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Universitas Pelita Harapan

PROCEEDINGS

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Business School
Universitas Pelita Harapan

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FOREWORD FROM THE RECTOR

As rector of Universitas Pelita Harapan, I thereby express my deep satisfaction to have you as presenters and participants on the International Conference on Entrepreneurship 2016. I also express my most sincere gratifications for your special effort made to be together today.

As host, I am deeply pleased to sincerely and warmly welcome our keynote speakers, Prof. Ranjan Das, Ph.D and Prof. Hanno Roberts, Ph.D. The presence of our keynote speakers pertaining to delivery topics about Entrepreneurship with the theme “How Innovation could Improve the Performance and Productivity in Entrepreneurship?” give us new insights about the contribution of Entrepreneurship to enhance economic development in many countries, particularly in Indonesia. The economic success greatly depends on the quality of academics. Business School as one of our faculties had previously pay attention to this.

In my view, IConEnt 2016 is a good opportunity for us to express our future collaborations, at institutional levels and serves of the same purpose, to be useful as possible for the society and the nation. I am convinced that we, as the host of IConEnt 2016, will be able to meet the expectations of every participant. We express our thanks and we unsure each of you to get new insights and international networking in the field of scientific research and academic education.

Thus, I would like to congratulate you again for your participation at the International Conference on Entrepreneurship 2016 by Business School Universitas Pelita Harapan!

Dr. (Hon) Jonathan L. Parapak, M.Eng.Sc.
Rector
FOREWORD FROM THE CONFERENCE CHAIR

We welcome you to International Conference on Entrepreneurship (IConEnt) held on March 17, 2016 in Universitas Pelita Harapan, Tangerang, Indonesia. Entrepreneurship as one of the important parts of the economic determines the future of a nation's economy. Entrepreneurship is the process of identifying, developing, and bringing a vision to life. The vision may be an innovative idea, an opportunity, and a better way to run things. Various examples of the role entrepreneurship play an important role in the economy, including the strengthening of economic growth, improving productivity, creating innovations in the field of technology and products/services, create jobs, as well as change and simplify market competition. A country that has a lot of entrepreneurial sector will contribute to high economic growth and economic development.

IConEnt 2016 is hosted by Business School UPH. The IConEnt-2016 will focus on "How Innovation could improve the Performance and Productivity in Entrepreneurship?". The conference aims to provide opportunities to exchange research ideas and produce new insights. This opportunity also could be used as a way to broaden international network.

The distinguished keynote speakers of IConEnt 2016 are Prof. Ranjan Das, Ph.D and Prof. Hanno Roberts, Ph.D. The conference accepted 104 papers. The authors of submitted papers come from 44 institutions in Indonesia, 18 institutions in 11 countries all over the world, and 2 companies in Indonesia made the conference truly international in scope. The 104 abstracts that were presented on the conference day formed the heart of the conference and provided ample opportunity for discussion. The abstracts were split almost equally between Entrepreneurship several sub-topics such as marketing, human resource management, finance and economics.

We would like to express our gratitude to the members of the Steering Committee and the Organizing Committee, and the external reviewers for their hard work in reviewing submissions. The conference would not be possible without the excellent papers contributed by authors. We thank all the authors for their contributions and their participation in IConEnt 2016.

Dr. Sabrina O. Sihombing S.E., M.Bus
IConEnt 2016 Conference Chair
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HOW TO IMPROVE SUPPLY CHAIN PERFORMANCE BY TRUST AND COMMITMENT: STUDY AT COFFEE INDUSTRY IN MAKASSAR

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Abstract

The purpose of this research is to analyze the effect of trust on commitment, trust on supply chain performance, and commitment on supply chain performance of coffee industries in Makassar, Indonesia. Respondents are managers or owners of coffee industries. The size of industries both consist of small business and medium business scale. The number of sample are 40 respondents. The data were processed by partial least squares-path modeling (PLS-PM). The results shows that trust have positive and significant effect on commitment. Trust also have significant effect on supply chain performance. Commitment have positive and significant effect on supply chain performance. Then, supply chain performance more influence by commitment than by trust.

