

THE INFLUENCE OF SUPPLIER RELATIONSHIP MANAGEMENT TOWARD BUSINESS PERFORMANCE OF SMES IN MANADO**PENGARUH DARI MANAJEMEN HUBUNGAN PEMASOK TERHADAP KINERJA BISNIS UKM DI MANADO**

By:

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Abstract: Supplier Relationship Management offers lots of advantages. Implementing this system will eventually lead to different types of challenges, such as finding the right vendors or suppliers with good capabilities, having executive sponsorship, and creating business cases. Implementing this type of management also needs to be followed by requirements that can make or break the system's effectiveness. The purpose of this study is to find out whether the components of Supplier Relationship Management such as information sharing, joint activity, and trust-based relationship affect the business performance of Small and Medium Enterprises in Manado. This study uses a quantitative method and ordinal regression analysis as a tool to analyze the data. This study's findings show that information sharing, joint activity, and trust-based relationships significantly affect business performance. From the results, SME owners can make several improvements, such as focusing on aspects that influence business performance, implementing electronic data interchange, and maintaining trust-based relationships towards suppliers.

Keywords: *supplier relationship management, information sharing, joint activity, trust-based relationship, business performance*

Abstrak: Manajemen hubungan pemasok menawarkan banyak keuntungan. Implementasi dari sistem ini akan menciptakan beberapa tantangan ke depan seperti menemukan pemasok dengan kualitas yang baik, mendapatkan sponsor secara eksekutif dan membuat ide-ide bisnis. Implementasi dari manajemen ini juga harus di ikuti dengan beberapa persyaratan agar efektivitas dari sistem bisa terlaksana. Tujuan dari penelitian ini adalah untuk mengetahui komponen dari manajemen hubungan pemasok seperti pembagian informasi, aktivitas gabungan dan kerja sama yang berlandaskan rasa percaya memiliki efek terhadap kinerja bisnis dari UKM yang ada di Manado. Penelitian ini menggunakan metode kuantitatif dan analisis regresi ordinal sebagai alat analisa untuk menganalisa data yang dikumpulkan. Hasil dari penelitian ini menunjukkan bahwa pembagian informasi, aktivitas gabungan dan kerja sama yang berlandaskan rasa percaya memiliki efek terhadap performa bisnis secara signifikan. Dari hasil penelitian ini; pemilik dari UKM bisa melakukan beberapa hal seperti fokus terhadap aspek yang mempengaruhi performa bisnis, implementasi dari pertukaran data elektronik dan menjaga hubungan berlandaskan rasa percaya terhadap pemasok.

Kata kunci: *manajemen hubungan pemasok, pembagian informasi, aktivitas gabungan, kerja sama berlandaskan rasa percaya, kinerja bisnis*

Research Background

Small Medium Enterprises (SME) is a type of business that maintain their revenues, assets, and number of employees below a certain threshold. The increasing number of Small and Medium Enterprises each year makes the competition between businesses more and more competitive. Therefore, business relationships and suppliers need to be seen as a big consideration for the company to grow. It shows that the suppliers can affect business performance; in this case, the businesses have a strategy to have a close relationship with the suppliers with the term called Suppliers Relationship Management. Business performance is measured by the expansion of the business, which created a certain standard in seeing how it has grown (Lintong, Massie and Tasik, 2019).

Supplier Relationship Management is a systematic, enterprise-wide assessment of suppliers' assets and capabilities concerning overall business strategy, determination of what activities to engage in with different suppliers, and planning and execution of all interactions with suppliers, in a coordinated fashion across the relationship life cycle, to maximize the value realized through those interactions. Besides suppliers; business can also rely heavily on energy management to thrive within the competition (Mawati, Kindangen and Tasik, 2018)

Suppliers Relationship Management offers lots of advantages. However, it also has several aspects that need to be considered. Implementing this system will eventually lead to different types of challenges, such as finding the right vendors or suppliers that have good capabilities, having executive sponsorship, and creating business cases. Implementing this type of management also needs to be followed by requirements that can make or break the system's effectiveness. Supplier Relationship Management components are organizational structure, governance, joint venture, value measurement, systematic collaboration, and technology and systems.

