

Supply Chain Performance and Challenges (A Casestudy in Anbessa Shoe Share Company: Ethiopia)

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Abstract

Supply chain management is the streamlining of a business' supply-side activities to maximize customer value and to gain a competitive advantage in the marketplace. It represents an effort by suppliers to develop and implement supply chains that are as efficient and economical as possible and cover everything from production, to product development, to the information systems needed to direct these undertakings. The aim of this research was to study the supply chain management performance and challenges of Anbessa shoe manufacturing company. As it has been revealed in the study major challenges mentioned by the respondents in the supply chain management system were low customer service quality, cost controlling problems, poor planning and risk management, supplier/partner relationship management, lack of skilled labor /expert and technology. Furthermore, shortage of raw materials, frequent machinery breakage, shortage of spare parts, lack of accessibility to market, lack of working capital and other management and management- related problems were the major bottlenecks for not working at full capacity .The study also showed that the study firm are operating at low total performance and are faced with many performance problems, mainly with shortage of inputs, poor production planning and control, low productivity, high manufacturing cost and lack of marketing strategy.

Keywords: Supply chain, Supply chain management and Supply chain performance

1. Introduction

Supply chain management is the streamlining of a business' supply-side activities to maximize customer value and to gain a competitive advantage in the marketplace. It represents an effort by suppliers to develop and implement supply chains that are as efficient and economical as possible and cover everything from production, to product development, to the information systems needed to direct these undertakings. (Agus, A., and M.N. Zulridah, 2007) Some supply chains are simple, while others are rather complicated. The complexity of the supply chain will vary with the size of the business and the intricacy and numbers of items that are manufactured. Simple supply chain is made up of several elements that are linked by the movement of products along it. The supply chain starts and ends with the customer. (Bagchi, P.K., and T.S. Larsen, 2003)

Nowadays there is a need for business enterprises to measure, analyze and improve performance as they encounter increasing competition from an ever-changing business environment. Furthermore, in order to more effectively cope with the significant competitive issues of increasingly sophisticated customers and management practices, accelerating globalization and product differentiation, a number of proposals have been put forward with regard to developing more appropriate performance improvement methods. Performance is the valued productive output of a system in the form of goods and services. The actual fulfillment of the goods or services requirement is thought of in terms of units of performance. (Bokor Z. 2008).

These goods or services units of performance are usually measured in terms of quantity, time and quality feature measures. Performance measures are the lifeblood of organizations, since without them no decision can be made, as it is the first step to control and improvement. (Collin J. 2003.)

Footwear is an active product in international markets. It is being delocalized from developed countries to developing ones. The production of leather shoes in Ethiopia dates from the late 1930s when Armenian merchants founded two shoe factories in Addis Ababa. These factories nurtured a number of shoemakers, who opened their own factories in Addis Ababa and trained their workers. Ethiopian leather shoe industries are producing shoes for export market. The industry took back the domestic market from Chinese shoes which had flooded the market in around 2001. Since then, the industry has been growing vigorously.

It has several competitive advantages in different areas. In the natural arena, Ethiopia is endowed with the largest livestock population in the whole of Africa, and in particular sheep and goatskins are of exceptional quality. Economically, the leather sector has been generating substantial foreign exchange earnings since it is Ethiopia's second export product of the country after coffee. From a social viewpoint, the sector offers substantial employment opportunities and will thus contribute to poverty alleviation. Institutionally, the leather sector is relatively more advanced (e.g. compared to the textile sector. (Cooper M.C., D.M. Lambert, J.D. Pagh. 1997)

Today the new source of competition lies outside the walls of organizations, and is determined by how effectively companies link their operations with their Supply Chain partners such as suppliers, distributors, wholesalers, retailers and end customers. SCM offers a management philosophy to manage activities and integrate with downstream and upstream partners as well as firms' internal Supply Chain. Thus, managing the Supply Chain

in this business environment has a major impact on performance of all parties involved in the chain.

