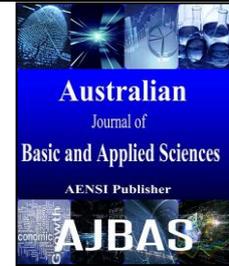




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Market Orientation, Trust and Commitment toward Supply Chain Performance: Case of Coffee Market in Aceh

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ABSTRACT

Background: The phenomenon that occurs during this is that the supply chain in product marketing coffee from Aceh district highlands has not managed professionally. In the face of this situation, a coffee producer must pay attention to the factor which is could affected such as market orientation and supply chain performance it's self, because the knowledge of market orientation, trust and commitment is the key to success of competitive advantage that will be generated which will then affect the performance of supply chain. **Objective:** The purpose of this study was to examine whether there was a relationship between market orientation, trust and commitment and performance of supply chain. Selected populations in this study are industry owners in Aceh Coffee production consisting of 200 respondents, using a questionnaire. Data analysis with SPSS 18 conducted through the test of validity, reliability, and path analysis using SEM. **Results:** The analysis results showed that there were direct, significant and positive relationships between market orientation and supply chain performance. Trust and commitment have been found to play mediating roles in this relationship. **Conclusion:** This conversion shall make company/ production show their commitment and trust that is beneficial for the Coffee' market orientation which have a significant impact on supply chain performance.

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INTRODUCTION

Coffee is an important beverage in most societies around the globe. Not only for consumers' delight of drinking it but also for its economic value for the coffee bean producing and exporting countries (such as Indonesia). In other words, Indonesia is the fourth largest producer of coffee in the world. Coffee in Indonesia began with its colonial history, and has played an important part in the growth of the country. Indonesia is located within an ideal geography for coffee plantations. The longitude and latitude of the country means that the island origins are all well suited micro-climates for the growth and production of coffee.

Based on the data obtained from the Directorate of Development Regional Investment Coordinating Board, the area for coffee types Robusta reached 1.17 million ha with production of about 596 thousand tons per year. While the types of Arabica coffee plantations that are commonly found in the plateau area of 101 867 ha nationwide with approximately 61 251 ton of production. Arabica coffee development, spread in Aceh, North Sumatra, South Sulawesi and Bali.

Meanwhile, as known domestic coffee consumption in Indonesia from the first relatively low. However, in line with global trends increased coffee consumption in Indonesia on average twenty percent per year. This development will lead to a decrease in exports of Indonesian coffee beans if production is not increased.

Beside that, although Indonesia has a great opportunity for the development of the coffee processing industry and has great prospects domestic and international markets, but also very complex problem, because so many factors that influence both internal and external, and also factor in consumer behavior, price fluctuations and the world coffee trade.

To be more responsive to customer needs and market demand, the company does not only require prompt delivery strategy and high product quality. Performance of the supply chain creates a integration and link between the company and consumers, suppliers, and members of other distribution channels. This integration supports a paradigm shift from the conventional relationship toward a cooperative, long-term business partnerships, and strategic alliances.

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Further, phenomenon that occurs during this is that the supply chain in product marketing Arabica coffee from Aceh district has not managed professionally. Yet known, Aceh coffee is one of product which is a commodity that supports economic conditions in Indonesia. This condition happened because coffee product does not have strong supply chain performance on the market. In other words, the supply chains have not been fully utilized by the manufacturer and marketer of coffee in Aceh district and the central highlands.

According to Ntayi *et al*; (2009), it is necessary to know the functioning of supply chains. Unfortunately, there is paucity of knowledge about them especially in developing countries. It is therefore crucial to identify the predictors of supply chain performance so as to devise a mechanism for improving the performance and competitiveness of organizations. According to Zelbst *et al*; (2010), supply chain performance focuses on the ability of the supply chain to satisfy the needs of the ultimate customers of the supply chain. To achieve better supply chain performance, an organization should develop and implement an appropriate supply chain management strategy. Min and Mentzer (2000) studied the relationship between marketing and supply chain management and established that market orientation plays a fundamental role in supply chain management and agitated for more empirical studies in this field. Market orientation is explained in the context of implementing the marketing concept that focuses on satisfying customer needs better than competitors (Racel *et al*; 2007; Mason and Harris, 2006; Zhou, *et al*; 2009).

Despite this, they asserted that there is limited research regarding commitment in supply chains. Bigne and Blesa, (2003) in their study of market orientation, trust and satisfaction in dyadic relationships, contended that the effects of market orientation on the behavioral dimensions of relationships in the distribution channel are still understudied and found out that the different market orientation dimensions have different effects on trust and satisfaction. As cited by Bigne and Blesa, (2003), Siguaw *et al*. (1998) and Baker *et al*. (1999) found that suppliers' market orientation positively influenced distributor's commitment and that distributor market orientation had a significant and positive effect on suppliers trust and commitment. When partners trust increases, their commitment in the relationship also increases. Some scholars however argue that trust and commitment should be reciprocated. As partners in the supply chain become committed to their roles, their performance within the supply chain will improve.

