STRATEGIC PROCUREMENT PRACTICES THROUGH DEEP SUPPLIER RELATIONSHIPS AND EXCHANGE OF VALUABLE KNOWLEDGE AT PT AEROFOOD INDONESIA  
(A Study at Aerofood ACS Unit Denpasar)

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ABSTRAK


Kata Kunci: Hubungan Pemasok Dalam, Integrasi Pengetahuan, Pengadaan, Rantai Pasok, Katering Penerbangan

ABSTRACT

Deep supplier relationships come from the relationships built by buyer and suppliers to achieve strategic procurement practices. The concept is about relationships which involve the development of trust and guānxì, also knowledge integration. Exchange of valuable knowledge may achieve effective business strategy, in relation to procurement practices. Valuable knowledge explores two main dimensions. First dimension is about the importance of knowledge that describes company needs, in relation to supply chain and its potential benefit to the company. Second dimension is about the accessibility of knowledge within supply chain activities, particularly procurement practices in buyer-supplier relationships. The study aims to describe how Aerofood ACS Unit Denpasar achieves its current strategic procurement practices through deep supplier relationships and exchange of valuable knowledge. Type of this study is a descriptive research with qualitative approach. This study applies supplier-partnering hierarchy and Critical Success Factor Analysis. The results represent that Aerofood ACS Unit Denpasar implies deep supplier relationships as mutually beneficial relationships and exchange of valuable knowledge as performance of risk-gain sharing. Strategic making process aims to achieve the courses of action based on situational analysis. The success is measured by integrating semester report, total evaluation of suppliers’ performance, and Key Performance Indicator.

Keywords: Deep Supplier Relationships, Knowledge Integration, Procurement, Supply Chain, In-Flight Catering
1. INTRODUCTION

In the current era of globalisation, transportation plays a significant role in every aspect of life. A high-level competition requires almost all levels of society to have high mobility by making rapid movement from one place to another. Air travel services are one of the most popular modes of transportation. Free air traffic allows faster movement by air travel services, compared to the other modes of transportation.

Along with the interest of air travel services to provide convenience for the society, there is rapid growth of airline companies operating in various destinations. Airline companies provide domestic and international routes, in accordance with the needs of society. Apart from providing convenience for the society, they are also in support of national economy and tourism activities.

Directorate General of Civil Aviation of the Ministry of Transportation of Republic of Indonesia analysed and determined to open 60 new flight routes during the summer to winter 2017. On domestic flights, there were 9 national airlines operating on those routes. On international flights, there were 5 national airlines operating on those routes. The decision was fairly made to meet market demand of freight and passengers. In addition, there is a challenging increase in demand from aircraft passengers at average of 9% per year (hubud.dephub.go.id, 2017).

Rapid growth of airline companies with increased aircraft activities has also encouraged the increase of business actors supporting the activities of airlines. Companies engaged in in-flight catering services highly support the aircraft activities. They provide unique business values by delivering catering services, such as food and beverage products, as well as providing in-flight (aviation) logistic services.

By the increase of in-flight catering service companies, it certainly has an impact on the tight competition between business organisations that provide similar services. Hence, they target a similar group of consumers. Companies engaged in in-flight catering services are required to run business operations optimally, that they run in balance with the existing competition.

PT Aerofood Indonesia, or known as Aerofood ACS, is one of the largest in-flight catering service companies in Indonesia. PT Aerofood Indonesia is a part of national airline company, namely Garuda Indonesia. Currently, PT Aerofood Indonesia has more than 6,000 professional staffs and it is regarded as the leader in its field. It delivers premium quality products and in-flight logistic services to approximately 40 domestic and international commercial airlines, also over 20 blue ribbon companies across Indonesia (aerofood.co.id, 2017).

Procurement is one of key factors in business operations. Procurement practices are valued as strategic activities for companies that support the continuity of business operations. Therefore, it is necessary to understand and implement proper procedure of procurement practices. Proper procedure may improve company’s performance in meeting the demands of a competitive market, which encourages good chances of success.

The success of PT Aerofood Indonesia cannot be separated from the successful procurement practices that have been performed by the company. Suppliers are essential in supporting procurement practices in a company. Both good coordination and collaboration, among the company and its suppliers, are key to the realisation of good procurement practices. However, good coordination and collaboration are merely not sufficient to achieve strategic procurement practices.

