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RESEARCH PROPOSAL: RELATIONSHIP MODEL FOR STRATEGIC PURCHASING, SUPPLIER RELATIONSHIP, AND COMMUNICATIONS SYSTEM TOWARD ORGANIZATIONAL PERFORMANCES OF HOTEL INDUSTRY IN SURABAYA

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Abstract

The intense of competition forced the hotel managements to increase their organizational performances. The relationship with supplier is one of the crucial keys for sustaining the business. The purpose of this research proposal is to investigate the factors that affecting hotel industry performances in Surabaya, Indonesia in relation to the relationship between the management and its food suppliers. Simple random sampling will be used to collect the respondents from purchasing department at four and five star hotel category as the unit of analysis. Structural equation modelling by partial least square will be used to analyze the data.

Keywords

Strategic purchasing, supplier relationship, communication system, organizational performances

1. Background

The rapid development of hotel industry in Indonesia is outstanding, based on Statistical Center Bureau showed that the hotel industry growth is increasing 50% from 2014 to 2015. This development is also occurred in East Java Province; according to Prasojo (2015) explained that in 2015 there are 29 new established hotel in Surabaya

and there are another five new hotel that will be established in 2016. This situation creates intense competition in the hotel industry sector.

Rai and Medha (2013) argued that organizational performance plays crucial roles to win the competition. In the case of hotel industry, if the hotel management could deliver the superior performances that exceeding customer expectation then it will create customer satisfaction as the consequences. Moreover customer satisfaction will lead into repeat purchase behavior which is considered as customer loyalty. The more customers who loyal toward certain hotel will provide the advantage for surviving within the competition (Walsh, Evanschitzky, & Wunderlich, 2008).

According to Nagy et al, (2011) the measurement indicators for hotel performance are financial, organizational and operational. Many factors affecting the hotel performance. One of the factors is the relationship between hotel management and the suppliers. In order to improve supplier performance then it is considered important for hotel management to optimize the relationship for strengthening the supply chain (Kamau, 2013). The existence of good relationship between the organization and its supplier will create competitive advantages (Chen et al, 2004).

Purchasing department at hotel is on the frontline in regards to hotel and supplier relationship. Based on the interview session with several hotel managers which is done by the author revealed that food and beverage is the main resources of income for hotel industry. Food and beverages division within hotel management comprises of restaurant, cake shop, banquet and event. Therefore one of the vital suppliers for hotel operation is food suppliers.

The main problem related to food supplier is the characteristic of food product which is perishable. Therefore purchasing department need to maintain the relationship through two way effective, open, and long term communication (Chen et al, 2004) by considering that bad communication will create unnecessary problem between food suppliers and hotel purchasing department (Newman and Rhee, 1990). Purchasing department is closely connected to company strategic planning which is the good performance of the department will enhance the level of company competitiveness for

instance by reducing the overhead and operational cost (Carr and Pearson, 2002). The purpose of this research proposal is investigating the relationship model for strategic purchasing, supplier relationship, and communication system toward toward organizational performances at the hotel industry in Surabaya, Indonesia.

2. Litterature Review

Strategic Purchasing

Before 1980, purchasing department has less significant role within the company operation (Fearon, 1989). In the early of 1980, this department is starting to develop and is included into company strategic planning processes (Spekman and Hill, 1980). Next in 1990's both managers and academicians were put their concern on strategic purchasing since its affect is significantly increasing in anticipating the changing of external competitive environment (Spekman et al, 1994).

Strategic purchasing is the method to manage operational and overhead cost effectively in relations to the raw material acquisition. On the other world, strategic purchasing is implemented as the effort to improve the raw material operational efficiency (Tatum, 2015). The main objective of strategic purchasing is to put the purchasing activities focus on the availability opportunities based on company ability in order to achieve company long term goals (Carr and Smeltzer, 1997).

Communication System

Communication is originated from the Latin word "communicare" which means to share. This activity is to exchange information between two or more participants in purpose to deliver or to receive the intended meaning through a shared sign system or semiotic rules (Harper, 2013).

Sutrimo (2005) explained the communication system as the set of message delivery processes which is connected each other as the creation of a whole system. The communication system consist of four components as follow:

Organizational Performance

The definition of performance is a certain level of achievement as the result of a certain task accomplishment. In the context of company performance then it refers to the level of achievement which is produced both by individual employee or group working taskforce to pursue certain company objectives (Simanjuntak, 2005).

