

## Conference Paper

# The Effect of Supplier Trust, Supplier Innovation, and Buyer-Supplier Relationship in Enhancing the Supplier Performance on the Death Service Companies in Surabaya, Indonesia

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### Abstract

Changes in customer needs from a service company results in changes requirement from the supplier to meet the company's demand. Excellent supplier performance is one of the mandatory requirements enabling the company to meet the customer demand. Better supplier performance can be improved when they have an excellent buyer-supplier relationship. The buyer-supplier relationship through better supplier trust from the buyer which means the company believes that the supplier can meet the needs of the company. Further, the supplier builds innovation providing better value to the company. This research examines the influence of supplier trust, supplier innovation, and buyer-supplier relationship to improve supplier performance at death service company in Surabaya. Data were collected by distributing questionnaires to 52 service suppliers in Surabaya. Data analysis using Partial Least Square (PLS) software. The findings show that all hypotheses are supported. There is a positive influence of supplier trust on supplier innovation and buyer-supplier relationship. Supplier-buyer relationship enhances the supplier innovation directly. Supplier innovation, buyer-supplier relationship, and supplier trust influence directly the supplier performance in death Services Company in Surabaya. This study provides new insight to the on-going research on the supply chain management. This work implies that manager can improve the supplier performance.

**Keywords:** Buyer-supplier interdependence; business relationship behavior; customer satisfaction; trust-performance correlation

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## 1. Introduction

Today, various countries in the world are experiencing considerable developments in various activities such as education, technology, business, and much more. Consequently, any new product introduced must meet specific requirements acceptable to

the global market. This requirement varies by country, and it depends on the level of a country's economic development, scientific development, and manufacturing base [1]. Business competition in this era is no longer rely only on traditional ways commonly used by companies. Improvement in quality and reduced costs is not enough anymore to outperform competitor. The company must now adopt another approach by taking into account the concept of speed, flexibility, and the provision of new services and products to its customers. Product development should comply with the environmental change and is one of the competitive dimensions in today's increasingly dynamic business world [2]

This increasing globalization demands countries, particularly in the Asian region, to develop their economic environment. All countries, members of the ASEAN organization agreed to establish the ASEAN Economic Community (AEC) which began in 2015. Consequently, the ASEAN countries should enhance their competitive advantage to outperform their competitor. By improving the quality of products, allow the country to compete against products from other ASEAN countries [3]. The competition is no longer between domestic product or services, but also against imported product or services [4]. Companies must increase their competitive advantage in the pursuit of sustainability. The supply chain management is one of the ways how to improve the competitive advantage of the product or services through increased efficiency and effectiveness [5].

The role of suppliers, within a more complex supply chain activities, is crucial to meet the dynamic environment in today global era. The company seeks the supplier's ability to provide leading products and services. Proper supplier management brings benefits to the organization in several aspects. First, the organization can manage suppliers according to expectations. Second, suppliers will improve their performance when they are regularly evaluated. Third, the organization will be able to improve its competitiveness by managing the order cycle time, and inventory level through cooperation with suppliers [6].

The relationship with a supplier usually initiated with an agreement or contract established with terms mutually agreed upon by both sides. A good relationship between buyer and supplier enables an improvement on the supplier performance. Supplier performance measurement consists of various factors, i.e., product quality, on-time delivery, service delivery, and flexibility. Periodic evaluation of supplier's performance encourages the suppliers to deliver their best performance in the short and long-term cooperation [7]. Beside buyer-supplier relationship, Hartono et al. [8] suggest that supplier trust improves supplier performance. Supplier trust improves the quality of the

product, minimize lead time, and minimize costs. Trust between buyer and supplier can improve supplier performance through product design and increased sales capacity of buyer and supplier companies [9].

Supplier performance can also be improved by establishing a good relationship between the buyer and the supplier. Intercompany partnerships in the supply chain tend to result in improved operational performance for the company which, in the end, result in the company ability to respond to new competitive environments [10]. There is a positive effect of integration with suppliers on operational performance and business performance. There are two types of relationships between buyers and suppliers. First, a transactional relationship which is a relationship binding by contracts for a specified period. Second, the relational relationship is relationships based on moral attitudes, such as trust to share information and knowledge. Relational relationships of buyer-supplier which is based on trust, have a significant impact on performance improvement [10, 11]. However, in contrary, a research conducted by Flynn et al. [12] advised that partnership relationships with suppliers do not have a significant impact on supplier performance. Based on the gap that happened, this research is done to prove the existence of the buyer-supplier relationship to the improvement of supplier performance.

