

**ANALYSIS THE EFFECT OF FLEXIBILITY, DEPENDENCE, AND QUALITY
RELATIONSHIP TO BROKERS PERFORMANCE WITH INTEGRATION
STRATEGY AS INTERVENING VARIABLE
(Study On Printing Brokers In Semarang)**

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ABSTRACT

In the printing business, brokers are experiencing fierce competition. Many problems always face by the broker because in the production, brokers do not use their own resources, but integrate with service providers. The purpose of this research is to test and analyze the relation of the attributes of flexibility, dependence, relationship quality and integration strategies toward the printing brokers performance.

The research is done to the 133 respondents, which all of them are printing brokers who do production in the Semarang area. Methods of data collection by using questionnaires. The method of data analysis using Structural Equation Modeling (SEM) with AMOS 20 software.

The results showed that the flexibility and relationships quality had a positive effect on strategy integration. While the dependence does not affect the strategy integration. And the strategy integration variables have a positive effect on the broker performance.

Keywords: *flexibility, relationships quality, strategy integration, dependence, broker performance.*

INTRODUCTION

One of the businessmen of printing business is broker. Broker is a company that serve to consumers needs of printed products such as wedding invitations, brochures, notes, MMT, etc. but do not have a production machine. Brokers do the printing process by doing integration with the service providers of pre-printing

services, printing services and finishing services. Pagell (2004) defines integration as a process of interaction and collaboration on manufacturing, purchasing, and logistics cooperating cooperatively to achieve mutually acceptable results for the organization. Problems often encountered by the broker when doing integration including the production time is not timely, the error that occurs when the production, lack of information about the production process and the difficulties brokers looking for alternative service providers. These problems result in decreased performance as not exactly delivery time and results of production that do not comply.

Based on the research gap, the previous researches still contain the different result between the effect of strategy integration toward performance. Kim (2006) in the study states that there is a positive influence of strategy integration with performance. While the Peyrefitte and Golden (2004) in their research stating that there is no influence between the strategy of integration with performance.

Having regard to the factors that influence integration such as flexibility, dependence, and quality relationship with the service provider that the brokers are expected to be competitive and improve performance. Based on the phenomenon and research gap in previous researches, the formulation of the problem in this research is how to improve brokers performance was influenced by the strategies integration when seen from flexibility factor, dependence, and quality of relationships with service providers.

The purpose of the research is to analyze the effect of flexibility, dependence, and quality relationship toward strategy integration and its influence on the performance of brokers in Semarang.

LITERATURE REVIEW

The Effect of Flexibility Toward Strategy Integration

In the context of manufacturing systems, flexibility usually refers to the ability of a system to cope with changes (Gupta and Buzacott, 1989 in Yu, Cadeaux & Luo, 2015). Changes can occur in the internal and external company. Operational flexibility is a capability of responding to uncertainty, either proactively or reactively (Yu, Cadeaux & Luo, 2015). Since the flow of materials is only triggered by customer orders, make to order firms needs to be flexible since their operations are always subject to a variety of uncertainties, such as customer demand and supplier capacity (Chan and Chan, 2010 in Kuo et al., 2016). Based on the degree of integration of customer and supplier flexibility, the efficiency of the distribution system can be improved and the transportation leadtime can then be reduced (Kuo et al., 2016).

Beginning with research Johnson (1999), who found that the flexibility had a significant influence on the strategy of integration in the relationship between suppliers and with distributors. The statement is also supported by the research He et al. (2014) which explains that manufacturing flexibility also has significant positive towards integration. On research Ku, Wu, & Chen (2016) also stated that if high flexibility will impact the integration of suppliers so that operational performance will also increases.

H1 : Flexibility influences positively on strategy integration

The Effect of Dependence Toward Strategy Integration

Dependence is then created when one company owns the resources needed by another company and when these resources difficult accessible to others (Ellström, 2015). Organizational dependence on critical resources can shape the governance mechanisms used to manage inter-organizational relationships (Dwyer dan Oh, 1987) and can promote commitment and cooperation among supply chain partners (Anderson and Weitz, 1992). Some researchers have proved the dependency relationship with the strategy of integration. Research that supports these relationships is the study of Johnson (1999) stating that reliance has an impact on the strategy for the integration of the relationship between distributors and suppliers. Not only that, the researcher Vijayasathy (2010) also supports the case that the dependence effect on integration. But researcher Zhang and Huo (2013) that dependence on the consumer or the supplier has no effect on the integration of the supply chain.