2. Literature Review

2.1. Supply Chain Management

Supply chain management is the streamlining of a business' supply-side activities to maximize customer value and to gain a competitive advantage in the marketplace. Supply chain management (SCM) represents an effort by suppliers to develop and implement supply chains that are as efficient and economical as possible. Supply chains cover everything from production, to product development, to the information systems needed to direct these undertakings. (Bolmole, Y. 2000)

Supply chain management (SCM) is the combination of art and science that goes into improving the way your company finds the raw components it needs to make a product or service and deliver it to customers. The following are five basic components of SCM. (Chong Y.L.A., F.T.S. Chan., K.B. Ooi and J.J. Sim. 2010)

1. **Plan**—this is the strategic portion of SCM. Companies need a strategy for managing all the resources that go toward meeting customer demand for their product or service. A big piece of SCM planning is developing a set of metrics to monitor the supply chain so that it is efficient, costs less and delivers high quality and value to customers.
2. **Source**— companies must choose suppliers to deliver the goods and services they need to create their product. Therefore, supply chain managers must develop a set of pricing, delivery and payment processes with suppliers and create metrics for monitoring and improving the relationships. And then, SCM managers can put together processes for managing their goods and services inventory, including receiving and verifying shipments, transferring them to the manufacturing facilities and authorizing supplier payments.
3. **Make**—this is the manufacturing step. Supply chain managers schedule the activities necessary for production, testing, packaging and preparation for delivery. This is the most metric-intensive portion of the supply chain—one where companies are able to measure quality levels, production output and worker productivity.
4. **Deliver**—this is the part that many SCM insiders refer to as logistics, where companies coordinate the receipt of orders from customers, develop a network of warehouses, pick carriers to get products to customers and set up an invoicing system to receive payments.
5. **Return**—this can be a problematic part of the supply chain for many companies. Supply chain planners have to create a responsive and flexible network for receiving defective and excess products back from their customers and supporting customers who have problems with delivered products. The concept of Supply Chain Management is based on two core ideas. The first is that practically every product that reaches an end user represents the cumulative effort of multiple organizations. These organizations are referred to collectively as the supply chain. (Dainty, R.J., Andrew, Briscoe, H. Geoffrey, Millett, J. Sarrah. 2001)

The second idea is that while supply chains have existed for a long time, most organizations have only paid attention to what was happening within their “four walls.” Few businesses understood, much less managed, the entire chain of activities that ultimately delivered products to the final customer. The result was disjointed and often ineffective supply chains (Fawcett S.E., P. Osterhaus, G.M. Magnan, J.C. Brau, M.W. McCarter. 2007). Supply chain management, then, is the active management of supply chain activities to maximize customer value and achieve a sustainable competitive advantage. It represents a conscious effort by the supply chain firms to develop and run supply chains in the most effective & efficient ways possible. Supply chain activities cover everything from product development, sourcing, production, and logistics, as well as the information systems needed to coordinate these activities.

The organizations that make up the supply chain are “linked” together through physical flows and information flows. Physical flows involve the transformation, movement, and storage of goods and materials. They are the most visible piece of the supply chain. But just as important are information flows. Information flows allow the various supply chain partners to coordinate their long-term plans, and to control the day-to-day flow of goods and material up and down the supply chain. (Groves G. and V. Valsamakis. 1998)

To ensure that the supply chain is operating as efficient as possible and generating the highest level of customer satisfaction at the lowest cost, companies have adopted Supply Chain Management processes and associated technology. According to a studies conducted in SCM Supply Chain is defined as a set of three or more entities (organizations or individuals) directly involved in the upstream and downstream flows of products, services, finances and/or information from a source to a customer. Supply Chain of a company consists of an upstream supplier and downstream distribution channel. Depending on how complex the supply network is there are three types of Supply Chain. (Halldersson, A., Larson P. D. 2000)

1. Direct Supply Chain which consists of a company, a supplier, and a customer.
2. Extended Supply Chain which includes suppliers of immediate supplier as well as a customer of the immediate customer
3. Ultimate supply chain, which includes all the organization involved in all the upstream and downstream flows. Supply Chain Management as a management philosophy takes a system approach to viewing the Supply Chain as a single entity. This means that the partnership concept is extended in to a multi-firm effort to manage the flow of

goods from suppliers to the ultimate customer. Each firm in a Supply Chain directly or indirectly affects the performance of other Supply Chain members, as well as the overall performance of the Supply Chain. (Sengupta, K., D.R. Heiser, L.S. Cook. 2006)

