

Market Orientation and Supply Chain Innovation Relationship: Conceptual Framework Model

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Abstract: The current study is proposed a conceptual framework model to facilitate further empirical researches between market orientation and supply chain innovation. The current study establishes based on previous scholar's studies regarding the relationship between marketing and supply chain management. The current study build a conceptual framework model including supply chain management strategy, supply chain innovation, trust, organizational learning, commitment and collaboration have mediating roles in the link amid market orientation and supply chain innovation. This study develops a theory that market orientation develop supply chain management strategy, supply chain innovation, organizational learning, trust and commitment.

Key words: Supply chain innovation • Strategy • Market orientation • Learning • Collaboration

INTRODUCTION

In the contemporary turbulent business environment, intense competitive forces have exerted pressure on companies to devise means of enhancing their innovation and competitive advantage. Consequently, firms have recognized the significance of enhancing their supply chain innovation [1]. As today's firms become aware that they can no longer effectively compete in isolation of their suppliers and other entities in the supply chain, they have shifted their attention from competition between firms to competition between the entire supply chains [2]. When there is failure in a firm's supply chain innovation, it is competed out of the market and is therefore likely to collapse [3]. This situation has forced firms to become more focused on their supply chain management capability as a means to improve or sustain their competitiveness [4]. Supply chain management (SCM) is a relatively new discipline [5] and has emerged as common practice across industries because it encompasses long-term strategic alliance, supplier-buyer partnerships, cross-organizational logistics management, joint planning, control of inventory and information sharing [6].

This is a serious problem especially given that SMEs globally contribute greatly to economic growth and development of both developed and developing economies (Antony and Bhattacharyya, 2010; confederation of Tanzanian industries 2009).

According to [7] it is necessary to know the functioning of supply chains. Unfortunately, there is paucity of knowledge about them especially in developing countries. It is therefore crucial to identify the predictors of supply chain innovation so as to devise a mechanism for improving the innovation and competitiveness of organizations. According to [8] supply chain innovation focuses on the ability of the supply chain to satisfy the needs of the ultimate customers of the supply chain. To achieve better supply chain innovation, an organization should develop and implement an appropriate supply chain management strategy. [9] studied the relationship between marketing and supply chain management and established that market orientation plays a fundamental role in supply chain management and agitated for more empirical studies in this field. Market orientation is explained in the context of implementing the marketing concept that focuses on satisfying customer needs better than competitors [9].

There is scholar hasfound a positive relationship between market orientation, supply chain management strategy and organizational performance and concluded that there is need for more research which incorporates supply chain innovation [10]. Moreover, supplier and customer relationships which are components of market orientation influence supply chain innovation in terms of shorter end to end pipe line time, total supply chain costs and shorter lead time [11]. Furthermore, market orientation influences organizational learning andstipulated that knowledge sharing and learning positively influence supply chain innovation [12]. Cooperativebehavior such as trust and Commitment influence supply chain innovation [13]. There is little empirical research that examines the effects of marketing orientation on trust and commitment [14]. [5] also added that little has been written concerning the commitment levels among supply chain partners. The above research gaps indicate a dire need for this study to provide a detailed conceptual frame work for further empirical investigation of the relationship between market orientation and supply chain innovation.

Theoretical Back Ground: This study will base on the theory of the Resource Based View of the firm. The Resource Based View (RBV) of the firm postulates that, resources internal to the firm are sources of competitive advantage. Such resources should be valuable, rare, inimitable and difficult to substitute. Resources believed to be valuable are those that are capable of facilitating conception or implementation of strategies that improve innovation, exploit market opportunities or neutralize impending threats [15]. The RBV emphasizes the internal organizational capabilities in formulating strategy and strategic choice to achieve competitive advantage. [7] assert that intangible assets such as knowledge management, organizational learning and market orientation allow an organization to develop those abilities that enhance competitive advantage leading to superior market performance. Organizational capabilities and relationship quality performance implications considered market orientation as one of the organization capabilities [12].

