

## **LEADERSHIP CATALYST: AMPLIFYING BUSINESS PERFORMANCE THROUGH SCM AND CRM**

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### **Abstract**

The retail sector in Indonesia is experiencing rapid growth, but it is facing challenges related to supply chain management. This paper discusses the importance of supply chain management in the retail sector and how it can be improved. The paper also provides some specific examples of how supply chain management has been used to improve the performance of retail businesses in Indonesia.

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**Keywords:** Supply chain management, Retail sector, Indonesia, Performance improvement, Challenges Opportunities

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### **1. Introduction**

Indonesia is experiencing a substantial economic growth in a good rate shown from the increase in the number of the Gross Domestic Product. One of the contributors in Indonesia's GDP is the retail sector accounting for 15.24%. The retail sector is also the contributor to Indonesia's workforce with approximately 22.4 million employees, accounting for 31.81% of the total number of Indonesians in the workforce. One of the potential retail sectors is that of furniture. This sector is estimated to have big development potentials since the market owned is 3% of the total retail markets in Indonesia. One of the difficulties of the development of the retail sector are supply-chain related problems.

Supply chain management (SCM) has become a topic of interest by people in the business industry. It involves integration between business systems and inter-company networks. Supply chain management describes the relationship between a company from an early chain until the final results of the production (Lee and Nam, 2016). It is a business strategy with an integrated approach starting with planning's material controls, logistics, services, and a flow of information from suppliers to producers or the service providers to the final clients; that is the most important change in the practice of business management (Al-Shboul et al. 2017). SCM is one of the most effective ways for a company to improve its performance (Famiyeh et al. 2018). It involves several approaches and practices to integrate suppliers, producers, distributors, and clients effectively to enhance longterm performance of each of the companies (Tarigan et al. 2018) and supply chain in an integrated business model that is cohesive and has a high-performance level. (Ibrahim & Hamid, 2012). The successful implementation of SCM is hoped to improve the relationship between upstream suppliers and downstream clients, thus improving customers' satisfaction and company performance (Sundram et al. 2011). SCM has now become an important strategy for company to gain more profits and remain competitive, thus improving business performance (Gandhi et al. 2017, Al-Shboul et al. 2017, Truong et al., 2017).

Nowadays, competition in the global market is bigger between supply chains than between companies. For this reason, supply chain management has become an influential factor in company's success.

In this context, collective efficiency needs collaboration between internal and external partners in all supply chains. An effective supply chain must be able to connect network members and its functions to ensure an unbroken flow to balance supply and demand. (Spina, 2015). SCM practice will have positive impacts towards company's business performance (Sundram et al. 2011, Hamister, 2012, Al-Shboul et al. 2017).

To create a high quality SCM, companies need to care about managing commitment to also take part in developing the SCM flow itself. This is due to the fact that SCM is one of the strategies set by the company's management. Shammugam and Marimuthu (2018) proposed that management team has become an important tool to create competitive advantage in companies nowadays. Leadership with variety of finesse, unique talents, and suitable abilities are the main elements in the main success of an organization. However, every organization tells the manager to use main abilities to formulate efficient strategies for a better growth and innovation. Sandberg and Abrahamsson (2010) also proposed that SCM practice is greatly influenced by management commitment. In this case, the management acts as the initiator of the SCM strategies that have been adjusted to the company's conditions. Gandhi et al. (2017) in their research that the customer relationship management (CRM) is a part of SCM practice can have a positive impact on company performance.

Customer relationship management (CRM) is a management strategy that integrates information technology with marketing (Chuang and Lin, 2012). In some situation, CRM is hard to be successfully implemented due to the performance issues and low cost-benefit comparisons. CRM is widely acknowledged and implemented to run and maintain interactions between companies with clients, customers, and selling prospects. This involves the use of technology to control, automate, and synchronize business processes, especially selling activities, but also for marketing, customer services, and technical support. The overall purpose of CRM is to find, attract, and win new clients, keep the ones the company has, attract former clients back to the flip, and reduce client services and marketing costs. CRM shows business strategies in all companies that embraces all departments facing clients and even more. When the implication is effective, people, process, and technology work together to enhance profitability as well as reducing operational costs with electronic customer relationship management (Navimipour and soltani, 2016). As a consequence of the increase in competition between companies, produced by several factors, like, globalization, economic and cultural opening, and the spread of global companies across the globe, producing more products on one hand, and diversity of categories of single products on the other hand that results in increase in buying options for consumers, forcing organizational to improve clients' focus. Also, organizations have realized that customers are the foundation for the companies' survival (Zamil, 2011)

