development initiatives allow partners to innovate together, creating added value throughout the supply chain[8]

4-Restructure Mechanism: This mechanism enables adaptation and restructuring of governance processes in response to changing conditions and uncertainties in the market[8]

Accountability and Legitimacy

The principles of accountability and legitimacy are integral to effective governance models. Accountability governance addresses the complexities arising from cross-border stakeholders with often conflicting interests, emphasizing the need for transparent processes and decision-making to maintain trust among parties involved[1]. Legitimacy is achieved through stakeholder participation in policy formulation, ensuring that diverse perspectives are reflected in governance strategies. This participatory approach reinforces the consensus required for successful governance[4].

Challenges in Governance Models

Despite the development of various governance models, challenges remain. Issues such as the difficulty in controlling decision-makers across globally dispersed supply chains and balancing efficiency with accountability pose significant hurdles[1]. Moreover, existing literature often focuses on specific governance issues or individual stakeholder perspectives, leaving a gap in holistic governance models that encompass the entire supply chain ecosystem[8].

Best Practices

Performance Measurement

Establishing performance goals is essential for guiding supply chain transformation.

Organizations should gauge current performance levels and set realistic improvement targets across various metrics such as agility, service quality, cost efficiency, and capital utilization[14]. The development of a business process maturity model can help assess performance systematically, enabling organizations to identify capability gaps and prioritize changes accordingly[15].

Accountability Governance

Implementing accountability governance is crucial for navigating the complexities of modern supply chains. It involves the transparent management of stakeholder interests, especially in cross-border contexts where decision-making may be dispersed and interests often conflict[1]. Companies should prioritize accountability to enhance resilience and adaptability, particularly in light of increasing external regulations and stakeholder pressures. A well-defined accountability framework can serve as a transparent template for managing vulnerabilities and facilitating critical decision-making processes within supply chains[1].

Embracing Transparency

Transparency with stakeholders has become increasingly important. Companies are now expected to provide insights into their operations and strategic directions, moving beyond mere promises to actual results. This cultural shift necessitates a robust commitment to accountability, as stakeholders demand more rigorous reporting and verification of outcomes[16]. Enhanced transparency is not just a compliance measure; it also aligns with the growing emphasis on Environmental, Social, and Governance (ESG) criteria, which can offer competitive advantages in the marketplace[16].

Leveraging Technology

Incorporating advanced technologies such as blockchain can significantly improve supply chain governance by enhancing data visibility and integrity. Blockchain facilitates trust among supply chain participants through its immutable record-keeping and distributed consensus mechanisms, thereby reducing information asymmetries and potential errors in data handling[17]. This technological approach not only streamlines processes but also strengthens institutional trust, essential for effective governance in complex supply chains[17].

Prioritization of Changes

Companies must prioritize changes based on their expected value and ease of implementation. The traditional method of prioritizing initiatives remains valid but should be updated to accommodate the rapid evolution of digital technologies[14]. Embracing "no regrets" changes—those with high value and low barriers to implementation—while preparing for more complex transformations can facilitate a smoother transition to enhanced supply chain capabilities[14].

By integrating these best practices, organizations can enhance their supply chain

governance, ensuring greater accountability, improved performance, and increased resilience in an ever-changing business environment.

Challenges

The complexities of modern supply chains present numerous challenges that organizations must navigate to maintain efficiency and resilience. As supply chains are no longer linear sequences but rather interconnected global networks, the ability to predict, plan, and execute operations effectively is critical^[13]. Various factors such as demand fluctuations, unexpected disruptions, and regulatory changes can impact these operations significantly.

Regulatory Compliance

One of the foremost challenges is compliance with diverse and often complex regulatory requirements, which vary significantly across jurisdictions. Many organizations struggle to keep pace with changing regulations, making this the most prominent environmental, social, and governance (ESG) challenge facing supply chains today^[18].

The lack of compliance can result in reputational damage and operational disruptions, emphasizing the need for robust governance strategies.

