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Correlation of actor bonds, activity links, and resources ties on enterprizes competitiveness

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Abstract

This study aimed to examine the effect of company relationships with suppliers (AAR Framework) on the companies, namely Small and Medium-sized Enterprises (SMEs). Results showed that the AAR Framework which consists of actor bonds, activity links and resources ties had an influence on the companies competition. Activity link was the variable with the highest position in its influence on companies competition with the results of the T-statistic $3.048 > 1.64$, followed by resources ties with the results of the T-statistic $2.112 > 1.64$ and the actor bond with the T-statistic results of $2.033 > 1.64$.

Keywords: Actor bonds, Activity links, Resources ties, Competitiveness, AAR framework.

Correlación de los vínculos entre actores, vínculos de actividad y vínculos de recursos en la competitividad de las empresas

Resumen

Este estudio tuvo como objetivo examinar el efecto de las relaciones de la empresa con los proveedores (Marco AAR) en las empresas, a saber, las pequeñas y medianas empresas (PYME). Los resultados mostraron que el marco AAR, que consiste en bonos de

actores, enlaces de actividades y lazos de recursos, influyó en la competencia de las empresas. El enlace de actividad fue la variable con la posición más alta en su influencia en la competencia de las empresas con los resultados del estadístico $T\ 3.048 > 1.64$, seguido de lazos de recursos con los resultados del estadístico $T\ 2.112 > 1.64$ y el vínculo del actor con el T- Resultados estadísticos de $2.033 > 1.64$.

Palabras clave: Bonos de actores, Enlaces de actividades, Vínculos de recursos, Competitividad, Marco AAR.

1. INTRODUCTION

Nowadays, the industry is developing with a very diverse range which in turn requires the participation of many partners in its operational activities. Increasing management decisions to establish relationships with outsiders in achieving a competitive advantage and maximum results will encourage the existence of a fairly basic need in fostering long-term cooperation from relationships between organizations. This shows that in management activities, an SME (Small and Medium-sized Enterprise) must pay attention to the challenges posed by the external environment in addition to the SME internal environment, particularly the relations with suppliers by utilizing AAR (Action bonds and Activity Links) framework. Because if it is managed properly, the SMEs can strengthen the local economy (ANNA, MANNAN & SRIRAHAYU 2019; MILLATI, UTAMA & ARDIANTI 2017)

Suppliers play an important role in relationships with SMEs. Suppliers are individuals or business organizations (SMEs) providing goods or services to vendors with agreed rewards based on agreed

compensation. Suppliers have the strength of the price and quality of the goods or services offered (NAJIB 2007; PEARCE, ROBINSON & SUBRAMANIAN 2000; PORTER 2008). Therefore, suppliers can influence the profitability of a company that buys its product. A good cooperative relationship between the company and suppliers is very important for the long-term survival and growth of the company because of its dependence on financial support, services, raw materials and equipment (PEARCE, ROBINSON & SUBRAMANIAN 2000). In addition, good relations with business suppliers will also determine the optimization of the management of an SME's operations in an effort to achieve optimum profit today.

The phenomenon of the need for a stylish *hijab* but still suitable to Islamic law which is currently increasing, results in many small and medium-sized companies that have penetrated this market segment. However, most of these SMEs do not produce their own clothes but get supplies from suppliers and resell them as happened in one of the Muslim clothing retailers in the most populated muslim country, Indonesia, Almara Hijab Boutique. Almara Hijab Boutique that is located on Jalan Raya Kayoon no. 38-40 Ruko Landmark Kav. A, Surabaya, Indonesia, is one example of boutiques that do not produce their own clothing and accessories. They take these goods from suppliers, so they have a high level of dependence on their suppliers. Regarding the importance of the role of suppliers, it can be concluded that the relationship between SMEs and suppliers plays an important role in the competitiveness of SMEs. This is also an obstacle in running the business.

The condition that often found is sometimes suppliers prioritize other buyers who are more well-known or have long established business relationships with these suppliers. The relationship that has been running well has a considerable effect on the competitiveness of SMEs, in this case Almara Hijab Boutique with its competitors, such as Moshaiact, Shafira, Karita, MizMoss, and etc. Problems that arise can be seen from a decreased quality of the products sent to Almara Hijab Boutique. This can be seen from the increasing percentage of the number of rejections of goods caused by the quality of goods that do not meet the standards of SME criteria. As a result, the fulfillment of demand cannot be achieved by Almara Hijab Boutique because the qualifications and quantity are not balanced.

