Does Reward Enforcement and Organization Boundaries Lead to Sustainable Supply Chain Performance in Indonesian SMEs? A Moderating Role of Work Discretion

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Abstract- Manufacturing small and medium sized enterprises (SMEs) of Indonesia are suffering with low business performance due to ineffective supply chain activities. Therefore, this study is an attempt to highlight the issue of low supply chain performance in manufacturing SMEs of Indonesia and one of the attempts to provide the solution of this issue. The current study examined the effect of three corporate entrepreneurship dimensions on supply chain. Dimensions include; reward enforcement, organization boundaries and work discretion. Therefore, objective of this study is to investigate the effect of reward enforcement, organization boundaries and work discretion on sustainable supply chain performance among Indonesian manufacturing SMEs. Data were collected from the manufacturing SMEs of Indonesia and employees of these SMEs were considered as the respondents of the study. Finally, data were analysed through statistical software. Results of the study revealed that corporate entrepreneurship is important to handle supply chain issues. It is found that reward enforcement and organization boundaries have the key contribution to provide sustainable supply chain performance. Moreover, work discretion also has crucial role to enhance the positive effect of corporate entrepreneurship on sustainable supply chain performance.

Keywords; Sustainable supply chain, reward enforcement, organization boundaries, work discretion, corporate entrepreneurship.

1. Introduction

Small and medium sized enterprises (SMEs) are the backbone of every industry with significant contribution to the nations economic development. Growth of SMEs and successful performance is the vital concern of every nation. Because, SMEs has positive role to boost economy [1]. SMEs also have positive contribution to the gross domestic product (GDP) of every nation [2, 3]. Therefore, performance of SMEs is most important to enhance the GDP and economy worldwide.

However, various countries are facing different issues to sustain the SMEs performance. Due to the fluctuations in SMEs performance, the economy is not stable. This issue is most common in most of the developing countries where the sustainable business performance of SMEs is one of the crucial issues. Particularly, Indonesian SMEs are lacking in performance due to various supply chain issues. Figure 1 shows the export performance of manufacturing SMEs of Malaysia, Thailand, Vietnam, Philippines and Indonesia [4]. It is clear that the export performance of Indonesian manufacturing SMEs is very low as compared to Malaysia, Thailand, Vietnam and Philippine. It is evident that the major factor causing low performance is supply chain activities. Indonesian SMEs have ineffective supply chain system which is leading to low business performance. Actually, supply chain is an integral part of various manufacturing companies [5, 6], particularly, it is most important for SMEs where the supply chain is the backbone of operations success [6]. Therefore, significant efforts are required to incorporate by the Indonesian SMEs to promote sustainable supply chain performance by deceasing the issues of supply chain.

On the other hand, all these issues related to the supply chain operations can be well managed with the support of significant corporate entrepreneurship actions. Basically, corporate entrepreneurship is defined by the [7], according to him, corporate entrepreneurship includes situations where first, a new business is initiated or started by an established organization, second, the new ideas are advocated by one or more than one individual and third,
an entrepreneurial philosophy pervades the outlook and operations of the whole organization. Various factors of corporate entrepreneurship always show positive effect on business activities [8]. It can foster supply chain activities, as it has important link with supply chain [9-11].

This study introduced three major dimensions of corporate entrepreneurship, namely: reward enforcement, organization boundaries and work discretion. All these dimensions have positive role in corporate entrepreneurship which enhances the sustainable supply chain. Reward enforcement, organization boundaries and work discretion enhances the business performance [12] through improvement in supply chain activities. Various studies also proved that these dimensions of corporate entrepreneurship linked positively with supply chain activities. Therefore, objective of this study is to investigate the effect of reward enforcement, organization boundaries and work discretion on sustainable supply chain performance among Indonesian manufacturing SMEs.

The current study examined the effect of three corporate entrepreneurship dimensions on supply chain. Dimensions include: reward enforcement, organization boundaries and work discretion. Earlier studies highlighted that these are the significant elements of corporate entrepreneurship having positive role on business [12-14]. Numerous studies are available in the literature on corporate entrepreneurship [15, 16], but these previous studies did not discuss the role of corporate entrepreneurship in supply chain activities. Various studies also discussed the SMEs in Indonesia [17, 18], however, these studies missed the role of corporate entrepreneurship in supply chain performance.

