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Relationship between human resource ability and market access capacity on business performance. (case study of wood craft micro- and small-scale industries in Gianyar Regency, Bali)

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Abstract. The aims of this research are to: (1) analyze the influence of Human Resource Ability on market access capacity in Wood Craft Micro and Small Industry; (2) to analyze the effect of market access capacity on business performance; (3) analyze the influence of Human Resources ability on business performance. Data were collected using questionnaires, interviews, observations, and literature studies. The resulting data were analyzed using Structure Equation Modeling (SEM). The results of the analysis show that (1) there is a positive and significant influence of the ability of Human Resources on market access capacity in Wood Craft Micro-and Small-Scale Industries in Gianyar; (2) there is a positive and significant influence of market access capacity on business performance; and (3) there is a positive and significant influence of Human Resource ability on business performance. To improve the ability to access the market and business performance, it is recommended that human resource ability need to be improved through training; government and higher education institutions are expected to play a role in improving the ability of human resources (craftsmen) through provision of training programs

1. Background

Wood craft industry is one of the leading industries in Gianyar regency which promotes economic empowerment of the community, one of them being craft industry of pop sculpture whose center is in the sub-district of Ubud and Tegallalang. Most of these handicraft businesses are still small- and micro-scale industry (SMI). In 2013 there were 163 SMI centers with 23,098 business units absorbing 72,574 workforce [1]. The production of the craftsmen is marketed in kiosks, artshop and in art markets located in Gianyar regency and the sales are highly dependent on tourist visits. Meanwhile, to penetrate the broader market such as export the production is marketed by large companies in Bali. The market share for the craft products is highly prospective for the export. The United States is an export destination of traditional Balinese products. America is the biggest consumer, following Japan and France. However, this highly prospective export destination is not easily penetrated by SMI owners, due to the fact that the conditions for micro and small enterprises are complex, for example limited business capital, raw materials, marketing, human resources, and production as experienced by businesses micro and small in general. Internal weakness experienced by SMI in managing business is marketing management, human resources, finance, and production & operation [2].



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The results of a preliminary survey indicate that in marketing their products, SMI owners market their products to export destinations through major entrepreneurs in Bali. This condition causes the price received by the SMI not in line with their expectation, because the price received by IMK is much lower than the price set by the exporter. This condition indicates that SMI is not competitive against competitors either from large scale entrepreneurs in Bali or other competitors.

Globalization is the era of competition, and the tight competition in this globalization era will have a negative impact on businesses that have low competitiveness. One of the causes why micro and small enterprises find it difficult to grow and have competitiveness is their weakness in accessing the market [4]. Firms with low competitiveness exhibit low performance. Performance is an achievement by the company in a certain period that reflects the level of company's health. Significant performance impacts on competitive advantage for small businesses [3].

There are two factors that determine the performance of micro and small enterprises, namely internal and external factors [6],[8]. Internal factors affecting the performance of SMEs are human resources [5],[7], where the ability of human resources have the most dominant influence on the performance of SMEs [9]. In addition, other internal factors are the ability to access the market, and according to [4] market access contributes significantly to performance improvement. While external factors that affect the performance of SMEs are government policy, bank credit/LKM, technology adoption from PT, facilitation from NGO / NGO, networking and others.

2. Literature Review

2.1. Business Performance

Performance is a function of ability, effort and support. Ability deals with recruitment and selection, that is the natural ability to choose talented people who have appropriate interest in the work provided. A business factor is an effort undertaken by someone influenced by human resource problems, such as motivation, incentives and work design. Support factor is organizational support such as, training, management consistency, clear and fair employees' career development, adequate equipment provided and hope [13]. Performance is the achievement of the company within a specific period of time which reflects the level of health of the company. According to growth dimension is known as the most important measure of performance, especially for smaller companies, and constitutes a test of a good performance amidst economic recession and intense competition. The sales growth is a very common indicator of performance and has become an agreed-upon measure of growth. Growth in market share can be used to measure the effectiveness of the market. Profit growth is also an important indicator of growth and can reflect the company's financial performance. Meanwhile [15],[10],[25] mentions that the indicator/ measurement of the development of MSEs are as follows: a) increase number of employed; b) increase in production; c) development of business units; d) increase in volume; e) profitability.