The deep supplier relationships are judged as mutually beneficial relationships. They constantly seek for trust and personal relationships, also knowledge integration between both parties. Companies are increasingly looking for opportunities to establish cooperative partnerships with appropriate partners to control over business process and procurement practices, that are agile, efficient, and responsive to dynamic market changes.

In view of the success of PT Aerofood Indonesia, the company has been quite successful in its procurement practices. Particularly, in how the company build relationships with its suppliers that support the business operation. Based on that consideration, the relationships and knowledge integration between PT Aerofood Indonesia and its suppliers need to be criticised.

PT Aerofood Indonesia, branch in Denpasar, is the second-largest unit of PT Aerofood Indonesia and is the unit that faces complex partnerships with suppliers. Thus, Aerofood ACS Unit Denpasar is selected as a place of study. Thereafter, the forms of deep relationships and exchange of valuable knowledge, the strategy making process, and the evaluation of success, are essential to achieve strategic procurement practices.
2. LITERATURE REVIEW

2.1. Supply Chain Management

Supply chain management is the planning and management of activities involved in sourcing and logistics activities. Supply chain management system aims to maximise value and profit, generated by each component of supply chain activities. The objective of supply chain management is to overcome speed of change, also uncertainty of market and supply, by accelerating cross-enterprise collaborative processes.

Efficiency, responsiveness, and agility are influential components that reflect the integrated process in supply chain flexibility. They may survive uncertainties within supply chain activities. To achieve supply chain innovation, better supply chain management may be implemented through understanding the influential components within supply chain activities.

2.2. Procurement Practices

Procurement is a process that includes creating contracts for supply of goods or services and maintaining partnerships, that are part of deliverables of a project. Procurement and purchasing are often considered as similar meanings, but they are obviously different. Procurement involves the process of selecting suppliers, establishing negotiations and terms of payment agreements, appraising goods or services, selecting suppliers by holding tenders and formulating contracts, as well as purchasing goods or services needed. Purchasing is a part of procurement because the main task is to purchase goods or services, also receive the bills and make payment to suppliers.

Procurement is a leading entity to gather correct information and distribute them to logistics operations. Partnership working in procurement practices may be started from searching for suppliers’ background from few references. Thence, those suppliers may be invited to attend the tender or auction process, also negotiation. Hence, the buyer may assess capabilities of those suppliers. After assessing suppliers based on what buyer requires, best suppliers may be selected and the partnership working is obtained.

2.3. Deep Supplier Relationships

According to Harris and Streeter in Netland and Powell (2016, p. 207), goal of the close buyer-supplier relationships is to develop the suppliers into partners and to create mutually beneficial relationships that provide efficient and consistent values to end customers. Definition of deep supplier relationships has not been overly discussed in existing studies for decades.

Nonetheless, deep supplier relationships are designed to achieve competitive advantage of business operation. Deep supplier relationships come from the relationships built by buyer and its suppliers to achieve strategic procurement practices. The concept is about the mutually beneficial relationships which involves the development of trust and guānxì, also knowledge integration among them.

Deep supplier relationships may reduce the market complexity of procurement and obtain significant impacts of building up as well as maintaining relationships. They also enable buyer and suppliers to openly share relevant knowledge related to their partnerships. Deep supplier relationships play substantial role over the arms-length relationships. They are not only about the confrontation and cooperation, but also coordination and collaboration.

In China, deep supplier relationships have been implemented for decades. The development of mutual trust, otherwise known as xinyòng (信用) and personal relationships, or commonly called as guānxì (关系). They are considered to lead to a better business environment.

Trust plays an important role in building relationships to achieve long-term partnerships. When buyer trusts its suppliers by considering reputation as well, it may be easier for both parties to get involved in deep supplier relationships, including the exchange of valuable knowledge.

Guānxì plays important role in building relationships that combines commitment and interpersonal strength between buyer and suppliers. It includes structural and social norms. It aims to achieve long-term partnerships and to get involved in exchanging valuable knowledge.

