In the Moderating Effect of Regulatory-Pressure: Importance of Partnership and Leadership in Supply Chain Management Practices

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Abstract: The researchers reviewed the organizational business management literature and found that the internal practices are very important determining factors of supply chain management (SCM). The ability of management to properly implement supply chain management leadership and partnership may increase organizational performance. More importantly, a further research in this field reveals that the effect of supply chain management leadership and partnership on organizational performance is not consistent if regulatory pressure is present in organizations. Even though, this relationship is significant, but still not much is known about the moderating effect of regulatory pressure in supply chain management research literature. Therefore, it motivates the researchers to further examine the supply chain management research literature in order to find relevant theoretical and empirical evidences supporting the moderating effect of regulatory pressure in the hypothesized model.


Keywords: Supply Chain Management Practices, Leadership, Partnership, Regulatory Pressure, Organizational Performance

1. Introduction

This paper describes the influence of regulatory pressure as institutional factor in the relationship between supply chain management practices (e.g., leadership, and partnership) and organizational performance. Application of the resources based view (RBV) model will assist organization in its ability to scan the environment for the forces that pressure SCM, to identify how organization internal practices tied it up with human capital in order to ensure effectiveness and customer satisfaction as organizational performance in moving all merchandise along the supply chain in Port Klang, Malaysia. The literature on SCM practices and organizational performance has been inspired by social psychological exchange and organizational behaviour. In this research proposal, we suggest that the theoretical relationship of supply chain management practices and organizational performance is based upon that principle. We demonstrated the relevance of the linkage. More specifically, it is argued that the outcome of organizational performance from lack of supply chain management practices by moderating effect of regulatory pressure.

Background Study of Supply Chain Management in Industry:

Research from 1950s to 1960s has prompted most manufacturers to concentrate more on mass production with the intent to minimize cost with less production and process flexibility. Later on, the manufacturers in 1970s realized the impact of huge work in progress, manufacturing cost quality; new product development and delivery lead time that eventually created manufacturing resource planning to tackle the issues. During 1980’s intensifying global competition, improving manufacturing efficiency and cycle time was the goal to establish cooperative buyer and supplier relationship in order to achieve company strategic goals (e.g., Just-In-Time (JIT), Total Quality Management (TQM)) (Walton et al., 1998). Since the early 1990s, people in the academic line and practitioner community have gradually focused more on supply chain management (SCM) in order to find best practice to stay competitive. Industrial buyer relies more on third party services provider (3PLs) to improve transportation and logistics management that stresses more on the issue of quick response, service response, and integrated logistic. Recent emerging interest is based upon current business environment which is becoming globalized and highly competitive (Walton et al., 1998).
Supply Chain Management (SCM):

Various meanings have been used by earlier researchers in their studies. This has encouraged us to adopt SCM defined by Bateman and Snell;

‘Supply Chain Management refers as the managing of the network of the facilities and people that obtain material from outside the organization, transform them into products, and distribute them to customer’ (Bateman & Snell, 2009).

In general, SCM practices refer to the set of activities undertaken by an organization to promote effective management of its supply chain (Lai et al., 2002). It has recently become multi-dimension concept that covers upstream, internal, and downstream side of supply chain research (Suhong et al., 2005).

Significance of SCM for Industry:

Findings from previous studies also conclude that coercive force through regulatory pressure has been the main pressure for supply chain management practices either in security or green supply chain discipline. Therefore, it’s a crucial support to any kind of supply chain adoption to get the desirable outcomes of the implementation (Autry & Borbbit, 2008; Vijayasarathy, 2010; Wu et al., 2012; Zhu & Sarkis, 2007). This study fills the gap by considering moderating effect of regulatory pressure on the relationships between practices of SCM and organization performance. This is the purpose to unfold the response for this concern. Consequently, it motivates us to explore further into this issues. On the other hand, previous effort in conceptual and empirical research have shown that this area is growing attention from academician, and need further attention and contribution to explained various issues in supply chain management in a diverse setting of organization.

