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MEASURING THE IMPACT OF SUPPLY CHAIN PRACTICES ON ORGANIZATIONAL PERFORMANCE

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ABSTRACT

The phenomenon of supply chain management is not new to the world, and there is a great deal of research into its relevance and timely use in business processes. The process of getting the raw material to deliver the goods and services to the customer is all part of the supply chain system. It is one of the most important parts of the business process of the company that connects the company from the outside world. Thus, this work has examined the supply chain management practices impact on the organizational performance in Saudi Arabia. This work was carried out using quantitative research method. The data collection was done using survey questionnaire. The sample population comprised of 30 people from Panda supermarket. The data were analyzed using SPSS software. The key results have shown that is positive relationship and impact between supply chain management practices and organizational performance. Thus, it is deduced that supply chain management is important for organizational performance.

INTRODUCTION

Supply chain management has become the most researched and important aspect of the competitive organizational market in the last decade [1]. The concept of the supply chain emerged from traditional logistics management in the 1980s. The definition and methods in supply chain management have developed over the years. A new form of competition has emerged on the market, where companies compete on the basis of their relationship with their suppliers, rather than focus on being customers [1]. This is due to the need to build long-term commitment as a competitive parameter by building strong relationships with strategic suppliers and partners.

In the 1990s, competition escalated and showcases broke out all over the world as a result of difficulties in getting the product and the administration to the perfect place at the right time and at the least expense [2]. Organizations have begun to understand that it is not enough to improve efficiency within an organization, yet their entire supply chain needs to be made aggressive. The understanding and practice of supply chain management practices has become essential to remain competitive in the global market and to improve profitability [3].

Successful practices in the management of the supply chain are crucial to the construction and continuation of competition in the company's products and services [4]. Durach et al. [5] stated that the performance of the supply chain is affected by the supervision and coordination of key data components in their supply chain. Furthermore, to achieve strong supply chain reconciliation, organizations need to implement data innovations that will enable them to gain a competitive advantage through a variety of supply chain measurements, quality, cost, adaptability, conveyance and benefits [5].

Supply Chain Management (SCM) is a set of practices required to process the production line and manufacture of the product from the raw material to its final form [6]. It is a very important mechanism for any company dealing with a large number of entities to manufacture and sell a product. Companies in the modern business ecosystem compete with each other to increase their market share and global exposure to their products, and to achieve this, the first thing they need is to deliver the best quality in a short period of time [7]. This is where supply chain management comes in and fills the gap between deliveries of the raw material to the sale of the product.

According to Cousins et al. [8], the supply chain management method is one of the most commonly used practices in the market due to its usefulness in corporate practice. Delivery of the product to the market and to the customer is very necessary, and this smooth supply chain needs to be able to meet the demand of the market and the customer. Furthermore, according to Rajeev et al. [9] this needs to be followed by an analysis of the supply and demand ratio and a complete breakthrough in demand per area. Demand on a per-area basis can tell us weak points in supply chain management and the company can target those areas with increased product supply.

According to Hong et al. [10], targeting demography is very important as it can remove the burden of supplying the product in areas where the customer base is weak. For these areas, a further analysis is needed as to what kind of product they want and what kind of changes they need. Likewise, Zaid et al. [11] found that the supply chain can also solve this problem with its logistics by providing the right product on that market. The customer always needs a stable supply line for the product and the supply chain is the only solution for the company to meet their demand.

There are many SCM practices that are required for different business models, depending on the nature and circumstances of the business [12]. Furthermore, SCM practices are implemented on the business model in order to transform it

into a more productive and revenue-generating model. The main thing to consider here is that these practices are not temporary techniques, but over-the-counter practices of the current system in which the business operates [13]. The supply chain strategy is a process that evaluates the cost-benefit trade-offs of the operating system and is very important for the achievement of the business objective. These are therefore some of the basic practices adopted by a number of companies around the world to gain market advantage over their rivals [13].

This increasing dependence on supply chain management practices has given rise to the interest of academic researchers in studying the actual impact of these practices on organizational performance. The aim of this research is therefore to identify the practices of supply chain management (SCM) in the Saudi Arabian firm and their impact on organizational performance. Thus, this paper presents an investigation on the supply chain management practices impact on the organizational performance in Saudi Arabia.

METHODOLOGY

For analyzing the practice of SCM and its impact on organizational performance, this work has utilized quantitative research method. In this study, the sample size was 30 respondents from a major supermarket, Panda, which has included both managers and employees. Data collection was done using questionnaire method, where the questionnaire was distributed to the employees using online survey from Google Forms and the link was sent to them by email. The data were analyzed using SPSS software version 21.0. The following hypothesis was tested: H1: The impact of supply chain effect positively the organizations performance.

RESULT AND DISCUSSION

Statistical Analysis

Table 1 shows the correlation values of the variables. In this section, the authors attempt to find the relationship between different research variables. The correlation matrix is a matrix that is providing correlations between all pairs of data sets. It is giving the person's correlation coefficient between variables under research and each other, to be able to calculate the relationship between two variables. The value of a person's correlation can fall between -1 and +1. A correlation of 0.00 means relationship while a correlation of +1 means perfect relationship. The variables such as customer focus, organization suppliers and strategic supplier partnerships have showed values of 0.802. This means there is positive relationship between supply chain management practices and organizational performance.