2.4. Exchange of Valuable Knowledge

Winkelen and McKenzie (2011, p. 1) stated that valuable knowledge may be found in many places in organisations. They may be in forms of unique business models or solutions, key value-adding processes, core technology competencies, to business support systems, that integrate knowledge across the organisations. A company needs to identify and manage their valuable knowledge.

Winkelen and McKenzie (2011, p. 2) stated that one of the reasons for using a systematic process to identify and evaluate the knowledge sources of the organisation - to create a view that is
robust against organisational change and over time, so that sustained initiatives can be justified.

Valuable knowledge is identified to explore two main dimensions. First dimension is about the importance of the knowledge, where it may describe the company’s needs in relation to supply chain and its potential benefit to the company. Second dimension is about the accessibility of the knowledge within supply chain activities, particularly procurement practices in relation to buyer-supplier relationships.

Exchange of valuable knowledge aims to share substantial knowledge between both parties. Buyer and suppliers may discover ways to work strategically and jointly share risks and gains that come up in procurement practices. Three components in exchange of valuable knowledge include joint-improvement, planning integration, and information integration.

Joint-improvement is implemented by having coordination and collaboration capabilities between buyer and suppliers. It is also reached by having mutual goal sharing and making strategic decisions, also overcoming risk challenges. Planning integration is obtained by having demand and supply management between buyer and its suppliers in business operation. Information integration refers to the sharing of key information along the supply chain network. It is reached by sharing confidential information which includes quality information and real-time information.

2.5. Strategic Procurement Practices

According to Hill and Jones (2012, p. 22), strategic intent is to build new resources and capabilities for creating and exploiting future opportunities. Thus, strategic procurement practices may be concluded as practices of selecting suppliers, establishing negotiations and terms of payment agreements, appraising goods or services, selecting suppliers by holding tenders and formulating contracts, as well as purchasing goods or services needed, to create and exploit future opportunities. Strategic procurement practices could be pursued by building deep supplier relationships and exchange of valuable knowledge between buyer and its suppliers.

Strategic analysis which can be used is Critical Success Factors. Critical success factors (CSF) represents factors which are critical to the success of project or goal of the company. Kotula et al (2015) summarised the findings about set of critical success factors of strategic sourcing. Firstly, the critical success factors included strategic supplier partnership, sourcing flexibility, supplier evaluation, and trust. Thence, critical success factors was renewed into this set, such as strategic purchasing, supplier development, internal integration, and information sharing.

Strategic procurement practices by building deep supplier relationships and exchange of valuable knowledge with CSF approach may be integrated from set of critical success factors and project goals. Set of critical success factors consist of trust, guānxì, and exchange of valuable knowledge. Project goals consist of defined objectives of procurement practices.


According to Mainardes, Ferreira, and Raposo (2014), strategy is the way in which the company should behave or act in the market and relate to its external environment. Strategy aims to get involved in preparing the organisation to confront the current hostile environment, to this end systematically and objectively deploying the skills, qualifications, and internal resources of the enterprise. Strategy which is agile refers to how company should be responsive and adaptive to changes in business environment.

Definition of strategy and policy is quite similar which is still debatable in recent studies. Policy is a broad guideline for decision-making that links the formulation of strategy with its implementation (Vijaywargia, 2012). Companies generally use policies to ensure the employees throughout the firm in making decisions and taking actions that support the company’s mission, objectives, and strategies.

Harrington (2005) described strategy making process as an organisation-level mode of operation utilised in the phases of strategic management: information processing and interpretation, strategic ends and means formulation, and strategy implementation.

According to Hill and Jones (2012, p. 7), five main steps in strategy making process, such as: 1) Select the corporate mission statement and major goals; 2) Analyse external competitive environment to identify strategic opportunities and threats in the operating environment; 3) Analyse internal competitive environment to pinpoint the strength and weakness of the organisation; 4) Select the strategy - contingent upon findings in steps 1, 2, 3; 5) Implement the strategy.

Deep supplier relationships and exchange of valuable knowledge in implementation may also be interpreted by using supplier-partnering hierarchy.
Liker and Choi in Harvard Business Review (2004) stated the supplier-partnering hierarchy on Figure 1, as follows: 1) Understand how your suppliers work; 2) Turn supplier rivalry into opportunity; 3) Supervise your suppliers; 4) Develop suppliers’ technical capabilities; 5) Share information intensively but selectively; 6) Conduct joint improvement activities.

