



Importance of Supplier Quality and Supplier Relationship Quality in Supply Chain

Sheren Aurelia Widjaja, Bambang Darmawan*

Logistics Engineering Universitas Pendidikan Indonesia, Indonesia

*Correspondence: E-mail: sherenaureliawidjaja@upi.edu

ABSTRACTS

The lack of awareness of companies to choose quality suppliers often leads to changing suppliers. In addition, another thing that contributes to the change of suppliers is the lack of awareness of the company to manage good relationships with suppliers. The impact of changing suppliers is that there are changes in the goods or services offered to customers, such as quality, specifications, and others. Furthermore, this will affect customer satisfaction and if the quality decreases, it can result in losses for the company. The purpose of this article is to determine the urgency of supplier quality and supplier relationship quality. The method used in data collection is Literature Review (LR). Supplier quality and supplier relationship quality play an important role in the supply chain. Then one of the important factors that must be developed to improve the quality of the relationship is the communication factor.

© 2022 Universitas Pendidikan Indonesia

ARTICLE INFO

Article History:

Submitted/Received 08 Dec 2021

First Revised 09 Jan 2022

Accepted 16 Mar 2022

Online Date 31 Mar 22

Published Date 01 Apr 2022

Keyword:

Quality Management,

Supply Chain Management

1. INTRODUCTION

In Supply Chain Management (SCM), suppliers are one of the important parts to determine the smoothness of the supply chain process. According to Pujawan, a supplier is an individual or a company that is able to provide or supply either goods or services needed by other companies to carry out the production process (Viarani, et al., 2015). Therefore, it is very important to choose the right supplier for the sustainability of the company.

The supplier selection process is generally the task of the purchasing department of a company. This process is very instrumental in reducing costs, increasing profits, and improving product quality (Kumar, et al., 2014). However, companies often have problems in determining suppliers because the determination is based on cost considerations alone.

Meanwhile, when the company has already selected a qualified supplier, the relationship does not last for a long time due to the lack of company awareness to manage a good relationship with the supplier. Therefore, the company has to replace the supplier which can cause some losses.

2. METHODS

The method of data collection technique used is Literature Review or literature study. Literature Review is a method of collecting or synthesizing previous research that is quite systematic (Snyder, 2019). This method is used to provide an overview of a particular problem. If the review is done effectively and properly, it can create a strong foundation for increasing knowledge and facilitating theory development.

Literature was obtained from several sites, such as Google Scholar and ScienceDirect. The year range set for literature sources is the last 10 years (2013-2022). The keywords used to search for literature were supplier relationship quality, supplier quality, Supplier Quality Management (SQM), Supplier Relationship Management (SRM), Supply Chain Management (SCM).

After collecting the required literature, the next step is to analyze it. Analysis is carried out to determine the literature that is really needed and less or not needed. Finally, analyze the data obtained from each selected literature and then use it to compile scientific articles.

3. RESULTS AND DISCUSSION

3.1. Supply Chain dan Supply Chain Management (SCM)

The scope of the supply chain starts from the supplier and ends at the customer. The supply chain includes all processes from supplier to customer, including procurement, production, distribution, sales, and service. In the supply chain, there is not only the movement of goods (goods flow), but also the movement of information (informations flow) from the time the goods are still in the form of raw materials to the end-customer, either for products or services. The relationships or activities that occur among supply chain members in an effort to fulfill customer satisfaction are also called Supply Chain Management (SCM).

SCM ensures that supply and demand mechanisms operate smoothly so that customers have access to the goods and services they need. In the implementation, SCM has become an integrated part of the business. SCM plays an important role in the success of the company and customer satisfaction by improving the services provided to customers, reducing operational costs, and improving company finances (Kleab, 2017). The effective SCM will increase efficiency where there is a reduction in the resources needed to provide the level of

customer service required in a particular segment and also improve customer service with increased product stock and short cycle time sequences (Wong, et al., 2015; Lim, et al., 2017).

In improving sustainable SCM, this will lead to quality consistency (Golobic, et al., 2013). Customer satisfaction is the ultimate goal of quality consistency carried out by the company. The quality of products that will be provided to customers depends on the quality of raw materials obtained from suppliers. Therefore, it is important to be able to choose the right quality of suppliers. In SCM, issues that relate to quality and suppliers are known as Supplier Quality Management (SQM).