2.2. Performance and Challenge of SCM

2.2.1 Challenge of SCM

Supply chain executives have a daunting daily challenge managing a global supply chain. They must keep customers or stores properly stocked and deliver the perfect order every time. They must balance the need for low costs, proper inventory levels and maximum service. They must ensure that supply chain management is an integral component of the company's strategic direction and plan to create and maintain competitive advantage. If that isn't enough, they have three more challenges to deal with.

Merge the Financial Supply Chain and the Product Supply Chain. A supply chain is not a series of links forged together for a common purpose. That is a nice image. However it minimizes the reality of the chain and how each link in that chain must design its own process to function within the chain. As a result, there are supply chains within each supply chain.

Each chain is really a series of buyers and sellers of products and services. That means that each link participant has his own objectives, and sometimes these are conflicting objectives that can work against supply chain effectiveness. Companies buy and sell and participate in the supply chain for their own reasons. This is an important and sometimes overlooked fundamental of developing a working supply chain process, both for the entire chain and for each link in the chain.

A chain is extended from ultimate buyer back through his supplier to his supplier's supplier and to his supplier's supplier. The mix of trade partners and participants in a chain reflects differences as to size, capital, costs, technology and efficiencies.

There are two flows in every extended chain, the product one and the financial one. With the continuing pressure to generate shareholder value, reduce costs, improve profits, reduce inventories and increase service, a key to achieving these results rests with recognizing and melding two flows and processes. (Rahman, M.N.A., A.R. Ismail, B. M. Dero, M.E. Rosli. 2008)

The diversity of participants adds to the complexity and length of the process. As a result, uncertainties, costs and inefficiencies are created in both the product and financial chains. Uncertainty and inefficiency is compounded for firms located further down a chain, removed from the ultimate buyer. Extended product chains generate inventories both for sales and to buffer unknowns. Likewise extended financial chains generate capital needs for those inventories and sales. The issue is to reduce the extra costs and redundancies, both for capital and for material and logistics, in a chain. The costs are often not visible, as with freight costs, in the total process. But, while fractured among the various firms, they are significant in the aggregate supply chain.

Current supply chains are growing in complexity due to several factors. We, the customers, are demanding innovative products at the right time and at a reasonable price. This creates challenges for companies since creating both responsive and cost-effective supply chains is critically difficult. Researchers found that the following major points are among the today's main supply chain challenges. (Sohal A., S.P. Lazarevich., I. Bahaqi., 2007)

Globalization

One of the biggest challenges that companies are facing is how to reduce their supply chain cost. In order to satisfy customers' price expectations, companies have opted to relocate manufacturing to low cost countries around the world in an effort to reduce direct and indirect costs and to minimize taxes. But, having global suppliers contributes significantly to complexity that comes from extended delivery lead times. Customers not only want lower prices, but they also want their products on time.

Customer preference

As stated above, global supply chains are complex. Add to that product features that are constantly changing, and the challenge is even greater. A product is released and customers rapidly pressure companies to come up with the next big thing. Innovation is important since it allows companies to stay competitive in the market, but it's also a challenge. To enhance a product, companies have to redesign their supply network and meet market demand in a way that's transparent for customers.

Market Growth

Another factor that presents a challenge is the pursuit of new customers. The cost of a developing a product, from R&D to product introduction, is significant. Therefore, companies are trying to expand their distribution to emerging markets in order to grow revenues and increase market share. Companies all around the world are expected to expand in their home and foreign markets. The introduction to new markets is difficult due to trading policies, fees, and government policies.

Customers' expectations nowadays are more demanding than ever. As described here, companies have responded with global networks, product innovation, and market expansions. This means that companies now rely

on supply chain managers to optimize their value chains in order to stay competitive.