Traditional and Contemporary Approach in SCM Study:

Traditionally, supply chain approach is about movement of goods and material with a support function that focuses on several key outcomes, such as agility, adaptability, alignment and competitive priorities with short-term duration. Future approach has been discussed by Ketchen and Hult (2007) which suggested that the future research should incorporate organizational theories (e.g. Institutional theory, research based view, etc) in supply chain management study in order to identify the best value supply chains available. The evolution of traditional to contemporary approach is supported by Suhong et al. (2006). The finding identified the increasing trend of publishing supply chain management dissertation and dominated by operational type of research approach. This has left social psychology and organizational behaviour approach less frequently selected by researcher. The scenario in Malaysia is also reflective of this kind of research and it’s just started being preferred by local researcher (Khang et al., 2010).

Problem Statement:

Early studies emphasize SCM with regard to business operation, and implementation in manufacturing area that focus on cost reduction and improve inventory management (Chan & Paulraj, 2004). Subsequently, several researches on SCM started with the debate on concepts and characteristics (wong & Wong, 2008). Furthermore, Chin et al. (2006) argue that operational approach have dominated the attention in SCM research leaving the organizational behaviour dimension little acknowledgement in SCM study. In Malaysia, supply chain management research is shown upward trend that includes operational research approach (Khan et al., 2009) and organizational approach (Khang et al. 2010). Recent studies highlighted SCM research in variety of demension (e.g., foods, logistic, Green, security, and port environment ), which focusing several elements of practices (e.g., leadership, planning, technology, communication, partnership, adaptation) and supply chain security (SCS) outcome (e.g., firm/organizational Performance, security effectiveness) (Grainger, 2007; Autry & Borbbit, 2008).

Effect of institutional external pressure on organizational performance have been study in variety of field for example marketing, information technology, public organization, supply chain and others (Luo et al., 2008; Zhang & Dhaliwal, 2009). A thorough review of green SC; manufacturing, automotive, textile and security supply chain management literature reveals that effect of Supply Chain Management practices on performance of the organization is not consistent when regulatory pressure as institutional factor is present in organization (Autry & Borbbit, 2008; Zhu & Sarkis, 2007; Wu et. al., 2012; Wong and Bong-itt, 2008; Vijayasarathy, 2010). Thus, it motivates the researcher to fill in the gap of the related literature by exploring the moderating effect of regulatory practice in the relationship between SCM practices and organizational performance.

Purpose of the Study

It consists of two major forms:

Conceptual Framework for the Direct Effects Model:

This conceptual framework is to show the direct effect model between SCM practices of leadership and partnership on the organizational performance.

Conceptual Framework for the Moderating Model:

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This conceptual framework is to show that perceived regulatory pressure as a moderator in the relationship between SCM practices of leadership and partnership on organizational performance. This proposed framework also combines and follows other previous studies that theoretically pointed to resources base view theory (RBV) of organization members in goods movement via seaport that adopted intra organization supply chain management practices (leadership and partnership) and organizational performance. Moderating variable of regulatory pressures is being adopted from institutional theory, while organizational performance measures level of effectiveness and customer satisfaction adopted from organizational behaviour (OB) models as dependent variable. This study would fill the gap by considering moderating effect of regulatory pressure on the relationships between SCM practices on goods movement and organization performance.

**Conceptual Framework**

![Figure 1: Conceptual Framework](http://www.lifesciencesite.com)

Figure 1: This conceptual model was developed based on the relevant theoretical & empirical evidence that combine firstly, direct effect model on the relationship between SCM practices of leadership and partnership on organizational performance. Secondly, the present moderating model in the shape of regulatory pressure probably influences the existing relationship.

**Structure of the Paper:**

The need of ongoing effort for the development of research focusing on relationship supply chain management practices on performance when regulatory element is present. This study combines a multiple theoretic perspectives with the expectation of grounding, uniting, and structuring the complexity that has become supply chain management practices, performance and institutional theory research. This research will begin by introduction and discussion of the purpose and the relationship between supply chain management practices and organization performances in the context of the study, and then to ascertain literature review that support the relation of institutional theory to the overall connection. After all these issues being addressed the conceptual framework that will be developed and then followed by acceptable variable outcome. Finally, we will conclude this paper with discussion on purpose of methodology, and a few avenues of research that are important in order to improve supply chain management practice and organization performance, and conclusion.