3.2. Supplier Quality Management (SQM)

SQM is intended to manage or supervise the activities carried out to ensure that the suppliers selected or invited to work together are of high quality. Then, it also ensures that the raw materials purchased are acceptable in terms of quality, timeliness, or other characteristics. Some of the supplier quality things expected by buyers include products and/or services, price, and ability to fulfill orders (availability of products and/or services) (<https://ivypanada.com/essays/buyer-supplier-relationship/>).

The selection of suppliers with good quality is important to do and be considered so that the frequency of changing suppliers is not frequent. This also has an impact on reducing the costs that must be incurred by the company. If the selected supplier is of poor quality and requires changing suppliers, it will not only have an impact on product costs, shipping costs, and taxes, but there are other unseen costs that are also affected and the risks incurred as shown in Figure 1.

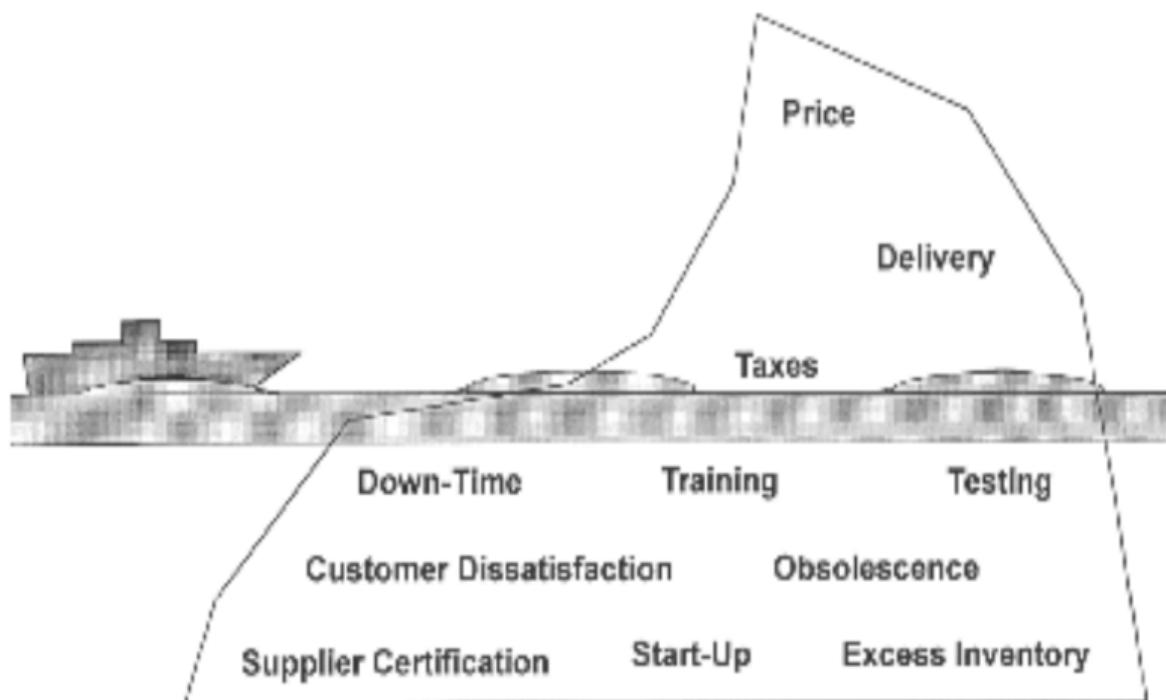


Figure 1. The Total Cost of Changing Supplier
Source: Juran, et al. (1998)

Furthermore, the urgency of choosing suppliers with good quality is 1) the high costs associated with poor quality suppliers, 2) the trend to reduce incoming inspection, 3) the dependence between suppliers and end users, and 4) the trend to make purchases not decided on the lowest price, but on the total cost of ownership of the product or service (Juran, et al., 1998). If the quality of the supplier has been guaranteed and as desired, the company is confident that there will be a good relationship with the supplier and also enter into a long-term relationship (contract) (Tseng, 2014). The relationship between the company and the supplier then must be managed properly so that there is no termination of the relationship. The management of relationships with suppliers is also known as Supplier Relationship Management (SRM).

3.3. Supplier Relationship Management (SRM)

SRM is the practice of planning, implementing, developing, and monitoring a company's relationship with current and potential suppliers (Forkmann, et al., 2016). SRM has an important role in maintaining the relationship between the company and suppliers. The relationship with suppliers has a direct impact on the efficiency and productivity of the company. Therefore, relationships with suppliers must be managed in order to survive and thrive.

