

CHAPTER I

INTRODUCTION

1.1. Background

Business developments that are influenced by technological developments make various findings to solve existing problems. The emergence of these findings makes business competition in the industry very fast. Consumers also have a higher need for products and services. The economy has experienced significant changes, especially in developing countries such as Indonesia, which are increasingly experiencing economic and development and industrial development. Industry in Indonesia is currently very rapid in line with the advancement of science and technology. Every company will make every effort to improve productivity, efficiency, fast, easy service, and continue to create new innovations to stay ahead and survive in the market and industry. Ariani (2013: 2)

Currently in marketing, services are defined as any act or performance one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product. Music studio business can be classified as the service institution because it is fulfilled with the service criteria, the product can be tasted, have no effect on ownership and the consumption process is at the same time with the production process. Wulandari (2018). As well as manufacturer, music studio business is an economic activity that processes raw materials into finish good, which is music. Nowadays, according to Radar Semarang (2017) and Radar Bojonegoro (2017) many of music studio business struggled to be stable in the market. It causes the decreasing of music studio business in Semarang and Bojonegoro. According to Mayasari (2008), industries, as well as music studio business, must have appropriate strategies to be able to survive in the market, can face competition, threats,

and market opportunities. Industry must be able to design and has a supply chain management strategy to be able to direct the course of goals to be achieved in improving company performance, such that companies can survive in competition. Many factors that can influence the performance of supply chain management in companies include information sharing, long term relationships, cooperation, and integration process.

Supply Chain Management is the activity of processing raw materials into goods in processing semi-finished goods and finished goods then sending the product to consumers through a distribution system. This activity includes a purchasing function that relates between suppliers and distributors (Heizer & Render (2004) in Pambudi (2016: 11). Company performance is something that produced by a company within a certain period of time at a predetermined standard. Business performance refers to how many companies are market oriented and profit goals Rahadi (2012: 2).

Supply Chain Management is the coordination of traditional business function strategies and systems, because supply chain management represents the flow of material, products, and information, which is primarily a company as well as studying business, from suppliers to factories to consumers in the supply chain to improve the performance of the term the length of the company and all supply chain activities or Supply Chain Management activities. Mentzer (2001) in Hou (2013: 1)

Supply Chain Management in an integrated supply chain that involves several processes including a long-term relationship between Industry and suppliers, long-term relationships can be created with a continuous relationship between all parties involved, several indicators in Supply Chain Management are Strategic relationships with suppliers, relationships with customers, levels of information sharing, quality of information sharing between suppliers and business owners, and delays. Rapid response in the delivery of raw materials is very important in Supply Chain Management. Suhong, et al., (2006: 100)

This research was conducted namely to investigate the factors or determinants that make a significant impact on the SCM performance of MSME's Music Studio in this industry by using multiple linear regression methods. So based on this study the results obtained, which are the variable information sharing, long term relationships, cooperation, and process integration have a positive effect on SCM Performance.

1.2 Problem Formulation

Based on the background described earlier, the following is a formulation of the problems that existed in this study:

- a. Does the influence information sharing has positive and significant effect on MSME's financial Bandung and Yogyakarta ?
- b. Does the influence of long term relationship has positive and significant on MSME's financial Bandung and Yogyakarta
- c. Does the influence of cooperation has positive and significant on the financial MSME's Bandung and Yogyakarta
- d. Does the influence of process integration has positive and significant on MSME's financial Bandung and Yogyakarta

1.3 Limitation and Assumption of Research

Limitations in this study are determined in order that research conducted will not too broad and limp from existing research topics. The boundaries of that problem are:

- a. The object of research was carried out in Bandung and Yogyakarta
- b. The variables discussed in this study are information sharing, long term relationships, cooperation, and process integration
- c. The implementation time in the research is six months
- d. The method used in this research is Multiple Linear Regression
- e. Software used in this study is IBM SPSS

Assumption in this study determined in order that the research conducted is not too broad from existing research topics and the research conducted naturally without any experimental settings. The assumptions made in this study are:

- a. Information sharing has positive impact to financial on Music Studio MSME
- b. Long Term Relationship sharing has positive impact to the financial on Music Studio MSME
- c. Cooperation has positive impact to the financial on Music Studio MSME
- d. Integration process has positive impact to the financial on Music Studio MSME

1.4 Objective of Research

According to Mayasari (2008) industries need appropriate strategies to be able to survive in the market and can face competition, threats, and market opportunities. Industry must be able to design and has a supply chain management strategy to be able to direct the course of objectives to be achieved in improving the performance of the company's supply chain management, such that the company can survive in competition. Many factors that can influence the performance of supply chain management in companies include information sharing, long term relationships, cooperation, and process integration. Therefore this research aims to investigate the supply chain performance of MSME's Music Studio related to the information sharing, long term relationship, cooperation, and integration process in order to giving advice regarding to the sustainability of the MSME's music studio.

From the description above, the problems examined in this study can be formulated as follows (1) find out the positive and significant effect of information sharing on MSME's financial Bandung and Yogyakarta (2) find out the positive and significant effect of long term relationship on MSME's financial Bandung and Yogyakarta (3) find out the positive and significant effect of cooperation on MSME's financial Bandung and Yogyakarta (4) find out the positive and significant effect of process integration on MSME's financial

Bandung and Yogyakarta (1) Investigate the influence of information sharing towards the financial in the company (2) Investigate the influence of long term relationships (long-term relationship) towards the financial in the company (3) Investigate the influence of cooperation towards the performance of supply chain management in the company (4) Investigate the effect of process integration (process integration) on the financial in the company.

1.5 Benefit of the Research

This research is expected to formulate the model that can be used as a standard for MSME's music studio to survive in the market in regards to their supply chain management. This paper also can be reading reference to increase knowledge of the readers. Because the researcher use purposive sampling then the analysis of research can only be used by the Music Studio MSME that categorized as the subject of this study. Moreover, this research also can be used as a reference for the next research since the scope still needs to be developed.

1.6 Systematical Writing

Systematical of thesis writing is written in order to make this research more structured and easy to be read. Therefore, systematically the research has six chapters as follows:

First, chapter one is introduction that explains about background, problem statement, problem formulation, scope of the research, objectives of the research, benefit, and structure of research.

Then, literature review that will elaborate about the inductive and deductive study in chapter two. Inductive study is primarily important to determine the literature study of the previous research. Deductive study suggested the basic supporting theories. Literature review contains both concept and basic principles that needed to solve research problems. It also includes a description of the studies 'result that have been done before by other researchers that related with the research undertaken.

The research methodology, which applied in the study is described on chapter three.

Moreover, on the fourth chapter describes data collecting and processing that contains collected and processed data after being processed by objective and subjective measurement

On the chapter five describes research result of data processing in table and graphic, equation or model and provides analysis which appropriate with the theory to answer the problem formulation. Finally, chapter six is conclusion and recommendation that concludes brief statement to answer the problems stated on problem formulation, while recommendation contains suggestions for further research. After the research summarized and recommendations provided, the next part will contain References and Appendices. This chapter provides short and precise statements described in the previous chapter which answer the problem formulation of research. Suggestion related to the current study in purpose of the advancement in the future research is given based on the limitations of the current research.