Uusitalo and Uuskoski (2013) added that CRM also has positive impacts on the supply chain management practice. This is because CRM itself is a unity on a SCM flow. The purpose of CRM is to maximize information on clients and use it to improve customers' loyalty and keep clients' business throughout their lifetime. This is an integrated approach focusing on clients' retention and relationships development. The purpose of CRM strategies is to create and add good values to the company and clients. Furthermore, the influence of CRM will have a positive impact on organization performance (Soltani et al. 2018). CRM involves evolution and integration of market initiatives and new available data, technology, and the form of organization and to concentrate on building, developing, and maintaining good long-term relationships with good chosen customers. Schilke and Thomas (2010) in their research stressed the importance of CRM development towards business

performance. To enhance its business performance, a company will need to rely on its customers. Therefore, the role of CRM is very important in the company's business performance. This research shows how furniture distributors are able to control supply chain management on retails to increase business performance in Indonesia. This research answers 3 main questions. First, how commitment management decides supply chain management practice, customers relationships management and firm performance. Second, how the implementation of supply chain management practice has an effect on customers relationships management and business performance and third, how customers relationships management has a direct impact on the business performance

## **2. Review of Literature**

Management support is the main motivation in pushing companies to implement effective and successful company strategies. The management is committed to setting the regulations, pushing innovation and continued fixing in an organization, such as, in the manufacture activities, the top-level management makes decisions to invest in machines, appliances, or to enhance automation level as well as improving implementation of appliances maintenance. The existence of commitment management can minimize the possibility of employees making mistakes and reducing variants in the process (Truong et. al. 2017).

Management commitment is very important and considered to be an essential element in shaping employees' behavior (Ozduran and Tanova, 2017). The success of an organization is ensured through the commitment from the management. Management commitment, especially from the top tier, represents emotional commitment, faith, determination, and strong attitudes to aim for goals, and that will affect behavior that is related to employee's performance. The most common used synonym to describe this term is related to loyalty, involvement, and attachment. Management commitment can be defined as an effort to involve management behaviors, willingness to put on strong efforts in the name of the organization as well as having strong desires to maintain membership in the organization.

In another lens, management commitment is defined as moral feeling or obligation for an employee to stay with the organization and that feeling comes from the internalization of normative pressures given to individuals before coming through or following entries (Ohana and Meyer, 2016). Management commitment can be divided into different perspectives. Behavioral and psychological perspectives are the examples of an approach to management commitment. Behavioral approach related to output from the process of exchanging gifts or contribution between employers and employees. On the other hand, psychologically approach in accordance to management commitment from the attachment perspectives or employee identification with the place they work in (Johari, et al. 2019). Management commitment serves as a work framework for more effective environment (Yusliza et. al. 2019). Management is responsible for deciding and setting which regulations to implement and communicate it through entire organization. Top tier management commitment refers to the pressure from the top tier manager on the development of organization's abilities. Top management commitment is determined as an effort to involve and support companies that support company's targets ((Suárez, 2016, Tarigan et al. 2020). Management recognition from an attachment perspective or identification of employees where they work (Johari et al. 2019).

The indicators used to measure management commitment from Truong et. al., (2017) are the regulations that support innovation and development as well as management support to provide any necessary resources needed by the company, the management takes part in the development process of

supply chain, the management brings about the topic of supply chain to be discussed in a meeting agenda and is willing to monitor the company's operations activities.

Ibrahim and Hamid (2014) explained that the definition of supply chain is an integration of business process from the end users through original stocks providing products, services and information adding value to customers. SCM practices refer to a set of complete activities done inside an organization to increase effectiveness in an internal supply chain. Modern evaluations from the SCM practices consisting of partnerships with suppliers, outsourcing process, cycle time compression, process flows continuity or technology or information using quality purchasing and relationships between customers are defined as a set of activities done by organization to promote an effective supply chain management. Supply-based management refers to how companies make use of supplying process, technologies, and their ability to enhance supply chain performance and its competitive advantage and how manufacturing, logistical, material, distribution and transportation functions are coordinated in an organization (Tarigan et al. 2020). SCM practices are also defined as an approach that is applied in running integration and supply demand coordination and the relation to satisfy customers in effective and profitable ways (Gandhi et al. 2017).

