

CHAPTER I

INTRODUCTION

1.1. BACKGROUND OF THE STUDY

International business includes all business activities which happen to advance the transfer of technologies, services, products, ideas, people, and resources across national boundaries. International business happens in numerous formats with the most common forms of doing business internationally are through exporting and importing (International Relations EDU, 2019).

Export is a form of international trade in which products made in one country are delivered to many different countries for future sale or trade. For companies, export can increase sales and profits, gain new knowledge and skill that will permit the invention of latest technologies, marketing practices and perspectives into foreign competitors. (Barone, 2019) Most, if not all, countries need to increase their export as export increases jobs, bring in higher wages, and raise the standard of living of its residents. Additionally, exports increase the foreign exchange reserves held within the country's central bank (Amadeo, 2018).

On the other hand, Import is a product or service brought into one country from other countries. Chances are countries only import products that their domestic industries are not capable to produce as efficiently or cheaply as the exporting country. Countries can also import raw materials or commodities that are not accessible within its borders. (Kenton, 2018) If a country imports less than it exports, it runs a trade surplus. However, if a country imports more than it exports, that creates a trade deficit. When a country runs a trade deficit, it should borrow from other countries to pay for the additional imports (Amadeo, 2018).

Supply Chain Management (SCM) is a broad range of activities needed to plan, control and execute a product's flow, from obtaining raw materials and production through distribution to the end customer, in the

most streamlined and cost-effective manner possible (Rouse, 2018). In other words, supply chain consists of all directly or indirectly involved parties in satisfying a customer request (Chopra & Meindl, 2016).

A good SCM allows companies in obtaining higher rate of efficiency, reducing overhead costs, improving customer service, minimizing delays, and offering companies more shipping options (United Global Sourcing, 2017). It is obvious that supply chain plays an integral part in running a business, especially for companies which are exposed to any foreign supply chain activity.

PT Nutrimax Prima Perkasa as the research object of this research is an international company which engages in animal feeds and animal feeds nutrition industry. PT Nutrimax Prima Perkasa was established on 10th July 2007 in Medan, Sumatera Utara, Indonesia by Mr. Eduardo Sindyangga. The head office of this company is located at Jalan William Iskandar Komplek Imperial Court No. 55-57, Medan, Sumatera Utara, Indonesia; while its branch is located at Springville Residence No. B-8 RT 04 / RW 06 Baturan Colomadu, Karanganyar, Jawa Tengah, Indonesia (PT. Nutrimax Prima Perkasa, 2018).

In addition, PT Nutrimax Prima Perkasa has a warehouse located at Kompleks Pergudangan Solid KIM 3, Jalan Rawe No. A6 Medan, Sumatera Utara, Indonesia. In its business, PT Nutrimax Prima Perkasa import products from foreign suppliers, such as: Rhone Ma Holdings Berhad (Malaysia), Yenher Agro Product Sdn. Bhd. (Malaysia), Special Nutrient Inc. (USA), Citrex Inc. (USA), and Joosten B.V. (the Netherlands) (PT. Nutrimax Prima Perkasa, 2018).

It can be seen that PT Nutrimax Prima Perkasa is dealing with several countries when importing the products from the suppliers. The writer believes that in doing its business, PT Nutrimax Prima Perkasa will probably be faced to deal with the supply chain challenges as importing products from different countries might possess its own challenges.

In order to show annual sales of PT Nutrimax Prima Perkasa, the following is the sales performance of PT Nutrimax Prima Perkasa from year 2014–2018 expressed in table and figure: (Sindyangga, 2019)

Table 1.1
Sales Performance of PT Nutrimax Prima Perkasa

Year	Sales Amount (IDR)	Percentage of Change (%)
2014	38.9 billion	–
2015	42.1 billion	8.23
2016	43.5 billion	3.33
2017	44.7 billion	2.76
2018	46.3 billion	3.58

Source: Prepared by the Writer (Sindyangga, 2019)

