Moderating Role of Ownership Type in the Relationship between Market Orientation and Supply Chain Integration in E-Business in China

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ABSTRACT

Integrating supply chain processes in e-business in emerging and transitional economies has attracted considerable attention from practitioners and researchers. Based on the theory of market orientation (MO) and the institution-based perspective, this paper investigates the effect of MO on supply chain integration (SCI) in e-business and examines the moderating role of ownership type in the relationship between MO and SCI in China. The results of a survey of 229 firms suggest that the MO dimensions have different effects on the supply and the demand process integration in e-business. Moreover, ownership type moderates the relationship between MO and SCI. Implications and suggestions for future research are likewise discussed.

Keywords: E-Business, Emerging Economies, Market Orientation, Ownership Type, Supply Chain Integration

INTRODUCTION

Supply chain integration (SCI) in e-business has attracted considerable attention from researchers and practitioners (Frohlich 2002; Rai et al. 2006; Rosenzweig 2009; Saeed et al. 2011). SCI refers to the ability of a firm to strategically coordinate supply chain processes with channel partners (Devaraj et al. 2007; Esper et al. 2010; Frohlich and Westbrook 2002). SCI in e-business resolves the trade-offs of low-cost, real-time, and broad channel deployment in...
traditional supply chain management (SCM) (Boyer and Hult 2005; Frohlich and Westbrook 2001). Thus, SCI is considered a critical organizational capability that allows firms to derive competitive advantage (Boyer and Hult 2005; Frohlich and Westbrook 2001; Lee and Whang 2004; Rai et al. 2006; Tsai and Ghoshal 1998). Governments and professional associations, especially in the emerging economy of China, strive to promote SCI (Cai et al. 2010; Liu et al. 2013; Zhao et al. 2011). However, firms in China experience difficulty in developing SCI and materializing its purported benefits (Cai et al. 2010; Huo et al. 2013). Given the importance of Chinese firms in global supply chains and the low degree of SCI, which may jeopardize the efficiency and effectiveness of global SCM, factors that will facilitate SCI development in China should be investigated (Huo et al. 2013; Zhao et al. 2008). Unfortunately, research on these factors in emerging economies is scarce, and the present understanding of the factors that enable SCI in China is limited (Zhao et al. 2008).

The present paper is an effort to address this gap in the literature. A critical review suggests that market orientation (MO), which reflects the orientation of the firm toward the creation of superior value for customers, is a critical factor that affects the development of organizational capabilities (Braunscheidel and Suresh 2009; Martin and Grbac 2003; Min et al. 2007). Specifically, MO determines the important strategic choices of firms and directs firms to acquire, allocate, and utilize resources to develop organizational capabilities, such as dynamic (Menguc and Auh 2006), collaborative (Hyvönen and Tuominen 2007), and relational (Smirnova et al. 2011) capabilities. Thus, we refer to the MO theory to investigate its effect on SCI development in Chinese firms. Following Narver and Slater (1990), we conceptualize MO as a construct of three dimensions, namely, customer orientation, competitor orientation, and inter-functional coordination. These dimensions reflect the objective of a firm to deliver superior customer value “based on knowledge derived from customer and competitor analyses and the process by which this knowledge is gained and disseminated throughout the organization” (Kumar et al. 2011, p.16). Scholars have indicated that these dimensions are not necessarily synergistic and can diversely affect organizational capabilities (Liu et al. 2013; Smirnova et al. 2011). Thus, examination of the effects of these MO dimensions on SCI will help clarify their contribution to organizational capabilities.

Based on existing literature, we further categorized SCI into the dimensions of supply process integration and demand process integration (Esper et al. 2010; Flynn et al. 2010; Frohlich and Westbrook 2002). These dimensions reflect the integration of the inbound and outbound logistics of a firm, as well as external and internal processes, to generate and maintain demands, respectively (Esper et al. 2010; Flynn et al. 2010; Frohlich and Westbrook 2002). A number of prior studies investigate SCI as a single construct, whereas others have distinguished SCI into supply and demand integration (Esper et al. 2010; Flynn et al. 2010; Frohlich and Westbrook 2002). The literature indicates that despite the similarities of barriers and facilitators, they have different roles in the development of these two SCI dimensions (Frohlich 2002; Frohlich and Westbrook 2002). Thus, to fully understand SCI, scholars have urged the examination of the development of its individual dimensions (Esper et al. 2010; Flynn et al. 2010; Frohlich and Westbrook 2002). To develop SCI, focusing on both upstream and downstream processes instead of focusing only on the integration of demand or supply processes is better for the firm (Danese and Romano 2011; Flynn et al. 2010).

Moreover, we determine the institution-based view and examine the boundary condition in assessing the relationship between MO and SCI. The institution-based view denotes that the institutional context can impose formal and informal constraints on firms, which will significantly influence their strategy formulation.
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