Abdallah et al. (2014) defined SCM as a relationship network management in a company and organization and business units relying on material suppliers, purchasing, production facilities, logistics, marketing and a related system to facilitate the flow of forward backward materials, services, finances, and information from the real producers to the end users with additional benefits. The research of Abdallah et. al (2014)

Described that SCM practices can be measured with supplier integration, internal integration, customer integration, and information sharing as well as postponement. Gandhi et al., (2017) states that SCM Practice has dimensions of are customer relationship management, supplier relationship management, goal congruence, information sharing. While states Al-Shboul et al. (2017) that SCM practice are measured by strategic supplier partnership, level of information sharing, quality of information sharing, customer relationship management, internal lean practice, postponement, and total quality management. Cook et al. (2011) the indicator for measurement SCM practice are share-information, long term relationships with partner, planning systems with advanced, internet-leveraging, source-supply network and distribution-distribution network.

Ernst et. al. (2011) defined CRM in three perspectives located along continuum, narrowly and tactically as a certain technological solution, widely used, and customer centric. CRM continuum reflects an ever-changing understanding in literature about what CRM is. Initially, CRM was considered to be customers solutions that may enable information technology like automation of easy to use and e-learning system for customer satisfaction (Navimipour and soltani, 2016).

CRM is widely seen as a holistic approach to maintaining relationships with customers to create stockholders' values. The critical aspects of CRM are involving strategic processes happening between companies and clients. Organizations rely on their customers and because of that they have to understand customers' needs now and, in the future, fulfilling clients' requirements as well as trying to surpass clients' expectations with the customer information quality (Chuang and Lin, 2012). CRM is an important component in SCM. The practice of customer-company relationships can result in company's success in the practices of SCM as well as the performance that is considered in the relationship between the two can be seen as an organizational activity that is consistent under the use of purchasing, marketing strategies and an integrated system (Ibrahim and Hamid, 2014).



CRM, according to Iriqat and Daqar (2017), involves management of organizational interaction with its customers through analysis of clients' records with the aims of improving business with organization's clients to improve customers' retention rate. CRM approach collects clients' data from communications channels including social media and clients' feedbacks so that it can learn the clients' needs and how to fulfill them. Generally, CRM needs technology, strategies, and practices used by organization to analyze and manage their interactions with customers forever. Truong et. al. (2017) described that CRM can be measured by following indicators, namely, an effort from the company to understand their clients' needs and desires. Consumers use information gathered from customers to create products and services with employees also understanding the products sold by companies, and commitment from the company to satisfy customers and the purpose set by company that is related to customers' hopes.

Abdallah et. al. (2014) described that business performance is the effect after order and implementation of company's operational strategies. When creating and implementing the right strategies, then the performance will also increase. Cook et al. (2017) added that business performance is the rapport for company's performance done by company. Business performance is closely related to the success of the company's business strategies.

Truong et. al. (2017) explained that the level of business performance can be measured by these indicators. Firstly, the decrease in management costs. The costs effectiveness is one of the occasions where there is increase in business performance (Suárez, 2016). Decrease in management costs consists of administrative and procedural costs. Secondly, the decrease in lead time. Lead time is a waiting time since the order is made until the customer receives it. Lead time is a factor needing to be considered, especially when company fails to estimate lead time, that will affect the shortage of the products in the warehouse and result in declines in purchase due to the company's inability to fulfill customers' demands. Thirdly, decrease in order time. Order time is the waiting time to make an order he/she desires. Order time can also be problematic when company does not have a good relationship with the vendor, thus resulting in the delay of the products. Next, decrease in damaged product levels. One of the criteria for the success of business performance seen from the production department is decrease in spoilage or defect products. Finally, decrease in the level of products' delays in delivery time. When the order process is done, the next process is how the suppliers do the orders until delivery process.

