An Analysis of Factors Affecting the Company Performance in Creating the Competitiveness of Furniture and Printing Small-Sized Enterprises in Jayapura City

Mugiati
University of Science and Technology Jayapura, Indonesia
a.mugiati@yahoo.com

Abstract: This study aims to identify and analyze the influence of human resource management, production, marketing, working capital, organization, government policy, and competitor on the financial performance and competitiveness of Small-sized enterprise in Jayapura City. Data collection methods used were observation, interviews, and questionnaires, the number of samples is 258 Small-sized enterprises in Jayapura. Data were analyzed by applying SEM (structural equation modeling analysis method by making use of Amos Software. The results showed that the factors of production and government policy factors affect the financial performance and competitiveness of small-sized enterprise in Jayapura. While human resource management, marketing, organization and competitors factors affect the financial performance of small-sized enterprise in Jayapura, but does not affect the competitiveness of small-sized enterprise in Jayapura and working capital factor does not affect the financial performance of small-sized enterprise in Jayapura but affect the competitiveness of small-sized enterprise in Jayapura. Then the financial performance factor affects the competitiveness of small-sized enterprise in Jayapura.

Keywords: *Company performance, Competitiveness, Small Sized Enterprises*

1. Introduction

The economists argue that the small business sector has been proven to be durable of various economic conditions and able to with stand the various conditions of competition with great effort (Sasono, 2002). Tambunan (2002: 19) states that the performance of small and medium enterprises in Indonesia is still low. This is due to the weakness of management, marketing, capital, technology and human resources owned by those small enterprises. While some expressed the opinion that the factors causing the lack of success of small enterprises is the inability of the management, weaknesses in decision making, lack of experience, lack of financial oversight and the weakness in marketing (Scarborough & Zimmerer, 1993:38) In addition, in the course of business undergone by a small company, it cannot be separated from the result of the policies and programs of government aid. But the Government's policy made indirectly has resulted in conditions that encourage to grow larger. This can be proven by many large companies that affiliate with small enterprises, especially small industrial goods so that small enterprises can run more efficiently. In the current competitive situation like this, an entrepreneur must be able to formulate internal strengths in business strategy by performing a combination of the opportunities and threats of the external environment. Until now it seems the conditions in small companies still have weaknesses in determining business strategic and tactic (Stifung, 1991:88).

Research aimed at small enterprises will always be relevant, because the sector development has been focused on the field of populist economic related to the relation between industry and agriculture. The main priority developed, among others, are by structuring the industry leading to the strengthening and deepening industrial structure which is supported by high-tech capabilities. Industrial development should be improved in order to become a major efficiency and high competitive booster of economic. Considering the significant of studying small enterprises, it is necessary to know the level of company's performance through strategic perspective approach. By knowing the level of company's performance, it can be used as a guide for those who will participate in supporting small enterprises. This could be seen from an internal capability of each company group and the role of aid that has been given (based on internal conditions owned by each company), so that the description of what internal and external factors that are most dominant in managing small business development, especially in Jayapura city can be seen clearly.

Based on the description given on the background of the problems presented earlier, the main problem the research wants to find a solution and the answer can be formulated as follows:

- Does human resource management factor affect the financial performance of small furniture and printing business in Jayapura city?
- Does human resource management factor affect the competitiveness of small furniture and printing enterprises in Jayapura city?
- Does production factor affect financial performance of small furniture and printing enterprises in Jayapura city?
- Does production factor affect the competitiveness of small furniture and printing enterprises in Jayapura city?
- Does marketing factor affect the financial performance of small furniture and printing enterprises in Jayapura city?
- Does the marketing factor affect the competitiveness of small furniture and printing enterprises in Jayapura city?
- Does the financial factor affect the financial performance of small furniture and printing enterprises in Jayapura city?
- Does working capital factor affect the competitiveness of small furniture and printing enterprises in Jayapura city?
- Does the organizational factor affect the financial performance of small furniture and printing enterprises in Jayapura city?
- Does organizational factor affect the competitiveness of small furniture and printing enterprises in Jayapura city?
- Does government policy factor affect the financial performance of small furniture and printing enterprises in Jayapura city?
- Does government policy factor affect the competitiveness of small furniture and printing enterprises in Jayapura city?
- Does competitor factor affect financial performance of small furniture and printing enterprises in Jayapura city?
- Does competitor factor affect the competitiveness of small furniture and printing enterprises in Jayapura city?
- Does financial performance affect the competitiveness of small furniture and printing enterprises in Jayapura city?

