



The Role of Supply Chain Management in Creating Sme's Competitive Advatage

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ABSTRACT

Supply Chain Management is a concept or mechanism to increase the total productivity of a company in the supply chain through optimization of time, location and quantity flow of materials. Both large companies and SMEs in SCM implementation are required to satisfy customers, develop products in a timely manner, spend low cost in the field of inventory and product delivery, manage the industry carefully and flexibly. Today, consumers are more critical and request products with fast delivery. SCM becomes one of the best solutions to improve productivity through inter-company effectiveness and efficiency. This study was conducted to look at the factors that influence supply chain management implementation in SMEs in creating competitiveness. SMEs demonstrate the form of cooperation in their business activities, involving parties such as workers, co-workers, suppliers, and consumers, so it is interesting to do research on how to apply the supply chain in SMEs in order to implement supply chain management, maintain the smoothness of the production process, until the delivery of SME products.

Based on the results of the research, to ensure supply chain management performance reflected through the flexibility of delivery and storage cost management is achieved, managers must optimize the supply flow of raw materials. This is because supply flows have the greatest effect on the smoothness of supply chain management; further the smooth flow of supply can increase sales through the ability to provide products according to customer demand. With Supplier partnership strategy, a supplier partnership or strategic alliance model should be developed through certain

forms of cooperation so as to ensure smooth movement of goods in the production process. Efforts to implement Customer Relationship, planning should be made as much as possible, in addition must be created integration between SMEs with the needs of consumers. On other side, problem solving is not centralized but must share information about marketing, sales and service. In order to compete, SMEs should increase the use of information technology. Using of information technology can solve various problems such as cost savings, speed up operation time, increase productivity, accelerate delivery of products or services to customers.

Keywords: *SMEs, SCM, Competitive Advantage*

1. INTRODUCTION

he Government of East Java Province has an economic development strategy called "Jatimnomics" with an approach to strengthen the synergy of three main aspects of activities, namely production, business financing, and product marketing. In this strategy efforts to encourage the economy is done by paying attention to aspects of mastery of tekologi and production management, especially by SMEs. This aspect of economic activity can run sinerically, it will strengthen the competitiveness of regional economy (DRD, 2017). Conditions of intense business competition require companies to implement strategic policies, not least Small and Medium Enterprises (SMEs). SMEs have an important role in the Indonesian economy. Due to this SME, unemployment due to the unabsorbed labor force in the workforce is reduced. SME sector has been

promoted and made as the main agenda of Indonesia's economic development. One of the efforts that SMEs can survive in the long run is the provision of the right product for consumers, at the right time, and in economical cost. The availability of the product and the economical selling price can only occur if there is good coordination between the company and the parties in the supply chain (Permana, et al 2017). Coordination of the parties in the supply chain involves not only supply coordination but also market information useful for enterprise planning.

Lack of product inventory will result in loss of sales, while certain advantages will result in accumulation of products and increased inventory maintenance costs. In addition, coordination with sales networks as one of the supply chain is important (Sondakh, et al., 2018). Thus the role of suppliers, transportation companies, and distributorship network is needed for the survival of SMEs. Awareness of cheap, fast and quality products that gave birth to a new concept in Supply Chain Management. Supply Chain Management is a concept or mechanism to increase the total productivity of a company in the supply chain through optimization of time, location and quantity flow of materials. Both large enterprises and SMEs in SCM implementation are required to meet customer satisfaction, develop products in a timely manner, low cost in inventory and product delivery, managing industry carefully and flexibly. Today consumers are increasingly critical and demanding products with fast delivery. SCM becomes one of the best solutions to improve productivity through effectiveness and efficiency between different companies.

Kurniawan (2018) argues that there are many complaints that often arise in discussions about SCM, among others: a. consumer dissatisfaction and the occurrence of lost sales with respect to shortage of inventory b. supplier problems resulting in the late introduction of new products to the market c. excess inventory and product expiration d. major suppliers are often out of business. In the future, SCM will face increasingly serious challenges, as more complex consumer demand and intercompany relationships in the value chain. Research on supply chain analysis and design in enhancing competitive advantage is important for companies of both large and medium scale.

2. Literatur Review

2.1. Supply Chain Management

Supply chain management is an alternative strategy that provides solutions in the face of environmental uncertainty to achieve competitive advantage through reduced operating costs and improved customer service and customer satisfaction. Supply chain management offers a mechanism that governs business processes, increases productivity, and reduces company operating costs. Supply chain management illustrates the coordination of the entire supply chain, starting from raw materials and ending with satisfied customers. The purpose of supply chain management is to coordinate activities within the supply chain to maximize the competitive advantage and benefits of the supply chain for end consumers (Heizer and Render, 2017).

