

# Customer-Supplier Relationship Management Performance Model for SMEs: The Integration of Financial and Technology Strategy

Muhamad Fairos Mohamad Shah<sup>1</sup>, Samsudin Wahab<sup>2</sup> and Mohd Subri Tahir<sup>3</sup>

<sup>123</sup>Universiti Teknologi MARA, Pulau Pinang, Malaysia

<sup>1</sup>mohd.fairos76@gmail.com

<sup>2</sup>samsudinphd@yahoo.com

<sup>3</sup>subri@salam.uitm.edu.my

## 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, 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.

**Keywords:** *customer, supplier, relationship management, SMEs.*

## 1.0 Introduction.

In distributed supply chain of transportation industry, accurate and transparent business process design plays an important role for success of business. Better process design helps in

reducing errors, cost and inventory throughout the supply chain. Customer Supplier Relationship Management Performance is the backbone and heart of effective service and product delivery through supply chain network.

To gain a competitive advantage, many organizations are seeking to manage their supply chain strategically, but realize that they lack the core competencies and are increasingly seeking to outsource their logistics activities.

In this case, logistics and/or supply chain management is the enabler of this change. On the other hand the decision to deliver a product directly from the producer, farmer to the end user, consumer (with the underlying idea of connecting the consumer more to the farmer, or to being able to deliver a better quality product, or to bring the added value closer to the farmer,) focused 'from the start of the innovation' on the redesign of the supply chain. In this example, it can be questioned if supply chain management / logistics are the driver of the change or if change is motivated by the underlying ideas as stated above. 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).

Relationship management process that appear between supplier and service provider is one of them. Supply chain performance success are by many factor. However, the capabilities of delivery process depending on the provider effect to create a value in the service. Logistics in the conventional food chain must be considered as offering a substantial contribution to making the food system more sustainable. Logistics can become more effective by introducing new distribution canters 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 important 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 know how competition intensity was effecting on their relationship. It was evident that the customer relationship management was the back bone of the organizational performance.

The specific objectives of this study were being:

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

## 2.0 Literature Review

While the global and local economic and financial environment is expected to be challenging this year, the recalibration of the Malaysian annual budget 2016 is intended to ensure the country remains 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 chapter will discuss on 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 Performances**

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 i.e. 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).

In addition to supplier loyalty, supplier repurchase is another CSRMP performance dimension. Other dimensions include retention intention, word of mouth and brand loyalty. On-line retailers, companies and providers have to recognize that when the supplier makes first-time purchasers at their sites, such transaction will not necessarily mean that they will become repeat purchasers or satisfied suppliers because they sometimes never come back, as indicated by a study conducted by the Boston Consulting Group (2000) that found that 65% of on-line suppliers would never make a second purchase. This fact should alarm firms and service providers about an actual service gap. Therefore proper data regarding suppliers such as date of purchases and amount of purchases should be recorded properly to monitor CSRMP performance. In this case, CSRMP technology should be more advanced and sophisticated to meet the requirement for developing and knowledgeable suppliers.

## **2.2 Financial Strategy**

Payment capabilities can be effect relationship C-SRMP. The growth of economic practice and financial system is characterized by the increasing role of strategic management in the area of finance that is determined by such trends as globalization, an increase in the amplitude of the fluctuations in the world financial market, an increase in energy prices, growth of the share of innovation in sectors of the economy, inefficient management practices in the current activity Dimitriadis and Stevens(2008). In such circumstances, it is of special importance to develop a realistic financial strategy which should effectively integrate into the overall strategy of the company and act as a flexible tool to achieve their

goals, as the basis for strengthening and sustain the competitive position of the company. In this light, the financial strategy of the company becomes a necessary condition for competitiveness and sustainable growth.

Hence gap toward CSRMP. Poor drafting of the provision of the modern theory of financial management in relation to the characteristics of the formation of a competitive position within the financial, strategy management and absence of such an assessment as strategy development in emerging markets, lead to the situation when it is necessary to examine the issue from the perspective of the problem of the formation process of the financial strategy. Financial strategy thus comes out to be a process of managing its capital structure through the relationship of its capital structure through the relationship of its main components: the dividend, investment strategy and funding strategy.

