

Partnership Strategy for Competing Globally

by Turnitin Check

Submission date: 27-May-2023 04:28AM (UTC-0400)

Submission ID: 2103015842

File name: Partnership_Strategy_for_Competing_Globally.pdf (2.79M)

Word count: 3510

Character count: 19042



Partnership Strategy for Competing Globally

Ni Wayan Sukartini^{1,*}, Ni Ketut Lasmini¹, and Ni Made Sudarmini²

¹Business Administration Department, Politeknik Negeri Bali, Jl. Kampus Bukit Jimbaran, Kuta Selatan, Badung, Bali, 80364, Indonesia

²Tourism Department, Politeknik Negeri Bali, Jl. Kampus Bukit Jimbaran, Kuta Selatan, Badung, Bali, 80364, Indonesia

The purposes of this research are (1) to find out the performance of food agro industry micro- and small-scale enterprises (MSE) in Gianyar regency; (2) to examine the contribution of partnership strategy to improving performance of MSEs, and (3) to identify the partnership program needed by MSEs. The number of respondents was 176 respondents; the data were collected using observation, interview, and survey. Data were then analyzed using descriptive statistics, structural equation modeling (SEM). The results showed that: (1) the performance of MSEs could be categorized as low. (2) the partnership strategy had a positif and significant contribution to performance, (3) the partnership programs needed by MSEs included market access, capital access, training in the fields of management. The following recommendation to improve performance are made: (1) MSEs should improve their business performance through partnership building, (2) businessmen should be willing to assist MSEs in market and capital access, (3) financial institutions both private government should provide easier access to venture capital loans and the government should take part in promoting MSEs' products through special events, and (4) universities should provide training in the fields of management and finally (5) for the sake of science development, future studies should develop partnership model appropriate for food agro-industry MSEs in Gianyar regency.

Keywords: Partnership, Micro and Small Business, Business Performance.

1. INTRODUCTION

The world economy in this globalization era is dominated by free market the implication of which is the growth of transnational companies that operate across borders. It is a very promising market opportunity for Indonesian domestic products to enter the international market, but it equally opens up opportunities for global products to enter the Indonesian market. This will create trade liberalization that will increase international competition in domestic and global markets. For efficient and highly competitive micro- and small-scale enterprises (MSE) such condition will be very profitable, but it brings about an unfavorable impact on inefficient, low competitive MSEs. For those companies that are not yet ready to face competition, the free market will be a very serious threat in seizing market share, both domestic and international.³

To compete in this globalization era partnership strategy is one way to solve internal problems encountered by MSEs.^{2,3} This is due to the fact that the weaknesses of MSEs in general are internal issues such as marketing, venture capital,⁹⁻¹² raw materials, human resources (HR) and mastery of information technology.⁴⁻⁷⁻¹⁵ Such internal problems are weaknesses related to management of business. This situation has resulted in MSEs being very difficult to develop and lacking competitiveness, both

locally and globally. Therefore, the participation and involvement of external parties (such as businessmen, government, academia) in the form of partnership are urgently required to help MSEs manage and develop their business.

It is also true of the condition experienced by food agro-industry MSEs located in Gianyar regency; research showed that MSEs were not managed properly in regard to marketing, financial, and human resources (HR) management, as well as production and operation management. Many obstacles were encountered by those MSEs, such as venture capital, raw materials, marketing, human resources, as well as production and operation. The quality of their products was still low, so was their mastery of production technology, and thus the production cost was unnecessarily high making them difficult to compete and expand their market share. Their weakness in business management has a negative impact on the performance of their business. 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

11

*Author to whom correspondence should be addressed.

financial performance. Meanwhile⁶ mentions that the indicator/measurement of the development of MSEs are as follows:

- (a) increase in production;
- (b) development of business units;
- (c) increase in volume;
- (d) profitability.

