

Impact of Buyer/Seller Relationship and Competitiveness on Procurement Operations in Pharmaceutical Companies of Pakistan

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ABSTRACT

The research work is aimed at conducting a study to investigate the underlying dimensions of supply chain management in pharmaceutical industry of Pakistan. Basically these studies contribute in the knowledge sector of pharmaceutical companies that how supply chain network allow the operation network in a firm to work in an effective and efficient way. The focus of this study is on the supply chain area of the firms specially procurement sector employees of pharmaceutical companies in Pakistan and for that from large population 4 companies were selected as a sample size from the city of Lahore. This study contribute a lot in the knowledge sector of pharmaceutical Companies that how supply chain network especially procurement Sector allows the operation network's in a firm to work in an effective and efficient way. In this research results showed that impact of both variables (Buyer/Seller Relationship and Competitiveness) have a positive and significant effect on the dependent variable (Procurement). The focus of this study is on the Procurement sector employees of pharmaceutical companies in Pakistan and for that from large population 4 companies were selected as a sample size by applying convenient sampling techniques from the city of Lahore.

Keywords: Supply Chain Network, Procurement Operations, Competitiveness Level, Buyer/Seller Relationship, Operation Networks

INTRODUCTION

From the last few decades, procurement which is consider very important part of supply chain management has become an important channel within the firm because it plays a function of backbone in a organization and with the help of previous researches now-a day's firms start revising their strategies considering supply chain management that how they can work more effectively and efficiently (Anderson et al., 2003). Firm's highly focuses on their supply chain network because they realize that with better procurement operations in their system they can improve the overall performance of different channels within the organization. Supply chain management is a vast network in which several processes took place and the main function of these are to convert the raw material into a finished product in a most competitive effective and efficient way and deliver to the end customer on time, more likely supply chain network is build up when there is a proper flow of well-integrated information passes through between the firms and their suppliers (Au & Enderwick, 2000).

Supply chain network linked with many factors e.g., buyer/seller relationship, competitiveness level with the firms, product quality, information flow within departments, technological expertise etc. but according to some previous researches it has been shown that Buyer/Seller relationship and level of competitiveness has a huge impact on procurement (Bagozzi and Baumgartner, 1994; Bandura, 1977).It has been shown that when the supply chain network of the firm able to produce their competitive product in less time duration and work effectively and efficiently then firm's profit maximizes, through high competitiveness level with in the firm and due to appropriate buyer/seller relationship the firm able to produce their quality of products, in the market in more attractive and unique way (Bandura, 1977). when the supply chain network in the firm becomes more flexible than the firm able to produce an innovative product in the market with more varieties in their product at high prices basically the firm flexibility means that in how much time firm's able to react on unanticipated environmental changes in its production process and how they can make their manufacturing process more competitive (Baroudi, Olson, and Ives 1986).

The study basic aim is to examine the impact of buyer/seller relationship and competitiveness on supply chain management in pharmaceutical companies of Pakistan. The study play's a significant role for the procurement sector in pharmaceutical companies of Pakistan and through this study we find out which factors the overall procurement network of the firm is targeted to increase the productivity level of the firm Shimada (2005).. This research work contributed a lot in the knowledge sector of pharmaceutical Companies in Pakistan, this research work was first time conducted in the pharmaceutical Companies of Pakistan. This research is also limited due to the shortage of time and resources data was collected from four pharmaceutical companies of Pakistan within a Lahore city.

LITERATURE REVIEW

Supply chain management now a days, play a vital role in the development of the organization, basically supply chain management defined as the key integration of business processes from end user through original supplier that provides products, services, information that add value for customers (Bhattacharjee & Hikmet, 2008). Organizations tend to be discovering supply chain network as a source for the business organizations to stay competitive in the market and connected with such kinds of activities that bring product to the market and enhance customer satisfaction (Bruno, Esposito, Mastroianni, and Velletino, 2005).

(Some previous researches has been shown that in a recent years firm's does not focuses on a operating strategies which are usually includes function of different channel within the firms like procurement, production section and logistic department but now-a-days firms highly focuses on the improvement of a productive departments due to which the competitiveness level of the firm has been increased (Wu, Zsidisin, and Ross, 2007; Carabello, 2001; Singer, Konstantinidis, Roubik, & Beffermann, 2009; Vaidya, Sajeev, and Callender, 2006).