2.2. Human Resources Ability

Human Resources (HR) is the main asset for the organization or agency, because of their role as the motor of the organization. This is a fundamental element for the organization / agency and is very important in the progress of the organization / institution. Therefore there is a need of human resources who are knowledgeable, qualified, capable and competitive, so as to be able to develop or maintain the position of the organization / agency in a competitive environment. In the business context, Human Resources (HR) is a person who works in a company, both large companies and small companies. The ability of human resources is the capacity of an individual to perform various tasks in a job. Capability indicators include the ability to manage a business, make decisions, lead, control, innovate, as well as situations and change of the business environment [9]. Human Resource Factor (HR) is the prime mover of a business unit. Progress and success of a SMEs is determined by the quality of human resources of the perpetrators of SMEs. Managerial ability, leadership ability, financial management ability are very influential on the performance of SMEs as a whole [9],[11],[12].

2.3. Market Access Capacity

The problem faced by SMEs in general is the weakness in accessing the market. The perpetrators of SMEs lack complete and detailed information about which markets can be penetrated by the products produced. SME market access is not widely established and there is no solid business network. Indeed, the ability to access market is one of the key points to win the competition. As competition increases, the role of marketing as an important part of the company cannot be ignored. Companies need to constantly adjust their marketing programs to the changes that occur in their environment. The ability to access market is the ability to enter the market, and indicators to measure market accessibility for SMEs are innovation, channel access, IT utilization, and stakeholder involvement [21].



Figure 1. Conceptual Framework

3. Method

This research was conducted with 100 owners of small and micro industries (IMK) of wood craft in Gianyar regency, whose center is in Ubud and Tegallalang districts. Selection of research sample was determined using purposive sampling [17]. The basis for consideration of sample determination was in accordance with the criteria of micro and small enterprises.

The data were collected through interview, observation, questionnaire, and documentation, then analyzed using the following techniques: (1) descriptive statistic [16], SEM (Structure Equation Modeling) [18], and (3) qualitative descriptive, that is describing a phenomenon or relationship between phenomena systematically, factually and accurately [20].

There are 3 variables in this research, namely capability of human resources, ability to access market, and business performance. Variable HR capability was measured from the ability to manage the business, make decisions, lead, control, innovate, as well as cope with the situation and change of business environment [9]; market accessibility was measured by innovation, channel access, IT utilization, and stakeholder involvement [21]; and performance was measured from the increase in number of workforce, increase in production, development of business units, increase in volume and profitability [15],[10].

4. Findings and Discussion

4.1. Human Resources Ability

From Table 2 it can be concluded that the Capabilities of Small and Medium Industries (IMK) Craftsmen in Gianyar regency are generally within the category of "Fair" with the average achievement score of 2.40. The low capability of the human resources of the SMEs was due to their low level of education and lack of training, as shown by results of previous studies [21]. The six variables used to determine the capability of human resources, i.e. the ability to manage business, make decisions, control, lead, innovate and cope with the situation were within the category of "Fair."

4.2. Market Access Capacity

From Table 3 it can be concluded that the ability of wood craft micro- and small-scale industries in Gianyar regency to access market was generally within the category of "Fair." Of the five variables used to determine the ability to access market, all variables, i.e. ability to innovate, channel access, IT utilization, and market orientation, the cumulative score was 2.38. Low ability in accessing market can be seen from the indicators of market access Capacity. The main causes of low market access

Capacity included insufficient IT utilization [23] and involvement of other parties, such as government, businessmen, who did not play their part in assisting SME owners to access market, as shown by previous research [22],[24], where IT and stakeholders significantly assist SMEs in an effort to access market. The government also played a significant role, in this case creating relevant policy, and businessmen are also to play their part in creating network and innovation.

4.3. Business Performance

From Table 4 it can be concluded that the performance of wood craft micro- and small-scale Industries (IMK) in Gianyar regency was generally within the "Fair" category with the average achievement score of 2.31. Of the five variables used to determine their performance, all variables, i.e. increase in the number of labor (Y₂₁), increase in sales turnover (Y₂₂), increase in venture capital (Y₂₃), profit increase (Y₂₄), and market expansion (Y₂₅), were within the category of 'Fair.'

4.4 Relationship between HR Ability, Market Access Capability, and Business Performance

To analyze the relationship between HR ability and market access capacity, and the business performance of wood craft micro- and small-scale industries in Gianyar regency the quantitative analysis tool Structural Equation Model (SEM) was used.

through the AMOS 20 programming we obtained a model of the research hereinafter referred to as Relationship between Human Resource Ability and Market Access Capacity on Business Performance of Wood Craft Micro- and Small-Scale Industries in Gianyar Regency. The test of this model was done in standardized estimate condition, where all data were provided into 15 variables included in model. The result of confirmatory factor analysis on this model can be seen in Figure 2.