Meanwhile, Lee et al. [13] suggest that innovation affects supplier performance through collaboration with buyer companies regarding supply chain efficiency, and quality management practice. In a study conducted by Atalay et al. [14], process innovation and product innovation also have a significant impact on company performance. The supply chain needs to integrate with the innovation activity in respect to new products, markets, knowledge, and technologies.

Innovation can improve supplier performance in the supply chain because the innovation helps the company achieve competitive advantage. Good relationships between buyer and supplier companies also enable the innovation process. Intense communication and knowledge sharing between buyers and suppliers increase the probability of finding a novelty, a key environment to the innovation process [15]. As in reference [16] states that there are two main points in the relationship between buyers and suppliers that lead to innovation, first: internal relationships including commitment, trust, mutual adoption of knowledge between organizations, information systems, and second: external relationships including demand stability, and intercompany network connection. Long-term collaborative relationships between buyers and suppliers play an essential role in the successful implementation of an enterprise's innovation strategy in a supply chain [17]. Innovation can also be enhanced through a sense of trust given by the company to suppliers. The presence of trust in buyer and supplier relationships will

trigger the emergence of new ideas that can be channeled together and thus, the innovation strategy will work out well. Relational trust encourages the exchange and development of knowledge in developing the innovation. The exchange of knowledge during the innovation process increases when an inter-organization trust exists [18]. Trust between buyers and suppliers enhance good partnership relationships between the two parties.

A study by Abdullah & Musa [11] shows that the influence of trust is more important than commitment. This suggests that management should focus on building trust between trading partners to achieve improved relationships. In a study conducted in the construction industry in Malaysia, it was found that trust between contractors and suppliers increased the efficiency and effectiveness of communications to establish a better relationship [19]. In building a good partnership relationship, there are six factors that must be possessed, namely trust, approach, communication, value sharing, empathy, and reciprocity [20].

Based on the above description, the study on the buyer and supplier relationships has been extensively conducted, but the most of the study focus on the manufacturing companies [2, 5, 7, 10--12, 21]. However, to the best of our knowledge, the study on the relationship between buyer and supplier using the construct of supplier trust, supplier innovation, buyer-supplier relationship, and supplier performance of service company is limited. To fill this gap, this study aims to examine the supplier trust, supplier innovation, and buyer-supplier relationships in improving supplier performance in service companies.

## 2. Supply chain management

Supply Chain Management (SCM) is management activities to obtain raw materials, transform raw materials into goods in process and finished goods, and deliver the product to consumers through the distribution system. These activities include traditional purchasing functions plus other activities that are important for the relationship between supplier and distributor. SCM also extensively may include carriers, credit and cash transfers, suppliers, distributors, debt and accounts receivables, warehousing, order fulfillment, and information sharing on demand forecasts, production, and inventory control. The underlying idea is how to reduce waste and maximize value in the supply chain. SCM combines business processes and relevant businesses to serve customers, order fulfillment, and product development [22]. Production needs raw materials and various other components to be converted into semi-finished goods or finished goods

which are then stored as inventories and ready to be distributed to consumers. Supply chain starts from the point of production to the point of consumption. On the other hand, the supply chain is defined as a business entity consisting of several different companies and organizations working together to produce value in the form of goods or services [23].

The effectiveness of the supply chain can be measured from the level of success starting from the initial process of goods into the goods received by consumers and by the desired. Cross-functional measurements are needed to support the suitability of vision, values, and strategy. In the past, every part of the supply chain made decisions separately in the field of logistics, but now all these parts must be involved in making decisions together. Ultimately, SCM goes further and regulates the flow of information, goods, and money from multiple organizations in a supply chain to reach a joint decision. These are needed to achieve cross-functional integration of different departments, units, and levels of internal and inter-organizational management [24].

