

Alignment of Supply Chain Strategy with Marketing and Sales activities in Bosnian Small and Medium Enterprises

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Abstract

The objective of this research is to identify the alignment of supply chain strategies with marketing and financial activities in Bosnian small and medium enterprises. Regarding the methodology used, we have conducted a survey and collected the data in an excel spreadsheet and then analyzed descriptively. The research achieved poor marketing strategies and no customer centric view in these marketing strategies, furthermore, not efficient and effective supply chain management strategy and components. To conclude, companies will have to take some actions to change its behavior in order to increase its profits and to be more competitive in the domestic and foreign markets.

Keywords: Marketing Strategy, Supply Chain Management, Supply Chain Strategy, Survey, Bosnia and Herzegovina.

Introduction

Depending upon the marketing and sales activities and therefore competitive strategy, organisations are developing their operations and supply chain strategies. So, the importance of the alignment of these strategies becomes obvious. Relatively few works about the alignment of Supply Chain Strategies with Marketing and Sales activities in Bosnian Small and Medium Enterprises motivated to run this study. Furthermore, there is no adequate knowledge about it, and about how many managerial positions are filled with competent people in these particular fields in Bosnia and Herzegovina.

The objective of this research is to find out which role does the supply chain strategy play in small and medium enterprises in Bosnia and Herzegovina. Also, the objective is to take a glance into how these companies relate their marketing and sales activities and supply chain strategy in order to improve the state of the companies. Therefore, by considering the conducted literature a survey was designated to the firms in B&H which have supply chains. The survey is designed to measure the extent of the development of supply chain strategy through these companies and the degree of given importance. This study plans to contribute to better implementation of the supply chain strategy in particular firms in Bosnia and Herzegovina, and therefore to the entire market concerned with supply chain.

In the following sections, the literature review, the collected data and its characteristics (with company and respondent characteristics), the results of the applied technique, the discussion and the conclusion are provided.

Literature review

This section includes the brief information about the past works about the relationship between Supply Chain Management and marketing and finance activities; the role of marketing on the implementation of the SCM; the growing impact of financial activities on SCM; marketing challenges related to marketing strategies, the conceptual framework of Supply Chain Management, and key performance indicators (KPI) for supply chains.

Flint (2004) in his study about marketing strategy in global supply chains aimed to show how supply chain management helps to reduce costs, and how it develops marketing strategy as well as how SCM leads to creation of important factors such as superior customer value, satisfaction, corporate growth, etc. Furthermore, he introduced four strategic marketing challenges that are connected to the development and the execution of marketing strategies. Finally, he shared his thoughts and for researches and managers by presenting some critical issues of marketing challenges, and advising managers how to approach supply chain management and marketing strategy.

Another researcher, Sheth (2000), in his customer-oriented marketing approach emphasized the need for marketing to become responsive in supply chain management. Furthermore, he argues that in markets with an increased diversity in customer needs and wants, “companies will have to rapidly adjust their supply chains to meet demand, that is, practice demand-driven supply management”.

In their study about supply chain management issues, Lambert and Cooper (2000) aimed to present the conceptual framework of supply chain management, questions for SCM implementation, and questions for its future research. Furthermore, they provided case studies at few firms to introduce the concept of supply chain management better by interviewing managers of the companies in different supply chains. Finally, he concluded that “supply chain process integration and reengineering should be designed to increase process efficiency and effectiveness for the entire supply chain”.

Also, Hausman (2004) aims to offer a closer look at invoice, payment, and information flows in today’s supply chain. It also presents the opportunities that exist for improving financial

flows, as well as an analysis of Key Performance Indicators (KPIs). He concludes that presented payment solutions can eliminate financial flow challenges in today's supply chain and it is possible to generalize the economic efficiencies and benefits "that can be gained by improving financial flows with various innovative payment solutions".

Mentzer et al (2001) aimed at their study to introduce and briefly explain the concept of supply chain management and some important facts and terms related to SCM, such as consequences and the boundaries of SCM. They suggested an integrative framework of SCM, helping researchers to understand SCM, guide into SCM, its prerequisites, and potential effects on business and supply chain performance.

Min and Mentzer (2000) in their study aimed to search the relationship between SCM and the role of marketing by using qualitative methodology. In their study, they have proposed that the concepts of marketing are not separate from the SCM concept. Moreover, they emphasized the important role that marketing orientation and relationship marketing play in the implementation of SCM. They concluded that the relationship between marketing concepts and SCM is "inextricably intertwined".