Bastian (2006) argued that organizational performance is the figure of organizational achievement in completing organizational objectives, goals, vision and mission in certain period of time. Moreover organizational performances is become the indicator to measure the level of operational effectiveness regularly based on particular established objectives, standard, and criterias (Mulyadi, 2007). The measurement of performance reflects organization philosophy as well as the culture in accomplishing job assignment (Tatikonda & Tatikonda, 2008).

4. Research Hypotheses

A company with effective strategic purchasing facilitate positive effects on communication process and long term cooperative relationship with suppliers. Two way communication creates reciprocal relationship and in the case of organizational relationship, it is the role of purchasing department to build a bridge for the company and suppliers relationship (Carr and Smeltzer, 1999). The implementation of strategic purchasing plays crucial role to maintain the communication process with suppliers. The result of communication is the integration of operational activities within the company (Cox, 1996). In addition Chen et al (2004) stated that strategic purchasing influenced significantly toward communication. Strategic purchasing foster two way open communication effectively as well as exchange information between company and its suppliers. Based on previous findings therefore it is proposed a hypothesis as follow:

H1 = Strategic purchasing influenced communication system on company-suppliers relationship.

A company that conducted long term planning in its operational activities is considering purchasing as integral part of company strategy. This typical company tend to develop long term relationship with its suppliers (Carr and Smelzer, 1999). The findings showed that a company that develop close and cooperative relationship with its suppliers is found gaining more revenue and reducing overhead cost. In addition, Chen et al (2004) explained that strategic purchasing significantly influenced suppliers relationship. Based on previous findings therefore it is proposed a hypothesis as follow:

H2 = Strategic purchasing influenced company-supplier relationships

Mohr and Spekman (1994) explained that in general the companies that engaged in strategic alliances with other companies always develop two ways effective communication in sharing information. The result of this management practices is the increasing of mutual relationship between companies. The similar findings by Galt and Dale (1991) also supported that two ways effective communication is the vital role for strengthening the relationship between the companies in relation to strategic alliances practises. Based on previous findings therefore it is proposed a hypothesis as follow:

H3 = Communication system influenced company-supplier relationships

Kamau (2013) investigated the key success factors for organizational performances in Kenya and found that communication, commitment, and cooperative relationship are the key success factors for business organization. Moreover Lewis (2000) added that effective communication influenced cost reduction and also increased the quality level of organizational performances. Another findings revealed that for certain companies, the frequency of communication enhancing company performances while the for the other companies, the quality of communication is affecting the company performances (Hassall, 2009). Based on previous findings therefore it is proposed a hypothesis as follow:

H4 = Communication system influenced organizational performance

Harland (1996) described that company-supplier relationship affecting organizational performances. Therefore it is considered important for the managers or leaders within organization to put more efforts in building mutual relationship through shared vision and mission to achieve the common goals with their suppliers. This finding is supported by Morgan and Hunt (1994) revealed that shared vision and values create unity between company-suppliers relationship which affecting organizational performances. Finally Tan et al (2002) explained that the successfulness of company-suppliers relationship was the reflection of effective supply chain management which impacting the whole organizational performances. Based on previous findings therefore it is proposed a hypothesis as follow:

H5: Supplier relationship influenced organizational performance.

Purchasing department is required to conduct and to evaluate strategic planning in purpose to achieve company long term goals. In this sense purchasing department has the capability to execute operational program or activities for supporting company strategic plan (Freeman and Cavinato, 1990). A sustainable company has its long term competitive advantages which means that the company is not only rely on current profit and current development but also on future position to manage its resources to bolster company competitive advantages. In this sense then a company need effective strategic planning to organize its resources for company long term business existance (Hamel and Prahalad (1994). In addition, Carr and Pearson (1999) explained that company strategic planning is need to be well implemented and controlled in order to provide positive contribution toward company performances. Based on previous findings therefore it is proposed a hypothesis as follow:

H6 = Strategic Purchasing influenced Organizational Performance.

