

**THE MEDIATING EFFECTS OF BUYER-SUPPLIER  
RELATIONSHIP ON RELATIONSHIP OF TRUST AND  
COMMITMENT, AND ORGANIZATION PERFORMANCE  
OF AGRICULTURE BASED SMEs IN KELANTAN**

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PERFORMANCE OF AGRICULTURE BASED SMEs IN KELANTAN**

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Othman Yeop Abdullah Graduate School of Business,  
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## ABSTRACT

Previous studies had justified that buyer-supplier relationship has a positive relationship with organization performance of SMEs. Plus, the positive relationship between trust and buyer-supplier relationship of SMEs also has been indicated in a past studies. However, not many researches were done to study the commitment effect on buyer-supplier relationship, and the mediating effect of buyer-supplier relationship with trust, commitment, and organization performance of SMEs. In addition, there are few researches done in primary agriculture based SMEs that are focusing on micro enterprise is and this situation needs to be changed since this sector has contributed 7.3% to the Malaysia Gross Domestic Product (GDP). This study fills up the gap by identifying the relationship of trust, commitment, buyer-supplier relationship and organization performance of primary agriculture based SME's concentrating on micro enterprise. Plus, this study has presented the hypothesis regarding this relationship. This study concentrates on SMEs' primary agriculture of micro enterprise type located in Kelantan, whereby Kelantan is the third ranking state with the most number SMEs' involvement in Malaysia with a total about 37, 823 SMEs. The questionnaires were distributed to 120 respondents and 100 questionnaires were returned back. However, two questionnaires had to be rejected because there were not fully completed. So, the total number of samples in this study is 98. A list of the respondents was retrieved from Jabatan Pertanian Negeri Kelantan, complete with an email address and contact number. The finding shows that there is a positive relationship between trust and commitment on buyer-supplier relationship, and there is a positive relationship between buyer-supplier relationship and organization performance of primary agriculture based SMEs in micro enterprise type. However, buyer-supplier relationship is a partial mediator of the relationship between trust and commitment to organization performance. The recommendation of the organization and future research were also discussed.

**Keywords:** Buyer-supplier relationship, trust, commitment, organization performance, small-medium sized enterprise (SME)

## ABSTRAK

Kajian lepas membuktikan hubungan pembeli-pembekal mempunyai hubungan positif terhadap prestasi organisasi Perusahaan Kecil Sederhana (PKS). Tambahan pula, hubungan positif antara kepercayaan dan hubungan pembeli-pembekal PKS juga telah ditunjukkan melalui kajian lepas. Di samping itu, penyelidikan yang melibatkan pertanian utama PKS yang memberi tumpuan terhadap perusahaan mikro masih kurang dan situasi ini perlu diubah kerana sektor ini memberi sumbangan sebanyak 7.3% kepada Keluaran Dalam Negara Kasar (KDNK) Malaysia. Kajian ini memenuhi jurang dengan mengenal pasti hubungan kepercayaan, komitmen, hubungan pembeli-pembekal, dan prestasi organisasi pertanian utama PKS yang menumpukan kepada perusahaan mikro. Tambahan pula, kajian ini juga membentangkan hipotesis berkenaan dengan hubungan tersebut. Kajian ini juga menumpukan kepada perusahaan mikro pertanian utama PKS di Kelantan, di mana Kelantan berada di tempat ketiga pada kedudukan PKS di Malaysia yang mempunyai jumlah kira-kira 37, 823 PKS. Soal selidik telah diedarkan kepada 120 responden dan 100 soal selidik telah dikembalikan. Walau bagaimanapun, dua soal selidik ditolak kerana tidak lengkap. Oleh yang demikian, jumlah sampel dalam kajian ini ialah 98. Senarai responden diperoleh daripada Jabatan Pertanian Negeri Kelantan, lengkap dengan alamat dan nombor telefon. Kajian mendapati bahawa terdapat hubungan yang positif antara kepercayaan dan komitmen dengan hubungan pembeli-pembekal, dan terdapat hubungan yang positif antara kepercayaan dan komitmen dengan hubungan pembeli-pembekal, dan juga hubungan antara hubungan pembeli-pembekal dengan prestasi organisasi pertanian utama PKS dalam perusahaan mikro. Walau bagaimanapun, hubungan pembeli-pembekal adalah pengantara separa antara kepercayaan dan komitmen terhadap prestasi organisasi. Cadangan kepada organisasi dan kajian akan datang juga telah dibincangkan.

**Kata kunci:** Hubungan pembeli-pembekal, kepercayaan, komitmen, prestasi organisasi, perusahaan kecil dan sederhana (PKS).

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## LIST OF ABBREVIATIONS

BSR	Buyer-supplier relationship
CBAs	Cost Benefit Analysis
COMM	Communication
DV	Dependent Variable
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IV	Independent Variable
KDNK	Keluaran Dalam Negara Kasar
KM <sup>2</sup>	Kilometer square
KMV	Key Mediating Variable
MRS	Manufacturing Related Services
NPAT	Net Profit After Text
OP	Organization Performance
PKS	Perusahaan Kecil dan Sederhana
ROA	Return of Asset
SME/SMEs	Small medium-sized enterprise
SPSS	Statistical Package for the Social Science

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# **CHAPTER 1**

## **INTRODUCTION**

### **1.0 Introduction**

This chapter will describe the general information of buyer-supplier relationship of the small medium-sized enterprise (SMEs) in Malaysia and small medium-sized enterprise (SMEs) in Kelantan. This chapter also expresses the problem statement, objective, and scope of this study.

### **1.1 Background of the study**

Nowadays, it is important for the organizations to distinguish which individuals and which relationships are the essential in order to ensure the success of their business activities. In a dynamic business environment, the organization can be a buyer, supplier, customer or end user (Benton, 2010). Most of the organizations are only focusing on one party which is the buyer and doing a lot of strategies to capture the buyers' interest in the product or service offered. As stated by Benton (2010), many firms are only concerned with the relationship between themselves and their customer rather than the relationship between themselves and their suppliers. Neglecting the relationship with the supplier is a factor why the organizations are faced with failures. Thus, in today's business environment, competitive advantage can only be achieved if organizations understand and also pay attention to the buyer-supplier relationships. Neglecting these relationships

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## **APPENDIX**