[16] consider innovation or innovative capacity as a capability that enhances competitiveness and innovation. [13] also maintained that other than other organizational resources such as technology, organizational learning is more difficult to duplicate or imitate. Relational capabilities are steadily created as a result of a lasting relationship between two or more companies [17] They also state that

a close relationship with a high level of trust and commitment between companies is necessary to develop relational capabilities. In line with the previous scholars, this study considers market orientation and organizational learning, as intangible organizational resources that enhance supply chain management strategy. Trust, commitment and collaboration as relational capabilities that can be utilized to enhance supply chain innovation.

Literature Review and Theoretical Frame Work

Market Orientation and Supply Chain Innovation:

As firms interact with suppliers and customers regarding materials flow and quality issues, they can expect better time-related operational performances in terms of speed and delivery punctuality [18].

Effective supply chain management involves a marketing orientation and cost reduction which improves the firm's financial performance [19] while analyzing the study by [20] on the relationship between supply chain management and perceived organizational success revealed that suboptimal performance in the area of supply chain management could be due to a weak marketing orientation. The results from the study by [4] show that, every single component of a market orientation is significantly and positively correlated with global performance. [8] found out that firm's internal integration, integration with suppliers and customers have positive impact on supply chain innovation. [21] as cited by [5] indicated that inter functional coordination has a positive effect on customer service-related innovation. [5] proposed a model linking marketing and supply chain management integration with shareholder value. The model indicated that supplier and customer relationships which are components of market orientation influence supply chain innovation in terms of shorter end to end pipe line time, total supply chain costs and shorter lead time. Thereforeit can be proposed the first hypothesis;

H1: Market orientation affects supply chain innovation

Market Orientation and Organizational Learning:

As cited by [21] there are four dimensions of organizational learning according to [22] which include team orientation, systems orientation, learning orientation and memory orientation. On the other hand, [3] that market orientation consists of the three components of customer orientation, competitor orientation and inter-functional coordination. [22] defined organizational learning as the acquisition, interpretation and dissemination of the

organizational information inside firms? culture. They also argue that market orientation and organizational learning are inseparable. Similarly, [2] supported the association between market orientation and learning and added that learning is a cultural feature of the organization that deals with marketing and customer demands. A study by [23] also revealed that market orientation has a strong impact on organizational learning. [6] also recognized the contribution of market orientation to information sharing with in the supply chain which is considered part of practicing organizational learning. They also assert that market orientation helps a firm to obtain organizational learning from other firms. Therefore it can be proposed the hypothesis;

H2: Market orientation improves organizational learning

Market Orientation and Supply Chain Management

Strategy: As cited by [24] argued that supply chain strategies depend on a close interaction with in-company marketing and sales resources, processes and skills. [25] used structural equation modeling in developing and analyzing a theoretical framework for supplier management and customer relationship strategies, supply chain management strategy and firm performance. The study revealed that supply chain management strategy dimensions include, creating a greater level of trust throughout the supply chain, identifying and participating in additional supply chains, establishing more frequent contact with supply chain Members, creating a compatible supply chain communication and involving all supply chain members in your firm's product/service marketing plans. It was established that supplier management and customer relationship strategy which are consistent with the market orientation have a positive impact on supply chain management strategy. A study carried out the marketing orientation factors relate positively and significantly to supply chain management strategy [26] On the role of marketing in supply chain management argued that the marketing orientation plays a fundamental role in implementing supply chain management [9]. Therefore it can be proposed the hypothesis;

H3: Market orientation affects supply chain management strategy

Organizational Learning and Supply Chain Innovation:

Corporations require new skills to face the uncertainties of the new environment [27] These new skills are acquired

through organizational learning. Enhanced organizational learning is expected to yield performance gains [2]. [11] also stated that knowledge and the capacity to create it through learning is a key productive resource in terms of contribution to value added, strategic significance and competitive advantage. [4] revealed that knowledge-sharing between distributors and their suppliers is intended to increase their supply chain innovation in terms of costs of serving, cycle time, coordination of activities and competitive advantage.