Ferry *et al* (2007) studied the supply chain practice, supply chain performance indicators and competitive advantage and established that cooperative behavior such as trust and commitment influence supply chain performance. Kwon and Suh,

(2005) argued that the link between the level of trust and the degree of commitment among the parties, improves the overall supply chain performance. Morgan and Hunt, (1994) also argue that a combination of both commitment and trust produce outcomes that promote effectiveness, productivity and efficiency. According to Ryu *et al*; (2009) reciprocal trusting behavior and committed effort between a buyer and supplier must exist in order to enhance supply chain performance.

Meanwhile, Morgan and Hunt, (1994), refer to commitment as a desire of a committed partner for the relationship, and specifically to an enduring desire to maintain a valued relationship and willingness to work to maintain it.

According to Kwon and Suh, (2005), no commitment is consummated unless the partners recognize the existence of unbroken trust. Bigne and Blesa, (2003), state that most studies of the channel define trust as the degree to which a firm believes that its trading partner is honest and/or benevolent. Ryu *et al*; (2009) also maintained that commitment is preceded by high levels of inter organizational trust. Fawcett *et al*; (2006) asserted that commitment beyond organization's boundaries is necessary in order to achieve Supply chain advantage.

In this paper, a conceptual model is proposed that links marketing orientation and supply chain performance added other variables which are indicated by research gap before. This is imperative due to the increasing call from previous scholars for the need for more research on the relationship between marketing and supply chain management (Min and Mentzer 2000; Green *et al*; 2006). Previous researchers have also stressed that research on the mediating variables between market orientation and supply chain performance is still limited (Fawcett *et al*; 2006; Green *et al*; 2006; Farrelly and Qvester 2003; Bigne and Blesa, 2003). This study presents a conceptual frame work in which different mediating variables participate in the relationship between market orientation and supply chain performance.

Therefore, this study will address the problems concerning market orientation on supply chain performance. The problem statement can now be described as follows: To investigate the market orientation and trust factors (independent variables) that may lead to increased levels of commitment and supply chain performance (dependent variables) of employees in marketing businesses of Coffee in Aceh. Based on explanations above, so research hypothesis as follow:

H1 : market orientation influence to supply chain performance positively and significantly

H2 : market orientation influence to trust positively and significantly

H3 : market orientation influence to commitment positively and significantly

H4 : trust influence to commitment positively and significantly

H5 : commitment influence to supply chain performance positively and significantly

From the formulation of hypothesis, research model can be form as follow:

MATERIALS AND METHODS

The method of this study is descriptive correlation which was performed by field approach. The measures for all the constructs in this study were adapted from past research. The 5-point Likert scale was used for the entire study. The statistical population consisted of employees and managers working in SMEs in Aceh (N=50). The sample size was considered equal to the population. SPSS (Version 16) software was used to analyze the data which is taken from questionnaires. As to the statistical measures, descriptive statistics including frequency, percentage, mean, standard deviation and tabulations were used to describe the data. Before

that, Reliability of the sub-measures which were developed in the present study was determined by calculating the Cronbach's Alpha value. Following Fornell and Lacker (1981), any variable with Cronbach's Alpha of above 0.7 is acceptable. Construct reliability was assessed via applying the evaluation factor loading as well as considering incorporating the composite reliability and the AVE. All the constructs presented composite reliability larger than the acceptable level of 0.7 depicting that the measurement errors were quite meager. AVE values for all constructs were also larger than 0.5. In order to evaluate the discriminant validity between the constructs, the test requiring the square root of AVE for each and every construct to be greater than the correlation between the two relevant latent/hidden variables was carried out. Inferential statistics including Pearson correlation formula was used to test the hypotheses.

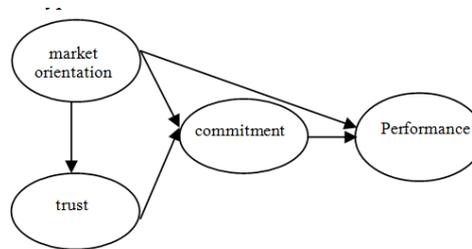


Fig. 1: Research Model.

Results:

Result from testing by using *Structural Equation Modeling* shown that model is fit used for hypothesis

testing. Hypothesis testing is indicated by the parameter of path coefficient and the level of significance as table below.

Table 1: Hypothesis testing.

