

THE SUPPLY CHAIN OF AGRICULTURES

AN EMPIRICAL STUDY OF ALBANIA

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Abstract

The Albania's agricultural sector employs about 50% of all employees in the country and contributes approximately 20% of GDP. Despite the importance of this sector in the economy, it is one of the most underdeveloped sectors. In this regard, this study will focus on the issues posed by this sector. On the other hand it will also see the degree of effectiveness that the supply chain has in this sector. Through exploration of the supply chain we will make it possible to highlight the factors that hinder the improvement of the performance of this sector. The elements used in this supply chain are focused on trust, commitment, infrastructure, information sharing and cooperation. The organizations involved in the supply chain are the producing organizations, wholesalers, retailers and customers. So, for gathering information was used questionnaire. Through its were collected 108 questionnaires from 160 such. Selection of the sample in this study was randomly. Subsequently, through regression analysis, we will analyze the statistical model for this study. The findings showed that trust gives no effectiveness on the efficiency of the supply chain. Also, the study showed that cooperation and the infrastructure improve the effectiveness of chain.

Keywords: Supply chain, agriculture, effectiveness of supply chain, producers, wholesalers, retailers, Albania

INTRODUCTION

Albania, like every other country, is orientated towards economy sectors that bring benefits. The agricultural sector is the sector that contributes to the growth of the economy. The sector employs about 50% of all employees in the country and contributes approximately 20% of GDP. However, agriculture sector is still not very developed and suffers from profound land fragmentation. Another problem of this sector is lack of financing which is under 2% of banks' portfolio. Lack of collateral is the main reason that banks do not finance this sector, therefore credit guarantee agricultural funds take a particular importance. The property titles are still unclear and the lack of land ownership gives a direct impact on the development of this sector.

Nevertheless, this sector faces problems and challenges to have a higher efficiency and effectiveness for his operation. The market globalization and the seasonal variation of agricultural products are the main challenges of this sector. These challenges are also added the lack of good coordination and operation between links from the supplier to the end customer. Where in fact, supply chain management involves the management of flows between companies and among stages of a supply chain to maximize the overall benefit (Chopra and Meindl, 2006, quoted in Sharma et al., 2012).

Objectives of the study

Previous studies have emphasized the importance of supply chain integration by linking it with various results, such as competitive advantage and organizational performance (Prajogo & Olhager, 2012). In this regard, the overall purpose of this study will focus on the identification of problems and will discuss the role that supply chain has in effectiveness of agricultural sector. Previous studies have confirmed that small farmers are generally considered to be dependent and vulnerable in such relationships because of disparities in important resources, opportunism and abuse of power, the advantages asymmetric expropriation of assets of the owner, etc., (Williamson, 1985). Beyond that, the objectives of this study will be:

- To highlight and evaluate supply chain problems in the agricultural sector.
- To consider the impact and importance of supply chain efficiency in the agricultural sector.
- To evaluate the relationship and the existence of the relation of effectiveness in the supply chain.

The importance of the study

The advancement of technology has brought an opportunity by facilitating the process of exchange of information, cooperation, production of the final product and delivery to the final consumer. Increased pressure from suppliers to sell their products faster and with better quality

and more favorable cost, has increased pressure on a higher efficiency in the supply chain. On the other hand, consumers demand better quality products and favorable prices. Furthermore, wholesalers and retailers, part of the supply chain, require a high turnover of their products by increasing their level of profitability. Given these discussions and not only, this study will provide a clearer picture for the operation and effectiveness of the supply chain in the agricultural sector. Moreover, it will be a good omen for organizations in the first place, which will have a valuable manual on their hands for the operation of the sector. Furthermore, for different researchers and policymakers in order to further progress and improve the work in this sector. Then, based on the above discussions and treatments, the objective, purpose and the hypothesis of this study is:

H₁: The supply chain elements such as, trust, commitment, infrastructure, information sharing and collaboration, will bring a more effective management on the supply chain.

