

Antecedents and enablers of supply chain value creation: An analysis of trust and competences

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Abstract

The study investigated how small and medium enterprises (SMEs) create value in local supply chains. Specifically, the study focused on two initiators of value creation: entrepreneurial competences and supply chain trust. The authors analyse a cross-sectional survey of 294 SMEs in Uganda operating in the construction, furniture and fitting, food processing and agricultural sectors to test a number of hypotheses, using factor analysis and structural equation modelling. Results show that building value-driven supply chains requires SME owner-managers to build an optimal level of trust. Although trust is identified as a key factor in facilitating trade within local communities, different entrepreneurs' perspectives alter how SME-owner managers assess trusted partners, determining different strategies and behaviours in building trust in customer, as opposed to suppliers' relationships. In addition, findings show how operational cost is not a key value driver, indicating why SME-owners managers should instead focus on building trust.

Keywords: SMEs, entrepreneurial competences, supply chain value creation, supply chain trust, local procurement

1. Introduction

Local procurement, intended as all purchasing activities occurring between different stakeholders within localized supply chains, represents a potential indicator of trust-based relationships particularly among small and medium enterprises (SMEs). Although SMEs are important within local procurement and supply chains, particularly in relation to value creation, a myriad study have not exploited how supply chain trust interacts with suppliers' competences in enabling resource-strapped firms compete.

SMEs play the role of suppliers to large firms, and are themselves customers to both micro-enterprises and large companies, concurrently managing both demand and supply. In trying to achieve demand supply balance, SMEs face numerous challenges: high risk to face shortages (when demand exceeds local supply); high administrative load; limited product diversification; high transaction costs linked to using multiple micro-enterprises; a lack of significant alternative market opportunities and, sometimes, issues with regard to reducing the hidden costs associated with infrastructural challenges (Porter & Kramer, 2011). Such challenges make local SME supply chains inefficient, hence less attractive to procurers.

Certainly, the value creation potential of firms depends on resources a firm owns and resources they can access from their network (Gulati, 1999). In Uganda, the lack of internal resources implies SME-suppliers need to focus on external sources of value (Khan et al., 2021), thus customers and suppliers. The type of competences and capability SMEs have may determine the extent they exploit external sources of value. Since SME advantage tends to be behavioural, there might be benefits to shifting emphasis towards promoting ethical behaviour to build trust among local supply chain partners. Trust is highly regarded for facilitating exchange of resources (Legood, van der Werff, Lee & Den Hartog, 2021). Being resource-constrained, SMEs operating in local supply chains are likely to depend on supply chain trust to bridge relationship that create value for local procurers.

2.Theoretical framework

For small, resource-constrained suppliers, the traditional resource-based view (RBV) advanced by Barney (1991), does not offer very strong theoretical grounds on which to explain how small firms benefit from interconnectedness with other supply chain partners. The traditional RBV assumes that the pre-conditions for competitive advantage include resource heterogeneity and imperfect mobility – that is, firms become competitive when they own rare, valuable, non-transferable and inimitable resources. However, the potential free flow of resources between local supply chain partners does negate the above assumptions (resource heterogeneity and imperfect mobility) hold for inter-connected firms, benefiting from resources residing in the supply network.

The extended resource-based view (RBV) as advanced by Lavie (2006) explains how small firms benefit from external sources of value. Through collaboration, firms are able to access routines and resources that exist among supply chain partners, and to differentiate performances, providing an advantage against competitors when they fail to access similar resources (Dyer & Singh, 1998). Moreover, collaboration helps supply chain partners to create value, although achieving collaboration within supply chain is costly for resources-constrained suppliers.

In this sense, RBV provides a clearer perspective by explaining how complementary resources outside a firm create value for collaborating firms. The RBV addresses the role of competences in creating supply chain value (SCV); indicating that the interactions between firm's resources and managers' skills and competences affect their mobility and replication due to social complexity (Rungtusanatham et al., 2003). However, not all competences have an integrative role to create value with regard to procurement processes, particularly at a local level. Therefore, acquiring specific competences may help local suppliers to access and combine resources, exploiting opportunities within the local SME network through more efficient means. However, the value attached to one's competences may depend on initial trust between supply chain partners.

