Supply Chain Management Practices Influencing Organizational Performance: A Study of Consumer Goods Industry in Pakistan

Saima Naseer

School Of Accounting & Finance, University Of Central Punjab

Accepted 2017-09-15; Published 2017-11-14

Abstract:

This study was carried out to determine relationship between supply chain management practices and organizational performance in two private sectors of Pakistan. Main objective of this research article is that how the consumer goods industry can adopt supply chain management practices to improve performance at large scale. The research design involved a cross sectional survey of two large manufacturing companies in Lahore, Pakistan. Data was collected using a questionnaire that was adopted. Regression analysis was used to analyze the effect of supply chain management practices and organizational performance among two large manufacturing firms in Pakistan. The findings are presented in tables. It is clear that there is a significant relationship between supply chain management practices and organizational performance explained by the three independent variables strategic supplier partnership, customer relationship and lean practices. The researcher has also recommended that future research to expand on the domain of SCM practices by considering additional dimensions and also seek to utilize multiple respondents to enhance research findings.

Introduction:

Ways to compete has changed throughout the years between organizations as per past practice keeping quality as a base in the 80’s (Faweet, 2007). However the new sources of business competition associate their procedure with their partners in supply chain, retailers, suppliers, distributors, wholesalers and end customers (Petrovic, 2007). Having the capacity to make business associations with clients, providers and other strategic partners secured on trust and lasting commitment at that point turns into a vital competitive parameter (Mattson, 2002). For this and different elements like shorter item lifecycle and client desire, organizations have needed to contribute and re-concentrate more prominent consideration on association with clients and providers. Thus, an association production network has turned into a vital plan driving basic leadership at senior administration level.

For improvement of performance of an organization, the past studies showed that SCM practices have played a vital role from various perspectives. (Manyuru, 2005). Mahapatro, (2009) describes organizational Performance is the capability to come up with its mission by managing at its best including good supremacy and a determined dedication to achieve desired results. Thompson et al, (2007), argues that when company gets excellence in its operations then it is easy to capture the market and stay competitive. Supply chain management practices influence promotion and monetary act of an association (Shin et al. 2000; Prasad and Tata 2000). Indeed, organization becomes more competitive and there is...
dramatically increase in market share and ROI due to SCM practices. For instance, Tan et al. (1998) added that efficacy of supply management practices resulted because of good customer relations and practices of purchasing which direct to financial and market performance. On the other hand Froehlich and Westbrook (2001) recommended that business achievements are earned when companies showed improvement in their performance. It is all possible because of supply chain integrations with customers and suppliers on broader scale. In addition to better organizational performance, competitive advantage of an organization also gets influenced by SCM practices. Moreover, SCM practices help to enhance competitive advantage of an organization through price/cost, value, deliverance constancy, time to market, and manufactured goods innovation. Past research has showed there is influence on different measures of competitive advantage of different components of strategic supply management practices (such as strategic supplier partnership). For instance, strategic supplier partnership can look up supplier act, market reducing time (Hanfield, 1997), and boost the height of buyer awareness and contentment (Power, 2001).

With regards to Pakistan past research has concentrated more on one measurement of supply chain management, for instance, qualitative work of (Abeer Imam, Noor Hussain, Aiman Raza, 2015) have concentrated on product development in automobile industry. Similarly (Waqas Ali Tunio, 2013) in his qualitative research suggested flexibility as a supply chain practice in petroleum industry. Also (Muhammad Moazzam, 2015) has examined in his quantitative research flexibility and delivery time of dairy companies in Pakistan. In another review by (Shujaat, Asif, Nayaz, Tanveer, 2012) they examined outsourcing as SCM practices in pharmaceutical industry of Pakistan. Similarly (Tania, Faiza, 2013) also examined outsourcing in banking sector of Pakistan as SCM practice. Although, vast research has shown a big picture of SCM practices, however it was needed to bridge gap that supply chain management practices and its impact on organizational performance wouldn’t be clarified within sight of more than one independent variable. The motivation behind this study is to check the variables not included before in past research and to know the influence. After checking influencing variables we will be capable of determining the results caused by supply chain management practices for better performance of an organization.