LITERATURE REVIEW

The supply chain management focuses on how organizations use their suppliers processes, technology and ability to enhance the competitive advantage (Tan et al., 1998). The supply management can be seen as an emergency area in terms of academic aspects (Storey et al., 2006). One of the ongoing debates about supply chain management (SCM) in literature has been integrating its role as a key factor in achieving improvements in the organization (Romano, 2003). But earlier let discuss the meaning of the supply chain and its management. The supply chain includes not only manufacturers and suppliers, but also transporters, warehouses, retailers, wholesalers and consumers (Chopra and Meindl, 2006; quoted in Sharma et al., 2012). The supply chain management is ultimately a link influences behavior in certain areas and in specific ways (Storey et al., 2006). With supply chain management (SCM) means the management of a network of interconnected businesses involved in the ultimate provision of product and service packages required to end by customers (Harland, 1996). SCM is presented as a production and distribution network for raw materials, transforming them into semi-finished and finished products, and distribution of final products to customers (Lee and Billington, 1992). Furthermore, authors Morgan and Hunt (1994), argued that trust and commitment are very important factors if a company will succeed with its marketing.

The definition of supply chain integration has evolved due to different research perspectives. An increase in the level of integration of the supply chain will provide a quick access to the resources required information, more sensitivity to customer needs and enables quick time to respond by creating a competitive advantage between competitors (Sezen, 2008). Authors Handfield and Nichols (1999) describe three main elements of an integrated system to

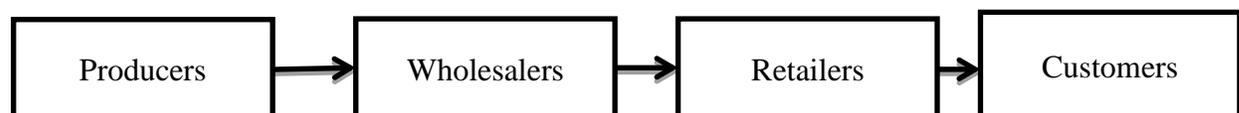
a model for the supply chain, which are: information systems (management information and financial movements), inventory management (management of product and movement material), and relationships in the supply chain (management of relations between the trading partners). The supply chain integration is the extent to which a strategic manufacturer collaborates with supply chain partners in order to manage the processes of intra and inter-organizational (Flynn et al., 2010). Anderson and Weitz (1989) argue that the development of inter-organizational is an approach that combines the advantages of distribution of vertical integration control systems (coordination and information processing) with the advantages of systems using participants in the independent chain (flexibility, economies of scale, efficiency and lower overall costs). In fact, both authors Fein and Jap (1999) identified four strategic approach for manufacturers:

- ✓ partner with the winners: required when winning easily accessed in one place;
- ✓ construction of an alternative route to market by integrating forward and (probably) use of the internet;
- ✓ the creation of a new channel: the use of differentiation and development in brand equity;
- ✓ investment in fragmentation: the marginalized work of distributors creates alternative channels.

