THE EFFECT OF SUPPLY CHAIN MANAGEMENT PRACTICES (SCMP) ON FIRM PERFORMANCE CASE STUDY CLOTHING LINE IN BANDUNG

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Abstract

Clothing line is a part of the textile industry that produces fashion designs such as clothes, shirts, etc. In addition, clothing lines have good market prospects, because clothing is a need that everyone needs to fulfill. Based on data from BPS West Java in 2015, 102 famous clothing lines in Bandung were recorded in the SME category. Clothing line is indeed a business field that has great opportunities in doing business, because many teenagers in Indonesia are looking for fashion brands to Bandung through online and even come directly to their store. In this study, a quantitative method is used which is supported by several variables in this study. There are four independent variables, namely Customer Relationship Management, Supplier Relationship Management, Goal Congruence and Information Sharing. Then there is the intervening variable, namely Supply Chain Performance and the dependent variable, namely Firm Performance. In this research, the data collection process is by distributing questionnaires to the Clothing Line in Bandung.

Keywords: Clothing Line, Firm Performance, Supply Chain Management.

1. INTRODUCTION

Clothing line is one part of the textile industry that produces fashion designs, be it clothes, shirts and so on (Syahid, 2018). A total of 102 clothing lines and distributions spread across Bandung have been registered as Small and Medium Enterprises (UKM) since 2015 (http://disperindag.jabarprov.go.id/, 2019). From these data, Bandung shows that Bandung is competent in the clothing industry and is known as the city of fashion. In running a business that implements the SCM system, it is necessary to pay attention in detail to each of the existing factors to achieve good performance between the company and partners, especially in the Clothing Line business. The effectiveness of supply chain management practices in the clothing line can increase firm performance in the clothing line.

2. LITERATURE REVIEW

2.1.1 Customer Relationship Management (CRM)

Customer relations has an important role to build long-term relationships with customers, in order to find out their complaints and increase overall satisfaction (Tan et al., 1999). Referring to improving CRM can help organizations to provide value, so companies can build loyalty through customer satisfaction (Cox, 2004).

2.1.2 Supplier Relationship Management (SRM)

An aspect for manufacturing companies to ensure reliable and frequent supply of shipments in today's dynamic and competitive environment (Al-Abdallah, 2014). Optimal SRM can ensure that there is a smooth flow of material and information between suppliers and companies and the right products are available at the right time and thus increase the company's SCP (Gandhi et al., 2017).

2.1.3 Goal Congruence (GC)

Goal Congruence (GC) refers to the establishment of a mutually agreed vision among supply chain partners to achieve specific general goals for each material flow without supplier limits to save and harmonize the company's performance in the goal of understanding collaboration among supply chain partners considered key to partnerships in the supply chain so key customers get a unique impression of the product (Gandhi et al., 2017).

2.1.4 Information Sharing (IS)

IS in the supply chain must ensure the smooth flow of information and thus ensure the SCP is improved. IS refers to the attitude of trust and commitment which in turn leads to increased satisfaction and FP (Nyaga et al., 2010).

2.1.5 Supply Chain Performance (SCP)

SCP is a set of parameters used to determine the efficiency and effectiveness of existing supply chain systems or to compare competing alternative systems (Gandhi et al., 2017). The common SCP parameters are used in material forecasting and accuracy, timely delivery capability, delivery reliability and consistency, appropriate supply chain cost knowledge and control, fast customer response, coordinated product flow directly from suppliers to stores, inventory management, rationalization and responsive to changing needs (Qrunfleh and Tarafdar, 2012).

2.1.6 Firm Performance (FP)

According to Kimathi et al (2015), firm performance was identified as one of the most important indicators of the influence of capital structure in the literature review. One of the measurements of company performance is the company's ability to make a profit (profit) at the level of sales, certain assets and share capital. Firm performance is the achievement of company goals that have been planned ahead of time and have met specified targets (Saleksa and Firmansyah, 2014).