There is a competitiveness in a firm then the performance level of a firm directly impacted in a positive way and ability of firm to utilize its resources in flexible way then the firm can achieve their goal in more effective and efficient (Carman, 1990). Supply chain management of firm is behaving in a more positive way then the ability of a firm to produce more output is increased, supply chain network has been affected by the competitiveness level of firm and has direct impact on firm performance whereas, as considering competitiveness has a significant effect on firm performance (Carter, Carter, Monczka, Slaughter, & Swan, 2000).

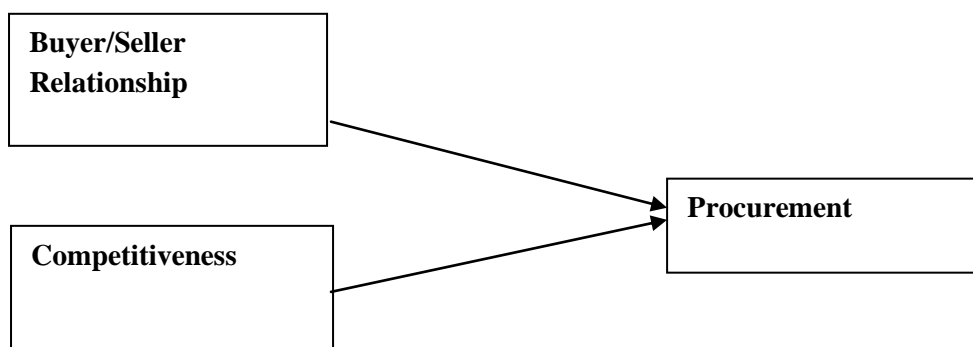
Supply chain of firm working in flexible way then the firm can easily achieve its competitive level by producing good in market on time with better quality and prices meeting the expectations of the customers and competitiveness level of a firm increases then it's directly affect the firm performance by making the products more innovative and deliver the product in market on time (Kim & Lee, 2002). Basically, competitiveness is a concept of utilizing the company resources in a more effective and efficient way, so the performance of company increases to give more output as shown in the study that the distribution of their products to various regions which are not optimal , while the stability of product supply is necessary for the consumption and processing industry therefore, for that all their central and regional governments has planned to develop a national logistics system to facilitate the distribution of the product from regions and to serve as the initial step in improving the supply chain network (Croom and Brandon-Jones, 2004).

Supply chain flexibility in the company the competitiveness level of a firm grown up in a positive and effective way and with better competitiveness level the level of performance of a firm increases in an efficient way further, also describes that some other indirect factors also have a large impact on supply chain flexibility which includes information distortion within the departments of the company, relationships of departments with each other and environmental uncertainty (Croom and Brandon-Jones, 2005). Supply chain flexibility plays an important role to meet the demands of the end customers and the author also describes that due to the flexibility in supply chain the competitiveness level of a firm increases but the supply chain flexibility has no direct impact on the organizational performance (Davila et al., 2003). It also has been argued that when there is a better quality of a material provided to a firm with an appreciated price, and the required material delivered at a firm as per its requirement to the firm then the supply chain flexibility of a firm increases by the delivery of a product to end customer on time, production of a specific product will be made within, a proper lead time (De Boer et al., 2002).

The competitiveness level of a firm and a firm performance level of a firm can be improved by adding information flow and improving effort supply chain management is highly affected by three major factors which are environmental factors , relationships within the organizations and information distortion within the firm and with the suppliers and customers, if these factors affects the supply chain flexibility in a negative way than its results directly has been shown on the competitiveness level of a firm and performance of a firm (Dooley and Purchase, 2006). some Factors such as company environment, government rules and regulations, relationships of a firm with its suppliers & customers , uncertainly aspects from overseas for international operations, communication gap within the firm and with suppliers & customers, information technology are highly affected the profitability of the firm, because of these factors the company lead time (in how much time the product will be delivered to end customer), productivity flexibility of a firm to produce goods are highly affected in a positive or negative way (Gottschalk & Abrahamsen, 2002).

