

Uncertain Supply Chain Management

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The influence of religious orientation on supply chain quality management through ethics as an intervening variable in leather jacket SMEs

Robertus Suraji^{a*}

^aFaculty of Computer Science, Bhayangkara Jakarta Raya University, Jakarta, Indonesia

ABSTRACT

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The research location was carried out in Garut, West Java, which is one of the potential regions for the development of leather jackets for small and medium enterprises (SMEs) in Indonesia based on its comparative advantages. Garut Regency is expected to become the home base of national leather jacket SMEs in Indonesia that are competitive and sustainable. The aim of this research was to analyze the influence of Religious Orientation (RO) on supply chain quality management through Ethics (E) as an intervening variable in Leather Jacket SMEs, Garut - West Java. What was interesting in this research and became a novelty was the inclusion of social science variables in maintaining the quality of supply chain management. In the stage of data collection, the study involved 88 entrepreneurs and leather jacket craftsmen as research respondents and processing was carried out using the Generalized Structured Component Analysis (GSCA) method. The results show that the relationship between RO variables can affect supply chain management variables, also through ethics. The implication of this research is that in running a business, to fix the quality of supply chain management, religious orientation is the important aspect.

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1. Introduction

The development of Small and Medium Enterprises (SMEs) in Indonesia is faced with several challenges from changes that occur at the international and national levels. International challenges are in the form of demands for globalization and liberalization of world trade, such as the very dynamic pattern of economic and trade relations between nations and the increasing role of the World Trade Organization (WTO) in upholding the multilateral trading system. International trade leads to more trade liberalization and the boundaries of domestic and international markets are not clearly divided (Redjeki et al., 2020). This results in increasingly fierce competition and challenges for companies to increase their competitive advantage (Qrunfleh et al., 2011; Harwick, 2017).

One of the SMEs that is growing and has potential economic value is the leather jacket SMEs. These SMEs have backward and forward linkages so that they can develop other supporting and related industries (Rostini et al., 2021). The development of the export value of the leather industry continues to increase from year to year. According to data from the Ministry of Industry, January to September 2005 the export value of leather goods amounted to US\$2,315.1 million and an increase of 58.35 percent from the previous year (Mulyati, 2016). Garut Regency is one of the potential regions for the development of leather jacket SMEs in Indonesia based on its comparative advantages. Garut Regency is expected to become the home base of national leather jacket SMEs in Indonesia that are competitive and sustainable. However, there is still a gap between reality and idealism in developing leather jacket SMEs in Garut Regency. Therefore, its development must be anticipated by developing an industry that is able to compete globally based on local potential optimally through Porter's "Diamond" competitiveness approach.

* Corresponding author

E-mail address dhian.tyas@dsn.ubharajaya.ac.id (R. Suraji)

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Supply chain is a complex network of interrelated stages, entities, and processes that deliver a product or service from the producer to the end consumer (Khayer et al., 2022). With good management, it will be possible for a business to get many benefits (Agus, 2015). Starting from time efficiency, proper management of goods and services management, customer loyalty and many others. Therefore, the supply chain has a crucial function in the business management process (Untari & Satria, 2021). Supply chain management approach with four dimensions, namely: Strategic supplier partnership, customer relationship, quality information sharing, and level information sharing (Al-Doori et al., 2019). Management quality variables are measured from: Top Management, Customer focus, and continuous Improvement. In carrying out supply chain management, the role of humans as actors is important (Untari et al., 2023).

In supply chain management planning, ethical issues relate to worker safety and health, fair compensation, discrimination, environmental impacts, supply chain transparency, and quality control (Hugos, 2003). Organizations should be able to integrate ethical considerations into the planning process, implement policies and guidelines that prioritize worker safety and sustainability, conduct regular assessments and audits, and collaborate with stakeholders. Key ethics in procurement or purchasing include abuse of power and bias, conflicts of interest, supplier diversity, transparency, price fixing and collusion, intellectual property protection, payment and contractual issues, and sustainable procurement. To address these issues, organizations are expected to adopt and implement a code of conduct, set clear guidelines for supplier selection, conduct regular audits, and collaborate with other departments.