2.2 Framework

The framework used in this research is the framework used by Gandhi et al. (2017) in research.
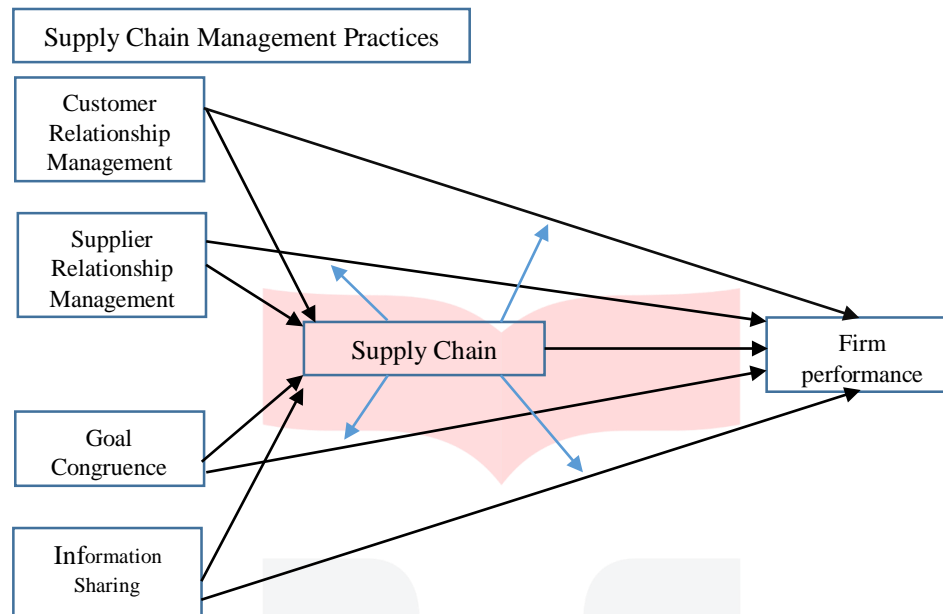
Figure 1 Research Framework

3. RESEARCH METHODOLOGY

The research approach used in this research is quantitative research methods. The quantitative method is a method used because the research data uses numbers and the analysis uses statistics, it is used to examine a specific population or sample, with the aim of testing the hypothesis that has been made (Sugiyono, 2016:7). This study uses a dependent method using Structural Equation Modeling (SEM) techniques to analyze data. The statistical analysis in the VB-SEM model used is Partial Least Square (PLS). In this study, we analyzed PLS using SmartPLS 3.0 software because the software is suitable for exploring data (Jogiyanto & Abdillah, 2015).

4. RESEARCH RESULT

4.1 Respondent Characteristics

The number of sample data that must be collected in this research is 50 clothing line respondents in Bandung. Characteristics of respondents were collected from survey data in the company information section of the questionnaire, namely data on the name of the clothing line, year of establishment, gender, age, understanding of SCM, and application of SCM.

4.2 Outer Model

4.2.1 Convergent Validity

Based on the results of the loading factor test, this study shows that all indicators have a loading factor value greater than 0.7. According to Ghozali & Latan (2014: 77) the value of loading factor that is declared valid must be greater than 0.7 (> 0.7). Then all indicators in this study are declared valid.

All variables in this study have an Average Variance Extracted (AVE) value greater than 0.5. The expected AVE value is greater than 0.5, then the indicators in a variable are integrated and can

represent the variable (Chin, 1995 in Jogiyanto & Abdillah 2015: 195). So that all variables in this study are declared valid.

4.2.2 Discriminant Validity

In this research, all cross loading values are greater than the loading value, and have a value of more than 0.7 so that it is declared valid. According to Ghozali & Latan (2014: 77) a valid cross loading value is greater than 0.7. The results show that the square root value of AVE for each variable is higher than the correlation value, so it can be concluded that the research model used is valid.

4.2.3 Reliability

All variables in this study have a Cronbach's Alpha and Composite Reliability value greater than 0.7 so that they are declared reliable. The Cronbach Alpha value is> 0.7 and the composite reliability on PLS in order to be accepted is> 0.7 (Hair et al., 2008 in Jogiyanto & Abdilah, 2015: 196).