Weak competitiveness of Indonesian industry is due to the absence of the synergy which exists between large-, medium- and small-scale industries. To overcome such internal weaknesses requires involvement of external parties, such as business practitioners (medium- and large-scale), government/state-owned enterprises and academics, in the form of partnerships.^{10–14} Partnership is a business strategy, whose success is largely determined by compliance by the partners in running their business ethics.² Bali as a tourist destination offers a huge opportunity to create a good business (micro-, medium- and large-scale enterprises) engaged in services, trade and craft industry. One tourist destination in Bali is Gianyar regency, which has been known as an area of craft industries such as silver, bamboo, painting, and others, the products of which have been exported to many countries. In addition to being the center of craft industry, Gianyar regency is also an agricultural area, of which about 16.89% of the population work in the agricultural sector (agriculture in its broadest sense: agriculture, plantation, fishery, animal husbandry). One of the businesses that utilize agricultural products as raw materials is food agroindustry scattered across the regency. These industries can provide an added value to the agricultural products which by their very nature are perishable. The amount of these industries is growing every year, and in 2012 alone there were 176 registered industries with a workforce of 500 people.¹⁶ Various types of food are produced by such agro industries which are now available in the market, such as chips, cookies, salted nuts, beans, peas, dried shredded meat and others, which are sold in food stalls, traditional markets, schools. Those products are even now available in a Bali souvenir shop in Gianyar. These MSEs have a big potential to grow in this era of globalization, given that mini markets have penetrated remote villages. The development of information technology has equally provided an opportunity to expand market share (both domestic and international). But the results of past research showed that MSEs in Gianyar regency was managed properly in regard to marketing, financial, human resources (HR) management, as well as production and operation. This has been the by product of Balinese people being constantly preoccupied with Hindu traditional ceremonies. Other obstacles faced by MSEs include the lack of venture capital, overly expensive raw materials, marketing, human resources, as well as production and operation. The quality of their products is still low (e.g., they are still wrapped in plastic with no label), so is their mastery of production technology that leads to very high production cost which eventually results making them difficulty to compete in terms of price to expand its market.

In view of the above-mentioned background, the research questions of the present study are as follows:

- (1) what is the performance of food agro industry MSEs in Gianyar regency?
- (2) what is the contribution of partnership to the performance of MSEs?, and
- (3) what partnership programs are needed by food agroindustry MSEs in Gianyar regency.

Table I. Identification of study variables.

Factor	Variable measured
Partnership (X)	
1. Market access (X_1)	1. Innovation ($X_{1,1}$) 2. Channel access ($X_{1,2}$) 3. Utilization IT ($X_{1,3}$) 4. Government support ($X_{1,4}$)
2. Capital access (X_2)	1. Company's age ($X_{2,1}$) 2. Business guarantee ($X_{2,2}$) 3. Business location ($X_{2,3}$) 4. Type of industry ($X_{2,4}$)
3. Supervision dan (X_3) development	1. Accessing capital ($X_{3,1}$) 2. Business management ($X_{3,2}$) 3. HR ($X_{3,3}$) 4. Production quality ($X_{3,4}$) 5. Institutional aspect ($X_{3,5}$) 6. Allocation facility ($X_{3,6}$) 7. Investment ($X_{3,7}$)
4. Link between management and organization (X_4)	1. Marketing ($X_{4,1}$) 2. HR ($X_{4,2}$) 3. Finance ($X_{4,3}$) 4. Production ($X_{4,4}$) 5. Operation ($X_{4,5}$)
SMEs performance (Y)	1. Increase in workforce (Y_1) 2. Increase in sales turnover (Y_2) 3. Increase in venture capital (Y_3) 4. Increase in profit (Y_4) 5. Market expansion (Y_5)

2. METHODOLOGY

Total population of the study was 176 people spread across seven districts in Gianyar regency, namely: Sukawati, Gianyar, Ubud, Blahbatuh, Payangan, Tegallalang and Tampaksiring. The sampling method used was census, that is, the entire population was selected as the study sample. The data were collected using field observations, interviews, questionnaires, and literature review.¹⁷ In this research, the variables under study were partnership (X) and business performance (Y). The variable partnership was operationalized as access to markets, access to venture capital, access to training and human resources development, and the link between management and the business and organization,¹⁹ while the variable performance was operationalized as increase in the workforce, increase in sales turnover, increase in venture capital, increase in profit, and market expansion.⁶ The data were analyzed descriptively using structural equation modeling,¹ statistical tools,¹⁷ and qualitatively.¹⁸ The number of variables measured in this study was 25. The identification of these variables are shown in Table I above.