Research Objective

1. To identify if information sharing as components of Supplier Relationship Management affect the Business Performance
2. To identify if joint activity as components of Supplier Relationship Management affect the Business Performance
3. To identify if trust-based relationship with suppliers as components of Supplier Relationship Management affect the Business Performance

THEORETICAL REVIEW**Supplier Relationship Management**

Supplier Relationship Management is to develop two-way, mutually beneficial relationships with strategic supply partners to deliver greater levels of innovation and competitive advantage than could be achieved by operating independently or through a traditional transaction purchasing arrangement (Mettler and Rohner, 2009).

Business Performance

Business performance refers to how well an organization achieves its market-oriented goals and its financial goals (Stanley, 2001). Business performance can be crucial for the business because it can act as a way to measure how well the business is currently going. The indicator of business performance can be measure through business performance management.

Information Sharing

Information Sharing is the act of passing information from one to another. As the suppliers are an important and integral part of supply chain management and supplier management is an essential part of any organization's strategies, having the right information on suppliers and suppliers' performance becomes imperative (Kearney, 2013).

Joint Activity

The concepts of the joint activity are described as key aspects of team coordination. Joint activity depends on the inter-predictability of the participant's attitudes and actions. Performance depends on coordination, as cognitive work is distributed among different parties. One of its missions has to do with the process of resolving issues of conflicting and interacting goals (Olson, Malone and Smith, 2001).

Trust-Based Relationship

Trust in the partner's reliability; trust that the other firm is reliable to do what it said, and trust in the partner's benevolence: a belief that the other firm is interested in the partner's firm benefit and will not take actions that may unfavorably influence it. Trust between the buying firm and its suppliers would improve cooperation, enhance satisfaction, reduce conflicts, facilitate information exchange, and lead to long-term relationships (Morgan and Hunt, 1994).

Previous Research

Morgan and Hunt (1994), in the commitment-trust theory of relationship marketing, found that there is a finding regarding trust-based relationship and business performance. "Trust between the buying firm and its suppliers would improve cooperation, enhance satisfaction, reduce conflicts, facilitate information exchange, and lead to long-term relationships".

Rachmawan (2018) in *Pengaruh Manajemen Rantai Pasok terhadap Kinerja Perusahaan* (case study on Careffour Ambarukmo Plaza) also found linkage regarding information sharing and business performance. "The results of this study indicate that there is a positive and significant effect of information sharing on the company's operational performance, long-term relationship to the company's operational performance, cooperation on operational performance and integration process to the company's operational performance at Careffour Ambarukmo Plaza Yogyakarta".

Douglas and Matthew (2012) in *Supplier Relationship Management as a Macro Business Process* show that joint activity and business performance relate to one another. "The research resulted in a framework that managers can use to implement a cross-functional, cross-firm, SRM process in business-to-business relationships. It is necessary for a business' owner to seek and develop relationships with suppliers who have the ability, currently or potentially, to meet the business standards or goals".

Conceptual Framework

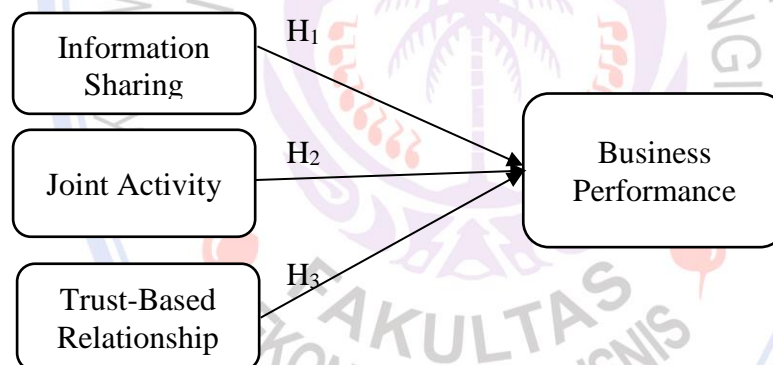


Figure 1. Conceptual Framework

Source: Data Processed, 2020

RESEARCH METHOD

Research Approach

This research uses quantitative approach that emphasizes objective measurements and the statistical, mathematical, or numerical analysis of data collected through polls, questionnaires, and surveys or by manipulating pre-existing statistical data using computational techniques. A survey was conducted to collect the primary data by distributing questionnaires to determine the influence of independent variables (X), which are information sharing, joint activity, and trust-based relationship, on the dependent variable (Y), which is business performance.

