

# The Mediating Role of Intrapreneurship between Supply Chain Integration and Firm Performance

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## Abstract

Today, SMEs give attention to Supply Chain Management (SCM) for gaining competitiveness. This integrity supports managers in accomplishing the competitive edge which they are seeking for. The aim of the present study is to detect the scopes of a novel constructs called the Intrapreneurship and Supply chain Integration. Thus, the concepts of Intrapreneurship and SCI are put together in order to measure firm performance. The importance of this issue is in terms of getting high performance in industry which has potential through SCI and Intrapreneurship. People and intrapreneurship are one of the main part of supply chain which can caused to increase performance .The results show that SCI is a vital issue which can change the firm performance , therefore it is needed to concentrate on the integration of supply chain and it effect on firm innovation and intrapreneurship. So, to succeed in this competitive environment, SMEs should develop unique competences that are inimitable to maximize their utility in the supply chain, and accordingly to improve their performance.

**Keywords:** Supply Chain Integration, Intrapreneurship, Entrepreneurship, Firm Performance. Agriculture Industry

## 1. Introduction

In this immensely competitive global environment, many firms resort to supply chain management (SCM) as a core strategic competence to gain competitive edge. Although SCM exists in many different forms, depending on the levels of integration, individual performance, and industries, its key objective invariably is to create an inter-organizational, boundary-spanning strategy that enables both buyers and suppliers to integrate their activities to eliminate waste. Previous studies, both empirically and theoretically agree that the potential benefits will be greater with the higher level of integration with customers and suppliers (Frohlich and Westbrook, 2001; Rosenzweig *et al.*, 2003; Bagchi *et al.*, 2005a; Li *et al.*, 2009a).

The present study makes an effort to contribute to the SCI and Intrapreneurship literature by exploring this gap. Here we go through the importance of Intrapreneurship as a mediator of SCI and Firm performance .Then, by considering the limitations of SMEs and their competences which were gained through their entrepreneurial approach, we measure their performance.

## 2. Review of the Related Literature

Large firms and SMEs are different in nature. The difference is due to many characteristics and there is a gap in sight in this field. In fact, tangible and intangible resources that belong to SMEs are quite far from each other. For instance, SMEs are more prone to fail if they just rely on their tangible resources, while large firms have the competitive advantage to lead the market. In this respect, SMEs should take advantage of their intangible resources to become able to compete. Such resources include competences internal to the manufacturing or servicing firms, the expertise in the company, etc. Indeed, SMEs and large firms have different stories in managing their supply chains, however, we have to keep in mind that although the stories differ, the competitive advantage still remains as an integral part of their survival strategies (Bayraktar *et al.* 2010).

### 2.1 Firm Performance

These days' business firms are dealing with a complex and highly competitive marketplace compared to before. A single firm cannot guarantee its success in business but also it needs the supplying firms and delivery chain. The overall performance of an organization is demonstrated in actual output of organization in comparison to intended outputs of organizations, their objectives and goals. There are some few consistent measures and a definition of organizational performance that is surprising is important in assessing the degree of effectiveness of competitiveness and strategies of organizations (Kirby, 2005). Competitive advantage sources referred to the theory of RBV, are aligned with the fact that organizational resources could be heterogeneous and immobile (Barney, 1991).

In general, performance variability is based on unique resources and abilities which are not substitutable, imitable and are valued and rare. Moreover, an organization's competitive advantage could be continued just if it employs a strategy which simply could not be imitated by rivals (Barney, 1991). In a company, how to monitor the resources in developing and keeping competitive advantage has achieved high attention from marketing experts who have many different kinds of market-based properties (Srivastava et al., 1998; Srivastava et al., 1999) and abilities (Day, 1994a) with total organizational performance (Srivastava et al., 2001; Wu et al., 2006).

Performance of SME (Arend and Wisner, 2005; Kraus et al., 2006; Thakkar et al., 2009). But unfortunately there is limited study to examine the relationship between competence and SME performance, particularly in SMEs (Hsu et al., 2011). In case of supply chain performance, SMEs have a critical role because many of them serve customers' characters, producers, distributors and suppliers (Koh et al., 2007; Chen et al., 2012).

