

INNOVATION IN DISTRIBUTION CHANNEL AND FIRM  
PERFORMANCE: THE CASE OF SMALL AND MEDIUM  
ENTERPRISES IN INDONESIA

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## ABSTRAK

Seperti yang dibuktikan selama beberapa dekad, perusahaan kecil dan sederhana (PKS) telah menjadi penyumbang utama terhadap peluang pekerjaan, pembasmian kemiskinan, tambah nilai, dan pembangunan ekonomi di seluruh dunia. Dengan meningkatnya kepentingan pengantarkebangsaan penglibatan PKS dalam kegiatan eksport, eksport semakin berkembang untuk menjana pertumbuhan. Kesusasteraan yang membahas tentang eksport telah menunjukkan bahawa keberkesanan dan kecekapan saluran pengedaran menjadi isu kritikal untuk meningkatkan prestasi eksport. Walaupun kalangan peneliti mengakui bahawa ciri saluran pengedaran umumnya sukar untuk berubah, dapatan kajian sebelumnya menguatkan bukti bahawa prestasi firma juga ditadbir oleh gabungan di kalangan ahli-ahli saluran pada menguruskan penyelarasan, mengelakkan konflik, mencapai jualan dan keuntungan, bertukar-tukar maklumat, mempercayai dan memegang komitmen serta bagaimana aplikasi bukan saluran rasmi, kedudukan ahli saluran; pertubuhan pelbagai saluran pengedaran; pengimport hubungan pertubuhan; dan buktinya. Kepentingan inovasi termasuk inovasi dalam saluran pengedaran sebagai pemandu prestasi adalah muktamad. Selain itu, kajian sedemikian berkaitan PKS adalah amat terhad. Oleh itu, kajian ini mengkaji kesan inovasi aktiviti saluran pengedaran ke atas prestasi firma PKS. Berdasarkan jurang sastera yang sedia ada, perhatian khusus telah diberikan kepada peranan pengantara prestasi saluran pengedaran dalam hubungan antara inovasi saluran pengedaran dan prestasi firma PKS. Menggunakan sampel sebanyak 120 PKS berorientasikan eksport berasaskan industri pertanian dalam wilayah DIY dan kawasan sekitar Jawa Tengah, Indonesia; analisis regresi hierarki telah digunakan dan jelas telah ditemui bagaimana inovasi dalam saluran pengedaran membawa kepada peningkatan prestasi firma. Temuan telah menyatakan bahawa inovasi dalam pelbagai, perkongsian maklumat, dan penyelarasan pengangkutan telah membawa kepada prestasi firma yang lebih besar. Hasil kajian juga menunjukkan bahawa prestasi pengedaran adalah perantara hubungan antara inovasi dalam, perkongsian maklumat dan penyelarasan pengangkutan, dan prestasi firma. Ini secara empirikal membuktikan kesan inovasi terhadap prestasi PKS adalah amat penting apabila prestasi pengedaran dipertingkatkan melalui inovasi. Penemuan dan implikasi kajian ini menyokong teori yang sedia ada: biaya urus niaga, teori depot, perspektif individu inovasi, dan sumber asas pandangan. Temuan ini memberikan petunjuk kepada pemegang saham akan kepentingan inovasi dan menggalakkan usahawan untuk melibatkan diri dalam inovasi. Hal ini merupakan cabaran untuk PKS yang sejenis pada umumnya di dunia.

**Keywords:** Inovasi, saluran pengedaran, PKS, Indonesia & prestasi firma

## ABSTRACT

It has been evidenced for many decades, that small and medium enterprises (SMEs) have become the major and fundamental contributors to employment generation, poverty alleviation, value added creation, and economic development around the globe. Due to the growing significance of internationalization, engagement in export has developed among SMEs for seeking natural growth. Literature on export has shown that the effectiveness and efficiency of distribution channel have become critical issues for export performance. Whilst acknowledging that the characteristics of distribution channels is generally difficult to change once established, findings from previous studies have strengthened the indications that firm performance is also governed by affiliation among channel members on managing coordination, avoiding conflict, achieving sales and profit, exchanging information, trusting and holding commitment, as well as how the applications of non formal channels, position of channel members; multiple distribution channels' establishments; importers linkage establishments; and decentralization. The importance of innovation, including innovation in distribution channels as the driver of performance, is inconclusive. Additionally, such a study is extremely limited in SMEs. Therefore, this study examines the impact of innovation in distribution channel activities upon firm performance. Based on the existing literature gap, a special attention was given to the mediating role of distribution channel performance in the relationship between distribution channel innovation and firm performance of SMEs. This study used a sample of 120 collected export-oriented agriculture-based SMEs in DIY province and the surrounding areas of the Central Java, Indonesia. A hierarchical regression analysis was used to estimate the distribution channel innovation-firm performance model. Clearer findings of this study showed how the innovations led to firm performance. It was indicated that innovation in assortment, information sharing, and transportation coordination led to greater firm performance. The result of the study also showed that distribution performance mediated the relationship between innovations in assortment, information sharing and transportation coordination, and firm performance. This empirically proved that the effect of innovation on the performance of SMEs is strongly significant when distribution performance is enhanced through such an innovation. The findings and implications support the existing theory of transaction cost, depot theory, individual perspectives of innovation, and resource base view, which give clues for stake holders and the entrepreneurs how to engage in the innovations. It could grant challenges for the SMEs worldwide.