Without trust, accessing opportunities and knowledge embedded in local networks, and benefiting from them, would be a challenging task for SMEs (Lorenzoni & Lipparini, 1999). Hence, the level of trust within supply chain relationships tend to determine the value members of a given supply chain benefit from individual competences. Particularly for those SMEs that do not typically collaborate, understanding activities that facilitate access and exploitation of external sources of value will inform decisions on how local suppliers manage their own partners.

The rationale determining the manager's decision to choose local procurement include cost reduction and increased quality, government regulation, social license to operate, and long-term economic diversification, among others. However, cost reduction and quality are no longer the dominant value drivers in local procurement markets. Therefore, procurers employ different criteria to measure effectiveness, not limited to considerations of costs, delivery time and quality. In such a market, trust and competences becomes very important value drivers in selecting suppliers and accessing supplier competences.

In this sense, trust strengthens social complexities associated with local sourcing, circumventing replication by competitors. Initial trust, which is assessed based on the supplier's competences, often forms the basis for offering the first contract. Gradually, initial trust develops to ease the coupling of competences between supply chain partners. The firm's next contract depends on the level of trust developing gradually between supply chain partners. Therefore, the value created in local supply chains will depend on the level of trust in supply chain relationship. Since trust develops gradually, the study predicts that high levels of trust increase the value suppliers attach to the owner-managers' competences, while mistrust erodes it.

2.1 SCV creation and trust

The creation of value in supply chains is achieved through integrating activities at various stages of the supply chain (Klibi, Martel & Guitouni, 2010). From the supplier perspective, measures of value creation in consumer-supplier relationship include aspects such as levels of personal interaction, product quality, delivery time, time to market, direct product cost, process cost, supplier knowhow, and service support (Trabucchi et al., 2021). SMEs obtain advantages from locating close to customers, as this may reduce logistical costs and increases both number and level of interactions with customers.

The importance of trust in facilitating SCV creation is addressed and highlighted by social network theory (McCarter & Northcraft, 2007). Panayides and Venus Lun (2009) found a positive relationship between trust and the creation of SCV; and Flynn et al. (2010), confirm the presence of multiple relationships between trust and supply chain integration, the safeguarding of specialised assets, financial benefits and cross-functional coordination, which in turn improve suppliers' responsiveness to customers' needs. Equally, RBV emphasises the role of trust in facilitating access to complementary resources from supply chain partners, which enables collaborating SMEs to create value (Lavie, 2006). When trust develops among SMEs, the appearance of opportunistic behaviours tends to reduce, thereby building mutual confidence which enhances access to potential resources (Kale et al., 2000). All

these provide incentives for value-added initiatives (Lawson et al., 2008); therefore, trust-based relationships with local supply chain partners are likely to have an impact on firms' effectiveness in exploiting external resources.

Trust is a context-dependent construct, ranging among personal trust, inter-firm trust and supply chain trust (Laequddin et al., 2010). Supply chain trust comprises three facets: *rational trust* (e.g., dynamic capabilities of supplier, economics of relationship and technology adoption); *characteristic trust* (e.g., trustor's willingness to take risk depending on perceived ability, integrity and benevolence); and *institutional trust/security system* (e.g. mechanisms between members through contracts, bank guarantees, commercial law, agreements and insurance). The three dimensions of supply chain trust are complementary in improving the integration of local supply chains, and SME managers' likelihood to trust local supply chain partners depend on them. For example, contracts may address and cover for behavioural risks when assessing possible relationships with new, unknown partners, although intrinsic incompleteness of contracts could lead to moral hazard. However, where trust originates from mutual exchange and economic benefits agreed among supply chain partners, the presence of contracts is minimal.

For SMEs operating within local supply chains, access to resources and their exploitation to create value much depends on their preferred dimensions of supply chain trust. In the Ugandan context, institutional trust may not be a key value driver for local supply chains. Hence, characteristic trust and rational trust are likely to influence the creation of SCV in local supply chains.

