Understanding of Effectivness of Supply Chain Management

Supply chain management (SCM) is a process of integrating/utilizing and co-ordinating products and information flows among suppliers, manufactures, distributor, retailers and customers, so goods should be produced and delivered at the right quantities, at the right time and at the lower cost, whilst satisfying customer requirements. (Zhao et al., 2002 and Lee et al., 2007). It also emphasizing the interdependence of buyer and supplier firms working collaboratively to improve the performance of the entire supply, has generated extensive interest in both academic and practitioner communities (Shin et al., 2000; Narasimhan and Kim, 2007).

Besides, Larson and Rogers (1998) also defined that SCM as the coordination of activities, within and between vertically linked firms, for the purpose of serving end customers at a profit. Supply Chain Management (SCM) practices defined as the set of activities undertaken in an organization to promote effective management and it has been describes the latest evolution of supply chain management practice, which includes supplier partnership, outsourcing, cycle time compression and continuous process flow and IT sharing. SCMP are regarded as operational functions or activities of an organization which determines the effectiveness and efficiency of its supply chain (Sandhu et al, 2013).

SCMP also involve a set of activities undertaken in an organization to promote effective management of its supply chain. The literature is replete on the dimensions of SCM practices from variety of perspectives. SCM practices are implemented to achieve and enhance performance through supply chain which require an internal cross-functional integration within the firm and external integration with suppliers and customers to be successful (Kannan and Tan., 2010; Kim, 2006). SCM practices impact on every organization, hence to be relevant and dominant in current competitive environment, managers of organizations have to put more effort in their key result area.

Supplier evaluation practices (independent variable)

Supplier evaluation is a quantification process designed to stimulate the decision process inside the evaluation buying company or through the incentives it invokes, to stimulate a change in behavior in the evaluated supplying company (Neely et al. 1997). Supplier evaluation are well established within the business and management literatures (Duncan, 1940; Wieters and Ostrom. 1977), selecting the right supplier and evaluating their performance has taken on increased importance in recent years due to the complexity of modern buying decisions, changing buyer preferences and the globalization of trade (de Boer et al, 2001).

Supplier evaluating factors would influence each other and the internal interdependency needed to be considered in the evaluation process (Sarkis and Talluri (2002). According to Bourne et al 2005, the supplier evaluation practices as potentially including all steps from alignment with strategic objectives, data capture, data analysis, interpretation, and evaluation to decision making, communication and information transfer and taking action. We explore supplier evaluation practices as instruments designed to influence supplier action (Schmitz and Platts, 2003). The systematic evaluation of suppliers by the purchasing function is perhaps one of its

most important activities. Supplier evaluation activities of a number of large firms have been heavily publicized for example, Boeing (Stundza, 2000).

Supplier evaluation calls attention to supplier's technological and product development related performance, it can be argued that strategic supplier performance evaluation should positively impact innovation performance. We assert that suppliers help buying firms by providing design and technological capabilities (Krause, Pagell and Curkovic, 2001). This study which implies that simply putting a supplier evaluation practice in place, which is aligned with strategy and will produce the desired effect (Elg, 2007; Waggoner et al, 1999).

Performance multinational companies

Multinational companies (MNCs) are corporations with huge investments in foreign countries and are involved in management of these overseas investments (London and Stuart, 2004). MNCs can also be defined as organizations that have established identical units of their domestic business in different countries and markets. Multinational companies (MNC) contribute significantly to the global economy by the internationalization and globalization of business. These findings indicate that improved supply chain performance leads to improve firm performance.

Furthermore, it entails a more complex process where units are simultaneously and interactive involved both in creation and implementation. As each unit of MNC faces unique market conditions and owns different knowledge competences, knowledge transfers between the headquarters and its subsidiaries can benefit the MNC as a whole (Luo, 2003). It used an empirical survey to test whether manufacturers should have different integration practices between suppliers and customers. In addition, determined that the extent of integration with the customers and suppliers could be different, with the higher level of integration usually associated with better performance. (Frohlich and Westbrook, 2001-2002).

Prahinski and Benton (2004) explored how suppliers perceived the buying firm's supplier evaluation communication process and how this in turn impacted supplier performance. Besides, performance measurement focuses on analyzing performance measurement systems that are already in use, categorizing performance measures and then studying the measures within a category and building rules of thumb or frameworks by which performance measurement systems can be developed for various types of systems.