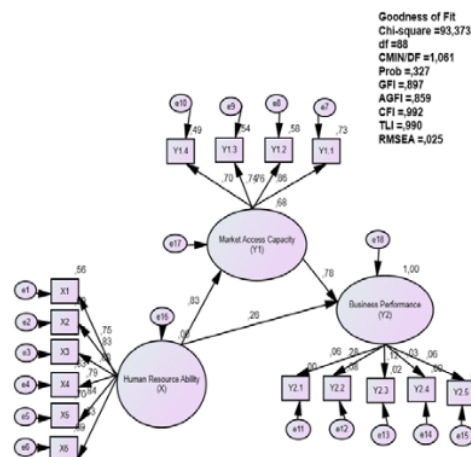


Figure 2. Relationship between Human Resource Ability and Market Access Capacity on Business Performance of Wood Craft Micro- and Small-Scale Industries in Gianyar Regency.

The results seen from Regression Weight in View / Text Output can be seen in Table 5. This test is equivalent to Alpha 15 onbach's test, employed to determine the level of significance in the Regression Weight test. If the p value is less than 0.05 then the indicator is significant which means that the indicator may represent the construct (latent variable), otherwise if the p value exceeds 0.05 then the indicator is non-significant which means that the indicator cannot represent the construct (latent variable).

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Based on the results of data analysis, in this study it can be concluded that statistically all the observed variables were valid in representing the constructs (latent variables), or in other words all the

observed variables included in the model were able to confirm the latent variables. This is shown by the fulfillment of criteria such as the value (p) which was not exceeding 0.05 or CR value (Critical Ratio), which was identical with t-count in the regression, the magnitude was more than 2.0. It means that statistically testing the relationship model between HR capability and market access ability, and the performance of wood craft Micro- and Small-Scale Industries in Gianyar regency showed none of the indicator variables used to represent the constructs had the values that did not match the predefined value range. The confirmatory analysis showed that each indicator variable contributed to form a construct. In other words, it can be concluded that there was a positive and significant relationship between the HR Ability and the capacity to access the market, and the business performance of woodcraft Micro- and Small-Scale Industries in Gianyar regency, Bali.

Evaluation of the criteria (Goodness of Fit) of the Relationship between HR Ability, Market Access Capacity, and the Performance of Wood Craft Small- and Micro-Scale Enterprises in Gianyar Regency produced goodness of fit indexes as shown in Table 6.

Table 1. Evaluation of the criteria of Goodness of Fit

Goodness of Fit Measure	Statistic	Critical Value	Model Evaluation
χ^2 - Chi Square	317,735	Expected to be small	Good
Significance Probability	0,043	$\geq 0,05$	Fair
RMSEA	0,029	$\leq 0,08$	Good
GFI	0,877	$\geq 0,09$	Good
AGFI	0,855	$\geq 0,09$	Good
CMIN/DF	1,151	$\leq 2,00$	Good
TLI	0,961	$\geq 0,95$	Good
CFI	0,964	$\geq 0,95$	Good

Source: 2017 Research Findings

The result of data analysis on relationship between hr ability and market access capacity, and the performance of wood craft small- and micro-scale enterprises in gianyar regency showed sufficient fulfillment of Goodness of Fit standard, mainly because this model yielded TLI index value of 0,961 and CFI of 0,964 both of which are highly recommended for use because this index is relatively insensitive to the size of the sample and less affected by the complexity of the model [18]

5. Conclusion

From the results of the analysis and discussion that have been presented in chapter 5, it can be concluded: (1) there is a positive and significant influence of the ability of Human Resources on market access capacity in Wood Craft Micro- and Small-Scale Industries in Gianyar; (2) there is a positive and significant influence of market access capacity on business performance on Wood Craft Micro- and Small-Scale Industries in Gianyar; and (3) there is a positive and significant influence of Human Resource ability on business performance on Wood Craft Micro- and Small-Scale Industries in Gianyar. To improve the ability to access the market and business performance, it is recommended that human resource ability need to be improved through training; government and higher education institutions are expected to play a role in improving the ability of human resources (craftsmen) through provision of training programs.

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