**Keywords:** Innovation, distribution channel, SMEs, Indonesia & firm performance

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## Table of contents

	Pages
Title	i
Original work declaration	ii
Abstract	iii
Acknowledgment	v
Table of contents	vi
List of figures	ix
List of tables	x
List of abbreviation	xi
Chapter 1	Introduction
1.1	Background of the study 1
1.2	Problem statement 6
1.3	Research questions 7
1.4	Objectives of the study 8
1.5	Scope of study 9
1.6	Contribution and significance of the study 10
1.7	Organization of the study 12
Chapter 2	Small and Medium Entreprises in Indonesia
2.1	Introduction 14
2.2	A briefreview of Indonesian economic development 14
2.3	A brief review of small and medium enterprises (SMEs) in Indonesia 16
2.4	Small and medium enterprises in Yogyakarta Special District Indonesia 18
2.5	Roles and problems of SMEs in Indonesia 21
2.6	How SMEsin Indonesia to adopt capital access 24
2.7	Summary 38
Chapter 3	Innovation, Distribution Channel, and Firm Performance
3.1	Introduction 40
3.2	Small and medium enterprises (SMEs)
3.2.1	The role of small and medium enterprises 40
3.2.2	Definition of small and medium enterprises 41
3.2.3	The characteristics of small and medium enterprises (SMEs) 43
3.3	Distribution channel
3.3.1	The origin of distribution channels 48
3.3.2	Exchange through intermediaries 50
3.3.3	Centralized exchange and creating utility 51
3.3.4	The role and importance of distribution channel 52
3.3.5	Integration in distribution channel 54
3.3.6	Distribution channel institutions 59
3.3.7	Distribution channel performance 62
3.4	The concept of innovation 67
3.5	Firm performance 71

Chapter 4	Literature Review and Theoretical Framework	
4.1	Introduction	74
4.2	Literature review	
4.2.1	Distribution channel and firm performance	74
4.2.2	Innovation and firm performance	78
4.2.3	Firm size and firm performance	83
4.2.4	Age of company and firm performance	84
4.2.5	Industry sector and firm performance	85
4.2.6	Competitive environment and firm performance	86
4.3	Theoretical framework and hypotheses	
4.3.1	Innovation in assortment and distribution performance	93
4.3.2	Innovation in order processing handling and distribution performance	94
4.3.3	Innovation in information sharing and distribution performance	96
4.3.4	Innovation in product and distribution scheduling and distribution performance	97
4.3.5	Innovation in inventory and distribution performance	99
4.3.6	Innovation in transportation/shipment coordination and distribution performance	100
4.3.7	Innovation in packaging and distribution performance	101
4.3.8	Innovation in warehousing & finished good handling and distribution performance	102
4.3.9	Innovation in acquisition and distribution performance	104
4.3.10	Distribution effectiveness and firm performance	105
4.3.11	Distribution efficiency and firm performance	107
4.4	Conceptual framework	109
4.5	Theory background	
4.5.1	Resource base view	111
4.5.2	Innovation theories	113
4.5.3	Transaction cost economy theory in distribution channel	116
4.5.4	The depot theory in distribution	118
4.6	Summary	119
Chapter 5	Research Methodology	
5.1	Introduction	121
5.2	Data collection and sample	121
5.3	Quantitative survey	123
5.4	Survey instrument	124
5.5	Language and format	124
5.6	Descriptive variable	125
5.7	Independent, dependent, and mediating variables	125
5.8	Measure of variables	
5.8.1	Measures of innovation in product distribution channel	125
5.8.2	Measures of control variables	128
5.8.3	Measures of distribution channel performance	130
5.8.4	Measures of dependent variable	131
5.9	Pre testing and administration of the actual survey	132
5.10	Data analysis	