Lee & Whang (2000) defines supply chain management as business process integration from end users through suppliers that deliver products, services, information, and even value enhancements to consumers and employees. Through the supply chain, companies can build cooperation through the creation of a coordinated network (network) in the provision of goods and services for consumers efficiently (D'Amours et al., 1999). One of the most important things in supply chain management is the sharing of information, therefore in material flow, cash flow, and information flow are all elements of the supply chain that need to be integrated (Chen et al., 2004).

The principle of supply chain management is basically synchronization and coordination of activities related to material / product flow. A simple supply chain has components called a channel consisting of suppliers, manufacturers, distribution centers, wholesalers, and retailers who all work to meet end customers. A supply chain may involve a number of manufacturing industries in an upstream to downstream chain. A supply chain is not always a straight chain (Anatan and Ellitan, 2009).

In reality, a manufacturing industry can have hundreds or even thousands of suppliers, and products produced by an industry are distributed to multiple centers serving hundreds or even thousands of wholesalers, retailers, merchants, and consumers. And each channel in a supply chain has mutually supportive activities including product design, demand forecasting, material procurement,

production, inventory control, distribution, transportation, deviation or warehousing, customer service support, and payment processing. Management of supply chain management requires the intervention of the relevant parties (Muljani and Ellitan, 2017). Supply chain management applications basically have three main objectives: cost reduction, capital reduction, and service improvement. Cost reductions can be achieved by minimizing logistics costs, for example by choosing a transport tool or model, warehousing, service standards that minimize costs. To achieve the required capital decline in business activity, firms must be able to minimize the level of investment in logistics. While the improvement of service is very important to be done proactively because the service or logistics services that the company greatly affects the income and profitability of the company.

Supply chain management essentially covers the scope of work and responsibility. All activities related to the flow of materials, information, and money along the supply chain are activities within the scope of supply chain management. Table 1 shows the four areas of supply chain management coverage related to the main functions of the supply chain.

2.2 Supply Chain Management Strategy

Supply Chain Management deals with the complete cycle of raw materials from suppliers, to operational activities in the company, continues to be distributed

to consumers. An important point on which this concept is based is the focus of reducing futility and optimizing value on the supply chain. Supply Chain Management is the management of various activities in order to obtain raw materials, followed by transformation activities into products in the process, then into finished products and forwarded with delivery to consumers through the distribution system. Activities undertaken include the purchase of traditional secar and various other important activities related to suppliers and distributors. Therefore Supply Chain Management includes, among other things, determination (Chopra and Meindl (2010):

1. Transportation.
2. Payments by cash or credit (transfer process)
3. Supplier
4. Distributors and parties assisting transactions such as Bank
5. Debt or accounts receivable
6. Warehousing
7. Order fulfilment
8. Information on demand forecasts, production or inventory control.

Supply chain helps Business Strategy. How decisions about the supply chain impact on strategy will be shown in the following table (Chopra and Meindl (2010).

Table 1. Impact of Supply Chain Decision on Business Strategy

	Differentiation Strategy	Low Cost Strategy	Response Strategy
Supplier Objectives	Market share research, join in developing products and options	Offer products at the lowest possible cost	Rapid response to change requirements and requests for minimum stock out
Main Criteria in Choosing	Prioritize product developing skills	Priority cost selection	Prioritize capacity selection, speed and flexibility
Process Characteristics	A modular process that leads to mass customization	Capitalize on average high usage	Investment in flexibility and flexible processing
Stock Characteristics	Minimize inventory in the chain to avoid obsolescence	Minimize inventory through economical chains	Develop a responsive system, with buffer stock position to ensure supply
Design Product Characteristics	Aggressive investment to reduce lead time development	Short lead time for as long as possible does not increase the cost	Aggressive investment to reduce production lead time

Source: Heizer and Render (2000)

3. Findings and Discussion

3.1. Profile of Participants

This research was conducted by using Focus Group Discussion in the first phase followed by 20 participants in the FGD and subsequently conducted second stage interviews to 6 owners or pmpinan SMEs in the second stage representing 6 categories of SMEs. Twenty have participated in the Focus Group Discussion, all of which are small and medium-sized manufacturing and service companies, according to the criteria used for this study. Participating companies are selected samples and provide a complete response to the required data Company profiles participating in this research are viewed in terms of business line, length of operations, assets owned, and general performance achieved over the past 3 years. These companies are engaged in different businesses according to 6 categories. All of them are micro, small, and medium enterprises that have been in their own business for more than three years, and only 3 relatively new companies (operating less than a year).