Ethics is not only a matter of right and wrong, but the application of management based on Religious Orientation is important to be studied more deeply (Carswell & Rolland, 2007). The implementation of religiosity in business organizations can be realized in the form of a religious environment and governance that will strengthen transactions based on religious values. Studies related to the influence of religiosity aspects on social performance are still very limited, especially those that quantify the relationship (Galbraith & Galbraith, 2007)

Based on this background, this study specifically aims to analyze the influence of Religious Orientation (RO) on Supply Chain Quality Management (SCM) through Ethics (E) as an intervening variable in Leather Jacket SMEs, Garut - West Java. What is interesting in this research and becomes a novelty is where researchers include social science variables in maintaining the quality of Supply Chain Management. Where research related to supply chain management has so far prioritized aspects of Production Planning & Inventory Control.

2. The definition of variables

2.1 Religious Orientation (RO)

According to Glock and Stark (1966), religiosity is the level of a person's conception of religion and the level of a person's commitment to their religion. The level of conceptualization is the level of a person's knowledge of their religion, while what is meant by the level of commitment is something that needs to be understood thoroughly, so that there are various ways for individuals to become religious (Zuhirsyan et al., 2018). Religious orientation is an aspect that measures the meaning of religious beliefs and practices in supply chain management. A high value shows that religion is an important part of supply chain management. Applying these values will create better business between entrepreneurs, craftsmen, marketers, and suppliers. Belief in religion and worship tend to provide psychological well-being, prosocial norms and social support among entrepreneurs, craftsmen, marketers, and suppliers. According to Ancok and Suroso (2001) indicators in religious orientation are: belief, religious worship or practice, practice or consequences, knowledge, and appreciation.

2.2 Ethics (E)

Ethics or morals is the concept of assessing the nature of truth or goodness of social actions based on traditions owned by individuals or groups (Purba, 2020). The formation of ethics is through a philosophical process so that ethics is part of philosophy. The main element that forms ethics is morals (Nurdin, 2017). Ethics is how a person applies moral values and principles in specific areas of life (Darwin, 2014). Ethics basically only pays attention in detail to a person's behavior and certain activities. Apart from that, ethics also provides procedures as a basic basis for a person in certain activities and life. Important indicators in ethical assessment; prioritizing integrity, upholding honesty in interactions, protecting company secrets from personal interests, being fair in placing all business resources, obeying applicable laws or regulations, being responsible for the quality of their products and the principle of mutual benefit.

2.3 Supply Chain Management (SCM)

Supply chain management is a series of business activities that are carried out starting from the planning stage, controlling, implementing the flow of products, to the process of distributing products to consumers. The main goal of supply chain management is to align each request with the existing supply of goods. Obstacles that can occur are caused by factors such as procurement of goods, supplier management, customer relationship management (CRM), and poor risk management (Cetindamar & Kilitcioglu, 2013). The first function of supply chain management is to convert raw goods into finished goods

needed to meet consumer needs (Agyabeng-Mensah et al., 2020). This function is closely related to the costs of purchasing raw goods, storage costs, transportation, and so on. The indicators of SCM are Strategic Supplier Partnership, Customer Relationship and Information Sharing (Suharto & Devie, 2013).

2. Method

Stage one in the research is to conduct field studies and literature studies so that it can be understood and identified in depth the problems that occur in SMEs Leather Jackets in Garut. Based on these problems, it can be further identified related to the research objectives. In the second stage of the research process, data collection, involving 88 entrepreneurs and leather jacket craftsmen as research respondents and processing were carried out using the Generalized Structured Component Analysis (GSCA) method. The goal is to replace factors with a combination of linear indicators (manifest variables). This analysis approach uses the least square method in the parameter estimation process. This research method is a quantitative survey, research data analysis is carried out using Structural Equation Modeling Partial Least Squares (SEM-PLS) with statistical data processing tools, namely Smart PLS 4.0 software.

The use of this method has several underlying assumptions in its use. GSCA assumptions are only related to structural modeling, and not related to hypothesis testing, namely: (1) the relationship between latent variables is linear and additive, testing can be done with SPSS software through the Ramsey test/curve fit approach, and (2) the sample size in GSCA based on resampling (bootstrapping) does not require a large sample and can use non-probability sampling techniques. The research data was obtained by distributing online questionnaires through google form designed using a 5 Likert scale. Respondents in this study were 39 craftsmen and leather jacket entrepreneurs from Garut, West Java who understand and manage supply chain management in their companies. Figure 1 shows the structure of the proposed research.

