

Operational Performance of Small and Medium Enterprises in Pandemic Era

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ABSTRACT

This study aims to examine the effect of implementing Supply Chain Management (SCM) on the operational performance of Embroidery SMEs in Tasikmalaya. A total of 45 participants were sampled for this study using a purposive sampling approach. This study employed a survey research design, with data collected through questionnaire. Regression analysis was used to analyze the data. The hypothesis testing findings revealed that the SCM variable had a beneficial influence on operational performance. As a consequence, the findings of this investigation were consistent with earlier findings. Supply chain networks were one of the most prominent avenues through which Covid-19 had a significant impact on the global economy. After Covid-19, there have been disturbances in the operation of global procurement, resulting in spillover impacts at many levels in supplier networks. These supply chain issues have increased the cost of doing business for manufacturing SMEs.

Keywords: *Operational Performance, Supply Chain Management, SMEs, Covid19.*

1. INTRODUCTION

The pandemic Covid-19 has undoubtedly had an influence on several areas, particularly the economic sector. This effect is felt not just locally, but also internationally. The International Monetary Fund (IMF) forecasts worldwide economic growth of minus 3% This undoubtedly has a huge influence on tourism, commerce, and industry in Indonesia, particularly Micro, Small, and Medium Enterprises (MSMEs). According to the most recent statistics on August 14, 2021, there have been 3.8 million instances of covid-19 in Indonesia. [1].

According to the Organization for Economic Cooperation and Development (OECD), the pandemic has had an impact on the economy on both the supply and demand sides. On the supply side, the corporation cuts raw material and unhealthy labor supplies, and the supply chain is also having issues. There is a dearth of demand and deteriorating customer trust in a product on the demand side. According to the OECD, the Covid-19 requirement had a substantial impact on MSMEs. MSMEs were particularly vulnerable to economic interruptions since they frequently have direct interaction with the tourist, transportation, and culinary

industries, all of which require quick suppliers and are all adversely affected by covid-19 [2].

The covid-19 pandemic's influence on Supply Chain Management (SCM), particularly on distributors and warehouses, involves five conditions. (1) a supplier was unable to supply the product; (2) the workforce was unable to work due to imposed regulations (lockdown); (3) distribution and warehousing operations were hampered by physical distance; and (4) inbound and outbound logistics were severely disrupted and delayed due to restricted mobility – seaports/airports were closed. Finally, cash flow was impacted by client cash flow (payables) issues. The first four circumstances are the focus of this research [3].

The presence of MSMEs is unavoidable in today's society. The emergence of MSMEs is extremely beneficial in terms of income distribution. Furthermore, it is capable of producing innovation that is consistent with efforts to preserve and enhance components of the local community's traditions and culture, such as the Embroidery MSMEs in Tasikmalaya. Tasikmalaya is known for its embroidery, which has been influenced by the COVID-19 epidemic. Many Embroidery MSMEs are unable to deliver their products to the market due of transportation constraints and the high cost of raw fabric

supply, this forces MSMEs to choose not to produce because there is no demand, or even to close their doors because they have run out of funds. As a result, the purpose of this research is to describe the impact of applying SCM on the operational performance of Embroidery SMEs in Tasikmalaya.

1.1. Literature Review

1.1.1. Supply Chain Management

SCM practices are a set of activities carried out inside a company to ensure successful supply chain management [4]. Their tool includes six scientifically verified and dependable dimensions: strategic supplier alliances, customer interactions, information sharing, information quality, internal lean practices, and procrastination. Strategic supplier partnership refers to the organization's long-term connection with its suppliers. Customer relations include strategies for addressing complaints, customer satisfaction, and the development of long-term partnerships. Sharing relevant information transmitted between partners, where correctness, sufficiency, and timeliness correspond to information quality. Wastage elimination, low inventory, small lot size, and JIT delivery are all examples of lean processes [4].

Supply chain management is becoming an essential instrument in business strategy [5]. Supply chain management discussions continue to evolve; new supply chain management ideas such as Lean Supply Chain Management, Agile Supply Chain Management, Reverse Supply Chain Management, and Green Supply Chain Management have recently developed [6]. Purchasing, procurement, logistics and transportation, stock control, production planning and control, facilities planning, outsourcing, marketing, organizational behavior, relationship management, contracts, information systems, design network, performance measurement, and so on are all covered in supply chain management [4]

1.1.2. Operational Performance

The primary goal of SCM is to provide a competitive advantage for a firm to differentiate itself from its competitors in the eyes of its consumers by operating at lower costs and achieving a higher profit [7]. For supply chain processes (planning, sourcing, manufacturing, and delivery) and management levels, a framework for SCM performance measurements and metrics is provided (strategic, tactical, and operational levels)[5]. Dimensions of operational performance may apply to MSMEs as well. Flexibility, decrease of lead time in production, forecasting, resource planning, production cost-effectiveness, and inventory

management are the operational performance constructs employed in this study [8].