**Context of the Study**

**Movement of Cargo along the Supply Chain in Port Klang, Malaysia:**

The need to regulate the movement of goods along the supply chain at the earliest stage of arrival into the Malaysia via Port Klang as premier international gateway is ever important. Seaport is the first place of convergence between maritime and inland transport that manages and coordinates information as well as physical cargo that become integral part of the entire supply chain (Grainger, 2007). Movement of goods and passenger have experiencing regulatory areas on revenues collection, safety and security, environment and health, consumer protection, and trade policy (Grainger, 2007). According to Krikke et al. (2004) supply chain members are those who were involved indirectly or directly from point of origin to final destination that usually identifies as those who involve in supply chain process namely; shippers, consignee, forwarders, port authority, other government agencies and customs (Donner & Kuk, 2009).

Selangor is the biggest revenue contributor of indirect tax and major entrance for commerce into Malaysia. It has a large number of registered supply chain members near vicinity of Port Klang. Approximately, around 5000 registered supply chain members that make up various services, manufacturing and trading companies, individual, forwarding, shipping agent, license carrier, license warehouse and free zone operator (RMCS, 2011; SAFFLA-Selangor Freight Forwarder and Logistic Association, 2012; Malaysian Logistics Directory, 2011/2012; FFM Directory, 2011). Port Klang is a premier entryway into the country that situated in Selangor with the reputation as the oldest and busiest international port in Malaysia. It has become a vital port of entry for commerce with millions of container crossing through the border annually. Last year, Port Klang alone represented about half of total number of container handled by all the ports in Malaysia that add up to 20 million containers TEU (twenty footer equivalent unit ) in 2012 (Sources: Ministry of Transport website: http://www.mot.gov.my/my/Statistics/Maritime). It is also a centre stage for interaction among supply chain members (i.e., Consignee, shipper, logistic service provider, brokerage agent, port authority and other government agencies) in managing goods movement in and out of Malaysia. This is a clear indication of
2. Literature Review

Conceptual and Operational Definitions of Terms:
Measurable event that was defined by means of specific concept and the usage of scientific research process is generally referred as conceptual definition. Whereas operational definition is a manifestation of a process on how the concept will be measured in the study (Shoemaker et al., 2004).

Leadership:
It is where the organization influence employee through autocratic, participative and transformation approach in order to successfully implement SCM practice and realize organization objectives. (T.S Khang et al., 2010; Pooya and Deluyi, 2011). Operational definition: Its where all manager of supply chain in Port Klang exercise leadership style in managing supply chain activities.

Partnerships:
It is where organization takes part in SC partnerships with sharing trust and commitment with their partner in managing the supply chain activities. (Autry and Borbbit, 2008; Vijasarathy, 2010; Zhu and Sarkis, 2007). Operational definition: Its where all manager of supply chains in Port Klang engage in partnerships in managing supply chain activities.

Organizational performance:
It is where the organization being measure on how well the organization objectives being achieved efficient and effectively, and achieving customer satisfaction (Hult et al., 2007). Operational definition: Its where all manager of supply chains in Port Klang measured organization outcome through satisfaction and supply chain effectiveness in managing supply chain activities.

Perceive regulatory pressure:
Perceive regulatory pressure is the ability of employee to perceive compliance of regulation as top priority in managing supply chain practices that will increase legitimacy and deliver successful organization performance (Di Maggio and Powell, 1983; Delmas and Toffel, 2004). Operational definition: Its where all manager of supply chains in Port Klang perceived regulatory requirement have considerable impact in supply chain management implementation.

Research Hypotheses for Direct Effects Model

Relationships between Leadership and Organization Performance:
A research in Malaysian service industry has collected 246 usable survey respondents in the management level of the organization. This study found that leadership in SCM practices has positive and significant relationship with organization performance (Chin et. al., 2009). Another supply chain research in Iran has collected 370 usable questionnaires from manager of automotive part manufacture. The study found that leadership practice in communication, supportive, and personal recognition have significant positive effect on organization performance in innovation (Pooya, & Deeluyi, 2011). According to Pooya and Deluyi (2011) leadership is one of the most infrastructural decision influences on firm improvement. This leadership style in organization is being argued by Chien & Shih (2007) as vital because it can set new goals, idea, and encourage innovative solution from the subordinate cited in Pooya and Deluyi (2011).