Considering that supply chain trust in the study is explained using three dimensions: characteristic trust, rational trust and institutional trust, the study predicts that not all three facets of trust can improve the positive evaluation of the trustee's competences. Characteristic trust is more likely to increase the value local procurers attach to a supplier's opportunity competence because past behaviours may reinforce capabilities to acquire new opportunities, especially where procurer are sourcing from their vicinity. Therefore, we predict that the value procurers attach to suppliers' competences will depend on the type of trust in buyer-supplier relationships.

2.2 Entrepreneurial competences and the moderating role of trust

Capaldo et al. (2004), define entrepreneurial competence as the ability of the entrepreneur and his collaborators to acquire, use and develop resources for their business purpose in a successful manner and within the specific context in which their business operates. Similarly, Morris et al. (2013) suggest that entrepreneurial competences are carried by individuals who start a business, transform and add value to it through organising and managing resources and opportunities. Certainly, value creation in a firm relates to its managers' skills with regard to acquiring and using resources (Barney, 1991). Firms leverage network competences to create competitive advantage (Gulati, 1999). For example, a firm's capability to exploit external knowledge which resides in a supply network may create value for collaborating firms. However, not all competences are relevant for supply chain integration in the SME context (Mitchelmore & Rowley, 2013).

The relationship between entrepreneurial competences and venture success depends on the contextual conditions in which entrepreneurial activities take place (Mitchelmore & Rowley, 2010), including governance mechanisms prevailing in the business environment. Trust provides an effective governance mechanism in local supply chain relationships for enhancing the value attached to suppliers' competences, especially where institutions are weak (Bergh, Thorgren & Wincent, 2008). The presence of trust in local supply chain relationships may improve SMEs' ability to exploit valuable competences. High levels of trust build positive evaluations of those competences that will ultimately be accessed by other entrepreneurs at a local level (Bergh et al., 2011). Realising exceptional value creation is thus contingent on the level of trust that is developed to mobilize complementary resources within a given supply chain network (Fawcett et al., 2010). Since trust opens access to those complementary competences needed to exploit network resources, its presence increases openness and open opportunities to acquire competences through learning from one another, reducing uncertainties in exploiting business opportunities.

Entrepreneurial competences are situational and context-specific (Hayton & McEvoy, 2006). The study on women entrepreneurs revealed that strategic competences were under developed amongst women (Solesvik, 2012). It is evident that entrepreneurial competences positively relate to supply chain management strategies (Kiwala et al., 2021), however, given the uniqueness of the business environment where local SMEs operate from, examining each of the competences may not be appropriate, as some of the competences cannot be generalized across contexts. The study prioritises two key competences for integrating local supply chain activities, including opportunity and commitment competences. Opportunity competence relates to recognizing and developing market opportunities through various means and commitment competence drive the entrepreneur to move ahead with the business (Man et al., 2002). These competences create value for participating firms (Capaldo et al., 2004), through creating market opportunities for local suppliers and building positive feeling towards one another. The study predicts that both commitment and opportunity competences are the most valued competences in the local supply chain network. Thus,

SME owner managers that these competences should be able to create a strong supply network and open up new markets to achieve demand and supply balance.

3. Research methodology

3.1 Research hypotheses

We focused on entrepreneurial competences, supply chain trust and SCV in order to develop the research hypotheses. Given that not all entrepreneurial competences enable local SME managers to integrate local supply chain activities, opportunity competence and commitment competence are used to develop this study. Specifically, we hypothesise that opportunity competence of SME owners-managers has a positive impact on SCV related to both supplier and customer relationships; we define these propositions with H_{1a} and H_{1b} respectively. Similarly, we hypothesise that commitment competence has a positive impact on SCV in supplier and customer relationships; we define these propositions with H_{2a} and H_{2b} respectively.

In addition, while supply chain trust facilitates value creation within supply chain relationships, characteristic trust and relational trust are much valued in local supply chain relationships compared to institutional trust. Particularly where the role of institutions is weak, institutional trust is less valued by SME owners-managers; in such context, trust within supply chain relationships is evaluated on behavioural characteristics and perceived economic merits. Based on these assumptions, we hypothesise that characteristic trust has a positive impact on SCV in both supplier and customer relationships; we define these propositions with H_{3a} and H_{3b} respectively. Similarly, we hypothesise that rational trust has also a positive impact SCV in both supplier and customer relationships; we define these propositions with H_{4a} and H_{4b} respectively.