CONCEPTUAL MODEL

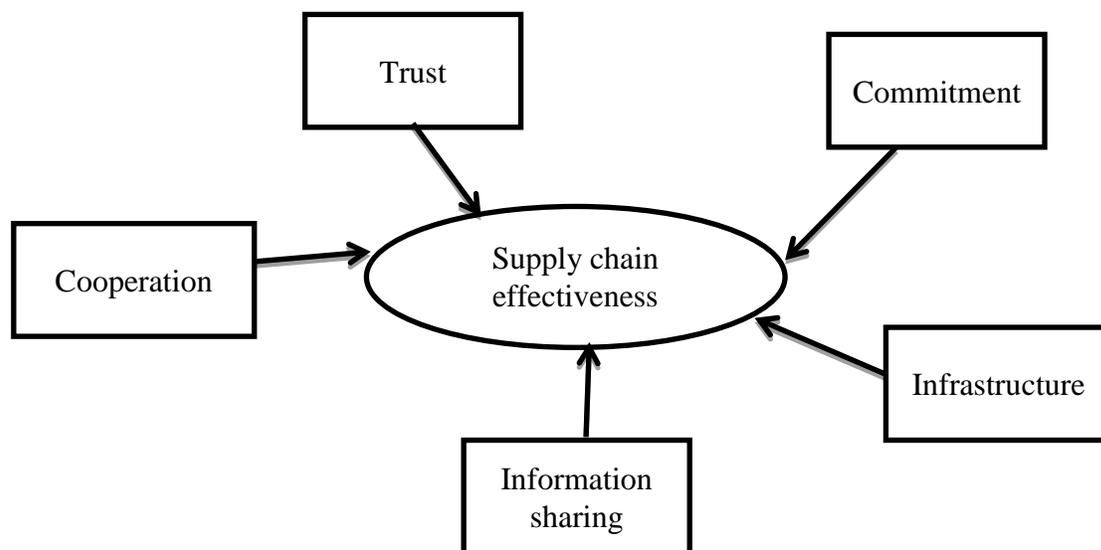
The supply chain management, as we have quoted above, is an efficiently integrated group using suppliers, manufacturers, transporters, retailers (Simchi et al., 2008). In this sense, the supply chain in the agricultural sector is composed by producers of various agricultural products, wholesalers, retailers and final consumers. This is presented in a scheme, in the following figure. So, the trade is produced and distributed in the right quantities to the right places, at the right time, in order to minimize costs and maximize system-level requirements of satisfactory service (Simchi et al., 2008). The management of the supply chain is designed to enable management of physical operations, functions, information management, financial systems needed for the transfer of goods and services from the point of production to point of consumption in an effectively and efficiently way (Patidar et al ., 2012).

Figure 1. The supply chain for this study.



As a result, by examining the individual competencies and organizational level of an organization to a supply chain, it strengthens the links between the academic fields and professional (Krishnapriya & Baral, 2013). Chen and Paulraj (2004) have recently confirmed a discrepancy in definitions of supply management (SCM) by watching its construction and measurement scales. The author Speakman (2000) used six variables that reflect different approaches to measuring the performance of the supply chain. These include inventory, time, order fulfillment, quality, customer focus and customer satisfaction. His results show that the balance of authority is positively related to the performance of partners.

Figure 2. Conceptual Framework



Trust

A dynamic relationship exists between consumers and brands and, as a result, trust is needed to enable both parties to maintain and possibly to develop this relationship by eliminating the perceived insecurity and the risk involved to customers (Elliott and Yannopoulou , 2007). So, the concept trust will mean as a condition that includes positive expectations about the motives of others in the risk situations (Lewicki and Bunker, 1995). The outcome of trust is the trust to another organization will perform actions that will result in positive outcomes for the organization, and not to take actions that arise unexpected negative results (Anderson and Naruse 1990). Trust was conceived as a life or a feeling that is deeply rooted in personality and has its origins in the psychosocial development of an individual (Young, 1992). The social standpoint about trust, it highlights the desire of people to maintain respectability in relationship to increase lifespan in order to maintain an individual whose behavior or another group's

behaviour would be altruistic and personally acceptable (Young, 1992). The trust is a precondition for successful inclusion of customer engagement and bilateral levels of suppliers in the analysis of value for the organization (Dyer, 1996). Rousseau et al., (1998) interpret the trust in terms of probabilities perceived and show that the economy based on knowledge, a trustee of competence, skill and expertise is becoming increasingly important as an indicator of his skills to operate as anticipated. The cooperation is achieved, if there is trust between partners in the supply chain. Trust has direct and indirect links with the co-operation, it plays a major role in overcoming difficulties such as the power of a member of the supply chain, conflict and lower profit in the supply chain. Trust has great effect on the risk and reward sharing between supply chain members.