Based on the background of the study and the statements of the problem that have been described above, the overall objectives of this research are:

- To analyze and examine the effect of human resource management on the financial performance of small furniture and printing enterprises in Jayapura city.
- To analyze and examine the effect of human resource management on the competitiveness of small furniture and printing enterprises in Jayapura city.
- To analyze and examine the effect of production factor on the financial performance of small furniture and printing enterprises in Jayapura city.
- To analyze and examine the effect of production factors on the competitiveness of small furniture and printing enterprise in the city of Jayapura city
- To analyze and examine the effect of marketing factor on the financial performance of small furniture and printing enterprises in Jayapura city
- To analyze and examine the effect of marketing factor on the competitiveness of small furniture and printing enterprises in Jayapura city.
- To analyze and examine the effect of working capital on financial performance of small furniture and printing enterprises in Jayapura city.
- To analyze and examine the effect of working capital on competitiveness of small furniture and printing enterprises in Jayapura city.
- To analyze and examine the effect of organizational factor on the financial performance of small furniture and printing enterprises in Jayapura city.
- To analyze and examine the effect of organizational factor on the competitiveness of small furniture and printing enterprises in Jayapura city.
- To analyze and examine the effect of government policy on the financial performance of small furniture and printing enterprises in Jayapura city.
- To analyze and examine the effect of government policy on the competitiveness of small furniture and printing enterprises in Jayapura city.

- To analyze and examine the effect of competitor factor on the financial performance of small furniture and printing enterprises in Jayapura city.
- To analyze and examine the effect of competitor on the competitiveness of small furniture and printing enterprises in Jayapura city.
- To analyze and examine the effect of financial performance on the competitiveness of small furniture and printing enterprises in Jayapura city.

2. Literature Review

Resource Based View of The firm (RBV) combines the company's internal analysis with external analysis of the industry and competitive environment. RBV can explain managerial technology. By applying RBV approach, the company will be able to identify objectively determinant in their competitive advantage. This is similar to the research conducted by the researcher of this study. The similarity deals with the quality and ability to compete. The result of Kwon & Shin (2003) showed that Korean capital markets reflect macroeconomic variables such as production index, exchange rate, trade balance and the supply of money. Cheng (1996) found that there is a relationship between these factors and the capital market factors and economic forces both on the stock market in the UK and US. Pakpahan argued, written by Daulay et al. (2001:80), as he defined the ability to compete is competing measured by the cost of production. The lower per unit cost of production of a product is then it is said to have the competitiveness of the products produced.

Pablo (2003) divides the company valuation method into (1) a method based on balance sheet. (2) A method based on the income statement that is a multiple or a relative valuation, PER, sales and Price / EBITDA. (3) A method based on the goodwill that is the classical method. Performance measurement mechanism frequently used is financial ratio to look at the effectiveness and efficiency of the use of capital and according to Ruru (1995: 15), There are at least three reasons underlying the developing countries that recently considered the importance of the existence of UKM (SMEs/small and medium enterprises). Kuncoro (2000) mentions that small enterprise and home enterprise in Indonesia have played an important role in absorbing labor, increasing the number of business units and supporting the household income. Hunt (2004) stated that the flow of income (profit) generated by the operating companies, provide funds for future investment and give the company the ability to pay short and long term loans. This will result in higher profitability for the company. Baronet & St-Pierre (2003) stated a positive relationship. Several researchers have looked at the relation between innovation and performance and its impact on the competitive advantage (Hunt, 2004, Verhees & Meulenbergh, 2004).