Piercy (2002) in his study aimed to search the role of marketing within demand chain management and implications for further studies in marketing by using related literature review as well as the findings from a co-development workshop. Thus, he stated that supply chain strength that is not linked to marketing differentiation usually limits the company to competing on price and availability. Finally, he concluded that "marketing has generally not been very good at managing out-of-the-box and across boundaries".

Lusch, Vargo and Tanniru (2010) in their study aimed to further understand the relationship between SCM and marketing by using the "service-dominant" logic of marketing. Furthermore, they identified that firm's resources alleviate the understanding of how the firm's outputs (goods and services) better understood as the "tools" for serving customers.

On the other hand, Pfohl, Hofmann and Elbert (2003) aimed to identify the first steps to help executives to "look behind the Supply Chain Finance approach". They state that the flow of financial resources increasingly become important as the integration of material and information flows within the supply chain has been tested. Their results implied the importance of cash flows and outcomes of business activities.

Additionally, Pfohl, Hofmann and Elbert (2003) researched the different organizational and process structures and macro-institutional actors of the Supply Chain and found that both the internal and external intersections can vary among supply chain members. They concluded that SCM includes "the micro-institutional actors" comprising all departments related to the operational activities (e.g. purchasing, production, distribution and logistics units).

As it can be seen from these reports, the main focus of the authors is the implementation of the Supply Chain and the relationship between marketing and finance and SCM; the growing impact of financial activities on SCM; marketing challenges related to marketing strategies, the conceptual framework of Supply Chain Management, and key performance indicators (KPI) for supply chains.

Research Methodology

Data

The data is acquired as a result of conducting the developed survey among many small and medium enterprises in Bosnia and Herzegovina. We have questioned people working in many departments at various positions. The respondents are mainly working in the production and management departments in their companies (Table 1). We have questioned more than 200 people through the companies went, however, some did not respond at all and some provided incomplete information. Thus, our total number of respondents is 200 people in 28 companies. After the survey was conducted the data was entered into an excel spreadsheet and descriptively analyzed. The survey questionnaire is divided into five question groups each has five or more questions. After the data collected, we illustrated the results by pie charts for each of the question groups. The survey is completed by 109 male and 91 female respondents.

Table 1 Department of the Respondents

Department	Number of respondents
Production	40
Maintenance	8
Sales	27
Logistics	3
Management	47
Accounting	7
Budget	2
Administration	6
Financing	5
Marketing	12
Supply	23
Distribution	19
Retail	1
Total	200

Results

The survey consists of five sections. In this section we will briefly describe each of the outcomes of the analyses and represent them graphically. The first question group is the Integrated Supply Chain Network. According to the results, it can be seen that BiH companies seem not to have integrated supply chains (Figure 1).

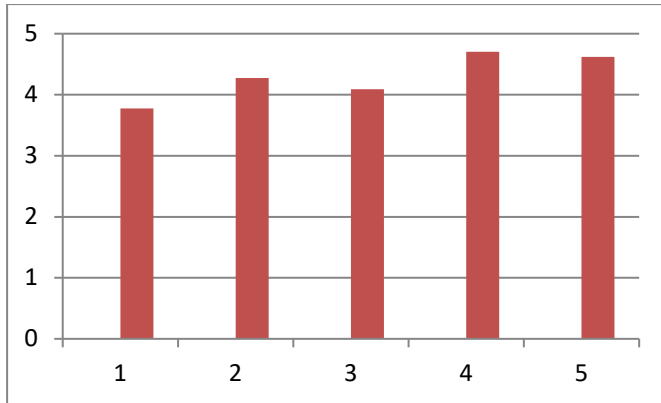


Figure 1 Integrated Supply Chain Network

The second question group is about the supply chain business process. The respondents are observed to be neither agreed nor disagreed about their supply chain business process – meaning that they again do not have adequately educated and trained workers and workforce which would boost their business process. They only reported that their manufacturing flow is built up to a high level (Figure 2).

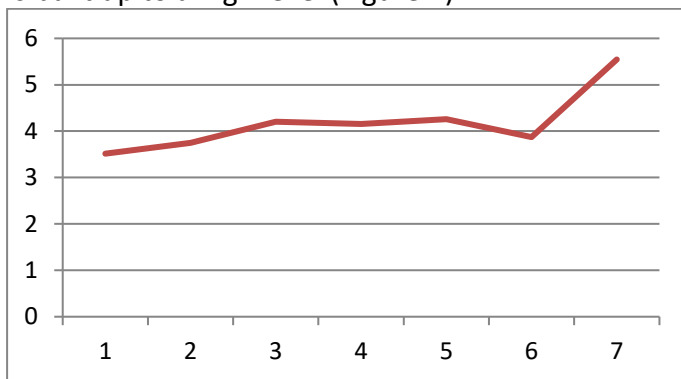


Figure 2 Supply Chain Business Processes

The third question group is about supply chain management components. The respondents agree that their business culture and attitude are shaped according to the overall Supply Chain. On the other hand, they seem not to give proper importance to Supply Chain Management components (Figure 3).

