

Supply Chain Management Practice in Creative Industries

L. Kartikasari & Hendar

Universitas Islam Sultan Agung, Semarang, Indonesia

ABSTRACT: Supply chain performance effectiveness helps to provide many direct and indirect benefits for suppliers and manufacturing companies where it represents the ability to invent and produce solutions that add more value to customers, distributors, and other parties. The purpose of this research is to examine the effect of supply chain management practice (SCMP) that consists of supplier management, information quality, and product development on supply chain performance effectiveness with firm age as the moderation variable. The study sample includes 75 creative industry SMEs in Central Java, Indonesia. Research hypotheses were tested using the statistical methods of multivariable linear regression. The results showed that supplier management had a positive and significant effect on the supply chain performance effectiveness; Information quality had a positive and significant effect on supply chain performance effectiveness; Product development had a positive and significant effect on supply chain performance effectiveness; and Firm age strengthened the effect of supplier management on supply chain performance effectiveness.

Keywords: supply chain performance, supplier management, Information quality, Product development.

1 INTRODUCTION

In facing a competitive global market, organizations have downsized, focused on core competencies, and attempted to achieve competitive advantage by more effectively managing all internal and external value-adding activities. Many firms have reduced their supply base in order to more effectively manage relationships with strategic suppliers. The supply chain management study emphasizes on how to maximize the overall value of the firm by better using and deployment of resources across the whole firm. The relationship between suppliers, customers, and the company should be well managed. Producers keep responsible for the quality of products and long-term relationships with suppliers, distributors, and customers. An error occurs in the distribution of goods and services will decline the quality of goods and services. As a result, competitiveness will be low. To improve the distribution of goods and services, as well as information and financial sharing from upstream to downstream in the creative industry sector, comprehensive management is required.

Supply chain management practices encompass a set of approaches and practices that effectively inte-

grate with suppliers, manufacturers, distributors, and customers to improve the long-term business performance and their supply chain (Chopra & Meindl, 2007). In this study, supply chain management practices are defined as several of management activities that aim to improve the supply chain performance (Li et al., 2006; Koh et al., 2007; Sufian, 2010).

The supply chain management forms the basis of logistical problems competing to win the competition. Efficient integration among suppliers, factory, warehouse and storage need to be done so that goods are produced and distributed with correct quantity and quality to the right location and at the right time. Many types of research on supply chain management and the company performance have been done (Li et al., 2006; Ling & Tan, 2012; Kurien & Qureshi, 2011). However, research on supply chain performance effectiveness is still few (Ibrahim & Hamid, 2012; Benedicte, 2005; Asghar & Vaidyanathan, 2008). This research is focused on supply chain performance effectiveness in creative industry-based small-medium enterprises in Central Java province with several districts selected. Central Java, Indonesia that has a cultural diversity and abundance of resources, is a potential area for growth of the

creative industry. The study has been conducted to know the supply chain in the provision of goods and services to enhance the competitiveness of creative industries in Central Java. The relationship between supply chain management practice of providing goods and services in enhancing the competitiveness of creative industries with the performance of the business in Central Java, Indonesia, is still satisfying to be studied. Not many researches on supply chain performance effectiveness on small and medium enterprises have been done, as the majority of research has been conducted in manufacturing companies.

1.1. Supply Chain Management

Maximizing the overall value generated is a goal of the supply chain management (Chopra & Meindl, 2007). Three things must be managed in a supply chain: first, the flow of goods from upstream to downstream, for example, raw materials shipped from the supplier to the manufacturer, after completion of the production shipped to distributors, retailers, and the end-user. Second, the flow of money and the like that flows from downstream to upstream, and the third is the flow of information that takes place from upstream to downstream or vice versa. Supply chain integration is done to coordinate activities along the supply chain to improve the performance of the supply chain members. Supply Chain Management focuses on the customer as a starting point and ends on inside and outside company activities. The supply chain/ is portrayed to be failed if the finished product or service delivered to customers is not in a useful feature, good quality, reasonable price, and timely delivery. Thus, every company must seek not only to improve the competitiveness of individual firms (such as quality, cost, delivery lead - time, and so on) but also the competitiveness and performance of all companies in the supply chain. To be successful as a member/part of a supply chain and make the supply chain works appropriately, the company has to build a strategy to manage alliances/partnerships with suppliers and their corporate customers.