According to Ryu, et al., relationship quality has been considered as a key factor for success in a relationship between parties to a transaction or exchange with a long-term orientation (Yang, et al., 2020). The benefits resulting from high-quality relationships are built on fostered trust and commitment, increased value creation and appropriation, business sustainability, and superior supply chain performance (Alaoui, et al., 2019; Kros, et al., 2019; Yang, et al., 2020).

Supplier relationship quality refers to the perception of sustainability and reciprocity in the working relationship. High-quality relationships determine sustainability and success because of trust, reciprocity, mutual understanding, and goal congruency (Yang, et al., 2020). The benefits that companies get when they have good quality relationships with suppliers include reducing costs, reducing various possible problems, such as delays and quality problems, increasing efficiency due to increased communication and understanding of each other, reducing price volatility, consolidating supply chains, outsourcing certain activities to suppliers because of mutual trust, and improving sustainable operations (Benah, et al., 2020; Yang, et al., 2020).

3.4. Application of Juran's Trilogy in Supplier Relations

In the scope of supplier relations, the Juran trilogy can be applied, i.e. quality planning, quality control, and quality improvement (Munizu, 2013). Quality planning can be defined as the process of identifying, understanding, and implementing procurement strategies to meet customer needs. Quality control can be interpreted as managing process performance and supplier performance related to the process. Quality improvement can be defined as the process of identifying and utilizing value-added opportunities in the supply chain. Descriptions and illustrations can be seen in **Figure 2**.

Process	Definition	Process	Definition
Quality Planning	The activity of developing the products and processes required to meet customer needs.	Planning for supplier relations	The activity of identifying customer needs and analyzing and developing a sourcing strategy to meet those needs.
Quality Control	The activity of evaluating actual performance, comparing actual performance to goals, and taking action on the difference.	Control for supplier relations	The activity of evaluating suppliers' performances, selecting the vital few suppliers capable of optimizing performance, and the measurement of supplier performance.
Quality Improvement	The activity of raising quality performance to unprecedented levels.	Improvement for supplier relations	The activity of identifying and acting upon sourcing process improvement opportunities.

Figure 2. Juran Trilogy Applied to Supplier Relations
 Source: Juran, *et al.*, (1998)

3.4.1. Planning for supplier relations

A preliminary model that outlines the customer's total cost of ownership for the pertinent commodity is one of the main products of the planning process (Hartman, *et al.*, 2017). As shown in **Figure 3**, the planning process is focused on identifying the right customers and evaluating their present and future demands for the product in question. A comprehensive understanding of the structure, dynamics, and trends of the supply industry is crucial as the planning process' outcome is a suggested procurement process flow.

Customer needs	Recommended sourcing strategy
Industry data	Consolidated buying
Expenditure data	Supplier base reduction
Cost of ownership data	Total cost of ownership model defined

Figure 3. Inputs/Outputs to the Planning Process
 Source: Juran, *et al.*, (1998)

3.4.2. Control for supplier relations

Control of supplier relationships is implemented by assessing supplier performance and selecting a small number of significant suppliers who can optimize performance (Nair, *et al.*, 2015). The fulfillment of customer needs is the main goal of control. Maintaining customer satisfaction at the level decided in the preceding process, the planning process, is the goal of controlling. The supplier pool will be reduced, making it easier to choose a small number of suppliers who can reduce the total cost of ownership of the commodity (Enz, *et al.*, 2015). This evaluation will be thorough and sustainable.

3.4.3. Improvement for supplier relations

In order to assure value creation, the improvement phase entails two steps: 1) management, measurement, and continuous improvement of the procurement process; and 2) expansion of controls and beginning of continuous improvement within the supply chain. The initiatives for these improvements were built on the supply chain management, quality, and total cost of ownership foundations that had been determined during the planning and control phase. The trust that has been built between all partners in the supply chain is essential to enhancing the performance of the entire supply chain. The improvement phase's objective is to create a supply chain that functions as a single unit, establishes shared objectives, formulates decisions in real time, assesses performance using a set of key performance indicators, and is collectively responsive to end-user needs.

3.5. Example of Supplier Relationship Quality Impact

In improving the quality of relationships with suppliers can be done by developing several aspects. Based on research conducted by Alfianto (2017) on the impact of supplier relationship quality on the supply chain at PT Jamu Jago, it is known that communication and trust have an influence both directly and indirectly on the supply chain. The effect of trust on the supply chain is 0.333 which is divided into directly by 0.077 and indirectly by 0.256. Then, the effect of communication on the supply chain is 0.644 which is divided into directly by 0.241 and indirectly by 0.403. This shows that in the implementation of supplier relationship quality at PT Jamu Jago, the communication factor is an important factor in achieving relationship success.