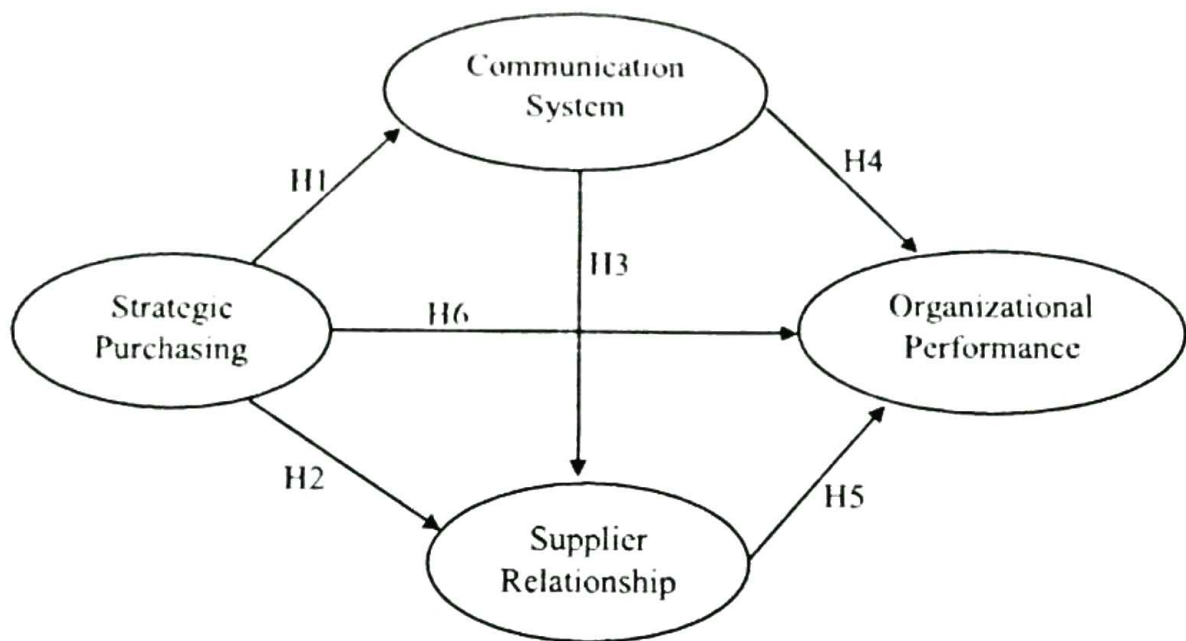


Figure 1. Research Conceptual Framework

Figure 1 explained research conceptual framework that investigating the factors that influenced organizational performances of hotel industry in Surabaya, Indonesia. The hotel performances based on the framework is influenced directly by hotel strategic purchasing, hotel-supplier relationship, and communication system. While strategic purchasing is also influencing hotel performances indirectly through hotel-supplier relationship as well as through communication system.

5. Research Methodology

This research is using quantitative causal research where the purpose of this research is to collect valid data in purpose to investigate and to develop knowledge in purpose to understand, to anticipate, and to solve problems in certain field (Sugiyono, 2009). In addition, this research is develop to investigate the causal effect between variables for the established problem research (Zikmund, 1994).

Research population is purchasing department of 4 and 5 star hotel category in Surabaya by considering that the level of competition and the nature of those hotel category in which to deliver excellent performances to satisfy its customers. Another consideration is those hotel category have high level of interaction with food suppliers to provide its restaurant, bar, and lounge compared to the lower hotel category. The respondent for this research is the employee at banquet service who has been working for at least a year at the hotel. Probability sampling through simple random sampling will be used for data collection and structural equation modelling by partial least square is used for data analysis.

There are five research variables; they are Strategic Purchasing (X1), Communication System (Y1), Supplier Relationship (Y2), and Organizational Performances (Y4). Strategic purchasing refers to the strategy that is used by purchasing department to manage food raw material from supplier to achieve hotel goals. The indicators for this variabel adopt the research done by Carr and Smeltzer (1999); they are supplier selection standard, standar quality of raw material, just in time delivery, and strategic evaluation.

Communication System refers to the communication processes between purchasing department and food supplier which is measured by these indicators (Chen and Paulraj, 2004a; Carr and Smeltzer, 1999); they are communication intensity, communication exchange, and positive communication result. Next is Supplier Relationship which refers to long term mutual relationship between purchasing department and food suppliers. This variable will be measured by using these indicators (Hollensen, 2003); they are commitment level, trusting level, and emphaty level. Finally Organization Performance refers to the implementation of strategic purchasing that affecting hotel performances. This performances will be measured by using these indicators (Leon, 2005); they are cycle time reduction, cost reduction, production flexibility.