Keywords: commitment, trust, supply chain performance.

I. Introduction

New paradigm of supply chain had stressed logistic problem as collective problem in large area which is linked among supplier, manufacturing, warehouse, distributor, and end customers. In order to win the competition in global market, organizations must be able to manage their supply chain effectively. According to Indrajit and Djokopranoto, (2006), supply chain is a system in organization which is distributed both goods and services to its customers. The supply chain is a network that consists of a variety of organizations that are interconnected and have the same relationship, which is organizing the procurement or distribution of goods and service in the best ways. While Nahmias (2005) emphasis on the entire network is linked to the activity of a process of linking suppliers, factories, warehouses, stores, and customers. Rajaguru dan Matanda (2012) supply chain process involving major manufacturers, suppliers, manufacturers, retailers, and consumers.

Relate to supply chain, Pujawan and Erawan (2010) stated that the supply chain is a network of companies working to create and deliver a product into the hands of end users together. These companies are usually suppliers, manufacturers, distributors, and retail stores or companies supporting such logistics services company. Chopra and Meindl (2007) stressed supply chain design, planning, and operation decisions play significant role in the success or failure of a firm.

Consequently, management of supply chain to be an important thing at every organization, especially in manufacturing industry. Supply chain management is a modification of the traditional practices of logistics management towards more coordination and partnership among the members which involved in the management of information flow and the product (Zabidi, 2001). Better implementation of supply chain lead to best competitive advantage and performance as well as their supply chain system that built by company. The
key for effective supply chain management is to make suppliers as partners in the company's strategy to meet the ever-changing market (Heizer and Render, 2010).

In the supply chain system, a good relationship with partners are built on trust. Maintaining good relations with the partners of the company is one of the important things that should be considered by the managers. Ahda (2009) stated that the success which achieved through cooperation could increased company performance based on the good relationship.

The partnership process is defined as the interaction between commitment, trust and collaboration between companies (Ryu et al., 2009). Therefore, the high degree of collaboration, both with suppliers and customers, will lead to improved overall performance. Supply chain management is built on the trust basis (Anbanandam et al., 2011). When trust is present, supply chain members will seek resolve differences for the benefit of all members (Sridharan and Simatupang, 2013).

Partnerships, in the context of the supply chain, has a long-term orientation that is born of a relational approach. Cambrá and Polo (2011) asserted that the long-term relationship requires a commitment from the members involved. According to Handoko (2012) commitment is an encouragement to maintain and to extend the relationships. The commitment should be an important variable in determining the success of the relationship. The higher of commitment in built from satisfaction and trust could create the higher of relationship quality among the members in the supply chain system.

Allen and Meyer (1996) concluded that commitment showed a desire, need and obligation to maintain membership in an organization. Higher of commitment could be built either by the supplier or distributor will strengthen cooperative relationships in the long term. Futhermore, Kwon dan Taewon (2004) argue that collaboration among members in supply chain system is one of best way to minimize uncertainty and can improve trust value of all parties.

Commitment and trust is a major factor supporting enterprise collaboration with suppliers (Stefani and Sunardi, 2014). Therefore, the study attempt to investigate the relationship between trust, commitment, and supply chain performance at coffee industry context in Makassar.

II. Conceptual Framework and Hypotheses

Supply chain has a dynamic nature but involving three constant flow, namely the flow of information, products and money. In addition, the main goal of any supply chain is to meet customer needs and generate profits (Chopra and Meindl, 2007). Li et al. (2006) stated that supply chain performance could be measured by several factors including improvement of logistics activities, inventory turnover, lead time customers, cost efficiency, quality of delivery, reliability, and inventory management system.