3. RESULTS AND DISCUSSION

3.1. Performance of Food Agro-Industrial MSEs in Gianyar

To analyze the performance of food agro industry MSEs in Gianyar regency using descriptive analysis, in accordance with the theoretical concept, the factor business growth can be used to measure the performance of MSEs. In this study, there were five measured variables used to measure the performance of their business, namely

- (1) increase in number of workforce,
- (2) increase in sales turnover,
- (3) increase in venture capital,

Table II. Recapitulation of respondents' ratings of their business performance.

No.	Performance Indicator	Frequency and percentage					Total ($\sum fx$ Skor)	Mean (Total/176)	Remark
		SS (5)	S (4)	KS (3)	TS (2)	STS (1)			
1.	Increase in workforce	6 (3.4)	32 (18.2)	41 (23.3)	33 (18.8)	64 (36.4)	411	2.35	Less good
2.	Increase in sales turnover	4 (2.3)	19 (9.1)	77 (43.8)	43 (24.4)	33 (18.8)	446	2.53	Good
3.	Increase in venture capital	10 (5.7)	44 (25.0)	42 (23.9)	56 (31.8)	24 (13.6)	488	2.77	Good
4.	Increase in profit	6 (3.4)	36 (20.5)	39 (22.2)	43 (24.4)	52 (29.5)	429	2.44	Less good
5.	Market expansion	9 (5.1)	30 (17.0)	40 (22.7)	43 (24.4)	54 (30.7)	425	2.41	Less good
Total							2610	12.41	
Mean								2.49	Less good

Source: 2016 study findings.

- (4) increase in profit, and
(5) marketing expansion.

These analytic tools were used to conduct an analysis on the answers to each instrument by calculating the mean score, so we can know the position of the performance of each instrument making up the dimension of performance. The total value obtained from the sum of the mean scores of each instrument constituted the measurement score for each dimension (latent variable). The magnitude of the total value generated by each instrument was determined by the proportion of respondents' responses according to the measurement scale (strongly agree, agree, quite disagree, disagree, strongly disagree). To determine the respondents response to each item regarding the performance of their business, whether good or not, the mean score was computed, which according to can be divided into four categories which are as follows:

- 1,00–1,49 = Not Good
1,50–2,49 = Less Good
2,50–3,49 = Good
3,50–4,00 = Very Good

The results of the data analysis on the performance of food agro industry MSEs in Gianyar regency is shown in Table II above.

Table II shows that the performance of food agro industry MSEs in Gianyar regency is generally less good, with the mean score of 2.49. Of the five measured variables used to determine performance, the three variables of increase in workforce (Y1), increase in profit (Y4), and market expansion (Y5) could be categorized as less good. On the other hand, increase in sales turnover (Y2) and increase in venture capital (Y3) could be categorized as good. This shows that the increase in sales turnover, as well as in venture capital, did not have a positive impact on the increase in profit. This is due to external factors, such as the current economic situation, especially before religious feasts causing the increase in prices of raw materials for production, so that the profits gained did not increase significantly. It was also true of market expansion; the products produced so far were only sold in traditional markets, schools, and surrounding food stalls. The MSE practitioners have not taken advantage of existing opportunities for marketing expansion, such as the advancement of

information technology, tourism objects, souvenir stores and mini markets, all of which have penetrated the villages in Gianyar regency.

3.2. Contribution of Partnership Strategy to Business Performance

To analyze the contribution of the partnership strategy to the performance of food agro industry SMEs in Gianyar regency Structural Equation Model (SEM) was used as the quantitative analytic tool. The results of confirmatory factor analysis on this model can be seen in Figure 1.

