



Factors influencing the performance of supply chain management in the manufacturing industry
(East London Distillers Limited)

By

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Introduction

In the age of information, organizations become dynamic and insecure day by day and control of these organizations requires novel organizational and management creativities (Daneshyan et al., 2014). The supply chain is a network of customers and suppliers (Heydari et al., 2007). The causes of this type of situation are very much demands, improvement in technology, the globalization and process effectiveness of Supply Chain Management on manufacturing and Fashion Industry of Pakistan (Chao & Pucik, 2005). National corporations are one of the top most lucrative industries all over in the world and contributing highly considerably in the economic growth of developing countries. (Martino & Marasco, 2007) stated that Companies resort to supply chain practices to improve their performance. The main goal of every supply chain is to maximize the total produced value (Choprs, Mindle, 2001). All over in this universe reduced delivery time, reduced financial cost, higher customer satisfaction and very high level of trust among suppliers are the demonstrated results produced by supply chain management. Supply chain management (SCM) is the coordinated set of procedures which is used in receiving raw materials from suppliers, process those into final goods and then supply to end users. It is composed of chain-wide information, planning, resource management and performance measurement (Azadeh, Rabi & Khazaee, 2015).

On the other hand, business enterprises have realized in the current competitive environment that they cannot manage to handle everything on their own. Supply chain management as one of the common issues of the last decades has caused major changes in the production sector of industrial countries (Daneshyan et al., 2014). Supply chain management is known as one of the infrastructural bases of business implementation in the world. Customers' demand for high quality and rapid services has led to the emergence of pressures that did not exist before. In the existing competitive market, economic enterprises and manufacturing companies find themselves in need of management and supervision of resources and pillars outside their organizations

The delivery of manufactured product items in shape of lead-time and cost has changed. The competition has raised and it became hostile in current times (Vogt & Wojak, 2007). Accordingly, activities such as product manufacturing and planning, inventory control, distribution, delivery, and serving customers are transferred to the supply chain level (Shahbandarzadeh, Peykam, 2012).

Background

Supply chain management is a systematic analysis that covers the coordination and synchronization of the flow of resources in the network of suppliers, production facilities, distribution centers and customers. The components of this network play different roles in the supply chain. They receive raw materials from suppliers, turn the materials into end products in the manufacturing facilities and distribute the end product through distribution centers among customers (Alinezhad et al., 2014). Supply chain management aims to run the aforementioned process in a way that customers are enabled to receive reliable services or products at the lowest cost and quickly. Supply chain management is responsible for integration of organizational units throughout the supply chain and coordination of the flows of materials, information and finances so as to meet the end customer's demand and improve supply chain competitiveness (Shahbandarzadeh, Peykam, 2012).

The 1980s was the period of changes in the attitudes toward the role of purchase in organizational strategies. However, in the 1990s the researchers were focused on the integration and methods of recognizing purchase as a more important factor influencing organizational performance (Ellram, Carr, 1994). Porter (2002) in his great work on forces shaping industrial competition, introduces purchasers and suppliers as two of the force vital forces. According to Porter's model, when there are fewer purchasers in the business market the bargaining power of purchasers decreases. Therefore, suppliers shall increase quality and reduce costs. On the other hand, when there are fewer suppliers, the bargaining power of suppliers grows and they can determine the quality and price of products (Akdogan, Dwmirtas, 2014).

In this regard, every enterprise in the market competes with suppliers and purchasers for a higher profit margin. Bowersax et al. (2002) define a integrated supply chain as a multi-enterprise relationship management within the framework of capacity limitations, information, major

competences, capital and human resources. In such circumstances, the supply chain structure and strategy lead to attempts to establish an operational link between the organization and its customers as well as between the organization and supply/distribution networks. These attempts are aimed at achievement of competitive advantage. Therefore, the entire organizational operation (from the purchase of raw materials to the delivery of products and services to the end customers) is integrated (Akdogan, Dwmirtas, 2014).