In the supply chain system, trust and commitment are important variable in determining the supply chain performance. Mamad and Chahdi (2013) confirm that trust is the main factors in collaboration of members of the supply chain. Then, Ryu et al. (2009) argues besides improving collaboration, trust is very important in building commitment. Figure 1. describes the research framework is developed in this research. The framework proposes that supply chain performance is determined by trust and commitment.
Based on literature review and figure above, three hypotheses to be tested in the study as follows:

H1: Trust have significant effect on supply chain performance
H2: Trust have significant effect on commitment
H3: Commitment have significant effect on supply chain performance

III. Research Method

Quantitative approach was used in the study. Respondents were managers of coffee industry in Makassar. Number of population same as sample, so there were 40 people as respondent in this study. The data used in this study were obtained from a questionnaire method. The questionnaire was delivered to company sample directly. There were three variables studied, namely: trust, commitment, and supply chain performance. Trust as exogenous variable. While commitment and supply chain performance as endogenous variables. Four items were used to measure trust variable. They were open communication, information sharing, responsibility, and experience (Abda, 2009). Then, commitment was measured by affective, continuance and normative commitment (Allen and Meyer, 1996). Furthermore, supply chain performance was measured by cost/price, reliability, and flexibility (Levi et al., 2003, Li et al., 2006). Furthermore, research variables are measured by five point Likert Scale.

The validity tested by Product Moment Correlation. An instrument has high validity if r-value > 0.30 (Hair et al., 2010). Reliability of constructs was tested with Cronbach’s α. As suggested by Hair et al. that the cut off point for Cronbach’s α was > 0.60. Results for validity and reliability test could be presented as follow.

<table>
<thead>
<tr>
<th>No.</th>
<th>Variables/Indicators</th>
<th>Correlation (r)</th>
<th>Cronbach Alpha (α)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Trust (x)</td>
<td></td>
<td>0.762</td>
<td>Reliable</td>
</tr>
<tr>
<td></td>
<td>- open communication</td>
<td>0.599</td>
<td></td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>- information sharing</td>
<td>0.648</td>
<td></td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>- responsibility</td>
<td>0.645</td>
<td></td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>- experience</td>
<td>0.608</td>
<td></td>
<td>Valid</td>
</tr>
<tr>
<td>2.</td>
<td>Commitment (y1)</td>
<td></td>
<td>0.788</td>
<td>Reliable</td>
</tr>
<tr>
<td></td>
<td>- affective</td>
<td>0.476</td>
<td></td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>- continuance</td>
<td>0.578</td>
<td></td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>- normative</td>
<td>0.590</td>
<td></td>
<td>Valid</td>
</tr>
<tr>
<td>3.</td>
<td>Supply chain performance (y2)</td>
<td></td>
<td>0.872</td>
<td>Reliable</td>
</tr>
<tr>
<td></td>
<td>- cost/price</td>
<td>0.695</td>
<td></td>
<td>Valid</td>
</tr>
</tbody>
</table>
Table 1 reveals that value of correlation and Cronbach Alpha (α) were above the criteria standard. Therefore, it could be concluded that instrument which used in this study were valid and reliable (Hair et al., 2010). Method of analysis use both descriptive analysis and Partial Least Square – Path Model. Data was processed by Smart PLS 2.0.

IV. Results and Discussion

Respondents of this study have quite different characteristics. Diversity can be seen from the personal data of respondents including sex, age, position, and educational level. There were 40 respondents participated in this study. The most of respondent was male gender (82%), aged between 30 to 40 years (66%), having position within the company as owners (92%), and having level of education Bachelor degree (52%).

Based on the conceptual framework illustrated in figure 1, that there were three hypothesis relationships among the variables trust, commitment, and supply chain performance. The following figure and table display the results of model test and results for hypothesis test.

![Figure 2. Results of model test](image)

*) Significant at : α ≤ 0.05; t-table = 1.980.