3. Methodology

This study is trying to test the effect of the correlation between human resource management, production, marketing, finance, government policy organization, competitors on the performance of the company in improving the competitiveness of small enterprise in Jayapura city. This study used correlation analysis. Hypotheses are as follows:

- Human resource management factor affects the performance of small enterprise in Jayapura city.
- Human resource management factor affects the competitiveness of small enterprise in Jayapura city.
- Production factor affects the performance of the small enterprise in Jayapura city.
- Production factors affect the competitiveness of small enterprise in Jayapura city.
- Marketing factor affects the company performance of small enterprise in Jayapura city.
- Marketing factor affects the competitiveness of small enterprise in Jayapura city.
- The financial factor affects the performance of the small enterprise in Jayapura city.
- Financial factor affects the competitiveness of small enterprise in Jayapura city.
- Organizational factors affect the performance of the small business enterprise in Jayapura city.
- Organizational factor affects the competitiveness of small enterprise in Jayapura city.
- Government factor affects the performance of small enterprise in Jayapura city.
- The government factor affects the competitiveness of small enterprise in Jayapura city.
- Competitor factor affects the performance of small enterprise in Jayapura city.
- Competitor factor affects the competitiveness of small enterprise in Jayapura city.
- Performance factor affects the competitiveness of small enterprise in the city of Jayapura.

The analysis method used is SEM using AMOS software. This study used Structural equation modeling (SEM), using the program Amos ver, it can explain the interrelationships among compound relationship simultaneously and the ability to assess the relationship comprehensively and led the research design changing from exploratory research into explanatory one (Hair, 1992).

Figure 1: Conceptual Framework

4. Findings

Table 1: Direct Effect

No	Direct Effect	Critical ratio	Probability	Note
1	Human Resource Management Factor → financial performance	1.253	0.210	Not affected
2	Human Resource Management Factor → competitiveness	4.006	0.000	Affected
3	Production factor → financial performance	2.147	0.032	Affected
4	Production factor → competitiveness	5.326	0.000	Affected
5	Marketing factor → financial performance	0.506	0.613	Not affected
6	Marketing factor → competitiveness	2.449	0.014	Affected
7	Working capital factor → financial performance	9.492	0.000	Affected
8	Working capital factor → competitiveness	0.191	0.849	Not affected
9	Organizational factor → financial performance	-0.136	0.892	Not affected
No	Direct Effect	Critical ratio	Probability	Note
10	Organizational factor → competitiveness	-2.697	0.007	Affected
11	Government policy factor → financial performance	-2.000	0.046	Affected
12	Government policy factor → competitiveness	-3.468	0.001	Affected
13	Competitor factor → financial performance	1.514	0.130	Not affected
14	Competitor factor → competitiveness	4.730	0.000	Affected
15	Financial performance → competitiveness	3.509	0.000	Affected

Source: Analysis Results

Table 2: Indirect, Direct, Total Effects

No	Direct Effect	Indirect effect	Direct effect	Total effect
1	Human Resource Management Factor → financial performance	0	0.084	0.084
2	Human Resource Management Factor → competitiveness	0.020	0.298	0.318
3	Production factor → financial performance	0	0.138	0.138
4	Production factor → competitiveness	0.034	0.393	0.426
5	Marketing factor → financial performance	0	0.035	0.035
6	Marketing factor → competitiveness	0.008	0.184	0.193
7	Working capital factor → financial performance	0	2.336	2.336
8	Working capital factor → competitiveness	0.569	0.060	0.629
9	Organizational factor → financial performance	0	-0.011	-0.011
10	Organizational factor → competitiveness	-0.003	-0.234	-0.237
11	Government policy factor → financial performance	0	-0.125	-0.125

12	Government policy factor → competitiveness	-0.030	-0.240	-0.270
13	Competitor policy factor → financial performance	0	0.140	0.140
14	Competitor factor → competitiveness	0.034	0.514	0.548