Population, Sample, and Sampling Technique

The population of this research is Small and Medium Enterprises that focused on the food and beverage sector in Manado. The sample size of this research will be 100 owners of Small and Medium Enterprises in the food and beverage sector in Manado that do a partnership with suppliers. The sampling method used for this research is cluster random sampling. Cluster Random Sampling means dividing the population into several groups, which still have several key characteristics between those clusters, and then choosing one of the groups or clusters as the sample.

Data Collection Method

Primary data collection was acquired through questionnaires. A questionnaire is a research instrument consisting of a series of questions to gather information.

Operational Definition of Research Variables

Table 1. Variable Definition

Variable	Definition	Indicators
Information Sharing (X ₁)	Information sharing is the act of passing information from one to another throughout partnerships.	<ul style="list-style-type: none"> - Inventory Level - Sales and Demand Forecast - Promotion Strategies - General Feedback From Supplier Evaluation
Joint Activity (X ₂)	Joint activity described as key aspects of coordination in partnerships.	<ul style="list-style-type: none"> - Supplier Summits - Strategic Business Planning - Operational Business Reviews
Trust-Based Relationship (X ₃)	Trust-based relationship is one of the crucial components in partnerships between 2 or more parties. It involves agreement and transparency in all negotiation phases.	<ul style="list-style-type: none"> - Competence - Contractual - Goodwill
Business Performance (Y)	Business performance is a measure of how well an organization achieves its desired objectives.	<ul style="list-style-type: none"> - Perceived Product Value - Customer Loyalty - Financial Performance

Source: Author's Note, 2020

Validity and Reliability

Validity test is used to measure the obtaining data are in line with the research concept. In other words, the instrument items used to obtain the data are correct and related to the concept of the research that will be conducted. Reliability test uses to measure the consistency of instrument items. Reliability test is defined as an index that showed how far instrument items could be trusted or dependable.

Ordinal Regression

Ordinal Regression is used in this research. As a predictive analysis, Ordinal Regression described and explained any relationship between one dependent variable and two or more independent variables. The dependent variable must be categorical, and the independent variables are in the form of ordinal or continuous level (ratio or interval). The major decisions in this research involved in the model building for Ordinal Regression were deciding which explanatory variables should be included in the model and choosing the link function (such as logit link or complementary log-log link) that demonstrated the model appropriateness.

RESULT AND DISCUSSION**Result****Validity and Reliability**

The validity test of information sharing (X1), joint activity (X2), trust-based relationship (X3), and business performance (Y) are all valid. The variable is reliable because the value of Cronbach's Alpha is 0,705 greater than 0,6.

Result of Ordinal Regression**Table 2. Model Fitting Information (Perceived Product Value)**

Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	121.649			
Final	121.308	.341	3	.259

Table 3. Model Fitting Information (Customer Loyalty)

Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	87.683			
Final	68.034	19.648	3	.000

Table 4. Model Fitting Information (Financial Performance)

Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	143.287			
Final	93.476	49.810	3	.000

Source: Data Processed, 2020

Model fitting information tests the influence of each independent variable. This test is conducted by comparing a model without any explanatory variables (Intercept Only) against the model with all the explanatory variables (Final) to see whether it has significantly improved the fit to the data. The statistically significant chi-square statistics indicates that the Final model or value gives better predictions on Business Performance (specifically Customer Loyalty and Financial Performance with $p < .0005$).

Table 5. Goodness-of-Fit (Perceived Product Value)

	Chi-Square	Df	Sig.
Pearson	103.047	69	.005
Deviance	72.209	69	.372

Table 6. Goodness-of-Fit (Customer Loyalty)

	Chi-Square	Df	Sig.
Pearson	42.918	33	.116
Deviance	39.919	33	.190

Table 7. Goodness-of-Fit (Financial Performance)

	Chi-Square	Df	Sig.
Pearson	56.620	51	.273
Deviance	63.112	51	.119

Source: Data Processed, 2020

The tables show Pearson and Deviance as the two statistics method and have their Chi-square value. The model is good fit when the significant value of the Pearson and Deviance is greater than 0.05. According to the

tables above, the model for dependent variable (Customer Loyalty and Financial Performance) is categorized as a good fit.