2. Literature Review

2.1 Organizational Performance

When an organization succeeds in achieving financial and market goals it means performance of that particular organization is getting better (Yamin, 1999). Supply chain management in connection to organizational performance has short and long term goals which include building efficiency and decreasing stock and process duration in short term and increasing shares and benefits for all supply chain individuals in long term (Tan, 1998). Over many years, behavior of organizations has been measured through different financial tools (Holmberg, 2000). To measure betterment in organizational performance in context of supply chain management past researches evaluated market share, ROI, increase in sales, increase in profit margin and ability to compete represented by constructs like Quality, innovation in product, delivery time, Price/Cost and time to market. Results showed that when an organization offered value generated products to its customer with new specifications in lesser time and to low rates as compare to competitors in market and ensuring delivery on time ultimately results in enhancement of organization’s performance (Li et al., 2006).

Globalization and extreme rivalry of supply chains has constrained assembling firms to search for better assembling strategies to stay competitive. However increasing inflation, energy costs and dumping of cheap imports resulted in lesser production of industry. Supply chain management practices help assembling firms to stay competitive regardless of offering lower prices resulting in better performance.

2.2 SCM Practices:

In early 1980s idea of SCM was presented and it was created from customary administration. Prior organizations were considered as solitary entities with little association with different organizations that were considered as competitors. Therefore, the organization concentrates their basic leadership on interior procedures. These procedures and streams were advanced without taking alternate parts of the organization into thought. Subsequently, the cost of enhancement was either pushed upstream or
downstream not influencing the aggregate cost of production. Supply chain management is concentrating on both inner and outer stream of procedures and streams and like said prior; competition today is between supply chains instead of individual associations.

Several researches have been conducted on supply chain management practices. Donlon (1996) used cycle time, outsourcing, supplier partnership and information sharing as SCM practices. Similarly, (Tan, 1998) used customer relations, quality and purchasing as SCM practices. To eliminate excess inventory, Alvarado and Kotzab (2001) used postponement as SCM practice. In addition to concept of SCM, Min and Mentzer (2004) argued that goals, award and risk, good relationships, integration of methods falls under it. Li et al. (2005, 2006) recognized strategic supplier partnership, customer relationship, and information sharing as key SCM practices.

2.3 Strategic Supply Chain Relationship:

Relationship of strategic supply chain is specified as durable association in relationship of organization and its suppliers. Its purpose is to help organizations to unzip current benefits by influencing the strategic and operational capabilities (Stuart, 2004). Suppliers and organizations are supposed to work in a partnership where they must put efforts to grow and share benefits in their favor by working on areas like latest technology, upgraded products and market share by planning and problem solving efforts (Yoshino, 1995). Organizations must consider those suppliers in strategic partnerships who are capable for sharing responsibility in equally manner for a product’s success. In case of launching a new product, organizations must involve suppliers to reduce cost by making cost effective designs of products. Moreover, they can help selecting in technology components (Wisner, 2002). Time and efforts of organizations cannot be wasted if they are strategically aligned organizations.

2.4 Customer Relationship:

Customer relationship includes all those activities which lead to customer satisfaction. It can only be obtained by reducing number of complaints and maintaining customer relationships in long term (Noble,1997) and (Tan, 1998) introduced essential element for SCM practices is customer relationship.

To remove hurdles to competition, it was suggested to strengthen these relationships so they act as competitive advantage for an organization. To put into practice SCM programs productively, organizations need to build good relationships with customers as well. Organizations can only go for differentiation in products when they tie strong customer relationship. They can get customer loyalty in this way which added value it provides to its customers in dramatic manner.

