

# Agro Sapling Supply Chain Management for Small and Medium Enterprises

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**Abstract:** Agro sapling or best known as agriculture seedling is very crucial in agricultural industry. Proper management of agro sapling will lead to an excellent supply chain management right from the beginning of the supply chain. Failure to adapt the right supply chain management for agro sapling suppliers can lead to disaster in the industry. To date, there is no particular model that can be used for agro sapling. This research aims to examine Agro Sapling Supply Chain Management for Small and Medium Enterprises. By referring to the previous research done by various researchers in different types of agriculture, this paper hope to add new literature to the body of knowledge as well as the producers and small and medium enterprises. It is concluded that SCM for agro sapling SMEs will definitely be successful if all participants valued the trust, shared resources and business relationship established together with the business. An effective SCM will serve as a means to reduce business risk and transaction costs existed earlier. The integrated SCM will enhance user friendly market requirements which will be beneficial not only the producers but also the customer who is the end user.

**Keywords:** Agro Sapling, Small and Medium Enterprises, Supply Chain Management, Agriculture, Seedling Supply Chain

## 1. Introduction

Small and Medium Enterprises (SMEs) is a backbone of any countries. To have stronger economic contributors, government normally allocate huge budget to help boosting the industries. In Malaysia, 99.2 percent of the total companies are SMEs. SMEs are the highest contributors to the Malaysian economy which contribute 32 percent of national GDP, 59 percent of employment and 19 percent of exports [1].

SMEs sectors in Malaysia have broad types of businesses with different dynamic, technology advancement; comparative advantage and risk profile with agriculture sector represent 6 percent of the total SMEs. As compared to other countries, Malaysian SMEs have higher recognition based on: *i)* low productivity; *ii)* lower business formation rates; *iii)* output and employment focus in a small number of firms; and *iv)* a high percentage of SMEs operations in informal sector [2].

This paper aims to examine Agro Sapling Supply Chain Management (SCM) for Small and Medium Enterprises to help future research on this area especially in agriculture

Small and Medium Enterprises Supply Chain Management. This conceptual paper will discussed the Small and Medium Enterprises and Supply Chain Management particularly in agricultural sector.

## 2. The Concept of SCM for SMEs

Supply Chain concept consists of all stages involved, either it is directly or indirectly in fulfilling a customer request or need [3]. The research mainly discusses various concepts of warehouses, retailers, transporters as well as customers. The concept of supply chain begins with the customer order and end with the customer satisfaction. Therefore the concept of Supply Chain Management is crucial for every business organization especially to agro sapling area where currently the competition and demand is quite high.

Tapping on the SMEs business, the need to understand the whole concept of supply chain is deem important due to the fact that every resources need to be managed in an effective and efficient manner. Failure to manage the resources will lead to a potential lost to the organization. The researchers concludes that the main objectives of supply chain is to maximize the overall value generated by what the final product is worth and effort the supply chain expend in fulfilling the customer request [4].

### 2.1 Supply Chain Challenges

An early study by [5-6] in the 90's and year 2000 indicated that the SMEs must react positively to the challenges below in order to sustain in the competitive business environment. The challenges are:

- How can agro-industrial organizations (including farmers and growers) in developing countries gain and maintain insight into changing consumer demands either local markets or international markets and how can they respond positively to the demands?
- How can food safety are guaranteed, what are the international quality standards for agriindustrial products and how can quality of food products be maintained during primary production, processing, distribution and storage?

- How can production processes in developing countries be organized to achieve economies of scale not only to support the company's comparative advantage but at the same time increase the gross domestic product of the country?
- How producers can benefit from the complicated SCM with the rapidity of the production and the interruption of variation of demand by buyers?

## 2.2 Innovative Supply Chain

Most of the consumers' choices are increasingly and it can be said because of the safety and health issues. Their concerned on the current status of the environment coupled with social responsibilities and animal safety are becoming more important [7]. Therefore every business should strive to sustain in the new goal set by society. Therefore, they also summed up that all companies in the chain should cooperate together in order to avoid loss of consumer confidence that will in turn affect the business profit and performance. One of the main discussions made was on the integral chain care and quality assurances as the main successful key factor for every SME's business.

In 2012, [8] focused on the new emerging concept of supply chain that is phenomenal to the world of supply chain concept. The new concept of was introduced as Lean Supply Chain. It is a new approach via team-based to continuous improved on eliminating non-value added activities or "waste" from the viewpoint of the customer. He mentioned that the lean supply chain has been around in one form or another for many years but business organization seldom focuses on the importance of the concept in their business entity. Due to the fact that agro sapling deal with the nourishing the young tree for future production and supply, a lean supply chain should be taken into consideration in the preparation process.

## 3. Supply Chain Management for Agro Sapling SMEs

The quest to have an ideal supply chain management (SCM) in small and medium enterprises (SMEs) is a debating topic and it can be considered as a must. The reason is the best supply chain will reward to more profit to the producer or supplier. The collaboration in the supply chain is not an easy task. SCM has been seen as a way to understand and improve the effectiveness and efficiency of economic activities participated by various parties to exchange goods and services from the origin producers to the end user [9].