In general, challenges are (Tracy, Michael, Lim, J.Su and M.A Vonderembse, 2005)

Customer service – Supply chain management is all about providing the right product in the right quantity to the right place and the right time. Seems simple, but can get complicate quickly.

Cost control – Operating costs are under extreme pressure by rising energy/fuel and freight costs, greater number of global customers, technology, increasing labor rates and new regulations and rising commodity prices.

Planning & risk management – In order to stay as efficient and effective as possible, periodic assessments and redesigns are needed. These adjustments are in response to changes in the market – changes such as new product launches, global sourcing, credit availability and the need to protect intellectual property. These risks must be identified and quantified in order to control and mitigate.

Supplier/partner relationship management- It is important to create, understand and follow mutually agreed upon standards to better understand current performance and opportunities for improvement. Having two different methods for measuring and communicating performance and results wastes time and effort. Trust the system that was put in place for consistent results and better supplier/partner relationships.

Talent - This was touched on in a previous post. It is becoming increasingly more difficult to find qualified and interested talent. Supply chain leaders need an extensive understanding of the key competencies and duties needed for supply chain management roles and the ability to efficiently source specific skill sets and methods for developing future leaders.

2.2.2 Performance and related terms

As Darryl D. performance is defined as "the progressive achievement of tangible, specific, measurable and personally meaningful goals." Specific and measurable goals help organizations evaluate success. A number of factors have caused companies to reexamine their performance. These factors include competition, customer demands and knowledge, rapid technological change and internal needs and desires (Christopher, M. 2003).

The terms performance, productivity and profitability (PPP) have similar or overlapping meanings. All can be described as ratios, and they are easy to confuse. The terms efficiency and effectiveness can be similarly confusing - even though they are often distinguished as being doing things right and doing the right things (Chopra, Sunil and Mendi) . To ease the understanding and make the terms usable for improvement work, a presentation of the relations between the terms is made.

Two main views of the relationships between the terms are a hierarchical view and a subset view.

The hierarchical classification of measurements supports monitoring and pinpointing measures, where the monitoring measures are of a more general kind and can be used as indicators of problems. However, it is difficult to get information on the specific causes of a problem when information is not sufficiently detailed. The subset view provides information on how to relate the different measures.(Spekman R. E. , J.W. Kamauff. , N. Myhr 1998)

Performance and productivity can be viewed as a company's ability to provide customer value. As PPP are often described as ratios, the generic description could be summed up to customer value/resources. However, this ratio is extremely broad and needs to be divided into smaller concepts for use in improvement work.

PPP measurements are an essential ingredient of improvement work, since information about objects in need of change and improvement has to be gathered and measured. These measures help decide which problem areas to approach for improvement and also help evaluate the results of an improvement program.

The measurements of PPP can also input into ongoing control processes - helping the organization to focus on the important characteristics of operations. It is important to understand that measurement systems have both intended and unintended consequences. As Shirley Daniels 1997, a common problem with measurements of operations is not to measure what can be measured but to reduce the list of measurements to measure only desired attributes of operations [Schwarz L. B. 2004.,]. This is often a problem in case studies, where the practitioner has an overload of measurements to choose problem and for communicating the case effectively to others.

As Gruenberg T. 2004, performance is perhaps the "widest" term used here, and covers overall economic and operational aspects. The three terms in PPP overlap each other and if they are viewed hierarchically, then performance is at the top, representing an overarching concept. Discussing and measuring performance has two main aims - first to connect company goals and objectives to improvements and secondly to set targets for improvement activity. Together, these help focus energy and activity and increase the impact of any improvement initiative.

To sum up, performance is the valued productive output of a system in the form of goods and services. The actual fulfillment of the goods or services requirement is thought of in terms of units of performance. These goods or services units of performance are usually measured in terms of quantity, time and quality feature measures.

An improvement program - if it is to have real impact - must be tightly connected to performance goals and objectives. This helps to ensure clarity of the improvement program and to ensure that all participants are working in the same direction.

In turn, if all levels of the company understands the program and its direction; all resources can more

easily be directed to the same targets and goals. If improvement goals are connected with overall strategic goals, there can be a “multiplier effect” which fuels performance. A linkage between performance objectives and improvement objectives can raise the impact of improvement work, which in turn helps fulfill performance objectives.