Finally, where suppliers and customers are within spatial proximity, the customer's behaviour characteristics build positive evaluations of those competences of partners that will ultimately be accessed by the entrepreneurs (Bergh, Thorgren & Wincent, 2008). Implying that, misbehaviour might build negative evaluations leading to loss of supplier's trust, denying suppliers access to new opportunities or networks created by customers. In view of this, we hypothesise that the relationship between opportunity competence and SCV is moderated by characteristic trust for supplier as well as customer relationships; we define these propositions H_{5a} and H_{5b}.

3.2 Measures

SCV was conceived as a multifaceted construct, measured via three components, namely internal value, customer value and supplier value. Resource-constrained firms are more biased towards external sources value (with both suppliers and customers), particularly where additional resources reside. The items measuring SCV extract owners-managers evaluation of how a SME creates value from both external sources or through interaction with suppliers and customers. The attributes selected to gather information about SCV in our analysis were utilised in similar studies such as; Jayaram, Kannan and Tan (2004) and Hald, Cordón and Vollmann (2009). Table 1 show the list of items utilised to measures the SCV constructs.

In order to measure entrepreneurial competences, respondents were requested to self-assess their own level of competence-related statement. Using this approach helps to prioritise some competences over others in relation to value creation (Hayton and McEvoy, 2006). Table 2 provides a list of entrepreneurial competences considered for analysis with regard to creation of SCV. Opportunity competence was measured using five items (OP1, OP2, OP3, OP4 and OP5) and commitment competence was measured using six items (CMC1, CMC2, CMC3, CMC4, CMC5, CMC6). The items that were adopted to measures entrepreneurial competences were adopted from similar studies such as Man and Lau (2005) and Mitchelmore and Rowley (2010).

The analysis of trust in business management research predominantly employs a single dimension: trustees' characteristics. However, recent attempts to measure trust in supply chain management suggest that the definition and analysis of trust require a multiple-perspective approach. In light of these considerations, we measured trust with regard to three dimensions: institutional factors, individual characteristics and rational factors (Laequddin et al., 2010; Delbufalo, 2012). The three dimensions of trust were constituted as follows: characteristic factors were judged based on the partner's past experience (e.g. credibility, fairness, transparency); rational factors represented the reasons for taking a risk (e.g. economics of relationships, technology benefits, dynamic capability); and institutional factors represented risk-coping mechanism (e.g. contracts, bank guarantees, insurance, agreements between partners, commercial laws) and evaluated each of them on the scale of one to ten. Table 3 provides a list of items selected to measure trust in our study.

Table 1: Constructs and citations for SCV

Supplier value	SV1-Supplier's ability to meet due dates SV2-Emphasis on quality in supplier selection SV3-Ability to develop new or improve existing products SV4-Correct quantity provided SV5-Overall service level provided SV6-Flexibility to respond to unexpected demand changes SV7 -Supplier ability to reduce the total product cost
Customer value	CV1 -Employing routine follow-up procedures CV2 -How the customer use products and services CV3 -Factors for improving customer satisfaction CV4 -Firm's ability to meet due dates set by the customer CV5 -Determination of customer future expectations CV6 -Successful resolution of customer complaints

Source: Authors' compilation

Table 2: Items in the new instrument for entrepreneurial competences

Construct	Items
Commitment Competence	CMC1 →Even if we could, we would not drop our partners because we like being associated with them CMC2 →We want to remain a member of our partners' network because we genuinely enjoy our relationship with them CMC3→Our positive feelings towards our partners are a major reason we continue working with them CMC4 →We expect our relationships with our partners to continue for a long time CMC5 →The renewal of our relationships with our partners is virtually automatic CMC6 →It is likely that our firm will still be doing business with our current partners in two years
Opportunity competence	OPC1→ Searching for new ways to integrate the local supply chain OPC2→ Involving new supply chain members in firm's activities OPC3→ Extending the supply chain beyond immediate members OPC4→ Recognizing and developing market opportunities OPC5→ Creating new products and services

