CHAPTER I

INTRODUCTION

A. Background

Indonesia is a maritime nation with a plethora of marine product possibilities one of the activities carried out at sea is the fishery industry, approximately 90% of fisheries in Indonesia are small-scale fisheries. The territory of the Unitary State of the Republic of Indonesia has very promising fishery potential in the business of processing fishery products which is also the need of the Indonesian people. The Indonesian marine and fishery sector is one of the needs for the Indonesian people themselves, which has a sea area of 2/3 of its territory, which is 5.8 million km2 (Ministry of Maritime Affairs and Fisheries, 2017). The Indonesian waters contain extraordinary natural wealth and the potential for marine resources. Indonesia has various types of marine animals that can become the income of the Indonesian people which will advance the economy.

One of the districts in Indonesia that has a large enough marine and fishery potential is Banyuwangi Regency. Banyuwangi has a beach length of ± 282 km, a pond area of 1,381 hectares, a fish pond area of 284.53 hectares and a river length of ± 735 km. Besides that, Banyuwangi Regency has 3 fish ports, in Kedungrejo Muncar Village, Sumberagung Pancer Village, and Grajagan, the majority of which are the fishery industry. The management of these 3 ports is directly under the supervision of the local government. Kedungrejo Village in Muncar District is the main contributor to capture fisheries products in Banyuwangi Regency (Banyuwangi Marine Council, 2017). In the fishing industry activities in Banyuwangi there are so many Banyuwangi people who use marine products as a livelihood.

Heizer and Render (2020) defined that supply chain management integrates all activities in a company from raw materials procurement to convert them to semi-finished

goods and finished goods, and delivery to customers. By total coordination from the supply chain, a company must provide the best product and leave customers feeling satisfied. Chopra and Meindl (2016) argued that in supply chain, several processes are used to measure the supply chain success that influences the operational performance these are supplier partnership, information sharing, and customer relationship. Supplier partnership is the relationship between suppliers and the company in the long-term. This relationship is conducted to improve quality, sustainable repair, and solving problems by including suppliers. Information sharing is the company's intensity and capacity in interactions to share information with related coworkers concerning a shared business strategy, Chopra and Meindl (2016).

Information shared with business partners or suppliers is a strategy, the market condition, and information concerning customers. Business partners in a supply chain share information regularly, cooperate, and understand the final customer's needs. According to Miller (2010), The right inventory in the right place at the right time and in the right amount is inventory control and is directly related to the production function of any organization this implies that the profitability of any organization is directly and indirectly affected by the inventory management it operates. When a company does not manage inventory properly, the compny will experience shortages and excess inventory. When a shortage of inventory occurs, the company will incur more costs because it has to place repeated orders to meet consumer demand. Increased costs will also be experienced by the company when there is excess inventory.

When excess inventory is stored, the company also increases costs because the company is required to pay storage and maintenance costs for the inventory. In essence, the impact of a lack of inventory management will of course reduce revenue which will affect the company's financial performance (Mukopi and Iravo, 2015). Customer

relationship is vital in implementing supply chain management. A company with a commitment to maintaining a relationship with its customers will benefit the company. Customer relationship is a collection of practices aiming to manage customer complaints, build a long-term relationship with customers, and improve customer satisfaction. In this research the research gap is in customer relationship made by Rahman Anshari (2019), customer relationships does not have a significant effect on operational performance because this research was conducted at a bank and this happens because banks are companies that provide services but in this research the companies provide products. Maintaining strong relationships with customers can lead to increased customer loyalty and repeat business, which can have a positive impact on a company's financial performance. Satisfied customers are more likely to recommend a company's products or services to others, which can result in new business opportunities and revenue growth.

Furthermore, a strong customer relationship can help a company better understand the needs and preferences of its customers. This understanding can enable a company to tailor its products or services to better meet customer needs, which can lead to improved operational performance. For example, a company that understands its customers' preferences can adjust its inventory levels and production schedules to better meet demand, reducing the risk of stockouts or excess inventory. In contrast, a poor customer relationship can have a negative impact on operational performance. Dissatisfied customers may be more likely to switch to a competitor, reducing a company's revenue and market share.

Poor customer feedback can also be an indication of underlying operational issues, such as slow delivery times or product quality issues, that need to be addressed in order to improve performance. Overall, maintaining strong customer relationships is an important aspect of running a successful business and can have a significant impact on operational performance.

Operational performance is a management area that focuses on goods or service production activities by using equipment and particular strategies to solve production problems according to Daft (2010). In a manufacturing company environment, operational performance measurement appears to be essential. Operational performance measurement aims to focus on continuous improvement in each activity and production. According to Hansen & Mowen (2004), three essential aspects are used to measure operational performance include efficiency, quality, and time. Because of those reasons there are few points that I try to research those are Information Sharing, Inventory Management, Customer Relationship, and Operational Performance. Therefore, this research is entitled "The Effect of Supply Chain on Operational Performance (Study on Fishery Industry in Banyuwangi)".

B. **Formulation of Problem**

1. Does Information Sharing affect Operational Performance?

2. Does Inventory Management affect the Operational Performance?

3. Does Customer Relationship affect the Operational Performance?

C. **Research Purposes**

1. To analyze the effect of Information Sharing on Operational Performance.

2. To analyze the effect of Inventory Management on Operational Performance.

3. To analyze the effect Customer Relationship on Operational Performance.

D. **Benefit of Research**

1. For Authors

The author will get expertise investigating supply networks in the fishing sector as a result of this research. This study is being utilized to develop and apply the theoretical information that has been acquired throughout college.

2. For Academic

This is expected to be a comparative information for researchers others which discuss the Effect of Supply Chain Management on The Operational Performance and can be used as input material for further researchers with the same theme

3. For Fishery Industry

The results of this study are expected to be input and consideration for fisheries in Banyuwangi district regarding the importance of information sharing, inventory management and customer relation ship on operational performance.