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ENTREPRENEURIAL SUPPLY CHAIN MANAGEMENT COMPETENCE: PERFORMANCE OF MANUFACTURING SMALL MEDIUM ENTERPRISES

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Abstract

This research paper investigates the impact of five factors indirectly on entrepreneurial Supply chain management competence and two other factors SCM strategies and performance of firm. Five important factors play an important role on entrepreneurial SCM competence in Faisalabad, Pakistan. Innovativeness Orientation, Risk-taking characteristics, Pro activeness, relational capital, coordination capability, SCM strategies and performance are the multi dimensional factors effecting entrepreneurial SCM competence. This research paper uses the regression analysis to analyze the data collected from two manufacturing small and medium enterprises companies of Faisalabad in Pakistan. Innovativeness Orientation, Risk_ taking characteristics, Pro activeness orientation, Relational capital and Coordination capability have significant relationship with entrepreneurial SCM competence and SCM strategies between manufacturing SMEs. SCM strategies and Performance have also significant relationship but entrepreneurial SCM competence and firm performance have insignificant relationship between them. Our findings show the SCM strategies impact and affect on firms performance.

Key words: supply chain management; entrepreneurship; performance; competence; small and medium enterprises, supply chain management strategies and firm performance.

Introduction

Supply chain management means that management of chains of supplies and the purpose of SCM is value addition. Almost all the firms try to make supply chains as a core competence to get competitive edge. SCM exist in different forms in organization which depends on its level of integration. The firm is influenced by supply chain management policies on firm's performance; the participants in the supply chain management of an organization have altogether different experience on different performance levels (Hsu et al. 2009). Entrepreneurial supply chain creates connection among customers and suppliers based on innovative ideas. There is not enough research to explain the links between supply chain management competence and performance related to Small and medium enterprises. The role of SMEs can't be neglected because it has great importance in the economies of many countries of the world. These small and medium enterprises are trying to enhance their competences to enter in the global market. Due to Scarce resources not access to latest technology is main problem for these enterprises. The purpose of this study is to explore entrepreneurial supply chain management competence which means SCM capabilities with new ideas to get maximum benefits. The work and

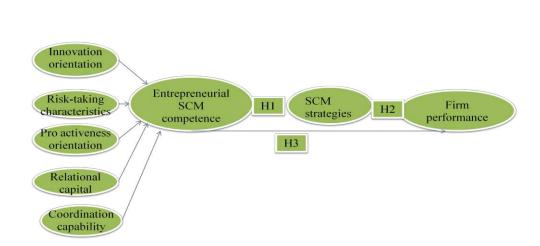
information in this specific area is not complete and clear so the firms are not able to get competences in the supply chain to get more success. There is need to know how entrepreneurial supply chain competences effect the SCM decisions and strategies as well as the overall performance of an organization. There are two main things about theory of resource based view and theory of social capital. According to RBV, members should leverage when internal operations capabilities and infrastructure that creates relationships with the supply chain (Hammer and Champy, 1990). In SCT role of reducing uncertainties is directly link with the process of business exchanges (Patterson et al. 2004). The main purpose is to study the relationship of supply chain management and entrepreneurial competences regarding small and medium enterprises (SMEs).