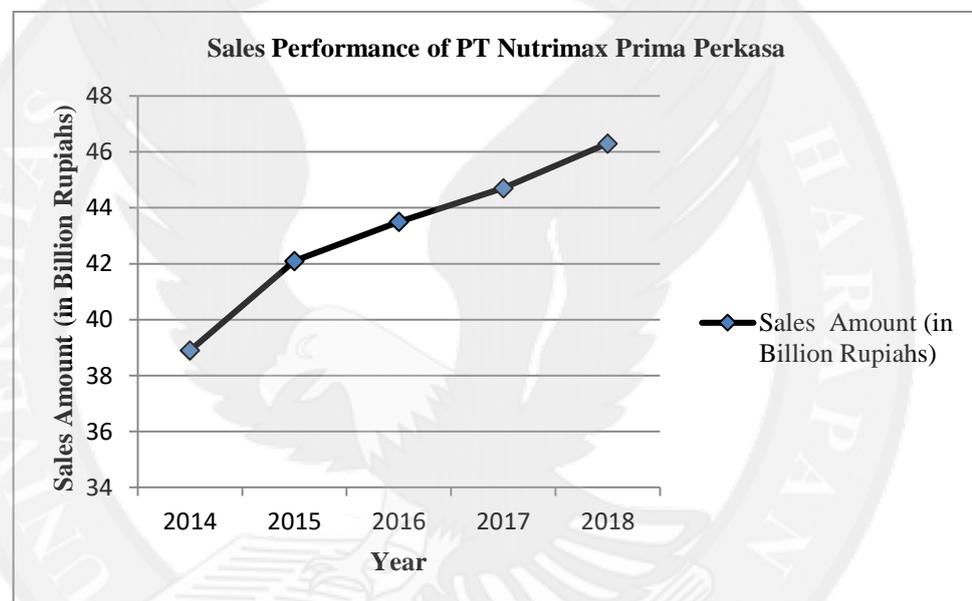


Figure 1.1 Sales Performance of PT Nutrimax Prima Perkasa

Source: Prepared by the Writer (Sindyangga, 2019)

Despite the sales of PT Nutrimax Prima Perkasa is increasing each and every year, it can be seen that the percentage of change in the sales amount from year 2015-2017 is decreasing. It is basically caused by the existence of competitors of PT Nutrimax Prima Perkasa which also have the same suppliers, such as: Citrex Inc. and Special Nutrient Inc. Consequently, it resulted in some portion of sales of products from both companies shifted to the competitors of PT Nutrimax Prima Perkasa (Sindyangga, 2019).

It should be noted that SCI plays a very important role in doing business internationally. Yachoulti & Houssaini (2018) mentioned that SCI is the degree to which a company can cooperate strategically with its supply chain partners and coordinate both intra- and inter-organizational procedures in order to obtain effective and efficient product and service flows, data, cash, and options with the aim of offering customers with maximum value at high pace and low price.

In addition, Atnafu & Hussen (2015) also mentioned that SCI has a positive effect on innovation, distribution, flexibility, cost and quality of products, effectiveness of processes, performance of logistics services, and performance over time.

Being one of the examples of a company which successfully integrates the supply chain is Apple with Foxconn, in which this integration resulting in a huge amount of success in terms of reputation and financial for both companies (VentureOutsource, 2019).

As a result, it could be summarized that SCI is very important as it affects many aspects within a company. It is highly recommended for companies who want to do business internationally to integrate their supply chain throughout the entire system.

Furthermore, Gattorna (2016, p. 120) stated that “Supply Chain Integration and collaborative partnerships have a positive effect on supply chain performance in commercial logistics.”

Since there is a positive effect between SCI and supply chain performance, the writer is curious to find out whether or not PT Nutrimax Prima Perkasa integrates the supply chain, and if they do integrate the supply chain, whether or not an integrated supply chain will have impacts towards the company’s supply chain performance.

Therefore, the writer decides to do a research with the title “**The Impact of Supply Chain Integration (SCI) towards Supply Chain Performance at PT Nutrimax Prima Perkasa**”.