Proposition:
-Does leadership practice in supply chain management positively influence organization performance?

Relationships between Partnership and organization performance:
Another recent research of Malaysia electronic firm has produce 110 usable response from managerial staff. The study found that partnership among strategic supplier has positive relationship on organization performance of supply chain Walton et al., 1998). A study by Chien and Shih (2007) in Green supply chain management practices has produce 151 valid survey from those electrical and electronic companies in Taiwan. The research found that partnership with supplier in green manufacturing, procurement, and other measure has significant positive relationship with the environmental performance of organization. A higher quality partnership is related with mutual sharing of business risk, trust, commitment, mutual adaptation, reciprocity, and durability (Wong & Wong, 2008). Empirical studies show that partnership has been observe to have significant relation on the organization performance (Autry and Borbbit, 2008; Srinivasan et al., 2011; Zhu and Sarkis, 2007).

Proposition:
Does partnership practice in supply chain management positively influence organization performance?

Research Hypotheses for Moderating Model

Moderating effect of Regulatory Pressure has on Relationships between SCM Practices of Leadership and Partnership, and Organization performance:
A qualitative research by Autry and Borbbit (2008) in supply chain security colloquium have manage to gather 31 logistic and supply chain manager and executives to participate in self administered survey interview that randomly select from the participant. The study found that emerging theme of supply chain security practice does include
leadership and partnership which closely relate to performance outcome as an advantages or disadvantage to firm performance, and customer satisfaction/dissatisfaction level. This relationship between the supply chain security practices and supply chain outcome is moderately influence by other external factors, and regulatory factor is predominantly cited by the respondents (Institutional theory). While, Zhu and Sarkis (2007) have conducted green supply chain management research that involve 341 manufacturer from two group that is traditional heavy polluter and manufacture exporting product or suppliers of foreign manufacturers in China. Only 213 usable questionnaires were return. The result shows all three pressures: market, regulatory, and competitive have some moderating effects for certain green SCM practices and specific type of performance. Regulatory pressure exists only to moderate green purchasing initiative in the like of supplier partnership and supplier training which improve organization environmental performance. Other empirical studies also show that leadership and partnership in supply chain management practices has been observed to have significant relation on the organization performance (Lai and Wong 2012; Wu, Ding, and Chin, 2012).

Propositions:
- Does regulatory pressure moderate the relationship between leadership in SCM practices and organization performance?
- Does regulatory pressure moderate the relationship between partnership in SCM practices and organization performance?

Implication of the Study
Significant Of The Theory:
This research combines and follows others previous study that theoretically grounded to resources base view theory (RBV) of organization members in port environment supply chain that adopted supply chain management and organizational performance. Moderating variable of regulatory pressures is being adopted from institutional theory, while organizational performance of level effectiveness and customer satisfaction adopted form organizational behaviour (OB) models as dependent variable.

Resource Based View Theory:
In the context of SCM practices in port environment, RBV can be used to understand the link between SCM practices and competitive advantage, that is how the application become one of organization resources and contribute to SCM excellence performance (Zhang and Dhaliwal, 2009). Organization resources can be easily categories in three building block, that is include physical assets (e.g. technological equipment, plant), human assets (e.g. deployment, competency and skill recourses), and organizational assets (e.g. culture, business process, and management resources) (Wheelen and Hunger, 2006; Zhang and Dhaliwal, 2009).

Institutional Theory:
According with DiMaggio and Powell (1983), firm business strategy was affected by its institutional environment, which consists of supplier, resources and product consumer, regulatory agencies and competitor. A company tends to be induces to adopt certain practices by external isomorphic pressure through three institutional theorectic strategies that namely: coercive, normative, and mimetic. In relation to SCM practices, institutional environment where the firm operate exert an influence on adoption process. Coercive pressure is seen important in imposing authorize standard in shaping firm operational conduct through regulatory mechanism. Mimetic pressure is seen as following other organization successful implementation practices. And finally, normative pressure is seen as firm accepting best practice for SCM adoption in fast changing environment (Wu et. al., 2012).

