

# Environmental Effect on Buisness Performance Industries Craft Bag and Suitcase in the Sidoarjo District

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## ABSTRACT

Industrial craft bags and suitcases in Sidoarjo regency was specifically developed with the village's economy. As an industrial center, it is expected presence continually able to improve the economy of the village and is able to supply products in accordance with consumer tastes. This study aims to determine what internal and external factors that affect the performance of the industry craft bags and suitcases in Sidoarjo and how much influence these factors. The analysis model used in this study is a model linear regression analysis model was used to determine the effect of the government factor, Suppliers, Competitors, Product Mix, Expert, production capacity, and the level of wages on industry performance craft bags and luggage. Constant value of -8.7449 (marked negative) indicates that bags and briefcases are not normal goods are goods merely as a supplement. Marked negative constant value is also supported by the results of stepwise calculation. The test results simultaneously with Full Regression models in the know that the variables simultaneously governments, suppliers, competitors, product mix, experts, production capacity, and wage rates have a significant effect on the performance of industrial craft bags and suitcases in the county

**KEYWORDS:** business environment, performance, craft industry

## INTRODUCTION

Tanggulain Association (APETA) with the Government of Sidoarjo district began a *road show* which aims to expand the marketing area and promote the public that the center suitcase Tanggulain not drowned out by Lapindo hot mudflow. Event *road show* is quite effective for improving query returns the products produced by the artisans of bags and suitcases Tanggulain [1]. In general, companies not only have a single goal, but many objectives to be achieved even Hunger & Wheelen [2] suggests that there is variation in the difference objectives pursued by the organization or business, and Hatten [3] says that the company is not keen to lose the opportunity to monitor changes, therefore companies need to conduct the identification of the elements of both threats and opportunities, which is one important basis for the formulation of strategic planning in accordance with the circumstances, conditions and capabilities. Another thing was also stated by Porter [4] which states that the state of competition in an industry depends on five (5) principal competitive strengths, namely: (1) potential new entrants. (2) Substitution, (3) suppliers, (4) buyers, (5) the industry competitors. The five competitive forces determine the intensity of competition and profitability in the industry. The most powerful force will be decisive and to be very important from the point of view of strategy formulation.

The formulation of business strategy requires an in-depth analysis of the emergence of the business opportunities and threats from the external environment. For that it is important to analyze the environment will inevitably affect the business's bags and luggage. According to Pearce and Robinson [5], a host of external factors influence a form's choice of direction and action and, ultimately, its organizational structure and internal processes. These factors which extend constitute the environment; can be dividend in to three interrelated Subcategories: factors in the remote environment, factors in the industry environment and factors in the operating environment. The remote environment comprises factors that originate beyond. , And Usually irrespective of, any single firm's operating situation: (1) economic, (2) social, (3) political, (4) technological, and (5) ecological factors, while Jauch and Glueck [6] divide the company into three, namely, 1) General, which consists of the socioeconomic, Technology, and Government, 2) industry, made up of customers, suppliers, and Competition, 3) International, while Suwarsono [7] says analysis of the external environment should not be until fall to try to analyze as many variables as possible. Therefore, the external environment variable will only cover variable dialysis government, competitors, and supplier. According to Idrus [8] planner (strategist) should also be able to measure the strategic advantage (SA)-strengths and weaknesses organizations of and portfolio (SBU).

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SA can be used as a trade-mark of organization compared to rivals. Furthermore Idrus [8] said the strategic plan, should be able to take into account changes in the external environment that provides 'opportunities-opportunities' and 'threats-treat' in the organization.

Hill and Jones [9] states that there is the task faced by a manager is to analyze the strength of competition in the industry that can provide opportunities and threats for the company. For this purpose, the framework developed by Michael E. Porter can assist managers in making analysis called Lima Model Power (The Five Forces Model), which includes the risk of new entry of potential competitors, competition with companies in a single industry, the power of buyers, power of suppliers, and the threat of substitutes and According to David [10] external audit for an environmental analysis. An external audit is to develop a finite list of opportunities that could benefit a firm and threats that should be avoided, external forces can be divided into five broad categories: 1) Economic forces; 2) Social culture; demographic and natural environment forces; 3) political, governmental, and legal forces; 4) Technological forces; and 5) Competitive forces.