2.2.3 Production system and manufacturing performance

Manufacturing is the application of tools and a processing medium to the transformation of raw materials into finished goods for sale. This effort includes all intermediate processes required for the production and integration of a product’s components. Manufacturing is a transformation process in which the inputs (raw materials, equipment, electrical energy, and labor) are converted in to completed work-piece which carries some definite value in the market place. Transformation processes involve a sequence of steps, each step bringing the materials closer to the desired final state. For example, in shoe manufacturing, some of the transformation processes are cutting, stitching, lasting and finishing. The key to successful manufacturing is therefore to produce constituent parts in accordance with the desired specification at the lowest cost in the shortest possible time that satisfies the customer requirement (Harrison, A. and C. New. 2002). In doing so, customers’ performance can be improved. Production function is that part of an organization, which is concerned with the transformation of a range of inputs into the required outputs (products) having the requisite quality level. Production is defined as [“the step-by-step conversion of one form of material into another form through chemical or mechanical process to create or enhance the utility of the product to the user” (Geiger C.M and F.J. Dooley 1998). Thus production is a value addition process and at each stage of processing, there will be value addition. The production system of an organization is that part, which produces products of an organization. It is that activity whereby resources, flowing within a defined system, are combined and transformed in a controlled manner to add value in accordance with the policies communicated by management.

3. Significance of the Study

The study will be expected to provide pertinent information to the concerned stakeholders on the current supply chain management practices of the shoe firm as well as the performance and challenges. Moreover, it will give an insight to policy makers, researchers and others who have interest to undertake further study on supply chain management in general and supply chain performance and challenges in particular. Note the least, it will contribute as an empirical study to the area undertaken on SCM identifying the problems and suggesting the performance and challenges of the company to take correction and strengthening the profitability of the company.

4. Statement of the Problem

Supply chain management is an issue in many industries as companies realize the importance of creating an integrated relationship with their suppliers and customers. Managing the SC has become a way of improving competitiveness by reducing uncertainty and improving service. In addition, supply chain management aids in the development and management of a coordinated flow of goods and services from the raw material stage to the final customer. Moreover, although, supply chain management will play a pivotal role in managing demand, reducing cost of operation, and improving the quality of products, the prevailing poor practice in managing the supply chain particularly in the footwear industry led the researcher to undertake this study.

Basic Research Questions

To better understand the core issues related to supply chain performance and challenges, the study was tried to answer the following sets of basic research questions:

1. What does the company’s supply chain management practice looks like?
2. What are the main challenges of the company’s supply chain management practice?
3. Are there any performance gaps of the company in relation with the SCM practices?

5. Objective of the Study

The general objective of the study was to assess the supply chain management performance and challenges of Anbessa shoe manufacturing firm. Specifically, the study was aimed to achieve the under mentioned objectives.

- ☞ To assess the company supply chain management practice
- ☞ To identify the company supply chain management practice challenges
- ☞ To identify performance gaps of the company with respects to SCM practice

6. Research Design and Methodology

6.1 Research Design

The study was to investigate the supply chain performance and challenges on the bases of fundamental theories, principles and management philosophies that are presumed to be effective parameters just to evaluate the actual performance of the study company. Therefore, the researcher applied a descriptive research that allows both quantitative and qualitative data analysis.

6.2 Sample Size and Method

The study was used a simple random sampling method to select the respondents. Accordingly, all respondents at managerial and departmental level were selected and participated in the study. For this study the research was taken three high level managers, ten middle line managers and fifteen low level managers as sample respondents because they are responsible for supply chain management in the organizations- including, operation managers, purchasing and supply managers, marketing managers, inventory managers and information system officers.

6.3 Nature and Source of Data.

In order to find sufficient information for the research investigation both primary and secondary data was used. The primary data was collected from the targeted sample respondents and the secondary data were collected from published material like books, journal, magazine, various documents, company manual and reference books.