Supply chain is a chain that contains all of the activities associated with the flow of goods and conversion of raw materials (from the early preparation phase to the delivery of the end product to the consumer) (Javadian et al., 2012). The transmission not only includes the flow of materials but also covers the flow of information and finances (Houshmandi Maher et al., 2012). The ultimate goal of supply chain is to present products and services to the end customer by establishing connections and collaborations between different businesses. In this regard, capital, information, raw material, intermediate goods, and such determine the form of the collaboration between the businesses (Tabibi, Mazlumi, 2009). In other words, it could be stated that effectiveness and efficiency of every organization are the products of the management performance and structure of the supply chain of that organization (Rahmani Seresht, 2008).

Problem statement

Supply chain management is the management of upstream and downstream activities, resources, and relationships with suppliers and customers, which is required to deliver products or services. In theory, if supply chain management is done well, it contributes to growth of the particular company by giving it a competitive advantage through differentiation and lower costs. For the supply of raw materials used by manufacturing firms and supply of goods manufactured by manufacturing firms to be smooth, there must be an effective supply chain management. Any weaknesses in the supply chain management can severely affect production and delivery of products to consumers. This may have negative impacts on the profitability of the manufacturing companies.

Lack of awareness of upcoming technologies telecommunications and IT impediments and energy supplies unreliable. Full package production and fast replenishment demands adequate IT

systems to connect the buyer and supplier. This requires a modern and reliable telecommunications infrastructure, and backup from IT professionals.

Burt, et al (2003), De Boer, et al (2001), Sarkar, A (2006), and academic studies on supply chain management, but none of them addressed factors affecting supply chain management in manufacturing companies. As a result, there is a knowledge gap that needs to be addressed. It is the objective of this study to fill that knowledge gap by focusing on East London Distillers Limited (ELD) as a case study.

Aims of the study

Objectives of the study

Main Objective

The general objective of this study was to examine factors affecting supply chain management in manufacturing companies

Sub Objective

The study was guided by the following specific objectives;

- i. To examine supply chain management practices used by ELD
- ii. To assess the effectiveness of supply chain management at ELD
- iii. To identify factors affecting implementation of supply chain strategies at ELD
- iv. To identify measures to be taken to improve supply chain management at ELD

Significance of study

This study will serve as a guideline to all stakeholders in the procurement profession and manufacturing industry in East London to establish supply chain management practices used by East London Distilleries Limited, the effectiveness of supply chain management at the company factors that hinder implementation of supply chain management at the company.

The findings of the study will also serve as a stepping stone for future researchers on the same or similar topics by suggesting areas that need further studies to be conducted.

Literature Review

Definitions

Supply Chain Management

Hakanson (2009) defines supply chain as all inter-linked resources and activities needed to create and deliver products and services to customers. The author also defines supply chain management as management of the process of supply and demand, sourcing raw materials and parts, manufacturing and assembly, distribution across all channels, and delivery to the customer.

Logistics management

Logistics management is the management and movement of product and services, including storage and warehousing, and their transport via air, land, and water (Coyle, et al, 1998).

Theoretical Literature Review

Economic Theory of Competition

Competition between supply chains could also be regarded as emergent (Storey et al., 2006), along with other forms such as co-opetition and national competition whereby the behavior causing competition arises from the interaction between supply chains for resources, innovation and advantage of particular sort. Building on the process orientation discussed above, emergence extends this idea to a logical conclusion by looking at interaction from the opposite end, i.e. in terms of results. Thus, emergence focuses on the behavioral outcome of interactions between entities and treats these outcomes as a result of the very same interaction between entities. Over time, this should allow certain outcomes to be expected of certain types of interaction and possibly vice-versa. Based on this, emergence expressly assumes that competition (competitive interaction) must involve more than one entity. To be accommodating to supply chain vs. supply chain competition, theories must place equal emphasis on process orientation as they do on emergence. For supply chains, doing this may be instrumental to understanding how some of the complexities of supply chains play in to affect how supply chains compete.