Figure 1. Supplier Partnering Hierarchy

3. METHODOLOGY
Type of research that would be used in the study is descriptive research with qualitative approach. The research would be conducted at Procurement Department of Aerofood ACS Unit Denpasar. Sources of data in the study are primary and secondary data.

Data collection techniques in research consist of interviews, observation, and documentation. Purposive sampling technique and certain considerations conduct determination of informants. In the research, type of participatory observation would be applied. Procurement Department archives would be collected for documentation in the research.

Data analysis methods used in the study are data reduction, data presentation, and conclusion. The technique of examining data to check validity is triangulation. Researcher compares interview results obtained from each interviewee as a comparison to check the truth of information obtained. Researcher also compares the results of doing interviews with the results obtained by doing observation and collecting archives.

4. RESULTS AND DISCUSSION
4.1. RESULTS
Legal partnership agreement refers to a legal ownership of specific agreement by individuals or entities for determining how such treaty is used for practices and evaluation. A company needs legal partnership agreement to organise their relationships with suppliers. PT Aerofood Indonesia owned legal partnership agreements which organise deep relationships and exchange of valuable knowledge with its suppliers.

Contract is an important document to manage the procurement, both operational activities and capital investment, with selected suppliers. The form of contract is written agreement. It signed by both parties to maintain the partnerships.

There are any other legal partnership agreements by PT Aerofood Indonesia. The documents consist of Key Performance Indicator (KPI), Standard Operating Procedure (SOP), Inter Office Memo, and Policy & Procedure of Procurement (P&P). Service Level Agreement (SLA), part of signed contract, inflicts a wary effect to suppliers and get them tied up.

All suppliers have high level of equal power. Their classification is separated according to their responsibilities. Suppliers of raw materials (fruits & vegetables) and dry goods (foods & beverages) dominate the procurement practices at Aerofood ACS Unit Denpasar.

Aerofood ACS Unit Denpasar chooses main supplier in supplying raw materials. The company entrusts one supplier for each variety, with the assistance of backup supplier to take over responsibilities under certain conditions. Backup suppliers are only appointed when certain condition arises, such as disaster risks, main supplier’s unavailability in carrying out their responsibilities, and urgent needs by Aerofood ACS Unit Denpasar.

Raw materials section is the section that mostly depends on the suppliers. When it comes to finished goods, company also outsources materials aside from suppliers. Suppliers highly depend on Aerofood ACS Unit Denpasar because it provides them a great income.

Frequently, there are certain incidents which cause the procurement practices are unable to run in accordance with signed agreement. Thus, suppliers have to supply materials without relying on the Purchase Orders as usual. Aerofood ACS Unit Denpasar will notify them via phone or mail.

Suppliers often receive late payment from Aerofood ACS Unit Denpasar. Yet, suppliers tend to understand and trust the company’s responsibilities. Aerofood ACS Unit Denpasar and its suppliers constantly build trust and understand each other, to achieve good relationships.

Based on suppliers’ evaluation, Procurement Team interprets them into percentage as the recommendation of suppliers for upcoming procurement practices. Rewards aim to maintain reputation of the suppliers. Approved Vendor List (AVL) also plays an important role.
Aerofood ACS Unit Denpasar builds trust by having close approach with the suppliers. Exchange of suggestions is significant because the company may analyse the suppliers’ passion in pursuing mutually beneficial relationships. Trust may be assessed from how suppliers supply goods or services without attaining punishments.

Aerofood ACS Unit Denpasar has high level of satisfaction over its suppliers’ performance. The company proves its trust towards suppliers by considering references from colleagues supplied by same suppliers. The company rates the track record that each supplier has in supplying materials.

Structural bonds come from economic effects for both parties. They are due to increased efficiency and effectiveness of suppliers in supplying materials for the company. Aerofood ACS Unit Denpasar and its suppliers rely on social norms or standards of behaviour. They include corporate culture (I-FRESH) and value of integrity.

Aerofood ACS Unit Denpasar considers close communication as intermediary in developing coordination and collaboration with suppliers. Mutual goals are achieved by gathering the suppliers to discuss about further goals and policies. Both parties come up with initiative to work strategically by holding sharing session to jointly discuss about mutual settlement for the procurement practices. Aerofood ACS Unit Denpasar jointly manage risks by considering the capabilities of suppliers in supplying materials.