Competitiveness plays a significant role in any firm and it’s directly impact on the performance level of the firm basically, competitiveness is a ability of a firm to offer products that meet the quality standards of the world market at prices that are competitive and provide adequate returns on the resources employed or consumed in producing them (Gunasekaran and Ngai, 2007). Highly qualified trustworthy relationship between buyer and seller in supply chain management network of the firm increases competition (Maniam et al. 2007). There are several factors which influences the relationship of buyer and seller relationship and these factors directly have a huge impact on performance of the firm. Power sources are of two types mediated and non-mediated mediated power sources includes rewards, coercive whereas, non-mediated includes expert, referent and traditional legitimate non-mediated powers are more rational positive in orientation (Marston & Baisch, 2001). Buyer/seller relationship can become stronger when the trust level between them is up to the mark and the commitments related to business activities always touch the priority level. Morrissey & Pittaway, 2004). They also defines that buyer/seller relationship is always based on the high level trust if there is a trustworthy relationship between them than it can meet up the expectations otherwise it will go on the negative side. Supply chain management includes various elements which includes supply of the materials, manufacturers, transporters and retailers basically they all will be responsible for converting material into finished product and deliver to customer all these channels work in a proper way when there is a trustworthy relationship, high commitment level lies between the firm and other networks (Neef, 2001). Buyer and seller relationship work in a good way when the relevant information about the material correctly conveyed between them therefore, supply chain management of the firm work in a competitive way when the proper planning and coordination lies between the buyer and seller. buyer and seller relationship can be build stronger when there is a better way of communication flow and high level of cooperation lies, between them but on the other side buyer and seller relationship can be gone in a negative manner when conflict arises between them (Rajkumar, 2001).

Theoretical Framework



DATA AND METHODOLOGY

In this empirical research, primary data was collected from close-ended questionnaires and this questionnaire has been designed by considering five point likert scale and this scale ranges from strongly disagree to strongly agree. Questionnaire include 5 demographic questions (Age, Gender, Name of the Pharmaceutical Industry, Department and Designation of the Employee). Five items on procurement has been adapted from Suhong Li (2006), whereas four items on buyer/seller relationship has been adapted from Suhong Li (2006) and four items on competitiveness are adapted from Stanley

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(2001). Population used for current study was pharmaceutical companies in Pakistan and study used sample size of four pharmaceutical companies from the city of Lahore (Pakistan). In this research work the target audience was procurement officers of the pharmaceutical Companies and for those 88 questionnaires has been filled from them.

Respondent’s Demographics Information		Frequency	Percentage
Gender (N=88)	Male	67	76.1
	Female	21	23.9
Age (N=88)	Less than 25 Years	12	13.6
	25-35 Years	56	63.6
	35-45 Years	19	21.6
	45 Years Plus	1	1.1
Pharmaceutical Industry (N=88)	CCL Pharmaceutical	26	29.5
	High Noon	26	29.5
	Pacific	19	21.6
	Nova Med	17	19.3
Salary (N=88)	Less than 20,000	3	3.4
	20,000 to 40,000	48	54.5
	40,000 to 60,000	29	33.0
	Above than 60,000	8	9.1
Designation (N=88)	Officer Level	30	34.1
	Executive Level	26	29.5
	Manager Level	31	35.2
	Director Level	1	1.1

Above table showed the distribution of demographic variables results of gender, where male respondent were 76.1% and female respondent 23.9% of the total respondents. 13.6% respondent belong below 25 age and 63.6% are between the 25-35 age groups whereas, 21.6% respondents are between the age of 35-45 and 1.1% of respondent’s age was above than 45. According to the above table in row of pharmaceutical company 29.5% of questionnaires are filled from CCL Pharmaceutical , 29.5% of questionnaires has been filled from High Noon , 21.6% of questionnaires has been filled from Pacific whereas, 19.3% questionnaires were filled from Nova Med. There were total 4 categories of respondent’s from whom the data is collected in which 34.1% is officer level , 29.5% is Executive Level respondents whereas, 35.2% and 1.1% of respondents are manager level or above manager level including director level.

