

Effect of Supply Chain Management Practices on Financial and Economic Sustainable Performance of Indonesian SMEs

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Abstract--- In contemporary business environment firms focus on sustainable Financial and Economic performance. Sustainable performance of the firms happens is the result of continuous value generation for shareholders and stakeholders of firm. This study intended to investigate the effect of Supply Chain Management Practices (SCMP) on Financial and Economic Sustainable Performance of Indonesian SMEs. For the achievement of the objective of study, researcher used quantitative research approach and questioner method was applied for the collection of data. To fulfil the objectives of this study, the data was collected from the managing directors, supply chain managers, planning managers, and procurement managers. PLS-SEM approach was carried out by the study for the examination hypotheses. The results of study concluded that SCM Practices have significant and positive influence on Financial and Economic Sustainable Performance of Indonesian SMEs. Moreover, findings of this study indicated that effective application of SCMP could enhance the financial and economic performance of the SMEs in developing countries. Findings of the study highlighted that the relationship with customer, strategic supplier integration and level of information sharing is necessary for financial and economic sustainable performance of SMEs. This study contributes to Supply chain literature and offer new empirical evidence that supply chain management practices are significant for sustainable financial performance. However, this study used only three SCM practices (relationship with customer, strategic supplier integration and level of information sharing), the other important aspects of SCM practices such as SCM formulation, implementation and evaluation would be used in future research.

Key Words: Supply Chain Management Practices, Sustainable performance, SMEs, level of information sharing

1. Introduction

Mangers adopt modern innovative strategies and technologies for achieving sustainable competitive advantage to compete with the continuous increasing competition in advanced business settings [1]. Supply chain is a widespread process that includes all activities from the raw material, its transformation into finished goods and delivery to ultimate users [2]. Moreover, strong cooperation and coordination among participants of supply chain process results into ensure the higher effectiveness and permanency [3]. Although, many studies are there that recognize the significance of supply chain in the performance of a firm [1, 4, 5]. However comparatively, only few of the researches are available those study the association of supply chain practices with sustainable financial and economic performance of firms.

The aim of supply chain is to create greater values equally for customers and supply chain participants [6]. Hence, improved performance is not only beneficial for a particular organization but also for whole of the chain of participants. Supply chain practices are included the implementation of set of activities that can be elucidated in the way that activities practiced in a firm for the purpose of efficient management of supply chain activities [7]. In spite of the fact that research on supply chain management (SCM) is gaining rapid attention of researcher however researchers to the study the relationship of supply chain management practices (SCMPs) and sustainable performance (financial and economic) have the diverse and disperse findings in terms of nature and completeness [4; 64].

Furthermore, extensive research been conducted regarding various aspects of SCM can be designated