THE INFLUENCE OF GOVERNMENT POLICIES IN THE RELATIONSHIPS SUPPLY CHAIN ON COMPANY PERFORMANCE IN IMPROVING MICRO AND MACRO ECONOMICS.

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Abstract: The purpose of this study is to explain the effect of supply chain integration on company performance mediated by government policies in strengthening macro and micro economies. The approach used in this research is the quantitative method. Where is the population of 5 nickel mining companies in Sulawesi, represented by 500 employees. From the total population, samples were then taken using the Slovin formula with a margin of error of 5 percent totaling 222 employees. Of these, 200 questionnaires returned with valid conditions. Smart PLS 3 was used to analyze the research data. The results of the research show that the supply chain has a significant effect on the company's performance. Improved company performance strengthened by government policies so as to increase the company's profitability significantly.

Keywords: supply chain, government policy, performance, micro and macro economy.

I. Introduction

Indonesia has abundant natural resources in the form of nickel and even billions of tons of reserves. The size of the nickel mine has prompted the government to implement a policy to encourage investment in downstream nickel by building a smelter project for battery raw materials with an investment value of US$ 6.25 billion. The government's policy to stop the export of nickel raw materials is a policy that is in accordance with the mandate of the 1945 Constitution Article 33 paragraphs 2 and 3 which states that the government has a very large role in economic activities not only carried out by the community, private sector or individuals, especially for branches. Production which controls the livelihood of many people and then the earth, water and natural resources contained therein must be controlled by the state as much as possible for the prosperity of the people. In addition, this government policy can strengthen the supply chain in the form of nickel which is then handed over to companies in the country. If it is associated with the COVID-19 pandemic, it challenges policy makers (Government) and companies to think hard about how to overcome economic storms, limit damage and demonstrate resilience and stability in the face of production declines and many even go bankrupt. Therefore, government policies play a very important role in maintaining the course of the nation's economy. This study seeks to explain the extent to which companies perform when there is an abundant supply chain drive as a result of strengthening government policies.

Agrawal et al., (2009) stated that the government's policy response should be considered by companies. Agrawal's opinion is supported by Dobinger et al., (2016). Successful performance is measured by growth or profit ability when the environment is stable, but this measure can be different if in a crisis, thus a strategy is needed to maintain how to survive in earning profits (Pala Mida et.al., 2015 and Minoja, 2012; Wenzel et al., 2020). On the other hand, good company performance must also be supported by preparing technological advantages (Dobinger et al., 2016; Hoppmann et al., 2016; Rogge and Schieich, 2018).

Research highlights the company's performance with focus on study in several mining companies including PT Vale Indonesia Tbk, PT Bintang Eight Mineral; PT Aneka Tambang Tbk; PT Makmur Lestari Primatama. The construction of a battery factory in Indonesia will increase employment opportunities for the Indonesian people who incidentally have a demographic bonus. The large number of workers has an impact on increasing people's purchasing power so that it affects the running of the micro-economy. The government's policy of not exporting nickel raw materials to foreign countries also has an impact on the economic growth of a country that is in
surplus. The results of the search, PT Pale stated that nickel production in the first 6 months of 2022 decreased by 13 percent from production of 30,246 tons in 2021 to 26 tons of nickel in 2022. To improve the company's performance in the nickel mining sector, 32 million tons of nickel ore are needed (Febriany Eddy, CEO of Vale Indonesia, 2022). The increase in production depends on the results of employee performance which ultimately improves the company's performance (Hill et al., 2008; Askenazy, 2004; Chung, 2009; FlexPaths, 2004; Golden, 2011; Possenriede and Plantegna, 2011). Factors that affect company performance are supply chain factors (Zhu et al., 2013; Zhao et al., 2018). Zhang et al. (2019) stated that an integrated supply chain plays an important role in improving company performance. Supply chain partners must collaborate internally and externally to achieve continuous improvement of company performance (Chen et al., 2017; Feng et al., 2018; Cherrafi et al., 2018; Tachizawa et al., 2015).