Other problem that arise is the decreasing loyalty of suppliers. The SME data showed that from 54 suppliers who have joined Almara Hijab Boutique, only 33 of them were truly active in shipping goods. Basically, Almara Hijab Boutique wishes that cooperation with suppliers is a harmonious relationship and long-term oriented, so that be able to produce maximum outcomes in terms of financial, business quality and relationship quality for different interests even without a written contract. The gap in business phenomena occurs in the relationship between SMEs and suppliers, in which SMEs feel they have maximally managed supplier relations through various policies while on the other hand there is a possibility of dissatisfaction with the relationships felt by suppliers that can be identified from the decline in the number of suppliers joining Almara Hijab Boutique from year to year. This cannot be allowed to go continuously in the work

environment situation of SMEs because SMEs can only depend on fewer suppliers. These problems need to be considered that the dependence on a few or one supplier can result in the supplier having too much opportunity to use refusing power or to increase the costs intermediately.

Choosing and concepting the right relationship with suppliers, both long-term and short-term transactional relationships, is very important to do, especially through the AAR framework. AAR can be used in assessing the quality of relationships in the service business (CATHERINE MYHAL, KANG & MURPHY 2008). The selection and management of satisfying relationships with sufficient suppliers can be one of the most causes of competitiveness (CAMBRA-FIERRO & POLO-REDONDO 2008). Therefore, maintaining a relationship of partnership with suppliers gives an important role in SME operational activities. Based on the discussion above, this study aimed to determine the effect of the relationship of Actor Bonds, Activity links, and Resources Ties (AAR Framework) on the SMEs competitiveness. To analyze the effect of SME relationships as buyers with suppliers, the Actor Bond variable can be determined from a combination of trust and commitment. Information sharing factor was used as an Activity Links indicator. Special partner investment factor was used as an indicator of Resource Ties.

This research was a follow-up study from DANIEL D. PRIOR (2012) who used AAR Framework as an independent variable. However, this study used competitiveness as a dependent variable but

only used innovation dimensions as indicators as well as to confirm the relationship of the AAR framework to the competitiveness of SMEs in one of the Muslim clothing retailers in one of the most Muslim populated countries, Indonesia.

AAR Framework (Actor Bonds, Activity Links and Resource Ties) is to summarize the main characteristics of relationships between companies (PRIOR 2012). Whereas, according to some AAR Framework sources, it is used to examine motivation for professional service loyalty (ČATER & 2009), the quality of relationships in the service business (CATHERINE MYHAL, KANG & MURPHY 2008), relationship change (SCHURR, HEDAA & GEERSBRO 2008) or supply network groups (JOHNSEN et al. 2000).

2. METHODOLOGY

This study used a quantitative approach. The research sample was SMEs in the garment sectors located in Indonesia, namely Jakarta, Bandung, Surabaya and surroundings and often interact directly with their suppliers. Respondents of this study were SME owners or SME managers as representatives or SMEs who interacted intensely with suppliers. After surveying 33 Muslim clothing boutiques around Surabaya, respondents who agreed to answer the questionnaires were 21 supervisors, 8 purchasing departments and 4 owners.

The independent variables identified in this study were used to assess the main elements of respondents' SME relations with their main suppliers which consisted of AAR framework elements, namely Actor Bonds (X1), Activity Links (X2) and Resource Ties (X3). The dependent/bound variable used in the study was the competitiveness of SMEs (Y). Measuring indicators from each variable X and Y in this study were to use an interval measurement scale with a Likert scale measurement. The scale is divided into 3 areas, namely Actor Bonds, Activity Links and Resource Ties.

Actor bonds scale: Actor bonds scale consists of two dimensions, trust and commitment. The trust scale was developed by Doney and Cannon which consists of two main elements of trust, objective credibility and virtue (Doney & Cannon 1997). The scale used to assess commitment was adapted from Kingshott, which combined two main dimensions of commitment, which are attitude commitment and affective commitment (Kingshott 2006).

Scale Links Activity: Activity links scale was adapted from Anderson and Weitz consists of six aspects from the two main elements (Anderson & Weitz 1992). The first element is the respondent's perception that their information is being stored with relevant information in a timely manner. The second element is the perception of how respondents feel involved in their partner's process decision making.