Demand and supply capabilities are within planning integration, as how buyer requests and suppliers supply in a current period. Demand capabilities describe how the company regularly requests needs to suppliers. Supply capabilities describe how suppliers supply for the company based on the requirement.

Information integration defines planning of materials required and interpret on-spec and on-time. The company highly depends on confidential information over public-released information. Level of information sharing between both parties is continuous, where both parties communicate daily.

The success of building deep supplier relationships and exchange of valuable knowledge are evaluated by integrating three components. They are semester report, total evaluation of suppliers’ performance, and KPI. Procurement Team creates semester reports based on evaluation of suppliers’ performance and procurement practices, thereafter they align it with the KPI.

4.2. DISCUSSION

Aerofood ACS Unit Denpasar considers deep supplier relationships as mutually beneficial relationships. Procurement Team implements practice of deep supplier relationships by considering power and dependence. Those elements lead to relationship performances and relationship bonds, also valuable knowledge integration. The practice of deep supplier relationships at Aerofood ACS Unit Denpasar has run in accordance with the statement by Harris and Streeter in Netland and Powell (2016, p. 207).

![Figure 2. Portrait of Strategic Procurement Practices](source: Data processed, 2018).

Exchange of valuable knowledge is a part of deep supplier relationships. It supports Aerofood ACS Unit Denpasar to understand what knowledge; related to solutions, value-added, and competencies, within procurement practices, that should be shared to its suppliers. It is in accordance with the statement by Winkelen and McKenzie (2011, p. 1). Exchange of valuable knowledge creates a view that is robust against organisational change in procurement activities between Aerofood ACS Unit Denpasar and its suppliers, that sustained initiatives can be justified by joint-improvement, planning integration, and information integration. It is in accordance with the statement of Winkelen and McKenzie (2011, p. 2).

The success of implementation in building deep supplier relationships and exchange of valuable knowledge may be described using supplier-partnering hierarchy, in accordance with the portrait by Liker and Choi (2004).

1) Understand how the suppliers work.

Procurement Team selects the best suppliers to be listed in Approved Vendor List. Suppliers run their businesses, such as supplying raw materials, mono-use materials, dry goods, also engineering...
materials and capital investment. Suppliers of raw materials and dry goods dominate the procurement practice in meeting requirements of main business field at Aerofood ACS Unit Denpasar. Suppliers are measured by using evaluation of performance and external references. Aerofood ACS Unit Denpasar and its suppliers are highly dependent to each other.

2) Turn supplier rivalry into opportunity.

Aerofood ACS Unit Denpasar gets supplied of certain items from main and backup suppliers, mainly for raw materials. Main suppliers and backup suppliers anticipate risks and the company entrusts the most capable suppliers. Backup suppliers are notified when there is urgency. It does not apply for monopoly suppliers.

3) Supervise your suppliers.

Procurement Team sends monthly report cards to core suppliers, to provide regular assessment of suppliers’ performance. Report cards describe the mistakes of suppliers in supplying materials. Report cards are considered in total evaluation of suppliers, to describe the failure by suppliers, in term of quality, quantity, and time of delivery. Procurement Manager and Senior Buyer may suggest alternatives to overcome the arisen problems, also take action alongside Inter Office Memo and P&P.

4) Develop suppliers’ technical capabilities

Procurement Team hones suppliers’ innovation capabilities by rewarding appreciation. Early payment is rewarded to suppliers for having good performance. Suppliers have to improve their innovation in serving good quality, to achieve the award. This step may affect cash flow to get better.

5) Share information intensively but selectively

Procurement Team and its suppliers share confidential information over public-released information. Confidential information provides the data about the planning of procurement practices. They include Purchase Orders, information letter, report cards, and partnership documents. Public-released information provides the data about external references and proof of arisen problems in procurement activities which affect the practices.

6) Conduct joint improvement activities

The company and its suppliers use the talents of supply base to create sustained value, while seeking improvement in procurement practices. Procurement Team regularly sets up study groups with its suppliers in form of sharing session. Both parties generally discuss about the agreement over procurement practices, innovation, and resolution of arisen problems from suppliers to buyer, buyer to suppliers, and supplier to another supplier.