Operation Management Theory

Operations consist of the jobs or tasks composed of one or more elements or subtasks, performed typically in one location operations transform resource or data inputs into desired goods, services, or results, and create and deliver value to the customers. Operations management is the design, improvement, and the management of the transformation processes that create value by converting inputs, such as raw materials, labor, and/or customers into outputs, such as goods or services. Operations management is concerned about Systems and how to make them operate Better, whether more efficiently, more effectively, at a higher level of quality, at reduced cost, and/or at lower environmental emissions, using the appropriate criterion or criteria determined by the organization. 10

Processes Involved in Supply Chain Management

Identification of Needs

The first step involved in supply chain management is identification of needs for materials to be supplied including the quantity of supplies, type of supplies, the distance to be covered, the mode of transportation to be used, financial resources needed to complete the task as well as human resources needed to complete the task. All these needs must be identified before the supply process begins (van Weele, 200)

Research Design and Methodology

Research Design

This study used descriptive research design using cross sectional survey data. Due to the fact that, case study is a comprehensive description and analysis of a single situation or a number of specific situations i.e. cases. Also, the use of case study research design enabled the researcher to conduct an extensive investigation of the Supply Chain Management System used by ELD, it's effectiveness and factors that affect it's effectiveness.

Sample, Sample Size and Sampling Techniques

The researcher will use purposive sampling technique to select a sample size. Purposive sampling (also known as judgment, selective or subjective sampling) is a sampling technique in which researcher relies on his or her own judgment when choosing members of population to participate in the study (reference).

Data Collection Methods

The study used both primary and secondary data. Documentary sources such as relevant books, journals, articles, official publications, newspaper clippings, reports and seminar papers were utilized to present the facts and to substantiate the arguments in order to secure secondary data. In primary data, interviews, questionnaires, photographs, and observation, were used to collect data.

Interview Method

There are two types of interviews, namely structured and unstructured interviews. Both types of interviews were conducted with members of the management team of ELD. The researcher used interviews because they allowed face-to-face communication with respondents, It is a simple and easier way or method of acquiring information that provides straight answers to research questions. Through interviews, the researcher collected information on the supply chain management system used by ELD, how effective the system is and factors that affect the system.

Observation

According to Kothari (2006), observation is a data collection method that involves seeking information by the way of environment scanning. The researcher used observation method to

find out how ELD implements its supply chain management system, how effective the system is, factors that affect the system, and measures taken to improve it.

Documentary Review

Documentary review analysis is a data collection method that involves perusal of various documents such as reports, books, or websites. Documentary review analysis was used to collect data and historical information on the supply chain management system used by ELD. Documentary review provided the researcher with historical data and information regarding supply chain management practices at ELD.

Questionnaires

In this study, questionnaires contained both, structured and unstructured questions. The researcher used questionnaires because they cover a large sample of respondents in the shortest possible time and using low costs. For this study, the main data collection method was questionnaires.

Data Management and Analysis Procedure

Data and information that was collected during the study was reduced into summary form that was processed by using Software Package for Social Scientists (SPSS). The findings of the research study were organized and the data were presented in the form of words, numbers and percentages by using tables, pie charts, histograms and graphs. Data collected from questionnaires was presented in tables and figures.

Data Reliability and Validity

To ensure validity and reliability of data collected during the research, a recognizance survey and pilot study was conducted. This helped the researcher to be familiar with the targeted area which make easier for data collection. Also, the researcher frequently visited the Supervisor to get advice and consultation on the progress of the research study and check the reliability and validity of the data collected.

Ethical Considerations

Before collecting the data, an ethical clearance certificate is obtained from the Mancosa Research Ethics Committee. Further, the permission to conduct the study is requested from the Emalahleni Municipality Municipal Manager. The Municipal Manager at Emalahleni local municipality in the Eastern Cape, as well as the members/ employees that contributed to the study will be presented with consent documents before answering the surveys. The permission from the Municipal Manager and the participants was equally considered. Participants were informed of the motives of the study and their freedom to participate or pull out from the study whenever they want was properly explained to them. Moreover, the participants' rights and wellbeing were revered, their identities remain anonymous and the data provided was highly confidential and utilized solely for research purposes. The outcomes of the study were objective as possible.

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