The supply chain activity begins with consumer orders and ends with customer satisfaction with the goods/services it buys. Goods and services flow in one chain from suppliers to manufacturing plants, then from manufacturing to distributors, from distributors to retailers, and from retailers to consumers. Changes that occur in one part will significantly affect the other. The purpose of the supply chain is no longer merely to maximize their profit by sacrificing one party but to create mutual benefit. Time, cost and quality remain key determinants of success, but companies must also pay attention to several other vital factors such as minimizing inventory, increasing speed and eliminating various delay constraints in collaboration and cooperation efforts throughout the supply chain [24]. Overall, the supply chain is a vast network between manufacturing companies and their suppliers and distributors. Supply Chain Management is responsible for coordinating and integrating these activities into one continuous process. It links all sections into one chain, between departments within the same organization, as well as all external parties, including suppliers, responsible shippers, third-party companies, and information systems providers [25]

### 3. Trust supplier

Abdullah and Musa [11] defines trust as the belief of a party to the reliability and integrity of its partners. This is a difficult decision because there are risks involved [9]. Trust is a value, a guideline, and an expectation that the partner will do what he or she does by the promise satisfactorily [26]. Trust means a firm belief that another company will make

an effort that produces positive results, and not an adverse outcome for its partner's interests. Trust includes three things, namely abilities (expertise, experience, education, achievement), virtue (loyalty, sincerity, empathy), and integrity (principle, consistency, suitability between words and actions) [27]. Supplier trust is the buyer's firm belief in the supplier's ability to perform the task and that they will perform the task as a responsibility for the partnership relationship [9]. Supplier trust has a significant impact in establishing a relationship in the supply chain [28]. Trust is a social resource that is embedded in the relationships of a group of people and built according to specific ontologies, goals, and purposes. The trust that has been built and nurtured through human relationships over the years can be broken in an instant due to careless behavior. Thus, building trust within and between organizations requires broad relational awareness, openness, commitment and mutual respect. The indicators used to measure supplier trusts are integrity, credibility, honesty, and transparency.

#### 4. Supplier innovation

Innovation is the management of all activities that require idea generalization, technology development, product and process improvement. According to Kulangara et al. [9] innovation is defined as the ability to offer new products or services that have never before existed. Innovation can be measured by several factors, such as improved product design, product feature enhancement, and new product creation. According to Shazi [29], innovation is the realization of a product, process, method of marketing, or external relationships that are either new or significantly enhanced from its previous version. Integrity, commitment, and competence will support an organization in conducting a new product innovation [30]. Innovation depends on collaborative learning, the generation of ideas and ideas of stakeholders within an organization. According to Hardwick et al. [18], a collaboration between two or more innovative companies can have an impact on reducing development costs, reducing risks, achieving optimal economies of scale, and shortening the time. This innovative collaboration will create generalized ideas and improve competence in generating product innovation.

The challenge for organizations is how to develop innovations in supply chain consistently and sustainably, to produce a competitive advantage [17]. Innovation can be measured regarding the ability to discover new technologies, the ability to respond to customer requests for new products/services, the ability to develop product designs, and the ability to provide new facilities [31]. Indicators used to measure variables are:

the creation of new products, enhancement of product or service features, and product design development.

## 5. Buyer-supplier relationship

Competition in this era no longer occurs in one company with the different company but occurs in the coordination of one company's supply chain with the supply chain in the different company. This requires collaboration on the company's supply chain system, primarily focusing on building relationships between companies and their suppliers [32]. Buyer-Supplier Relationship (BSR) is a relationship between buyer and supplier companies covering various business processes such as strategy formation, planning, information flow, and operating system. Functional relationships between buyers and suppliers can lead to a range of benefits, including cost savings, improved production quality, inventory level reductions, increased visibility, improved technology, and preventing bullwhip effect [26].

According to Zhang and Huo [33], buyer-supplier relationship (BSR) is the extent to which buyers and suppliers can work together to manage inter-organizational processes to provide products, services, information and financial flows effectively and efficiently. When buyers and suppliers build mutual trust-based relationships, there is an exchange of knowledge and resources that will benefit both sides. According to Amjad et al. [34] large companies can achieve competitive advantage by building good relationships with their suppliers. The relationship between buyers and suppliers is long-term and sustainable. Hudnurkar et al. [26] define BSR as a cooperative relationship between the parties concerned with the purpose of sharing resources and capabilities of each required to achieve customer satisfaction. There are three essential elements that must be considered by the company in building relationships between buyers and suppliers namely; the first mutual objective is a joint commitment of both parties in making a deal [19]. Both parties must be open to each other about their objectivity so that their partners can more easily understand the goals of each party. Second, Decision Making is a partnership relationship of buyers and suppliers requiring agreement in making decisions, including in the way of conflict resolution. Thirdly, Continuous Improvement is both parties must commit to making continuous and measurable improvements in their performance. Interdependence also becomes one of the characteristics of buyer-supplier relationship because in a business relationship there will always be a dependency between the parties involved in it. Interdependence is used in decision making, solving joint problems as well as in coordination when the production process.

