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Supply Chain Management and Its Impact on Organizational Performance

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ABSTRACT
This study examines how the practices of Supply Chain Management (SCM) impact performance in Pakistan. The study has quantitative and cross-sectional design, and data has been taken from 60 respondents from different organizations in Faisalabad using a questionnaire. To quantify the SCM practices, efficiency and service quality to quantify organizational performance, the study used supplier relationship management, information sharing, internal integration and customer relationship management. Descriptive statistics, reliability analysis, correlation and regression were used to analyze the data through SPSS. The results indicate that all SCM practices have a positive and significant impact on the performance of an organization. In particular, customer relationship management and information sharing were the most significant. The study concludes that adoption of SCM practices leads to improvement of performance in the organization by enhancing coordination, communication and relationships within the supply chain.

Key words: Supply Chain, Management, Development, Impact

Background of the study
The fast-paced and constantly changing markets and customer demands no longer allow businesses to operate in isolation but as integrated networks. This has increased the importance of Supply Chain Management (SCM) as an important strategic process. This implies that SCM is no longer only about logistics or procurement, but a holistic approach to integrating suppliers, manufacturers, distributors, and customers into a coherent system that is efficient and effective in bringing value to customers (Khan & Qianli, 2017). Today, more than ever, to most companies, the way to increase performance is no longer a solo responsibility of the company, but a collective responsibility in which the company operates. The story of SCM acquires an even more fascinating dimension with emerging economies like Pakistan where industries are confronted with a different set of challenges and opportunities. The manufacturing and service sectors in Pakistan, in particular, textiles and fast-moving consumer goods

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(FMCG), have been pushing the envelope to transform and globalize in the past ten years. In the past, most companies have been implementing a reactive and fragmented method of management which has resulted in inefficiencies, delays and higher costs. However, with increasing competition, companies have now come to realize that their productivity is not going to increase merely by just looking inwards, what is needed is better links with their suppliers, information sharing and the development of efficient distribution channels. Research has demonstrated that activities like supplier development, information exchange and customer relationship management can enhance firm performance in such a context (Alam, 2022). With the Pakistani companies starting to implement the SCM, we witness another turn towards integration and cooperation. Previously disintegrated companies are now seeking to bring their internal processes in tune and to work with external partners. This is not just a technological change but a cultural one, and it includes trust, openness and common objectives in the supply chain. Studies show that companies that can effectively integrate in this manner will have increased efficiency, cost reduction and service quality, which generates a stronger competitive edge (Hassan, 2023). In this regard SCM is not simply a practice, but a culture that changes the manner in which value is created. To this dynamic story comes the awareness of sustainability and environmental concern. In the last few years, companies have realized that their future performance is associated with sustainability. This has led to a trend where green supply chain management has come up where environmental factors are implemented in the procurement, manufacturing and logistics process. In Pakistan where environmental concerns are increasingly becoming visible, such efforts are acquiring a greater importance. Research indicates that, in addition to assisting to reduce environmental impact, green SCM can also improve the performance of organizations, by promoting resource efficiency and goodwill in the market (Riaz et al., 2019; Khan and Qianli, 2017). Although all these are thrilling prospects, SCM in Pakistan remains in its infancy. Other problems that many companies are still struggling to address include; lack of technological support, lack of human resource capacity and synchronization of actions of companies that constitute a supply chain. This necessitates the necessity to gain better insights into the effects of SCM practices on organisational performance in the local context. In this respect, the current study tries to explore the impacts of supply chain management on organizational performance in Pakistan, which would offer useful information to managers and policymakers to design more efficient and sustainable supply chains.

Methodology

The present research is a quantitative research study to explore the relationship between Supply Chain Management (SCM) practices and the performance of organizations in Pakistan. The design of the research was cross-sectional since the data were gathered on the respondents in a single instance to determine the perceptions held by the respondents about SCM practices and performance.

Study Area and Population

The study was conducted within the city of Faisalabad, which is one of the largest industrial centres in Pakistan, and which is famous with its textile, manufacturing and agro-based industries. The population of the study was employees and managers of the firms that practice supply chain management activities like procurement, production, inventory control and distribution.

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Sample Size and Sampling Technique

This study had a sample size of 60. Due to time and cost constraints, convenience sampling method was used to collect data of convenient respondents in various organizations of Faisalabad. The supply chain officers, managers and clerks, with their knowledge and experience in the supply chain, were selected.

Data Collection Instrument

The study employed a questionnaire which was developed in line with past studies on SCM practices and performance (Khan & Qianli, 2017; Alam, 2022). The questionnaire had two sections:

Section A: Demographics (age, gender, education, job position, and experience)

Section B: Items on SCM practices and performance The SCM practices were measured via dimensions such as supplier relationship management, information sharing, internal integration, and customer relationship management, whereas items measuring organizational performance included operational efficiency, service quality and overall performance.