Visibility and Transparency

A significant issue within supply chain management is the lack of visibility and transparency. Poor visibility hampers trust among stakeholders and complicates the monitoring of compliance and performance^[17]. Companies often rely on labor-intensive, paper-based processes for data entry, which can obscure the flow of goods and complicate tracking and traceability efforts^[17]. This opacity can lead to moral hazard issues and undermine the effectiveness of governance mechanisms.

Interconnected Risks

The global nature of supply chains exposes organizations to hidden risks, particularly those driven by ESG factors such as natural resource depletion and human rights violations. These risks can harm the reputations and financial performance of businesses, making it essential to develop governance frameworks that account for these complexities^[19]. Failure to address these risks not only jeopardizes operational integrity but also impacts stakeholder trust.

Collaborative Governance

To address these challenges, companies are increasingly turning to collaborative governance models that engage supply chain members in shared decision-making processes. This approach aims to enhance cooperation and achieve common strategic goals that are unattainable by individual actors^[8]. However, implementing

such frameworks requires substantial time and investment in both technology and personnel, presenting a significant hurdle for many organizations[3].

Psychological and Behavioral Factors

Additionally, psychological and behavioral factors play a crucial role in supply chain governance. Strategies such as trust-building and monitoring are essential to mitigate the risks of moral hazard and ensure that all parties act in accordance with shared objectives. While monitoring is necessary, it can also lead to perceptions of intrusion among stakeholders, complicating relationships within the supply chain[20].

Case Studies

RFIT Project Case Study

The RFIT (Reducing Friction in International Trade) project is a collaborative initiative involving the UK government, industry stakeholders, and academic institutions that began in March 2019. Its primary objective is to explore how emerging digital technologies, specifically blockchain, can streamline international trade processes at UK borders[17]. The case study methodology employed a standard protocol to enhance reliability and consisted of three phases: case discovery and blockchain platform development, case scope, and case deployment[17].

Case Discovery and Platform Development

The RFIT project focused on two distinct use cases involving the import of wine from Australia to the UK. These cases included both bottled wine in cases and bulk wine in bladders. The research highlighted that the importation processes for both types of wine were similar, with the primary difference being the amount of paperwork required; bulk containers required less documentation than shipments of multiple bottled wine cases[17]. The findings were categorized according to the participants' roles in the supply chain, identifying common themes and unique insights that contributed to an enhanced trust-building framework[17].

Validation and Feedback Mechanism

The final phase of the research included presenting findings and conclusions through four web-based conferences, allowing for validation, confirmation, and feedback from participants[17]. This engagement with supply chain stakeholders ensured that the results were relevant and meaningful within the context of current international trade issues. The study underscored the significance of blockchain in simplifying importation processes while ensuring compliance with fiscal and regulatory requirements at the UK border[17].

Sustainability Practices in Supply Chains

In addition to the RFIT project, various companies have implemented systematic evaluations of sustainability practices within their supply chains. For instance, companies A and B established a 'Sustainability Committee' to oversee and improve their sustainability practices, although the application varied among Tier 1 suppliers[12]. Company A engaged in a collaborative evaluation with its suppliers, while Company B's approach was less cooperative, highlighting differences in the implementation of sustainability governance mechanisms[12].

Mechanisms and Certifications

Company B has implemented several sustainability mechanisms, such as environmental certifications and waste reduction programs, although these were not uniformly adopted by all suppliers. Company A's approach was characterized by a more formal and cooperative engagement with its supply chain, contrasting with Company C, which primarily focused on short-term negotiations and cost minimization without fostering collaborative practices[12].

Comparative Analysis

These case studies illustrate the diversity in governance practices among different companies and projects within supply chains. The RFIT project specifically examines the integration of technology like blockchain to improve trust and efficiency, while the sustainability case studies highlight varying levels of commitment and collaboration among companies in implementing sustainability practices. Together, they provide valuable insights into the complexities of supply chain governance and the factors that influence successful collaboration and innovation[17][12].