Information exchange becomes essential, as both buyers and suppliers are interdependent regarding information exchange [35]. BSR is a relationship between the purchaser company and its suppliers covering various business processes including information sharing, ideas, knowledge, risks, and solutions to various problems [10]. What is needed in this relationship is mutual respect and respect between buyers and suppliers to the differences and culture of each organization.

## 6. Supplier performance

Supplier performance is defined as how well the supplier can produce the products required by the buyer, which is reflected through operational results such as product quality, delivery, responsiveness, cost, and technical support. Good supplier performance can provide customer satisfaction. Therefore, suppliers must continue to be developed sustainably to produce excellent performance and provide benefits to the company [36].

Performance is divided into three types [21], namely financial performance, non-financial performance, and operational performance. Financial performance is measured by Return on Investment (ROI), Return on Assets (ROA), and market share. Non-financial performance is measured by whether or not customer satisfaction is met. Operational performance is measured by organizational capability in developing product quality, flexibility, and delivery. Each supplier is expected to have continuous improvement (CI). CI aims to assist suppliers in continuously improving processes to achieve zero defect targets. Evaluation of suppliers needs to be done periodically. There are two main categories of supplier evaluation, i.e., process evaluation and supplier performance evaluation. The evaluation process is done to measure supplier capability in making the process of product required by the company whether it has run by the procedure or not. Performance evaluation is conducted to measure supplier performance including delivery speed, reliability, cost, quality, supplier ability in response to complaints, and so on. Research conducted by Atalay et al. [14] process innovation and product innovation also have a significant impact on company performance. Innovation creates a consistent quality of products and services; it will affect the improvement of Quality Management (QM) practices by reducing process variants and preventing errors. QM practice that goes well and continues to improve positively affects organizational performance [13]. Trust given to the supplier can improve the quality of the resulting product, minimize lead time, and minimize costs [8]. In reference [9] declared trust between buyer and supplier

companies to improve supplier performance through product design improvements and increased sales of buyer and supplier companies.

## 7. Research method

The type of research used is causal research which is a study designed to measure a causal relationship between research variables, as well as identify and show the direction of the relationship between variables. Data is a set of information needed in decision making. Sources of data used to conduct research, namely: primary data is data derived from the first source that generally referred as resource. Methods of data collection by conducting observations directly on the object of research. The data collection in the field used in the research by using questionnaires. The questionnaire is a data collection technique by distributing a set of questions or written statement to the respondent. Researchers visited respondents directly at Adi Jasa, Surabaya, Indonesia.

The questionnaire statement uses a five-point Likert scale with 1 = strongly disagree (STS), 2 = disagree (TS), 3 = neutral (N), 4 = agree (S), 5 = strongly agree (SS). The author interview with the respondent in case necessary to make sure the respondent understand and fill out correctly. The population of this study is death service companies domiciled in the city of Surabaya. There are 110 death service companies in Surabaya. Categories of suppliers include food and beverage suppliers, florist and decoration suppliers, bakery suppliers, documentation suppliers, and suppliers who supply other supporting goods and services. The sample of this research is the supplier of death service company in Surabaya which still active to be a supplier for at least one year. Sampling technique used judgment sampling or also called purposive sampling by selecting a sample from a population based on available information so that its representation of the population can be accounted. From 110 death services companies in Surabaya, 52 respondents have completed the questionnaire properly which means the respond rate of 47.3 %.

This study uses Structural Equation Modeling (SEM) approach which allows to include all observed variables according to the theory model built using Partial Least Square (PLS). PLS analysis has two models, i.e., outer model and inner model. The outer model measures the validity and reliability of the indicators while inner model measures the path coefficient and the t-value required in testing the hypotheses [37].

## 8. Data analysis

### 8.1. Characteristics of respondents

Characteristics of respondents are composed of several types of goods supplied i.e., accessories supplier of four suppliers (8 %), documentation of four suppliers (8 %), flowers and decoration of five suppliers (10 %), bakery of 11 suppliers (30 %), and most suppliers are food and beverage suppliers of 28 suppliers (44 %). This composition indicates that food and beverage suppliers are the largest suppliers required by death service companies in Surabaya. This composition also reflected that there is a culture where the family must provide food and drink for the guests who come to mourn.