4. CONCLUSION

In order to fulfill or improve customer satisfaction, it is important to pay attention to the quality of the suppliers with whom we work and also the quality of the relationship with suppliers. A quality relationship with suppliers can provide various benefits for the company, including being able to get permanent suppliers and simplify the procurement or purchase process in the future and minimize various problems. Relationship quality can be improved through several aspects. In the case study example, it is known that communication and trust are important factors in achieving relationship success.

5. REFERENCES

- Alaoui, S. M., & Nouredine, A. (2019). The impact of power and relationship quality on value creation and appropriation in buyer–supplier relationships. *Review of Marketing Science*, 17(1), 47-80.
- Alfianto, R. (2015). Analisis pengaruh kualitas hubungan pemasok dengan perusahaan terhadap kinerja rantai pasok (studi empirik pada pemasok bahan baku di PT Jamu Jago). *Universitas Diponegoro*.
- Benah, S., & Li, Y. (2020). Examining the relationship between lean supplier relationship management (LSRM) and Firm Performance: A study on manufacturing companies in Ghana. *Open Journal of Business and Management*, 8(06).

- Enz, M. G., & Lambert, D. M. (2015). Measuring the financial benefits of cross-functional integration influences management's behavior. *Journal of Business Logistics*, 36(1), 25-48.
- Forkmann, S., Henneberg, S. C., Naudé, P., & Mitrega, M. (2016). Supplier relationship management capability: a qualification and extension. *Industrial Marketing Management*, 57, 185-200.
- Golicic, S. L., & Smith, C. D. (2013). A meta-analysis of environmentally sustainable supply chain management practices and firm performance. *Journal of supply chain management*, 49(2), 78-95.
- Hartman, P. L., Ogden, J. A., Wirthlin, J. R., & Hazen, B. T. (2017). Nearshoring, reshoring, and insourcing: moving beyond the total cost of ownership conversation. *Business Horizons*, 60(3), 363-373.
- Juran, J. M., Godfrey, A. B., Hoogstoel, R. E., & Schilling, E. G. (1998). *Juran's Quality Handbook*. McGrawHill.
- Kleab, K. (2017). Important of supply chain management. *International Journal of Scientific and Research Publications*, 7(9), 397-400.
- Kros, J. F., Kirchoff, J. F., & Falasca, M. (2019). The impact of buyer-supplier relationship quality and information management on industrial vending machine benefits in the healthcare industry. *Journal of Purchasing and Supply Management*, 25(3).
- Kumar, A., Jain, V., & Kumar, S. (2014). A comprehensive environment friendly approach for supplier selection. *Omega*, 42(1), 109-123.
- Lim, M. K., Tseng, M. L., Tan, K. H., & Bui, T. D. (2017). Knowledge management in sustainable supply chain management: improving performance through an interpretive structural modelling approach. *Journal of cleaner production*, 162.
- Munizu, M. (2013). The Impact of total quality management practices towards competitive advantage and organizational performance: case of fishery industry in South Sulawesi Province of Indonesia. *Pakistan Journal of Commerce and Social Sciences (PJCSS)*, 7(1), 184-197.
- Nair, A., Jayaram, J., & Das, A. (2015). Strategic purchasing participation, supplier selection, supplier evaluation and purchasing performance. *International journal of production research*, 53(20), 6263-6278.
- Snyder, H. (2019). Literature review as a research methodology: An overview and guidelines. *Journal of business research*, 104, 333-339.
- Tseng, S. M. (2014). The impact of knowledge management capabilities and supplier relationship management on corporate performance. *International Journal of Production Economics*, 154, 39-47.
- Viarani, S. O., & Zadry, H. R. (2015). Analisis pemilihan pemasok dengan metode analytical hierarchy process di Proyek Indarung VI PT Semen Padang. *Jurnal Optimasi Sistem Industri*, 14(1), 55-70.

Wong, C. W., Lai, K. H., Cheng, T. A., & Lun, Y. V. (2015). The role of IT-enabled collaborative decision making in inter-organizational information integration to improve customer service performance. *International Journal of Production Economics*, 159, 56-65.

Yang, J., Xie, H., Wang, J., & Yang, Y. (2020). Performance implication of supplier relationship quality: a structural analysis. *Benchmarking: An International Journal*, 28(1), 28-41.