

The Impact of Supply Chain Practices on Sme Companies in Melaka

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Abstract

The supply chain has become crucial day by day. This is due to supply chain practices are giving the impact for the organization performance. The purpose of study is to find out the impact of supply chain practices on organization performance focusing SME companies. Based on previous researcher, there are four variables namely postponement, information sharing, strategic supplier partnership and customer relationship has been used to measure the organizational performance. There are 200 questionnaires been send out to the respondent who are currently work in SME. Based on the data collected the results show significant relationship between the supply chain practices and SME companies performance through the tested variables. At the end of the study, researcher has put some recommendations to improve the quality of future research in this area.

Keywords: Supply chain practices, SME, postponement, organization performance

1. INTRODUCTION

Supply chain management are the key factor to give the organization to improve the organizational performance and also to gain the competitive advantages. According to (Boon-itt and Paul, 2006; Mortensen et al., 2008; Azadi, et al., 2014), supply chain management has provided organization to build long-term competitiveness with the strategies. In other word, supply chain is the activities for sending goods from the raw-material stage through to the end user. From the finding, can understand the supply chain management are become an important relationship between organization performance. According to (Power, et al., 2001; Moberg, et al., 2002; Childhouse and Towill, 2003), the organization need to understand the concept and the supply chain practices for achieving the competitiveness and increasing the profits of the company. The objective of supply chain practices is to combine flow of information to be utilize supply chain become a productive for staying competitive.

1.1 PROBLEM STATEMENT

According to (Demissie, 2015), some products were over stocked, expired, damage and obsolete that eventually increase carrying cost were some of the effects in inventory control. The study revealed that lack of specific time or date for stock taking exercise and discrepancies between actual and physical stock balances were some of the effects of stock audit practice. The study also revealed that unavailability of fully computerized system all over the organization, lack of specific time or date for posting stock records, lack of adequately trained staff hinders effective performance of the organization. The researcher recommends that cumbersome rules and reliance on rigid rules and policies that slow down procurement process should be avoided; current inventory control practices and procedures need to be reviewed and redesigned. The management should stay up-to-date on inventory carrying cost. Only qualified and adequately trained personnel should be involved in stock control. In the past, inventory control was not

seen to be necessary. In fact excess inventories were considered as indication of wealth. Management by then considered over stocking beneficial. Managers, now more than ever before, need reliable and effective inventory control in order to reduce costs and remain competitive (Closs, 1989). In Malaysia the main of GDP contribution is come from manufacturing. Malaysia is already transforming in to industrial economy. The supportive government policies have made a highly competitive manufacturing and export base in Malaysia. So, a lot of foreign investor will shift their investment to the low-cost country such as Indonesia, Thailand, China and so on. If Malaysia firm want to remain the competitive, Malaysian firm need to improve their supply chain and rely less on manufacturing. Malaysian government are mention the Malaysia firm must attention the supply chain management practices into their industries, because it can let Malaysia industries attractive more foreign investor come to invest in Malaysia firm.

1.2 RESEARCH OBJECTIVES

- a) To study the relationship of supply chain practices and their role in SME performance.
- b) To investigate the impact of supply chain practices towards the SME performance.

1.3 SIGNIFICANT OF THE STUDY

This research contributes to the growing body of knowledge in supply chain management theory specifically on the antecedents and outcomes of its practices towards the oeganization performance. First, this research extends the idea on this issue as there a lot of research had been done in the past to test on various aspect of supply chain management specifically on its practices in Malaysia. It is too much frequent we heard the SME voice out on this issue especially in bearing a lot of loss due to improper practices. It is expected that, by publishing this research that in the year future SME will be able to apply the best practices in supply chain to improve their organization performance.

This research may give huge impact to SME in putting such standard operating procedure or criteria to appointed contractor in ensuring the supply of materials can be reach on time. In another hand, this may save both SME and their practices. Another perspective to be put forward, it helps other researcher to had another opinion on the supply chain practices.

2.0 LITERATURE REVIEW

In the study of Supply chain management practices is a set of activities. The activities is want to promote effective management in the organization by supply chain. The dimension of the SCM practices have 5 of dimension which include strategic supplier partnership, customer relationship, information sharing, quality, internal lean practices and postponement. Strategic supplier partnership role as relationship between the organization and supplier in the long-term relationship. The information communicated between partner where the accuracy, adequacy, and timeliness, this is under the information sharing and also refer to the quality of information. Customer relationship are key role of building the long-term relationship with the customer, and fulfil the customer satisfaction. Other than that, the postponement is the delayed differentiation of product on the supply chain (Kant, 2016). The previously researchers was found that they have a positive relationship between SCM practices and organization performance with the effect of the supply chain role (Abdallah, Obeidat and Aqqad, 2014).

Organizational performance is measures companies to focus what their need to improvement by assessing how well work is done in terms of cost, quality and time. In dense competitive global market, the organizational performance measurement has become important for whose company want to survive in nowadays market. Organization performance is mean the ability to achieve the target and financial goals (Yamin, Gunasekaran and Mavondo, 1999). The customer service and satisfaction, product quality,

learning and innovation is important inside the qualitative indicators (Škrinjar, Vukšić and Štemberger, 2008).

According to (Kant, 2016), the organization readiness is the key of successful postponement implementation. Beside that if the management are not willing want to take risks for implement changes and adjusted, they will lost the benefit of postponement. Beside that the delaying in the product customization activity also inside the postponement (Hodge, 2012). Hence, The most significant challenges to give the organization when want to implement the postponement which is supplier and customer. The finding also mention that, the suppliers and consumers is the key term for the postponement to become success (Kant, 2016).