Characteristics of respondents is based on the length of cooperation with the company, showed that respondents with the cooperation with the company for 1 yr to 5 yr amounted to 15 suppliers (29 %), 6 yr to 10 yr amounted to 21 suppliers (40 %), and cooperation more than 10 yr as many as 16 suppliers (31 %). This shows that the majority of suppliers have had long-term cooperation with the death services company in Surabaya, which is between 6 yr to 10 yr. Characteristics of respondents based on partner companies shows that respondents who cooperate with coffin company Ario as many as 18 suppliers (35 %), Good Abadi casket as many as 14 suppliers (27 %), Carrara coffin as many as seven suppliers (14 %), Tiara as many as nine suppliers (17 %), and casket Excellent as many as four suppliers (7 %). The result shows that the coffin company in Surabaya which has the most suppliers is Ario coffin. Ario is the oldest death services company in Surabaya, and it has many suppliers who continue to cooperate from time to time

### 8.2. Validity and reliability

Figure 1 indicates the research model with the loading factor of each indicator. Model measurements or outer models with reflexive indicators are evaluated with the convergent validity of the indicator and composite reliability for the indicator block. Outer models are often also called measurement models that define how each indicator block corresponds to its latent variables. Individual indicators are considered reliable if they have a correlation or loading value of 0.5 to 0.6. The value of this correlation is considered sufficient because it is the initial stage of development of measurement scale and the number of indicators per construct is not large, ranging from 3 to 7 indicators. Based on Figure 1 the result of the structural model under study shows the

relationship between the indicator with each variable indicated by the value of factor loading.

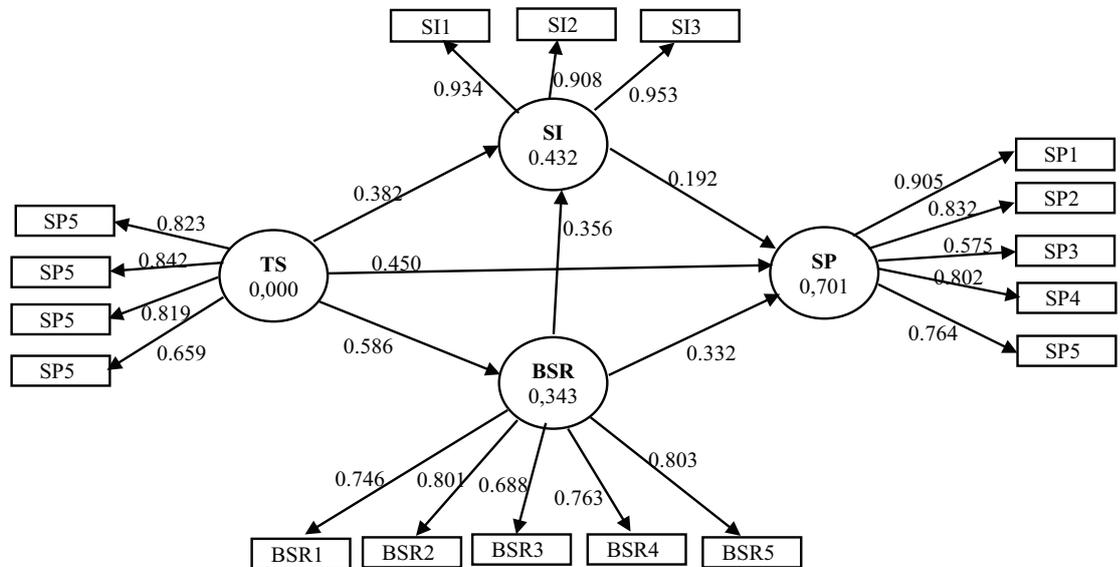


Figure 1: Research model.