3.2. Experience Experience of SMEs and Lesson Learned Related to Business Management and Supply Chain.

Most SMEs are still trying to compete in terms of price. Very few people think of creating unique products, creating messages and marketing materials, asking customers to provide opinions about a given product or service. Nevertheless, fifty percent of business actors have done marketing planning. SME product development is slow due to access to capital and slow innovation. SMEs are also limited in conducting market research. Most SMEs are managed by families and do not have any cooperation with outside entities.

It is not uncommon for SMEs to suffer business losses. However, for business actors who sell goods that can not rotten does not cause significant losses. Here is a sharing of one of the fuel suppliers in hotels, restaurants and big shops. These business actors only feel the business crowded or quiet. To avoid loneliness of business in the long term, entrepreneurs strive to get customers that can be trusted. Another strategy is to get established customer organizations not individual customers. Never take too much profit, always trying to create bargaining power with suppliers and customers, and providing faster service to customers is what keeps this business away from the risk of loss.

Another experience shared by the florist in the Kayun area, to overcome the loneliness of business and possible loss of business is to sell raw material in the sense of interest that has not been stringed. Efforts to diversify the flower arrangements are also done. Employers also sell at a cheaper or competitive price than existing competitors. Maintaining customer loyalty is especially important in maintaining relationships with customers of major agencies. However, it takes patience in terms of billing and payment time from the customer. Billing customers from outside the city is felt more difficult, so from this experience business actors advise better customers make payments first.

For the food business is not uncommon to face the risk of loss, especially in the early days of business. The main thing to do is to find out consumer responses about the results of food products sold, menjajagi consumer tastes, taste and purchasing power. In addition, the business location factor also needs to be considered. Doing business in the field of food needs to be careful to read the market when busy and quiet, so when quiet do not do too much production. Not infrequently diversified food business so that not only sell one type of food alone.

Some businesses start their business driven by the layoffs of the workplace. They also do not love to spend money, savings or debts from cooperatives or perbankan. Mental factors to rise is necessary in the deterioration of business. One of the informants working in the field of auto parts and building tools is looking for competitive suppliers, so they can provide cheaper prices to customers with the same quality of goods on the market.

For the clothing retailer, rarely faces the risk of loss. Usually they take goods from factories and have capital trust they pay when marketed products are sold. In this business there is only crowded or lonely. The Eid or Christmas season is a very lucrative moment for this business. For retail that sell to individual usually give payment time with installment 1-2 months. Retailers acting as wholesalers should ask customers to pay in advance. In addition, the ability to lobby and attract customers and maintain good relationships with suppliers and customers is needed in this business.

Sharing continues with solutions in the face of business. Most entrepreneurs are not afraid of competition. As proposed by one of the informants engaged in the business of ornamental plants in the area Bratang. He applied the strategy by providing competitive prices and good quality of crops. Do not use the services of a realtor making this business can mejual with competitive prices, because in this business is usually a realtor sells at very high prices. In addition it is necessary to maintain loyalty and build trust with suppliers and customers. Another problem faced is rogue employees who do not work optimally when not supervised. The aspect of employee honesty also determines the success of the business.

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A businessman who owns a computer buying and selling business in THR Mall, kiloan business and boarding house also share experiences in this opportunity. The point at all is not afraid to face competition during the competition is a healthy competition. Also advised do not be afraid to owe the origin of the debt is used for capital not for consumption. Building cooperation with banks and cooperatives is essential in this endeavor. The payment system backed up in the business of buying and selling computers mmaupun kos-kosan business during this give good results.

Various strategies to get customers or new customers to order are also done by UMKM actors. For entrepreneurs who move the food industry attract new customers by providing the best products according to taste, always think positive and serve customers wholeheartedly, and have mental steel. In addition it must continually offer to old customers and

communicate well with customers. Building a network is needed by business actors. Offering low prices and providing long term payback is a good strategy for MSMEs too. Common problems facing SMEs are limited funds, business location, no guarantees for bankers, business permits and cooperative education (Bisnisukm, 2012).

3.3. SCM Design For SMEs

The researcher tried to make the design of UMKM by doing in dept interview to 6 UMKM business actors. The things explored in the design of SCM UMK include several things: SMM SCM Condition, Stock Setting, Distribution Arrangement, Readiness Information System and Optimisasi relationship with suppliers. Next is the identification of constraints and solutions in SME SCM as described below.