On the other hand, Aerofood ACS Unit Denpasar frequently face uncertain condition from airlines or disaster risk that disrupt the activities of airlines. Aerofood ACS Unit Denpasar has obtained some courses of action, otherwise known as strategies. They include the actions of delivering latest responsibilities of suppliers and appreciation for the most capable suppliers. Aerofood ACS Unit constantly behaves in the market and react to external environment which is uncertain, to preserve the commitment in upholding the customers satisfaction and operational excellence. The action is in accordance with the statement by Mainardes, Ferreira, and Raposo (2014).

The actions of delivering the latest responsibilities of suppliers and appreciation are seen as strategy making process. They are valued as phase of strategic management that set interpretation, do formulation, and implement the strategy in the end. It is in accordance with the statement by Harrington (2005).

Strategy making process by Procurement Team is described alongside the statement by Hill and Jones (2012, p. 7), as follows:

1) Select the company’s mission and major goals.

Company’s main mission is to serve operational excellence for Garuda Indonesia and other esteemed customers. The goal of procurement practices is to be held in accordance with general principles of procurement, GCG, best practices, and value-added to the company.

2) Analyse external competitive environment.

Aerofood ACS Unit Denpasar, in the process to serve customers, is assisted by suppliers in supplying materials required. The capabilities of suppliers affect the performance of the company. The failure of doing procurement practices because of uncertain risks and incapability of suppliers in supplying required materials may inflict a loss to Aerofood ACS Unit Denpasar.

3) Analyse internal competitive environment.

The weakness of Aerofood ACS Unit Denpasar is running a business that is adjusted to capabilities of suppliers in providing required materials for production process. When uncertain risk arises, it will also affect the operation of Aerofood ACS Unit Denpasar. Uncertain condition from airlines causes the request of additional service or service cancellation. Those cases are related to the relationships with suppliers.

The strength is company has the right to control and direct suppliers in doing procurement practices. The suppliers run procurement practices alongside the decision from Aerofood ACS Unit
Denpasar through SOP and agreement. By directing suppliers as what the company requires, the company looks forward to achieving better procurement practices in facing uncertain condition along the business environment.

4) Select the strategy

Raw materials section is more vulnerable because they are affected by risks. The company needs to pay attention to that section. Aerofood ACS has developed their latest strategies to overcome uncertainties.

Procurement Team decides to entrust only first supplier to supply for each certain item for raw materials section to maintain procurement practices based on required specification and time. Procurement Team removes the role of second, where the second supplier becomes the backup supplier. Procurement Team also releases the appreciation for the most capable suppliers in doing procurement practices. Procurement Team values this action as the renewal in inter-organisational context. This action binds the core suppliers in closer approach and ensures the procurement in accordance with on-specification and on time.

5) Implement the strategy.

The policies within procurement practices made by Aerofood ACS Unit Denpasar follows the strategy of the company – to link the formulation and implementation of strategy. It runs alongside the statement by Vijaywargia (2012). Procurement Team has responsibility to control over policies.

Furthermore, strategic procurement practices of Aerofood ACS Unit Denpasar intend to build capabilities between internal and external environment. It is in accordance with the statement of Hill and Jones (2012, p. 22). It includes in implementing deep supplier relationships and exchange of valuable knowledge, also discovering strategy making process based on the situational analysis and search for future opportunities. Critical Success Factor is one of the essential business strategies to evaluate the success of business activity or business project.

Critical Success Factors (CSF) of achieving strategic procurement practices can be identified by taking six steps, as follows:

1) Establish procurement’s strategic goals. Procurement is held in accordance with general principles of procurement, GCG, best practices, and value-added to the company. Procurement are held to achieve company goals and run alongside company policies.

2) Identify what project activities that are essential to achieve strategic goals, based on each candidate of CSF. Project activities within procurement practices can be done by building strategic supplier partnerships, doing suppliers’ evaluation, and developing trust. It is also held by boosting supplier development, having internal integration, and sharing information.