Many studies linking supply chain with company performance have been carried out and stated that they have a positive and significant effect, Chen et al., 2017; Feng et al., 2018; Cherrafi et al., 2018; Tachizawa et al., 2015). But on the other hand there are those who claim that it has no effect including: Miranti Sedyaningrum et al.,(2019); Ateş, M. A et al., (2021). Thus, the results of previous studies are declared inconsistent. Various research results related to the supply chain are related to the performance of this company, ranging from the differences in the measuring instruments used, and the interrelationships between the variables used. Therefore, we are trying to re-examine the relationship between supply chain and company performance in nickel mining companies in Indonesia.

II. Literature Review

1. Supply chain

Supply chain is a network of companies such as suppliers, manufacturers, distributors, shops or retail and including logistics service companies, jointly delivering a product to the hands of end users. (Pujiawan, 2010). Darojat and Yunitasri (2017) define that supply chain is an integrated process in which a number of entities work together to obtain raw materials to be converted into finished products and send them to retailers and customers. Tyagi, P et al (2014) defines that the supply chain is a set of activities related to the overall network of interactions between suppliers, companies, manufacturers, distributors and consumers related to material procurement, processing of materials into semi-finished goods or finished goods and the distribution of these finished goods to customers. Referring to the experts mentioned above, it can be concluded that the supply chain is the distribution of raw materials to companies to be used as semi-finished or finished materials which are then distributed to customers.

The supply chain is essential for companies because without raw materials the company cannot perform operationally. Companies must be able to become partners with suppliers (Zhang et al., 2019). If the supply chain has complex problems then operational performance is not working and is detrimental (Turner et al., 2018). Supply chain failure will have a negative impact on company performance (Birkie and Trucco, 2020; Lu & Shang, 2017; Dittfeld et al., 2018; Bode and Wagner, 2015). Companies must be able to communicate well despite different cultures, languages and institutional environments with suppliers in order to avoid increasing complexity (Giannoccaro et al., 2018; Dong et al., 2020).

2. Government Policy

According to Harol Laswell and Abraham Kaplan (1970) that government policy is a projected program with certain goals, values and practices. Knoeptel et al., (2007) define that public policy is a series of decisions or actions as a result of structured and repeated interactions between various actors, both public/government and private/private involved in various ways in responding, identifying and solving problems that are Politics is defined as a public problem. Hogerwerf (1983) public policy is to achieve certain goals by means of certain means and in a certain time sequence. Based on these experts, it can be explained that public policy is a program of activities, values, tactics and strategies that are prioritized by an official against a large number
of people to be implemented in order to achieve certain goals. Related to government policy, Samuel Edward Finer (1974) states that government means the process of ordering activities to carry out control/supervision to other parties or the community. Keban (2008) states that public policy is applied to regulate and interpret resources, units and methods for implementing programs. The Indonesian government continues to intensify its nickel downstream policy to gain more profit than just digging and selling raw mines. One of them is industrial mineral commodities which are made from nickel.

3. Company Performance
Organizational performance is the organization's ability to achieve its goals. (Scott & Davis 2015). Cutler et al. (2003) an organization becomes effective when it takes advantage of its environment in achieving high value and scarce resources to approve its operations. According to Agle, et al.(2006), an organization is effective when many stakeholders consider the organization to be effective. Organizations with greater control over resources tend to have the greatest influence on performance (Kieu, HQ(2010). According to Koontz & Donnel (1993), organizational performance refers to the company's ability to achieve high profits, product quality, large market share, good financial results, and company continuity at a certain time, and to make it happen, a relevant strategy is needed. Organizational performance can also be used to see the extent to which an organization is able to meet the needs to survive (Griffin & Ricky, 2003). Performance is a company's success is directly proportional to employee performance (Beniligiray, 2004). Business performance is a description of the level of fulfillment of business objectives in accordance with the output obtained at the end of the business period (Yildiz, 2010).