Future Trends

Evolution of Supply Chain Collaboration

The future of supply chain governance is characterized by a shift towards more integrated and sustainable practices. As organizations strive for holistic integration, the evolution from disorderly development to a more coordinated approach involves continuous collaboration among supply chain members. This collaboration is driven by governance mechanisms that focus on shared benefits and risks, as well as the establishment of communication and trust among participants[8]. Collaborative research and development (R&D) initiatives are also gaining prominence, allowing supply chains to leverage individual competitive advantages to foster technological and process advancements that contribute to sustainability[8].

Emphasis on Sustainability and ESG

A significant trend in supply chain governance is the increasing focus on Environmental, Social, and Governance (ESG) criteria. Organizations are under pressure from stakeholders and customers to adopt transparent practices concerning their carbon footprint and social impact. In 2022 and beyond, companies that fail to adapt to these demands risk being left behind in a rapidly evolving marketplace[16]. Sustainability has emerged as a critical competitive priority, prompting organizations to integrate sustainability considerations into procurement processes and supply management practices[12]. This transition is not merely a response to external pressures but also a strategic move to enhance long-term viability and competitiveness[21].

Digital Transformation

Industry 4.0 is reshaping supply chain management through the introduction of advanced technologies such as big data analytics, artificial intelligence, and the Internet of Things (IoT). These innovations enable companies to optimize supply chain operations, enhance predictive analytics in demand planning, and implement real-time inventory management[22][3]. The digital transformation of supply chains requires a comprehensive vision that combines technology with operational changes, allowing businesses to improve service, cost-efficiency, and agility[14]. As firms increasingly adopt digital applications, the demand for skilled personnel who can bridge business needs with technological capabilities will also grow[14].

Future Planning and Performance Optimization

Looking ahead, supply chain planning will likely benefit from closed-loop planning methodologies and predictive analytics. These approaches allow for a more responsive and adaptable supply chain that can react to market changes and consumer demands more effectively[3]. Companies are urged to develop long-term transformation roadmaps that align with their operational goals and capitalize on the full potential of digital technologies. Such strategic foresight is essential to maintaining competitive-

ness and achieving sustainable growth in an ever-changing landscape[14].

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What are the main components or principles of supply chain governance that should be included in the lecture?

The main components or principles of supply chain governance (SCG) encompass several crucial elements aimed at ensuring efficiency, compliance, and sustainability within supply chains. These elements include:

- 1. Rules, Structures, and Institutions:** SCG involves a governing system of rules, structures, and institutions that guide, control, and lead supply chains. These systems are established by various actors, including international organizations and individual firms. They aim to create greater efficiency by providing policies and regulations that streamline the processes from raw material procurement to end product delivery (Source [1] and [5]).
- 2. Contextual Factors and Trust:** The relationship between contextual factors, such as the market environment and internal company policies, and the governance structures is critical. Trust among supply chain partners also plays a pivotal role in effective SCG. A systematic literature review highlighted the importance of understanding these relationships to clarify ambiguous results from previous research (Source [2] and [6]).
- 3. Strategic Planning and Sustainability:** Governance goes beyond daily operations and significantly influences strategic planning, sustainability, and innovation within the supply chain. Strong governance frameworks ensure that businesses can navigate complexities, comply with regulations, and foster robust, enduring relationships with suppliers and partners (Source [4]).
- 4. Triple Bottom Line:** Incorporating the Triple Bottom Line (TBL) into SCG is essential. This concept emphasizes balancing social, environmental, and economic factors to achieve sustainable supply chain management. Organizations are increasingly pressured by stakeholders to integrate corporate responsibility and sustainability into their supply chains (Source [7] and [8]).
- 5. Control and Governance Mechanisms:** Levers of control, such as performance measurement systems and accountability frameworks, are vital for maintaining supply chain sustainability. These mechanisms ensure that supply chain activities align with broader organizational goals and regulatory requirements (Source [7]).

In summary, supply chain governance is multifaceted, involving rules, structures, institutions, trust, sustainability principles, and control mechanisms to ensure efficiency, compliance, and strategic alignment in the supply chain.

Can you elaborate on how the principles of trust and contextual factors influence supply chain governance in practice?