According to the literature research, the independent factors have a substantial influence on the operational performance of SMEs. As a result, a preliminary model is created to investigate the connection between the independent and dependent variables. As demonstrated by the literature review, the hypotheses are formulated as follow:

H1: The greater the SCM, the better the operational performance of SMEs.

The relationship between the independent and dependent variables can be seen in Figure 1.

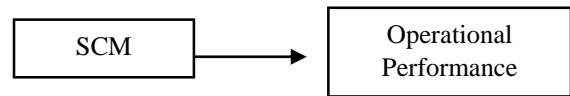


Figure 1. Conceptual Model of Study

2. METHODS

In this study, two variables are observed and measured. SCM is the independent variable, while operational performance is the dependent variable. Each variable and its indicator will be elaborated in Table 1.

Table 1. Variables and indicators used in this study.

Variable	Indicator
Supply Chain Management (X)	<ul style="list-style-type: none"> • Strategic Supplier Partnership • Customer Relationship • Information Sharing
Operational Performance (Y)	<ul style="list-style-type: none"> • Flexibility • reduction of lead time in production • forecasting • resource planning • production cost-effectiveness • inventory management

The quantitative research approach was adopted in this study, with a total sample of 45 Embroidery SMEs in Kawalu, Tasikmalaya. SMEs Embroidery were picked because they are the MSMEs that grow the most in Tasikmalaya each year [9]. This primary data was gathered through surveys and interviews. To determine the link between the independent and dependent

variables, regression analysis was utilized. Supply chain management is the independent variable. Meanwhile, the dependent variable is the operational performance of Embroidery SMEs (Y). Indicators of variables can be seen on the Tab. I. A 5-item Likert-type scale was used in this research. Based on the literature analysis, questionnaires were distributed in this study. Each questionnaire was tailored to a single significant responder. The majority of respondents in this survey were managers or owners. The data was then examined using SPSS software. The table that follows. I give the factors and indicators examined in this study.

3. RESULTS AND DISCUSSION

Independent and dependent variables were subjected to reliability and validity testing. Cronbach's alpha was used to assess the dependability of each measure. The results show that all construct in this study has a reliability value of more than 0.60.

Table 2. Regression analysis.

Var	R	R2	Sig.	Conclusion
1	0.819 ^a	0.671	0.000	H0 Rejected

The regression analysis in Table 2 demonstrates that supply chain management has a favorable and substantial influence on the operational performance of Embroidery SMEs ($p < 0.05$). It shows that supply chain management aids in the performance of SMEs. In this study, dependent variables have a high link with operational success ($R\text{-squared} = 0.671$). The findings of the regression analysis are summarized in Table 2. According to the data processing results, supply chain management has a 67.1% favorable and substantial effect on operational performance. This is because the significance level was set at 0.05 and the significance value was set at 0.000.

The operational success of Embroidery SMEs is heavily influenced by supply chain management. The findings indicate that SCM has a good relationship with the operational performance of Embroidery SMEs. This study found that SCM had a beneficial influence on operational performance, comparable to the prior study [5, 10, 11]. The results of this research are consistent with earlier studies. Supply chain networks are one of the most important avenues through which Covid-19 has a significant impact on the global economy. After Covid-19, there have been disturbances in the operation of global procurement, resulting in spillover impacts at many levels in supplier networks. These supply chain issues have increased the cost of doing business for manufacturing SMEs. Because of the substantial expenses involved, SMEs have begun to develop risk-reduction methods. It is quite difficult for a small

business to handle these risks. As a result, supply chain risk management was created to control hazards on a broader scale [12].

4. CONCLUSIONS

The implementation of supply chain management improved the operational performance of Tasikmalaya's Embroidery SMEs. Although it had a favorable influence on operational performance, many SMEs were unable to manage their supply chains in the face of the pandemic, resulting in substantial disruptions. Meeting demands, particularly in health and food supply, was challenging. This circumstance demonstrates that supply systems are unprepared for the pandemic and are incapable of dealing with it. Since the analytical technique used in this study has limitations, more research in these areas is required. Other studies might utilize the findings to test all factors in various types of SMEs, locations, or nations in order to generalize the findings.

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