The concept of performance together with its important role in effectiveness of companies for a long time still is a thorniest subject to scholars and also practitioners in business (Raichandran et al., 2009). Consistent operationalization and definition of business performance for a long time has eluded scholars (Kibry, 2005). The previous studies mentioning this problem is enhancing but concurrently is being divergent, so it is diminishing the opportunities of consensus on basic definitions and terminology (Richard et al., 2009). But there exist a united agreement that performance (in this research firm, business and organizational performance are being employed interchangeably) is impacted by operations and strategies within market and none market contexts (Orlitzky et al., 2003).

According to previous researches which utilized different types of organizational performance, many studies have utilized a mix of relevant operational and financial measures to replicate organizational performance in general. One of the most efficient methods is SCM in order to improve performance of organizations (Ou et al., 2010).

## 2.2 *Intrapreneurship*

According to Christensen (2005) in mid 1980s, book of Pinchot (1985) on intrapreneurship contributed to consider intrapreneurship as a specific topic of study from entrepreneurship. As Pinchot explained, the intrapreneurs' actions will assist to meet innovation voids in business's life cycle in different organizations (Pinchot, 1985). The entrepreneurship concept empowered the idea that entrepreneurial behaviors can precede organizational contexts but intrapreneurial behaviors are dependent on organizational context. Corporate evolution is represented by intrapreneurship in which individual behaviors on constraints, bureaucracy and also the need to promote operational conditions will be the main emphasis. In particular, the focus on intrapreneurial behaviors is becoming more obvious as firms provided many approaches for change.

In 1990s, difference between intrapreneurship and entrepreneurship has been studied by Hornsby, Naffziger, Kuratko and Montagno (1993) to understand different traits between intrapreneurs. The intrapreneurs' actions were the results of individual and organizational features together with those events which had the role of catalysts (Hornsby et al., 1993). As mentioned by Cunningham and Lischeron (1991), intrapreneurship school of thought raised from lack of competitiveness and innovation inside organizations (p.7). Intrapreneurship includes basically the entrepreneur's actions operating in organizations to provide innovation and changes and as a result impacted competitive conditions for a company.

Because of having potential for many financial achievements (Goosen de Conig and Smith, 2005) stated that intrapreneurship is becoming the subject of interest inside professional and scholarly communities. Many profitable services and products have generated from intrapreneurial activities (Thornberry, 2003), that attracted many college administrators and corporate executives (Smith, 2004) who are facing with enhancing pressure from investors to create new streams of revenue (Adonisi, 2003; Nemetz and Cameron, 2006).

At least there are two sets of intrapreneurship process classifications generally. One of them is entrepreneurial

orientation method which explains that level of entrepreneurship in organizations includes five main characteristics: proactiveness, innovativeness, autonomy, risk taking and competitiveness aggressiveness (Yang et al., 2007). Another approach is intrapreneurship and it explains that there are three aspects of intrapreneurship including venturing, strategic renewal, self-renewal and innovation (Antoncic and Hisrich, 2001).

### 2.3 Supply Chain Integration (SCI)

SCM is strategically a competitive advantage source (Christopher, 2005; Alfalla-Luque et al., 2012). Having effective management of supply chain is important for organizational growth (Alfalla-Luque and Medina-Lopez, 2009; Arana-Solares et al., 2010). The total process of supply chain, ideally, should be managed, designed and monitored as a unit in general (Bagchi et al., 2005b). In addition, supply chain integration is a key factor in strategy of SCM (Cigolini and Rossi, 2008).

Bowersox and Morash (1989) analyzed the SCI concept in early 1989. They asserted that the SCI process should shift from internal integration toward external integration with suppliers and customers. Both of them can be obtained through stable automation and standardization of each internal logistics function and via effective relationships strategically and sharing information with suppliers and customers. The internal growth of SCI results in external integration with both suppliers and customers (Byrne, 1991). The impact of chain integration on relationship between diversification and performance is examined by Narasimhan and Kim (2002).

The SCI includes three main dimensions which are integration of organization with its suppliers, integration of organization with its customers and internal integration in supply chain. Currently, producers should not only focus on their firms but rather should participate in management of upstream and downstream companies network (Mikkola and Skjott-Larsen, 2004; Zhang et al., 2010). Companies should realize how to integrate externally and internally both; which is with suppliers and customers. Such integration efforts are critical to lean initiatives in which coordination and collaboration with suppliers and customers both is necessary and vital (Shah et al., 2002; Womack and Jones, 2010).