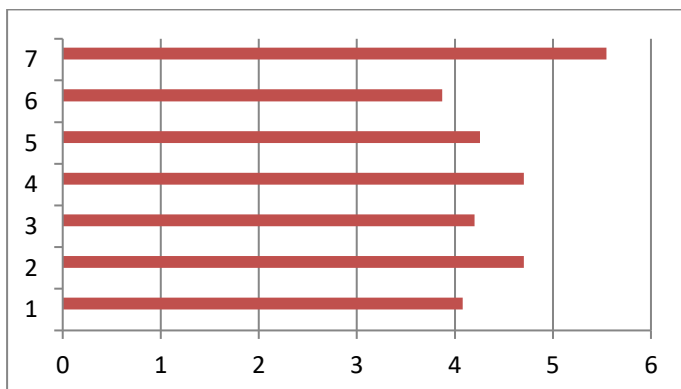


Figure 3 Supply Chain Management Components

The fourth question group is related to the Marketing section. The respondents are quite neutral with the statements in this section. Therefore, it can be asserted that their company's marketing strategy is not influential on their SCM strategy (Figure 4).

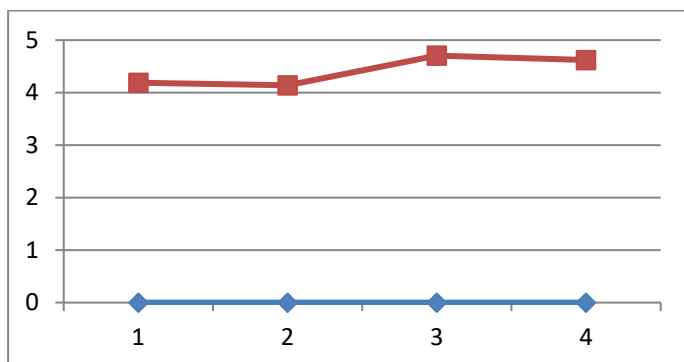


Figure 4 Marketing

The fifth and last question group is about the “service-dominant logic” of marketing in SCM. The respondents do not seem to have service dominant logic in their marketing strategies (Figure 5).

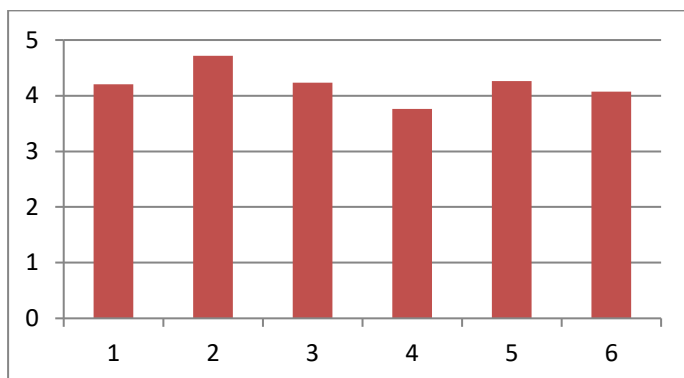


Figure 5 "Service-dominant" Logic of Marketing in SCM

As a conclusion, the agreement level of the respondents is appeared to be neutral in general.

Discussion and Conclusion

Comparing with the works summarized in the literature review, we can see that Bosnian companies have totally different perceptions than the U.S. and European companies. Namely, those western companies as argued in the literature review have a “wider” perception of their company and its workflow; the influence of marketing on their supply chain, and the value they are giving their customers. However, all of these could not be considered from the

Bosnian small and medium enterprises, as seen in the survey. We could actually think that Bosnian companies mainly consider staying in business and not to differentiate or improve their behavior to become competitive in the market. This research is considered to be a source of information and answers about what is going wrong and where to spend more time and effort.

The main obstacles and limitations for conducting the survey were the incomplete results and the lack of information and knowledge of managers about this issue. It would be most appropriate if the government would provide help in training the workforce and stimulus for the firms. Companies would benefit from the government intervention in the market, but also they would benefit from the findings of this work and try to change their business behavior in terms of customer-oriented service. According to the results, most of the firms are lacking this part. Therefore, we hope that this work encourages them to improve also their workforce. The managers can gain at least some insight into the needs and demands of their market and identify some ways to overcome this situation. However, it is observed that the managers training themselves to be more compatible and adequate for their positions. This work also provides valuable information for firms to see where and why to change to satisfy customers. It is not only important to be able to provide goods and services, but also to be available to service it and provide information of its usage and qualities. To conclude, this research provides inputs for a better satisfied society.