## MATERIALS AND METHODS

The variables used in this study, can be identified as follows: Variable dependent or *dependent variable* (Y), is the performance of the industry as measured by ROI. The independent variable or *independent variable* (X), are the factors that affect the performance of the industry, which consists of: X<sub>1</sub>: Government, X<sub>2</sub>: Suppliers, X<sub>3</sub>: Competitors, X<sub>4</sub>: Mix the product, X<sub>5</sub>: Highly skilled, X<sub>6</sub>: Production capacity, X<sub>7</sub>: The wage rate

Samples were taken from the population conducted by the method of "Cluster Random Sampling", where the sample size for each area (location) is determined proportionally.

What research is Craftsmen live bags and suitcases in District Tanggulangin and registered as a member of the cooperative INTAKO.

Data collection in this study was obtained from the primary data and secondary data. Primary data is data collected and recorded by the first author of the questionnaire distributed to emergency responders. Secondary data were obtained from the office of the Department of Industry Sidoarjo, Cooperative INTAKO Tanggulangin, reports the Central Bureau of Statistics and research journals.

Purpose of modeling is to simplify the analysis of real-world problems, so that quantitative evidence that supports economic phenomena can be obtained and observed. Given this restriction constraints of time and cost can be minimized [11].

**The analysis of the model in question is "  $Y = b_0 + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + b_6 X_6 + b_7 X_7 + e_i$  [12] .**

Where: Y: Industry Performance as measured by ROI, X<sub>1</sub>: Government, X<sub>2</sub>: Suppliers, X<sub>3</sub>: Competitors, X<sub>4</sub>: Mix the product, X<sub>5</sub>: Highly skilled, X<sub>6</sub>: Production capacity, X<sub>7</sub>: The wage rate, e<sub>i</sub>: Variable spam Outside Model, b<sub>0</sub>: *Interception point*, b<sub>1</sub>, b<sub>2</sub>, b<sub>3</sub>, b<sub>4</sub>, b<sub>5</sub>, b<sub>6</sub>, b<sub>7</sub>: the regression coefficient of each variable.

Based on calculations from the model of Multiple Linear Regression Analysis to be used in research (using microstate program), then the next analysis techniques used were: Unison Test (Test F), Partial Test (Test t), Test Assumptions Classical (OLS). There are three elements assessed in this assumption, the test multiple co linearity (multi co linearity) test and hetero sedasticity autocorrelation test.

## RESULTS AND DISCUSSION

The role of small industry development in Sidoarjo aims to develop a mission to improve people's income, expansion of employment, and employment opportunities. The role of the industrial sector in development in Sidoarjo can be seen from its contribution to the Gross Domestic Product (GDP). In 2007, GDP at current prices that the greatest contribution is the manufacturing industry amounted to 54.73%, while the agricultural sector was third with a contribution of 8.63%. The products produced by this industry sector in addition to domestic consumption also for export.

**Incentives:** Support Government policy towards investment activities / investments; very strategic geographical area: close to market, ease of finding qualified personnel; ease of finding raw materials, easy access to transport; Now available facilities and infrastructure are sufficient, among others: paved road, close to the airport and seaport, adequate road access, close to the industrial area of the SEER; positive public support

**Obstacles:** The emergence of human rights, labour and the demand demos issue of Intellectual Property Rights (IPR), investment activity that has the potential for environmental pollution; event that a barrier bursts Lapindo access road to the centre of industry; Globalization in Asia (AFTA) which make a number of similar products flooding the Indonesian market.

### Conditions Industrial Sector Handicrafts Bags and Luggage in Sidoarjo

Industrial bags and suitcases stood since 1933 in the village of Sidoarjo Tanggulangin Kedensari District. In the development of industrial bags and luggage showed great progress though through a process of ups and downs. What is interesting, especially rural areas Tanggulangin Kedensari district, not just a small industrial centers bags and luggage, but also a shopping tour. Table 1 presented the business development unit bag and suitcase member cooperative Intako.