Supply chain governance is significantly influenced by the principles of trust and contextual factors. Trust, in particular, has been highlighted as a cornerstone for building and sustaining robust supplier relationships. The pandemic-related disruptions underscored the importance of trust between companies and their suppliers for resilient supply chains (source [4]). Trust can drive performance, as it is foundational to transparency, which in turn enhances supply chain visibility and operational efficiency

(source [2]). Moreover, systematic literature reviews have shown that trust and commitment (T&C) among supply chain partners are crucial areas of interest for both researchers and practitioners. These reviews provide comprehensive insights into how T&C can be systematically analyzed and implemented to improve supply chain governance (source [3]). Trust is not just about reliability but also involves kindness and humanity in workplace relationships, which can significantly improve performance and stakeholder satisfaction (source [1]). On the other hand, contextual factors play a vital role in shaping supply chain governance. These factors include economic conditions, regulatory environments, and technological advancements. For instance, a systematic literature review identified key contextual factors that influence the selection of relational governance instruments in supply chains and their impact on performance (source [7]). Contextual factors can clarify ambiguous results from previous research on the relationship between trust and governance structures, providing a more nuanced understanding of how these elements interact (source [6]). The interplay between trust and contextual factors is also evident in how supply chain governance mechanisms are designed. Trust serves as an important governance mechanism for information sharing among supply chain members, enhancing coordination and overall chain performance (source [9]). Additionally, it has been found that governance structures, trust approaches, and contextual factors are interrelated and collectively contribute to effective supply chain governance (source [10]). In summary, the principles of trust and contextual factors are deeply interwoven into the fabric of supply chain governance. Trust drives transparency, performance, and stakeholder satisfaction, while contextual factors provide the necessary conditions and frameworks within which trust and governance structures operate effectively.

Can you provide some practical examples or case studies that illustrate how trust and contextual factors have been effectively implemented in supply chain governance?

Certainly! Here are some practical examples and case studies that illustrate how trust and contextual factors have been effectively implemented in supply chain governance: 1. ****Blockchain in Wine Supply Chains:**** A study investigated the impact of blockchain technology on trust within two wine supply chains involving producers, importers, logistics companies, and UK Government agencies. The findings revealed that the introduction of a blockchain-based platform helped establish common trusted data, reducing data duplication and improving visibility across the supply chain. This technological implementation supported the building of trust among different parties involved but did not completely eliminate the need for traditional trust-building measures ([Source 2]). 2. ****Walmart and Hyperledger Fabric:**** Walmart, in collaboration with IBM, implemented a blockchain-based food traceability system using Hyperledger Fabric. This system was tested through two proof of concept projects: tracing mangos in the US and pork in China. The blockchain technology allowed for unprecedented transparency and trust in the food supply chain, significantly reducing the time required to trace the source of a food-borne disease outbreak. This case illustrates how technological interventions can

enhance trust and improve supply chain governance ([Source 3]). 3. **Trust and Collaboration in Supply Chain Risk Management:** A study focused on manufacturing companies' distribution networks highlighted the importance of trust and collaboration in managing supply chain risks. The research emphasized that cognitive and affective trust between partners improved logistics performance and supply chain resilience. These findings underscore the role of interpersonal relationships and collaborative strategies in effective supply chain governance ([Source 4]). 4. **Blockchain for Food Supply Chain Visibility:** Another study on blockchain implementation in food supply chains demonstrated that the technology enhanced visibility and trust. For instance, the end consumers' willingness to pay a premium for enhanced traceability in products like baby food showed the value of trust and transparency as key factors in supply chain governance. However, the study also pointed out challenges such as the trust in the technology itself, human error, and fraud at the boundaries ([Source 6]). 5. **Contextual Factors in Supply Chain Governance:** A systematic literature review identified several contextual factors influencing relational governance in supply chains. These factors include the cultural context, economic environment, and regulatory landscape, which all play a role in shaping trust and governance structures. Understanding these contextual factors is crucial for developing effective relational governance instruments ([Source 9]). These examples and case studies demonstrate that trust and contextual factors play pivotal roles in supply chain governance.

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