Table 8. Pseudo R-Square

	Perceived Product Value	Customer Loyalty	Financial Performance
Cox and Snell	.030	.178	.392
Nagelkerke	.040	.210	.428
McFadden	.010	.104	.200

Source: Data Processed, 2020

Pseudo R-Square is used to determine how big information sharing, joint activity, and truth-based relationship as the independent variables explain the business performance as the dependent variable in this research. Cox and Snell, Nagelkerke, and McFadden analysis measures meant to stimulate the R-Square analysis. The table shows that amongst those Pseudo R-Square, Nagelkerke has the biggest value. It means that all the independent variables able to explain the dependent variable, which are consisted of Perceived Product Value as much as 4%, Customer Loyalty as much as 21%, and Financial Performance as much as 42.8%, while the rest are explained by other factors that will not be discussed in this research.

Table 9. Parameter Estimates (Perceived Product Value)

		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[PerceivedProductValue = 1]	-1.740	1.253	1.929	1	.165	-4.195	.716
	[PerceivedProductValue = 2]	-.546	1.237	.195	1	.659	-2.969	1.878
	[PerceivedProductValue = 3]	1.322	1.243	1.131	1	.288	-1.115	3.759
	[PerceivedProductValue = 4]	2.925	1.293	5.120	1	.024	.391	5.459
Location	InformationSharing	-.113	.287	.155	1	.694	-.674	.449
	JointActivity	-.016	.268	.003	1	.954	-.540	.509
	TrustBasedRelationship	.167	.288	.336	1	.562	-.398	.732

Table 10. Parameter Estimates (Customer Loyalty)

		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[CustomerLoyalty = 3]	2.502	1.343	3.472	1	.062	-.130	5.134
	[CustomerLoyalty = 4]	5.188	1.437	13.037	1	.000	2.372	8.003
Location	InformationSharing	-.456	.327	1.950	1	.163	-1.097	.184
	JointActivity	1.000	.303	10.882	1	.001	.406	1.594
	TrustBasedRelationship	.598	.328	3.316	1	.069	-.046	1.242

Table 11. Parameter Estimates (Financial Performance)

		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[FinancialPerformance = 2]	5.819	1.521	14.636	1	.000	2.838	8.800
	[FinancialPerformance = 3]	8.701	1.680	26.819	1	.000	5.408	11.993
	[FinancialPerformance = 4]	9.484	1.718	30.486	1	.000	6.117	12.851
Location	InformationSharing	-.707	.343	4.255	1	.039	-1.379	-.035
	JointActivity	1.587	.338	22.048	1	.000	.924	2.249
	TrustBasedRelationship	1.095	.351	9.735	1	.002	.407	1.783

Source: Data Processed, 2020

The parameter estimates shown in the table 4.14, 4.15, and 4.16 shows the Wald value of every independent variable and its significance. Information Sharing (X_1) on Financial Performance has Wald value of 4.255 with sig. 0.039 (<0.05), Joint Activity (X_2); on Customer Loyalty has Wald value of 10.882 with sig. 0.001 (<0.05), on Financial Performance has Wald value of 22.048 with sig. 0.000 (<0.05). However, Trust-Based Relationship (X_3); on Financial Performance has Wald value of 9.735 with sig. 0.002 (<0.05). The results indicate that all the independent variables have a significant effect on Business Performance.

