

# An Empirical Study: The Effect of Supply Chain Management Practices towards Competitive Advantage and Business Performance.

J.E. Sutanto<sup>1</sup>, David Sukardi Kodrat<sup>2</sup>

<sup>1,2</sup>Universitas Ciputra Surabaya-Indonesia,

<sup>1</sup>Correspondence email: sutanto.uc.a@gmail.com;

<sup>2</sup>david.kodrat@ciputra.ac.id

**Abstract-** The Supply Chain Management (SCM) has become a potential to increase competitive advantage and improve business performance. The authors analyze the sample using SmartPLS to find the effect of SCM practices to competitive advantage and business performance. The result is SCM practices have a positive and significant impact on business performance and has a positive and significant impact on competitive advantage. In addition, the result found that competitive advantage has an impact on business performance. The results of the study will be useful for academics, and researchers in the field of SCM especially for Indonesia SCM practice

**Keywords:** *Supply chain management practices, Competitive advantage, Business performance, Supply Chain Management, Indonesia.*

## 1. Introduction

In an era of increasingly fierce business competition, companies are very important to increase their strategic competitiveness. Thus, companies must maintain sustainability in their business performance [1]; [2]; [3]. Business performance as a solution to controlling and improving company performance follows the achievement of key performance indicators (KPI) and conducts alert management when there are indications that the company's business performance is outside or nearly reaching the standard limits set as ideal business process standards. Business performance is integrated with the business intelligence (BI) system which enables business performance to be compared, controlled and aligned with business strategy and company objectives. By integrating business processes, the process of monitoring business operational activities and producing related reports, and business intelligence (BI), enabling company executives to get a complete picture of the company's business. According to [1]. [2], business performance is a top-down approach to support executives to achieve a strategic goal, in addition to measuring the effectiveness of all activities and ultimately achieving the optimal results. A competitive business is a focus on how to increase value to consumers, namely providing products and services that are more valuable than competitors [4]. In order for a company to compete and develop, the company must have a competitive advantage. Therefore, the implementation of

supply chain management is very necessary for companies to increase the competitiveness of the company which has an impact on company performance or business performance for business people and entrepreneurs. Companies need to consider supply chain issues to ensure that supply chain management supports the strategy that the company carries out [5]; [6]. While the research results [7]; [4]; [8], show that supply chain management practices have a positive and significant effect on competitive advantage, meaning that good supply chain management practices can increase competitive advantage. The existence of competition requires business actors to use relevant competitive strategies to create good manufacturing strategies in order to improve their business performance. [2]; [9], [10]. and make the entire supply chain more efficient and competitive [8].

## 2. Literature Review.

### Supply Chain Management (SCM)

Supply chain management (SCM), is an approach to optimize integration between suppliers, manufacturers, warehouses and storage, so that the production and distribution of goods can be carried out in the right amount, right location, right time and minimizing costs and providing service satisfaction to consumers [11]. Supply chain management (SCM) is an integrated method, tool or approach in managing supply chains with a spirit of collaboration and coordination [12]; [13], Research [14]; [15]; [16], stated that the implementation of good supply chain management (SCM) can improve company performance, both financial and operational performance. Likewise the supply chain improvement can increase the competitiveness [17]. Basically, supply chain management (SCM) has the main objective to meet consumer needs and generate profits [18]. Supply chain management (SCM) also allows business partners to coordinate the sharing of information to facilitate interactions between suppliers and customers, in addition to minimizing transaction costs [19]. Supply chain management also faced with the ideas of patriotism and nationalism, and therefore supply chain management is needed to succeed in marketing practice and logistics management. [20]; [21]