Source: Result of ProcessedData

The analysis showed that the performance of the company does not give impact or indirect effect on all existing exogenous variables in the model. Therefore, the company performance has properties that "weaken" the relationship between exogenous variables and competitiveness. This is confirmed in the table below:

Table 3: The Impact of Indirect Effect of Intervening Variable

no	Direct Effect	Intervening Variable	Intervening Variable Effect
1	Human Resource Management Factor → competitiveness	financial performance	Weakening the Relationship
2	Production factor → competitiveness	financial performance	Weakening the Relationship
3	Marketing factor → competitiveness	financial performance	Weakening the Relationship
4	Working capital factor → competitiveness	financial performance	Weakening the Relationship
5	Organizational factor → competitiveness	financial performance	Weakening the Relationship
6	Government policy factor → competitiveness	financial performance	Weakening the Relationship
7	Competitor factor → financial performance	financial performance	Weakening the Relationship

Source: processed from the previous table

Hypothesis Testing

- H1: Human Resource Management Factor affects financial performance is not proven.
H2: Human resource management affects the competitiveness of small enterprises in Jayapura city is accepted.
H3: Production affects the financial performance of small enterprises in Jayapura city is accepted.
H4: Production affects the competitiveness of small enterprises in Jayapura city is accepted.
H5: Marketing affects the financial performance of small enterprises in Jayapura city is not proven
H6: Marketing affects the competitiveness of small enterprises in Jayapura city is accepted.
H7: Working capital affects the financial performance of small enterprises in Jayapura city is accepted.
H8: Working capital affects the competitiveness of small enterprises in Jayapura city is not proven.
H9: Organization affects the financial performance of small enterprises in Jayapura city is not proven.
H10: Organization affects the competitiveness of small enterprises in Jayapura city is accepted.
H11: Government affects the financial performance of small enterprises in Jayapura city is accepted.
H12: Government affects the competitiveness of small enterprises in Jayapura city is accepted.
H13: Competitor affects the financial performance of small enterprises in Jayapura city is not proven.
H14: Competitor affects the financial performance of small enterprises in Jayapura city is accepted.
H15: Financial performance affects the competitiveness of small enterprises in Jayapura city is accepted.

Based on these results above, the overall model is shown in Figure 2

- Working capital factor is measured by four indicators. Those indicators are first, working capital management. It is the amount of working capital divided by total assets. The second is new investment. It is additional new investments on average per year. The third indicator of capital structure is debt divided by assets, and the fourth indicator is composition of short-term debt. It is the short-term debt divided by total debt. Based on these four indicators, the research findings showed that working capital affects the financial performance of small furniture and printing enterprises Jayapura city. Although working capital affects financial performance, but the research findings showed that working capital does not affect the competitiveness of small furniture and printing enterprises in Jayapura city. It is due to the reason that for small enterprise, working capital factor is not the determinant competitiveness.
- Organizational factor is measured using three indicators. The first is control range. It is an effective ability of leaders to control their employees. The second is the organization learning. It is the organization's will to always learn from failure. The third indicator is the organizational culture. It is the enterprise adoption of quality oriented values. Based on those indicators, the research findings showed that the organization has no effect on the financial performance of small furniture and printing enterprises in the city of Jayapura. These results indicate that control range, organizational learning and organizational culture do not have an impact on financial performance. Small furniture and printing enterprises also have cultural organization that does not develop properly so it does not affect the financial performance directly, but it affects the enterprise competitiveness. The ability of the organization, in the long term, will have an impact on competitiveness. Regular and systematic organization will increase the competitiveness of small furniture and printing enterprises.
- Government policy factor is measured by three indicators: regulation, coaching and training. Based on these three indicators, the research findings showed that government policies affect the financial performance of small furniture and printing enterprises in Jayapura city. However it has a negative coefficient. This means that an increase in the role of the government will make the financial performance of the enterprises decrease. The high role of government will make small enterprises become lulled because they expect too much to government instead of their own internal capabilities. If this condition occurs, the role of government in the form of assistance will degrade performance. The research findings showed that government policy affects the competitiveness of small furniture and printing enterprises Jayapura city. However, the coefficient is negative. This means that an increase in the role of the government will make the company into a declining competitiveness. Role of government will make small enterprises become lulled because they expect too much from the government instead of the internal capabilities. If this condition occurs, the role of government in the form of assistance will decrease competitiveness.
- Competitor factor is measured by three indicators: the intensity of local competition, the intensity of domestic competition and the entering-barrier for competitor. It is the high of entering barrier for new competitor to industrial field. Based on these three indicators, the research findings showed that the competitor does not affect the financial performance of small furniture and printing enterprises in Jayapura city.. This is due to the fact that each unit of small enterprises has different consumer and the ability that is relatively similar so that the existing competitors will not affect financial performance. Competitor affects the competitiveness of small furniture and printing enterprises in Jayapura city. In the long term, the presence of competitors will have an impact on the enterprise competitiveness. This is in accordance with Porter's model of competitive advantage. He stated that the presence of new competitors and low barrier to enter the industry will have an impact on competitive advantage or competitiveness.
- Factors financial performance is measured by four indicators of ROA, ROE, profit margin and current ratio while competitiveness factor with cognitive indicators are individually leadership competencies in managing the business, then the second indicator, namely normative leadership capabilities in managing the organization well, the third indicator for competitiveness is regulative is the ability to try to determine the position of leadership as the best company at the industry level.