A 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree) was used to measure all items.

Data Collection Procedure

Primary data were collected through self-administered questionnaires distributed among respondents in different organizations in Faisalabad. Respondents were informed about the purpose of the study, and confidentiality of their responses was ensured. Participation was voluntary.

Data Analysis Techniques

The collected data were coded and analyzed using **Statistical Package for Social Sciences (SPSS)**. The following statistical techniques were applied:

Descriptive statistics (frequency, percentage, mean, and standard deviation) to summarize respondent characteristics

Correlation analysis to examine the relationship between SCM practices and organizational performance

Regression analysis to determine the impact of SCM practices on organizational performance

$$OP - \beta_0 + \beta_1(SRM) + \beta_2(IS) + \beta_3(II) + \beta_4(CRM) + \varepsilon$$

OP = Organizational Performance
β_0 = Constant
β_1–β_4 = Regression coefficients of independent variables
SRM = Supplier Relationship Management
IS = Information Sharing
II = Internal Integration
CRM = Customer Relationship Management
ε = Error term

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Results

Table 1: Demographic Profile of Respondents

Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	39	65.0
	Female	21	35.0
Age	26–35 years	26	43.3
	36–45 years	20	33.3
	45+ years	14	23.4
Education	Bachelor	35	58.3
	Master	19	31.7
	Other	6	10.0
Experience	1–5 years	24	40.0
	6–10 years	21	35.0
	10+ years	15	25.0

The demographics indicate that the respondents were predominantly more male, with 65 out of the 100 being male, and 35 were female. This shows that the proportion of male employees in supply chain related jobs in the sampled organizations is relatively higher. With regards to age distribution, most of the respondents were young to middle-aged professionals as 43.3% were in the 26-35 years bracket, 33.3% in the 36-45 years bracket and 23.4% in the above 45 years bracket. This implies that operations of the supply chain are majorly carried out by a relatively young but experienced workforce which is significant in terms of embracing modern SCM practices. In the case of education, majority of the respondents were bachelors (58.3), 31.7 were masters and 10% were of other educational backgrounds. This is an indication of a fairly-educated labor force that can comprehend and apply SCM practices in an effective manner. In terms of experience, 40% of the respondents possessed 15 years of experience 1-5 years, 35% possessed 6-10 years, and 25% possessed over 10 years of experience indicating a balanced representation with fresh and experienced professionals in supply chain operations.

Table 2 Supply Chain Management Practices and Organizational Performance

Variable	Mean	Std. Deviation	Interpretation
Supplier Relationship Management	3.72	0.54	Agree
Information Sharing	3.80	0.50	Agree
Internal Integration	3.66	0.57	Agree
Customer Relationship Management	3.85	0.49	Strongly Agree
Organizational Performance	3.74	0.51	Agree

The descriptive findings show that respondents have positive perceptions towards all supply chain management practices since all the mean values fall above the neutral point. Customer Relationship Management had the greatest mean (3.85) implying that organizations value a lot keeping customers satisfied and in long-term relationships, which directly relates to organizational performance. Information Sharing also displays high mean value (3.80), i.e. firms are increasingly sharing information across the supply chain in a timely and transparent manner, which benefits in alleviating uncertainties and enhancing coordination. The Supplier Relationship Management (3.72) indicates a positive attitude towards collaborating with suppliers, indicating that firms are fairly successful in establishing strategic supplier relationships. Internal Integration has the lowest mean (3.66), but it is still positive which implies that the coordination between the internal departments is relatively weak and it may need additional enhancement. On the whole, the Organizational Performance (3.74) shows that the respondents are rather

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unanimous that SCM practices are already having a positive effect on the operational efficiency and quality of services.

Table 3 Regression Analysis of SCM Practices on Organizational Performance

Variables	**Beta (β)**	**t-value**	Sig.
Supplier Relationship Management	0.21	2.45	0.018
Information Sharing	0.24	2.89	0.006
Internal Integration	0.19	2.12	0.038
Customer Relationship Management	0.32	3.76	0.001

The regression model shows that all the independent variables are statistically significant with a positive influence on the performance of the organization. Customer Relationship Management demonstrates the most significant impact (β = 0.32, p = 0.001), which means that those companies that are more concerned with customer interactions and satisfaction deliver better performance results than others. The positive effect on Information Sharing (= 0.24, p = 0.006) shows that the efficient transfer of information and data throughout the supply chain can be considered an effective way of improving the decision-making and efficiency. Supplier Relationship Management (= 0.21, = 0.018) evidences that good cooperation with suppliers will help to enhance organizational performance through ensuring the smoothing supply and decreasing interruptions. Internal Integration (= 0.19, p = 0.038) is the least but still significant, indicating that internal integration within departments is a supportive activity that facilitates overall performance. All these outcomes, together, confirm the idea that more effective implementation of SCM practices results in a more successful organization, and external relationship factors (customers and suppliers) are more influencing than the internal processes.

