

# EMPIRICAL EVALUATION OF THE SIGNIFICANCE OF INTERNATIONAL SCM TO IMPROVE THE BUSINESS PROFILE

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## ABSTRACT

*A global supply chain utilizes low-cost country sourcing and refers to the procurement of products and services from countries with lower labor rates and reduced production costs than that of the home country. A global supply chain will usually flow from your own organization in your home country as a buyer across your supplier tiers; it is these suppliers who will be located in other areas of the globe. Companies always strive to find a combination of debt and equity in a way that maximizes shareholder wealth. We find that firm leverage and debt maturity declined both in advanced economies and in developing countries, even in those that did not experience a crisis. The deleveraging and maturity reduction were particularly significant for non-listed firms, including both SMEs as well as large non-listed companies. Hence, this paper evaluates the significance of international SCM to improve the business profile.*

**Keywords:** *supply chain management, SME, optimum gain, international accounting*

## INTRODUCTION

Accounting is shaped by economic and political forces. It follows that increased worldwide integration of both markets and politics makes increased integration of financial reporting standards and practice almost inevitable. The connection between tax and accounting is a complex topic with many dimensions. One explanation for this is changes within accounting on the international level. This creates a challenge for Auditing and a need to revisit the theoretical and practical foundations for the use of accounting as a starting point for audit of companies [1]. International Financial Reporting Standards (IFRS) is a standard format of financial reporting that is gaining momentum worldwide and is a single consistent accounting framework and is likely to become predominant Generally Accepted Accounting Practice (GAAP) in times to come. The aim of this study is to research International literature to gain an insight into the basis and form of divergence between accounting transactions and auditing in relation to International Financial Reporting Standards [2]. Figure 1 shows the conceptual framework which can correlate IFRS and international SCM elements.

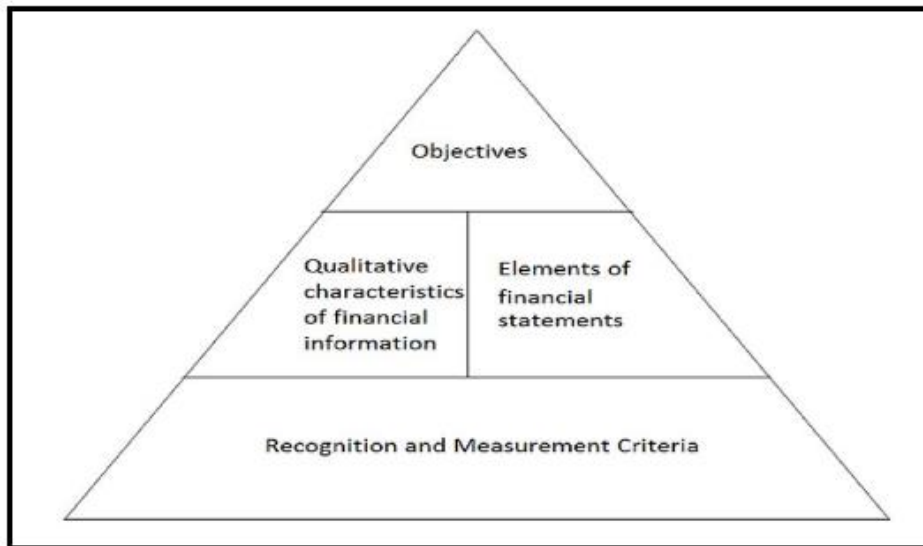


Figure 1: Conceptual framework

Also, international supply chain management and logistics makes reference to the management or control of both physical and information flow concerning a wide variety of goods, tracking them from the point of their origin and until they reach the destination. This management is done with the help of a number of tools, which provide support when it comes to planning and implementing the set plans for the efficient flow of the supply chain.

## LITERATURE REVIEW

The definition of the International Supply Chain Management is similar with the one of supply chain management, which is the management of the flow involving goods or services, represented by transportation and storage, by inventory and shipping schedules, beginning with the acquisition of raw materials to providing the final product to the end consumer [3].

In the case of International Supply Chain Management, this flow assumes the involvement of at least one company from abroad, with the purpose of creating a network composed out of transnational companies. The globalization phenomenon erased a lot of borders when it comes to moving goods, materials, and services around the world. Today, anyone can purchase goods that come from countries they never saw before, which may be at the other end of the globe, without a problem [4].

Also, companies can outsource a wide variety of tasks to companies across the seas and get their primary materials for the manufacturing of their products from suppliers that are not from their home country. Having all these aspects in mind, it is easy to understand that the demand for international supply chain management increased in a considerable manner in the past years. This

particular trend is not about to stop, as end customers are learning that geographical borders are inexistent when it comes to getting the products they need [5].