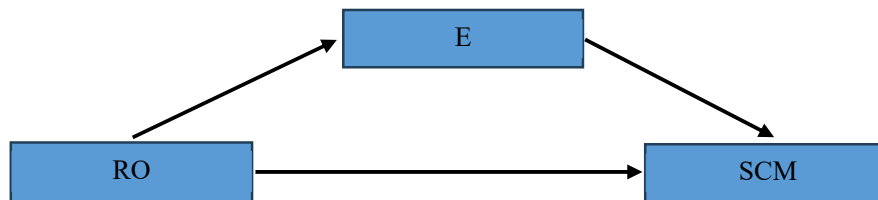


Fig. 1. Research Model

- H₁:** RO exerts a significant positive impact on E.
H₂: RO exerts a significant positive impact on SCM.
H₃: E exerts a significant positive impact on SCM.
H₄: RO has a significant effect on SCM mediated by E.

3. Result and discussion

The Generalized Structured Component Analysis GSCA method provides a goodness-of-fit measure consisting of the suitability of the structural model and the overall model which can be seen from the FIT, AFIT, GFI (Unweighted Least-squares) and SRMR (Standardized Root Mean Square Residual) values. The results of recapitulating the data from the field research results and then processed using the GSCA method obtained a fit model which can be presented in Table 1 below,

Table 1

Goodness-of-fit Evaluation of the Structural Model and the Overall GSCA Model

Model Fit	FIT	AFIT	GFI	SRMR	NPAR
Value	0.816	0.771	0.972	0.071	88

Source: GSCA Processed

The results of the GSCA output in Table 1; goodness-of-fit evaluation of the structural model and the overall model of this research, can be described as follows:

1. The GSCA output results obtained a FIT value of 0.816 meaning that the model in the form of this study can explain all the variables analyzed by 81,6%. The diversity of all research variables can be explained by a model of 81.60%. It can be concluded that from the FIT value obtained by this research model it can be said to have good model accuracy because the value is greater than 60%.
2. AFIT of 0.791 is adjusted from FIT which is almost close to the FIT value. When viewed from the AFIT value, the diversity of all research variables can be explained by this research model of 79,10%. That is, the AFIT value obtained can be said to be that the model formed has good model accuracy because the value is > 60%.
3. GFI and SRMR, both are proportional to the difference between the sample covariance and the ovarian produced by the parameter estimation of GSCA. The results of data analysis show that the GFI value is 0.982 > the cut-off point

of 0.90, so the model formed can be said to be appropriate or good. However, the SRMR value of $0.071 < 0.1$ can be said to be Good fit (appropriate model). It is possible that in this study it could still be tolerated because the SRMR value was close to zero.

4. The NPAR value of 80 indicates the number of independent parameters including the loading coefficient (c), weight coefficient (w), and path coefficient (b) of this study.

Based on the conceptual framework, testing the relationship model and hypothesis can be carried out in two stages, namely: (1) testing the path coefficient of direct influence, and (2) testing the path coefficient of influence of the mediating variable. The description of the results of testing the relationship between the research variables is in Table 2 below:

Table 2

Path Coefficient of Direct Influence and Hypothesis Testing

Hypothesis	Direct Influence	Path Coefficient	C.R (t test)	Conclusion
H1	RO exerts a significant positive impact on E	0.661	8.71*	Sig. accepted
H2	RO exerts a significant positive impact on SCM	0.786	6.58	Sig. accepted
H3	E exerts a significant positive impact on SCM	0.563	4.29	Sig. accepted

C.R on $\alpha = 0,05$

Source: GSCA Processed

Based on the research results, the direct influence test and the research hypothesis aim to answer whether the proposed hypothesis can be accepted or rejected. The results of testing the direct effect hypothesis can be explained as follows:

3.1 The relationship between religious orientation and ethics

Based on the results of data analysis, it is known that the estimated value of the path coefficient of the direct effect of integration of Religious Orientation on the variable is 0.678 with a critical point value (CR) of $8.71^* > \alpha = 0.05$. The test results can prove the reality that occurs to accept the hypothesis (H_1) that the better the Religious Orientation of personal craftsmen and leather jacket entrepreneurs in Garut, the better the quality of ethics in business implementation.