Hypothesis
The results of Indonesia's natural resources in the form of raw goods are indeed very abundant, which is a supply chain that is needed by companies in the world so that the supply chain has a high complexity because it is related to production in a country. Supply chain is raw materials where the company processes them into semi-finished or finished materials which are then contributed to the people who need these products. The relationship between supply chain and company performance, Chen et al., 2017 mentions in their research that supply chain has a significant effect on company performance. Chen's research results are reinforced by Feng et al., 2018; that the supply chain is closely related to the company's performance. Likewise, Cherrafi et al., 2018; and Tachizawa et al., 2015) that supply chain is an antecedent of company performance. Thus the hypothesis that is built is:

H1: Supply chain has a significant effect on company performance.

2. Government policies moderate the influence of Supply Chain on Company Performance.
The reality on the ground at this time is that the government's policy is very strong on the supply chain to improve the performance of companies in the mining sector in Indonesia. The Indonesian government's breakthrough to stop the export of nickel raw materials to Europe is a policy to improve the welfare of the community and improve the nation's economy on a micro and macro basis. In addition, the establishment of raw material products into finished materials will create new jobs for the Indonesian people who have a demographic bonus. This is in accordance with the mandate of Article 33 paragraph 2 which states that production branches which are important to the state and which affect the livelihood of the people are controlled by the state. Article 33 paragraph 3 states that the earth and water and the natural resources contained therein are controlled by the state and used for the greatest prosperity of the people. Government policies must control the economy by involving technology and consumer stability, which in turn improves company performance (AA Sánchez,2003). The government must play a role in strengthening
company performance through regulations related to training that have an impact on improving company performance (R. Thurik, 2004; Rasiah, 2002). Thus, the hypothesis is built as follows:

**H2: Government policies moderate the influence of supply chain on company performance**

3. **Government Policy and Company Performance**

   The cessation of nickel exports is the spirit to improve mining governance in the country. This is a momentum to revive the downstream industry in order to encourage added value in the country. Indonesia has imposed a ban on nickel ore exports since January 1, 2020 which is stipulated through the Minister of Energy and Mineral Resources Regulation Number 11 of 2019. This policy is a big challenge for the performance of companies engaged in nickel mining. There have been many studies linking government policies with company performance such as; Turkson, D.(2021); Sidik Ismanu, Anik Kusminart.(2019); Evans T. Mwasiangi, (2019). They state that government policies have a direct effect on company performance. Thus, the proposed hypothesis is as follows:

**H3: Government policies have a significant direct effect on company performance**

**III. Research methods**

**Research design.**

This type of research is explanatory research with a quantitative approach. Explanatory research is research that emphasizes causality between two or more variables that influence each other. The primary data in this study used a questionnaire distributed to respondents. The research locations were in five Indonesian Sulawesi Nickel Mining Companies consisting of PT Vale Indonesia Tbk, PT Bintang Eight Mineral: PT Aneka Tambang Tbk; PT Makmur Lestari Primatama. The main problem of this research is to highlight the company's performance when it gets a task from the state to work on and develop domestic products with Nickel as raw material so that it can support the nation's economy in the future. The supply chain in the form of abundant nickel raw materials that must be able to be processed into semi-finished goods or finished materials such as lithium batteries is a challenge for the company.

**Sample and data collection.**

This research requires data related to supply chain and company performance, so nickel company employees are used as research samples from 5 companies with a population of 500 employees. From the total population, samples were then taken using the Slovin formula with a margin of error of 0.05 percent. The results of the calculation amounted to 222 employees. Each company is represented by employees with an average of 44 people. Collecting data using a questionnaire that will be distributed through the HRD of the five companies for which we previously gave a notification letter that our party would conduct research related to the supply chain and company performance. After that, each HRD from five companies stated that they were willing to participate in this study. After getting their approval, we then handed over 44 questionnaires to each HRD and they asked for 1 (one) week to fill out the questionnaire. By the time a week had passed, it turned out that the 222 questionnaire sheets were returned as many as 200 sheets that had been filled in by the respondents in a valid state. So, the number of valid respondents in this study was 200 people. The content of the questionnaire contains the demographic aspects of the respondents consisting of the respondent's age, gender, work experience, education level, while the primary data is a questionnaire consisting of asking questions about supply chain, government policies and company performance. The scale used is a Likert scale by extracting data from Strongly disagree to Strongly agree.