Among the core competencies of the firm's supply chain management is one of them organization has to focus on SCM to get the advantage of its competencies. The reason for focus on SCM is that we have to cut throws the waste activities and it is only possible through focus on SCM by integrating our activities as value adding. Supply chain management available in the organization in different types but it should be in such a way that it is helpful for the performance of individuals as well as of value adding activities. By research angel it is proven that organization adopting SCM have big market share but it is less work in prospective of research that what is relationship performance and competencies of SCM in the small and medium enterprises. It is a problem for SME's that they can't involve themselves in SCM and performance due to lack of work in this sector. There are three theories of SCM behavior which focus on large organizations but no theory is available for SME's engage in manufacturing sector. Its main cause is that before this era large manufacturing firms have dominant in the economies of developed countries. Now this trend has been changed because SME's has vital role in the economies of the countries. SME's has captured the major portion of labor in its operations as well as offer more jobs to the people. SME's are not subset part of large manufacturing sectors. SME's has not large amount of capital and other resources which large firms have. So technology and massive resources are the advantage of large firms over small and medium enterprises. SME's have some deficiencies in terms of imperfection of management, less brand identity, small volume of funds and other resources. These are hurdles for SME's and they have to perform better instead of all these difficulties as compare to large organizations. SME's have to focus on its competitive edge to compete with large firms having problem of shortage of finance and labor quantity. The purpose of this work is to contribute between SCM and entrepreneurship. To define the impact of entrepreneurial and supply chain management competencies. In this dynamic environment there is much focus on core competencies research to make the core strategies. There are many characteristics of SCM competencies which can be considered as entrepreneurial success. The existing information about this topic is not much open, confidential and beneficial which can be achieved by firm for adopting entrepreneurial SCM competencies. Secondly to check the link of SCM and entrepreneurship literature either has the parallel information. The transaction cost economies (TCE), resource base view (RBT) and social capital (SCT) has aligned few characteristics of SCM with entrepreneurship and other factors which collectively give boost to the success of organization. The last objective of this research is to create a relationship between SCM and entrepreneurships' in a mediator and antecedent in strongly attached situation to the performance of SME's.

LITERATURE REVIEW

Researchers have different view regarding activities of supply chain dynamics. A single theoretical framework is unable to clear the dimensions of supply chain management. As resource based view can be used to have multiple factors that can encourage organization to do business in supply chain. Resource based view to mobile those resources which are not effectively using in the organization. RBV focuses on gain and to sustain edge of the firm which is known as the capabilities and core competences which a firm has but other firms related to industry not have these competences. Heterogeneity in the resources of the organization leads to performance and competitive edge .Organizational capabilities and competencies can be developed and leverage within firms. There is difference in resources like tangibility and internal operations are specific for each organization either in large firms or small and medium enterprises. SMEs means an organization where the following condition are met no. of employees up to 250,paid up capital up to Rs25 Million and annual sale is up to Rs 250 million. Due to decrease in global hindrances the abilities and supply chain has increased rapidly. But with the advancement it has some complexities also like risks in supply chain, learning organization where people individually and collectively and continually try to increase their abilities regarding their KSAs, electronic business, and information of security and dependence of supplier. The firms which are engaged in supply chain had to beer some risks also. A unique entrepreneurial SCM which have ability to compete against other large firms. SMEs have specific entrepreneurial resources such as competition and orientation for effective implementation of Supply Chain Management. SCM and entrepreneurial practices alignment is a crucial task for getting positive response. Entrepreneurship means process which leads to expansions in business new ways that create value on every step mean newness. It is not bound that only large firms can adopt this it can be implanted in SMEs. Firms which are involving in manufacturing newness, risky tasks and advance steps for the innovative have comparative advantage. Corporate ventures refer to infrastructure that new risks business requirements attached with existing activities of the firm. Entrepreneurship transformation means that organizational culture and system are in entrepreneurial manner. Entrepreneurial encourages focusing on infrastructural changes to bring the market in focus Resources leads to better results especially in case of dynamic and risky environment .Some are very important, vital and small in numbers. There are some other elements which are helpful to have and compete in its core competencies according to RBV. It is difficult to observe for outsiders as it is a part of this system and it is less chance that it can be moved perfectly and effectively.

Conceptual framework:



Innovation Orientation: Mangers say that focus on aggressive approach should be of innovation orientation. By doing this you can get distinct edge on your competitors. Managerial vision shows the outlook for success in supply chain. SMEs require new and persuasive opportunities in challenging markets. Innovation leads to performance by supporting activities, procedures and association.