Source: Authors' compilation

Table 3: Trust measurement items from risk perspective

Perspective of risk (No trust)	R1 -We do not develop relationship with suppliers /customers who pursue on their economic interest R2 -We do not depend on suppliers/customers who do not have the operational flexibility R3 - We do not maintain relationship with our suppliers /customers without clearly written terms and conditions of delivery and payment R4 - We do not develop relationship with a supplier/customer who is not fair to us R5 - We do not depend on a single supplier/customer though they have ability to be served by just one
Perspective of no risk (trust)	NR1-We enter in business relationships with customers/suppliers having good market credibility NR2 -We build relationship with customers/suppliers who have capability to re organize the assets and resources as per our requirements NR3 -We develop relationships with customers/suppliers who meet our quality requirements NR4-Till we find our customers reliable, we do not offer open credit facility and insist for advance payment, post-dated cheques NR5-We develop relationship with our customer/supplier only after visiting their facility and assessing their capacity and capabilities
Perspective of risk worthiness (trustworthiness)	RW1- We start relationship with a new customers/supplier when they are transparent, suggesting elimination of unwanted value additions in discussions RW2- We do not mind paying a higher price than the market price for a right product/service of our critical operations and ask the same from our customers RW3-We adopt our supplier's new technology only when the price task, and utility fit together matching with our customer's requirement RW4-When the economic or political situation of our international customers/supplier's country gets in turbulence we re-negotiate our agreements, though there is a long-term relationship with them RW5- We develop relationship with few selected customers/suppliers

Source: Authors' compilation

3.3 Questionnaire and data collection

In order to verify and test our hypothesis, we collected information from SMEs in Uganda via means of a survey questionnaire. In developing the questionnaire template, we asked and obtained progressive feedback from senior researchers based at Gordon Institute of Business Science to remove ambiguity in the formulation of questions and minimise the impact of reverse-coded items. In addition, we approached experts in the areas of supply chain management with regard to content validation.

We conducted a pilot survey with 40 SME owners-managers, which resulted in further modification of the survey template. In its final format, the questionnaire template included twenty-one questions addressing various aspects of the value creation process. We used a five-point Likert scale to capture levels of importance attributed by respondents to specific practices, and a seven-point Likert scale was used to assess entrepreneurial competences. In addition, a ten-point Likert scale was developed to assess levels of trust in supply chain relationships.

The survey targeted a stratified sample of 295 SMEs drawn from the population of 974 SMEs operating in construction, food processing, furniture and fittings and agriculture sector. In Uganda, these are the sectors where procurers mainly depend on local suppliers. The data collection lasted from March, 2016 to May 2016. The questionnaires were completed by 294 SME owners-managers with the help of two research assistants, for a response rate of 99%.

4. Results

The data collected was subjected to three tests before the structural equation modelling (SEM) procedure; test for bias, data validity and reliability using Confirmatory Factors Analysis (CFA). The results from testing measurement models showed that variance explained by Harmon one-factor test was 25.9 percent, below the lower limit (50 percent) for detecting common method bias, hence ruling out common method bias.

The Cronbach's alpha results for reliability test were above 0.516, indicating strong reliability and consistency for the constructs. Two measurement models were estimated using CFA: Model 1 was utilised in estimating how entrepreneurial competences interact with supply chain trust in supplier relationships, and Model 2 was utilised in estimating how entrepreneurial competences interact with supply chain trust in customer relationships.

The measurement model included two competence areas, namely; opportunity competence and commitment competence. In addition, SCV was measured using three constructs, namely; internal process value, customer value and supplier value but internal process value was dropped because the items that were selected to measure internal process exhibited poor factors loadings. This is probably because resource-constrained SMEs don't depend on internal sources of value (reducing inventory cost, training of staff and reducing supplier base), confirming that spatial proximity reduces operational costs. The results from estimating the measurement models: model 1 and model 2 show all *p-values* associated with indicator variables above 1.96 ($p < 0.05$), providing sufficient evidence of their level of significance in measuring the dependent variables. The goodness of fit indices for the measurement model were satisfactory as shown in Table 4 below.

