



Model of Small Business Empowerment to Support Business Sustainability: Case Study at Sidoarjo Regency and Magetan Regency, East Java Indonesia

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ABSTRACT

This study was intended to formulate the model of craftsmen empowerment by determining both the level and the influencing factors of entrepreneurial behavior, business interdependency, business progress, and business sustainability. Survey and interview technique was implemented among 260 samples, started April 2005 until February 2006. Data was analyzed by using both one way anova test and structural equation modeling. The results indicated that a number of craftsmen had a low level of entrepreneurial behavior, business interdependency, business progress, and business sustainability. The entrepreneurial behavior and business interdependency were influenced by individual quality, supporting business quality, and environment intervention. This study suggests a model of craftsmen empowerment in order to business progress and business sustainability.

KEY WORDS: entrepreneur behavior, self reliance, business sustainability, business progress.

INTRODUCTION

Small industries accelerate the distribution of economic growth because it can absorb the workforce in large numbers (labor intensive). The number of workers working in small industrial sector increased sharply since 1985 with employment growth rate of 6.4% per year. In 1989 the number of workers working in this sector amounted to 7,334,874 people and at the end of 2003 reached 11,643,072 people (BPS, 2004). In addition, to absorb labor, small industrial contributor to the significant revenue. In some types of products, production of small industries in the field of food, clothing, leather, chemicals and building materials, craft and general prospective for export (Hubeis 1997). Nadvi and Barios (2004) suggested that there are many small industrial rural and peri-urban areas (peri-urban) in Indonesia are able to survive in conditions of crisis.

Although a small industry has a strategic role in economic development, but there are still many problems faced them Small industries still weak in terms of planning, strategic thinking and long-term orientation. Craftsmen were also still not positioning itself as an entrepreneur of quality and still subsistent. Craftsmen are still weak in cooperating with other individuals, especially related to the field of business, including suppliers, financiers, customers or other business partners (Pelham 1999; Wijaya 2001; Megginson et al. 2000; Sigitto 2001; Tawardi 1999; Karsidi 1999). Problems craftsman shows that craftsmen need to be empowered to improve welfare.

Terminology empowerment continues to evolve along with changes in society, Oxaal and Baden (1997) defines empowerment comes from the origins of the word "power" which can be understood as: (1) power over, power to avoid domination and subordination, threats of crime and intimidation, (2) the power to, power-related decision-making capabilities, authority, problem solving and creativity, (3) power with, power to cooperate in order to achieve a common goal, and (4) power within, forces within the individual form confidence, awareness, and assertiveness. Ife (1995) defines empowerment as an effort to increase the capacity of communities in the face of his future life by providing resources, opportunities, knowledge and skills.

Powerless according to Slamet (2003) is equal to know, understand, schools, motivated, a chance to see the opportunities, can take advantage of opportunities, energetic, able to work together, know a variety of alternative, capable of taking decisions, courage to face risks, able to find and capture the information and able to act according to the situation. According Sumardjo (1999), which empowered communities have characteristics: (1) able to understand themselves and their potential, (2) are able to plan (to anticipate changing conditions in the future), and orients itself, (3) has the power to negotiate, cooperate with each other favorable with adequate bargaining power, and (4) is responsible for his own actions.

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Further scrutiny if there is harmony between the powerful features of the community with entrepreneurial profile. According to Meredith et al. (1996), an entrepreneur has the characteristics: (1) confidence, (2) task-oriented and results, (3) a risk-taker, (4) leadership, (5) originality, and (6) future-oriented. According to Bird (1996), entrepreneurial behavior is entrepreneurial activity that: looking at opportunities, consider the impulse values in the environment business (value-driven), ready to take risks and creative. His ideas were adapted to the format of the commencement of business, business growth or business transformation. It was still relevant to the concept of an empowered community. Self-reliance is the interrelatedness dependence (not individualism or exclusivist) with capabilities that are not subordinated by the other side of harmonious cooperation with individuals, groups or organizations to achieve success and progress together (Covey 1999; Sumardjo 1999; and Hatta (Swasono 2003). According Karsidi (1999), the craftsmen who have sought independence can be understood as people who have confidence in making decisions freely and wisely.

Based on the powerful above terminology, the behavioral traits of entrepreneurship and independence are the traits that exist in society are powerless. Therefore, in the context of the craftsmen can be stated that the craftsmen who are powerless craftsmen who have characteristics that exist in entrepreneurial behavior and independence. Craftsmen are empowered to conduct independent entrepreneurs and persistent effort in trying to do a combination of economic resources that are available, they were able to create new products and business techniques (innovative), able to seek new opportunities, working with the working methods more effective and efficient , quick decisions and take risks.