Risk Taking Characteristics: Organization had to take decision in complex situation which seams harmony in information, cash and of goods and services. Eight types of risk has been identified named availability, operations, demand, bulk, safety, edge, resources and policies

Pro activeness orientation: Almost all firms' responses are highly proactive in their specific field. Pro activeness Orientation means that firms ability to create new edges and beat the competitors. It also include the freezing of new ways in the market which influence learning and other suitable actions in supply chain

Relational Capital Skill: There should be much socially linked up with customers as well as supplier also which refers to relational capital skill. Networking strategies of being social is helpful for self interests as well as for better flow of activities. R.C.S refers to connecting with supplier which play an important role in inputs and especially to those who are well known by entrepreneurs.

Coordination Capability: To share the information with all the participants is very important for SMEs because the key so success of all members lives in this. The main purpose is to provide the right products, services and all type of information to supply chain members. Information sharing is main thing in collaboration and coordination has great effect on internal as well as external collaboration. Coordination has many benefits among the all members of the supply chain.

Entrepreneurial SCM competence and SCM strategies: There is positive effect of SCM competence on SCM strategies as it is verified relationship competency of firm's quality and efficiency orientation. To deliver the products to its customers effectively and efficiently is the concern of SMEs. Due to global competition buyer has more knowledge and alternatives to switch to another company where his needs and wants fulfill.

H1: Entrepreneurial SCM competences positively affect the SMEs SCM strategies.

SCM strategies and firm performance: Internal capabilities and competencies are firm's success and it is important and large function for them. SMEs focus to deliver products on value creation process for buyers. Quality and efficiency are main focus of SMEs.

H2: SCM strategies positively affect small and medium enterprises performance.

Entrepreneurial SCM competence and firm performance: To gain the competitive edge is a primary source for the success of organizations. Heterogeneous resources put the organization on the way of success, those which have timely and non-substitute resources. Firms can cash the option of monopoly due to its competitive edge. Due to ever changing environment PLC is decreased so firms have to work on adopting modern supply chains for being the part of competition.

H3: Entrepreneurial SCM competences positively affect SMEs performance.

Methodology

Data collection

To test the suggested model, we took manufacturing SMEs as our samples. Before conduct the survey, we conducted interviews with those who have knowledge and wide range of experience of supply chain management. We discussed our whole questionnaire with them to check the validity of our questioner and to derive appropriate constructs as well as the associated relationship. Our interviews were survey based-research which provided us grounded and qualitative proof about the validity of key variables. After that we undertook exploratory study beginning with an extensive literature review and we constructed measurement scale and information regarding each item. We have different factors in our questionnaire containing relevant questions. We used lickert scale in our questionnaire to get the response. We visited two SMEs of Faisalabad and distribute the questionnaires among the different level of employees of these manufacturing SMEs. The numbers of questionnaires which distributed in these two organizations were 35 but 5 of them not filled with proper reading and interest so we only considered 30 questionnaires for analysis.

Measures

We have seven different but interrelated factors in our questionnaire. First factor is Innovativeness Orientation which has six questions. Innovativeness orientation focuses in the new and quality products introduced by the firm. Second factor is Risk taking characteristics which have five questions. Second construct focus on the limit of risk taking feature by adopted by the managers as well as employees and up to what extent a firm is welcoming to change and uncertainty. Third one is Pro activeness Orientation which has five questions to show the position of itself in the market by adopting the certain strategies and fourth factor is Relational Capital having seven questions stating the relationship minting level with its customers and suppliers. Fifth factor is Coordination Capability which has also seven questions asking them to rate their firm's practices on information sharing and communication to its customers and suppliers. And sixth one is SCM Strategies having nine questions. The last factor in our questionnaire is performance which has four questions and shows the performance of our focused SMEs.

Statistical analysis and results

Multiple indicators were used to get the high degree of validity of each latent construct. Quality of measure was evaluated with the help of Psychometric properties.