4.3 Inner Model

4.3.1 R-square

Table 1 R-square Result

Variable	R Square
Suppy Chain Management	0.906
Firm Performance	0.461

According to Hair et al (2011) in Ghozali & Latan (2014: 81) identified the value of R Square 0.67 for the strong model, R-square 0.33 for the moderate model, and R-square for 0.19 for the weak model. Based on the results of the R-square test shown in Table 4.12, the Supply Chain Performance variable has an R-square value of 0.906 and it is stated that the model is strong because the R-square value is greater than 0.67. The Firm Performance variable has an R-square value of 0.461 and it is stated that the model is moderate because the R-square value is between 0.33 - 0.67.

4.3.2 Path Coefficients

Table 2 Path Coefficients Result

Variable	Path Coefficient
CRM ⟶ SCP	1.240
SRM ⟶ SCP	0.220
GC ⟶ SCP	0.468
IS ⟶ SCP	-0.095
CRM ⟶ FP	0.600
SRM ⟶ FP	-0.540
GC ⟶ FP	0.468

IS ⟶ FP		0.851
SCP ⟶ FP		0.558

If the path coefficient value is more than 0.1, the relationship between variables in the structural model is positive (Gorlacheva et al., 2019). Based on Table 2 shows that Customer Relationship has a positive influence with Firm performance of 0.600, Goal Congruence has a positive influence with Firm Performance of 0.468, Information Sharing has a positive influence with Firm Performance of 0.851, Supply Chain Performance has a positive influence with Firm Performance of 0.558, Goal Congruence has a positive influence with Supply Chain Performance of 0.468, and there is a positive influence on Customer Relationship Management with Supply Chain Performance with a value of 1,240.

There is a negative influence on Information Sharing on Supply Chain Performance with value -0.095. Supplier Relationship Management has a negative effect on Firm Performance with a value of -0.540.

4.4 Hypothesis Testing

Table 3 T-Statistics and P-Value Result

Hypothesis	Variable	T-Statistics	P-Value	Conclusion
H1a	CRM ➔ FP	1.305	0.099	H1a accepted
H1b	CRM ➔ SCP	11.012	0.000	H1b accepted
H2a	SRM ➔ FP	1.703	0.047	H2a accepted
H2b	SRM ➔ SCP	1.560	0.062	H2b accepted
H3a	GC ➔ FP	3.383	0.001	H3a accepted
H3b	GC ➔ SCP	1.527	0.066	H3b accepted
H4a	IS ➔ FP	2.770	0.004	H4a accepted
H4b	IS ➔ SCP	0.686	0.248	H4b rejected
H5	SCP ➔ FP	1.479	0.073	H5 accepted

Based on table 3 shows that almost all hypotheses are accepted. There is one hypothesis that is rejected in H4b, namely the effect of Information Sharing on Supply Chain Performance.

According to Louangrath (2015), it is explained that with a significant level of 10% received a value greater than 1.30. Then the P-value must be less than 0.1.

5. RESEARCH RESULT AND DISCUSSION

H1a: Customer Relationship Management (CRM) has a significant positive effect on Firm Performance (FP) Clothing Line in Bandung.

The influence of the variable Customer Relationship Management on Firm Performance is significant with the T statistic 1.305 greater than the t-table value of 1.3 (one-tailed). According to Louangrath (2015), it is explained that with a significant level of 10% received a value greater than 1.30. The Path Coefficient value is positive because it is greater than 0.1, which is 0.600 which indicates that the direction of the relationship between Customer Relationship Management and Firm Performance is positive.

H1b: Customer Relationship Management (CRM) has a significant positive effect on Supply Chain Performance (SCP) Clothing Line in Bandung.

The influence of the Customer Relationship Management variable on Supply Chain Performance is significant with a T statistic of 11.012 greater than the t-table value of 1.3 (onetailed). According to Louangrath (2015), it is explained that with a significant level of 10% received a value greater than 1.30. The Path Coefficient value is positive because it is greater than 0.1, which is 1,240 which indicates that the direction of the relationship between Customer Relationship Management and Supply Chain Performance is positive.