This research also encourages future research in order to gain deeper understanding about the issue. The results of this research provide information about the situation in the small and medium enterprises market, which can be used by existing firms to improve, by new entrants to learn the competencies and weaknesses but also from foreign investors by evaluation of the Bosnian market of small and medium enterprises. This information should be used as a platform and base for future research. Works can either specialize on some groups or individuals or some specific firms by using the same survey questions. We also suggest future research to include more firms and more types of firms in order to have more detailed information.

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Appendix
The Survey Questionnaire

Please answer all questions

For each numeric question, circle the number that best reflects your opinion of the factor judged **1=strongly disagree, 2=disagree, 3=slightly disagree, 4=neither, 5=slightly agree, 6=agree, 7=strongly agree**

Circle only one number for each scale

Demographics	
a	Your department/unit:
b	Your current position/role in dept/unit:
c	How long have you been in current position/role?:
d	Your highest education level: Doctorate Master Undergraduate Other_____
e	Gender: Male Female
f	Age: ≤30 31-40 41-50 51-60 ≥61

Integrated supply chain network		Disagree	Agree
a	Supply Chain procedures in my business are integrated	1 2 3 4 5 6 7	
b	My firm's SC network is designed in a way that it benefits the customers and the stockholders	1 2 3 4 5 6 7	
c	All members of my supply chain are acting together	1 2 3 4 5 6 7	
d	The SC network of my company has many interrelated dimensions	1 2 3 4 5 6 7	
e	My business has different types of process links across the SC in order to have integration	1 2 3 4 5 6 7	

The supply chain business processes		Disagree	Agree
a	My company is agree that the customer relationship is an important factor in the SC	1 2 3 4 5 6 7	
b	My business is (customer) service oriented	1 2 3 4 5 6 7	
c	My business has a high developed order fulfillment management	1 2 3 4 5 6 7	
d	Procurement is the main step in my SC process	1 2 3 4 5 6 7	
e	Product development and commercialization is being given great importance	1 2 3 4 5 6 7	
f	Returns from customers are perfectly acceptable	1 2 3 4 5 6 7	
g	The manufacturing flow in my business is built up to a high level	1 2 3 4 5 6 7	

The supply chain management components		Disagree	Agree
a	We plan and control SC regularly through the overall Supply Chain	1 2 3 4 5 6 7	
b	The work structure in my business is managed by considering the overall Supply Chain	1 2 3 4 5 6 7	
c	My business organizational structure is developed by considering the overall Supply Chain	1 2 3 4 5 6 7	

d	My company developed its product flow facility structure according to the overall Supply Chain	1 2 3 4 5 6 7
e	My business has a developed an information flow system in order to facilitate the flow of information among supply chain units	1 2 3 4 5 6 7
f	My business evaluated the risk-and-reward according to the overall Supply Chain	1 2 3 4 5 6 7
g	My business culture and attitude are shaped according to the overall Supply Chain	1 2 3 4 5 6 7

Marketing		Disagree	Agree
a	My company's marketing strategy is not separate from SCM strategy	1 2 3 4 5 6 7	
b	My company's SCM strategy is very much market oriented	1 2 3 4 5 6 7	
c	Relationship marketing plays an important role in the implementation of SCM	1 2 3 4 5 6 7	
d	Marketing activities play an important role in my company for building the relationships between the parties through communication and support programs which in turn builds a positive environment between all interacted parties.	1 2 3 4 5 6 7	

“Service-dominant” logic of marketing in SCM		Disagree	Agree
a	My Firm’s resources alleviate the understanding of how the firm's outputs (goods and services) may be better understood as the “tools” for serving customers.	1 2 3 4 5 6 7	
b	My company wants to satisfy customer needs and demands in order to improve customer value	1 2 3 4 5 6 7	
c	The structured network in my company's supply chain improves knowledge growth amongst network members	1 2 3 4 5 6 7	
d	My company has a service-dominant logic in its supply chain strategy	1 2 3 4 5 6 7	
e	Company managers have a service-dominant logic on their minds in order to translate customer preferences into actions that generate competitive advantage	1 2 3 4 5 6 7	

Part II: Please add here any *positive /negative comments regarding the issue*