Table 1 Business Development Unit Bag and Suitcase Member Cooperative Intako Year 2000-2007

| Year | unit Enterprises |
|------|------------------|
| 2000 | 139              |
| 2001 | 139              |
| 2002 | 143              |
| 2003 | 151              |
| 2004 | 155              |
| 2005 | 162              |
| 2006 | 170              |
| 2007 | 172              |

Source: Cooperative INTAKO

The market share of the local surrounding area in Sidoarjo and surrounding areas including Surabaya, while the share of the regional market from Jakarta, West Java, Central Java and Yogyakarta, East Java, Kalimantan and Sulawesi. In the '80s and beyond the marketing area was developed in the international market share ranging from Garuda orders for pilgrims, from Europe to Japan. There are some steps to maintain local and regional market share are the craftsmen still maintain relationships with shops that become distributors, they develop on the part of other showrooms in the location of manufacture. In addition, the craftsmen have a marketing department to develop the market in Sidoarjo as cooperatives, offices and households. They also offer bags and luggage for the purpose of the seminars, held Tanggulangin Fair. Marketing is internationally through distribution interwoven with the buyer that is in many ways one of which is through contact with visitors from abroad, following the exhibition of export products. Now the new way is to use the internet, which is the homepage. This has been done by some employers artisans cooperative members INTAKO in Kedensari through Net Nusantara (PT Posindo).

The number of products produced at the company's capital and the sample depends on the amount of labor. In small businesses, the labor used in the production of not less than 5 (five) people, even their family members also helped in the production. The labor was from the village of Kedensari but others come from outside the village, outside the district from other districts and even other provinces. Businessmen and traders as well as medium has a handyman more than 5 (five) people, even to reach 50 (fifty). For this second class of entrepreneurs are more professional in managing their business that they begin to differentiate between owners and managers and have been using power designer to design products. However, the general leadership of the company held by the owner. Task administration was held by the owner of the company but there is also submitted to the owner's family (relatives) on the basis of belief or employees who have a minimum high school education.

The development of an increasingly global world trade gradually will also impact the development of industrial bags and luggage. Based on a survey conducted at the research object obtained new information that with the influx of Chinese products in Indonesia as well as handbags, may be a new threat to local products for Chinese products have better quality and price relative to compete with products in country. Factor in the government's review of research on the responses based on five (5) statements include: the process to obtain a permit, license maintenance fees, minimum wages, government support and the cost of disposal of the material

### Analysis of Research Findings

The results of the analysis of several factors that influence the performance of the industrial craft bags and suitcases in Sidoarjo with Full Regression models can be seen in the Table 2 below.

Table 2 Summary analysis of some factors which influence the performance industrial craft bag and suitcase (Full Regression Analysis)

| Independent Variables                 | Regression coefficients | T count | Probability | r <sup>2</sup> |
|---------------------------------------|-------------------------|---------|-------------|----------------|
| Government (X <sub>1</sub> )          | -0.1409                 | -0.295  | 0.77009     | 0.0032         |
| Suppliers (X <sub>2</sub> )           | 1.1777                  | 3.592   | 0.00129     | 0.3234         |
| Competitors (X <sub>3</sub> )         | 0.2095                  | 0.717   | 0.47975     | 0.0187         |
| Product Mix (X <sub>4</sub> )         | 0.0153                  | 2.185   | 0.03773     | 0.1503         |
| Experts (X <sub>5</sub> )             | 1.5939                  | 0.627   | 0.53568     | 0.0144         |
| Production Capacity (X <sub>6</sub> ) | 1.26905 -8.71050 E-04   | 2.387   | 0.02424     | 0.1743         |

|                        |         |        |         |        |
|------------------------|---------|--------|---------|--------|
| Wage (X <sub>7</sub> ) | -8.7449 | -2.181 | 0.03809 | 0.1498 |
| Constants              |         |        |         |        |

R Squared: 0.7096  
 F ratio: 9.425  
 Probability: 6.989 E-06  
 Multiple R: 0.8424  
 Table F: 2.37  
 DW: 2.1723.

While the calculation of the results obtained by the method of stepwise significant variables as shown in the analysis below.