The purpose of this study to explain the answers to the following issues: (1) Which factors affect the quality of entrepreneurial behavior of the small industry players?, (2) Which factors determine the level of independence trying the perpetrators of small industries?, (3) factors -Which factors are more likely to determine the progress of business?, (4) Which factors determine the sustainability effort more?, and (5) how effective empowerment model to shape the behavior of quality entrepreneurs, artisans develop independence, progress and improve business continuity.

METHODS

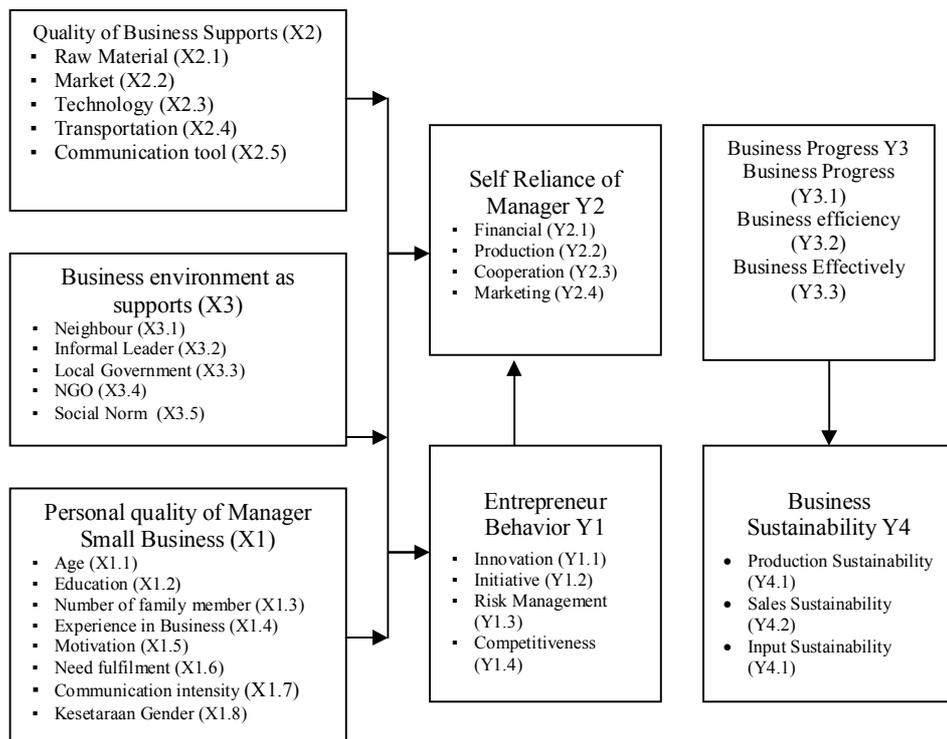


Figure 1. Frame work Model of Small Business Empowerment

Population on this study are manager of small business of leather good in east java. Samples were taken with a stratified random sampling method, with strata proximity to the location of economic growth centre in the capital city of east java province. Based on six local government that have potential small business cluster, Sidoarjo Regency as

representative of area that close to the centre of business in east java and Magetan Regency as representative of area that far from centre of business.

The number of sample was calculated by Slovin formula (Umar, 2002) to obtain the amounts of 260 managers of small business. Primary data was obtained by visiting and interviewing the respondents based on the questionnaire, and then they had be clarified by in depth interviews. Data were analyzed with analysis of variance test and structural equation modelling to test research hypotheses and confirm the theoretical model as shown in figure 1.

RESULTS AND DISCUSSION

Small business on research location produce the handicraft product of leather goods, i.e: handbags, luggage, belts, wallets, jackets, shoes, sandals, and various equipments from leather. They are 37 year old, passed formally education on junior high school, 12 years experienced business, and had working capital of Rp.2.65 million.

The variables examined in this study consisted of personal qualities, business support, business environment, entrepreneurial behaviour, self reliance, business progress, and business sustainability.