2. Literature Review

The emphasis of corporate entrepreneurship research has remained on innovation, new venture creation, and opportunity recognition which has positive role in supply chain of various manufacturing SMEs. This behaviour of the firm is seen by many other researchers in a different way. It holds venturing and innovation strategic and organizational renewal, international success, and organization’s growth and development promotion. The phenomenon is also named as corporate venturing, entrepreneurship and corporate entrepreneurship [12]. To define corporate entrepreneurship, [7] stated that corporate entrepreneurship includes situations where first, a new business is initiated or started by an established organization, second, the new ideas are advocated by one or more than one individual and third, an entrepreneurial philosophy pervades the outlook and operations of the whole organization.

Apart from above discussion, the literature also provides a healthy discussion on the measurement of business performance through corporate entrepreneurship and supply chain. In this domain, the scholars have reached up to two different streams; where one is of the opinion that business performance should be measured using financial means. This opinion of measuring business performance on the objective basis has strong roots in the literature [19, 20]. It would not be wrong to say that traditionally the researchers have been measuring business performance on the basis of number. However, various studies also measured performance with the help of supply chain activities which is important in manufacturing companies. At the same researchers has also stated that this type of measure has remained ignored. As the supply chain has most important role in business performance [21].

Although the literature on organizational research has recognized an integral contribution of entrepreneurial practices to a greater extent, yet the need for an extended investigation to further validate the corporate entrepreneurship endorsement in business context through supply chain sustainability remains insufficiently attended. Providentially, the components to conceptualize the theoretical basis of corporate entrepreneurship can be explicitly recognized at present due to a very rapid expansion of knowledge creation and dissemination regarding corporate entrepreneurship realms in the literature. Nevertheless, enough clarification of the theoretic as well as pragmatic grounds that supplement and justify the corporate entrepreneurial actions are still an unresolved issue. As the corporate entrepreneurship also has significant role with supply chain [9]. It is important in supply chain as it has positive role in firm performance [22].

According to literature the second important manifestation of corporate entrepreneurship is entrepreneurship that is strategic in nature (strategic entrepreneurship) which has positive role in supply chain. The strategic entrepreneurship methods stand for noteworthy entrepreneurial actions in a boarder perspective including innovation that are embraced to gain competitive-advantage. The strategic entrepreneurship helps organizations in bringing innovation in any of the functional areas such as strategy, products, services, internal organizational climate and in their business archetypal [23]. Therefore, using strategic entrepreneurship organizations could prove themselves fundamentally different than their adversaries. The above evidence suggested that the corporate entrepreneurship is a longstanding phenomenon and the continuous interest of the researchers over the past four decades specified that this phenomenon has emerged due to its important contribution in the overall business performance. In the following section, a more comprehensive discussion has been carried out regarding the critical nature of corporate entrepreneurship models.

With the increase in corporate entrepreneurial activities the overall performance of an organization can be reinforced to a competitive advantage through supply chain. Similarly, [24] emphasized in their research that the internal environmental factors should be recognized and aligned purposefully in order to promote corporate entrepreneurship. It is reported in literature that due to corporate entrepreneurial activities one organization resulted in diversified products and markets, and corporate entrepreneurship was instrumental in producing “impressive financial results”. This claim is also supported by other quantitative studies, correlating corporate entrepreneurship to increase in growth and bottom-line results, or even these two together.
Further, there is positive link between outcomes which are intangible as knowledge and skills development. Further to this, a positive relation of job satisfaction with the internal entrepreneurial environment of organization was reported. These repetitive research findings lead us to assume that with corporate entrepreneurship activities, there is an increase in intangible assets with the help of better supply chain sustainability. According the literature, entrepreneurship has important role in supply chain [11, 25]. Therefore, this study, examined the role of corporate entrepreneurship on sustainable supply chain performance with the help of three dimensions; reward enforcement, organization boundaries and work discretion. The relationship between corporate entrepreneurship dimensions and sustainable supply chain performance is highlighted in Figure 2.

![Figure 2. Theoretical Framework of the Study](Image)

### 2.1. Reward Enforcement

According to [26], rewards and reinforcement denotes to the level of employee perception that their organization encourages risk-taking behaviour, appreciates and rewards innovative activities and accomplishments. Further the literature provides sufficient evidence that "rewards and resource provision" have found to be chief elements for middle management and first line management’s encouragement which has positive role in sustainable supply chain network.