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| Constants                             |                         |         |             |                |

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Table 4 Summary analysis of some factors which influence the performance industrial craft bag and suitcase (Stepwise Analysis)

| Independent Variables                 | Regression coefficients | F (1.29) | Probability | r <sup>2</sup> |
|---------------------------------------|-------------------------|----------|-------------|----------------|
| Suppliers (X <sub>2</sub> )           | 1.1315                  | 14.437   | 0.00069     | 0.3324         |
| Competitors (X <sub>3</sub> )         | 0.2858                  | 1.351    | 0.25464     | 0.0445         |
| Product Mix (X <sub>4</sub> )         | 0.0171                  | 7.747    | 0.00937     | 0.2108         |
| Production Capacity (X <sub>6</sub> ) | 1.3007 -7.5653 E-04     | 6.649    | 0.01526     | 0.1865         |
| Wage (X <sub>7</sub> )                | -8.7449                 | 4.786    | 0.03690     | 0.1417         |
| Constants                             | -10.9711                |          |             |                |

R Squared: 0.7043  
 F ratio: 13.813  
 Probability: 6.152 E-07  
 Multiple R: 0.8392  
 Table F: 2.54

Based on the calculation of the estimated regression function (Full Regression) regression equation can be obtained as follows:

$$Y = -8.7449 - 0.1409 + 1.1777 X_1 X_2 X_3 + 0.2095 + 0.0153 + 1.5939 X_4 X_5 + 1.2690 X_6 + 8.7105 E-04 X_7$$

Constant value of -8.7449 (marked negative) indicates that bags and briefcases are not normal goods are goods merely as a supplement. Marked negative constant value is also supported by the results of stepwise calculation

Government regression coefficient (X<sub>1</sub>) and the wage rate (X<sub>7</sub>) marked negative indicates that the performance of the industrial craft bags and luggage are inversely related to the independent variables marked negative. While the regression coefficients suppliers (X<sub>2</sub>), competitors (X<sub>3</sub>), product mix (X<sub>4</sub>), experts (X<sub>5</sub>) and

production capacity ( $X_6$ ) marked positive, it indicates that the performance of the industrial craft bags and luggage correlate straight (positive) with the independent variables marked positive.

Regression coefficient of -0.1409 for the government; supplier 1.1777; competitors 0.2095; 0.0153 product mix; experts 1.5939; capacity 1.26905 E-04, and the wage rate -8.7105 E-04 shows magnitude of each of these factors on the performance of handicraft bags and luggage industry, the regression coefficient (multiple R) of 0.8424 indicates a strong influence of the independent variables and the dependent variable, whereas coefficient of determination (R Squared) of 0.7096 indicates that the variable government, suppliers, competitors, product mix, experts, production capacity and wage jointly contribute to the performance of the craft bags and luggage industry in Sidoarjo at 70.96%, which means that other variables beyond just research able to account for 29.04% of the industry's performance craft bags and luggage.

Furthermore, to determine whether the variables  $X_1$ ,  $X_2$ ,  $X_3$ ,  $X_4$ ,  $X_5$ ,  $X_6$  and  $X_7$  is jointly affect the performance of the craft industry with bags and suitcases performed simultaneous test (F test) while to see the effects each independent variable (partially) with the dependent variable is done by using the t test.

### Unison Test (Test F)

Based on calculations by the method of **Full Regression** F value of count equal to 9.425, meaning larger than the F table is 2.37 with a probability of 6.989 E-06 (less than 0.05), so it can be said that all the studied variables can indeed provide contribution to the performance of industrial craft bags and suitcases in Sidoarjo with the level of contribution of 70.96%.

Thus the first hypothesis which states alleged governmental factors, suppliers, competitors, product mix, experts, production capacity, and simultaneously wage rates have a significant effect on the performance of handicraft bags and luggage industry in Sidoarjo regency **received**.

### Partial test (t test)

Partial test is used to test the effect of each independent variable to the dependent variable. To see whether the effect said meaningful or not, the results compared with the t t count table with a certain level of significance. If t count is greater than the table t Ha accepted, meaning partially independent variables affect the dependent variable.