### **3. Relations between Research Concepts**

Truong et. al. (2017) in his research found that management commitment influences positively on supply chain management. Company management plays a role in creating and implementing regulations. One of the regulations applied in a company is that of SCM. Because of that, there needs to be a commitment from the management to oversee the SCM conditions in a company to establish the right regulations related to the SCM itself. Wang and Liu (2019) found that management commitment played a positive significant role in the SCM practice. It means, the higher the commitment is from the management to oversee the SCM flow, the more successful the implementation of the SCM is. In one company's implementation of regulations, including the implementation of SCM regulations, it needs awareness and commitment from the management to really create SCM system that is successful. Based on the previous research, then the hypothesis formulated is H1: management commitment has a positive impact on supply chain management practice.

Commitment from the management will be very important in making relationships with customers. Management has to make decisions to make CRM programs in order to maintain relationships with customers for company's survival. Management commitment will greatly impact CRM positively

(Zamil, 2011). Gandhi et. al. (2017) stated that management commitment has an important role in CRM's establishment because CRM is part of the implementation of regulations also set by the management, thus committing to a good relationship with customers is very essential for the success of CRM. Based on this previous research, the hypothesis formulated is: H2: Management commitment positively influences CRM. Shammugam and Marimuthu (2018) explained that management commitment is a variable that has positive impacts on business performance. The company's top management can use a lot of resources and thus be able to set new strategic decisions for the long-term development of the company (Huang et al. 2019).

Management commitment is highly related to the making of company policies, further affecting the entire flow of company's operations. Business performance will be impacted by how the company runs its operations. In this case, management commitment will have impacts on operational activities and directly affect business performance. Another finding from Truong et. al. (2017) suggests that management commitment will have positive effects on business performance. The stronger the management commitment to make rules and set strategies is, the more likely for the business performance to succeed as well. Based on this previous research, the hypothesis formulated is:

H3: Management commitment positively influences business performance.

CRM applied to a company that will positively affect SCM practice (Ozlen & Hadžiahmetović, 2013). In essence, CRM is a form of an effort to maximize SCM applied in a company because customers are parts of the final chain in an SCM. By applying correct CRM, a company can be considered as finishing one of the parts in a complex SCM process. Uusitalo and Uuskoski (2017) also found that CRM has positive impacts on SCM practice applied by company because CRM programs planned and executed by the company are a unity in the SCM strategies that the company is about to make. This has the purpose so that there is a clear flow from suppliers to customers (Cook et al. 2011). Based on this previous research, the hypothesis formulated is: H4: Management commitment positively influences SCM practice.

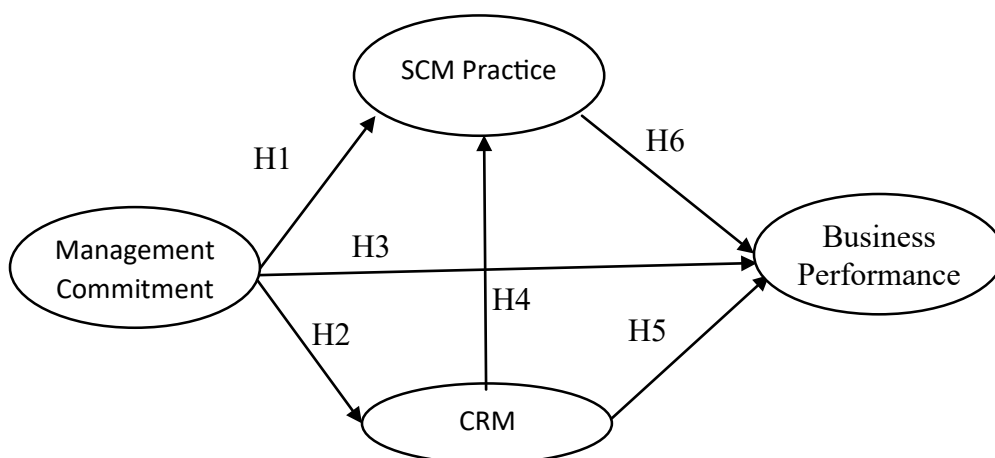
Soltani et al. (2018) explained that CRM will positively impact business performance. With an effort done by the company to maintain relationship with the customers, company will also be able to understand customers' needs and demand. The good relationship between them will also make it easier for the company to carefully understand working mechanisms from customers so that customers will feel that the company is a reliable working partner. The shows that with the implementation of the right CRM, business performance will increase marked by cooperation and company's understandings towards customers' needs and demands.