H2 : Dependence influences positively on strategy integration

The Effect of Quality Relationship Toward Strategy Integration

In a high-quality interfirm relationship, trust and fairness predominate in the interaction and association between the participant firms (Johnson, 1999). Such relationships encourage strategic integration. Something that can encourage and effectiveness of relationships between companies is information sharing (Hsu et al., 2008). The definition of information sharing within a supply chain as the integration of information systems, decision system, and business processes used to conduct information searches, manage business operations, monitor business details and perform other business activities (Hsu et al., 2008). In previous research, there is a contrast between the influence of the quality of the relationship with the strategy of integration. Johnson (1999) states that the variable quality of relationships does not support variable integration strategy. But in research conducted Zhang and Huo (2013) explained that the trust between consumer or supplier has positive significance with the integration of the supply chain.

H3 : Quality relationship influences positively on strategy integration

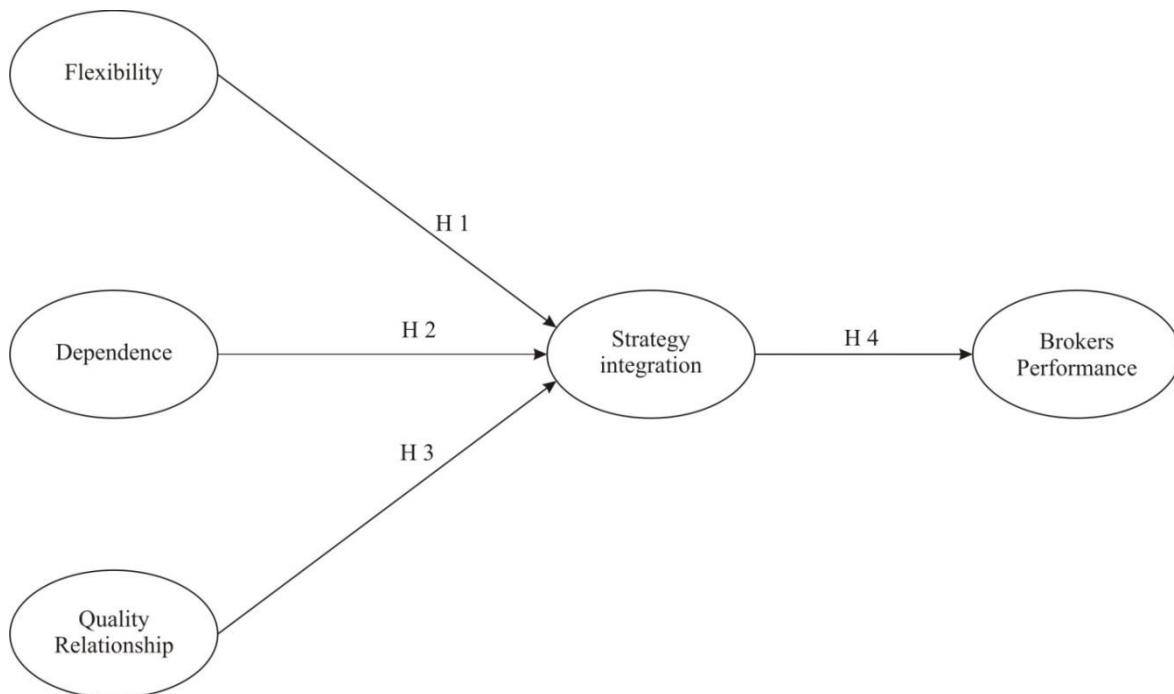
The Effect of Strategy Integration Toward Brokers Performance