Commitment

Commitment makes possible for companies to expand the integrated behavior to unite customers with suppliers. This extension of integrated behaviors, through external integration deals directly with supply chain management. Such activities related to supporting the coordination between SC members such as suppliers, manufacturers, intermediaries and consumers. Commitment is a partner in exchange for belief that a continuing relationship with another is so important that require maximum effort in maintaining what is (Morgan and Hunt, 1994). Through commitment can believe that a relationship continues an indefinite period and engagement is central to all relational exchanges between the organization and its partners (Morgan and Hunt, 1994).

Infrastructure

The infrastructure that deals with product distribution technology, information and manufacturing technology are not well developed. The establishment of an appropriate infrastructure that deals with collection points, storage, preservation, is vital for the construction of a successful SC. This are the areas that needs to be improved. The trust in the use of technology is the readiness of a person to be sensitive to this technology based on expectations of predictability, reliability, service and influenced by an individual's predisposition to trust in technology (Lippert, 2001). According to Senge (1990), the effective application in information technology to integrate supply chain activities have the effect of reducing the level of complexity. He submitted two types of complexities, detail and dynamic. The complexity in detail exists when there are many variables required to manage (Senge, 1990). The dynamic complexity exists where cause and effect are separated, and difficult to associate, simultaneously in time and space: situations where cause and effect are subtle effects over time are not visible interference. The

conventional forecasting, planning and analysis methods are not equipped to deal with the dynamic complexity (Senge, 1990). Handfield and Nichols (1999) also emphasize the importance of relationships to effectively manage supply chains. They emphasized that the transfer of physical and technological elements are a more difficult relationship, less understood and therefore more fundamentally important: “without an effective base to manage relationships in the supply chain organization, any attempt to manage the movement of information or materials across the supply chain is likely to be unsuccessful” (Handfield and Nichols, 1999).

Information sharing

Information sharing in the supply chain is particularly important for planning and monitoring the processes. Information sharing with other members of the SC makes available to members the data that are important for making strategic and tactical decisions. The open information sharing such as inventory levels, forecasts, strategies for promotion of sales and marketing strategies, reduce uncertainty between partners and as a result have an improvement in the performance of the SC. Sharing information in the supply chain allows the chain partners and strategic decisions in their operations (Li et al., 2006). Information sharing becomes more important in difficult economic periods by orienting the organization in establishing a cooperative structure. Kohli and Jaworski (1990) proved that organizations focusing on market orientation are aimed to improve customer requirements based on information received by the market. The information collected by individual organizations can serve as a basis for mutual information between partners in the supply chain, contributing to its integration. Besides these aspects, the quality of information sharing it refers to the extent to which an organization shares a diverse information, relevant, accurate, complete and confidential information at the right time with the partners of the supply chain (Sheu et al., 2006).

Cooperation

Sheu et al., (2006) found that higher levels of cooperation, in view of efficiency in the supply chain system, brings high levels of inventory turnover cooperation and high levels of satisfaction. Li et al., (2009) found that the integration of the supply chain is linked significantly with a good performance supply in the chain. The cooperation refers to the coordination of activities carried out by firms in a business relationship to produce the best joint results at all times. Cooperation is not limited in the moment transactions are realized in each level of management, but it incorporates the functions and coordination between supply chain members. The cooperation begins with the planning of joint activities, ends with joint control of

activities, evaluating the performance of each member of the SC and throughout the supply chain. Cooperation is very important to reduce excessive levels of investment and improving financial performance. What's more important it is that the SC members work together in developing new products and making decisions on product portfolio. Also, the design systems of quality control and distribution is a cooperative activity.