Rewards play an integral role to support and increase the skill-set and abilities of all the employees in a given business organization and rewards could also potentially help in improving knowledge acquisition, innovation and above all performance [27] which increases the satisfaction level of employees [28, 29]. Further, while explaining the concept of rewards, it is stated that all the valuables that organizations offer willingly to individuals as a return for an accomplishment is called rewards, but it is also necessary that the employees (those who are offered these rewards) should also perceive the offered rewards equally important.

On a similar note, if an organization’s reward system is being trusted by its employees then these employees will put their full efforts in ensuring the success of their organizations. Beside these lines, the rewards systems offered to employees, regardless of their rank and position, vary across organizations but ultimately the reward mechanism of a given business should enhance employees and managers motivation, bringing their full involvement into the organizational interest for improving business performance with the help of supply chain improvement. As the reward management has significant link with supply chain in various organizations [30].

In addition to above convictions, rewarding members to encourage the achievement of opportunities which are challenging and bring significant innovations. Researchers widely suggest that organizations should have effective reward system for the promotion of entrepreneurial activities at individual level and to promote better supply chain among SMEs. In these systems of reward, the intrinsic and extrinsic are included. The keeping and hiring of corporate entrepreneur’s compensation plans based on performance were found helpful. While studying the relationship between HR management systems and entrepreneurship by [31], reported the relationship between reward, recognition and entrepreneurial behaviour. All these factors of rewards have positive role in supply chain operations. It increases the sustainable supply chain operations.

**H1:** Reward enforcement has relationship with sustainable supply chain performance.

### 2.2. Organization Boundaries

[26] described that organizational boundaries refer to how employees recognize an organization in terms of its established boundaries. Particularly, their thinking regarding how these boundaries induce, direct, and encourage corresponding actions and behaviours. Organizations establish boundaries for better resource utilization. Literature also provides evidence that these established boundaries help organizations in enabling innovation and other performance related outcomes [26].

Apart from the above-mentioned factors; the literature also emphasized on the importance of the boundaries that organizations set for their managers and employees in supply chain activities. The method of administration through which ideas are examined, selected and executed is provided by organizational boundaries. On the contrary, literature contended that SMEs should not have standard operating procedures for all major parts of jobs and the dependency on narrow job discretions and rigid performance standards should be reduced, whereas, it was found in the literature that absolute performance benchmarks were very appropriate in the case of intensive care unit which has important role in supply chain activities. As both supply chain and organization boundaries has relationship with each other’s [32]. Therefore, it is observed that the context of the application of organizational boundaries matters in supply chain. Further, organizational boundaries can ensure the effective use of the resources which enable innovation through supply chain.

**H2:** Organization boundaries has relationship with sustainable supply chain performance.

### 2.3. Work Discretion

According to [26], work discretion denotes to perception of employees and managers with regards to their own organization that it will accept them if they fail in performing any task (failure-tolerance). It also denotes that organization will provide autonomy to them for making decisions with regards to their jobs along with powers to delegate responsibilities with authority [12].
This is one of the most important dimensions of corporate entrepreneurship which affect positively on various supply chain activities among SMEs.

It is clear from the literature that work discretion is most crucial element of corporate entrepreneurship activities [8, 13]. As the failure acceptance by the management of SMEs encourages the employees to bring innovation in various projects. If the organization provide autonomy to employees for making decisions with regards to their jobs along with powers to delegate responsibilities with authority can promote innovation and supply chain activities which ultimately increases the business performance. It is important because managerial discretion is always required in various operations of the organization [33]. It is also mentioned by the most recent study by [9] that work discretion supply chain management is always important for organizations. Thus, it has significant role to enhance sustainable supply chain performance in SMEs. In the current study work discretion is taken as moderating variables between corporate entrepreneurship dimensions and sustainable supply chain.

H3: Work discretion has relationship with sustainable supply chain performance.

H4: Work discretion moderates the relationship between reward enforcement and sustainable supply chain performance.

H5: Work discretion moderates the relationship between organization boundaries and sustainable supply chain performance.