Customer relationship involves about managing customer complaints, which mean how to find the solution to solve the problem of customer complaints. The customer relationship management is an component of supply chain practices. According to (Gopal and Steve, 2007), customer relationship management tools can help the company analysis customer purchased habit. Customer relationship become important relationship between organization performance, it is because the customer-related activities become a fundamental for the company when the company want to enters a new geographical market for customer purposes (Oberg, 2014).

The information sharing are very important for the supply chain practices, through the information sharing company can more accurately to fulfil the changing requirements of the customer. If the information sharing are effective and efficient it can become a competitive advantages for the organization (Sundram, Chandran and Chandran, 2016). According to (Kembro and Selviaridis, 2015), the benefit of information sharing in supply chain. First, if the information sharing are effectiveness and efficiency, it can give accurately demand and also production decision. The other of benefit is can reduce demand uncertainty by information sharing. It also can let the company make a good business decision by well information are giving to the company.

Yoshino and Rangan (1995) mention that organization are to encourage the collaboration and advantages of key strategic such as products, markets and technology. In this way it can increase and enhance the organization performance. It has been support by (Mentzer, 2001), have mention that the supplier relationship is very important for manage well in the globalization. According to (Qrunfleh and Tarafdar, 2013), mention that strategic supplier partnership can improve the quality of supply and also the quality of supplier operation. Through the finding, if build a strong strategic partnership with supplier , the supply chain partner are more east to understand each other need, so it can reducing uncertainty and enabling a more flexible respond (Qrunfleh and Tarafdar, 2013). Hence the supplier not only applicable to the local supplier but also want to applicable to international supplier.

3.0 RESEARCH METHODOLOGY

In this chapter, it will emphasize on the research questions, framework, data collection methods and data analysis methods.

3.1 RESEARCH QUESTIONS

- a) What are the relationship of supply chain practices and SME performance?
- b) How the supply chain practices impact the SME performance?

3.2 RESEARCH FRAMEWORK AND HYPOTHESIS



Figure 3.1: Research Framework

Hypothesis 1: There is a significant impact between information sharing and organization performance

Hypothesis 2: There is a significant impact between customer relationship and organization performance.

Hypothesis 3: There is a significant impact between strategic supplier partnership and organization performance

Hypothesis 4: There is a significant impact between postponement and organization performance

3.3 DATA COLLECTIONS METHOD

In this research paper, primary data will be collected by way of the questionnaire from the respondents. To observe the factors that impact the supply chain practices towards the SME companies, survey method is used. It is the most simplest and low-cost way to use to gather primary data. It is more convenience and ensure better understanding.

3.4 DATA ANALYSIS METHOD

Statistical Package for the Social Science (SPSS) is used to ran the analysis of survey that been completed by 150 respondents. Thus, Statistical Package for the Social Science (SPSS) will do the statistical data analysis like calculated the descriptive measures. Correlation analysis and regression analysis will be examined for those data was collected.

4.0 FINDINGS

In the previous chapter, the information of the research method used in this research study is performed and the results of the data analysis are presented in this chapter. A total 150 sets of surveys questionnaire had been distributed to all SME companies in Melaka. This study has 150 sets of data to be analyzed.

4.1 MODEL SUMMARY

4.1.1 Realibility Analysis

Table 1: Summary of realibility test

Variables	No. of items	Cronbach's Alpha
Starategic supplier relationship	5	0.671
Customer relationship	5	0.604
Information sharing	5	0.614
Postponement	4	0.751
Organization performance	5	0.744

Table 1 summaries the value of Cronbach's Alpha for each variables. The value of Cronbach's Alpha for postponement is the highest which is 0.751 and above 0.7 thus shows that the variable has very good reliability. In this study, the independent variables have good reliability because the Cronbach's Alpha of these variables is more than 0.6. The least value of Cronbach's Alpha is the customer relationship which is 0.604 but it is also higher than 0.6. Therefore, both of the dependent variable and independents variables are reliable to be used for this study.

4.1.2 Pearson's correlation analysis

Table 2: Pearson's correlation analysis

	SSP	CR	IS	PP	OP
SSP	1				
CR	.467**	1			
IS	.372**	.407**	1		
PP	.252**	.340**	.485**	1	
OP	.427**	.454**	.518**	.417**	1

Table 2 showed the results of means, standard deviations and correlation analysis of study variables. An analysis of the correlation for the relationship between dependent variable and the independent variables i.e. strategic supplier partnership ($r = 0.427$, $p < 0.01$), customer relationship ($r = 0.454$, $p < 0.01$), information sharing ($r = 0.518$, $p < 0.01$) and postponement ($r = 0.417$, $p < 0.01$) and the impact on the supply chain practices are revealed statistically significant and positive correlation.

5.0 CONCLUSION

The independent variables are tested in this research are significant due to the all r- value all within range. Thus, all variables have a great effect towards delay in project completion.

5.1 LIMITATION OF STUDY

The limitation of this research is the survey part. Firstly, this survey is collected from the employee of SME. Some respondent they don't know the concept of the supply chain practices, so they cannot understand the questionnaire and cannot give a accurately answer for us. The respondent may simply fill up the questionnaire. The other limitation have been face is some SME don have the supply chain management, So the employee of that company cannot answer the question correctly. For higher job position worker can giving more accurately answer for us but for some lower job position worker may not provide a efficiency answer to us. It is because they lack of knowledge on the supply chain management.

5.2 RECOMMENDATION

Perhaps for future research, researcher could expand the sample size and cover respondent from another states to obtained more accurate data. Besides that, questionnaire should be prepared in multiple language to help the better understanding for the respondent.

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