### **2.3 Technology Strategy**

The purpose of this article is to define and explain the IT gap that exists between the logistic performance processes of an organisation and the end functionality of the application software package implemented, specially acquired from IT supplier. Based on an extensive literature study, this article further propose recommendations that may be followed to ensure strategic alignment of business processes and strength in an organisation with the end functionality of the application software package implemented.

This research aims to educate academics, organisational leaders, IT suppliers and IT and business decision-makers on the importance of properly identifying and defining business processes in an organisation and ensuring that proper alignment is achieved between the business processes and the application

software package selected to implement in the organisation. This research will further increase the understanding of what the IT gap between business processes and application software packages specifically entails.

An organisation's success depends on how appropriately the application software package responsible for day-to-day activities operates. Organisations that can harness the ability to properly address the IT gap that exists between logistic performance processes and the application software package will be able to lower capital expenditure.

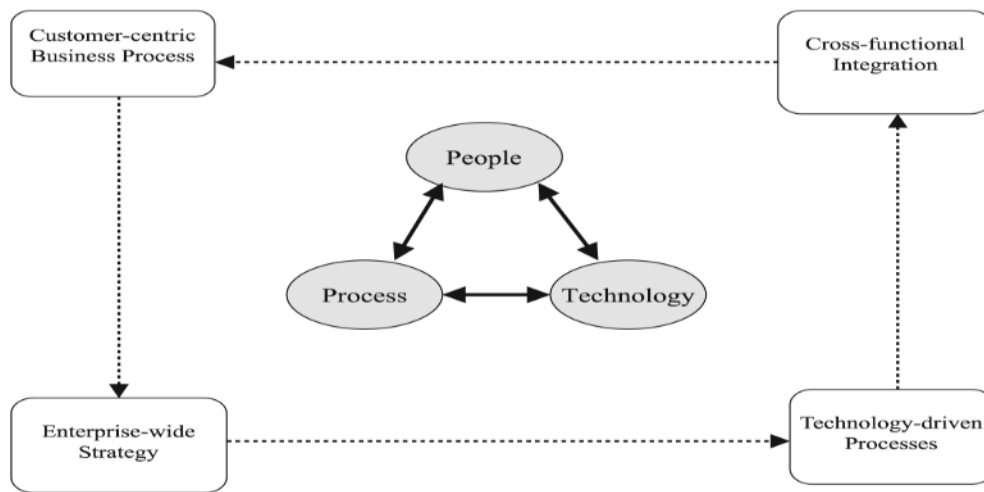
It appears that entrepreneurial concept goes beyond what strategic management explains about how firms achieve their objectives (Shane, 2012). There has been much debate about the concept of entrepreneurs, which brings into slow development of a cumulative body of knowledge (Rauch et al., 2009). One of the popular views is the concept of Schumpeterian with creative destruction, which refers to innovation as driving forces for the entrepreneur concept and economic development (Betta, Jones, & Latham, 2010). Another view comes from Kirznerian. This school of thought considers another element of entrepreneurship, namely proactive market-driven behaviour to seize business opportunities (Sundqvist et al., 2012). Both innovation and proactive behaviour are considered as main element of entrepreneurial orientation, which refers to the best way of firms to achieve goals (Covin & Wales, 2012).

### **3.0 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). So that, the model below present and support the idea of many

authors on the important 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). So that the current conceptual model was build 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 understanding how critical the gap based on their expectation and perception as well regarding to the technology and business process practices by the company.