Table 1: Correlation Analysis

	ACR	AOS	ASSP	ALP
ACR	1	0.80278900630122 52	0.80242640673230 89	0.52316303885474 15
AOS	0.80278900630122 52	1	0.69485262689509 2	0.66373487441274 22

ASS P	0.80242640673230 89	0.69485262689509 2	1	0.44048949441749 68
ALP	0.52316303885474 15	0.66373487441274 22	0.44048949441749 68	1

Table 2 shows the results for the descriptive statistics analysis. Based on Table 2, descriptive statistics are broken down into different coefficients measure such as central tendency and measure of variability.

Table 2: Descriptive Statistic

Variable	Coefficient	Std Error	t-statistic	Prob.
C	0.648095	0.650638	0.996093	0.3280
ACR	0.000511	0.304545	0.001679	0.9987
AOS	0.823491	0.290314	2.836554	0.0085
ASSP	-0.043035	0.260211	-0.165384	0.8699
R-squared	0.441373	Mean dependent var		3.419355
Adjusted R-squared	0.379304	S.D. dependent var		0.876516
S.E. of regression	0.690557	Akaike info criterion		2.217276
Sum squared resid	12.87545	Schwarz criterion		2.402307
Log likelihood	-30.36779	Hannan-Quinn criter.		2.277592
F-statistic	7.110936	Durbin-Watson stat		1.510995
Prob(F-statistic)	0.001137			

Reliability is concerned with the consistency of a measure of a concept. The reliability of the scale shows that how free it is from any error. It refers to a point, which indicates that repeated measure can give a better consistent result. The factor of reliability can be measure by different techniques like test-retest, alternative approaches, and internal consistency. In order to test the reliability of this research, the internal consistency approach will be applied, through Cronbach's Alpha split half test. To measure the evaluation of concepts, the multidimensional scale used should be reliable and valid. Cronbach's Alpha is the most widely used medium to measure the reliability of the analysis [14] It is a convenient test used to determine the internal consistency of the questionnaire scores. It ranges from the number 0 to 1. Table 3 shows the Cronbach's Alpha for strategic supplier partnership (SSP). Based on Table 3, the result is greater than 0.60. The value is shown to 0.810, which means it has good reliability.

Table 3: Reliability Analysis For Strategic Supplier Partnership (SSP)

Cronbach's Alpha	N of items
0.805	6

Table 4 shows the Cronbach's Alpha for customer relationship (CR) variable. Based on Table 4, the value is shown to 0.769, hence it is reliable and at good acceptance level.

Table 4: Reliability Analysis For Customer Relationship (CR)

Cronbach's Alpha	N of items
0.769	5

Table 5 shows the Cronbach's Alpha for out sourcing (OS) variable. Based on Table 5, the Alpha value is 0.663. It shows that it is acceptable and the scale is reliable.

Table 5: Reliability Analysis for Out Sourcing (OS)

Cronbach's Alpha	N of items
0.663	6

Table 6 shows the Cronbach's Alpha for lean practices (LP) variable. Based on Table 6, the lean practices reliability also lies at acceptable level. It is equals to 0.736.

Table 6: Reliability Analysis for Lean Practices (LP)

Cronbach's Alpha	N of items
0.736	4

OVERALL DISCUSSION

The result showed a very positive impact of the supply chain management on the overall working of the organization. The participant's factor showed that the overall smoothness and reliability of the material and products delivery increases with a proper management system that can synchronize all the important stakeholders in one system. This allows everyone to monitor their work and see how well the process is moving forward. The supply chain management system provides valuable data on the basis of the responses received and also generates a great deal of reporting that is very beneficial to the future policies of the company [15]. The participants agreed that without proper synchronization of supply chain management, it is very difficult for all stakeholders to improve their work, which can directly affect the improvement of the company [15].

The main element to be observed in the results is the improvement factor that people agree on and that affects every single department in the company. The management system affects logistics, transport, warehouse operations, employees working, the automated world, the decision-making process and the supply of materials and products to the respective stakeholders. The result showed a very unanimous response to the argument that all stakeholders, including those outside distributors, investors and suppliers, must also be connected to the system in order to update their part of work [16]. This will allow the other stakeholders to work accordingly. The quality of the work will

surely improve and all stakeholders will work as a single unit for the company to increase productivity [16].

The participants agreed that the management of the supply chain must be taken care of by the management of the company, which can apply different policies in order to enhance its impact. It is very important that all participants agree on the statement that companies should involve all stakeholders in the implementation of the system in every field and department present in the organization.

CONCLUSION

This study has analyzed the supply chain management practices impact on the organizational performance in Saudi Arabia. The key findings have shown that supply chain has a positive effect on the organization's performance. Supply chain management has truly proved its worth in different companies around the world, where companies that have applied and achieved incredible results in their production, supply chain, revenue and operational departments have been established. Supply chain not only ensures a smooth flow of material and products within and outside the company, but also facilitates working with all stakeholders. Supply chain not only ensures a smooth flow of material and products within and outside the company, but also facilitates working with all stakeholders. The other factor is the effect of overall organizational performance, where employees get a lot of help to reduce their extra work and improve their productivity, which is directly related to the productivity of the company.

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