2.5 Lean practices:

It is the process of removing wasted resources in production process and effort for less consumption of time. Lean practices can be considered a philosophy, values of workplace, a technique, a supervision concept, a value, a methodology (Mark, Wilson and Ram, 2009). Approaches for management now also include lean practices because it plays an essential role in process improvements at all levels (Womack et al., 1990; Liker, 1998). Long term philosophy, procedures, personnel and precisetraditions are crucial to transform an association into a lean enterprise (Liker, 2004; Henderson et al., 1999). Lean supplies result in lasting relationships with suppliers and are considered as important component (Handfield, 1993). According to Liker (1996); Lathin, (2001); Ferch, et al., (1998) for ensuring regulation and productivity of procedures, lean procurement methods are highly demanded which goals are toreducequander in all procurement cycles, avert shortages, decreasesupplyspeculation, decrease procurement direct time and cost, booststock turnover and make sure customers contentment.

3. Conceptual Framework SCM Practices:

![Conceptual Framework SCM Practices](http://dx.doi.org/10.15520/jcrr/2017/8/11/361)
3.1 Hypothesis:

H1: Strategic supplier relationship and customer relationship have substantial relationship.
H2: Lean practices and strategic supplier relationship have substantial relationship.
H3: Lean practices and customer relationship have substantial relationship.
H4: Strategic supplier relationship and organizational performance have substantial relationship.
H5: Customer relationship and organizational performance have substantial relationship.
H6: Lean practices and organizational performance have substantial relationship.

4. Methodology:

To find out impact of SCM practices data was collected from two private sector organizations situated in Lahore. This sample size was chosen because of dramatic increase in organization performance in previous two years because of SCM practices. Unit of analysis for this study is two organizations in manufacturing sector. Questionnaire was adopted for all variables from previous research. The regression analysis has been run by using SPSS. The correlation values have likewise been computed. This study used convenience sampling for collection of data.

4.1 Operationalization of variables:

Questions included in instrument selected are based on strategic supplier relationship, customer relationship and lean practices belonged to two manufacturing organizations. Reason for adopting this questionnaire was that it was used for past studies with same variables combination. In addition to this, its reliability was tested again by SPSS. Lickert five scale was used for each question. To measure strategic supply chain relationship and customer relationship five point scales were used (Huam, Inda, Rohaizat, AbuBakar, UniversitiTeknologi Malaysia 2007). For measurement of lean practices, five points scale was used again by (Hilda Mwale, 2014). The sample comprised of 30 respondents. Participants included in this research were given 30 copies of questionnaires. 25 copies were returned duly filled, there was no response from 5 participants so response rate is 83%.

4.2 Data Analysis: Inferential Statistics:

Several aspects were included in this study for inferential statistics.

4.2.1 Reliability of the instrument

To check the reliability of variables, analysis was run in SPSS.

Table 1.1:

<table>
<thead>
<tr>
<th>No.</th>
<th>Aspects</th>
<th>Number of items</th>
<th>Cronbach alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Strategic Supplier Relationship</td>
<td>5</td>
<td>0.789</td>
</tr>
<tr>
<td>2</td>
<td>Customer Relationship</td>
<td>5</td>
<td>0.913</td>
</tr>
<tr>
<td>3</td>
<td>Lean Practices</td>
<td>5</td>
<td>0.821</td>
</tr>
<tr>
<td>4</td>
<td>Organizational Performance</td>
<td>5</td>
<td>0.995</td>
</tr>
<tr>
<td>5</td>
<td>Overall Reliability</td>
<td>20</td>
<td>0.961</td>
</tr>
</tbody>
</table>

The consequences of the reliability investigation demonstrate that every one of factors for this examination have an estimation of cronbach alpha higher than 0.7 which is fundamental for the instrument to be substantial for a specific report. As shown in above table outcome portrays there are 4 variables out of which 3 are regressors, 1 is response variable. Every one of the variables have a high reliability. The general reliability of these variables is likewise measured and the cronbach alpha estimation of general dependability is 0.961 which is additionally on the higher side.