3.3.1. SME SCM Conditions and Efforts to Ensure Partnership

From the results of observations made and interviews to the perpetrators of SMEs shows that most of the supply chain system with a close partnership system is a SME engaged in the culinary field. SMEs that do not use the methods of close partnership with consumers, will have difficulty maintaining the quality of the resulting product. The main problem facing SMEs is the lack of information about their specific suppliers.

Based on the results of interviews with informants, SMEs that manage supply chain by establishing close partnerships and using some suppliers look quite successful. This method is successful after SMEs run their business for some time. In the early days of the establishment of SMEs this method was not successful because suppliers are still looking for suppliers that match the business undertaken. SMEs experience constraints on the initial process of their business in selecting the appropriate suppliers and in establishing partnerships with suppliers.

Before identifying the most suitable SCM method used for SMEs, SME representatives are explained about theoretically existing SCM methods, namely close partnerships with suppliers, close consumer partnerships, JIT Supply Systems, Electronic procurement (e-procurement), electronic data interchange (EDI) outsourcing, subcontractor, Third Party Logistics / 3PL, strategic planning, supply chain benchmarking, vertical integration, some suppliers, suppliers, holding safety stocks and the use of external consultants, but from the results of

discussions and interviews with informants, they prefer to use the methods used in close partnership with suppliers and use some suppliers. save costs and remember the scale of their business is not too large. Based on the results of this study also indicates that most SMEs do not have their own logistics departments. Business scale and cost constraints are common reasons SMEs prefer not to have their own logistics department. No doubt, one of the keys to successful SMEs in running their business is the existence of fast logistics and cost effective. From the results of the discussion it was found that there were no special partners for logistics for SMEs. Because by partnering with an efficient and reliable logistics service provider, SME players can minimize the logistical barriers that may arise. With the existence of an integrated logistics platform, it is expected that the logistics problems faced by SMEs can be reduced.

The identification of SME logistics is about moving supplies into production and about moving the output generated by SMEs. From the interviews, logistics in SMEs are divided into 3 dimensions, namely infrastructure and physical transportation, trade facilitation and logistic service providers. The problems that arise in infrastructure and transportation operations are congestion and delay of land transportation. The high cost of transportation and the destruction of infrastructure so that the means of transportation used more wasteful of fuel and other operational costs, the number of illegal charges along the way and limited other means of transportation. Theoretically, the relationship between companies and suppliers should be more synergies through the application of technology in the field of supply chain, one of them with the application of information technology such as e-supply chain management. From the discussion with informants, all SMEs who become sample have not adopted a form of integrated e-commerce that made the information media by company to consumer. In this case, there is no integrated e-commerce model that not only presents a catalog of products only but more integrated all stakeholders of the company to facilitate the process of allocating resources in the supply chain.

SMEs not yet supported by technology, usually a family business unit and have a low market, therefore the resulting product is limited and marketing level is also limited to the nearest consumer. In contrast to large scale businesses that already have a solid

network and can reach international markets with a wider range of promotions.

3.3.2. Strategic Supplier Partnership in SMEs

From the results of interviews with representatives of SMEs, it is known that the supply chain system used is still a close partnership with suppliers. This is because the supply chain system has low cost and efficient for small and medium scale business category. Of the 20 SMEs being sampled, the informants from each of the SMEs mostly have the same response. By using a close partnership, in addition to minimizing costs will also maintain the quality of the resulting product. The main problem faced is the lack of information on suppliers specifically for SMEs. Informants in this case expect the existence of integrated, fast and accurate information about existing suppliers. In addition, there is no special cooperation between suppliers and SME managers so that the existing form of cooperation is limited to providers of raw materials for SMEs but not so with the smooth availability of raw materials. This resulted in SMEs constrained by the unavailability of raw materials in the process of production.

The main target of Customer Relationship for SMEs is to promote long-term growth and profitability of SMEs through a better understanding of customer behavior. In this case customer relationship aims to provide more effective feedback and better integration for SMEs. In this case, Customer Relationship includes the methods and technologies that companies use to manage their relationships with customers. The information stored for each customer and prospect is analyzed and used for this purpose. From interviews and observations, almost all SMEs do not use this Customer Relationship strategy. The relationship that exists between SMEs and their customers is limited to seller and buyer relationship only. This is due to the absence of planning in running the business, not integrated SMEs with consumer needs so that customer satisfaction is not clearly identified. On the other hand solving the problem involves only one party and not integrated with consumers so that SMEs can not improve its performance.

