

# The Influence of Supply Chain Management on Company Performance (Literature Study)

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## ABSTRACT

The purpose of this study is to analyze the effect of supply chain management on company performance. supply chain management is the process of integrating business processes between interconnected networks of suppliers, manufacturers, distribution centers, and retailers to improve the flow of goods, services, and information from suppliers to end customers while reducing costs throughout the system and maintaining service levels. Performance is the ability of workers to produce results. Company performance is something that a business produces over time in accordance with established standards. This study uses a type of causal research. The results of this study state that the effect of Supply Chain Management on Company Performance is accepted based on the findings of the analysis and discussion. This is based on the results of the t test, namely Supply Chain Management with  $t_{count} > t_{table}$  which shows that  $H_a$  is accepted and  $H_o$  is rejected. This shows that the variable Management of Supply Chain has a positive and significant effect on the Company's performance variable.

**Keywords:** *Supply Chain Management, Company Performance*

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## 1. INTRODUCTION

In the era of globalization, the development of companies is still competitive, with companies competing with each other to meet the various demands of customers that continue to increase. From the middle class to the upper class, there is always a need for superior quality at competitive prices. Particularly in developing countries such as Indonesia, the economy witnessed a dramatic transition that is still being felt today in both economic and social development and industry. In Indonesia, the pace of industry is currently accelerating along with the improvement of knowledge and technology. With the creation of many firms and companies, the industrialization process of Indonesian society is advancing[1]. The short product life cycle is the result of industry and communication. Every business will use every effort to Industrial design and engineering activities are examples of industries that process raw materials, semi-finished goods, and/or goods that have a higher use value. Industry is divided into three categories: upstream industry (basic industry group), downstream industry, and small industry. According to Indonesian Law No. 5 of 1984 concerning Industry, the industrial business field is a field of activity including industrial branches that have the same characteristics and/or end results in the production process. To thrive in the market and capitalize on market possibilities, risks, and competition, the sector needs an effective strategy. To be able to influence the course of the goals to be achieved in improving company performance, the industry must build and have a supply chain management plan. Because supply chain management represents the flow of materials, products, and information[2], which is mainly a company and study business, from suppliers to factories to consumers in the supply chain to improve the long-term performance of the company and all supply chain activities, supply chain management is the coordination of strategies and systems of traditional business functions[3]. Long-term partnerships between industries and suppliers are just one of the operations that make up supply chain management in an integrated supply chain. Some indicators in supply chain management are strategic



relationships with suppliers, relationships with customers, degree of information sharing, and quality of information. Long-term connections can be built with ongoing relationships among all parties involved[4]. Companies are highly dependent on suppliers for a long period of time, both large and small businesses always carry out logistics activities. As a result, an effective integrated Supply Chain Management system is required to enhance the competitive advantage of industrial products. Environmental, social, and cultural factors all play a role in the development of industrial products in each region, each of which has its own characteristics and character[5]. The formulation of the problem in this study is to determine the impact of supply chain management on company performance. The purpose of this study is to analyze the effect of supply chain management on company performance.

## 2. RESEARCH METHODOLOGY

Causal design is research that aims to analyze the causal relationship between independent variables (variables that affect) and dependent variables (variables that are affected)," said Sugiyono [6]. Causal associative research studies the relationship between one variable and another and how one variable affects another. variables are aspects of research observations that can be measured and have variable values. The variable or independent variable that affects is X which is an independent variable[7]. This research focuses on Supply Chain Management. The affected variable or dependent variable or Y is company performance.

## 3. RESEARCH RESULTS

The Effect of Supply Chain Management on Company Performance. Supply chain management is a means of optimizing company activities in company operations to minimize costs and achieve customer satisfaction which is realized by creating good relationships with suppliers, good production and good customer relations. Failure in company operations when producing products/services or at any level can cause failure costs to increase which will then cause the company's profitability to decrease and cause purchasing power to decrease as well. Supply chain management can minimize the costs incurred by the company and increase the value of product quality in the eyes of customers so that company profitability will increase. This condition is expected to improve company performance. Supply chain management has three objectives, namely cost reduction, capital reduction, and service improvement [8]. Of the three objectives, the purpose of cost reduction means that with the implementation of supply chain management companies can minimize logistics costs incurred, for example by choosing a means / model of transportation, way or distribution system, warehousing, standards, and services that minimize costs. Likewise with the goal of capital reduction, the application of supply chain management is expected to improve company performance by increasing the rate of return on capital. On the operational side of the company, supply chain management will help companies so that goods are produced and distributed in the right quantity, the right location, and at the right time. From this statement, a conclusion can be drawn that supply chain management will be able to improve the company's operational performance. Then, the third objective of implementing supply chain management stated by Siagian is the goal of service improvement, it is hoped that with supply chain management, companies can make continuous service improvements so that customer satisfaction and loyalty can be maintained[9]. From this description, it can be concluded that supply chain management affects company performance. This is supported by previous research such as Li, et al. (2006); Suharto (2013), Rahmasari (2011); Irmawati (2007); and Ariani (2013). From the description above, the following hypothesis is formulated. H1 : Supply chain management has a positive effect on company performance.

## 4. CONCLUSION

The initial hypothesis that there is an effect of Supply Chain Management on Company Performance is accepted based on the findings of the analysis and discussion. This is based on the results of the *t* test, namely Supply Chain Management with  $t_{count} > t_{table}$  which shows that  $H_a$  is accepted and  $H_o$  is rejected. This shows that the variable Management of Supply Chain has a positive and significant effect on the Company's performance variable. Supply Chain Management variable (X) already has a supply chain management system that is sufficient to assist the company in ensuring that goods are sold, produced, or distributed in the appropriate quantity, at the right time, and maintaining good relationships with suppliers. The company aims to be able to make continuous service improvements to ensure customer satisfaction, and is maintained. The company's performance will also improve if Supply Chain Management is implemented at a higher level.

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