Based on these indicators the research findings showed that the company affects the competitiveness of small furniture and printing enterprises in Jayapura city. High financial performance will increase the business competitiveness. This means that businesses having high performance will make the business survive and exist easier. The company will also be able to survive and develop even though many

competitors are entering. High financial performance makes the company financially sound and thus will increase the competitiveness of the company.

Suggestion

- It is expected that small furniture and printing enterprises in Jayapura city improve more efficiency and productivity that are done so that the selling price is relatively low while still maintaining product quality even with better quality, so that it is able to compete with the capabilities owned by company owner and it is followed by the owner's ability to do innovation of products produced by small furniture and printing enterprises.
- It is expected that small businesses in Jayapura city are able to develop capabilities in the field of informal education such as training for company owners and employees because having better knowledge combined with existing experience will produce better performance and increase competitiveness. Employers need to be provided expertise in the fields of management, marketing, finance and technology to face more competitive competition.
- It is expected that the government of Jayapura city is able to do empowerment of new entrepreneurship in which the direction is focused on trained and developed business practitioner direction of the target offenders who nurtured and developed, so that the growth of new entrepreneurship will be able to increase labor and reduce unemployment. The assistance program in the form of training provided by the government of Jayapura city should be planned carefully to the needs in field of business without targeting on quantity but rather on the quality of the training itself.
- It is expected that the government of Jayapura city makes it easy for small furniture and printing enterprises in obtaining capital structure that is used so that the performance of small businesses in Jayapura city will be able to be superior and to develop, because it has a stronger capital structure. Small furniture and printing enterprises should always improve their own management capabilities, along with the growth of its business. They should be well-prepared in planning position rolling position to avoid industrial doubt the industry.
- Having been proved that factor production, working capital, and government policy factors affect the financial performance, therefore, the managers of small business furniture and printing enterprises should pay more attention to these factors on the financial performance. Negative influence factor that is government policy factor should be studied further, thus avoiding its impact on the company.
- Having been proved that the Human Resource Management, production, marketing, organization, government policy, competitor, and financial performance affect the competitiveness, the managers of small enterprises should pay more attention to these factors on its competitiveness. For negative influence factor that is government policy factor, it should be studied further, thus avoiding its impact on the company.
- Advanced research aimed to examine this area is suggested to expand population and sample in the area and the type of its business. The indicators provide an important role as indicators of the construct or latent variables should also be expanded.

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