The similar research from Truong et. al. (2017) also found that the implementation of CRM in the company will positively impact the business performance of the company. This also means that the more successful CRM that is applied, the more successful the business performance is. CRM activities will make the company able to create products that market needs. This becomes plus points and has tremendous impacts on company's business performance. Based on this previous research, the hypothesis formulated is: H5: CRM positively influences business performance.

To increase its business performance, company needs to set the right strategies. One of them is SCM implementation strategies. Spina et al. (2015) explained that SCM practices in a company will positively impact their business performance because in SCM, there is a flow of company's operations directly associated with suppliers and customers. Al-Shboul et al. (2017) in his research also stated that the right SCM practice is needed in increase company's business performance. With clarity on SCM flows, then

company's operations are able to know or assess customers' needs as well as discussing company's needs to suppliers. Based on this previous research, the hypothesis formulated is:

H6: SCM practice positively influences business performance.



**Image 1.** Research Concept Framework

### 3. Research Method

This method used a quantitative approach with a causal design. Data collection was done through making use of research instruments used. Furniture distributor company in Indonesia has 47 retail branch stores in 6 different big cities in Indonesia, namely, Jakarta, Surabaya, Bali, Makassar, Pekanbaru, Jambi, and Medan. This particular company suffered from difficulties in handling orders (usually custom orders), especially from interior designers. Another problem is related to distribution process due to number of shipment transportation that is limited. Company often holds customer gathering events and product knowledge events

Populations set are the 47 retail branch stores in the furniture industry, and the researcher tried to take all the branches and distribute questionnaires to all branches, thus being called –saturated population. Hair et al. (2014) stated that the sample size used in Partial Least Square (PLS) is not that of a big number. Sugiyono (2018, p.85) explained that this technique uses respondents being purposefully chosen. The criteria for the samples were employees with ranks of supervisors and managers from every retail unit that understood the roles of Customer Relationships Management and part of the function of SCM. The questionnaire was distributed to respondents representing every retail unit. From a total of 47 questionnaires, only 45 submitted the responses with a rate respond of 96%. The data gathered was further processed.

The analysis technique was PLS (Partial Least Squares) data. It is one of the SEM statistical methods that is variant based designed to finish double regression when there is a specific problem on the data, like, for example, the small size of the data, missing values, multi collinearity. It is one of the analysis techniques from Structural Equation Modeling (SEM) with calculating process helped by Smart PLS software. PLS is one of the SEM statistical methods that is variant based designed to finish double regression when there is a specific problem on the data while Outer Model is a measurement model to assess model's reliability and validity (Hair et al. 2019). The validity value was obtained from the research using loading scores systems.

Table 1. Cross loading scores as the research validity

Variable	Statement	Loading score
<i>Management Commitment</i>	Management of the furniture distributor has made regulations supporting innovation and development.	0.709
	Management of the furniture distributor has given support to provide necessary resources by the company.	0.737
	Management of the furniture distributor has participated in supply chain management development activities.	0.854
	Management of the furniture distributor had the employees come up with strategies.	0.790
	Management of the furniture distributor is willing to monitor the company's operations	0.841
<i>Supply Chain Management Practice</i>	The furniture distributor has an information-sharing system with the suppliers.	0.675
	The furniture distributor has an information system built to directly connect with the suppliers.	0.703
	The furniture distributor collaborates periodically with the suppliers.	0.754
	The furniture distributor communicates periodically.	0.752
	The furniture distributor cooperates with the suppliers to create a working system together.	0.841
	The furniture distributor cooperates with the suppliers and customers to create SCM flows.	0.763
	The furniture distributor often holds discussions with suppliers to make sure that suppliers do not receive the wrong information.	0.773
Variable	Statement	Loading score
	The furniture distributor often holds discussions with suppliers regarding SCM to prevent any delays in delivering.	0.517
<i>Customer Relationship Management</i>	Effort from the company to understand consumers' needs and wants.	0.711
	Consumers use information from the customers to create products and services.	0.722
	Employees also understand products sold by the company.	0.857



<i>Business Performance</i>	There is a commitment from the company to satisfy the customers.	0.837
	The goals set by the company are aligned with customers' hopes.	0.860
	The furniture distributor could lower management operational costs.	0.861
	The furniture distributor could lower <i>lead time</i>	0.880
	The furniture distributor could lower <i>order time</i>	0.903
	The furniture distributor could lower the production rate of defective products.	0.935
	The furniture distributor could lower the delay rate of products delivery	0.925

Table above shows that from outer models, all the research indicators fulfilled the requirements for convergence validity tests as well as having loading scores that are  $> 0.5$ . Reliability tests are used for measuring respondents' consistency in answering questions in the questionnaires or research instruments. Reliability tests used 2 methods, which were, composite reliability and Cronbach's alpha. Tests of Rule of Thumbs of the Alpha value or composite reliability had to be bigger than 0.7 despite 0.6 still being accepted (Hair et al., 2014).