4.2.2 Correlation Analysis:

Correlation is utilized to degree the strength of an association between two variables. The correlation for this investigation was performed utilizing the Pearson correlation which is generally utilized for different examinations. For applying the Pearson correlation there were a few suppositions which the information satisfied, for example, information was typically dispersed, there was a direct relationship among variables and the information was free from the exception. Table 1.2 demonstrates the consequences of correlations and are interpreted below.
Above table depicts that all variables are positively correlated with each other. For example lean practices and customer relationship has high positive correlation with each other with a value of 0.880 which falls in between -1 and +1 showing linear relationship i.e. when lean practices will increase customer relationship will also increase. Significance value is less than 0.05 depicting perfect correlation between these two variables. High positive relationship can also be seen between the relationship of SCR and CR with a value of 0.920 having significance value less than 0.05. This shows that both variables are correlated i.e. increase in strategic supplier relationship also results in increase for customer relationship. There is also a moderate relationship between organizational performance and strategic supplier relationship with a value of 0.790 and p value is less than 0.05. Similarly, high correlation with significance value of 0.01 can be seen in relationships between lean practices and strategic supplier relationship, customer relationship and organizational performance and organizational performance and lean practices. It refutes that rise in one variable also tends to upturn in other variable in anaffirmativeway. Thus, in a nutshell, there exists a positive correlation between that all variables with p value less than 0.05 validating all hypothesis.

### 4.2.3 Regression Analysis

It is used to check the association between predictor and responding variables.

**Table 1.3:**

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>Items</td>
</tr>
<tr>
<td>1</td>
<td>R</td>
</tr>
<tr>
<td>2</td>
<td>R Square</td>
</tr>
<tr>
<td>3</td>
<td>Adjusted R Square</td>
</tr>
<tr>
<td>4</td>
<td>F-Value</td>
</tr>
<tr>
<td>5</td>
<td>Sig (p-value) Anova</td>
</tr>
</tbody>
</table>

Table 1.3 then again gives the beta estimations of regression, their standard errors, the t-estees and the sig (p-values) for testing the hypothesis of our examination. The coefficients table is appeared beneath and the outcomes are examined in detail.

**Table 1.4 Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Sig</th>
<th>t</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>-.533</td>
<td>.825</td>
<td>-.578</td>
<td>.39</td>
</tr>
<tr>
<td>SCR</td>
<td>.212</td>
<td>.050</td>
<td>.260</td>
<td>2.76</td>
</tr>
<tr>
<td>CR</td>
<td>.162</td>
<td>.056</td>
<td>.270</td>
<td>2.60</td>
</tr>
<tr>
<td>LP</td>
<td>.279</td>
<td>.080</td>
<td>-.273</td>
<td>3.22</td>
</tr>
</tbody>
</table>

Variance level in the responding variable with a predictor variable holding other predictor variables consistent is demonstrated by unstandardized coefficients. For instance an expansion in SCR, an increment of 0.212 in the level of organizational performance can be seen. Also for a comparable increment in the levels of CR there is 0.162 level of increment in organizational performance. Aside from lean practices which have a negative B esteem all other predictor variables have a positive B esteem. It can be seen that for all the predictor variables (p < 0.05). It demonstrates that substantial impact exists of predictor variables on the responding variable organizational performance.
5. Conclusions:
This research aims to interpret the impact of SCM practices on the organizational performance in the two manufacturing firms of Lahore. Competition these days is switching from among organizations to between supply chains. The results revealed that SCM practices have assisted the companies to enhance the performance. This is supported by regression analysis that SCM practices and organizational performance has strong relationship between them. Number of organizations are adopting SCM practices to gain competitive advantage by reducing cost of supply chain.

6. Recommendations:
All manufacturing companies should adopt supply chain management practices to stay aggressive in marketplace and to retain the customers by providing added value products to them. As the thought of SCM practices is compound and involves a system of companies in the attempt of producing and delivering a finishing good, its area cannot be enclosed in just one study. Future study can develop on the area of SCM practices by taking into considerations supplementary dimensions such as geographical proximity, cross functional coordination, logistics integration and agreed supply chain leadership which have been ignored in this study.

Future research should also seek to make use of several respondents for each participating to enhance research findings.

7. Limitations of the Study:
The application and findings of this research are limited to manufacturing companies in Pakistan. They may not be applicable directly to other companies operating outside Pakistan manufacturing industry. Moreover, this research was focused only on two manufacturing companies because of limited time and resources.

References:


