



Customer-Supplier Relationship Management Performance Model for SMEs: Missing Link between Logistic and Business Intermediaries

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ABSTRACT

Small and medium enterprises (SMEs) are playing an increasingly important role in sustaining economic growth and logistic system in Malaysia. SMEs also play a very crucial role in customer relationship as they may serve the roles of customer, distributor producer and supplier. However, the adaptation of customer relationship in Malaysian SMEs has not been broadly explored. C-SRMP model for logistic service presents the combination of financial strategy, location strategy, business process strategy, and technology strategy. Further study has important managerial implications as the findings will enable management of SMEs to understand progressive and highly varied C-SRMP practices and contextual factors that contribute to the SRMP as well as effective, efficient and innovative implementation.

Key Words: customer, supplier, relationship management, SMEs

1. INTRODUCTION

When looking at food chains it is possible to observe a move away from ‘conventional’ supply chains towards ‘alternative’ chains, which take a variety of forms but are structured according to new market requirements regarding environmental sustainability, economic performance and ethics in food systems. Different drivers of change play a role in this respect. C Supplier Relationship Management Performance is a significant component within logistics system as a whole. The food sector plays a significant role in economy being one of the main contributors to the GNP of many countries, particularly in developing countries.

In addition to geographical distance, locally produced food is also considered as food which meets a number of criteria such as animal welfare, employment, fair trading relations, producer profitability, health, cultural and environmental issues (Bosona et al., 2011). Currently, it is observed that customers have been motivated (to purchase the local food) by contributing positively to the ecosystem (a more altruistic reason) and by food quality and pleasure (a more hedonistic reason) (Brown et al. 2009; Bosona and Gebresenbet, 2011).

Logistics can become more effective by introducing new distribution centers as a part of location strategy and retailers in the chain or can be changed by using new concepts. Demands and resources will then be used in a different way, for example coming from a pushing to a pulling, demand oriented, and network, providing more customer satisfaction and resulting in less waste. Using new communication technologies and transport modalities, new approaches to small scale production networks are possible. Small medium enterprise (SMEs) is acknowledged to provide promise of welfare and job creation. Many governments and politicians try to promote SME with various entrepreneurship development programs (Duguh, 2013). Hence, the efforts to boost the performance of SMEs come to a challenging question about what determinant variables influence firm performance of SMEs in the long term. Previous research has found that supplier relationship management can determine efficient supply chain performance. Wahab (2010) confirmed the importance of relationship management in both customer and supplier loyalty.

1.1 Objectives of the study

The objective of this research was to find the relationship between the CSRMP capabilities and organizational performance and also to know how competition intensity was effecting on their relationship. It was evident that the customer relationship management was the backbone of the organizational performance.

The specific objectives of this study were:

1. To identify the customer relationship capabilities.
2. To identify the organizational performance.
3. To find out the relationship between customer relationship management capabilities and organizational performance.
4. To find out the effect of competition intensity on the relationship between CSRMP Capabilities and organizational performance.

2. LITERATURE REVIEW

While the global and local economic and financial environment are expected to be challenging this year, the recalibration of the Malaysian annual budget 2016 is intended to ensure the country remain firm to brave such challenges in their own field. In 2014, SMEs also contributed 65% of total employment and 17.8% of total exports. Despite the positive performance of SMEs in recent years, contribution of Malaysian SMEs to the overall economy remains relatively small compared with their counterparts in advanced and other high middle income countries. Therefore, the Government launched the SME Master plan in 2012 with the aim to chart the development of SMEs in line with Malaysia's aspiration to become a high-income country by 2020. The Customer-Supplier Relationship Management Performance sector is expected to experience further initiative in 2016, in view of various internal and external uncertainties foreseeable in the coming year. This section will discuss the literature review of dependent variable, the definition of Supplier Relationship Management Performance and the overview of the phenomenon.

2.1 Customer- Supplier Relationship Management Performance

Measuring performance of C-SRMP is very important for organizations but little research is done to measure this concept. Researchers believe that C-SRMP performance should be measured in terms of supplier behaviours since suppliers are the underlying source of value of for a company and have the potential to increase the future revenue streams (Wang et al., 2004). Sheth et al. (1991) suggested five dimensions of value from the supplier's perspective namely social, emotional, functional, epistemic, and conditional as providing the best foundation for extending the value construct. Because the primary purpose

of C-SRM is to increase revenue and supplier lifetime value, supplier behaviours that might bring revenue become strategically important (Bolton, Lemo, & Verhoef, 2002).

Traditional dimensions of performance measures are usually finance-based. When it comes to supplier relationship management, the measures should be related to supplier perspective (Chang et al., 2005). Furthermore, supplier loyalty is an important measure under this consideration. It represents suppliers' preferential, attitudinal and behavioural response toward one or more brands in a product category over a period of time (Chang et al., 2005). The commitment and loyalty of the suppliers and the companies lead to a long-lasting relationship (Ston et al., 1996).

2.2 Location Strategy

The distance can affect relationship because when it is far and long, distance can affect relationship. The quality of the transportation provided can differentiate a company's product, thereby providing a competitive advantage in the marketplace. If the transportation manager can get the products to the customer on a timely, consistent, and undamaged basis, the buyer's inventory and stock out costs are lowered, making it advantageous for the buyer to do business with the seller.

According to de Kluyver and Pearce (2006, p. 4), the ultimate goal of strategy is "long-term, sustainable superior performance." Such superior performance now depends on the ability of a manufacturing organization to become a fully integrated partner within a supply chain context (Cooper et al., 1997), thus, manufacturing organizations adopt a supply chain strategy. Such supply chain strategies focus on how both internal and external business processes can be integrated and coordinated throughout the supply chain to better serve ultimate customers and consumers while enhancing the performance of the individual supply chain members (Cohen and Roussel, 2005). Examples of business processes that must be integrated include manufacturing, purchasing, selling, logistics, and the delivery of real-time, seamless information to all supply chain partners. Manufacturing managers must learn to communicate, coordinate, and cooperate with supply chain partners (Gammelgaard and Larson, 2001).

Their study adopted the Larson and Halldorsson (2004) "unionist" perspective on the relationship between BPS and logistics Performance. This perspective holds that supply chain management incorporates logistics which is the key supply chain focused function (Council of Supply Chain Management Professionals, 2007). Organizational managers are asked to focus attention and resources directly on supply chain functions such as logistics to bolster the competitiveness of the supply chains. The managers are, however, ultimately judged on the marketing and financial performance of their organizations.

2.3 Business Process Strategy

Business process strategy performance can assess through all the efforts by putting together to achieve the business goals (Akal, 1992). Different dimensions can measure business performances; market growth is one of them. It is the market share of the organization as compared to competitors. And the other dimension was profitability. It shows the organizational financial condition as compared to competitors (Xiaoying et al., 2008). Comparing business process strategy performance is a vital issue in this competitive environment. A competitive environment has measurable factors that cannot be controlled and uncontrolled factors cannot be measured. Therefore, criteria to measure the business process strategy performance was required to evaluate the business goals (Sebahattin Yildiz & Karakas, 2012). Business process strategy performance can be measured through qualitative or quantitative criteria (Yildiz, 2010).

Customer relationship management capabilities play an important role in enhancing business process strategy organizational performance and competition advantage (Barney, 1991). Organization possesses the capabilities of customer interaction management and customer relationship upgrading usually had the superior financial performance (Krasnikov & Jayachandran, 2008). Therefore, customer relationship management capabilities and business process strategy performance had the positive relationship with each other. If customer relationship management capabilities are enhanced, then business process strategy performance automatically increased outstanding customer relationship management capabilities that leads to customer loyalty and superior competition advantage (Day, 2003). Customer relationship management capabilities capture customer pertaining needs at accurate time (JIT). Successful implementation of customer relationship management increases the business profit up to 270 percent (Ryals, 2005). It also increases the stock price (Fornell, Mithad, & Krwashnan, 2006), customer satisfaction and customer loyalty (Anderson, Fornell, & Mazvancheryl, 2004).

2.4 Theoretical Background for the Models

CRM evolved from business processes such as relationship marketing and the increased emphasis on improved customer retention through the effective management of customer relationships (Bull, 2003). Hence, the model below presents and supports the idea of many authors on the importance of technology and business process in implementing CRM in the organization.

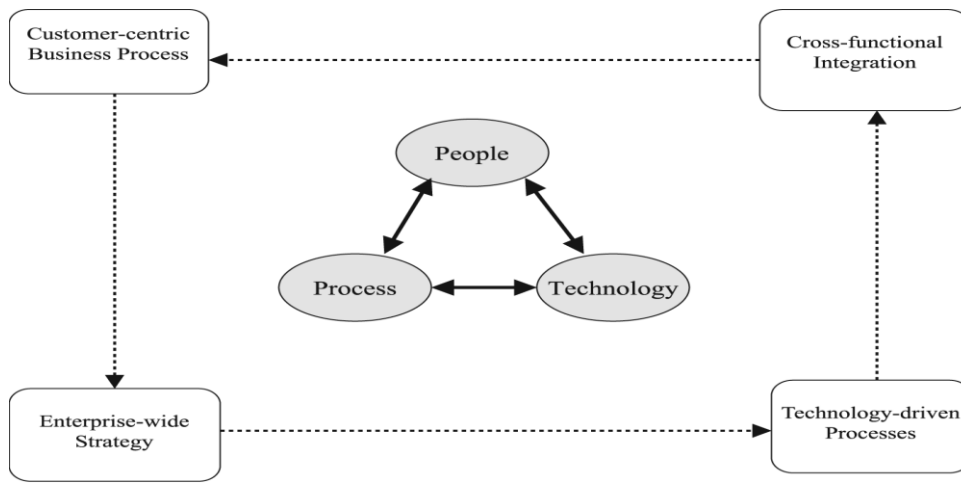


Figure 1: A CRM implementation model (Chen and Popovich, 2003)

3.1 THE DIE-CUSTOMER RELATIONSHIP MANAGEMENT GAP MODEL

In identifying CRM critical success factors, a gap analysis between technology, employees and processes has been suggested (Zablah et al., 2004). Hence, the current conceptual model was built up from this conceptual theory by considering two categories of variables under each namely, business process factor and technology factor as the main antecedent for CRM performance. Therefore, the current research will look at the situation as explained in gap four from the DIE models which focus on the customer perception on the performance of customer relationship management. Those established from internal sources of organization involved people, technology and business process. People factors were not considered in the current study because the context of the study is the electronic banking services whereas people involvement are at the minimum levels. Customer perception on the CRM performance of the electronic banking services will keep the current research understand how critical the gap is, based on their expectation and perception as well as regarding the technology and business process practices by the company.

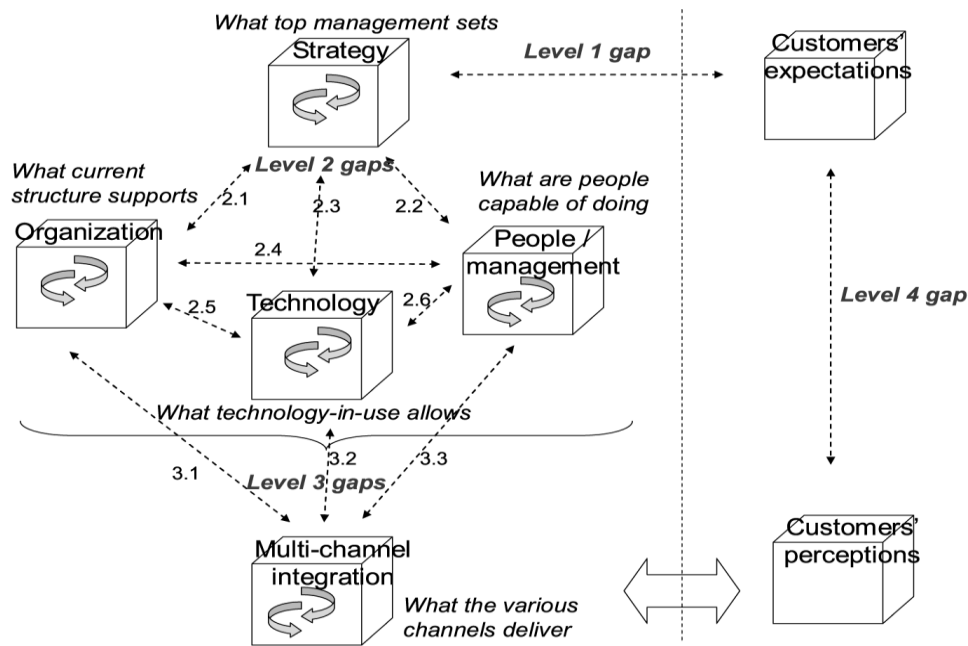


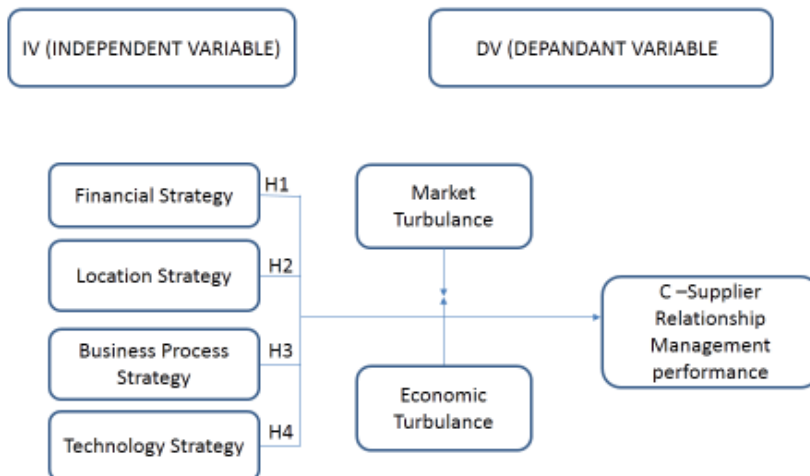
Figure 2: The DIE CRM gap model (Dimitriadis and Stevens, 2008).

As mentioned in the previous paragraph, technology is one of the pillars of successful CRM. This growing concern in technology anchored in the service economy where CRM implementation offer multiple opportunities to deal with service characteristics like intangibility, inseparability, heterogeneity and perishability (Parasuraman et al., 1985). First, for service firms having an important dematerialized part of offering, like airlines companies, hotels or banks, CRM is expected to multiply opportunities for delivering information to customers, providing offerings and answers to complains (Willcocks and Plant, 2001; Dimitriadis and Stevens, 2008). Second, CRM is expected to contribute to existing or new relationships. As services are delivered through processes, their use is very often disassociated from the purchasing process. Rather than having a transaction for each purchase, the interaction with customers encompasses acts, episodes and sequences, the whole process resulting into a relationship (Liliander and Strandvik, 1993; Gronroos, 2007; Dimitriadis and Stevens, 2008). For example, a credit card is purchased once while its use is daily. In such systems, what matters is the established long-term relationship and consequently the coordinated contribution of all interactions to this relationship building. Third, CRM has the potential to facilitate the customization of the offerings (Gilmore and Pine, 1997; Dimitriadis and Stevens, 2008) by gathering and processing available information on customers in the purpose of increasing their loyalty. Finally, CRM is expected to reduce the transaction costs by adapting the interaction to the

kind of answer expected by the client. Consequently, the pivotal role of CRM in increasing loyalty of profitable customers is of first importance for most of services companies (Claycomb and Martin, 2002; Dimitriadis and Stevens, 2008). Technology innovations will enable the company to respond with timely and effective customized communications, and deliver product and service value to individual customers (Chen and Popovich, 2003). Hence, the current research model proposed a location strategy and business process strategy as the determinants of Customer-Supplier Relationship Management Performance models for SMEs in Malaysia. The previous theory by Peppers and Rogers (2001) covered business process strategy and technology factors as well as the other two factors which are financial and location as included in Dimitriadis and Stevens (2008) models. Therefore, the integration of the two models released the propose research framework and another two moderators which are market and economic turbulence are also picking up from the literatures as important in determining the Customer-Supplier Relationship Management Performance models for SMEs in Malaysia.

The complete models proposed are as follows:

Theoretical Framework



3.2 Hypotheses Development

Past research has investigated the role of supplier value in behaviour intention. There is a positive relationship between supplier value factor and behaviour intention. For example, supplier values have

positive influence on buying music online (Chan and Lu, 2007), on intention to repurchase (Jen and Hu, 2003), on supplier satisfaction (Ismail and Khatibi, 2004; Wang, Lo, and Yang, 2004), and on online purchasing intention (Chen and Dubinsky, 2003). Given that supplier relationship management performance requires high supplier satisfaction, quality relationship between supplier and service providers, repeat usage and spread word of mouth among the suppliers, it is hypothesized that services with high supplier value are more likely to employ high supplier relationship management performance. Therefore, it can be hypothesized that:

Hypothesis 1

There is a relationship between location strategy factor and C-Supplier Relationship Management Performance

Hypothesis 2

There is a relationship between business process strategy factor and C-Supplier Relationship Management Performance.

4. CONCLUSION

The current understanding of how aggregated CSRMP (C-Supplier relationship management performance) attitudes influence and are influenced by important business outcomes is limited. Based on the evidence to date, we conclude that CSRMP (Supplier relationship management performance) satisfaction is related to meaningful business outcomes and that these relationships generalize across companies (and industries). Research efforts directed at further exploring these issues are sorely needed, and we believe there is potential for longitudinal research in the area of aggregated C-SRMP (Customer Supplier relationship management performance) satisfaction. For example, future research should emphasize research designs that study changes in C-SRMP (Customer Supplier relationship management performance) satisfaction and the causes of such changes. Through such longitudinal designs, the connections between aggregated job attitudes and performance can be more fully understood. At this point, evidence of directionality would suggest not only some directionality from C-SRMP (Supplier relationship management performance) attitudes to business outcomes (as well as the reverse), but also a reciprocal relationship in some cases. Furthermore, the proposed model reflects the lack of other practices such as cross-functional teams (Chen and Paulraj, 2004), risk and reward sharing (Min and Mentzer, 2004) and internal lean practices and postponement (Li et al., 2005). Future study should define CSRMP construct from wider and diverse perspectives by encompassing the above dimensions. Finally, in terms of theoretical

contributions, this study is mainly given to the CSRMP field. In short, the study includes a more thorough explanation of information sharing, strategic supplier partnership, customer relationship, material flow management, corporate culture in SMEs' C-SRMP practices.

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