3.2 The relationship between religious orientation and supply chain management

Based on the results of data analysis, the estimated value of the direct effect of the Religious Orientation path coefficient on Supply Chain Management is 0.786 with a critical point value (CR) of $6.58^* > \alpha = 0.05$. The test results can prove the second hypothesis (H_2), which states that; the better the implementation of Religious Orientation, the better the quality of Supply Chain Management.

3.3 The relationship between ethics and supply chain management

The results of testing the direct influence of the Ethics variable on the quality of Supply Chain Management obtained an estimated path coefficient value of 0.563 with a critical point (CR) value of 4.29^* . The test results show that the third hypothesis (H_3) which states that ethics has a significant effect on the quality of Supply Chain Management is acceptable, meaning that the more entrepreneurs or leather jacket craftsmen in Garut adhere to ethics in their business processes, the better the quality of Supply Chain Management will be.

3.4 The mediation effect of ethics on the relationship between religious orientation and supply chain management

Testing the mediation effect aims to detect the position of the intervening variable in the model. Mediation testing is carried out to determine the nature of the relationship between variables as complete mediation variables, partial mediation variables and non-mediation variables. The GSCA approach in testing mediating variables can be done through coefficient differences. The coefficient difference approach uses the inspection method by conducting analysis without involving mediating variables (Fig. 2),

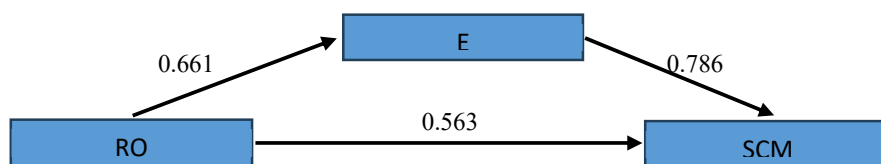


Fig. 2. The structural model involves a mediating variable

The results of testing the effect of Religious Orientation variables on Supply Chain Management in the initial model involving mediation variables show that Religious Orientation directly has a significant effect on ethics of 0.661 and has a significant

effect on the Supply Chain Management variable of 0.563. While the Ethics variable significantly affects the Supply Chain Management variable by 0.786. The next step, to conclude the conjecture on the mediating variable, is to analyze the return on the supply chain management variable and its relationship with Environmental Sustainability without involving the mediating variable (Table 3).

Tabel 3

Indirect Influence of Path Coefficient

Path Coefficients	Estimate	SE	CR
RO → SCM	0.687	0.001	12.8*

Source : Data Processed

Table 3 shows that the path coefficient value and significant direct relationship without mediating the Ethics variable is 0.687 so that the mediation nature of the effect of Religious Orientation on Supply Chain Management through Ethics is partial mediation. This result means that the relationship between Religious Orientation variables can affect Supply Chain Management variables, also through ethics. The implication of this research is that in running a business, the management of Supply Chain Management from upstream to downstream requires a touch of religious orientation.

4. Conclusion

Based on the results of the discussion and research findings, several conclusions can be put forward as follows:

1. Religious Orientation has a significant influence in improving Ethics in running the business of Leather Jacket SMEs in Garut, West Java. This indicates that higher or better Religious Orientation of a leather jacket craftsman or businessman in Garut, the better ethics in business. Applying the principles of prioritizing integrity, upholding honesty in interactions, protecting company secrets from personal interests, being fair in placing all business resources, obeying applicable laws or regulations, being responsible for the quality of their products and the principle of mutual benefit.
2. Religious Orientation has a significant effect on Supply Chain Management. This indicates that the better the religious orientation of a craftsman or entrepreneur in running his business, the better the quality of Supply Chain Management. This can happen because if people run Supply Chain Management based on religious aspects, then there is no more fraud, corruption, and injustice. Supply Chain Management runs based on SOPs, but if humans are the actors in Supply Chain Management, then in the field implementation there will often be leaks and discrepancies.
3. Ethics has a significant influence on the quality of Supply Chain Management. This indicates that the better ethics are applied in the business of Leather Jacket SMEs in Garut, the better the quality of Supply Chain management will be. Thus the application of Business Ethics is absolutely necessary.
4. Religious Orientation has a significant influence on the Quality of Supply Chain Management mediated by ethics. That way, religious orientation results in good ethics in running a business, this can improve the quality of Supply Chain Management in Leather Jacket SMEs in Garut, West Java.

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