Previous investigations, both theoretically and empirically argued that potential advantages would be more with higher integration levels with suppliers and customers (Frohlich and Westbrook, 2001; Rosenzweig et al., 2003; Bagchi et al., 2005a; Li et al., 2009a). These researches have not identified a relationship between performance improvement and SCI level (Hertz, 2001; Swink et al., 2007). During years, many measures and definitions of SCI have been suggested (Flynn et al., 2010). A broad variety of investigations on SCI have been conducted and most of them concentrated on relationship between performance and SCI (Frohlich and Westbrook, 2001; Quesada et al., 2008; Sezen, 2008; Kim, 2009; ValletBellmunt, 2010). This research tries to study SCI and Intrapreneurship to be developed across and inside organizations for reaching intrapreneurship and as a result organizational performance.

### 3. Methodology

As a whole, research methodology in sciences is based on two categories. The first one is “aim” and the second one is “collecting the data”. From the aim view, the present paper is an applied research because it explains to the existing problems. From the collecting data view, it is descriptive since it elaborates the problems and variables of the research without changing them. Finally, the present paper is an analytical sort.

### 4. Result

The findings of our research stress the importance of Intrapreneurship, which precedes SCM strategies in explaining performance, and indicate that SCI should be viewed as means to achieve superior performance. The significant relationships from SCI to firm performance by mediating role of Intrapreneurship, and then it shows supply chain integration has indirect effects on firm performance. However, Intrapreneurship affects firm performance directly.

### 5. Discussion and Conclusion

Gaining and preserving a sustainable competitive advantage is a function of the resources that the firm brings to the competition and these resources provide the primary source of a firm’s success (Barney, 1995). To recap these ideas, we assert that entrepreneurial SCM competence, as evinced by innovation orientation, risk-taking characteristics, proactiveness orientation, relational capital skill, and coordination capability, positively affects manufacturing SMEs’ performance.

The SCI and environment in literature has been considered as a determinant of entrepreneurial activities at organizational and individual levels both (Covin and Slevin, 1991). Scholars developed contingency models (Zahra, 1991; Russell and Russell, 1992; Naman and Slevin, 1993; Zahra and Covin, 1995; Antonic and Hisrich, 2001) or utilizing different frameworks (Badguerahanian and Abetti, 1995) to describe and forecast corporate entrepreneurship and its results to incorporate, besides external and internal environmental factors. In case of impacting the corporate entrepreneurship, the external context (SCI) is one of the very critical determinants (Miller, 1983; Khandwala, 1987; Covin and Slevin, 1991; Zahra, 1993a; Zahra and Covin, 1995; Dess et al., 1997). SCI has positive and direct impact on corporate entrepreneurship (Antonic and Hisrich, 2003). Also Molaienasab (2014) explained that intrapreneurship initiates in SMEs in order to increase organizational performance via effect of SCI in agricultural industry of Iran.

Organizational performance can be impacted by intrapreneurship, resulting in better understanding of crucial role of intrapreneurship in entrepreneurship context and also RBV theories. It is confirmed that intrapreneurship has many different dimensions and it is impacted by innovative and proactivity actions regarding challenge of intrapreneurs in their risk propensity (Felicio, 2012). Organizational performance can be evaluated in commercial and financial terms regarding intrapreneurship for example innovation (Wu et al., 2006). Intrapreneurship is an ability which is a source of having competitive advantage according to Barney (1986). Literature on entrepreneurship, strategy and organizations are remarkably defining the importance of organizational innovation as one of the core abilities which makes a company able to be competitive and successful (Afuah, 1998).

Besides, companies which attempt to obtain intrapreneurship also will develop more innovative ideas. Innovation process includes developing or improving production methods, administrative or service operations. Effective process innovation might increase responsiveness and organizational efficiency (Damanpour and Gopalakrisnan, 2001) that might as a result increase market share and sales volumes. If there is more develop SCI through intrapreneurship so there will be better organizational performance.

Work on the area of Intrapreneurship and Supply chain Integration in different Industries and various Countries could have different result and it could be good as a future research direction.

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