

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Nowadays, all businesses face many changes such as technologies improvement, trends, and new competitors with many intelligent employees that can create new ideas and products that attract consumers. Especially the company that specializes in supply chain sector, they have to enhance their business procedure and actualize a decent path for the organization, so it will support the organization performance.

The success and sustainability of one company business depend on several factors and one of them is the marketing aspect of the company. Marketing is crucial in business as it can affect the sales of the company. In every business, there are some rules that they need to follow which can help them to earn profit and ensure the company to have wealth. All businesses have to do the same thing which is to provide products and services to the customers in order to obtain profit. In order to have a productive company, they are required to have an effective marketing to improve their sales. The company will always need to increase their marketing method to reach and capture the heart of customers in aim of the company's mission and goal.

In order to gain that, management needs to identify what drivers that can push the customers to buy products or services from the company, what do the customers think before buying the products, what can make customers trust and loyal to the company and whether the price and value that given to the customers is suitable. Those factors are worth to be reflecting not only in one company but also all companies, there are always many companies that try to see through the customers' view in sense of knowing what can make customers choose this product. One of the ways to capture customers is to maximize the values that given to the customers so that they satisfied.

In reality, satisfied customers will have the potential to repeat purchases over and over. Maximizing the satisfaction of the customers in

order to be loyal customers has its benefit rather than searching for new customers which can cost more than retaining the old customers.

Management of supply chain has emerged as one of the primary company fields that can provide sources of competitive advantage. Factors such as increased competition, globalization, increased outsourcing of products, shorter product life cycles, present technological developments and increasingly difficult customers also contribute to significance of this subject for organizations.

Manual, logistics and mechanization-oriented optimization of all supply chain components has developed from contemporary, digital, automated integration and coordination. It plays an essential role in tackling today's worldwide supply chains' increasing complexity. It mainly promotes and optimizes product, data and finance flows, enabling businesses to generate better value for themselves and to enhance business efficiency.

The rivalry between supply chains is currently much higher on worldwide economies than between organizations. Therefore, the management of the supply chain has become a key success factor for businesses. Collective effectiveness in this context needs cooperation between domestic and external partners throughout the whole supply chain. The network members and their tasks have a strong supply chain to link in order to ensure that the supply and demand are balanced continuously. Not only the individual percepts of businesses, but also the supply chains stimulated the search for better effectiveness.

PT. Global Sukses Gemilang is retail company which the company import products from China and distribute products throughout Indonesia. The product itself is like porcelain, glasses, tableware and sanitary. This company was established in February 2012 with number of 42 employees. PT. Global Sukses Gemilang mainly do their business in the import sector and they also market their product domestically.

Their market is all around Indonesia or domestic. Most of the deliveries will be sent to Surabaya, Semarang, Jogjakarta, Pontianak and

Malang. In the year 2014 – 2018, the fluctuating sales in PT. Global Sukses Gemilang as shown as below:

Table 1.1 Sales of PT. Global Sukses Gemilang ; Year 2014 -2018

Year	Amount of sales (Rupiah)
2014	Rp 17,541,350,800
2015	Rp 23,562,731,031
2016	Rp 31,814,305,622
2017	Rp 33,799,239,510
2018	Rp 29,183,633,925

Source : Prepared by the writer (PT. Global Sukses Gemilang, 2019)

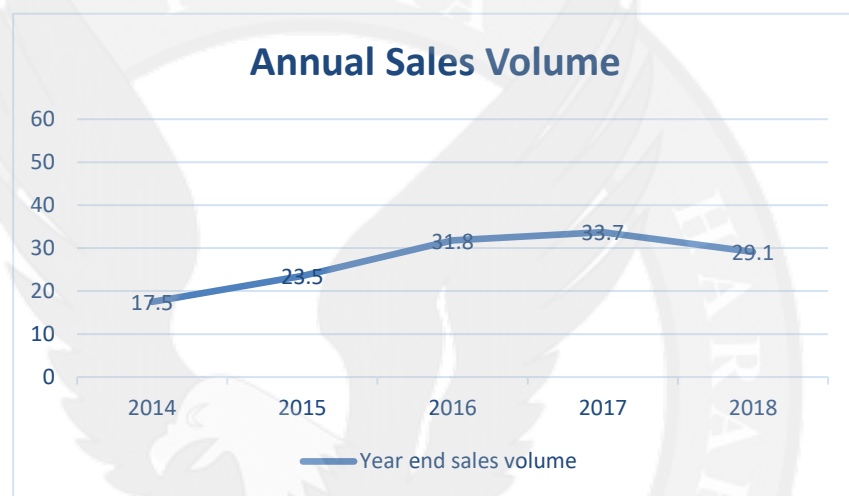


Figure 1.1 Annual sales volume of PT. Global Sukses Gemilang

Source: Prepared by writer (PT. Global Sukses Gemilang, 2019)

The writer finds out there is a poor supply chain management practice such as slow in operation, delay in delivery, and customs problems. These all problem become the barrier to the company's expectation to reach goals. These supply chain management practices problems are not the fault of the organization. By upgrading the operation and ensuring the process to be in consistency, it will impact to the organization performance itself.