Table 4: Goodness of fit measures

Goodness-of-fit-Indices	Acceptable level	Measurement model						Structural Model	
		Model 1			Model 2			Model 3	Model 4
		SCT	EC	SCV	SCT	EC	SCV		
Chi-square (X^2)	-	0.758	14.53	4.539	3.302	14.53	4.539	222.179	230.650
Degrees of freedom (d.f)	-	8	12	8	4	12	8	148	131
$X^2/d.f$	≤ 3.00	0.758	1.211	0.567	0.826	1.211	0.567	1.501	1.608
X^2 p-value	≥ 0.05	0.64	0.268	0.806	0.509	0.268	0.806	0.000	0.000
Goodness of fit Index (GFI)	≥ 0.9	0.993	0.986	0.995	0.995	0.986	0.995	0.920	0.921
Comparative fit Index (CFI)	≥ 0.9	1	0.989	1	1	0.989	1	0.746	0.705
Root mean square error of approximation (RMSEA)	≤ 0.05	0	0.027	0	0	0.027	0	0.041	0.046

Supply chain trust (SCT), Entrepreneurial Competence (EC)

Two structural models were estimated using IBM AMOS 23 software which provides maximum likelihood estimate with covariance matrix as input: Model 3, which addresses owners-managers' interactions with suppliers; and

Model 4, which addresses owners-managers' interactions with customers. Tests for goodness of fit aimed at developing structural models show good results for the two models (see Table 4), supporting the use of SEM in our analysis. The SEM estimates are summarised in table 5.

Table 51: Summary of results

Hypotheses	Evidence	Significant?	Supported?
Model 3: Suppliers' relationship			
<i>H_{1a}: Opportunity Competence -->SCV</i>	0.416***		Yes
<i>H_{2a}: Commitment Competence-->SCV</i>	0.080	NS	Yes
<i>H_{3a}: Characteristic Factors---> SCV</i>	0.630***		Yes
<i>H_{4a}: Rational Factors---> SCV</i>	0.656***		Yes
<i>H_{5a}: Interaction effect</i>	0.187***		Yes
Model 4: Customer relationship			
<i>H_{1b}: Opportunity Competence -->SCV</i>	0.202**		Yes
<i>H_{2b}: Commitment Competence-->SCV</i>	0.056	NS	Yes
<i>H_{3b}: Characteristic Factors---> SCV</i>	0.945***		Yes
<i>H_{4b}: Rational Factors---> SCV</i>	0.257	NS	Yes
<i>H_{5b}: Interaction effect</i>	-0.120	NS	No

(NS) –Not significant; *** P<0.001; ** P<0.05

4.1 Relationship between opportunity competence and SCV

We hypothesised the presence of a positive relationship between opportunity competence and SCV in both supplier and customer relationships. Findings from the analysis show that opportunity competence exerts a positive influence on SCV in both supplier and customer relationships, confirming hypotheses *H_{1a}* and *H_{2a}*. The estimated path coefficients for the relationship between opportunity competence and SCV were 0.416 ($p=0.000$) and 0.202 ($p=0.044$) for upstream and downstream customers respectively. This positive relationship between opportunity competence and SCV implies that SME owners-managers with skills and competences in recognizing and developing market opportunities (OP2), searching for new ways to integrate the supply chain (OP3), and integrating supply chain activities (OP1) are likely to improve SCV. In the models, these activities are associated with three main characteristics: improved suppliers' ability to meet the deadlines (SV1); influenced suppliers' level of commitment to quality (SV3); and enhanced suppliers' flexibility in responding to the firm's demands and emergencies (SV6).

The effects of opportunity competence on suppliers include improved the firm's responsiveness to customer needs (CV1), improved customer service level (CV2), and reduced lead-time (CV4). For example, when local SME-suppliers become part of customers' activities, this reduces their risk and lead-time on their deliveries. Hence, if local SMEs aim to maximize value, then owners-managers should focus on upgrading opportunity competence, as this attribute would help integrating both customers and suppliers' activities to achieve demand and supply balance.