Table 2. Research Reliability Tests

Variable	<i>Cronbach's Alpha</i>	<i>Composite Reliability</i>	<i>Average Variance Extracted (AVE)</i>
<i>Business Performance</i>	0.942	0.956	0.812
<i>Customer Relationship Management</i>	0.858	0.898	0.64
<i>Management Commitment</i>	0.846	0.891	0.622
<i>Supply Chain Management</i>	0.870	0.902	0.607

The table above shows that all variables have composite variability and Cronbach's Alpha bigger than 0.6 so it can be concluded that each research variable fulfilled composite variability and Cronbach's Alpha requirements as well as being reliable. Another measurement also used to test reliability is by using AVE values. Its purpose is to measure the variance level of a construct component gathered from its indicators by adjusting to the error rates. The minimum AVE value recommended is 0.5, but 0.4 is still acceptable because if it did not reach 0.5, but as long as the composite reliability is bigger than 0.6 and the convergence validity fulfills the requirements (Huang et. al., 2013).  $R^2$  values are the parameters for predictions models' precision (Hair et al. 2019). Inner models in the PLS are evaluated using  $R^2$  for dependent constructs while Q-square test is for predictive relevance and path coefficient values or T-values for paths for the purpose of significance tests between constructs inside the structural models.  $R^2$  values are used for measuring rates of variation in independent variable changes towards dependent variables.

The higher the  $R^2$  is, the better the prediction model from the proposed research model. Q-square bigger than 0 means that the model has a predictive relevance value, whereas if it does not reach 0, it shows that the model does not really have a predictive relevance.

#### 4. Findings

Outer model evaluation was performed. The next step was continuing the analysis of inner model influence.  $R^2$  value of 0.656 indicates that models or research constructs were already assessed good in measuring value variance from business performance variables. Also, for customer relationship management variables, it can be strongly explained by management commitment.  $R^2$  of 0.912 from the SCM variables also shows that management commitment strongly influenced SCM happening in the big furniture distributors in Indonesia. The calculation above was obtained from  $Q^2$ , being 0.9931 (bigger than 0) that clearly indicates that the model has *predictive relevance*

Table 3. R-square ( $R^2$ ) Test Results

Variable	$R^2$
<i>Bussines Performance</i>	0.656
<i>Customer Relationship Management</i>	0.904
<i>Supply Chain Management Practice</i>	0.912

In answering the hypothesis, the research was conducted with inner model analysis with results in Table 4.

Table 4. Inner model hypothesis test

Hypothesis	Direct Influence	Original Sample (O)	T Statistics ( $ O/STERR $ )	P Values	Description
H <sub>5</sub>	CRM -> BP	0.214	0.762	0.447	Hypothesis rejected
H <sub>4</sub>	CRM -> SCM	0.348	2.995	0.003	Hypothesis accepted
H <sub>3</sub>	MC -> BP	-0.382	1.071	0.285	Hypothesis rejected
H <sub>2</sub>	MC -> CRM	0.951	53.949	0.000	Hypothesis accepted
H <sub>1</sub>	MC -> SCM	0.618	5.36	0.000	Hypothesis accepted
H <sub>6</sub>	SCM -> BP	0.966	3.934	0.000	Hypothesis accepted

CRM (Customer Relationship Management) variables did not affect business performance because tstatistic value of 0.762 is smaller than t-table 1.96. Therefore, hypothesis H<sub>5</sub> is rejected. In this research, it was found out that CRM programs executed by big distributors of furniture did not directly affect the business performance. This was not aligned with research conducted by Ernst et. al. (2011) and Truong et. al. (2017) and Soltani et al. (2018) explaining that CRM implementation in a company has positive impacts on company's business performance. This did not mean that CRM did not affect business performance at all, though. In this research, it can be said that CRM programs implemented affected the implementation of SCM (Supply Chain Management) practice executed by companies, and SCM practice itself has a positive impact on the company's business performance. This shows that CRM program itself is an integrated part of company's SCM practice.