6.4 Data Gathering Tools

As it has been discussed earlier, the primary data was collected through the two major data collection tools that are interview and questionnaires. Self administered questionnaires were distributed to respondents including the middle-line managers. Middle level managers were included for this study because they are the executors of strategic decisions. They effectively implement supply chain practices in a firm or organization. They also interact with top management in laying out the supply chain plans. In addition to questionnaires, the structure personal interview was held to collect data from the top level officials of the company.

6.5 Data Gathering Procedure

The principal procedures that undertaken by the researcher in this study are pointed out as follows;

- ✓ Intensive review of related literatures
- ✓ Development of statement of the problem
- ✓ Formulate appropriate questionnaire
- ✓ Distribution of the questionnaire for the subject
- ✓ Data collection and organization
- ✓ Analysing and interpretation of data after interviewing the subject

6.6 Methods of Data analysis

The term analysis refers to the computation of certain indices or along with searching for patterns of relationship that exist among data groups (C.R.Kothari, 1999). Accordingly, the study is a descriptive study in which quantitative and qualitative data were collected. Data obtained were coded, summarized and analyzed using descriptive statistics. The percentage distributions were computed. The results of the study were compiled and prepared for presentation.

Table 6.1Percentage distribution of responses on Factors and drives affecting the performance of the study company

Description	Rate (%)			
	Excellent	Very Good	Good	No response
Cost competitiveness	-	08(40%)	12(60%)	-
High production	10(50%)	06 (30%)	03 (15%)	01(5%)
Good quality	-	15(75%)	04(20%)	
Fast delivery time	03(15%)	12(60%)	05(25%)	
High sell	-	16(80%)	03(15%)	01(5%)
High profit		05(25%)	12(60%)	03(15%)
Customer satisfaction		19(95%)	01(5%)	
Total	13(9.3%)	81(58%)	40(29%)	05(3.5%)

As shown in table 6.1 question raised for factors and drives affecting the performance of the study company 9.3% of the respondents were rate as excellent with a higher production and fast delivery time, 58% were rated very good for higher number to customer satisfaction and high sell, 29% were rated as good, with a higher number of response for cost competitiveness and high profit.

From this result one can easily conclude that the company's performance is very good especially high sell, good quality and fast delivery time.

Table 6.2 Percentage distribution of rating the performance drive in the study area

S/N	Performance drivers	Low	Medium	High
1.	Investment in machinery and equipment or technology	-	10(50%)	9(45%)
2.	Education and training of employees	3(15%)	7(35%)	9(45%)
3.	Planned utilization of raw material		14(70%)	3(15%)
4.	Research & Development and Innovation	13(65%)	4(20%)	3(15%)
5.	Government spending (initiative , policy & strategy...) and security		3(15%)	15(80%)
6.	Use of branding	9(45%)	7(35%)	1(5%)
	Total	25(23%)	45(41%)	40(36%)

As shown in table 6.2 for the question raised to rate issues and /or the provided performance drivers to their company, 41% were rated as medium, with a high number for planned utilization of raw material and investment in machinery and equipment (technology), 36% rated as high with a higher number for government spending (initiative, policy & strategy...) and security and education and training of employee and 23% were rated as low, especially in research and development and innovation.

From this result it could be possible to conclude that planned utilization of raw material, investment in machinery and equipment (technology), use of branding and education and training of employees are good performance drivers for the company.

Table 6.3 percentage distribution of the response on rating the performance of the study company in comparing with others

S/N	Description	Rate (%)		
		Low	Medium	High
1	Capacity utilization		4(20%)	16(80%)
2	Production export	14(70%)	6(30%)	
3	Customer Satisfaction		12(60%)	8(40%)
	Total	14(23%)	22(37%)	24(40%)

As shown in the table 6.3 Respondents were asked about company's performance level when compare to other shoes companies, 40% were said high in terms of capacity utilization, 37% said medium said in customer satisfaction and 23% said low in production export.

Therefore, from the result of the analysis made, one can infer that the company performance was high in capacity utilization and customer satisfaction.

