

Chapter 54

Supply Chain Management Practices, Competitive Advantage and Organizational Performance: A Confirmatory Factor Model

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ABSTRACT

Supply chain is the process of continuous flow of products or services from source to the destination. Supply chain management has become an effective tool now a day to survive in this competitive world. Organizations do their best to harvest profits by adopting better supply chain management practices for competitive advantage and organizational performance. In this paper an attempt has been made to understand the relationship among supply chain practices, competitive advantage, and organizational performance using structural equation modelling. This research conceptualizes and develops five secondary dimensions of supply chain practices (Use of technology, SC speed, Customer satisfaction, SC integration, and Inventory management). The research also identifies four primary competitive advantage components (Inventory management, Customer satisfaction, Profitability, and Customer base identification) and six primary organizational performance components (Financial Performance,

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Market performance, SC competencies, Customer satisfaction, Stakeholder satisfaction, and Innovation and learning). The data for analysis was collected from top 10 non-livestock organized retail players operating in Punjab, Haryana, Chandigarh, New Delhi and, Gurgaon in India. The relationships in the proposed framework were tested using structural equation modelling. The results indicate that Indian retailers know that competitive advantage has high impact on SCP but they have less understanding in matching SCP and competitive advantage with organizational performance.

INTRODUCTION

The word “Retail” originates from a French-Italian word Retailer; means someone who cuts off or sheds a small piece from something. Retailing is the set of activities that markets products or services to the final consumers for their own personal or household use. It may also be defined as the sale of goods and services in small quantities. In simple words, it implies a firsthand transaction with customer. According to Philip Kotler, “Retailing includes all activities involved in selling goods and services to the final consumer for personal, non-business use”.

Farm retailing is defined as the selling of livestock products (meat, dairy, and poultry etc.) and horticulture products (flowers, fruits, nuts, vegetables and medicinal plants etc.). It also includes agricultural produce (rice, cotton, wheat and spices etc.) and the processed products (fats, oils etc.) directly to final consumers for personal, non-business use. Non-livestock retailing is defined as sale of agriculture and horticulture products directly to the consumers in small quantities. Supply chain (SC) involves all processes starting from procurement to making the finished products available to the final consumer.

Managing the supply chains is the core business of retailers because retailers experience value addition in moving product from manufacturers or suppliers to the point of consumption. Since 1980s the term supply chain management (SCM) and logistics was used synonymously. Later on it was realized that SCM is more than logistics. It was generally agreed that logistic involves customer service, inventory management, transportation, warehousing, information systems and lot size considerations (Lambert, 2001).

The Supply Chain Council (2000) defines logistics management as “that part of SCM that plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, services and related information between the point of origin and point of consumption in order to meet customers’ requirements”. Logistics is an important component of SCM and its integration shall help to better serve the customers (Lin, 2006). Also, it involves the largest cost in the international trade so; the logistics service providers should focus on supply chains as they are the link between suppliers, manufacturers, sellers, and customers (Lai and Chang, 2003).

In the field of strategic management researchers focused on the determinants of firm performance. Many researchers have argued that building knowledge about why some firms outperform others is the cornerstone of the field (Hitt et al., 2004, Rummelt et al., 1994, and Summer et al., 1990). During 1990s many researchers and SC practitioners changed their view to reflect a new term ‘supply chain management’. SCM constitutes all activities associated with design, planning, synthesis, organization, and control of supply chains (Chan and Qi, 2003). Lambert et al., (2004) stated that the essential elements of SCM are; structure of supply chains, SC business processes, and SC components.

Taylor (2004) quoted that SC is a complex flow of three systems; demand, supply, and cash. As the business practices evolve these two terms were easily understood. Mentzer et al., (2001) defines the SCM

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