SCM main function is to integrate the supply activities which are needed to improve the supply and demand of the goods or services, provide reasonable returns to the producers, improve stability of buying and selling prices and enhance the economies of scale as well as react to the market response

[9].

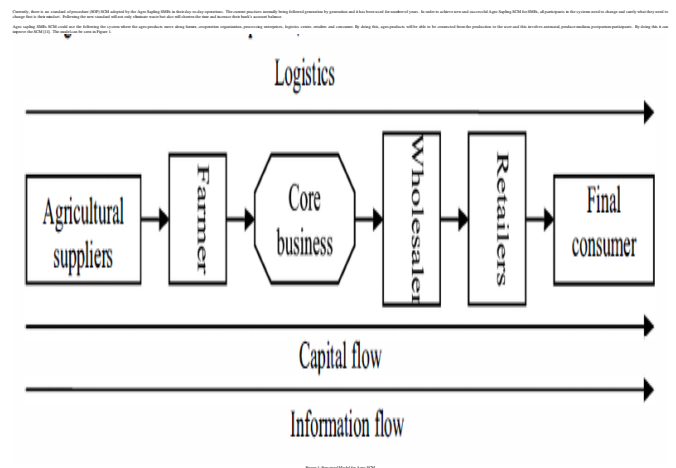
## 3.1 Basic Components of SCM

In the case of agro sapling, the most important aspect is the timeliness and accuracy of SCM from one participant to another. The efficiency of agro sapling SCM can be achieved once Agro sapling SMEs deliver the right product at the right place at the right time. Only with this they can save money, reduce costs, and can enhance their cash utilization [10].

The simple flow of SCM can be shown as follow [3]:

- *The product flow:* the movement of goods from a supplier to a customer in terms of customer returns or service needs.
- *The information flow:* involves send out the orders and updating the status of delivery.
- *The finances flow:* consists of credit terms, payment schedules, and consignment and title ownership arrangements.

## 3.2 Agricultural Products and SCM



## 4. The Importance of Collaboration in Agro Sapling SCM SMEs

To have a successful SCM among Agro Sapling SMEs need an urgent attention on effectiveness collaboration among them. There are many fruitful benefits can be created using inter enterprise collaboration among Agro Sapling SMEs. It depends on how supply chain collaboration is viewed. Among the benefits is the reduction of general cost and incremental of general revenue. Normally, to have this collaboration, one company decide to use other collaborator based on how good is the performance with collaborator A, in comparison to the collaborator B. Another interesting way to have this collaboration benefits is by taking more activity-based approach. Relating the benefits of collaboration to the specific activities is a practical way to identify the real benefits of supply chain collaboration because not all

activities require the same amount of companies' involvement. Some of the cited literatures show the supply chain activities which can help the Agro Sapling SMEs to enhance their

Supply chain activities	Collaboration benefits
Procurement	<ul style="list-style-type: none"> <li>✓ Less time searching for new suppliers and tendering</li> <li>✓ Easier management of a reduced supply base</li> <li>✓ More stable prices</li> </ul>
Inventory management	<ul style="list-style-type: none"> <li>✓ Lower stock holdings</li> <li>✓ Increased asset utilization</li> </ul>
Product design & New product development	<ul style="list-style-type: none"> <li>✓ Faster product development</li> <li>✓ Knowledge sharing &amp; increased innovation capacity</li> <li>✓ Better quality following from involvement of supplier in design</li> </ul>
Manufacturing (planning)	<ul style="list-style-type: none"> <li>✓ Increased product quality</li> <li>✓ Minimise supply disruptions</li> </ul>
Order processing	<ul style="list-style-type: none"> <li>✓ Increased responsiveness</li> </ul>
Distribution	<ul style="list-style-type: none"> <li>✓ Faster delivery</li> <li>✓ Flexible delivery</li> </ul>
Sales	<ul style="list-style-type: none"> <li>✓ Rapid access to markets</li> <li>✓ Increased market share</li> <li>✓ Improved promotional events</li> </ul>
Demand management	<ul style="list-style-type: none"> <li>✓ More accurate forecasts</li> <li>✓ Joint resolution of forecast exceptions</li> </ul>
Customer service	<ul style="list-style-type: none"> <li>✓ Improved product availability</li> <li>✓ Improvements in lead times</li> </ul>

## 5. Conclusion

SCM for agro sapling SMEs will definitely be successful if all participants valued the trust, shared resources and business relationship established together with the business. An effective SCM will serve as a means to reduce business risk and transaction costs existed earlier. The integrated SCM will enhance user friendly market requirements which will be beneficial not only the producers but also the customer who is the end user.

Based on the past researchers discussed earlier, it is understandable that more research on product development especially in agro sapling especially in SMEs need to be carried out by the researchers in the future using all findings from this research.

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