Figure 1 demonstrates the result of the structural model showing the relationship between the indicators with each variable as indicated by its factor loading. Supplier trust is measured with four items of measurement, i.e., integrity with a factor loading of 0.823; credibility with a factor loading of 0.842; honesty with a factor loading of 0.819; and transparency with a factor loading of 0.659. The result of the correlation between indicators with supplier trust is considered valid in term of convergent validity as all loading factor is above the minimum recommended value of 0.5. Supplier Innovation is measured using three measurement items namely, product design development with a factor loading of 0.934; the addition of product value with a factor loading of 0.908; and the creation of new products with a factor loading of 0.953. All indicators are considered valid as all the factor loading are greater than the minimum accepted value of 0.5. Buyer-Supplier Relationship is assessed using five measurement items. Those items with its factor loading are as follows: i) buyers and suppliers sharing information with a factor loading of 0.746; ii) buyers and suppliers share new ideas with a factor loading of 0.801; iii) buyers and suppliers share knowledge with a factor loading of 0.688; iv) buyers and suppliers face risks together with a factor loading of 0.763, and v) buyers and suppliers sharing the solution to the problems encountered with a factor loading of 0.803. All indicators are considered valid as all factor loading are higher than the minimum accepted value of 0.5.

Supplier Performance is measured from five measurement items, i.e., excellent product quality with factor weight of 0.905; timely delivery with a factor loading of 0.832;

responsive in response to customer demand with a factor loading of 0.575; affordable product cost with a factor loading of 0.802; and suppliers ready to assist as a form of support to partners with a factor loading of 0.764. Those indicators are considered valid as all the loading are higher than the minimum accepted value of 0.5. The internal consistency or composite reliability measure the reliability of the block indicator of each construct. The composite reliability of supplier trust, supplier trust, supplier innovation, buyer-supplier relationship, and supplier performance are of 0.867 3; 0.951 8; 0.873 0; and 0.886 1 respectively. Those composite reliability demonstrate that all constructs are considered reliable as the composite reliability is higher than the minimum acceptable limit of 0.7.

The Goodness of Fit test of the structural model or inner model is evaluated by looking at the percentage of variance described by looking at R<sup>2</sup> for latent dependent constructs using Q Square test and also looking at the magnitude of its structural path coefficients. The stability of this estimate is evaluated using the t-statistic test obtained via the bootstrapping procedure. The structural model is evaluated by using R-square dependent latent variable; Q-Square predictive relevance for the constructed model measures how well the model predicts the dependent variable. The Q-square value of the research model has the predictive relevance of 0.4851 greater than zero. This value indicates that structural model has a good predictive relevance.

### 8.3. Hypothesis testing

The next stage of the analysis is to examine the hypotheses through the assessment of the path coefficient and the t-value of each coefficient. The result of the assessment is demonstrated in Table 1.

Supplier trust affects supplier innovation with the coefficient of 0.382 5 and T-statistic equal to 4.074 1 > t-table equal to 1.96 ( $\alpha = 5\%$ ). This is reasonable as the supplier feels the confidence to innovate their product in meeting the customer demands. The existence of trust also supports the new ideas from the suppliers in the pursuit of a better product. Supplier indicates that they are responsible for what they promise and perform their job such that when the supplier innovates, the company believe that the supplier can provide a quality good. This finding is consistent with the study by Dovey [38] which states that trust is indispensable in creating such in environment where ideas freely expressed and transformed into innovative products.

According to Shazi's research [29], reliable suppliers can be involved by the company when innovating the product because suppliers can provide ideas and knowledge for

TABLE 1: Path Coefficient and T-value of each hypothesis

Effect Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistic
Trust Sup -> Sup Innov	0.382 5	0.395 3	0.093 9	4.074 1
Trust Sup -> Relation	0.585 6	0.581 5	0.057 5	10.183 4
Relation -> Sup Innov	0.355 7	0.355 8	0.096 1	3.699 0
Sup innov -> Performance	0.191 9	0.196 8	0.077 0	2.491 8
Relation -> Performance	0.332 3	0.333 9	0.068 4	4.860 6
Trust Sup -> Performance	0.450 4	0.443 7	0.069 8	6.451 8

Note -> affect

the innovation. The presence of trust in buyer and supplier relationships will trigger the emergence of new ideas that can be channeled together and thus, the innovation strategy will work out well. Relational trust proves to encourage the exchange and development of knowledge that can be used to develop innovation. The exchange of knowledge is encouraged in the supplier innovation process when there are inter-organization trusts [18]. Thus, supplier trust has an impact on supplier at service company's deaths in Surabaya is supported.