1.2. PROBLEM LIMITATION

As the result of the research will be less accurate if the research is not being limited, the writer decides to conduct the research by setting up several limitations, such as:

- a. The data of this research is gathered from the head office of PT Nutrimax Prima Perkasa located at Jalan William Iskandar Komplek Imperial Court No. 55-57, Medan, Sumatera Utara, Indonesia.
- b. Due to geographical, time and cost constraints, the respondents were only taken from the employees of PT Nutrimax Prima Perkasa that are located in Medan, Sumatera Utara, Indonesia.
- c. The research only uses two (2) variables, which are: Supply Chain Integration (SCI) as variable X (independent variable) whose indicators are: internal integration, supplier integration, customer integration, and information integration; and Supply Chain Performance as variable Y (dependent variable) whose indicators are: facilities, inventory, transportation, and information.
- d. In the indicators of Supply Chain Performance as variable Y (dependent variable), there are supposed to be six (6) indicators, instead of four (4). However, the writer decides to only include four (4) as the other two (2) indicators – sourcing and pricing – are not related to the company in the context of this research.

1.3. PROBLEM FORMULATION

Analyzing how Supply Chain Integration (SCI) impacts the Supply Chain Performance at PT Nutrimax Prima Perkasa is the intention of the research. Therefore, this research attempts to answer the following questions:

- a. How integrated is the supply chain of PT Nutrimax Prima Perkasa?
- b. How well does the supply chain perform at PT Nutrimax Prima Perkasa?

- c. Does Supply Chain Integration (SCI) have impacts towards Supply Chain Performance at PT Nutrimax Prima Perkasa?

1.4. OBJECTIVE OF THE RESEARCH

Understanding the important role of Supply Chain Integration (SCI) in impacting the Supply Chain Performance at PT Nutrimax Prima Perkasa is the main goal of this research. Upon completion of this research, it is hoped that it will result in better understanding of how Supply Chain Integration (SCI) impacts Supply Chain Performance. Hence, the purposes of this study are:

- a. To find out how integrated the supply chain of PT Nutrimax Prima Perkasa.
- b. To find out how well the supply chain performs at PT Nutrimax Prima Perkasa.
- c. To determine how Supply Chain Integration (SCI) has impacts towards Supply Chain Performance at PT Nutrimax Prima Perkasa.

1.5. BENEFIT OF THE RESEARCH

Theoretical Benefit and Practical Benefit are the two (2) forms of benefits in this research.

1.5.1. Theoretical Benefit

As far as the educational context is concerned, the accomplishment of this research will stand as a means of extra learning about the impact of SCI towards supply chain performance. As a result, it can enrich the writers' understanding and improve future educational discussions of the similar topics.

1.5.2. Practical Benefit

The writer expects that this research will deliver three (3) benefits, which are as follows:

- a. For the writer, this research would improve the experience and knowledge in the relationship between SCI towards supply chain performance in real-life setting.
- b. For the company, this research would serve as a foundation for improving the company's performance by integrating the supply chain throughout the system.
- c. For other researchers, this research would be able to stand as their references when they conduct a research on similar topic.

1.6. SYSTEMS OF WRITING

In doing a research, systematic system of writing is very important.

Therefore, the following are the systems of writing of this research:

Chapter I : Introduction

The first chapter concentrates on the introduction of the background of the relationship between SCI and supply chain performance and states the limitation as well as the scope of the research. The issues concerning this topic are recognized along with the objectives that the writer wishes to accomplish. Furthermore, theoretical and practical benefits of the research are also addressed in this chapter.

Chapter II : Literature Review and Hypothesis Development

The second chapter includes all related concepts and educational literatures related to SCI and supply chain performance. Furthermore, the writer also discusses previous research carried out in the same field and establishes the hypothesis and framework of thinking for this research.

Chapter III : Research Methodology

The third chapter contains information on the research design as well as population and sample used in this research. The data collection method is described comprehensively followed by the operational variable definition and variable measurement. The data analysis method is described at the last part.

Chapter IV : Data Analysis and Discussion

The fourth chapter primarily includes the discussion on the general perspective of research object and data analysis. Furthermore, the fourth chapter will also contain an extensive discussion in regards of results of data quality and hypothesis testing.

Chapter V : Conclusion

The fifth chapter contains conclusion and the implication of the research. Not only that, this chapter further provides recommendations associated with the research problems.