Table 12. Odds Ratio in Perceived Product Value

Variables	B	Exp(B)
Information Sharing	-.113	.893
Joint Activity	-.016	.984
Trust-Based Relationship	.167	1.182

Table 13. Odds Ratio in Customer Loyalty

Variables	B	Exp(B)
Information Sharing	-.456	.633
Joint Activity	1.000	2.718
Trust-Based Relationship	.598	1.818

Table 14. Odds Ratio in Financial Performance

Variables	B	Exp(B)
Information Sharing	-.707	.493
Joint Activity	1.587	4.889
Trust-Based Relationship	1.095	2.989

Source: Data Processed, 2020

If the value of odds ratio is greater than 1, then it indicates that as the predictor (independent variable) increases, the odds of the outcome occurring also increase. Conversely, if the value is less than 1, then it indicates that as the predictor increases, the odds of the outcome occurring decrease. Table (odds ratio in Perceived Product Value) shows that the likelihood of a business to have a better performance through perceived product value is increases by 1.182, whenever there is an increase in Trust-Based Relationship. However, the likelihood of a business to have a better performance is decreases by .893 and .984, when there is an increase in Information Sharing and Joint Activity as the predictors.

Table 15. Test of Parallel Lines (Perceived Product Value)

Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Null Hypothesis	121.308			
General	117.685 ^b	3.623 ^c	9	.934

Table 16. Test of Parallel Lines (Customer Loyalty)

Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Null Hypothesis	68.034			
General	59.705	8.330	3	.040

Table 17. Test of Parallel Lines (Financial Performance)

Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Null Hypothesis	93.476			
General	89.585 ^b	3.891 ^c	6	.691

Source: Data Processed, 2020

To test the assumption that every category has the same parameter or relationship with the independent variable where the logit is equal with all logit equations, the test of parallel lines used in this research. The data shows that this study is a good fit model with sig. 0.934 (>0.05) with chi-square 3.623 for Perceived Product Value, sig. 0.04 with chi-square 8.330 for Customer Loyalty, and sig. 0.691 with chi-square 3.891 for Financial Performance.

Discussion

Information Sharing practices are proved to be giving positive and significant effect company's operational performance, specifically on the retailer (Rachmawan, 2018). However, the difference between this research and the prior study was on the case study, where this study is focused on the Food and Beverages sector of Small and Medium Enterprises. Joint Activity practices with suppliers show a good relationship with Business Performance. It is necessary for a business owner to seek and develop relationships with suppliers who have the ability, currently or potentially, to meet the business standards or goals (Douglas and Matthew, 2012). The supplier will better understand their partner (in this case, business standards) when a business itself lets the supplier be involved in their business planning. Trust-Based Relationship practices between a business and its supplier are proved to have a positive impact on Business Performance. Trust between the buying firm and its suppliers would eventually improve cooperation, enhance satisfaction, reduce conflicts, facilitate information exchange, and lead to long-term relationships (Morgan and Hunt, 1994). A long-term relationship between owners and suppliers is the main goal that the business needs to achieve.

CONCLUSION AND RECOMMENDATION

Conclusion

1. Information Sharing, as one of the independent variables, significantly affect the Business Performance that acts as the dependent variable.
2. Joint Activity as one of the independent variables, significantly affect the Business Performance that acts as the dependent variable.
3. Trust-Based Relationship as one of the independent variables, significantly affect the Business Performance that acts as the dependent variable.

Recommendation

Exchanging reliable and useful information with the supplier is actually a good thing in terms of maintaining conducive collaboration. However, in this case, it is essential for a business to focus on its marketing strategy or managing their Customer Relationship Management in order to have a good Perceived Product Value and gain Customer Loyalty. Business owners are suggested to become aware of other aspects that can affect the Business Performance rather than just focusing on Supplier Relationship Management; further research regarding the current condition of the available markets can be the solution for this problem. Supplier involvement in business' strategic planning makes the fulfillment process more effective and efficient. The business can also save time or even reduce costs if the supplier is able to successfully providing the materials needed over time. The business should also create a database for supplier activities such as delivery schedules, complaints, and quality management processes. The existence of EDI (Electronic Data Interchange) needs to be utilized by the SMEs in order to create a more sustainable condition for SMEs to grow. The utilization of EDI is necessary for the business owners in order to enhance the business' current state. EDI itself is the electronic interchange of business information using a standardized format; a process which allows one company to send information to another company electronically. Businesses that already have a Trust-Based Relationship with their supplier should continue their partnership in order to maintain and even increase the Business Performance. While for business owners who are still troubled to have a good relationship with their supplier, they are suggested to either try to find a new supplier that can fulfill the business's standards or try to become more open in the communication process with the supplier.

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