Table 1. Distribution of Research Variable

Variable (Score Range and Mean)	Criteria	Regency				Province	
		Sidoarjo (Urban Area)		Magetan (Rural Area)		East Java Timur	
		N	%	N	%	N	%
Personal Quality	Low	65	44.8	60	52.2	125	48.1
Score range (score 0-100)	High	80	55.2	55	47.8	135	51.9
Mean =39.53	Total	145	100.0	115	100.0	260	100.0
Business Support	Low	62	42,7	55	47,8	117	55,0
Score range (0-100)	High	83	57,2	60	52,2	143	45,0
Mean=44	Total	145	100,0	115	100,0	260	100,0
Environmental Support	Low	62	42,8	51	44,4	113	43,5
Score range (0-100)	High	83	57,2	64	55,6	147	56,5
Mean=50,8	Total	145	100,0	115	100,0	260	100,0
Entrepreneurial Behaviour	Low	86	59,3	71	61,7	158	60,8
Score range (0-100)	High	59	40,7	44	38,3	102	39,2
Mean=33,8	Total	145	100,0	115	100,0	260	100,0
Self Reliance of Manager	Low	74	51,0	72	62,6	146	55,4
Score range (0-100)	High	71	49,0	43	37,4	114	44,6
Mean=35,9	Total	145	100,0	115	100,0	260	100
Business Progress	Low	82	56,5	71	61,7	153	58,8
Score range (0-100)	High	63	43,5	44	38,3	107	41,2
Mean=37,8	Total	145	100,0	115	100,0	260	100,0
Business Sustainability *	Low	67	46,2	65	56,5	132	50,8
Score range (0-100)	High	78	53,8	50	43,5	128	49,2
Mean=48,9	Total	145	100,0	115	100,0	260	100,0

Note: Low: score 0-50; High: score > 50

* Anova, sig ($\alpha= 0,05$).

Based on Table 2, can be seen that personal quality of managers are relatively low (mean 39,53), but there are no difference in quality factor of small business manager in both locations. Over half of manager in Sidoarjo has personal quality are relatively high (55.2 percent), while half a manager in Magetan have a low personal qualities (52.2 percent). Quality of business support on handicraft is relatively low (mean 44). There is no real difference in the quality factor of supporting handicraft business in both locations. There is no real difference in the quality factor of supporting handicraft business in both locations, but over half small business managers in Sidoarjo and Magetan have relatively high quality business support (57.2 percent and 52.2 percent). Environment support is relatively high (mean 50.8), but there is no significant difference of environmental support in both locations.

Capacity building is important to be done to encourage small business successfulness. In the context of the small business of handicraft product, the meaning of empowerment is defined as continuous learning process that is intended to provide power of manager of small business that: (1) have an awareness of real needs, (2) increasing quality of small business management, (3) have self reliance in all aspects of its business activities, (4) highly motivated to improve their business, and (5) they are sensitive and responsive in planning for business sustainability.

Entrepreneurial behaviour and self reliance are relatively low, this may imply that producers are still not helpless in managing their handicraft business. The implication of this problem is they require an exact model of empowerment, so that in the future be able to achieve business progress and business sustainability.

Self reliance of manager small business is still low (mean 35.9), because entrepreneurial behaviour is low. (Mean 33.8). This condition can be interpreted that the managers are less powerful. Self reliance and entrepreneurial behaviour are very important because it determines business progress and business sustainability. Self reliance of small business manager needed to be developed, through their entrepreneur behaviour, personal qualities, especially in the intensity of communication, education, and motivation. Meanwhile, personal qualities and environmental support are important to developing entrepreneurial behaviour

Magnitude of relationship and impact between these factors can be seen in Figure 2 and result of testing of hypotheses can be seen in Table 2.