[3] stated that organizational learning from their supply chains? relationship improves their ability to perform their roles more efficiently. Brown and Hendry as cited by [9] argued that a combination of organizational learning and working better with suppliers in supply chain management improves information exchange which improves processes for cost savings and supply chain innovation benefits. [28] argue that the performance of knowledge organizations in the market is expected to be more superior to that of the traditional organizations. In a related argument, [22] firm learning develops a critical mechanism that facilitates coordination and supply chain innovation. This is reechoed by [11], who acknowledged that Knowledge sharing and learning have a positive influence on the supply chain's innovation. Since the previous researchers reveal a link between organizational learning and supply chain performance, Therefore it can be proposed the hypothesis;

H4: Organizational learning improves supply chain innovation

Supply Chain Management Strategy and Supply Chain

Innovation: [25] gave examples of activities that strengthen the supply chain management strategy of a firm. These include creation of a greater level of trust among supply chain members, establishing more frequent contacts with supply chain members, creation of a seamless communication capability among supply chain members and involving other supply chain members in development of the firm's marketing plans. [15] examined contemporary practices and concerns of supply chain management. He concluded that efficient and effective supply chain management positively impacts product quality, customer service and competitive position of a firm. [27] contended that supply chain management strategy correlates positively and significantly with market performance. [2] also found out that supply chain management strategy influences firm performance. [28] indicated that the supply chain practices of first tier

suppliers affect the performance of second-tier suppliers, supporting the view that supply chain best practice should propagate back through the entire supply chain to improve overall supply chain innovation. [24] stipulates that supply chain management is important for successful supply chain outcomes. Therefore it can be proposed the hypothesis;

H5: Supply chain management strategy improves supply chain innovation

Market Orientation, Trust, Commitment and Supply Chain Innovation: [29] refer to commitment as a desire of a committed partner for the relationship and specifically to an enduring desire to maintain a valued relationship and willingness to work to maintain it. According to [15] no commitment is consummated unless the partners recognize the existence of unbroken trust. [18] state that most studies of the channel define trust as the degree to which a firm believes that its trading partner is honest and/or benevolent. [12] also maintained that commitment is preceded by high levels of inter organizational trust. [24] asserted that commitment beyond an organization's boundaries is necessary in order to achieve Supply chain advantage. Despite this, they asserted that there is limited research regarding commitment in supply chains. [29] in their study of market orientation, trust and satisfaction in dyadic relationships, contended that the effects of market orientation on the behavioral dimensions of relationships in the distribution channel are still understudied and found out that the different market orientation dimensions have different effects on trust and satisfaction. [13] found that suppliers' market orientation positively influenced distributors' commitment and that distributors' market orientation had a significant and positive effect on suppliers' trust and commitment.

[2] studied the supply chain practice, supply chain innovation indicators and competitive advantage and established that cooperative behaviour such as trust and commitment influence supply chain innovation. [29] argued that the link between the level of trust and the degree of commitment among the parties, improves the overall supply chain innovation. [21] also argue that a combination of both commitment and trust produce outcomes that promote effectiveness, productivity and efficiency. According to [4] reciprocal trusting behavior and committed effort between a buyer and supplier must exist in order to enhance supply chain innovation. With the above discussion, Therefore it can be proposed the hypothesis;