We further predicted the presence positive relationship between commitment competence and SCV. Findings from the analysis reveals that owners-managers' commitment competence exert a positive influence on SCV in both supplier and customer relationships, hence accepting Hypotheses *H_{2a}* and *H_{2b}*. The estimated coefficients of the relationship between commitment competence and SCV in supplier relationship was 0.056 ($p=0.477$), and 0.080 ($p=0.334$) for customer relationships. The positive relationship implies that SME owner-managers are willing to remain members of local supply network because (i) they genuinely enjoy their relationships (CMC1); (ii) they have positive feelings towards their partners (CMC2); (iii) they expect their relationships with partners to continue for a long time (CMC3); and (iv) they are hopeful that they will be doing business with these partners in future (CMC5).

4.2 The relationship between supply chain trust and SCV

We hypothesized the presence of positive effects of characteristic trust and SCV with regard to owners-managers relationships with suppliers. Findings from the analysis shows a positive and significant effects of 0.630 ($p= 0.000$), confirming hypothesis *H_{3a}*. Personal attributes such as credibility (NRS1), fairness (PRS4) and operational flexibility (PRS2) increase the level of trust of owners-managers towards suppliers. This means that

suppliers who able to fulfil deadlines set by their customers, responding promptly to emergencies and special requests. In addition, suppliers who are likely to improve the quality of their products are perceived as fair, flexible and credible in the market. With regard to customer relationships, the analysis reveals a strong positive relationship of 0.945 ($p=0.017$) between characteristic factors and SCV, hence confirming hypothesis H_{3c}. The key personal qualities driving trust in customer relationships appear to be transparency and reliability.

Regarding rational trust, we hypothesized a positive relationship between rational trust and SCV. The result revealed a positive and significant relationship of 0.656 ($p=0.000$) between rational trust and SCV in customer relationship, hence supporting hypothesis H_{3b}. Results indicate three incentives that create value in customer relationships: providing products that were critical to the firms' operations (RWS2); use of contracts (PRS3); and dealing with a limited number of selected suppliers (RWS2). This indicates that the owners-managers' relationship with smaller suppliers (e.g., micro-enterprises) was perceived as very risky, possibly because of the low capacity of smaller businesses.

Regarding customers, rational trust did not yield significant effects on SCV. Analysis of the research results revealed a positive but insignificant relationship of 0.257 ($p=0.151$), hence confirming hypothesis H_{4b}. Kwon and Suh (2004:7) assert that unless trust translates into actionable commitment, no performance gains can be expected from supply chain relationship. The incentives driving trust in the relationships between owner-managers and their customers include operational flexibility, willingness to use contracts and shared economic interests.

5. Discussion and managerial implication

Results gathered from econometric analysis suggest that SMEs that are participating in local procurement, value the role of opportunity competence in creating SCV. The results corroborate with Singh (2011) showing that opportunity competence enables entrepreneurs in involving new suppliers in supply chain activities, increasing flexibility, enhancing innovativeness and supporting networked suppliers to create new products and services. With regard to commitment competence, it was expected that commitment competence may facilitate relationships through improving the flow of resources and reducing time to the market (Singh, 2011), although this was not the case from the analysis performed.

Similarly, results do not corroborate Singh's (2011) earlier findings supporting commitment as a driver for coordination and improvement of value creation for resource-rich firms. Since commitment is expected to facilitate the sharing of resources, resource-constrained firms see no value in committing to one another (Fynes, Voss & de Búrca, 2005). Hence, those SME owner-managers lacking opportunity competence are likely to be less competitive than their counterparts possessing it. In our analysis, opportunity competence enhanced owner-managers' ability to manage time and product quality, although local suppliers operating on a small scale frequently struggle to meet quality specifications. This research offers a solution: low quality can be addressed when the SMEs create more opportunities for local suppliers and involve them in developing products to suit prevailing demand. Entrepreneurs willing to adopt local procurement should therefore be ready to invest in capacity building to develop competences.