Armstrong and Baron (1998) describe the performance as a result of the work that has strong influence with the strategic objectives of the Organization, consumer satisfaction and contributes to economic. Das, Narasimhan Tuesday, & Talluri (2006) found that the integration with suppliers can improve financial performance. To optimize the efficiency of performance requires the simultaneous improvement in the integration of customers and suppliers than just invest and focuses on the integration of customers only (Danese and Romano, 2011). Some authors distinguish between integration with suppliers and customers are researching on the impact of integration on performance (Lee, Kwon, & Severance, 2007). n research Johnson (1999), performance is affected by the integration strategy. Other research support is the researcher Danese and Romano (2011) stating that the integration with suppliers of positive effect on performance. But that contrary research Peyrefitte and Golden (2004) who found that the vertical integration have a negative relationship with performance

H4 : Strategy integration influences positively on brokers performance

From the above discussion, it can be described the research framework:

Figure 1
Research Framework



RESEARCH METHOD

This research used non-probability sampling because population numbers unknown. A type of nonprobability sampling is purposive sampling. In this approach, the researcher met with potential respondents that have the characteristics that have been defined previously. This research used sample 133 printing broker in Semarang. Samples between 100 – 200 are sample of the good in Chi-Square test model are sensitive to the number of SEM samples (Ferdinand, 2013). This research used analytical techniques, namely Structural Equation Models (SEM) program with the help of AMOS.

DATA ANALYSIS AND DISCUSSION

Research Result

Data Analysis

Figure 2

Research Model

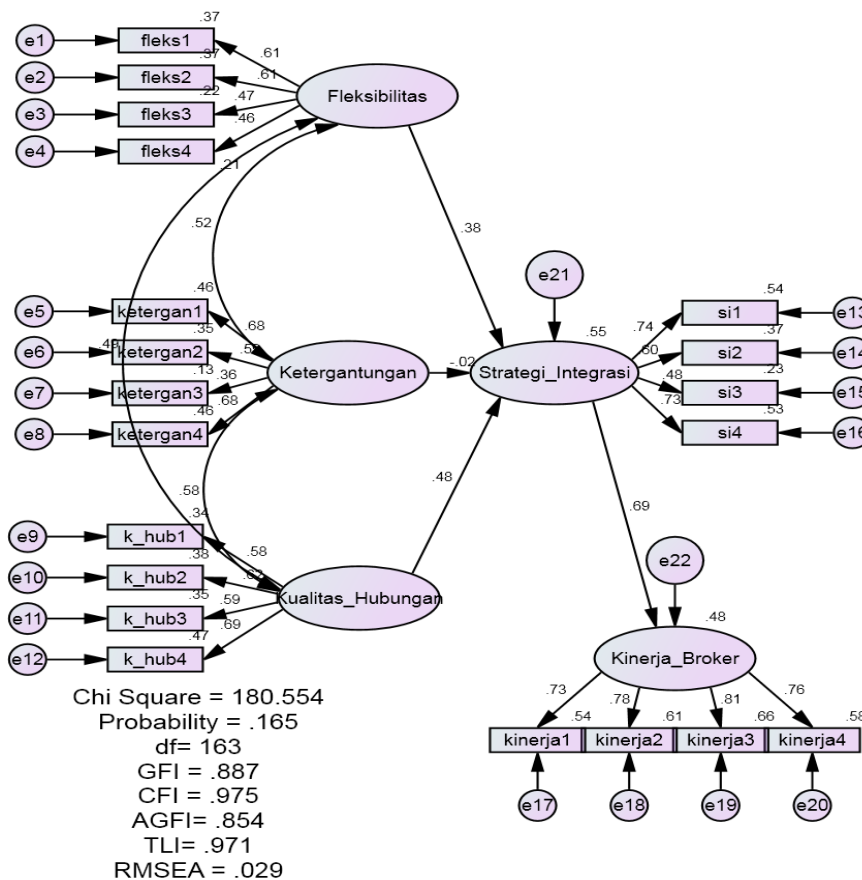


Table 1
Regression Weights Model

		Standardized Estimate	S.E.	C.R.	P	Label
Integration Strategy <---	Flexibility	.382	.246	2.318	.020	par_16
Integration Strategy <---	Dependency	-.018	.160	-.119	.905	par_17
Integration Strategy <---	Quality of relationship	.484	.183	3.060	.002	par_18
Broker Performance	<--- Integration Strategy	.690	.125	5.887	***	par_19