International Business has a lot of gain from International Supply Chain Management because it stimulates the growth of various economies, it helps in the improvement of standards of living, it helps with the creation of new jobs, it answers to the needs of people, and improves customer services. All of these aspects grow and improve together with the development of local markets, which are boosted by International Supply Chain Management [6].

In the fields of strategic management and organizational design, the following proposition is well known: a fit among strategy, structure, and processes yields superior performance. That is, firms that have achieved proper alignment among strategy, structure, and processes are expected to perform better than competitors that lack such alignment [7].

The proposition, which is called the “SSPP (strategy-structure-processes-performance) paradigm,” is classical, and is relevant in the research area of supply chain management (SCM) even today. Strategy, structure, and processes are essential management elements of SCM. However, as will be shown in the literature review section, it is clear that empirical studies on the relationship among strategy, structure, and/or processes in supply chains and performance have mainly focused on the relationship between processes and performance. Conversely, the SSPP paradigm, which includes strategy and structure, has not been rigidly tested by previous empirical studies [8].

For example, if firms adopt different strategies, they would need to change processes. A process focused study that does not consider the difference of supply chain strategies may not sufficiently understand the successful integration mechanisms of supply chain processes [9].

## **METHODOLOGY**

Supply chain structure is divided into two kinds: internal and external structure. Regarding internal structure, as described in the literature review results section, prior studies use observed variables such as “(permanently) interdepartmental committee,” “(temporary) cross-functional team,” “(temporary) liaison personnel,” and “formal control” [10].

Let us compare these variables with the dimensions of internal structure such as formalization and centralization. Using the definition, which is a valuable study concerning organizational structure in the SCM context, formalization is defined as the degree to which decisions and working relationships for SCM activities are governed by formal rules and standard policies and procedures. Similarly, centralization is defined as the degree to which the power to make SCM decisions is concentrated in an organization [11].

The existence of an interdepartmental committee means high formalization and centralization because interdepartmental decision-making is conducted through the committee’s coordination.

Formal control is a variable that measures the degree of formalization. On cross functional team and liaison personnel, we cannot evaluate the degree of both formalization and centralization because these are temporary team or role for a specific project and are not part of operational decision-making [12]. Figure 2 below shows the proposed methodology.

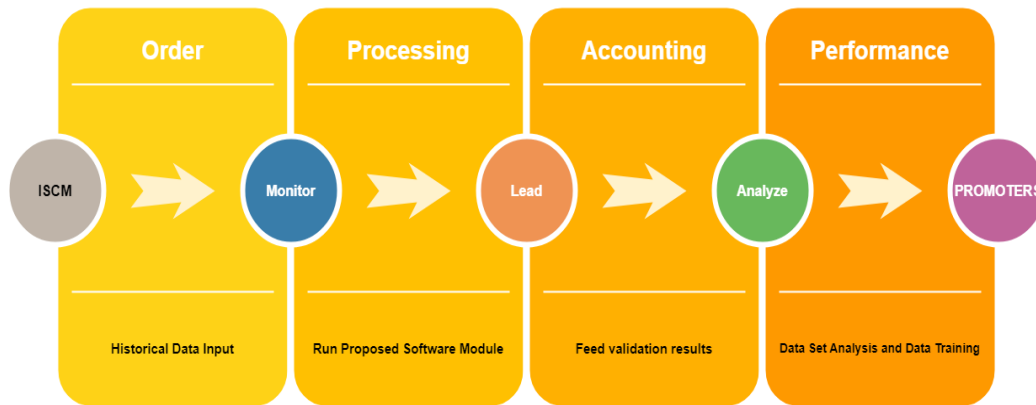


Figure 2: Proposed Methodology

Regarding formalization, according to author, an SCM-oriented organization is highly formalized. Therefore, we can understand that high formalization is always required in SCM activities regardless of the patterns of supply chain strategies. However, little has been published on the relationship between centralization and efficiency and/or responsiveness. Rather than using these dimensions, the relationship between organizational forms and efficiency and/or responsiveness is proposed in the field of organizational design.

## CONCLUSION

In case of strategy and inter-departmental structure, the observed variables have not been converged yet because there are few studies that include these constructs. Such a process-focused discussion with lack and ambiguity related to strategy and structure prevents us from comprehensively discussing the success factors of accounting and SCM. Hence, based on historical data analysis, proposed system can predict the business gains in optimum way.

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