3. Research Methodology

The present study adopted quantitative research approach for assessing the structural relationship among proposed latent variables. Using Partial least Square path modeling under Smart PLS 3.0, five hypotheses based were tested. The cross-sectional research design was adopted in this study under which the data for the whole study was collected once. This was followed by data analysis and statistical interpretations while drawing conclusions or making inferences about the selected population of the study at one point in time. The present study adopted cross-sectional research design over longitudinal research design for the reason of resource constraints. It is very critical for the success of a research to choose an appropriate research design. There are no definitive means for determining and choosing the best research design. The decisions to choose the right research designs determine the quality of the conclusions and recommendations drawn from the research results [12]. The business research is categorized on the basis of techniques and functions such as experiments, surveys, and observational studies.

Therefore, the current study used cross-sectional research design. For this purpose, data were collected with the help of questionnaire. A seven-point Likert scale was preferred to collect the data. Population of the study was based on the manufacturing SMEs of Indonesia. Moreover, the respondents of the study were the employees of these manufacturing SMEs. Total 382 questionnaires were sent to the manufacturing SMEs. From these, 210 were returned and used for data analysis.

Moreover, the respondents were selected based on their duties. Only those employees were selected having duties in supply chain related activities of the selected manufacturing companies.

4. Analysis and Findings

Data analysis of the current study is comprising of various steps. First of all, this study preferred data screening to check the missing value, outlier as well as normality of the data. It is found that the current data has no missing value. Moreover, this data has no outlier as well. It is highlighted in Table 1. In case of normality of the data, as this study used Partial Least Square (PLS), it is a suitable tool to analyze the non-normal data [34].

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4.1. Partial Least Square-Structural Equation Modeling (PLS-SEM)

Further analysis was carried out by using Partial Least Square-Structural Equation Modeling (PLS-SEM). It is based on two major steps. In first step, reliability as well as validity was examined. Figure 3 shows the measurement model of PLS. Table 2 shows the factor loadings which is above the minimum threshold level, minimum threshold level is 0.7 [35]. Table 3 shows the alpha, composite reliability (CR) and average variance extracted (AVE) which is also above 0.7, 0.7 and 0.5 [35].
After reliability and validity analysis, this study used PLS structural model for hypotheses testing. It is most recommended technique to test the hypotheses. Various prominent studies highlighted that this is suitable for hypotheses testing [35-38]. Thus, this study followed the recommendations of previous studies for hypotheses testing. Figure 4 shows the structural model and Table 5 shows the results.

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Table 5 shows that all the direct hypotheses have t-value above 1.96, therefore, direct hypotheses are supported. Rewards and organization boundaries have positive effect on supply chain. Moreover, moderation effect between organization boundaries and sustainable supply chain is also significant. Work discretion as a moderating variable strengthen the relationship between organization boundaries and sustainable supply chain. As it is highlighted in Figure 5. Additionally, r-square value is highlighted in Figure 3 which is 0.588, it is moderate variance according to the instructions of [39].

5. Conclusion

This study is an attempt to highlight the issue of low supply chain performance in manufacturing SMEs of Indonesia and one of the attempts to provide the solution of this issue. The current study examined the effect of three corporate entrepreneurship dimensions on supply chain. Dimensions include; reward enforcement, organization boundaries and work discretion. Therefore, objective of this study was to investigate the effect of reward enforcement, organization boundaries and work discretion on sustainable supply chain performance among Indonesian manufacturing SMEs. Data were collected from the manufacturing SMEs of Indonesia and employees of these SMEs were considered as the respondents of the study. Results of the study revealed that corporate entrepreneurship is important to handle supply chain issues. Corporate entrepreneurship provides vital support to enhance supply chain sustainability. Better implementation of corporate entrepreneurship has the ability to enhance business performance by decreasing supply chain issues among manufacturing SMEs. It is found that reward enforcement and organization boundaries have the key contribution to provide sustainable supply chain performance. Improvement in reward enforcement and organization boundaries improves the supply chain system among manufacturing SMEs. Moreover, work discretion also has crucial role to enhance the positive effect of corporate entrepreneurship on sustainable supply chain performance. Thus, reward enforcement, organization boundaries and work discretion as corporate entrepreneurship dimensions enhance the sustainable supply chain performance.

References