**Data analysis technique.**

After the data is collected, it starts from secondary data, namely data related to company supporting data and primary data from respondents' demographic data to data on supply chain variables, government policies and company performance. Then the data is entered to be analyzed with the help of Smart PLS-3 software. The reason smart PLS-3 is used in this study is because
Smart PLS is pull power and does not have to have a normal distribution and can be applied to all data scales, does not require many assumptions. It can also be used for structural modeling with reflective and formative indicators (Ghozali, 2008). In PLS there are several things that need to be done, namely the outer model with validity and reliability tests that can be seen from convergent validity (Alpha Conbrach, AVE, Composite Reliability). Then the discriminant validity of the measurement model with reflective indicators is assessed based on the cross loading of the measurement with the construct. Then the use of the Inner model by analyzing the influence between latent variables is called the structural model. The inner model can be done by looking at the magnitude of R2 (R square), which means that the greater the value of R2, the greater the influence of the exogenous latent variable on the endogenous variable. 

**Research Results and Discussion**

1. Analysis of Respondents Characteristics

Descriptive results based on the respondent's age, gender, education level, and work experience can be shown in the following Pie image:

![Pie chart](image)

**Figure 4.1** Characteristics of respondents

Source: 2022 research results

Based on Figure 4.1, it shows that the most dominant gender of the respondents is male as much as 75 percent. This indicates that mining work requires extra personnel for its operations, while for women it is focused on administrative staff. The highest level of education is undergraduate from an applied science discipline, then for postgraduate masters at least 7 percent. 26 percent for high school and 20 percent for diplomas are allocated to support operational personnel. Respondents who have work experience of 1 to 10 years are the most dominant at 69 percent and the smallest are 21 years to 30 years as much as 13 percent. Most of the workers are aged 36 to 45 years.

2. Testing the Measurement Model (Outer Model)

**Convergent validity**

Convergent validity is to determine the validity of each relationship between indicators and latent variables. The constructs used in this research must be truly represented by the indicators. Therefore, a validation test was conducted to determine the ability of the indicator to reflect the construct to be measured. In its implementation, a loading factor limit of 0.60 is used.
### Table 4.1. Convergent validity

<table>
<thead>
<tr>
<th>Indicator</th>
<th>X*Y1</th>
<th>X Supply Chain</th>
<th>Y Company Performance</th>
<th>Y1 Government Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1.2</td>
<td>2,901</td>
<td>0.882</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1.3</td>
<td></td>
<td>0.878</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1.4</td>
<td></td>
<td>0.853</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1.5</td>
<td></td>
<td>0.799</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1.6</td>
<td></td>
<td>0.897</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1.7</td>
<td></td>
<td>0.884</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1.8</td>
<td></td>
<td>0.809</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Y1.1</td>
<td></td>
<td></td>
<td>0.849</td>
<td></td>
</tr>
<tr>
<td>Y1.2</td>
<td></td>
<td></td>
<td>0.939</td>
<td></td>
</tr>
<tr>
<td>Y1.3</td>
<td></td>
<td></td>
<td>0.947</td>
<td></td>
</tr>
<tr>
<td>Y1.4</td>
<td></td>
<td></td>
<td>0.891</td>
<td></td>
</tr>
<tr>
<td>Y1.5</td>
<td></td>
<td></td>
<td>0.748</td>
<td></td>
</tr>
<tr>
<td>Y2.2</td>
<td></td>
<td></td>
<td></td>
<td>0.967</td>
</tr>
<tr>
<td>Y2.3</td>
<td></td>
<td></td>
<td></td>
<td>0.970</td>
</tr>
</tbody>
</table>

Source: 2022 Research Results

Table 4.1 above presents the results of the validity test with significant factor loading, but there are two indicators that appear invalid because the factor loading value is less than 0.60, namely the X1.1 and Y2.1 indicators. Therefore the indicator is removed, so that the constructs for all variables are no longer eliminated from the model. It can be concluded that the construct has met the criteria of convergent validity.