Regarding trust, results suggest that the suppliers' characteristics, including market credibility, fairness, operational flexibility and transparency are most valuable with regard to increasing SCV. For firms and particularly SMEs, being located within close spatial proximity may lead to frequent face-to-face contact between actors, so any form of misbehaviour is likely to affect performance. Unlike firms and SMEs located far apart, businesses operating within the same geographical area work in an environment where individual manager's conduct has significant effects on business competitiveness. The effects of such qualities on SCV are not new in literature, e.g., both fairness and flexibility were found to be key value drivers in supply chain relationships (Hofmann and Locker, 2009; Ab Talib and Abdul Hamid, 2014). Moreover, our findings are also consistent with those provided by Panayides and Venus Lun (2009) and Lin et al., (2005), who indicate a positive relationship between trust and supply chain performance. However, these studies mainly examined trustees' behaviour to assess trust in supply chain relationships, while in our analysis trust is assessed using three parameters: characteristic factors, institutional factors and rational factors.

In addition, findings reveal a significant result for a two-way interaction between characteristic factors and opportunity competence on supplier value. Accepting hypothesis H_{5a} implies that high levels of trust increase the positive influence of entrepreneurial competences on supplier value, whereas low levels of trust may erode those benefits. An optimal level of trust is thus needed to facilitate beneficial relationships between SME owner-managers and their suppliers. The rejection of hypothesis H_{5b} implies that the impact of opportunity competence on customer value does not depend on the level of trust in the relationship. Therefore, increasing the level of trust in customer relationship may not trigger additional benefits from opportunity competence. This is due to the high levels of uncertainty in customer relationships which result from their distance from the focal firm. Where SME owner-

managers cannot accurately predict their partner's actions (especially the actions of those who are far away), increasing the level of trust alone cannot trigger additional benefits from opportunity competence.

6. Conclusion

The findings that emerge from this paper provide several important insights. The study results demonstrate that policy makers contemplating investing in promoting SMEs through local procurement should consider the impact of trust and competences in improving supply chain performance, emphasising, practitioners can improve SMEs' relevance in local procurement if they shift focus towards building trusted networks and developing competences. The current study has proposed an SCM capability that is critical for creating value-driven supply chains. This capability includes relational integration and competence integration, adding value to earlier work which suggested a combination of technology, information integration and relational integration.

Buying from resource-constrained suppliers is complex, forcing procurers to select a few suppliers. Face-to-face interactions with high performers help to build trust, which circumvents replication in how supply chain partners combine resources. The capability to manage the kind of initial trust which transforms into high level of trust is a key capability which SME owner-managers need to develop in order to manage local supply chains. Such trust, which subsequently develops from one's conduct towards other members of the supply chain, builds a social complexity that circumvents imitation of how the successful supply chain partners combine scarce resources in creating SCV. Undoubtedly, the suppliers' characteristic factors are key in building strong supply chain relationships in local supply chain.

The study results show that the SME owner-manager's perspective – which varies with respect to customers and to suppliers – alters how managers assess trust in customer and supplier relationships and what actions are appropriate to build trust. For instance, managers who trust customers for being reliable and transparent, by contrast assess trust in suppliers based on operational flexibility, fairness and market credibility. The qualities driving trust in customer relationships are quite different from those driving trust in supplier relationships, suggesting strongly that SME owner-managers behave differently in relation to customers and suppliers. In sum, a manager is likely to alter the value he/she attaches to the different metrics of supply chain trust depending on his/her opinion about a supply chain partner. This observation illuminates our understanding of how the managers' perspective alters the value attached to the different metrics of supply chain trust in reducing risk. This conclusion is further supported by the differing levels of uncertainty predicted in each of these relationships.

The study also paints a more complete picture of how supply chain trust facilitates or impedes the value created by entrepreneurial competences, adding a more nuanced understanding of the differences between supplier and customer relationships. The results revealed that high levels of trust increase the value suppliers attach to the owner-managers' competences, while mistrust erodes it. By contrast, the level of trust does not alter the value customers attach to SME owner-managers' competences. This difference in value attachment between customers and suppliers is again related to the relationship between supply chain actors. The importance of this research is to explain that the value local SMEs create for their customers depends on the level of trust in supply chain relationships. However, the valued benefits the focal firm enjoys from its suppliers (commitment to quality, flexibility and timely delivery) depend on the level of trust in supplier relationships.

Finally, the study also reveals that internal processes within local SMEs do not increase efficiency. This means internal processes are not key value drivers for resource-constrained firms. Instead, resource-constrained firms mainly depend on external sources value by operating close to one another.

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