The highest loading score of CRM can be found in the indicator with a purpose statement set by the company strongly related to customers' hopes with 0.861 whereas the highest loading score on business performance variables can be found in indicators with statement with implementation of SCM on the big furniture distributors that can lower production of defective products averaged on 0.935. In this case, it is known that basically, CRM activities done by the company are parts of SCM practices and measurement on the success of business performance on a company itself based on the SCM practice. This shows that the core of the operations activities of the big furniture distributors refer to the SCM practice activities, making CRM programs set by the company indirectly affect the business performance. But before, it affects the company's SCM practice as an integrated program within company's SCM practice.

CRM variables have significant positive effects towards SCM practice because T-statistics value is at 2.995 that is higher than T-count of 1.96. With this,  $H_4$  hypothesis is accepted. The findings also show that CRM affects SCM practice performed by big furniture distributors, also meaning that the more the company puts an effort to make CRM programs, the higher the quality is since the customers are the targets from the final chain of SCM activities.

This finding is aligned with research conducted by Ozlen and Hadžiahmetović (2013) and Uusitalo and Uuskoski (2013) on which they found that CRM has positive impacts on SCM practice set by the company because the planned and executed CRM plans have to be parts of SCM strategies the company is about to make.

In this research, the highest loading score of the CRM variables can be found in an indicator with purpose statement set by the company strongly related to customers hopes valued at 0.861. This shows that the company always focuses on customers' needs in making SCM operational policies. For production, distribution, and products retails, the company always puts an emphasis on the trends and what customers want. The designers will often give instructions to the distributors of big furniture's about kind of latest products people desire to buy and communicate to make new products launched in retail markets. This phenomenon shows that, companies have executed CRM programs well and the programs are parts of the entire company's SCM activities. This results in CRM activities positively influencing SCM practice of the company. The designed CRM programs support the company's SCM practices generally.

Management commitment variables do not affect business performance because the T-statistics value is 1.071 that is smaller than T-count of 1.96. With this, hypothesis of  $H_3$  is rejected. In this research, it shows that management commitment does not directly affect company's business performance. This, though, does not mean that whatever the company management does will not affect company's business performance. But, to really affect the business performance, management commitment, first, create programs, like SCM practices and the right CRM. These results are not aligned with the research from Shammugam and Marimuthu (2018) and Truong et. al. (2017) on which research, it says that management commitment has positive effects on business performance.

Based on the loading scores of the management commitment variables, emphasized by the company's management are on company's SCM programs. That will greatly result in the SCM practice itself as well as influencing company's business performance. It is shown from the highest loading score of the business performance variables with an indicator of the statement of the big furniture distributors able to lower the production rates of defective products valued at 0.935. This also puts a strong emphasis on the increase in the company's business performance, especially as a result of the successful

implementation of the SCM practice. It can also be observed that the business performance of the big distributors is assessed through the SCM practice. This makes the management commitment not directly affect company's business performance.

Management commitment variables have significant positive impacts on the CRM because the T-statistics value is at 53.949 which is bigger than T-count of 1.96. With this, hypothesis H<sub>2</sub> is accepted. In this research, it can also be said that management commitment positively affects the CRM, meaning that, in order to improve relations with customers, the big furniture distributors make special commitment for that. This research is aligned with that of Zamil (2011) and Gandhi et. al. (2017). Commitment from the management will be very vital to making relationships with customers. The management has to make decisions on CRM programs in order to maintain relationships with customers for the sake of the company's survival.

Management commitment variable has its highest loading score on the indicator of the statement saying the big furniture distributors have participated in the development of the supply chain scored at 0.856. One of the involved parties on the SCM flow of the company are the customers. Customers are the end-users in the company SCM activities and play key roles. The more the company can maintain relationships with its customers, the more prosperous the company will be. One of the efforts made by the distributors in creating CRM programs is by holding customers gathering events as well as education and socialization of the products to the customers like designers. Retail programs done by the distributors are directed to designers, who are categorized as retail sales because the designers do not gain profits, e.g. direct fees. Because of that, CRM activities are very important to the big furniture distributors to expand their products marketing networks. In this case, due to the importance of CRM for the company, management commitment to always strive for continued CRM programs will affect the quality of the CRM program itself.