### 3. Discriminant validity test

Discriminant validity is carried out to ensure that each concept of each latent model is different from other variables.

### Table 4.2 Cross Loading

<table>
<thead>
<tr>
<th>Indicator</th>
<th>X*Y1</th>
<th>X Supply Chain</th>
<th>Y Company Performance</th>
<th>Y1 Government Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1.2</td>
<td>-0.697</td>
<td>0.882</td>
<td>0.811</td>
<td>0.653</td>
</tr>
<tr>
<td>X1.3</td>
<td>-0.693</td>
<td>0.878</td>
<td>0.752</td>
<td>0.672</td>
</tr>
<tr>
<td>X1.4</td>
<td>-0.739</td>
<td>0.853</td>
<td>0.768</td>
<td>0.627</td>
</tr>
<tr>
<td>X1.5</td>
<td>-0.682</td>
<td>0.799</td>
<td>0.791</td>
<td>0.561</td>
</tr>
<tr>
<td>X1.6</td>
<td>-0.792</td>
<td>0.897</td>
<td>0.807</td>
<td>0.703</td>
</tr>
<tr>
<td>X1.7</td>
<td>-0.787</td>
<td>0.884</td>
<td>0.827</td>
<td>0.737</td>
</tr>
<tr>
<td>X1.8</td>
<td>-0.552</td>
<td>0.809</td>
<td>0.680</td>
<td>0.589</td>
</tr>
<tr>
<td>X1.1</td>
<td>-0.745</td>
<td>0.856</td>
<td>0.849</td>
<td>0.672</td>
</tr>
<tr>
<td>Y1.2</td>
<td>-0.700</td>
<td>0.854</td>
<td>0.939</td>
<td>0.750</td>
</tr>
<tr>
<td>Y1.3</td>
<td>-0.733</td>
<td>0.876</td>
<td>0.947</td>
<td>0.757</td>
</tr>
<tr>
<td>Y1.4</td>
<td>-0.645</td>
<td>0.762</td>
<td>0.891</td>
<td>0.807</td>
</tr>
<tr>
<td>Y1.5</td>
<td>-0.510</td>
<td>0.613</td>
<td>0.748</td>
<td>0.797</td>
</tr>
<tr>
<td>Y1.2</td>
<td>-0.676</td>
<td>0.737</td>
<td>0.812</td>
<td>0.967</td>
</tr>
<tr>
<td>Y1.3</td>
<td>-0.702</td>
<td>0.731</td>
<td>0.851</td>
<td>0.970</td>
</tr>
</tbody>
</table>

Source: 2022 Research Results
From the results of the estimated cross loading in table 4.2, it can be concluded that the loading value of each indicator on the construct can be concluded that all constructs or latent variables already have discriminant validity better than indicators in other blocks.

AVE test, Cronbach alpha, Composite Reliability
Evaluating discriminant validity can be seen from the AVE. It is said to be good if all constructs have a value greater than 0.50, the result is more than 0.50.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach’s Alpha</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moderating Effect 1</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>X : Supply Chain</td>
<td>0.940</td>
<td>0.951</td>
<td>0.737</td>
</tr>
<tr>
<td>Y : Company Performance</td>
<td>0.923</td>
<td>0.943</td>
<td>0.771</td>
</tr>
<tr>
<td>Y1: Government Policy</td>
<td>0.934</td>
<td>0.968</td>
<td>0.938</td>
</tr>
</tbody>
</table>

Source: 2022 Research Results

The reliability test was carried out with Cronbach's Alpha. A variable or construct is considered reliable if it has a Cronbach's Alpha coefficient of at least 0.7, and between 0.6 and 0.7 is eligible for exploratory research (Hair et al., 1998). The results showed that of the three variables, namely supply chain, company performance and government policies, all of them were valued above the standard value of 0.70, meaning reliable. To find out discriminant validity, by looking at the cross loading value. If the loading value of each item on the construct is greater than the cross loading value.

3. Inner Model
R Square value.
The value of R Square is used to assess how much influence the independent latent variable has on the dependent latent variable.