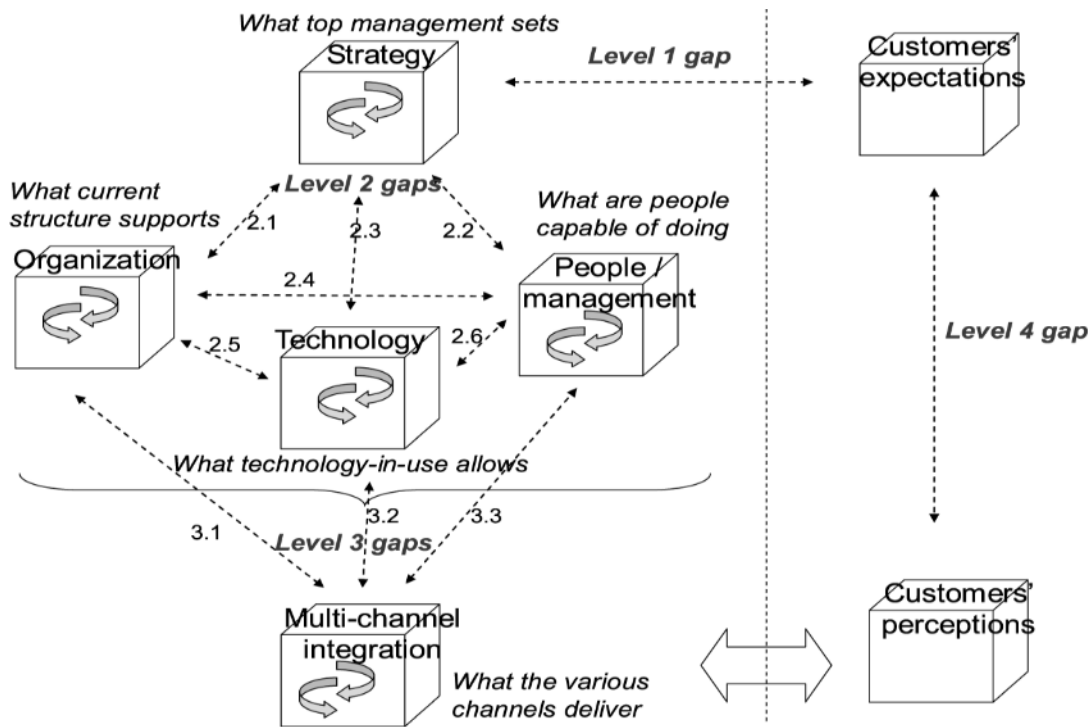


Figure 2: The DIE CRM gap model (Dimitriadis and Stevens, 2008).

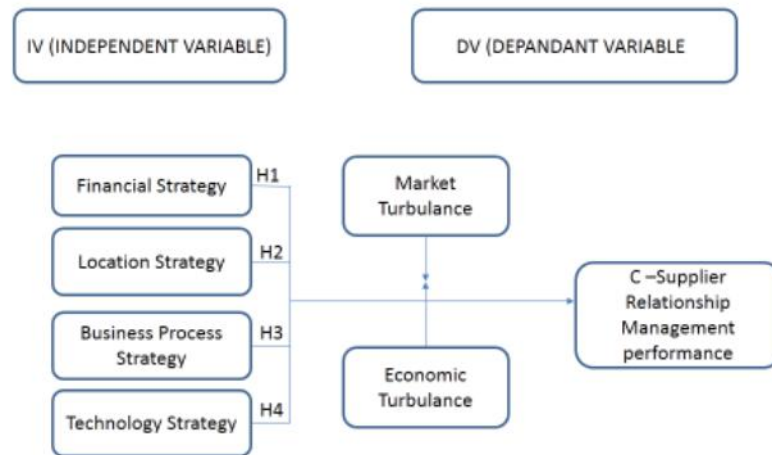
As been mention in the previous paragraph, technology is one of the pillars of successful CRM. This growing concern in technology anchored in the service economy where CRM implementation offer multiple opportunities to deal with service characteristics like intangibility, inseparability, heterogeneity 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 dissociated 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; Groñroos, 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). So that, the current research model proposed a

financial strategy and technology strategy as the determinacy of Customer-Supplier Relationship Management Performance models for SMEs in Malaysia. The previous theory by Peppers, D. and Rogers, M. (2001) covered business

process strategy and technology factors the other two factors which are financial and location are included in Dimitriadis and Stevens(2008) model. 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 & Lu, 2007), on intention to repurchase (Jen & Hu, 2003), on supplier satisfaction (Ismail & Khatibi, 2004; Wang, Lo, & Yang, 2004), and on online purchasing intention (Chen & 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, we hypothesized that:

#### *Hypothesis 1*

Is there a relationship between financial strategy factor and CSupplier Relationship Management Performance?

#### *Hypothesis 2*

Is there a relationship between technology strategy factor and CSupplier Relationship Management Performance?

#### 4.0 Conclusion

The current understanding of how aggregated CSRMP (Customer Supplier relationship management performance) attitudes are influenced by important business outcomes is limited. Based on the evidence to date, we conclude that CSRMP (Customer 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 CSRMP (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 SRMP 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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