Theoretically, the relationship between the company and the supplier must be more synergy through the application of technology in the field of supply chain, one of them with the application of information technology. In this case, there is no integrated

information technology system that not only presents a catalog of products but more integrated all stakeholders of the company to facilitate the process of allocating resources in the supply chain. The absence of this technology support system of SMEs is because in general the existing SMEs is a family business unit and has a low market, therefore the resulting product is limited and the level of marketing is also limited to the nearest consumer. In contrast to large-scale businesses that already have a solid network and can keep the international market well-promoted. Likewise with the lack of information related to the progress of science and technology, causing their facilities and infrastructure is also not fast growing and less support the progress of business as expected.

Characteristics of SMEs that have small-scale scale and very sensitive, certainly can not apply the entire supply chain used large-scale companies. Because unlike large corporations that have considerable geographic coverage and large resources, SMEs basically do not have a clear enough view to implement in their operations. To that end, SCM applications for SMEs should use a special and simple method. In the Supplier partnership strategy, partnership or strategic alliance should be developed through certain forms of cooperation so as to ensure smooth movement of goods in the production process. In Customer Relationship planning should be made as much as possible, but it must create integration between SMEs with the needs of consumers. On the otherhand in problem solving is not centralized in this case should share information about marketing, sales and service. Finally, in order to compete in the global era of SMEs should increase the use of information technology. The use of information technology in enterprise activities such as value chains can address emerging issues such as cost savings, speed up time of operations, increased productivity, accelerated delivery of products and services to customers.

4. Conclusions and Suggestions

The results of this FGD indicate that Micro, Small and Medium Enterprises (MSMEs) are the largest economic actors group in Indonesian economy and proven to be the national economic safety valve in times of crisis, and become the dynamics of economic growth after the economic crisis. In addition to being the largest business sector of its contribution to national development, MSMEs also create significant employment opportunities for domestic workers, thus

greatly helping to reduce unemployment. One key to the success of micro, small and medium enterprises is the availability of a clear market for MSME products. Meanwhile, the fundamental weaknesses faced by SMEs in the field of marketing is low market orientation, weak in complex and sharp competition and inadequate marketing infrastructure. Facing an increasingly open and competitive market mechanism, market control is a prerequisite for improving competitiveness. Therefore, the role of government is needed in encouraging the success of MSMEs to expand market access through the provision of web based information technology facilities that can be used as a medium of global business communication.

Based on interviews and observations, the supply chain in SMEs has not been implemented clearly. In this case, the supply chain used by SMEs is still conventional in the sense of partnering closely with its suppliers and not yet having a clearly integrated and integrated department. This is due to the small cost constraints and business scale of SMEs. To overcome this problem required an integrated supply chain system for SMEs both self-production and consumer side. In this case there are specialized supplier, consumer and production centers for SMEs with a particular production. In addition there should also be a union of SMEs that serves to integrate suppliers, production and consumers. To improve the performance of the supply chain, the existing system must be integrated with information technology.

SMEs show a form of cooperation in their business activities, involving parties such as workers, suppliers, suppliers and consumers. Findings on the implementation of supply chains in SMEs in order to implement supply chain management, to collaborate between various parties, to maintain the smoothness of the production process, until the delivery of SME products becomes an important idea for the development of SMEs in the future. Based on the results of the research, to ensure supply chain management performance reflected through the flexibility of delivery and storage cost arrangements is achieved, managers are required to optimize the flow of raw material supplies. This is because supply flows have the greatest effect on the smoothness of supply chain management, further the smooth flow of supply can increase sales through the ability to provide products according to customer demand.

The supply chain determines a substantial portion of product cost and quality as well as the opportunity to create differentiation. One of the keys to corporate success in business competition is to own and maintain a competitive advantage that lies in the company's ability to differentiate itself from competitors and the ability to perform production at lower costs. This can be achieved through supply chain management and building business partnerships and business networks and choosing the right SCM strategy (Kathandaraman and Wilson, 2001). The trend of globalization has shifted the paradigm in business competition between companies individually into business competition between business networks. This condition requires companies to no longer focus on stand alone-competition but rather on cooperative competition in ecosystem partnership. Companies must change the way companies serve and deliver customer value through manufacturing networks (Ellitan and Anantan, 2008). To achieve a successful business partnership several points or approaches are addressed (Anatan and Ellitan, 2009): 1) radical thinking, 2) enhancing competitive ability together, 3) integrating corporate culture or even different national cultures, 4) development of R & D facilities or research networks.

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