

Chapter 9

Effect of Supply Chain Management Practices on Organizational Performance: An Empirical Approach

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ABSTRACT

The main purpose of this study is to determine the impact of supply chain management practices (i.e., strategic supplier partnership, customer relationship, level of information sharing, quality of information sharing, postponement, and risk and reward sharing on organizational performance, that is, marketing performance and financial performance). The instrument is adopted, and it is administered to 115 target respondents from 6 organizations in Chennai. A valid of 100 samples is taken for further analysis, and multiple regression analysis is employed to determine the purpose of the study. The findings indicated that supply chain management practices (i.e., strategic supplier partnership, customer relationship, level of information sharing, quality of information sharing, postponement, and risk and reward sharing) have significant and positive impact on organizational performance (i.e., marketing and financial performance). The limitations, discussions, implications, and further research will be outlined and delineated.

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INTRODUCTION

As competition is exaggerated in late 1990's and markets became global, there is an opportunity to get the product and services in the perfect place and time at the lowest cost. It is important that organizations and supply chain should ameliorate efficiencies in order to be competitive. The understanding and experiencing of supply chain management is an important requirement for improving profitability as well as to sustain in the global race of competition (Childhouse & Towill, 2003; Moberg, Cutler, Gross, & Speh, 2002; Power, Sohal, & Rahman, 2001; Tan, 2002). SCM is termed to explicitly recognize the strategic nature of coordination between trading partners and to define the objective of SCM: i.e. to ameliorate the performance of the whole supply chain and individual organization. The main objective of SCM is to combine both material flows and information flawlessly across the supply chain as an efficient competitive weapon (Childhouse & Towill, 2003; Feldmann & Muller, 2003). The theory of SCM has gained augmented attention from practitioners, academicians, business managers, and consultants (Tan, 2002; Feldmann & Muller, 2003; Croom, Romano, & Giannakis, 2000; Van Hoek, 1998). SCM acts as a key component in attaining sustainable competitive edge for most of the organizations for their products and services in augmented swarmed marketplace (Jones, 1998). The model of SCM has been observed from different perspectives from various bodies of literature (Croom, Romano, & Giannakis, 2000) such as purchasing and supply management, logistics and transportation, operations management, marketing, organizational theory, and management information systems. Different theories provided information on perspective on SCM such as industrial organization and associated transaction cost analysis (Ellram, 1990; Williamson O, 1975), resource based and resource dependency theory (Rungtusanatham, 2003), *competitive strategy* (Porter, 1985), and social –political perspective (Stern & Reve, 1980).

The model of SCM has been engaged with two separate paths i.e. transportation and logistics, purchasing and supply management (Tan, Kannan, & Handfield, 1998). From transportation and logistics management aspect, it shows that SCM is combined with logistic systems and hence it pays attention towards reduction of inventory in the supply chain (Van Hoek, 1998; Alvarado & Kotzab, 2001; Bechtel & Jayalam, 1997; Romano & Vinelli, 2001; Rudberg & Olhager, 2003). From purchasing and supply management aspect, it shows that SCM is combined with supply base that develops from conventional purchasing and traditional functions (Banfield, 1999; Lamming, 1993). Finally these two aspects combine with SCM that calls all the activities down the whole supply chain. It is also evident from the result that there is an association between customer relations practises, SCM practises and organizational performance (Tan, Kannan, & Handfield, 1998). Frohlich and Westbrook (2001) explore the impact of supplier-customer combination on organizational performance, whereas Tan et al., (2002) relates SCM, supplier assessment practices on firm performance. SCM and supply chain orientation is conceptually measured by Min and Mentzer (2004). Cigolini et al., (2004) develop questionnaire for the set of tools and techniques for supply chain in order to analyse SCM strategies. Hence there is a scarcity of studies done on determining the impact of SCM practises i.e. mostly risk and reward sharing on organizational performance. So this study empirically determines the impact of SCM practices i.e. strategic supplier partnership, customer relationship, level of information sharing, quality of information sharing, postpone-ment, and risk and reward sharing on organizational performance i.e. marketing and financial performance.

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