Resource ties scale: The Resource ties scale used was adapted from Bensaou and Anderson who examined the extent to which partners believed their company had made a large investment (BENSAOU & ANDERSON 1999), specifically for its relationship with suppliers, such as equipment, adjusting its products using supplier components, in time and effort to learn supplier business practices, in time and effort to develop relationships with suppliers.

This study used Partial Least Square (PLS) analysis techniques based on the advantages of high flexibility in the use of PLS which was divided into outer and inner models. Outer model consisted of convergent validity test, discriminant and composite reliability, while the inner model consisted of 1 R-Square/Q-Square and hypothesis test. The software used was SmartPLS.

3. RESULTS and DISCUSSION

The research respondents were 33 representatives of manager-level analysis units in garment SMEs who used supplier services with profiles as follows:

Table 1: Characteristics of respondents' profiles

Position	Frequency	Percentage
Owner	4	12.1
Purchasing	8	24.4
Supervisor	21	63.6
Total	33	100
Working period	Frequency	Percentage
1 year	1	3.0

1-3 years	12	36.4
3-5 years	6	18.2
<5 years	14	42.4
Total	33	100

Based on table 1 shows most of sample are supervisors position, as many as 21 people (63.6%). The research sample that served as purchasing department was 8 people (24.2%) and the remaining 4 people (12.1%) were the owners of garment SMEs surveyed. Then, for the working period of the study sample, the majority were less than 5 years as many as 14 people (42.4%) and 1-3 years as many as 12 people (36.4%). Several research samples had working period of 3-5 years as many as 6 people (18.2%) and 1 person (3%) had worked for 1 year.

The following is the distribution of respondents' answers to the bond actor's research variables dimensions of trust and commitment:

Table 2: Respondents' Answers to the Dimensions of Trust and

Item	Mean	Categori
Actor bond is a dimension of trust		
Supplier keeps promises	3.64	Agree
Supplier is not always honest	2.30	Disagree
SMEs trust suppliers	3.79	Agree
Supplier focuses on the success of SMEs	3.79	Agree
Supplier considers the welfare of SMEs as their own SME	3.73	Agree
SMEs believe that suppliers always provide the best for SMEs	3.76	Agree

Supplier can be trusted	3.70	Agree
Total	3.53	Well
Actor bond commitment dimension		
The relationship between SMEs and suppliers is something important for SMEs to do	3.61	Agree
SME relationship with suppliers is a very important relationship for SMEs	3.48	Agree
The relationship between SMEs and suppliers is a small thing for SMEs	2.42	Disagree
The relationship between SMEs and suppliers is something that SMEs maintain	3.70	Agree
SME relations with suppliers are like family	3.76	Agree
The relationship between SMEs and suppliers is something that SMEs pay attention to	3.64	Agree
The relationship between SMEs and suppliers is worth maintaining so that they get the full attention of SMEs	3.61	Agree
Total	3.46	Good

The distribution of answers to bond actor variables in the trust dimension is known to be the highest mean value in items X1.1.3 and X1.1.4 with respondents' mean answers of 3.79 each in the agreed category, which means that suppliers who have become garment SME business partners which are the samples of research always provide reliable information to SMEs. Whereas, the mean of the smallest answer

in this variable was item X1.1.2 with the mean of the answer of 2.30 which belongs to the category of disagree, indicating that suppliers who are partners of garment SMEs as research samples are always honest with SMEs. Overall, the average value of the trust dimension was 3.53, indicating that the trust that existed between SMEs and suppliers had been good.

Whereas, the answer distribution of bond actor variable commitment dimension is known that the highest mean value was found in item X1.2.5 with respondents' mean answers of 3.76, included in the agreed category, indicating that so far the relationship between the SMEs and suppliers was like relationships in the family. Whereas, the smallest mean answer in this variable was item X1.2.4 with the mean answer of 2.42 which is included in the disagree category, indicating that suppliers and SMEs felt that the relationship that occurred was a big aspect for SMEs. Overall, the average value of the commitment dimension was 3.46 which means that the commitment that existed between SMEs and suppliers had been relatively good.