Table 2
Fit Model

No	Indicator	Calculation	Cut-off	Result
1	Chi Square (Cmin),p	0.165	> 0.05 (5%)	<i>Fit</i>
2	GFI	0.887	> 0.90	<i>Marginal</i>
3	NFI	0.797	> 0.90	<i>Marginal</i>
4	RFI	0.763	> 0.90	<i>Marginal</i>
5	IFI	0.976	> 0.90	<i>Fit</i>
6	CFI	0.975	> 0.90	<i>Fit</i>
7	RMSEA	0.029	< 0.080	<i>Fit</i>
8	AIC	274.554	< 420 dan < 927.249	<i>Fit</i>
9	ECVI	2.080	< 3.182 dan < 7.025	<i>Fit</i>

Discussion

Hypothesis Testing

Hypothesis testing is done by looking at the value of the significance level of each variable to see the effect of independent variables toward dependent and variables. The hypothesis is acceptable if the value of their significance < 0.05

Hypothesis 1

Hypothesis testing is used by a significant level of 5% CR with bigger equals 1.96. Value estimation between variable flexibility toward strategy integration generate significance with CR = 2,318, p = 0.020 (p < 0.05) then the hypothesis 1 can be accepted. This statement are the same as the previous research Johnson (1999) and He et al. (2014), they suggested fleksibilitas have significant influence towards strategy integration. So the capabilities of flexibility has an important role to brokers in the integration

Hypothesis 2

Hypothesis testing is used by a significant level of 5% CR with bigger equals 1.96. Value estimation between variable dependence toward strategy integration generate significance with CR = -0.119, $p = 0.905$ ($p > 0.05$) then the hypothesis 2 is rejected. This statement is the same as the previous research namely researcher Zhang and Huo (2013) that dependence has no effect on the strategy integration. Therefore, the broker is not only dependent on one provider only in doing the integration.

Hypothesis 3

Hypothesis testing is used by a significant level of 5% CR with bigger equals 1.96. Value estimation between variable flexibility toward strategy integration generate significance with CR = 3.060, $p = 0.002$ ($p < 0.05$) then the hypothesis 3 can be accepted. This statement is similar to previous research of Zhang's and Huo (2013) that quality relationship has a positive significance with strategy integration. By maintaining the quality of the relationship between the broker and the service provider, the ongoing integration will be well established

Hypothesis 4

Hypothesis testing is used by a significant level of 5% CR with bigger equals 1.96. Value estimation between variable flexibility toward strategy integration generate significance with CR = 5.5887, $p = 0.000$ ($p < 0.05$) then the hypothesis 4 can be accepted. This statement is similar to the previous research of Danese and Romano (2011) which stated that integration has a positive effect on performance. Well-run integration leads to customer satisfaction so that broker performance will increase.

CONCLUSIONS AND SUGGESTIONS

Conclusions

Based on the result of the research which has been done, it can be concluded as follows:

1. Flexibility have an influence for improving integration.
2. Dependence has no influence on the strategy integration.
3. The quality of the relationship have an influence for improving integration.
4. The integration act as mediating variables of performance because there is an indirect influence between flexibility and quality relationship toward performance but for dependent variable has no effect.

Suggestion

Based on the results of research, the researchers provide input that can be considered to the broker:

1. Brokers pay attention to price changes by renewing the latest service fees by asking directly to the service provider.
2. Technology owned by service providers such as production machines can be the basis in making decisions by brokers because the production machines affect the quality of the results of the production
3. In order to maintain integration, commitment in business can be done by fulfilling the terms and condition that have been agreed.
4. To establish business relationships, brokers are expected continually e.g. for the same product order should integrate with the previous service provider so that the quality produced is not different.
5. To increase the sales volume, brokers can make promotions by utilizing technology such as marketing with social media or by submitting an offer to the company.

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