1.2. The relationship between supplier management and supply chain performance effectiveness

The supplier's partnership represents the long-term relationship between the organization and suppliers (Ibrahim & Hamid, 2012). Li et al. (2006) said that it was designed to leverage the strategic and opera-

tional capabilities of participating organizations to help them achieve significant ongoing benefits. Right quality products start from good quality raw materials. The company realizes the role of suppliers as an indirect leverage profit company. Cooperation with other companies, including suppliers, will affect supply chain performance effectiveness.

H1: Supplier management has a positive effect on supply chain performance effectiveness.

1.3. The relationship between information quality and supply chain performance effectiveness

Divergent interests and opportunistic behavior of supply chain partners and information asymmetry across the supply chain affecting the quality of information (Li et al., 2006). Therefore, the need for quality information will be able to improve the relationship among companies in the supply chain. Besides, it increases the value chain for the process of goods and services from suppliers to consumers. Better quality information will result in a more effective supply chain performance.

H2: Information quality has a positive effect on supply chain performance effectiveness

1.4. The relationship between product development and supply chain performance effectiveness

Product development demand comes from the consumer as an end-user, but the company as a manufacturer is also interested in product development. To carry out product development, producers must communicate with suppliers, distributors, and consumers. Therefore, product development will increase supply chain performance effectiveness.

H3: Product development has a positive effect on supply chain performance effectiveness.

1.5. Company age moderates the effect of supplier management on supply chain performance effectiveness

The company has suppliers from the beginning of doing business. The higher the business transaction, the more the suppliers need by the company. Suppliers always conduct information sharing and mutual relationship efforts (Nyaga et al., 2010). This makes the company easier to manage suppliers. The older the company, the better the

supplier management so that it affects the supply chain performance effectiveness.

H4: Company age moderates the effect of supplier management on supply chain performance effectiveness

2 RESEARCH METHODS

The population of this research was 75 creative industry-based small-medium enterprises located in Central Java. This study used a purposive sampling method. The dependent variable in this research was supply chain performance effectiveness. Measurement of supply chain performance effectiveness variables used the instrument from Ibrahim & Hamid (2012). Measurement of supplier management, information quality and product development variables used the instruments from Li et al. (2006). The age of the company is the company operating time. Companies that are relatively older, usually better in collecting, processing and producing information due to the company already has more experience. Company life can be measured by using the formula: Company age = Year of observation - Year of establishment. Hypothesis in this research was tested by using statistic tools in the form of multiple regression.

3 RESULTS AND DISCUSSION

The regression results of 75 SMEs involved in this study are shown in Table 1.

Table 1. Hypothesis Testing

Variables	Beta	Sig. α
Supplier	0.063	0.002
Information	0.235	0.049
Product	0.105	0.036
Supplier Firm Age	0.168	0.028

The supplier management variable had a positive effect on supply chain performance effectiveness. This is shown in Table 1, where the significance of the supplier management variable is 0.002, which is smaller than 0.05. The supplier is a valuable company's business partner. The existence of suppliers is significant for the company. Therefore, managing suppliers by establishing excellent communication and placing the right position will persuade the suppliers to make a good contribution to the company. These results are in line with research by Sukati et al. (2012) that said

supply chain management practices have a significant relationship with supply chain performance. The supply chain management study emphasizes on how to maximize the overall value of the firm by better using and deployment of resources across the firm. A supply chain is the set of values adding activities connecting the enterprise's suppliers and its customers.