Variables	Coef.	CR	Prob.	Remark
market orientation → supply chain performance	0,478	3,298	****	Significant
market orientation → trust	0,391	2,586	0,029	Significant
market orientation → commitment	0,478	3,298	****	Significant
Trust → commitment	0,391	2,589	0,009	Significant
commitment → supply chain performance	0,853	5,025	****	Significant

Source: Data Processing, 2015

Discussion:

In this paper, a conceptual model is proposed that links marketing orientation and supply chain performance. This is imperative due to the increasing call from previous scholars for the need for more research on the relationship between marketing and supply chain management (Min and Mentzer 2000; Green *et al*; 2006). Previous researchers have also stressed that research on the mediating variables between market orientation and supply chain performance is still limited (Fawcett *et al*; 2006; Green *et al*; 2006; Farrelly and Quester 2003; Bigne and Blesa, 2003). This study presents a conceptual frame work in which different mediating variables participate in the relationship between market orientation and supply chain performance.

This study found a positive relationship between market orientation, trust and commitment. As cited by Bigne and Blesa, (2003), Siguaw *et al*. (1998) and Baker *et al*. (1999) found that the market orientation of a supplier positively influenced distributors' commitment and that market orientation of distributors had a significant and positive effect on suppliers trust and commitment. When partners trust increases, their commitment in the relationship also increases. For further result can be seen as follow:

The results for effect of market orientation on supply chain performance is show positive significant. This result is consistent with general finding of research conducted by Tajeddeni, Trueman & Larsen, 2006; Dauda & Akingbade, 2010). Moreover, many researchers have concluded

that Market orientation has a robust impact on performance (Deshpande, Farley and Webster, 1993; Jaworski and Kohli, 1993). Literature review available on the market orientation indicated that there seems to be a very significant positive correlation between Market orientation and superior corporate performance, but much of the evidence remains subjective (Beverly, Michael & Richard, 2012; Oyedijo, Aliu & Idris, 2012).

The result for effect of market orientation on trust shows that there is a positive significant. The results of this study are consistent with the findings of the research conducted by Luo, X., Hsu, M.K. & Liu, S.S. (2008) who found that channel networking strengthens the positive influence of customer orientation on customer trust/commitment. Here, customer orientation, as a part of market orientation Narver, J.C. & Slater, S.F. (1990), generated more customer trust toward the firm if the strategy was combined with channel networking. Tukamuhabwa, B.R. (2011) studied supply chain performance in Uganda and revealed market orientation improved trust. Firms who had a better market orientation and customer relationship strategy in their channel management would increase the trust level across the supply chain. Furthermore, the research conducted by Zhao and Cavusgil (2006) in USA, shows that supplier's market orientation is significantly related to manufacturer's trust, which affects the manufacturer's long-term orientation toward the supplier. Similar result was highlighted by Bigne and Blesa (2003) who point out that manufacturer's market orientation has direct effects on distributors' trust and that trust fosters the distributor's satisfaction with the relationship with the manufacturer.

The result for effect of market orientation on commitment shows that there is evidence of a positive significant. This finding is consistent with research conducted by Bigne and Blesa, (2003), Sigauw *et al.* (1998) and Baker *et al.* (1999) found that suppliers' market orientation positively influenced distributor's commitment and that distributor market orientation had a significant and positive effect on suppliers trust and commitment. Also Taylor *et al.* (2008) for example, highlighted the positive influence of both customer orientation and competitor (components of MO) on relationship commitment of salesperson in the Korean robotic industry. Similarly, Jaworski and Kohli (1993) discovered that MO culture has a positive effect on employees' esprit de corps and organizational commitment. More recently, Rodrigues and Pinho (2010) found that both internal and external market oriented would result in higher levels of employee job satisfaction and organizational commitment in the local context of local public sector.

The result for effect of trust on commitment shows that there is a positive significant. The results of this study are consistent with the findings of the

research conducted by Moorman *et al.*, 1992; Morgan and Hunt, 1994; Gounaris, 2005; Palmatier *et al.*, 2007; Frassetto *et al.*, 2008) suggested that trust is an antecedent of commitment, as when a company perceives its partner is trustworthy, it will be willing to commit to the relationship.

The result for influence of the commitment on supply chain performance shows that there is a positive significant. The findings of this study are consistent with the statement which is stated by Amit Kumah Marwah *et al.* (2014) : An efficient supply chain performance requires commitment among the internal supply chain members and trust is a significant element to keep up such commitment.

Conclusion:

This study proposes a frame work of the relationship between market orientation and supply chain performance. Trust and commitment and have been found to play mediating roles in this relationship.

Future researchers can use other model to empirically test the strength of the relationships between market orientation and supply chain performance and the mediators in this relationship. The researchers in future should also use other variables to empirically find out the strength of the interrelationships among the dimensions of each of the variables in the proposed conceptual model. By conducting empirical studies basing on the proposed frame work, the future researchers will fill some of the gaps in the previous research works regarding the relationship between market orientation and supply chain performance. This will contribute to the current body of knowledge and enhance organizational and supply chain management for better performance and competitiveness.

Further, this study is not without limitations. For example, the current proposed model is not exhaustive. Future research may extend this model for instance to include the antecedents of market orientation such as interdepartmental connectedness, interdepartmental environment and rules for job execution so as to establish how marketing orientation can be enhanced.

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