The test results were determined on the basis of the Regression Weight on View/Text Output. This test is equivalent to Cronbach Alpha test used 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 such indicator can describe the construct (latent variable), otherwise if the p -value is greater than 0.05, the indicator is not significant which means that the indicator cannot describe the construct (latent variable).**

Based on the results of the data analysis, it can be concluded that statistically all observation variables were valid in describing the constructs (latent variables), or in other words all observation variables which were entered into the model could confirm the latent variables. This is indicated by the fulfillment of criteria, such as the value of (p) which was not greater than 0.05 or the value of CR (Critical Ratio), which was identical with the t -test in the regression, was larger than 2.0. These results showed that the statistical test of the model Contribution of Partnership Strategy to the Performance of Food Agro-industrial MSEs in Gianyar regency showed that none of the indicator variables used to describe the constructs under study had a value beyond the determined range of values. In this confirmatory analysis, each indicator variable contributed to shaping a construct. In other words, it can be concluded that the partnership strategy contributed positively and significantly to the performance of food agro-industrial SMEs in Gianyar regency. Criterion Evaluation on Goodness of Fit on the model of the contribution of partnership strategy to Performance Food Agro-industrial MSEs in Gianyar produced indexes of goodness of fit as shown in Table III.

The data for the model Contribution of Partnership Strategy to the Performance of Food Agro Industry MSEs in Gianyar

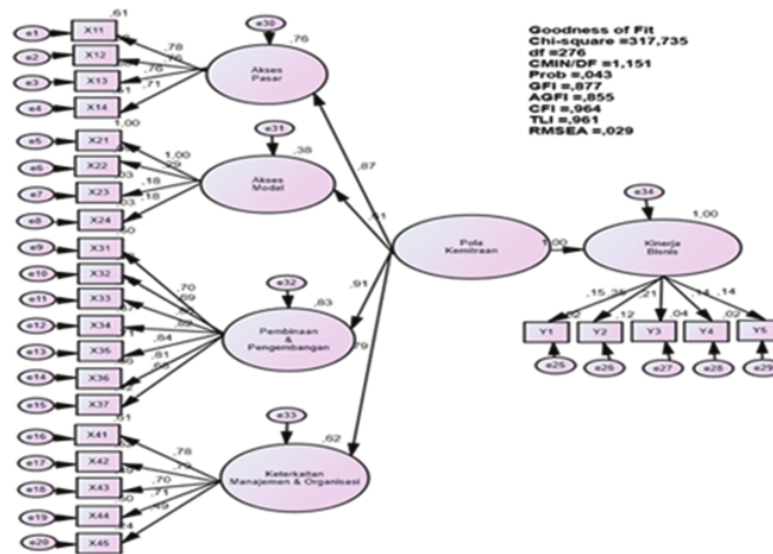


Fig. 1. Contribution of partnership strategy to the performance of food agro-industrial MSEs in Gianyar regency.

regency met the standard Goodness of Fit, mainly because this model resulted in the value of the TLI index of 0,961 and CFI of 0,964 where both are highly recommended to be used since this index is relatively insensitive to the size of the sample and is less affected by the complexity of the model.

3.3. Partnership Program for MSEs

The results of confirmatory factor analysis showed that statistically partnership strategy significantly contributed to business performance, putting aside the factor link between management and organization. It means that the less good performance of food agro industry MSEs in Gianyar regency was caused by the lack of market access, of capital access, and of supervision and development on the part of MSEs. In this case, the role of external parties, such as business practitioners (medium- and large-scale), government/state-owned enterprises (SOEs) and universities, in the partnership program is needed in order to develop the competitiveness of MSEs in facing the global market. Through partnership program MSEs will find it easy to access market, capital, as well as business supervision and development.

Table III. Evaluation on goodness of fit criterion.

Goodness of fit Measure	Result	Critical value	Model evaluation
χ^2 -chi square	317,735	Expected to be small	Good
Significance	0,043	$\geq 0,05$	Less good
4 probability			
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

4. CONCLUSIONS

From the discussion above, it could be concluded that:

- (1) the performance of food agro industry MSEs in Gianyar regency could be categorized as less good. Seen from increase in workforce, increase in profit, and increase in market expansion, their performance could be considered as less good. On the other hand, in terms of increase in venture capital and sales turnover, their performance could be considered as good;
- (2) the partnership strategy contributed positively and significantly to the performance of MSEs, putting aside the factor link between management and organization;
- (3) the partnership program needed by MSEs include marketing access (innovation, existence of channel access, information technology utilization, government support in the form of MSE policy), capital access (guarantee), and supervision and HR development (in accessing capital, business management, HR, maintenance of production quality, institutional aspects, allocation facility, and investment) their performance through partnership program, (2) business practitioners (middle- and large-scale) should be willing to help MSEs in market access and capital access, (3) government/state-owned enterprises should provide easy access to venture capital loan, and also help them promote their products in special events, (4) universities should help MSEs through provision of management training in such areas as marketing, finance, HR, as well as production and operation, and (5) future studies should develop the appropriate partnership model for food agro industry MSEs in Gianyar.