The following is the distribution of respondents' answers to the activity links research variable:

Table 3: Respondents' Answer to the Activity Links Variable

Item	Mean	Categori
Activity links		
SMEs provide information to suppliers	3.85	Agree
SMEs and suppliers make an agreement to look after each other	4.03	Agree

SMEs are hesitant to provide SME's main information supplier	2.21	Disagree
SMEs are quite involved in marketing and planning the main business of suppliers	3.61	Agree
The supplier asks for advice and advice regarding marketing efforts	3.82	Agree
Suppliers are willing to show SMEs their strengths and weaknesses	3.24	Agree
Total	3.46	Good

The distribution of respondents' answers to activity links variable showed that the highest mean value was found in item X2.2 with the mean of respondents' answers of 4.03 each in the agreed category, indicating that so far SMEs and suppliers always made an agreement to look after each other with good to obtain proper information. Whereas, the mean of the smallest answer in this variable was item X2.3 with the mean answer of 2.21 which is included in the disagree category, indicating that so far the SMEs had always been willing to provide suppliers with a lot of key information that SMEs can provide maximum results. Overall, the average value of activity links variable was 3.46, which means that two-way communication between SMEs and related suppliers for the desire to share accurate information was good.

The following is the distribution of respondents' answers to the resource ties research variable:

Table 4: Respondents' Answer to Variable Resource Ties

Item	Mean	Category
Resource ties		
SMEs have made large investments, specifically for SME relationships with suppliers	3.94	Agree
SMEs have made large investments, specifically for SME relationships with suppliers, adjusting SME products by using supplier components	3.94	Agree
SMEs have made large investments, specifically for SME relationships with suppliers, in time and effort to learn supplier business practices	3.94	Agree
SMEs have made large investments, specifically for SME relationships with suppliers, in time and effort to develop relationships with suppliers	3.97	Agree
Total	3.95	Good

The answer distribution of respondents to the resource ties variable showed that the highest mean value was found in item X3.4 with the mean answers of respondents of 3.97 included in the agreed category, indicating that so far SMEs had made large investments, specifically for SME relations with suppliers, in time and effort to develop relationships with suppliers. Overall, the average value of the resource ties variable was 3.95, which means that all this time the problems regarding finances, time and other resource allocations made so that they can be used in SME relations and suppliers were good.

The following is the distribution of respondents' answers to the SME competitiveness research variable:

Table 5: Respondents' Answers to Competitiveness Variables

Item	Mean	Category
Relations with competitors, SMEs often issue new ideas	4.15	Agree
Relations with competitors, SMEs are always creative in creating operational methods.	4.48	Agree
Relations with competitors, SMEs are often the first to market new products and services.	4.18	Agree
Relations with competitors, The introduction of new SME products continues to increase every year	4.39	Agree
Total	4.30	Good

The distribution of respondents' answers to competitiveness variables is known to have the highest mean value on item Y2 with the mean answers of each respondent equal to 4.48 included in the strongly agree category, indicating that so far in relation to competitors, SMEs have always been creative in creating methods operational. Overall, the average value of the competitiveness variable was 4.30, which means that so far the assessment of the competitive advantage of garment SMEs in the market based on people's perceptions had been good.

4. CONCLUSION

Based on the results obtained regarding the correlation of the AAR Framework to the competitiveness of SMEs, the conclusion is

that bond actors, activity links and resource ties had a significant positive influence on the competitiveness of SMEs. The influence of bond actors on the competitiveness of SMEs was 0.266 with t-statistic value of 2.033, while activity links to the competitiveness of SMEs was 0.377 with t-statistics value of 3.048 and resource ties to the competitiveness of SMEs waa 0.250 with t-statistic value of 2.112. Hopefully the relevant parties will pay attention to the AAR framework since AAR had a positive influence and further studies to involve other variables.

IMPLICATION

This study showed that the results obtained can have implications for management regarding to achieve targets, anticipating losses and managing relationships with related partners. Management can maintain good relations with suppliers by not doing unethical things, such as imitating clothing models made by suppliers to produce themselves with different labels. Management can also pay attention to achieve the target sales of products produced by suppliers for SMEs. The management must also pay special attention to activity links (example information sharing), for example when suppliers have to proude a mass production to fulfill the demand on Eid al-Fitr with a *kaftan* model. However, SMEs know at the time that the market demand was no longer a *kaftan* model, but rather a Turkish style robe model. So, SMEs can anticipate losses by providing this information to suppliers. The management can also maintain the relationship of these

excellent partner resources, for example by paying bills to suppliers in accordance with the agreement, both timeliness and nominal value, and helping suppliers to achieve product sales targets entrusted to SMEs. Last, the management provides an overview of the products that consumers are interested in so that suppliers do not allocate funds incorrectly.

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