Supplier trust influences buyer-supplier relationship as indicated in Table 1 where path coefficient equal to 0.585 6 and t-statistic equal to 10.183 4 > 1.96. There is an influence of supplier trust on the buyer-supplier relationship. Mutual trust makes suppliers and death service companies in Surabaya to exchange information, ideas, and knowledge without misuse of the information. Trust also enables suppliers and partner companies to share their problems and find out the solution. The process of sharing information, ideas, knowledge, risks, and problem-solving have an impact on increasing supplier relationships. The results of this study are consistent with the research by Abdullah and Musa [11] which states that mutual trust between suppliers and partner companies, provides a positive impact on the relationship. The reason is that trust creates a commitment in a buyer-supplier relationship which serves as a basis for running business processes together. Without trust, it is difficult for companies to interact, communicate, and share information and knowledge on a regular basis [28]. The result is also in line with research done in the construction industry in Malaysia, which found that trust between contractors and suppliers increases the efficiency and effectiveness of communication to establish a better relationship [19]. By building relationships between buyers and suppliers based on trust, it is easy to exchange useful

knowledge and resources in the facing of market uncertainty. Trust-based relationships tend to be developed through informal processes and lead to better integration [10]. Each party believes that its partners take action by the expected through the interaction and communication effectively. Thus, increased trust between suppliers and partner companies has an impact on the buyer-supplier relationship. Thus, the hypothesis that trust supplier affects the buyer-supplier relationship at death service company in Surabaya is supported.

Table 1 also demonstrated that buyer-supplier relationship influences supplier innovation with the path coefficient of 0.355 7 and t-statistic of 3.699 0 > 1.96. A relationship with excellent communication between suppliers and death service companies in Surabaya, enable the supplier to get a lot of knowledge and information from the company. Knowledge and information enhance the supplier in developing insight and a new point of view. This insight leads to new ideas from the supplier to innovate the product. Buyers and suppliers work together to help each other in the process of innovation. It often happens that the buyer company proposed a new idea and the supplier support by providing materials and technology required. In contrary, a supplier may have an innovation idea, and the buyer supports by sharing the information, knowledge, and experience. Given this cooperative relationship, innovation processes will occur more effectively [39]. Another research by Charterina et al. [15] says that innovation can be enhanced through good partnership relationships between buyer and supplier companies. Intense communication and knowledge sharing between buyers and suppliers will increase the probability of finding a novelty, a key to the innovation process. As expected, the hypotheses that buyer-supplier relationship has an impact on increasing supplier innovation is supported.

The next finding is that supplier innovation affects supplier performance as demonstrated in Table 1 with a path coefficient of 0.191 9 and t-statistic of 2.491 8 > 1.96. Any innovations in products and processes make the work more efficient and faster. Innovation conducted by the supplier of death services company in Surabaya resulted in the improvement of product quality better than the previous one, and the performance of suppliers will also increase. Amjad et al. [34] said that innovation by suppliers by developing products, market, knowledge, and new technologies improve supplier performance within the supply chain. The innovation helps the company in achieving competitive advantage. There are several keys to success in improving the performance of suppliers, such as top management commitment, SCM strategy development, use of modern technology, sharing information between buyers and suppliers, supplier development, supplier confidence, and supplier innovation [31].

Innovation affects supplier performance through collaboration with buyer companies in term of supply chain efficiency and Quality Management Practice. Organizations need collaboration with suppliers to realize strategic innovation and the collaboration improve the performance and competitiveness of the organization. Innovation also helps improve the supply chain efficiency, including reducing lead times, delivering new operating strategies, and consistent quality. Improved efficiency and effectiveness of supply chain is an essential element to improve organizational performance. When innovation creates consistent product and service quality, it affects improved quality management practices by reducing process variants and preventing errors. Quality management practices work well and continue to improve positively on organizational performance [13]. Thus, increasing supplier innovation has an impact on increasing supplier performance. As expected, the hypothesis that supplier innovation influence supplier performance is supported.

The next hypothesis that buyer-supplier relationship has an impact on the supplier performance is shown in Table 1. The path coefficient of 0.332 3 and t-statistic of 4.860 6 > 1.96 proved that hypothesis is supported. Buyer-supplier relationship influences supplier's performance. A good partnership relationship between supplier and death service company in Surabaya, make the supplier able to understand the desire of the company. Good relationships allow companies to evaluate supplier performance and communicate the feedback and criticism to the suppliers. This is a crucial issue in building the performance of suppliers. The products produced by suppliers should always meet the standards given by the company. Death services are not easy to manage because supplier's involvement may be required at any time to meet an uncertain demand. A good relationship will make the supplier responsive and always get ready whenever needed.