Realizing the important of supply chain management practice in the company raises the writer's desire to conduct research at PT. Global Sukses Gemilang. This research aims for the writing of dissertation **“The Impact of Supply Chain Management Practices towards Organization Performance at PT. Global Sukses Gemilang”**.

1.2 PROBLEM LIMITATION

Based on the context of the above research, due to time and budget, the research will be limited. This research will be carried out at PT. Global Sukses Gemilang from March 2019 to May 2019. The research is conducted within two months to evaluate the correlation between the supply chain management practice and organization performance.

The writer would like to limit the research to Supply Chain Management Practice as the independent variable and its relation to Organization Performance as the dependent variable at PT. Global Sukses Gemilang. The indicators of Supply Chain Management include supplier management, internal process, and information, (Shahin & Jamshidian, 2017) while the indicator of Organization Performance includes customer satisfaction, financial performance, and operational performance (Selvam, et.al, 2016).

1.3 PROBLEM FORMULATION

Based on the explanation in the background of the study that is mentioned above, the writer is interested to do research on supply chain management practice and its effect on organization performance by asking the following research questions:

- a. How are the Supply Chain Management Practices at PT. Global Sukses Gemilang?
- b. How well PT. Global Sukses Gemilang has been performing?
- c. Does Supply Chain Management Practices have impact toward Organization Performance at PT. Global Sukses Gemilang?

1.4 OBJECTIVE OF THE RESEARCH

The objectives of this study are as follows:

- a. To describe about Supply Chain Management Practices at PT. Global Sukses Gemilang.
- b. To evaluate the Organization Performance of PT. Global Sukses Gemilang.

- c. To investigate whether Supply Chain Management Practices has impact towards Organization Performance at PT. Global Sukses Gemilang

1.5 BENEFIT OF THE RESEARCH

This research is expected to provide some benefits either theoretically or practically as follows:

1.5.1 Theoretical Benefit

This research uses the theory of supply chain management practices and organization performance. It is hoped that after finishing this research, there will be contribution on the theory that can contribute to the development of management theory, especially on supply chain management practice and international business. The writer hopes that this research will become a benchmark for other researches.

1.5.2 Practical Benefit

The following are the practical benefits from this research:

- a. For the writer, this research could broaden knowledge; give more experience about Supply Chain Management Practices and Organization Performance in real-life settings and can identify whether supply chain management practices has impact towards organization performance.
- b. For the company itself, this research could give solutions on how to improve, and gain insight on the effect of supply chain management practice toward organization performance of which may increase the sales of the company and for development on the company itself.
- c. For other researchers, this research can be used by employees and industry for their improvement in which, they know how to improve their supply chain management practice and company itself understand what can support their performance area.

1.6 SYSTEMS OF WRITING

The following is the systems of writing in this *skripsi*:

Chapter I Introduction

This chapter discusses about the background of the study, problem limitation, problem formulation, objective of the research, benefit of the research and systems of writing.

Chapter II Literature Review and Hypothesis Development

This chapter discusses about the theoretical background of this research that consists of the definition of international business, definition of supply chain management practice, definition of organization performance, factors that influence supply chain management practice, indicators of organization performance. It will also discuss about previous research, hypothesis development, research model and framework of thinking.

Chapter III Research Methodology

This chapter discusses about research design which in this report is quantitative approach, the population and sample, primary data collection through questionnaires and interviews, secondary data collection, operationalization of variables and variable measurement; and data analysis method through descriptive statistics, validity test, reliability test, normality test, correlation test, determination test, linearity test, linear regression test and hypothesis testing.

Chapter IV Data Analysis And Discussion

This chapter discusses about the general view of PT. Global Sukses Gemilang that includes the brief history, the vision and mission of PT. Global Sukses Gemilang, organization structure and job description of each position. In addition, it will include the data analysis that consists of descriptive statistic, result of hypothesis testing and

discussion about the analysis.

Chapter V Conclusion

This chapter discusses about conclusion after research and discussion, the implication and the recommendation towards PT. Global Sukses Gemilang and other researchers for the future research.