Methodology

In this research quantitative research approach was used. The data was collected from four pharmaceutical companies from Pakistan from the city of Lahore and further, data was collected from 88 people’s who work in the Procurement Department of these firms. To check the validity principal component analysis was conducted and Regression test were applied to check the relationship between variables and their effect on each other.

Principal component analysis (PCA) used to develop factors from different items on each variable’s questions (supply chain management, Buyer/seller Relationship and competitiveness). Principal component analysis (PCA) is analysis in which showed that optimal weight has been observed for each variable and developed principal component in the form of linear combination. The equation which is used in PCA is given below:-

$$PC=a_1(X_1)+a_2(X_2)+\dots\dots\dots a_n(X_n)$$

Whereas,

PC= Principal Component

a_n=Regression weight for observed variable n

X_n=subject’s corresponding score on observed variable n.

Kaiser-Meyer-Olkin (KMO) is used to measure the sampling adequacy test whereas , bartlett’s test has been conducted this test help us to know data used in the study is adequate to apply factor analysis or not. Cronbach’s alpha for all scales are also found to test internal consistency of the variables.

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The regression equation used in this study take the form:

$$PRO_i = C + b_1(BSR_i) + b_2(C_i) + U_i$$

Where PRO represents Procurement, BSR represents Buyer/Seller Relationship and C represents Competitiveness.

EMPIRICAL FINDINGS

Table5.1. Reliability of constructs

Constructs	Total	Number of Items	Cronbach's Alpha
Procurement	88	5	0.743
Buyer/Seller relationship	88	4	0.749
Competitiveness	88	5	0.752

The above table gives the result of chronbach’s coefficient alpha to observe the reliability of overall model. Results shows value of chronbach Alpha of five item used for procurement with the cronbach’s alpha value is 0.743, four items for the Buyer/Seller relationship with the value of cronbach’s 0.749, five item for the competitiveness with the value of cronbach’s is 0.752. The values of the all variables are more the .70 which indicate that the level of internal consistency for scale is acceptable.

Table5.2. KMO and Bartlett’s test

Constructs	No. of items	KMO Measure of Sample Adequacy	Bartlett's Test of Sphericity Chi-Square	Bartlett's Test of Sphericity Sig.
Procurement	5	0.733	94.251	0.000
Buyer/Seller relationship	4	0.621	105.770	0.000
Competitiveness	5	0.722	98.990	0.000

PCA analysis shows results of varimax rotation method, Kaiser-Meyer-Olkin (KMO) and Bartlett’s to test factor analysis. The value of KMO test should be equal or higher from 0.6 whereas, they also defines that if the value is equal or greater than the adequacy of data is highly applicable. Results showed that the KMO values Procurement, Buyer/Seller relationship and competitiveness are 0.733, 0.621 and 0.722 which means that data is reliable. The significance level of chi-square of all three variables is approximately 0.000 which showed that factor analysis has shown acceptable values in this study.

Table5.3. Eigen Values and Total Variance Explained

Construct	Components	Total	Initial Eigen Values	
			% of Variance explained	Cumulative % of Variance explained
Procurement	Comp 1	2.476	49.526	49.526
Buyer/Seller Relationship	Comp 1	2.293	57.324	57.324
Competitiveness	Comp 1	2.516	50.324	50.324

Results shows that principal components which have Eigen value greater than 1 which means it is acceptable. Table shows that total variance explained for the constructs are as follows variance explained by the retained principal component of Procurement is (49.526) , Buyer/Seller Relationship (57.324) and Competitiveness (50.324).

Table5.4. Regression Analysis

Constructs	Supply Chain Management is Dependent Variable		
	Coefficient	Standard Error	t-Ratio
Constant	1.774	0.351	5.060
Buyer Seller Relationship	0.371	0.118	3.144
Competitiveness	0.243	0.133	1.824
R ²	Adj. R ²	F-Statistic	Prob. (F-Statistic)
0.424	0.410	31.277	0.000

Independent variables are Buyer/Seller Relationship and Competitiveness whereas our dependent variable is Procurement. In the multiple regressions first we see the necessary statistic table. In this table we see the adjusted R square value with the help of this value we come to know that how much our dependent variable(procurement) affected by the independent variables(Buyer/Seller Relationship,

Competitiveness) and the variables which are not presented in the model. In this model summary our adjusted R square value is .410 which means 41% variation in the dependent variable (Procurement) is just because of independent variables (Buyer/Seller Relationship and Competitiveness) whereas 59% of variation is just because of other variables which are not given in the model.