Supply chain effectiveness

The effectiveness of this chain depends largely on the activities like, integrated behaviors, division mutually information, the risk and benefits, collaboration between partners of the supply chain, common goals and focus the same participants SC in the service to the customer, the integration processes of maintaining and building relationships for a long time going through in partnership relations. Engage in the creation and maintenance the above activities will make it possible to build successful supply chains. Individuals calculate profits as a result of their decisions to believe that an individual before they actually take their decision to trust each other (Coleman, 1990). Vaart and Donk (2008) have tried to explore the practices involved in the chain research integration and have found that the majority of empirical surveys on supply chain integration report a positive relationship between the integration and organizational performance. They also showed that overall performance will grow in confidence if problems are reduced (Becerra and Gupta 1999). In a way to achieve efficiency in the supply chain should be based on cooperation, collaboration, information sharing, trust, partnership, technology shared, and a fundamental change by management of specific functional processes up to the integrated management of process supply chains (Akkermans et al., 1999). Athey and Orth (1999) suggested an increase in the team and process competencies to enhance organizational performance. To achieve their strategic goals, organizations include the core competencies that reflect their goals and organizational strategies developed for environmental changing. In conclusion we can say that is a management philosophy that extends the traditional activities between trading partners by bringing organizations together with a common goal to increase efficiency (Tan et al., 1998).

METHODOLOGY

For the study purpose, a descriptive research design was adopted. To realize the data collection for this study, it was used a questionnaire. The structure of the questionnaire consisted of six questions. The first question of the questionnaire contained information about the type of the organization's activity in this sector such as production, wholesalers and retailers. Four other question contained information about the person who answers the questionnaire, his position in

the organization, contacts and working in this organization. While the six question constituted the most important information, as gather information about elements of the supply chain. It was grouped in six phases. Each stage was intended to gather information about elements of the supply chain, like, trust, commitment, infrastructure, information sharing, cooperation and ultimately the effectiveness of the supply chain. In each of them are used different question for measuring. Trust, commitment and information sharing were measured with four indicators. Infrastructure and cooperation were measured with three questions, and supply chain effectiveness was measured by six questions. Each question in these phase (24 questions in total) were measured with Likert rating scale, specifically by 1-no agree to 7-strongly agree.

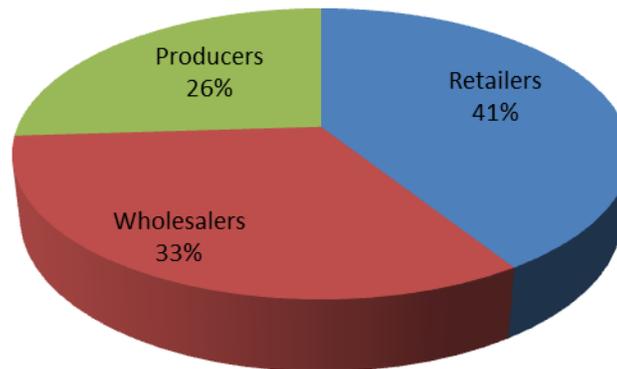
The distribution of questionnaires was conducted via e-mail and contacting several businesses. Wholesalers and producers are selected at random by contacting via e-mail. Retailers are contacted individually, but their choice was random. In the main city in Albania have been identified lying areas where these retailers were and is distributed questionnaire. It was doing so because the use of e-mail for this category of businesses is low. From 160 questionnaires distributed, 108 questionnaires were received. So, the sample of this study is 108 questionnaires. The questionnaires were filled in mainly by leading managers of organizations.