According to the table 414 is known that the t value for the variable government ( $X_1$ ) of -0.295 is smaller than t table is 1.703 with a probability of 0.77009 is greater than the real level of 5%, these figures show that the relationship between the government ( $X_1$ ) to industry performance craft bags and suitcases are not significant,

The amount of donations given by the government variables are indicated by the number  $r^2$  (r partial) of an industry crafts bags and luggage are very small at only 0.32%.

T value suppliers variables ( $X_2$ ) of 3.592 is greater than t table is 1.703 with a probability of 0.00129 is smaller than the real level of 5%. This indicates that the variable supplier ( $X_2$ ) have a significant influence on the performance of handicraft bags and luggage industry in Sidoarjo.

R Figures <sup>2</sup> (partial r) for the variable is 0.3234 meaning that suppliers contribute to the performance variables suppliers craft bags and luggage industry amounted to 32.34% and shows the contribution ranks first (largest) of all independent variables.

T value for the variable competitor ( $X_3$ ) of 0.717 is smaller than t table is 1.703 with a probability of 0.47975 is greater than the real level of 5%, these figures show that the relationship competitor ( $X_3$ ) on the performance of industrial craft bags and luggage not significant.

The amount of donation given by competitors variables indicated by the number  $r^2$  (r partial) of an industry crafts bags and luggage are very small at only 1.87%.

T value product mix variables ( $X_4$ ) of 2.185 is greater than t table is 1.703 with a probability of 0.03773 is smaller than the real level of 5%. This indicates that the product mix variables ( $X_4$ ) had a significant effect on the performance of handicraft bags and luggage industry in Sidoarjo.

R Figures <sup>2</sup> (partial r) for variable product mix is 0.1503 meaning contribution to the performance of the variable product mix craft bags and luggage industry is at 15.03% and represents a contribution which ranks third of all independent variables.

T value for the variable expert ( $X_5$ ) of 0.627 is smaller than t table is 1.703 with a probability of 0.53568 is greater than the real level of 5%, this figure shows that the relationship between experts ( $X_5$ ) the performance of the craft industry bags and luggage are not significant.

The amount of donations given by experts variable indicated by the number  $r^2$  (r partial) of an industry crafts bags and luggage are very small at only 1.44%.

T value of production capacity variable ( $X_6$ ) of 2.387 is greater than t table is 1.703 with a probability of 0.02424 is smaller than the real level of 5%. This indicates that the variable Capacity Production ( $X_6$ ) has a significant impact on industrial performance craft bags and suitcases in Sidoarjo.

R Figures <sup>2</sup> (partial r) for variable production capacity is 0.1743 meaning that the variable contribution to the performance of industrial production capacity craft bags and suitcases were by 17, 43% and represents a contribution which ranks second of all independent variables.

T value variable wage rate (X<sub>7</sub>) of 2.181 is greater than t table is 1.703 with a probability of 0.03809 is smaller than the real level of 5%. This indicates that the variable wage rate (X<sub>7</sub>) have a significant influence on the performance of handicraft bags and luggage industry in Sidoarjo.

R Figures <sup>2</sup> (partial r) for the variable wage rate is 0.1498 meaning contribution to the performance of the variable wage industries are handicraft bags and luggage by 14, 98% and represents a contribution which ranks fourth (smallest) of all independent variables.

Based on the partial test (t test) above it can be seen that out of the seven independent variables only four variables that have a significant effect on the dependent variable. It is also supported by the results of the analysis with stepwise method shown in Table 5:15 supplier that the only variable (X<sub>2</sub>), product mix (X<sub>4</sub>), production capacity (X<sub>6</sub>), and the wage rate (X<sub>7</sub>) that have a significant influence industry performance craft bags and suitcases in Sidoarjo. By looking at the value of r<sup>2</sup> for each independent variable with Full Regression methods can be seen that r<sup>2</sup> is the largest supplier of variable that is equal to 0.3234 which means that the variables contributing to the performance of suppliers craft bags and luggage industry at 32.34%, so the hypothesis The second reads: "Suspected variable product mix has a dominant influence on the performance of handicraft bags and luggage industry in Sidoarjo,"

### Multi-co-linearity Test

Based on the hypothesis testing that has been done has shown that the variable government, suppliers, competitors, product mix, experts, production capacity, and wages are jointly have a significant effect on the performance of the handicraft industry in Sidoarjo briefcase indicated by the value of the test UNISON (F test) were analyzed by the method of Full Regression is equal to 9.425 greater than the F table is 2.37 with a probability of 6.989 E-06 is smaller than the real level of 5%.