Acknowledgments: This project financially supported by Ministry of Research, Technology and Higher Education, Republic of Indonesia through the competitive grant research.

References and Notes

1. J. C. Anderson and D. W. Gerbing, *Structural Equation Modeling in Practice*, *Psychological Bulletin* 103, 411 (1988).
2. I. Mulyawan, S. Amalia, and T. Suhaeni, *International Journal of Management Excellence* (2014).
3. U. Hussain, *Strategic Management in Action*, PT, Gramedia, Jakarta (2005).
4. I. Hussain, Z. Farooq, and W. Akhtar, *African Journal of Business Management* 6, 1581 (2012).
5. R. Zuraidah, R. M. Rasi, A. Abdekhodae, and R. Nagarajah, *Quality, International Journal* 25, 132 (2014).
6. J. Wiklund and D. Shepherd, *J. Bus. Ventur.* 71 (2005).
7. C. C. Michael, A. Johannes, and Wiid, *International Business and Economics Research Journal* 12 (2013).
8. S. A. Way, *Journal of Management* 765 (2002).
9. L. Han and A. Benson, *Environment and Planning C: Government and Policy* 552 (2010).
10. S. K. V. Hosman, J. P. C. Rigtering, and M. Hughes, *Rev. Manag. Sci.* 161 (2012).
11. E. U. Grande, R. P. Estébanez, and C. M. Colomina, *The International Journal of Digital Accounting Research* 11, 25 (2011).
12. B. Laperche and Z. Liu, *Journal of Innovation and Entrepreneurship* 2, 21 (2013).
13. M. Marimuthu, A. Omar, T. Ramayah, and O. Mohamad, *International Journal of E-Business Research* 8, 49 (2012).
14. M. I. Dista, and Amalia Arifah, *Proceedings Business, Accounting and Management* 2012, 649 (2012).
15. B. Masiello, F. Izzo, and C. Canoro, *International Small Business Journal* 33, 170 (2013).
16. Gianyar dalam Angka, Information on: <http://www.gianyar.go.id> (2012).
17. Sugiyono, *Business Research Metodology*, CV ALFABETA, Bandung (2005).
18. B. Bungin, *Kualitatif Data Analysis: Understanding of Filosofos and Metodologis Model Aplication*, PT RajaGrafindo Persada, Jakarta (2012).
19. A. Ali, Hutomo, and B. Susetyo, *Economics Development Analysis Journal* (2013), ISSN 2252-6889.

Received: 30 August 2016. Accepted: 30 May 2017.

IP: 182.255.1.11 On: Thu, 17 May 2018 06:35:43
Copyright: American Scientific Publishers
Delivered by Ingenta

Partnership Strategy for Competing Globally

ORIGINALITY REPORT

7%

SIMILARITY INDEX

7%

INTERNET SOURCES

1%

PUBLICATIONS

3%

STUDENT PAPERS

PRIMARY SOURCES

1

iiste.org

Internet Source

2%

2

china.iopscience.iop.org

Internet Source

1%

3

eprints.upnjatim.ac.id

Internet Source

1%

4

Submitted to Anglia Ruskin University

Student Paper

1%

5

Submitted to Universitas Diponegoro

Student Paper

1%

6

Submitted to Jacobs University, Bremen

Student Paper

<1%

7

ph02.tci-thaijo.org

Internet Source

<1%

8

ojs.pnb.ac.id

Internet Source

<1%

9

repository.upnjatim.ac.id

Internet Source

<1%

10

digilib.unisayogya.ac.id

Internet Source

<1 %

11

eprints.uad.ac.id

Internet Source

<1 %

12

repository.uhamka.ac.id

Internet Source

<1 %

Exclude quotes Off

Exclude matches Off

Exclude bibliography On