

7th International Economics & Business Management Conference, 5th & 6th October 2015

Assessing the Supply Chain Intelligence Practices of Small Medium Enterprises in Malaysia

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Abstract

Small and medium enterprises (SMEs) represent the backbone of economic development of any country. In a turbulent dynamic market and changing environment, SMEs need to gain strategic information on its environments because failure to do so might pose a threat to firm's survival. Implementing supply chain intelligence (SCI) as a structured tool in gathering and analyzing information from 360-degree view of business activities is critical to businesses strategic decisions and performance in surviving and competing in dynamic markets. In spite of increasing interest and study in intelligence, discussion about the concept and its potential application to the SME sector was minimal from mainstream literature. Thus this study examines the level and extent of SCI practices amongst SMEs in strategic decisions and its contribution to enhance businesses and supply chain performance.

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Peer-reviewed under responsibility of Universiti Tenaga Nasional

Keywords: Competitive Intelligence; Supply Chain Intelligence; SMEs Performance

1. Introduction

According to ASEAN (2012), small and medium enterprises (SMEs) represent more than 95% of all business enterprises which are nevertheless major actors in economic developments of a country. In Malaysia, 99.2% of total

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business establishments are SMEs (SME Directory, 2014). While larger firms have extensive capital and financing to become strategically competitive and dominant in the market, SMEs have much more constraint and easily prey for their survival. In realising this issue, there are many Malaysian government efforts has been centred on SMEs and included as one of the main agenda items in the 10th Malaysian Plan (2011 – 2015) to ensure its competitiveness in any industry. Thus, SCI may provide a solid basis as a strategic tool for firms, especially SMEs, to remain informed about their competitive environment in order to stay ahead of competition and face myriad global challenges. SCI provides a structured monitoring and investigating tools for fast and reliable strategic information on supply chain activities and external environments such as suppliers, customers, governments, technology, and economics to stay ahead of their competitors (Du Toit, 2003; Gilad, 2011).

While it is acknowledged that all businesses do collect intelligence information, it is not being practiced structurally and optimally in SMEs. Many previous studies on intelligence have been intended for larger firms (Guimaraes, 2000; Nitse et al, 2003; Hodges, 2005; Wilkins, 2007; Calof and Wright, 2008; Gilad, 2011). Usually larger firms have high capability in financing intelligence activities such as sophisticated intelligence tools with more centralized intelligence unit. Whereas smaller firms may lack the resources such as financial and human capital needed to engage sophisticated SCI networks. A study by Groom and David (2001) of 139 small businesses in the US shows that small businesses are less likely to engage in formal or structured market research activities and are generally less informed about macro environmental conditions than older or larger firms. This might be attributable on why research on intelligence in SMEs are lack and very minimal in mainstream (West et al., 2006; Saayman et al. 2008; Smith et al., 2010; Yap & Rashid, 2011).

Despite the limitation posed by incomprehensive financial affairs, low competitiveness, insufficient human resources and incomplete enterprise, the practice of intelligence is more of a challenge for SMEs than bigger businesses (Frion & Yzquierdo-Hombrecher, 2009; Smith et al, 2010). While larger firms have more advantage in terms of good financial capital which makes them affordable to learn from mistake, there is no room for SMEs to make mistake because it gives more impact to them since every penny of its counted in ensuring their survival in the market (Calof, 2003). Chang et al. (2011) found that in spite of smaller in size, SMEs do have advantages such as management flexibility, strong reactive ability, resilience and vitality to compete with both local and international enterprises. It is further noted in the study by Zha and Chen (2009) that conclude the important of intelligence as a mechanism SMEs can adopt to compete globally. Gaining these insights shows the critical need of SCI to businesses in Malaysia especially SMEs in order to stay ahead of competition and its support of the country drive to achieve higher economic status. Although few studies reveal the benefits of SCI and firm performance (Jaworski & Wee, 1993; McGonagle and Vella, 1996; GIA, 2004; Badr et al., 2006), not much has been done to determine the impact of SCI specifically in SMEs context.

Therefore, this study aims to understand the important of SCI as a strategic tool to create, accumulate and disseminate intelligence which is deemed essential for SMEs performance and economic growth. The focus of the study is related to; i. concept of SCI and its activities in the context of SMEs, ii. SCI contribution to SMEs competitive advantage, and iii. SCI impacts to SMEs performance. Therefore, the objectives of this study are:

- (i) How SMEs perform and manage their SCI activities?
- (ii) To what extent SCI contributes to SMEs competitive advantage?
- (iii) To what extent SCI contributes to SMEs performance?

2. Supply chain intelligence concepts and definition

Intelligence is an amalgam of disciplines and evolved from economics, marketing, military theory, information science and strategic management (Juhari & Stephens, 2006). According to Juhari and Stephens (2006), the technology explosion of the 1990s probably stimulated the notion of intelligence being something entirely new or even revolutionary. Intelligence then became a term that encapsulated all activities which involved monitoring and acting upon information in order to achieve competitive sustainability.

Imperatively, competing in today's business environment precipitates the need for successful integration and collaboration strategies among supply chain partners. SCI provides broader view of intelligence on the dynamic

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