The relationship between government, suppliers, competitors, product mix, experts, production capacity and the level of wages to performance craft bags and luggage industry produces multiple correlation rate of 84.24% or 0.8424 which means that the independent variables with performance seventh handicraft bags industry and trunk show a very close relationship, because the correlation rate close to 100% or 1.

Contribution of independent variables to the dependent variable can be seen from the results coefficient of determination is equal to 0.7096, which means that the variable government, suppliers, competitors, product mix, experts, production capacity and wage rates contribute to the performance of the craft industry for bags and luggage 70.96% 29.04% while the rest of the industry performance craft bags and luggage caused by other variables outside the study variables.

Based on the results of the statistical test Full Regression methods were shown to know the influence of each variable partial, it appears that suppliers variables (X<sub>2</sub>), product mix (x<sub>4</sub>), production capacity (X<sub>6</sub>) and wages (X<sub>7</sub>) has a significant influence to the level of probability (P < 0.05) whereas the government variable (X<sub>1</sub>), competitors (X<sub>3</sub>) and experts (X<sub>5</sub>) have no significant effect (P > 0.05).

Of the seven variables studied, there are four variables that have a significant effect, which if examined among the three variables is an internal factor that can be controlled by the company, making the company more flexible and easier to provide treatments and implement the necessary policies related to the strengths and weaknesses contained in the company. While one other variable that the supplier is an external factor that factors that are *uncontrollable*. The Company cannot control external factors but by the strength of the company will be able to reduce the pressure of external factors.

According to the statistical calculations, among the four variables that have a significant effect, it turns out the supplier is dominant variables that have an influence on the performance of industrial craft bags and luggage. When viewed from the regression coefficient is positive which means that the supplier has a direct relationship to the performance of industrial craft bags and luggage means the availability of raw materials by the suppliers will affect the performance of the craftsmen. Given the industrial centers handicraft bags and luggage have a separate market segment that will always produce either no or no order, the role of suppliers in the supply of raw materials is vital and it is no exaggeration when the variable dominant performance crafts bags and luggage industry. As it is known that the district is the center of industry Tanggulangin craft bags and suitcases famous both in domestic as well as several other countries, so that its products always in demand by consumers. This condition is much in demand producers of raw materials to always prepare the necessary materials by craftsmen ranging from leather, accessories and other supplementary materials. So every time the raw materials are available both around and outside the industrial district of Sidoarjo regency. From the survey results it is known that the artisan already knew the quality of raw materials, especially the leather, so they truly know the price based on its quality leather material that is based on defect width, density and softness. Thus price cannot be determined unilaterally by the supplier.

The second factor which significantly affects the performance of the craft industry is a variable luggage bags and product mix. Initially the variable product mix will have a dominant influence on the performance of industrial craft handbags and luggage, because the product mix is the most important thing to note craftsmen bags and luggage bags and briefcases are given fashion product. Based on the product mix should theoretically be the most influential factor on the performance of industrial bags and suitcases, as more and more artisan product mix produced more it will give greater opportunity to the consumers to buy that will increase the volume of sales and will further increase profits company.

Based on the analysis of product mix apparently not proved to be the dominant factor, the contribution is on the order of three. If seen from the regression coefficients (positive) means a greater number of product mix produced by craftsmen bags and luggage then the performance (ROI) craft bag and luggage industry will also increase.

The production capacity indicates a company's ability to produce a product. Increased production capacity can be done either through human resources and capital resources. Availability of adequate production capacity plays an important role in meeting market demand and limited production capacity would otherwise be a barrier for the craftsmen to meet the needs of consumers both in quality and quantity, which in turn will lower sales volume and lower profit. Based on the analysis of production capacity has a positive regression coefficient or direct means greater production capacity owned by artisans craft industry will improve the performance of bags and suitcases in Sidoarjo.