Discussion

The results of the current study affirm that the Supply Chain Management (SCM) practices play a significant and positive role on the organizational performance in Pakistani organizations. The findings show that supplier relationship management, information sharing, internal integration, and customer relationship management are all positively related to the improvement of the operational efficiency and service quality. These results are aligned with previously carried out research in the developing economies where SCM has been identified as a strategic tool to enhance the competitiveness and effectiveness of the organization.

Customer relationship management was discovered to be the best predictor of organizational performance among all the variables. This observation implies that those organizations that focus on customer satisfaction, have long-term relationships with customers, and responsive to the needs of customers, are likely to achieve good business results. The outcome confirms the thesis of Christopher (2016), who stressed that modern-day supply chains have become customer-driven and that creation of customer value is the primary focus of the organizational success. On the same note, the research article by Hassan (2023) reported that customer-focused SCM practices can greatly enhance organizational productivity and service provision in South Asian companies. In relation to Pakistan, where competition between manufacturing and service firms is getting tough, strong customer relationships could give firms a sustainable competitive advantage.

It was also discovered that the effect of information sharing is quite strong and positive on the performance of an organization. A good flow of information between the partners

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in the supply chain enhances effective coordination, less uncertainty, and timely decision-making. The results are consistent with the research of Li et al. (2006), who found out that information sharing improves integration of the supply chain and responsiveness of the organization. Delays and communication gaps in Pakistani industries usually lead to operational inefficiencies and thus information sharing in a transparent and timely manner can significantly enhance supply chain performance. The increasing use of digital technologies and enterprise resource planning (ERP) systems in organizations might reinforce this facet of SCM further.

The supplier relationship management also showed a strong positive correlation with performance. Organizations which have developed cooperative and trusting relationships with suppliers have a higher chance of ensuring a stable supply of raw materials, improved quality of inputs and low disruptions during operations. Khan and Qianli (2017) support this finding by noting that collaborative supplier relationships have a positive impact on the performance and sustainability practices of firms in Pakistan. Good supplier relationships enable companies to save on their transaction costs and gain flexibility in their operations that in the long run leads to an increase in the efficiency of an organization.

Though internal integration was the least beta variable of the variables, it had a great effect on the performance of organizations. This implies that the coordination between the internal departments like procurement, production and logistics is still critical in the smooth running of the organization. The relatively low effect can be an indication that most Pakistani organizations continue to experience the problems of departmental silos, poor communication, and absence of integrated management systems. Similar results were also reported by Flynn, Huo, and Zhao (2010) who found out that internal integration is not as developed in emerging economies because of the lack of technological infrastructure and organizational resistance to change.

By and large, the findings of this study support the theoretical approach that sound SCM practices enhance organizational performance by increasing coordination, communication and collaboration within the supply chain network. The findings also reveal the increasing significance of strategic integration of the supply chain in emerging economies like Pakistan where companies are increasingly seeking methods to enhance efficiency and competitiveness in the dynamic markets.

Conclusion

The results of the current study affirm that the practices of Supply Chain Management are critical in enhancing organizational performance within Pakistani organizations. Significant positive relationships between the four dimensions of SCM were identified to the performance outcomes; supplier relationship management, information sharing, internal integration and customer relationship management. Nonetheless, customer relationship management and information sharing have been found to be the most powerful inputs, which underscores the significance of external coordination and communication in the realization of efficiency and competitiveness. The findings also indicate that although organizations have been practicing SCM, internal integration is still relatively lower and needs to be enhanced. In general, the research finds that companies that successfully implement integrated SCM have higher chances of attainment of high levels of operational efficiency, service quality, and overall performance.

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Recommendations

There are several viable recommendations made depending on the outcomes. To begin with, organizations should improve the customer relationship management systems through the focus on customer satisfaction, customer feedback mechanisms, and long-term engagement strategies since it is the most effective in terms of performance. Second, companies are encouraged to make the supply chain more informative to all levels by implementing digital technologies and systems like ERP and real-time communication channels to enhance coordination and decision-making. Third, long-term relationships, building of trust and joint planning of suppliers should be furthered in order to have consistency in supply and less operational interruptions. Fourth, organizations need to provide an improved internal integration by means of coordination of departmental activities, e.g. procurement, production and logistics so as to provide smooth continuity of workflow and efficiency. Finally, policymakers and industry participants should promote training and capacity building initiatives to improve SCM awareness and technical skills, especially in the developing economies like Pakistan. Increasing technological infrastructure and enhancing digital transformation of operations in supply chains will enhance organizational performance and competitiveness.

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