Relationship between supply chain management practices and performance of multinational corporations

For any business activity, such as supply chain management, which has strategic implications for any company, identifying the required performance measures on most of the criteria is essential and it should be an integral part of any business strategy (Chia et al., 2009). SCP has been defined as a systematic process of measuring the effectiveness and efficiency of supply chain operations (Anand and Grover, 2015; Neely et al., 1997). This measurement also promotes collaborative integration among members of the supply chain in a specific industry (Garengo and Bititci, 2007). The effective SCP monitoring helps firms to ensure that they are on the path to financial stability and service excellence (Whalen, 2002).

As Milliken (2001) points out, an effective SCP measurement process is critical to ensure

continuous improvement in the supply chain processes. According to Cooke (2003), what gets measured gets managed. The author's argument that, what gets measured, gets done is only true if a manageable number of metrics, which focusses on business success, are used. According to Tompkins and Ang (1999), the greatest challenge related to SCP measurement has to do with having the people administering the measurement to focus, not on their individual link in the chain, but on the real performance of the entire supply chain.

There has been research that quantified the impact of functional improvements in the supply chain on selected financial indicators. Much of this has analyzed the effect of inventory levels on measures of organizational performance. In the short term, a high level of inventory has been shown to have no impact on price-to-book ratio but in the long-term abnormally high inventory leads to poor stock market performance (Chen et al., 2005). All the participants of supply chains are intended to share mutual customer-focused goals and cooperatively provide products and services that satisfy customers' requirements. Subsequently, the performance of supply chain needs to be assessed across the organizations, so as to encourage global optimization along the supply chain channels.

Narasimhan and Carter (1998) suggest that efficient SCM and purchasing practices may also have a significant effect on firm performance. Their study showed that sales, market share, and market position are influenced by not only advertising, competition level, product pricing and positioning, and degree of innovation in product lines, but also purchasing factors, thus emphasizing purchasing's strategic impact on the firm. This means that the purpose and performance of a firm to fulfill various customer demands or to improve the efficiency of a firm itself can be different depending on the characteristics and utilization focus of supply chain practice. Lambert and Stocks (1993) also stresses that supply chain practices are needed for satisfying customer demands. Also, some successful examples of supply chain practices in the real world such as Amazon.com, Tesco, Dell Computer, and Toyota confirm the existence possibility of significant causal relationship between the utilization characteristics of supply chain practice and firm performance.

Relationship between supplier evaluation practices and performance of multinational corporations

The dynamism of the business environment is putting firms under pressure to improve quality, delivery performance and responsiveness while simultaneously reducing costs. In response, firms are increasingly exploring ways to leverage their supply chains, and, in particular, to systematically evaluate the role of suppliers in their activities (Kannan and Tan, 2006). It is important for managers to realize the long-term impact of their sourcing strategies on the profits and the efficient functioning of the organization.

At the operational level, buyers have the ability to benefit from developing close relationships with key suppliers in the form of improved quality, delivery, reduced cost or some combination thereof. At a strategic level, a close relationship with key suppliers is expected to lead to sustainable improvements in product quality and innovation, enhanced competitiveness and increased market share. It is however expected that all these relationships should, in turn, be reflected by improvements in financial performance (Kannan and Tan, 2006). It is important to indicate that currently, the purchasing function is considered as a crucial activity that affects the performance of any firm (Kar and Pani, 2014).

The profitability of a business nowadays critically depends on their supplier's ability to reduce costs, improve quality and develop new processes, products and services faster than their rivals' vendors can. This dependence has made the supplier selection process one of the most important sections of any business (Liker and Choi, 2004). Jazemi et al. (2011) indicate that one of the most important processes in optimizing or enhancing the supply chain performance of the firm is by paying much attention to the supplier selection process. The supplier's selection decisions are primarily based on material prices, the proposed delivery times, the location of the supplier and opinion on the market, taking into account the supply costs, the quality of materials and the condition of payment (Chai et al., 2013).

Fu-jiang et al. (2006) demonstrated empirically that there exists a positive significant relationship between customer satisfaction, business performance and supplier selection. The industrial purchasing function especially plays a considerable role in ensuring the long-term viability of a firm with its impact on business competitiveness (Cheraghi et al., 2004; Tchokogue et al., 2016). An effective supplier selection is expected to contribute to the enhancement of the buying firm's operational capabilities in terms of reduced cost, improved quality, delivery time and enhanced flexibility as well as overall performance.

The Ghanaian business environment is interesting to the current study due to the fact that managers in Ghana are mostly faced with the issue of high production cost as a result of devalued currency over the years. The Ghanaian Cedi has consistently been trading very low against the US dollar. This devaluation issue is making the importation of raw material for production very expensive, especially in a country where almost 50 percent of materials needed for production are imported (Wolf, 2004). These issues, in turn, affect the cost of supplies, consistently raising the cost of production in the country.

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