The data analysis was focused on three phase. In the first phase, factor analysis and reliability analysis were conducted. The factor analysis is a technique for grouping variables, which reduces a set of data keeping as much of the original information (Field, 2009). The weight of each factor in this analysis should be greater than 0.4 (Hair et al., 2009). Bartlett test and Kaiser-Meyer-Olkin test (KMO) help factorial analysis (Field, 2009). For a good factor analysis, KMO test should be above 50% and Bartlett test to be statistically significant ($p < 0.05$) (Field, 2009). While reliability analysis was conducted by Cronbach alpha coefficient. It is implemented to observe the consistency of data (Hair et al., 2009). It should be above 0.7, but can be accepted up to 0.6 in exploratory research. In the second phase of the analysis multicollinearity was conducted. While in the third phase it was tested the hypothesis through multiple regression

ANALYSIS AND DISCUSSION OF RESULTS

In this study, organizations were classified into three groups according to the size of their activities. More specifically, the manufacturing organizations, wholesalers and retailers. The composition of specific weights was shown in Figure 3.

Figure 3. Specific weight by type of activity



Referring to the figure, the greatest weight in this study have retailers with 41%, then wholesalers with 33% and 26% producers. In fact, retailers are the first link of this chain, as they are in constant contact with customers to collect the necessary information.

In this research are used six variables and each of them was measured with more than two questions. So, it was necessary to make factorial and reliability analysis. *The trust variable* was measured with 4 indicators and their factorial weights resulted greater than 0.4. The highest weight had the question “organization shares the risk with suppliers and customers” with 0.823 and the lowest weight had the question “organization shares information received from customers with its suppliers” with 0.555. The KMO test for this variable was 36.7% (resulted less than the allowed level, which is over 50%) and Bartlett test resulted statistically significant ($0.05 = 0.05$). For this variable the two tests are not positive. And for *commitment variable* was subjected the factor analysis, after it measured with four questions. All questions had factorial weight greater than 0.4. The question with the highest weight was “the organization is active in regular meetings with customers and suppliers” with 0.869 and the question with the lowest weight was “organization is oriented to maintain and build good relations with its partners” with 0.723. The KMO test resulted 73.4% (over 50%) and Bartlett test resulted statistically significant ($0.00 < 0.05$ level). *The infrastructure variable* was measured with 3 indicators and their weight was more than 0.4. The question with the greatest weight was “technology for distributing products and information is still poor” with 0.918 and the question with the lowest weight was “technology for manufacturing is underdeveloped” with 0.760. The KMO test resulted 61.1% (over 50%) and Bartlett test resulted statistically significant ($0.00 < 0.05$ level). *The information sharing variable* was measured with four questions and their weights was higher than 0.4. The question with the highest weight was “organization has a strong relationship with customers and try to manage information” with 0.896 and the question with the lowest weight “organization

discusses constantly with suppliers for the problems posed by supply chain and decisions that should be taken” with 0.591. The KMO test resulted 64.5% (over 50%) and Bartlett test resulted statistically significant ($0.00 < 0.05$ level). *The cooperation variable* was measured by three indicators. The question “organizations is oriented to cooperate for building a stable relationships and long-term benefits” resulted in factorial lower weight than 0.4, namely 0.349. This question was left from factorial analysis and the factorial analysis was conducted with two remaining questions. After analysis, it resulted that both questions have greater factorial weight than 0.4. The KMO test resulted in 51.3% (over 50%) and Bartlett test resulted statistically significant ($0.01 < 0.05$ level). *The supply chain effectiveness variable* was measured by six questions. From this analysis the question “price for sale the products is low” resulted in 0.387 and was expelled from further analysis. The analysis was reconducted and it was found out that five of other questions were higher than 0.4. The KMO test resulted in 61.2% (over 50%) and Bartlett test resulted statistically significant ($0.01 < 0.05$ level).

To check the reliability of data for these variables, it will be conducted the reliability analysis through Cronbach alpha coefficient. Table 1 shows the results of this analysis. From reliability analysis only the trust variable has a weight 0.243, which is lower than the permitted weight of 0.7. For this variable confirmed the forecast by KMO and Bartlett test. All other variables have higher weight than 0.7. Based on these results, the variable trust left for the further analysis.

