

A Study of Supply Chain Management Practices among Malaysian SME Retailers

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ABSTRACT

This research presents and in-depth understanding of how SME retailers (single-store and/or multi-store) in Malaysia practice supply chain management. This study made several key observations, namely: - both single-store and multi-store retailers select suppliers based on pre-defined criteria, and they use multiple suppliers to procure the same stock keeping using (SKU) etc. Some practices are different in terms of application between single and multiple store retailers, namely: - the single-store SME retailers order from suppliers during fixed period visits by salespersons, but multi-store SME Retailers orders are performed by internal staff. This application is solely used by multi-store retailers who have dedicated warehouses that can store a large volume of goods , and can serve as a distribution center to centralize key retail processes.



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KEY LESSONS

1. Both single-store and multi-Store retailers source their products of the desired product category on the basis of low price, product quality, and delivery lead time – not solely on the basis of the lowest price.
2. Single-store SME retailers order from suppliers during fixed period visits by salespersons, but Multi-store SME retailers’ orders are performed by internal staff
3. Both single-store and multi-store SME retailers purchase the products to stock in order to meet upcoming sales

INTRODUCTION

Small and Medium Sized Enterprises (SME) are the backbone of the Malaysian economy as they constitute the vast majority of business establishments and job employment. They made a significant

contribution to GDP in 2016; indeed, their growth outpaced the overall Malaysian GDP growth rate. In 2015, SME was redefined as an enterprise with a sales turnover of not more than RM50 million, or a total employee figure of not more than

200 for manufacturing; and a sales turnover for RM20 million or a total number of employees of 75 for services and other businesses.

Supply Chain Management is a process-oriented, integrated approach to procuring, producing, and delivering products and services to customers. In the existing publication for Supply Chain Management, SCM is an enabler to help an organization to improve customer responsiveness, cost and quality.

Despite the important role for SMEs to Malaysia's economy, and SCM to SME, there have been very few studies providing an in-depth understanding of how Malaysian SME retailers' practice SCM. Therefore, this study aims to close the gap in the existing publications and provide valuable insights to academics and relevant practitioners towards the improvement of current SME retailers' supply chain processes.

EXTANT KNOWLEDGE

There are two sections of the literature review. The first section focuses on Supply Chain Management practices; and the second section is on Supply Chain Management practices at SMEs. Martin & Grbac (2002) found that customer responsiveness can be improved via strong supplier relationships and Elmuti (2002) found that supply chain management helped companies to achieve cost reduction, quality improvement, etc. based on the study that was conducted for companies within the United States. Lastly, Fawcett, et al. (2008) analyzed the forces behind supply chain collaborations, as well as effective supply chain management implementation challenges and benefits. From his study, he found that people are the key factors in achieving successful collaborations.

In the second section, Hamister (2012) discovered that information sharing and

information quality can improve operational performance, based on a study conducted with small retailers in Western New York State. Furthermore, in a study conducted among UK industrial SMEs, Quayle (2003) concluded that SMEs prioritized quality, price and reliability over technology, research and development and ecommerce. Finally, Yardpaga (2014) concluded that the key objectives of SCM for SMEs are to achieve cost reduction and productivity improvement rather than achieve customer's satisfactions. Results from the same study also reveal that to achieve success in SCM deployment, Information Technology system and top management support were the two key factors.

RESEARCH APPROACH

The study was conducted using semi-structured interviews with participants who fulfilled pre-determined profiles: - an SME retailer for non-perishable goods and with a goods value of less than RM100; product types with more than a 1-year life span; and not sensitive to market trends compared to fashionable and technological products.

To interview, we chosen the individuals who possess substantial knowledge and experience in their supply chain management processes to ensure that they were able to provide both general and detailed information of their practices, namely:- sourcing, suppliers selection, procurement, transportation, inventory management and warehousing.

All the interviews were conducted in Kuala Lumpur and Selangor as both states have the highest number of registered SMEs in Malaysia.

The primary data was collected from the semi-structured interviews, with these secondary data derived from authorities such as SME Corporation Malaysia, and the department of Statistics Malaysia. The interview protocol was tested before

conducting the official interview for this study.

A qualitative analysis was performed via pattern identification (Edmondson & Mcmanus, 2007). The interview statement was then coded according to Gioia, Corley, & Hamilton (2012). The 1st order analysis was based on my observations and information shared by the informants during the interview, with little attempt to interpret the terms used by the informants. The 2nd order analysis was performed by identifying emerging themes by comparing the code in the 1st order.

highlighted for each single-store SME retailer.

In the second section, the key themes were analyzed and compared among five single-store SME retailers, based on the individual single-store SME retailer analysis performed in the first section. The identified common themes for cross case analysis were supplier selection method, multiple sourcing, periodic & continuous review inventory policy, purchase to stock, no application of minimum order quantity, Naïve forecasting method, no application of economic order quantity, fast- and slow-moving based storage policy and cycle stock counting.

Company	1 st Order Concepts	2 nd Order Theme	Aggregate Dimensions
Multi-store SME Retailer KSG First Class Racing	<ul style="list-style-type: none"> It is decided by me on what and quantity to purchase. He needs to know the price in the market and decide the price. 	All the supply chain related decision is made by the store owner	Centralized Supply Chain Planning
Multi-store SME Retailer LPE Gift and Stationery	<ul style="list-style-type: none"> Promotion items for slow moving items: Decision made by the store owner based on what items and discount amount 		

Figure 1: Example of Data Structure

RESULTS

There are five sections in this chapter namely:- individual case analysis on each single-store SME retailer, cross case analysis for single-store SME retailers, individual case analysis on each multi-store SME retailer, cross case analysis for multi-store SME retailers and lastly comparison between single-store and multi-store SME retailers.

In the first section, the study explained in detail the supply chain process applied by each single-store SME retailer for all five retailers. All the key characteristics of supply chain practices in the areas of sourcing and supplier selection, procurement, inventory management were

The third section is similar to the first section except there are two key differences, namely the addition process for transportation for multi-store SME retailers. A detailed study was undertaken for each multi-store SME retailer to highlight key characteristics of their supply chain practices.

In the fourth section, the key themes among two multi-store SME retailers were analyzed and compared to identify common supply processes, strategies and approaches. The identified common themes were sourcing and supplier selection, periodic review inventory policy, purchase to stock, centralized reverse logistics, centralized warehouse and centralized supply chain planning.

In the last section of results, a cross case analysis was completed to compare the common themes among single-store SME retailers with multi-store SME retailers, in order to identify the common themes for both type of retailers in the area of strategies, approach and process. The identified common themes were as follows: supplier selection method, periodic review inventory policy and purchase to stock.

CONCLUSION

SME retailers are recommended to use the supplier selection method to identify appropriate suppliers who are aligned with their expectations and requirements. They are also recommended to use multiple sourcing to reduce the risk of out of stock events and make price, services quality, etc. comparison between suppliers. Another recommended practice to SME retailers is using a hybrid (periodic and continuous) inventory review policy. This practice helped SME retailers to improve their cash balance without compromising the potential demand fulfillment.

The key limitations of the study are the inability to expand the scope to other businesses which represent a significant proportion of business establishments in Malaysia, and the fact that I was unable to test the provisional propositions in a large sample survey. Therefore, for future research, it is proposed that a large-sample survey is conducted to validate the provisional propositions and examine the linkage between educational levels with supply chain management practices.

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