Management commitment variables have significant positive effects on the SCM practice due to the T-statistics value at 5.36, that is bigger than the T-count of 1.96. With this, hypothesis H<sub>1</sub> is accepted. In this research, management commitment positively impacts the SCM practice performed by the big furniture distributors. This shows that, the higher the commitment the distributors management has to implement an effective SCM system, the higher the effectiveness and efficiency from the SCM practice itself. This is in line with the research conducted by Truong et. al. (2017) as well as Wang and Liu (2019). The company's management has a role in creating and implementing policies. One of them is SCM policies of the company. Because of that, there has to be a commitment from the management to pay attention to the SCM conditions in the company to be able to set the right policies regarding the SCM itself.

In this research, in the management commitment variables, the highest loading score on the indicator saying the management of the big furniture distributors have taken an active participation in developing its SCM activities is at 0.856. It shows that the management commitment the distributors have, one of the aspects of operational activities that is paid attention to is the development of the supply chain itself.

As explained before on the phenomenon on the background, the big furniture distributors are company groups having flows of supply chain from the producers to the retails so that company has full control over the SCM activities. The procurement of the raw materials is done by cooperating with chosen/selected vendors, even though, it can be said that the big furniture distributors still have full control over the company's flows of supply chain. It has been explained before that, there still are issues

regarding goods' delivery and miscommunication between the marketing and production divisions. However, in the big joint meetings, those kinds of issues will always be addressed and evaluated so there will always be improvements in the SCM activities. This is seen as a commitment from the management towards developing the SCM and this effort, of course, will lead to positive effects towards SCM practice from the big furniture distributors.

Supply chain management (SCM) variables have significant positive impacts on the business performance because the T-statistics value is at 3.934 that is bigger than the T-count of 1.96. Because of this, the hypothesis H<sub>6</sub> is accepted. SCM practice that is set positively impacts the company's business performance. This shows that, the more efficient the SCM practice performed by the big furniture distributors, the better the improvements is in the company's business performance. This is aligned with the research conducted by Spina et al. (2015) and Al-Shboul et al. (2017) on which research, they clearly emphasized that the right SCM practice is really needed to by a company to enhance its business performance. With clarity on the flows of the SCM, the company operations will be able to observe customers' needs as well as discussing company's needs to the suppliers.

In the SCM practice variables, indicator with the highest loading score on the statement saying the big furniture distributors cooperate with suppliers to create a system in which the flow of information about the products needed urgently is responded by the supplier with the score of 0.849. This result shows that in the measurement of the SCM practice, what is emphasized is the information flow, on which, orders are made by customers, or from the retails can be handled by the producers immediately. This is very important, as has been explained beforehand on the phenomenon in the background part that the big distributors still face problems of miscommunication between different parties when it comes to company's SCM flows. Oftentimes, the retail and the production teams do not understand each other's, and this results in the late delivery of the goods as well as mistakes in the execution of the products. This will, of course, disappoint the customers and is seen as a disadvantage or drawback in the business performance itself. The loading score, in this case, shows that this indicator is seen as the most important one in the variables' measurements. Indicator with the highest loading score in the SCM practice variables has reflected a phenomenon that has been explained in the background of the problem. Big furniture distributors monitor flow of information in the company to improve the existing SCM practices quality.

## **5. Conclusion**

Retail distributor companies build supply chain management systems in order to increase company's business performance. The top tier management commitment is needed to implement supply chain management practice. The increase in commitment that the furniture distributor has is the factor in implementing SCM system that is effective. Therefore, the efficiency and effectiveness from the SCM gets higher. The management commitment of the top management of the furniture distributors have played an important part in the development process of supply chain as well as monitoring companies operational activities in an integrated way, thus having significant positive impacts on the CRM with employees understanding the products sold by the company and the purposes set have strong relationships with customers hopes. Management commitment does not have an impact on the business performance because commitment built by the top tier management is a value that needs to be operationalized so that it has positive impacts on business performance. CRM has significant positive influences on supply chain management practice through building partnerships with suppliers to create a system in which the flow of information about the needed products and customers to create SCM



flows that are understandable by all components on the flow of supply chain management. Supply chain management practice built by the company with the partnership with suppliers and customers/retails has significant positive influences on business performance by lowering order time, damage in products as well as lead time in production.

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