Research by Huang et al. [35] stated that integration and collaborative culture built by buyers and suppliers could improve supplier performance as they support each other in implementing the business strategy and achieving the competitive advantage. Intercompany partnerships in the supply chain tend to result in improved operational performance for the company. Thus, enhance the company's ability to respond to new business environments [10]. The results of this study are also in line with the research by Abdullah and Musa [11] which states that the relationship of buyer-suppliers which is based on trust proved to have a significant impact in improving the performance. Thus, an increase in a buyer-supplier relationship has an impact on increasing supplier performance. Based on the finding, the hypothesis that buyer-supplier relationship influences the supplier performance at death services company in Surabaya is supported.

The last hypothesis that supplier trust affects the supplier performance, as expected, is supported based on the finding indicated in Table 1. With the path coefficient is 0.4504 and t-statistic equal to  $6.4518 > 1.96$  ( $\alpha = 5\%$ ), means that there is a significant influence of the supplier trust on the supplier performance. The supplier trust from the death services company in Surabaya makes the suppliers always try to maintain credibility by continuing to provide the best performance to satisfy their partners who have given the trust. Supplier trust enables partners in the supply chain to conduct transactions and operational activities without worry and suspicion so that both parties can share resources and strategic information. This can improve supplier performance, such as reliability, responsiveness, and supplier effectiveness in producing the product [36]. The results of Harton et al. [8] also stated that the confidence given to suppliers proved to improve the quality of products produced, minimize lead time, and minimize costs. Trust between buyer and supplier companies to improve supplier performance through product design improvements and increased sales of buyer and supplier companies [9]. This is also in line with Al-Abdallah et al. [40] study which states that supplier performance can be improved by building relationships between buyers and suppliers based on trust. Thus, increased trust between suppliers and partner companies will have an impact on increasing supplier performance. So it can be said that the hypothesis there is significant influence between suppliers trust on supplier performance at death service companies in Surabaya received.

The direct influence of trust supplier variable on supplier performance is significant. The indirect effect also demonstrated significant as well. In total the path coefficient (direct plus indirect effect) of supplier trust on the supplier performance equal to  $0.450 + (0.382 \times 0.192) + (0.586 \times 0.332) + (0.586 \times 0.356 \times 0.192) = 0.7578$ . Thus, the presence of the mediating constructs, supplier innovation, and buyer-supplier relationship, contributes to the improvement of supplier performance. This finding implies that the death service companies are necessary to establish a supplier trust, supplier innovation and buyer-supplier relationship in enhancing the supplier performance.

## 9. Conclusion

The main objective of this study is to examine the influence of supplier trust on the supplier performance through the mediating role of the supplier innovation and buyer-supplier relationship. The result of the study proved that, as expected, all hypothesis is supported by the data. Supplier trust affects the supplier innovation at death service

companies in Surabaya. With the trust from the companies, makes the supplier has confidence in putting forward the idea freely. On the contrary, the company can also provide new ideas emerging from the companies and allow the suppliers to innovate. Suppliers trust affects the buyer-supplier relationship in death service company in Surabaya. The presence of trust in the supplier, make the process of sharing information, ideas, knowledge, risks, and problem solving getting better. The buyer-supplier relationship affects supplier innovation at death service company in Surabaya. The good relationship and communication between suppliers and death service companies make the suppliers receive input and information enabling the suppliers to find new ideas in innovating the product. Supplier innovation affects supplier performance at death service company in Surabaya. The innovation made by the supplier resulted in the improvement of product quality better, in other words, supplier's performance will also increase. Buyer-supplier relationship affects the supplier performance at death service company in Surabaya. A good partnership relationship between supplier and death service company, make the supplier be able to understand the wishes of the company and strive to meet the quality standards set by the company. Suppliers affect increasing supplier performance at death service company in Surabaya. The trust of the death service companies in Surabaya makes the suppliers always try to maintain credibility by continuing to provide the best performance to avoid the disappointment of the partners. The death services company suppliers in Surabaya need to improve innovation by developing product design and adding value to products sold to partner companies. One of the interesting findings of the study is that supplier innovation and buyer-supplier relationship mediates the influence of supplier trust on the supplier performance.

This research provides a significant finding in the on-going research in the supply chain management. This research also paves the way for the manager to establish the supplier trust, supplier innovation, and buyer-supplier relationship in enhancing the supplier performance of the death service companies in Surabaya. For further research, it is suggested to conduct a study to examine and review the index of customer satisfaction and consumer loyalty in the use of death services.

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