The information quality variable had a positive effect on supply chain performance effectiveness. Where the significance of the information quality variable is 0.049, which is smaller than 0.05, information quality among actors in the supply chain will be able to increase supply chain performance effectiveness. Sufian (2010) stated that the performance of the supply chain is influenced by managing and integrating the critical element of information into their supply chain. The smooth distribution of goods and services in the supply chain will provide maximum results with the coordination and information that can provide value-added to each actor in the supply chain. Supply chain integration involves effective communication among all supply chain members. Customer responsiveness is directly connected to information, in which proper use of information is vital to achieving customer responsiveness. To support this argument, Daugherty et al. (1995) found that information availability and customer responsiveness are positively related, which resulted in improving firm performance.

The product development variable had a positive effect on supply chain performance effectiveness. Where the significance of the product development variable is 0.036, which is smaller than 0.05. Designing products that match the processes and supply chains; processes that match product platforms; and supply chains that match the product platforms and processes are the keys to today's fast-developing markets. Product development involves technical and management aspects, in which an organization transforms the market and technical possibility opportunities into information for the production of a commercial product. This process includes the development of a new product in a way that is coherent with the product's lifecycle, which starts with its planning and ends when it is discarded or taken off by the market.

Company age moderates the effect of supplier management on supply chain performance effectiveness. This is indicated by the result of the significant value of 0.028, which is smaller than 0.05. The effect of supplier management on supply chain performance effectiveness is strengthened by older firm age. Companies that have long been

operated are more experienced in managing suppliers. This is because the company has experience in dealing with a variety of supplier characters and the company has known its suppliers since its establishment.

Sukati, I., Hamid, A.B., Baharun, R. & Yusoff, R.M. 2012. The Study of Supply Chain Management Strategy and Practices on Supply Chain Performance. *Procedia-Social and Behavioral Sciences* 225 – 233.

4 CONCLUSION

Product development involves technical and management aspects, in which an organization transforms the market and technical possibility opportunities into information for the production of a commercial product. This process includes the development of a new product in a way that is coherent with the product's lifecycle, which starts with its planning and ends when it is discarded or taken off by the market.

REFERENCES

- Asghar, S. & Vaidyanathan, G. 2008. Effectiveness and Efficiency of RFID technology in Supply Chain Management: Strategic values and Challenges. *Journal of Theoretical and Applied Electronic Commerce Research* 3.
- Benedikter, B. 2005. Exploring efficiency and effectiveness in the supply chain: A conceptual analysis. *Proceedings from the 21st IMP Conference*. 1-21.
- Chopra, S., & Meindl, P. 2007. *Supply Chain Management: Strategy, Planning, & Operation*. (3th ed). NJ: Prentice-Hall Inc.
- Ibrahim, S.B. & Hamid, A.A. 2012. Supply Chain Management Practices and Supply Chain Performance Effectiveness. *International Journal of Sciences and Research* 3.
- Indonesia Industries Creative Study. Economic creative development in Indonesia 2025. (2008) Indonesia Ministry of Trade
- Koh, S.C., Demirbag, M., Bayraktar, E., Tatoglu, E., & Zaim, S. 2007. The impact of supply chain management practices on performance of SMEs. *Industrial Management and Data Systems* 107(1): 103-124.
- Kurien, G.P & Qureshi, M.N. 2011. Study Performance Measurement in Supply Chain Management. *Journal of Business, Management and Social Sciences* 2(4): 19-34.
- Li, S., Ragu-Nathan, B., Ragu-Nathan, T.S. & Rao, S.S. 2006. The impact of supply chain management practices on competitive advantage and organizational performance. *Omega* 34(2): 107-124.
- Ling, Y.L. & Tan, C.L. 2012. The Effect of Service Supply Chain Management Practices on the Public Healthcare Organizational Performance. *International Journal of Business and Social Science* 3(16): 212-224.
- Nyaga, G.N., Whipple, J.M. & Lynch, D.F. 2010. Examining Supply Chain Relationships: Do Buyer and Supplier Perspectives on Collaborative Relationships Differ?. *Journal of Operations Management* 28(2): 101-114
- Sufian, M.Q. 2010 Alignment of Information Systems with Supply Chains: Impacts on Supply Chain Performance and Organizational Performance. *Thesis*. University of Toledo.