H2a: Supplier Relationship Management (SRM) has a significant negative effect on Firm Performance (FP) Clothing Line in Bandung.

The influence of the variable Supplier Relationship Management on Firm Performance is significant with a T statistic of 1,703 greater than the t-table value of 1.3 (one-tailed). The Path Coefficient value is negative because it is below 0.1, which is -0.540 which indicates that the direction of the relationship between Customer Relationship Management and Supply Chain Performance is negative.

H2b: Supplier Relationship Management (SRM) has a significant positive effect on Supply Chain Performance (SCP) Clothing Line in Bandung.

The influence between the variable Supplier Relationship Management on Firm Performance is significant with a T statistic of 1,560 greater than the t-table value of 1.3 (onetailed). The Path Coefficient value is negative because it is plagued by 0.1, which is 0.220 which indicates that the direction of the relationship between Customer Relationship Management and Supply Chain Performance is negative.

H3a: Goal Congruence (GC) has a significant positive effect on Firm Performance (FP) Clothing Line in Bandung.

The influence of the Goal Congruence variable on Supply Chain Performance is significant with a T statistic of 3.383 greater than the t-table value of 1.3 (one-tailed). Path Coefficient value is positive because it is greater than 0.1, which is 0.468 which indicates that the direction of the relationship between Goal Congruence and Firm Performance is positive.

H3b: Goal Congruence (GC) has a significant positive effect on Supply Chain Performance (SCP) Clothing Line in Bandung.

The influence of the Goal Congruence variable on Supply Chain Performance is significant with a T statistic of 1.527 greater than the t-table value of 1.3 (one-tailed). The Path Coefficient value is positive because it is greater than 0.1, which is 0.468 which indicates that the direction of the relationship between Goal Congruence and Supply Chain Performance is positive.

H4a: Information Sharing (IS) has a significant positive effect on Firm Performance (FP) Clothing Line in Bandung.

The effect of Information Sharing variable on Firm Performance is significant with the T statistic of 2.770 being greater than the t-table value of 1.3 (one-tailed). The Path Coefficient value is positive because it is greater than 0.1, which is 0.851 which indicates that the direction of the relationship between Information Sharing and Firm Performance is positive.

H4b: Information Sharing (IS) has no significant effect on the Supply Chain Performance (SCP) of the Clothing Line in Bandung.

There is no influence between the Information Sharing variable on Firm Performance. Because the result of the T statistic 0.686 is lower than the t-table value of 1.3 (one-tailed). The

Path Coefficient value is negative because it is lower than 0.1, which is -0.095 which indicates that there is no significant effect of the Information Sharing variable on Supply Chain Performance in this study.

H5: Supply Chain Performance (SCP) has a significant positive effect on Firm Performance (FP) Clothing Line in Bandung.

The influence of the variable Supply Chain Performance on Firm Performance is significant with the T statistic of 1.479 greater than the t-table value of 1.3 (one-tailed). Path Coefficient value is positive because it is greater than 0.1, which is 0.558 which indicates that the direction of the relationship between Supply Chain Performance and Firm Performance is positive.

5.1 Conclusion

1. Customer Relationship Management has a positive and significant influence on Firm Performance with a relationship size of 0.600.

2. Customer Relationship Management variables have a positive and significant influence on Supply Chain Performance with a relationship size of 1.240.

3. Variable Supplier Relationship Management has a negative and significant influence on Firm Performance with a large relationship of -0.540.

4. Variable Supplier Relationship Management has a positive and significant influence on Supply Chain Performance with a large relationship of 0,220.

5. Goal Congruence variable has a positive and significant influence on Firm Performance with a large relationship of 0.468.

6. Goal Congruence variable has a positive and significant influence on Supply Chain Performance with a large relationship of 0.468.

7. The Information Sharing variable has a positive and significant influence on Firm Performance with a large relationship of 0.851.

8. The Information Sharing variable has no significant effect on Supply Chain Performance with a large relationship of -0.095.

9. Supply Chain Performance variable has a positive and significant influence on Firm Performance with a large relationship of 0.158.

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