<table>
<thead>
<tr>
<th>Variable</th>
<th>R Square</th>
<th>R Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y Company performance</td>
<td>0.894</td>
<td>0.892</td>
</tr>
</tbody>
</table>

Source: 2022 Research Results

The value of r Square above shows a value of 0.894 or 89.4 percent for the company performance construct. Thus, the supply chain is able to explain the company's performance variable by 89 percent, while the rest is influenced by other variables.

Bootstrapping results
This bootstrapping test aims to minimize the problem of abnormal research data where the results are as follows:
To assess the significance of the prediction model in testing the structural model, it can be seen from the statistical t value between the independent variables to the dependent variable in the direct effect table as follows:

![Figure 4.2 bootstrapping model](image)

**Table 4.5 Direct effect.**

<table>
<thead>
<tr>
<th>Moderating Effect 1 → Y</th>
<th>Original Sample (O)</th>
<th>T Statistics ((O/STDEV))</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>X → Y</td>
<td>0.649</td>
<td>14,589</td>
<td>0.000</td>
</tr>
<tr>
<td>Y1 → Y</td>
<td>0.416</td>
<td>9,314</td>
<td>0.000</td>
</tr>
</tbody>
</table>

**Table 4.6. Hypothesis testing**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Construct</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Supply chain affects the company's performance</td>
<td>Received</td>
</tr>
<tr>
<td>2</td>
<td>Government policies moderate the influence of supply chain on company performance</td>
<td>Received</td>
</tr>
<tr>
<td>3</td>
<td>Government policies affect company performance</td>
<td>Received</td>
</tr>
</tbody>
</table>

**Discussion**

The hypothesis that has been built is that the supply chain has a positive and significant effect on company performance. The results of the PLS calculation show that it is proven that the supply chain has a significant effect on the company's performance with a value of 0.649 or 65 percent, the t statistic is 14,589 which is greater than the standard value of 1.96 and the p value is 0.000, which means the hypothesis is accepted. As the supply chain increases, the company's performance also increases. This study supports the results of previous research Chen et al., 2017; Feng et al., 2018; Cherrafi et al., 2018; Tachizawa et al., 2015).

The second hypothesis is that government policies moderate the effect of supply chain on company performance. The results show that it is proven that government policies have moderated the influence of the supply chain on company performance, with a correlation of 0.124 or 12.4
percent with a t statistic of 2.001 more than 1.96 p values: 0.026, which means the hypothesis is accepted. This study supports the research results of R. Thurik, 2004; Rasiah, 2002.

The third hypothesis states that government policies affect the company's performance. The results show that government policies have a significant effect on company performance with a correlation of 0.416 or 42 percent with a t statistic of 9.314 greater than 1.96 and p values of 0.000 with the results that the hypothesis is accepted. The results of this study support the results of previous studies: Turkson, D, (2021); Sidik Ismanu, Anik Kusminart.(2019); Evans T. Mwasiaji, (2019).

**Research Limitations**

This study only discusses supply chain variables associated with nickel company performance which has been strengthened by government policies, but it is necessary to add technology development variables, human resource development for further research with the aim of enriching the repertoire of knowledge in improving company performance.

**Research contribution**

The supply chain in improving the company's performance in the field of nickel mining management is very important in order to increase the country's economic growth will be able to improve the country's economy which in turn can prosper the community. In addition, if government policies always focus on managing company performance through downstream mining products, be it nickel, tin and others, it will provide opportunities for citizens to enjoy jobs.

**Conclusion.**

This research begins with a phenomenon of company performance which is considered to decline during the pandemic. To maintain it, the government with its policy has stopped the export of raw nickel raw materials to the European Union with the aim of strengthening the way domestic companies manage raw materials in the form of nickel ore or the so-called downstream program. The results of this study indicate that the supply chain is proven to be able to improve company performance. Government policies have strengthened when supply chains in the form of nickel raw materials are distributed to companies so that these companies are able to improve their performance. What's even more interesting is that the government's policy was welcomed by all parties, especially the companies engaged in the mining sector. For further researchers, it is recommended to use the variables of technology utilization and human resource management for exploration.

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