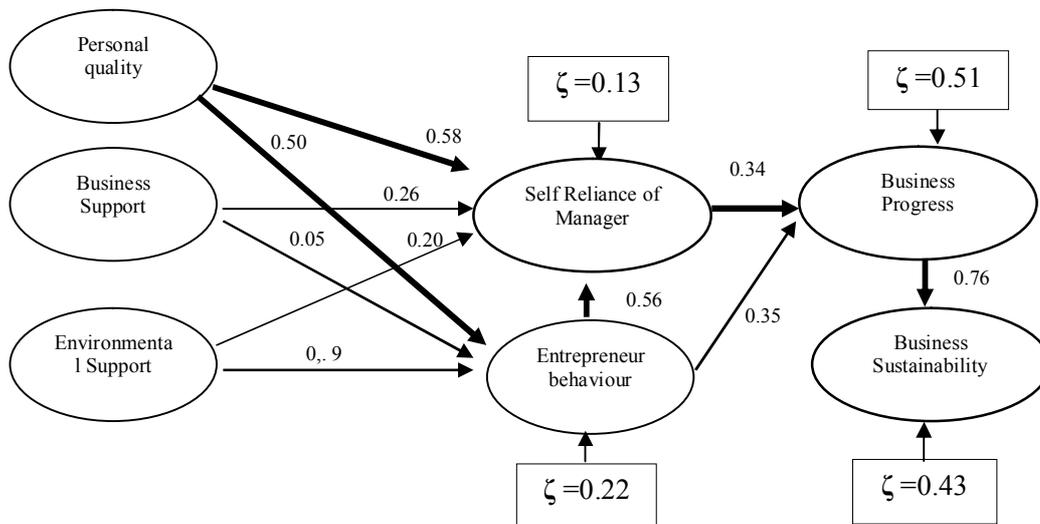


Figure 2 Structural Equation Model of Small Business Empowerment

Factors of personal qualities, business support, environmental support, and entrepreneurial behavior have significant positive impact on the self reliance of manager small business. Then, strategy to improve entrepreneurial behavior and self-reliance is improving the quality of the environment and personnel development support.

Entrepreneurial behavior and self reliance of manager have significant positive impact on the business progress, it means the achievement of increased entrepreneurial behavior and self reliance of manager can be achieved then it will increase business progress. Indirectly, self reliance of manager is influenced by personal qualities, business support, environmental support,

Business progress have significant positive impact on the business sustainability. Indirectly, business progress is affected by personal qualities, business support, and environmental support through entrepreneurial behavior and self reliance of manager.

Table 2 noted that entrepreneurial behavior is positively influenced by personal quality and business environment. Supporting business does not significantly affect the entrepreneurial behavior; it meant that there is not enough evidence of supporting the existing business on small business can increase behavior.

Based on structural equation model of small business, entrepreneurial behavior has a strategic value to construct a model of small business empowerment to reach business progress of small business and business sustainability of small business.

Entrepreneurial behavior of small business manager in Magetan Regency need to be improve to increase self reliance and business sustainability toward business progress. Increased entrepreneurial behavior is done through improving the quality of manager and environmental support.

Table 3. Effect of Direct and Indirect and Hypothesis Testing Results

Hypotheses	Independent Variable	Independent Variable	Impact			Total Impact	
			Direct	Indirect			
				Y1	Y2		Y3
1	Personal quality (X1)	Y1	0.50*	0	0	0	0.50
	Business Support (X2)		0.05	0	0	0	0.05
	Environment support (X3)		0.39*	0	0	0	0.39
2	Personal quality (X1)	Y2	0.58*	0.28	0	0	0.86
	Business Support (X2)		0.26*	0,03	0	0	0.29
	Environment support (X3)		0.20*	0.22	0	0	0.42
	Entrepreneur behavior (Y1)		0.56*	0	0	0	0.56
3	Personal quality (X1)	Y3	0	0.27	0,19	0	0.46
	Business Support (X2)		0	0.02	0.08	0	0.10
	Environment support (X3)		0	0.21	0,06	0	0.27
	Entrepreneur behavior (Y1)		0,35*	0	0,19	0	0.54
	Self Reliance (Y2)		0,34*	0	0	0	0.34
4	Personal quality (X1)	Y4	0	0,20	0.5	0	0.35
	Business Support (X2)		0	0,02	0.06	0	0.08
	Environment support (X3)		0	0,16	0.04	0	0.20
	Entrepreneur behavior (Y1)		0	0	0.14	0.26	0.40
	Self Reliance (Y2)		0	0	0	0.26	0.26
	Business Progress (Y3)		0.76*	0	0	0	0.76

Significant at $\alpha = 0.05$

Conclusion

1. Entrepreneurial behavior quality of manager is still low (mean 33.8), it is caused mainly by the low of personal quality of manager (mean 39.5), environmental support (mean 50.8).
2. Self reliance of small business manager is still low (mean 35.9) due to the lack of entrepreneurial behavior, poor quality of manager personal, poor environmental support, poor business support. Factors of personal qualities and entrepreneurial behavior are the most determine factor to improve self reliance.
3. Business progress of small business is still low (mean 37.6) due to the empowerment of small business that is still low indicated by the low level of self reliance of small business manager.
4. Business sustainability is low (mean 48.9) due to low business progress.
5. Model of small business empowerment that effectively empower manager small business are focused on improving their entrepreneur behavior and self reliance..

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