H6: There is a positive relationship between market orientation and trust

H7: There is a positive relationship between market orientation and commitment

H8: Trust improves commitment

H9: Commitment has a positive effect on supply chain innovation

Market Orientation, Supply Chain Innovation and Supply Chain Innovation: [2] stated that research on market orientation and innovation should reframe existing models to more directly incorporate innovation. According to [26] high levels of market orientation lead to high levels of innovativeness within a firm. Research conducted by [26] found out that Customer Relationship Management (component of market orientation) is considered as critical in improving a firm's innovation in all dimensions of product innovation, process innovation, administrative innovation, marketing innovation and service innovation. Both innovation and market orientation have been linked to higher firm innovation. [30] also showed that market orientation is positively related to innovation. [25] also added that innovation, or at least the firm's capacity to innovate, has a relationship with firm innovation. Innovation capability refers to the implementation or creation of technology as applied to systems, policies, programs, products, processes, devices, or services that are new to an organization [25] stated that market orientation is positively related to innovation consequences. [12] reiterated that innovative capacity help firms gain their competitive advantage and improve their innovation [30] stated that supply chain innovation brings about supply chain efficiency including reduced lead time, new operation strategies, reduction in cost, provision of consistent quality and development of flexibility for dealing with rapid changes in the business environment. Supply chain innovation therefore improves supply chain innovation dimensions. Therefore it can be proposed the hypothesis;

H10: There is a positive relationship between market orientation and supply chain innovation

H11: There is a positive relationship between supply chain innovation and supply chain innovation

DISCUSSION

In this paper, a conceptual model is proposed that links marketing orientation and supply chain innovation. This is imperative due to the increasing call from previous scholars for the need for more research on the relationship between marketing and supply chain management [31]. Previous researchers have also stressed that research on the mediating variables between market orientation and supply chain innovation is still limited [26]. This study presents a conceptual frame work in which different mediating variables participate in the relationship between market orientation and supply chain innovation. In this study, it was established that higher levels of the dimensions of market orientation namely; customer orientation, competitor orientation and inter-functional coordination [23] positively affect supply chain management strategy. The study found out that supplier management and customer relationship strategy which are consistent with the market orientation improve the dimensions of supply chain management strategy which include creating a greater level of trust throughout the supply chain, identifying and participating in additional supply chains, establishing more frequent contact with supply chain Members, creating a compatible supply chain communication and involving all supply chain members in your firm's product/service marketing plans. Effective supply chain management through an appropriate strategy enhances supply chain innovation.

Higher levels of market orientation will also enhance the firm's supply chain innovation [32] so as to invent new ways of satisfying customers as well as out performing their rivals. As new efficient methods are used for example modern technology, supply chain innovation is likely to improve. This study also found a positive relationship between market orientation, trust and commitment. [23] found that the market orientation of a supplier positively influenced distributors' commitment and that market orientation of distributors had a significant and positive effect on suppliers' trust and commitment. When partners' trust increases, their commitment in the relationship also increases.

Some scholars however argue that trust and commitment should be reciprocated. As partners in the supply chain become committed to their roles, their innovation within the supply chain will improve. It was further established that both trust and commitment result into collaboration between firms and helps to improve the supply chain partner's operational performance [24].

CONCLUSION

This study proposes a frame work of the relationship between market orientation and supply chain innovation. Supply chain management strategy, organizational learning, supply chain innovation, trust, commitment and collaboration have been found to play mediating roles in this relationship. Future researchers can use the proposed model to empirically test the strength of the relationships between market orientation and supply chain innovation and the mediators in this relationship. The researchers in future should also use this model to empirically find out the strength of the interrelationships among the dimensions of each of the variables in the proposed conceptual model. By conducting empirical studies basing on the proposed frame work, the future researchers will fill some of the gaps in the previous research works regarding the relationship between market orientation and supply chain innovation. This will contribute to the current body of knowledge and enhance organizational and supply chain management for better innovation and competitiveness. Like any other study, this study is not without limitations. For example, the current proposed model is not exhaustive. Future research may extend this model for instance to include the antecedents of market orientation such as interdepartmental connectedness, interdepartmental environment and rules for job execution so as to establish how marketing orientation can be enhanced.

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