Table 1. Reliability analysis

Variable	Cronbach alpha
Trust	0.243
Commitment	0.765
Infrastructure	0.791
Information sharing	0.773
Cooperation	0.701
Supply chain effectiveness	0.715

Now, we will continue with the most important part of the study, verification and testing the hypothesis. In fact, we will previously evaluate multicollinearity between independent variables. The presence of correlation between the independent variables in the interval -0.7 to 0.7 is acceptable (Hair et al., 2009). By testing it appeared to be within permissible limits. Then, laying hypothesis for testing is as follows:

H_0 : The supply chain elements such as, trust, commitment, infrastructure, information sharing and collaboration, will not bring a more effective management of the supply chain.

H_a : The supply chain elements such as, trust, commitment, infrastructure, information sharing and collaboration, will bring a more effective management of the supply chain.

And, regression, $Y=b_0+b_1x_1+b_2x_2+b_3x_3+ b_4x_4$, where:

Y =the dependent variable “the supply chain effectiveness”,

x_1 = the independent variable “commitment”,

x_2 = the independent variable “infrastructure”,

x_3 = the independent variable “information sharing”,

x_4 = the independent variable “collaboration”.

The hypothesis of this study, was tested through multiple regression analysis . The following table presents the results of the study. The hypothesis testing showed that elements of the supply chain have a positive impact on supply chain management. The value $F(4,103) = 5.936$ was statistically highly significant ($p \leq 0,01$), confirming the viability of the model. As we observe in Table 2, R^2 is 37.8%, while R^2 (adjusted) is 31.5%. This means that the dependent variable, management effectively the supply chain, explained with 31.5% by four independent variables of the elements of the supply chain.

Table 2. Regression analysis

	Beta coefficient	Sig.	R²	R² (adjusted)
(Constant)		0.022	0.378	0.315
COMMITMENT	-0.283	0.087		
INFRASTRUCTURE	0.333	0.018		
INFORMATION SHARING	-0.068	0.670		
COOPERATION	0.407	0.004		

Explanation and effectiveness of the supply chain in the agricultural sector is not at a high level. More specifically, we will see the beta coefficients. As we have seen in the table above, not all coefficients are statistically significant. Information sharing is statistically insignificant ($p > 0.10$) and a negative impact on the effectiveness of the supply chain. Commitment is statistically less significant ($p \leq 0.10$) and a negative impact on the effectiveness of the supply chain. Cooperation is the only variable statistically highly significant ($p \leq 0,01$) with the largest contribution and positive impact on the effectiveness of the supply chain. This means that a unit investment in terms of cooperation, the effectiveness of the supply chain will increase by 0.407 times. Finally, we can emphasize that even through the beta coefficients and their statistical significance observed the functioning and effectiveness of the supply chain.

CONCLUSIONS

The primary objective of this study was the effectiveness of the supply chain in the agricultural sector and then identifying the relevant issues. Through this study we offered empirical data on the effectiveness of this chain. The outcome of the study is that the effectiveness of the supply chain is not at a high level. Factors affecting bad effectiveness of SC are: trust, sharing information, commitment, cooperation, infrastructure. The study finds that lack of trust between the companies involved in the supply chain. Also, the study found that organizations involved in the supply chain didn't fully share or exchange information between them, although this is one of the most important elements of the chain that is reflected in the effectiveness lower than SC. And commitment resulted in a negative impact on the effectiveness of the supply chain. Infrastructure and cooperation express positive correlation in this study with supply chain effectiveness. Despite the positive contribution provided by these indicators, it still remains at a modest contribution. In fact, this sector employs about 50% and through this study it was only confirmed that the development of the sector is low. Finally, we can cite that the elements or factors used in the supply chain for this study highlight the degree of development in this sector. This study contains some limitations, which are: (1) the sample of the study is comparatively low (sample = 108); (2) it would be positive that study included consumers as the last link of the chain; (3) it would be positive to treated a cross descriptive analysis, where was evidenced the impact each of the elements of the chain in three business groups.

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