Organizational performance:
Organizational performance has been stated in a variety of ways. They generally classified into hard measurement (business result objective) or soft measurement (perception of effective or satisfaction level) (Vijayasaranty, 2010; Khang et. al., 2010; Autry and Borbit, 2008; Zhu and Sarkis, 2007). Wu et al. (2012) stated that performance of an organization can be measured through financial performance such as profit and loss, ROI (return on investment), business sales and growth, and organization effectiveness. Organization effectiveness is reflection of concept from strategic management and organization theory. In supply chain dimension, a qualitative research in supply chain security in Southeast Asia and a quantitative survey of logistic service provider in Hong Kong has support quality management view of customer focus contribute to success of organization performance outcome (Talib et al.,2011; Autry and Borbit, 2008).

Methodological contribution - Significant of Research Methodologies:
Methodology of the research will start with explorative study than followed with a survey. The whole study is based upon combination of qualitative and quantitative approach. Triangulation approach may help researcher to overcome biasness and deficiency of single approach. In practice, both qualitative and quantitative approaches are appropriate for a single investigation and for a research that occupies a variety of epistemological positions (including both interpretive social sciences paradigm like humanism and positive social sciences
practices must be analyze and evaluated in relation to monitored. Changes in relationships context of SCM have performance. Once companies to avoid unnecessary cost that can exceed and resources from the internal practices of was expected. internal practices and the organization outcome that of regulatory companies must carefully analyze the pros an contribution by investigating relationship between SCM practices, perceive regulatory pressure and organization performance. 

Practical contribution: 
An important aspect of this research has three contributions. First, regulatory pressure moderates the linkage between supply chain management practices and organizational performance. Companies should be willing to understand regulatory pressure through leadership and partnership, as well to act upon these differences. Given the contradictory role of regulatory that interfere the connection, companies can focus on supply chain management mechanism improvement in order to increase organization performance organization. Second, this paper will makes empirical contribution by investigating relationship between internal practices of companies in Port Klang and the effectiveness and fulfilling firm obligation in the context of supply chain management in movement of goods. Moreover we assess the effect of supply chain management practices on the organization performance. Multi context approach is engaged in order to enhance external validity of our outcome. Finally, the managerial contribution will be that companies must carefully analyze the pros and cons of regulatory requirement effects on company’s internal practices and the organization outcome that was expected. Regulatory pressure demand attention and resources from the internal practices of companies to avoid unnecessary cost that can exceed companies’ potential benefit and ruined firm performance. Once the collaboration relationships have been developed it must be continuously monitored. Changes in relationships context of SCM practices must be analyze and evaluated in relation to the question of what justified degree of regulatory pressure in a specific connection.

3. Conclusion 
This research will study the construct of supply chain management practices of leadership and partnerships, organizational performance, and conceptual model that integrate the literature in this area. A review of relevant theories serves as guiding the role of leadership and partnership on organization performance when regulatory element is present, and for formulating research hypotheses concerning the relationships between these constructs and moderator role. Secondly, this study gives definitions and operational supply chain management practices constructs on organizational performance with the influence of regulatory element. This allows us to generate knowledge on the effects of individual construct and characteristic on organization performance relationship outcome. Thirdly, in order to assess which specific supply chain management practices affects overall organization performance and how the outcome changes in the present of coercive pressure. Finally theoretical basis of the research paper will be to explore the potential for institutional pressure to explain the influence on relational ties between supply chain management constructs and organizational performance in movement of goods along supply chain in Port Klang. The theoretical implication in this paper is to attempt in making contribution on supply chain management and organizational behaviour literature. The moderating effect of regulatory pressure and involvement in relationship practice in supply chain management and performance, defined in this article. In addition, the linkage among supply chain management leadership and partnership may have important contribution for increasing organization performance. In this paper we argue that regulatory pressure is important externalities that can influence the relationships between supply chain management practices of leadership and partnerships on organization performance.

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