Table 6.4 Reasons and departments/process commonly affected the performance of the study firm

S / N	Reasons to do not work at high performance		
		Yes	No
1	Supplier related problems	12(60%)	8(40%)
2	Problems within the local firm (shoe factory)	9(45%)	11(55%)
3	Customer related problems	12 (60%)	8(40%)
4	Government policies & regulations	4(20%)	16(80%)
	Total	37(61%)	43(39%)
Department / process			
1	Foot wear Manufacturing process	11(55%)	9(45%)
2	Supplies and procurement process	16(80%)	4(20%)
3	R&D process	8(40%)	12(60%)
4	Shoe production process	15(75%)	5(25%)
5	Sales and marketing process	13(65%)	7(35%)
	Total	53(59%)	37(41%)

Table 6.4 shows two different questions that are the reasons that commonly affect the company and the department/ process that particularly performing poor and hindering the company from working to the highest possible level. Accordingly, 60% were responded that the supply related problems and customer related problems, 45% were said that problem with in the local firms and 20 % indicated that government related issues. Regarding the departments/process that commonly affected the performance of the study company, 80% were respond that the supplies and procurement process, 75% were mentioned the shoe production process, 65% were responded that the sales and marketing process, 55 % responded that foot wear manufacturing process and 40 % indicated that R&D process.

From the result of the analysis one can come to deduce that supplier related problems and customer problems are the major reasons that affect the performance of the company. On the other hand, supply and procurements process and shoe production process are the departments that have low performance and hence hindering the company from performing at the highest level.

6.5 Percentage Distribution of Response on problems and challenge on the SCM of the study company

S/N	Problems	Response (%)	
		Yes	No
1	Unable to identify problems on the area	15(75%)	5(25%)
2	Have standard time and work schedule	8(40%)	12(60%)
3	Have continuous training program	14(70%)	6(30%)
4	Have suitable working environment	12(60%)	8(40%)
5	Problems on the quality of the product	10(50%)	10(50%)
	Total	59(59%)	41(41%)

Table 6.5 above shows the question raised regarding to problems and challenge on the supply chain management of the company. Accordingly, majority of the respondents (75 %) responded that unable to identify problems on the area of the process, 70% lack of continuous education and on job training, 60 % have suitable working environment and 50% problems on the quality of products were the major problems on the supply chain management of the company.

In order to substantiate the data gathered via questionnaires, the researcher was also raised the same issue in the interview held with the manager and the major challenges in the supply chain management of the company mentioned by the manager includes customer service quantity, cost control, planning and risk management and supplier/partner relationship management.

From the above result it could be possible to conclude that unable to identify problems on the area of the process and lack of continuous education and on-job training was the major problems on the supply chain management of the company. Furthermore, customer service quality and cost control are also the major challenges for the company

7. Summary, Conclusion and Recommendations

7.1 Summary and conclusion

Supply chain management performance improvement in the study company could be achieved through effective implementation and use of standard performance evaluation methods which will bring a total performance enhancement. This does not rely for its success on the application of specific performance techniques – it depends much more on the commitment and creativity of all members of the company.

Ideally, most manufacturing companies would like to find the method for the overall performance/productivity improvement strategy. However, manufacturing firms that are searching for improvement strategies are still likely to find that they are unable to take full advantage of the modern methodologies and techniques of performance improvement. Part of this can be attributed by fear of changes, complexity in working culture, lack of management commitment and lack of understanding of performance. This study showed that the study firm is operating at low total performance and are faced with many performance problems, mainly with shortage of inputs, poor production planning and control, low productivity, high manufacturing cost and lack of marketing strategy.

The industry has been targeting only the domestic market for a long time, the product development, market development and productivity improvement are crucial to increase the trade volume.

The major problems occurring in the study company were shortage of raw materials (processed leather), long procurement lead time for imported materials, lack of demand, low quality of finished leather, production delays and bottleneck at the workstations, lack of measurement and improvement method, working far from the standard and the installed capacity and inefficient utilization of resources (machine, labor and material).

In addition, as per the benchmark implementation plan for the Ethiopian footwear sector in 2009, low labor productivity (best practice =16 pairs of shoe/day/person but actual average production of Anbessa = 3 pairs of shoe/day/person) is another major problem which have great impact on the operational performance and production efficiency.