	5.10.1 Reliability	133
	5.10.2 Validity	134
	5.10.3 Assessing the normality of data	139
	5.11 Parametric tests	140
	5.12 Summary	141
Chapter 6	Empirical Findings and Analysis	
	6.1 Introduction	143
	6.2 Descriptive analysis	
	6.2.1 Profiles of the respondents	143
	6.2.2 Correlation	146
	6.3 Regression of mediating effect	
	6.3.1 Multicollinearity	150
	6.3.2 Simple regression	150
	6.3.3 Multiple regression : Types of innovation in distribution channel activities to distribution effectiveness and efficiency	152
	6.3.4 Hierarchical regression : Distribution effectiveness as mediator	153
	6.3.5 Hierarchical regression : Distribution efficiency as mediator	155
	6.4 Plotted coefficient in terms of effectiveness	157
	6.5 Plotted coefficient in terms of efficiency	160
	6.6 Hypotheses testing	162
	6.7 Summary	166
Chapter 7	Discussion	
	7.1 Introduction	167
	7.2 Innovation in distribution channels and distribution performance in terms of effectiveness of export oriented SMEs manufacturing agricultural based industry in Indonesia.	168
	7.3 Innovation in distribution channels and distribution performance in terms of efficiency of export oriented SMEs manufacturing agricultural based industry in Indonesia.	170
	7.4 Distribution performance in terms of effectiveness and efficiency as mediators between the relationship of distribution channel innovations and economic firm performance	172
	7.5 Summary	176
Chapter 8	Concluding remark, Significances of the study, Suggestions for future studies, and Implications	
	8.1 Concluding remark	177
	8.2 Significances of the study	179
	8.3 Suggestions for future studies	182
	8.4 Managerial implications	183
	8.5 External factors' implication	188
References		198
Appendices		228



## List of figures

		Pages	
Figure	2. 1	The growth of value added by SMEs in Indonesia 1999-2009	18
	2. 2	Yogyakarta Special Propincies Yogyakarta	19
	2. 3	Export volume in DIY-Indonesia on June 2012	20
	3. 1	Direct exchange	50
	3. 2	Exchange through intermediaries	50
	3. 3	Exchange through a dealer	51
	4. 1	Conceptual frame work of the study	109
	6. 1	Respondents' profile	146
	6. 2	Plotted coefficient distribution effectiveness	159
	6. 3	Plotted coefficient distribution efficiency	161
	8. 1	The relationship of innovation in distribution channel: internal and external factors of SMEsexport oriented agricultural based industries in global context.	188

## List of tables

	Pages
Table 2. 1 loan expansion of SMEs by sectors in Indonesia (billion rupiah)	17
2. 2 Export growth in Indonesia	18
2. 3 Annual average growth of SMEs export activities in Indonesia	18
2. 4 SMEs loan growth in DIY (billion IDR)	20
2. 5 SMEs industry development (SIUP) in DIY	20
2. 6 SMEs development in DIY Indonesia	20
2. 7 Manufacturings' centres in DIY 2012	21
3. 1 Small and Medium Enterprises	46
4. 1 Product distribution channel and firm performance	77
4. 2 Innovation and firm performance	82
4. 3 Competitive environment and firm performance	90
4. 4 Innovation in product distribution channel, distribution performance, control variables and firm performance	109
5. 1 Reliability test of the construct	134
5. 2 Result of the convergent validity tests	135
5. 3 Result of the discriminant validity tests	136
5. 4 Summary discriminant validity test result	137
5. 5 Discriminant Validity Test Result of Each Construct	137
5. 6 Result of normality	140
6. 1 Profile of the respondents	145
6. 2 Correlation of the variables	146
6. 3 Correlation of the variables : Distribution channel-effectiveness	147
6. 4 Correlation of the variables : Firm size-effectiveness	148
6. 5 Correlation of the variables : Distribution channel-efficiency	149
6. 6 Correlation of the variables : Hostility-efficiency	149
6. 7 Simple regression	151
6. 8 Multiple regression-Effectiveness	152
6. 9 Multiple regression-Efficiency	153
6. 10 Hierarchical regression-Effectiveness	155
6. 11 Hierarchical regression-Efficiency	157
8. 1 Factors that effect the trade friendliness of logistic services in ASEAN	193

## List of abbreviations

SMEs	=	Small and medium enterprise scales
LE	=	Large enterprises
APEC	=	Asia Pacific Economic Cooperation
WTO	=	World Trade Organization
AFTA	=	Asian Free Trade Area
TF	=	Trade Facilitation
GDP	=	Gross Domestic Product
ETCs	=	Export Trading Companies
IT	=	Information Technology
IM	=	Inventory Management
NCPDM	=	National Council of Physical Distribution Management
ROI	=	Return on Investment
R&D	=	Research and Development
NAFTA	=	North American Free Trade Area
EDI	=	Electronic Data Interchange
FDI	=	Foreign Direct Investment
EBIT	=	Earnings Before Interest and Tax
EAT	=	Earnings After Interest and Tax
IDR	=	Indonesian Rupiah
ERP	=	Enterprise Resource Planning
AVS/RS	=	Application Autonomous Vehicle Storage and Retrieval System
RBV	=	Resource Base View
ETC	=	Economic Transaction Cost
DIY	=	Daerah Istimewa Yogyakarta
GATT	=	General Agreement on Tariffs and Trade
K-S	=	Kolmogorov Smirnov
S-W	=	Shapiro-Wilks
KMO	=	Kaiser Meyer Olkin
OFP	=	Order Fulfillment Process
Acc	=	Account
NPV	=	Net Present Value
DF	=	Discount Factor
PV	=	Present Value
SCM	=	Supply Chain Management
SC	=	Supply Chain
PO	=	Purchasing Order