Correlation matrix

	Mean	Std. Deviation	Innovation orientation	Risk taking characteristics	Pro activeness orientation	Relational capital	SCM strategies
Innovation orientation	2.0944	.53370	.698(**)				
Pro activeness orientation	2.3867	.56796	.714(**)	.906(**)			
Relational Capital	2.3467	.57759	.464(**)	.765(**)	.820(**)		
SCM strategies	2.0095	.51293	.556(**)	.779(**)	.767(**)	.897(**)	
Performance	1.9111	.42325	.559(**)	.500(**)	.585(**)	.611(**)	.752(**)

^{**} Correlation is significant at the 0.01 level (2-tailed).

Discussion

Our finding shows that the SMEs manufacture must have unique competencies in globally competitive environment if they want to get the maximum benefit from the supply chain .Possession of Entrepreneurial SCM Competencies reflects the image of developed Crucial form capability .Skilled persons are the main source to drive the organization to superior firm resources which leads to superior supply chain competencies. Resource Based View shows that the key competency is the firm fundamental resource and it is very important in diverse business environment as they provide a platform for developing special competencies. It is very important up to that extent as it is embedded in organizational culture and provides a different arrangement of work. This study shows that there are many factors which affect entrepreneurial SCM Competencies that is an internal competency of the firm. Manufacturing SMEs lack behind in term of financial and tangible resources that are much crucial to competencies in the global market, successes in the competitive global environment appear to large fundamental and intangible resource constitute their entrepreneurial SCM competence. Their key tangible resources include innovation orientation, risk-taking characteristics, Pro activeness orientation,

^{*} Correlation is significant at the 0.05 level (2-tailed).

relational capital and coordination capability. It is clear that other competencies are instrumental to manufacturing SMEs. The findings based on interview with pro actioners and an intensive literature review shows that there is less practicality of these five factors. This study shows that development and well convinced manipulation of a particular SCM competency is attached with performance. Manufacturing SMEs are new one in supply chain. Small and Medium enterprises are lacking behind as the large manufacturing firms possess like financial and tangible resources as base. Their entrepreneurial SCM competencies should be identified to overcome the scarcity of traditional resources and should get success through supply chain. For the survival of firms, the role of quality management team is also very important. Causal relation, unique social structure and special circumstances are different competencies possessed by the firm. Entrepreneurial SCM competence is distinctive as it reflects the main approach owned by the individuals (managers) or it is embedded in the manufacturing SMEs. So entrepreneurial SCM competence included a collection of firm's capabilities that are unique by exploring entrepreneurial SCM competence as a second order construct that provide to manager with a means to access their own abilities in the supply chain. Now the managers were able to check how many constructs simultaneously form the entrepreneurial SCM competence. The structure is complex for competitors to replicate same structure of entrepreneurial SCM which is its strength. Its exploratory value is confirmed by its components and its empirical conformation. Managers of manufacturing SMEs should devise an appropriate collection of capabilities for the supportive to entrepreneurial SCM competence

Conclusion

Our findings suggest that organizational capabilities of manufacturing Small and Medium Enterprises support superior performance. The results provide empirical evidence manufacturing SMEs that possess a high level of entrepreneurial Supply Chain Management competence perform better in their supply chain. The SMEs and performance is lead by entrepreneurial SCM competence further proceed by SCM strategies and Performance of manufacturing SMEs is affected by SCM strategies. Results are not stressed the importance of entrepreneurial competence which proceeds SCM strategies in explain performance and indicates that SCM strategies should be Viewed as superior performance. Findings says that there is bridge of SCM strategies between entrepreneurial SCM competence .Superior firm performance .The significant relationship from entrepreneurial SCM competence to SCM strategies and from SCM strategies to performance .There is no direct effect of entrepreneurial SCM competence on performance. Missing links can provide significant relationship between SMEs capabilities and performance. SMEs must implement SCM strategies to get full benefit entrepreneurial SCM strategies because that is not directly effect to performance .SMEs can enhance their performance by linking up and skillfully managing their entrepreneurial SCM competence.

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