<table>
<thead>
<tr>
<th>Table 2. Results for hypothesis test</th>
</tr>
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<tbody>
<tr>
<td><strong>Hypothesis</strong></td>
</tr>
<tr>
<td>Trust → SC Performance</td>
</tr>
<tr>
<td>Trust → Commitment</td>
</tr>
<tr>
<td>Commitment → SC Performance</td>
</tr>
<tr>
<td>Trust</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Trust</td>
</tr>
<tr>
<td>Trust</td>
</tr>
<tr>
<td>Trust</td>
</tr>
<tr>
<td>SC Performance</td>
</tr>
<tr>
<td>Standard Deviation</td>
</tr>
<tr>
<td>Standard Error</td>
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<tr>
<td>T Statistics</td>
</tr>
<tr>
<td>SC Performance</td>
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<td>Commitment</td>
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<tr>
<td>T Statistics</td>
</tr>
<tr>
<td>Commitment</td>
</tr>
</tbody>
</table>

Figure and table indicate that empirical test support for all the hypotheses. The results support hypothesis 1, which states that trust have significant effect on supply chain performance. The path coefficient is 0.172, which is statistically significant at prob. < 0.05 and t-value = 2.011 > 1.980. Hypothesis 1 confirms that trust may improve supply chain performance.
directly. Hypothesis 2 is also supported, which indicates that trust have significant effect on commitment. The path coefficient is 0.339, which is statistically significant at prob. < 0.05 and t-value = 3.539 > 1.980. This results indicates trust can be able to create better commitment among supply chain members. Higher levels of trust may lead to improve supply chain performance. Furthermore, the results has been confirming hypothesis 3 that commitment have significant effect on supply chain performance. The standardized coefficient is 0.537 which is statistically significant at prob. < 0.05 and t-value = 5.364 > 1.980.

This study proves that the better trust can improve supply chain performance in terms of cost, reliability and flexibility. Then, it is also found that the better trust will create a higher commitment. Supply chain performance can be improved through better commitment of all members of the supply chain.

These findings were in line with previous studies. Related to these findings, Chopra and Meindl, (2007) stated that one of the most important things that must be owned by each company in a supply chain network is trust among members of the organization. Higher trust occurs when the supply chain system could support open communication between members of the supply chain. Furthermore, it has also provided information that could be accessed in real time by members, responsibilities, and a good experience in relationship. The results also are consistent with existing studies such as Makara (2015) that finds trust have a significant effect on the performance of the supply chain.

Better trust could be formed strong commitment in supply chain network. The results are consistent with existing study like Morgan and Hunt (1994) that commitment is determined by trust. On the contrary, the result is quite different with Stefani dan Sunardi, (2014) which found that there is no effect trust on commitment. Allen and Meyer (1996) stressed that affective commitment refers to the degree to which a person identifies with, is involved in, and enjoys membership in an organization. Continuance commitment involves a persons bond to an organization based on what it would cost that person to leave the company. Normative commitment involves a feeling of moral obligation to continue working for a particular organization.

The success of the company’s operating performance in the supply chain also comes from the high values of trust and commitment among partners in a supply chain network (Kwon and Taewon, 2004). Then, Heizer and Render (2010) stressed the goal of every supply chain is to increase or maximize the entire value generated by the company. This value is obtained from cost reduction along with increasing product quality. In managing the supply chain, trust is very important to reach the better organizational performance both effectively and efficiently. Finally, these findings suggest that trust and commitment can produce best supply chain performance in context of low cost of production, reliability and flexibility.

V. Conclusions and Suggestion
The aim of this study was to empirically investigate the effect of trust on supply chain performance, trust on commitment, and commitment on supply chain performance of coffee companies in Makassar, South Sulawesi. Trust have a positive and significant effect on supply chain performance. Trust have a positive and significant effect on commitment. Then, commitment have a positive and significant effect on supply chain performance. Supply chain performance is more influenced by commitment than by trust. This indicates that trust and commitment can produce best supply chain performance in context of low cost of production, more reliability and
flexibility. Furthermore, it is also found that the better trust will create a higher commitment. In addition, supply chain performance can be improved through better commitment of all members of the supply chain.

Based on these findings, managers of coffee companies have to understand the importance of building trust with suppliers and customers in the supply chain system, because the performance of the supply chain can be improved through trust and strong commitment from all members of the supply chain network.

Reference