As our calculated value of F is 31.277 and level of significance is 0.000 which means model is good fit at less than 1% significance level.

CONCLUSION AND FUTURE RESEARCHES

The survey for this research is conducted from the Pharmaceutical Companies of Pakistan. The research is conducted from the staff of the procurement of the Pharmaceutical Companies from both male and female participants. The data is collected from 4 Pharmaceutical Companies (CCL Pharmaceutical, Nova Med, High Noon and Pacific). No appropriate age limit is lemmatized for this survey and this survey is conducted in Pakistan in the city of Lahore.

For computing and analyzing the survey research work several tests from descriptive statistics and several tests from inferential statistics is used which is essential for our research work. By computing and analyzing all the data which is conducted through questionnaires is shows that the data is reliable and valid through Cronbach's alpha value. Through overall analysis we come to know that the impact of these Independent variables (Buyer/Seller relationship and Competitiveness) has a positive and significant affect on Procurement Network in Pharmaceutical companies of Pakistan.

As we can see from the empirical findings organizations in Pakistan should implement Supply Chain Practices on regular basis, supply chain network play's a vital role for any organization. In Pakistan, organizations should conduct reseraches for the development of their supply chain network in the firm because of this network firms, able to deliver the product in a smooth way to the end customer. Buyer/Seller Relationship and level of competitiveness are not only two major pillars through which the whole supply chain network in affected their, are also other competencies through which supply chain Network is highly affected those competencies are not present in this theoretical model but will be applicable in future researches.

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APPENDIX

This survey is aimed to evaluate the impact of Buyer/Seller Relationship and Competitiveness on Supply Chain Management in Pharmaceutical Industry of Pakistan.

It would not take more than 10 minutes to fill out this questionnaire. It is assured that all the information provided in this questionnaire will be kept confidential and anonymous. Your cooperation in this regard will be highly appreciated.

Name (optional) _____

1) Age

- a) Less than 25 years b)25-35 years c)35-45 years d)45 years plus

2) Gender

- a)Male b)Female

3) Pharmaceutical Company

- A) CCL Pharmaceuticals B) High Noon C) Pacific D) Nova Med

4) Salary

- A) Less than 20,000 B) 20,000 to 40,000 C) 40,000 to 60,000 D) Above than 60,000

5) Designation

- A) Officer Level B) Executive Level C) Manager Level D) Director Level

Please indicate how strongly you agree or disagree with each statement using the scale provided.

Strongly Disagree		Disagree	Neutral	Agree	Strongly Agree					
1		2	3	4	5					
S#	Statements	SD	D	N	A	SA				
		1	2	3	4	5				
Procurement Operations										
6.	With better Procurement operations firm’s ability to meet customer expectation is high.									
7.	Procurement has affect the overall service level of a firm.									
8.	Procurement Services has a direct impact on the overall quality of a product.									
9.	The product will be delivered to the end customer when Procurement Department of a firm work competitively.									
10.	Procurement has a direct impact on sales turnover growth.									
Buyer/Seller Relationship										
11.	Buyer/seller relationship has a direct impact on the performance of the firm.									
12.	Involvement of key suppliers in new product development processes will be very effective.									
13.	We have helped our supplier to improve product quality.									
14.	We include our key suppliers in our planning and goal setting activities.									
Competitiveness										
15.	Competitiveness level directly affects the performance of the firm.									
16.	Due to high competitiveness level firms will able to introduce new products in the market.									
17.	In a effective way competitiveness helps a firm to introduce their product in the market at competitive price.									
18.	Due to high level of competitiveness in a firm they able to introduce new products faster than major competitors in the market.									
19.	When the organization works effectively and efficiently then they will be offer low prices of goods from their competitors.									