The intervention areas identified in one or another way reveal that they are problems of financial performance, operational performance, employee performance/satisfaction, quality performance and customer satisfaction. These are all total organizational performance problems which cannot be solved unless a total performance improvement method (which can have a balanced performance measures and management philosophy) is used.

On the other hand, all these factors have a great impact on the product cost which in turn contributes for the decreasing in profit. To sum up, these are the performance problems which currently affect the total performance and competitiveness of the firms. Therefore, it is a need to identify the critical ones, analyze and bring an improvement on the performance of the study company in particular and to all the Ethiopian leather footwear factories (ELFFs) in general.

Supply chain managers have seen increasing challenges to create and keep efficient and effective supply chain methods. As it has been identified in this study the biggest supply chain challenges were customer service

since supply chain management is all about providing the right product, with the right quality, with the right quantity, to the right place, with the right service and at the right time.

In order to stay as efficient and effective as possible, periodic assessments and redesigns are needed. These adjustments are in response to changes in the market such as new product launches, global sourcing, credit availability and the need to protect intellectual property. These risks must be identified and quantified in order to control and mitigate.

Moreover supplier/partner relationship management creates understanding and trust, and follow mutually agreed upon standards to better understand current performance and opportunities for improvement. Having two different methods for measuring and communicating performance and results wastes time and effort. Trust the system that was put in place for consistent results and better supplier/partner relationships.

7.2 Recommendation

On the basis of the summary and conclusion made, the following recommendations are forwarded:

- Though the company, Anbessa Shoe Share Company, has both internal and external or sector level problems, it has to give more emphasis to the internal or firm level problems where it can address using only its potentials and resources with the appropriate improvement method. Therefore, the company is highly recommended to implement the proposed method, total performance scorecard, to solve these problems so as to bring total company's supply chain performance improvement and being competitive.
- Since IT based management system is the requirement towards better communication within the company, it is recommended to strength and uses the enterprises resource planning (ERP) system integrated with the total performance scorecard (TPS). Fortunately, it is already on implementation process in the study company. Since ERP system can facilitate to improve several business performances of the company, particularly those related to the supply chain (improve coordination within the firms departments, management of customers and suppliers, and improve monitoring business performances and supporting management decisions because of the available reliable updated information in the ERP database), it is highly recommended here to facilitate the current implementation and integrate with the proposed improvement method.
- The export led strategy of the government is better means for developing competitiveness internationally due to the technology transfer (knowledge, new designs, techniques and methods while bringing their design) in between local firms and foreign customers. So it is highly recommended that the company has to work more on it because export strategy will drive the local one.
- To solve the external or sector level problems, it is highly recommended that the study company has to work cooperatively with stakeholders of the subsector; primarily with the concerned government body and other interested parties such as ELIA, UNIDO, GTZ, and COMESA.
- At last, my recommendation also focused in doing further researches in the area of designing supply chain network, developing market strategy, clustering to improve performance because the study firm is not achieving a corresponding improvement in their business performance due to a failure to address the whole spectrum of their supply chain.

8. LIMITATION OF THE STUDY

Due to the broad nature of the field and difficulty of manageability, the researcher used a particular framework to evaluate the status of supply chain performance and challenges that may not be sufficiently comprehensive. The research sample didn't incorporate the upstream and the downstream side of supply chain partners' namely: suppliers and customers due to time constrained, so that one should be cautious using these results to draw broad conclusions because of limited sample size utilized for the analysis.

9. SUGGESTION FOR FUTURE RESEARCH

Further research can be viewed in two paths: however this study was centered on the internal supply chain management (ISCM) in investigating the study company's supply chain performance and challenges, one can perform similar study by integrating both upstream and downstream sides of SCM at a time. Because supply chain performance and challenges must not only be investigated from the internal supply chain management, but also it could incorporate the performance and challenges of the suppliers and customers as a part of the supply chain macro process. Furthermore, future researchers who are interested in the same area can look in to the effect of supply chain performance on the organization productivity.

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