3) Evaluate the list of CSF candidates to find the essential elements for achieving success. Strategic procurement practices can be achieved by building trust, guānxì, and exchange of valuable knowledge. Building trust and relationship bonds play important role to run procurement practices on a competitive basis and encourage healthy competition within the suppliers. Equalising the exchange of valuable knowledge will run procurement practices effectively and efficiently, by adding values and using minimal resources.
4) Identify how Procurement Team will monitor and measure each of the CSF candidates.

Final evaluation is used to monitor and measure each of CSF candidates. Total evaluation of suppliers is measured from integrating regular report cards, hygiene inspection, and evaluation of suppliers’ performance.

5) Communicate CSF candidates along with the other essential elements of procurement activities.

Trust plays role in doing regular procurement practices, such as the moral honesty by suppliers in supplying materials and company in receiving materials. Relationship bonds lead to regular sharing session to discuss innovation and problem resolution in procurement practices. Exchange of valuable knowledge affects the coordination and collaboration between Procurement Team, User, and suppliers.

6) Keep monitoring and re-evaluating CSF candidates to ensure that procurement practices keep progressing towards the goals.

Whether the procurement practice is success, is measured from integrating semester report, total evaluation of suppliers’ performance, and aligning with KPI. KPI is able to assess procurement performance that comes from semester report and total evaluation of suppliers’ performance. Right and effective KPI will help Procurement Team to improve the performance of procurement practices, communicating with its suppliers.

There are ways to manage supplier relationships in Aerofood ACS Unit Denpasar, as follows: 1) Understand the importance of each supplier; 2) Understand each role of Procurement Team to manage suppliers; 3) Understand agreements signed; 4) Manage each supplier effectively and efficiently; 5) Evaluate the suppliers using 10 C’s (commitment, control, consistency, culture, communication, competency, capacity, cash, cost, and clean); 6) Ensure mutual trust and strong partnerships; 7) Commit to co-prosperity and mutual development; 8) Save special coordination and collaboration for only key strategic partners.

Aerofood ACS Unit Denpasar may do segmentation to group its suppliers in doing procurement practices, as follows: 1) Low-capability supplier; 2) Crucial supplier; 3) Primary supplier; 4) Middle-capability supplier; 5) High-capability supplier; 6) Joint-improvement.

Procurement Team may use scenario analysis as strategy for developing joint-improvement and mitigating risks with suppliers. Scenario analysis helps to analyse possible future events, both good and bad. It also provides rational framework for exploring each possibility.

Firstly, no joint-training has been done. Secondly, risks that affect both Aerofood ACS Unit Denpasar and suppliers, in relation to airlines condition. Risks may be chosen as the priority. All this time, Procurement Team and its suppliers hold sharing sessions to discuss about arisen problems and solutions, also innovation. There are some options to renew the programs.

Training can drive suppliers to perform about capabilities in coping with certain circumstances (suppliers’ agility) and presenting materials or offered substitutes (procurement exhibition) to Procurement Team. Training in study groups may discuss about innovation of procurement practices and risk mitigation. Risk mitigation can be done by renegotiating the supply terms and agreed metrics on Service Level Agreement.

Scenario develops if the cancellation of orders continuously happens. There will be programs in the future to protect both parties. They can responsively do remedial contract terms, for clauses and force majeure. Procurement Team may also enhance service level indicators (SLI) and ensure the continuity of supply until exit (if necessary), to save KPI. Exit strategy is appropriate if there is no way to overcome the problems, by direct sourcing.

5. CONCLUSIONS AND SUGGESTIONS

5.1. CONCLUSIONS

Aerofood ACS Unit Denpasar implies deep supplier relationships as mutually beneficial relationships. Aerofood ACS Unit Denpasar claims that exchange of valuable knowledge as performance of risk-gain sharing. Actions of delivering latest responsibilities of suppliers and appreciation as strategy making process. The success is evaluated by integrating three components, such as semester report, total evaluation of suppliers’ performance, and KPI.

5.2. SUGGESTIONS

Aerofood ACS Unit Denpasar may try in managing suppliers in tight ways. Company may do segmentation for its suppliers. Aerofood ACS Unit Denpasar may use scenario analysis with its suppliers. Further research may discover theory of strategy and policy, since it is still debatable. Further research may evaluate deep supplier relationships and exchange of valuable knowledge by combining two strategic analysis in a framework, such as CSF Analysis and Scenario Analysis.
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