Another variable that has a significant influence on the performance of handicraft bags and luggage industry is variable wage rate. Bags and luggage products in its manufacture involves a lot of human labor. One form of motivation to the work force loyal to the company is the provision of a decent wage, so hopefully labor will be more motivated to work better. From the survey results it is known that if the wage is too small, it will reduce the number of workers who are willing to work and it will certainly be difficult for the artisans, especially at certain times where the demand is very high bags and suitcases for example on the eve of the feast of Idhul Fitri, the new school year as well as certain events such as exhibition products. If wages are low given the craftsmen have trouble finding employment, consequently craftsmen unable to meet market demand and ultimately the profit target is not reached.

Regression coefficient of the variable wage marked negatively or inversely related to industry performance craft bags and luggage the greater the wage rate to be paid by the craftsmen will reduce the profit-making company which further degrades the performance of the industry. Other factors include the government, competitors and experts are not real and influential contribution to the performance of the craft bags and luggage industry in Sidoarjo regency is relatively small. Variable government contributed very little to the performance of handicraft bags and luggage industry in Sidoarjo. This is caused by among others the level of the minimum wage set by the government do not apply to industrial craft handbags and luggage, because the wages earned by most labor contract system. From the survey results it is known that the average income received by workers in the minimum wage. In addition, the cost of waste disposal are determined by government policies in the industrial craft handbags and luggage, because the rest of industrial waste in the form of leather or imitation behavior in the sale so it could be said there is almost no waste.

Competitor is a factor that cannot be avoided by good corporate competitor of the industrial centers as well as from other areas. But because of an industrial bags and suitcases in the District Tanggulangin already has its own market segment, the artisans are not too feel unrivaled by producers elsewhere, as well as for competition among craftsmen because most of the products produced have the same model and materials so that the selling price for the product The same is almost no different from each other.

Variable experts in this study had no significant effect on the performance of handicraft bags and luggage industry in Sidoarjo. This is because most of the craftsmen have used expert designers begin to create purses and luggage products with authenticity and uniqueness of the model. Based on the results of the field survey showed that the vast majority of experts in question are capable of drawing and re-model of bags and suitcases are already on the market. Usually the person is an owner or employee who makes bags and luggage. On average the craftsmen do not want to use an expert designer because of the cost to be incurred to pay a designer is much more expensive, but no special expertise designing style bags and suitcases, they can still produce bags and suitcases that constantly keep abreast of the market.

## CONCLUSION

Based on the test results simultaneously with Full Regression models in the know that the variables simultaneously governments, suppliers, competitors, product mix, experts, production capacity, and wage rates have a significant effect on the performance of handicraft bags and luggage industry in Sidoarjo. This is evidenced by the high correlation coefficient is equal to 84.24% and F test that produces F more count equal to 9.425 of the F table is 2.37 with a real level of 5%, the first hypothesis of the study is accepted; Results of testing with the model Full Regression is not supported by analysis with stepwise models. Stepwise model based

supplier only variables simultaneously, competitors, product mix, production capacity, and wage they have significant influence on the performance of handicraft bags and luggage industry in Sidoarjo, while the other two variables, namely the government and experts have no effect on performance bags and luggage craft industry in Sidoarjo; From the test results partially Full Regression method is known that of the seven variables in the analysis was only there is four variables have a significant influence on the performance of handicraft bags and luggage industry in Sidoarjo is variable suppliers, product mix, production capacity and the level of wages. Of the four variables, the supplier has the most dominant influence with a contribution of 32.34%, production capacity contributed 17.43%, 15.03 product mix contributed to, and Contributed wage rates as much as 14.98%. T value for each of the above variables is greater than t table on the real level of 5% that is equal to 1.703 with a probability value ( $P < 0.05$ ).

### SUGGESTION

The proposed suggestions are as follows: Based on the results of this research is that the supplier has a dominant influence on the performance of handicraft bags and luggage industry, therefore the craftsmen should always maintain the availability of raw materials required in the manufacture of bags and suitcases; survey results revealed that the wage rate has a negative influence on the performance of industrial craft bags and luggage. Therefore craftsmen need to do a review of the level of wages that is given; Ministry of Industry Sidoarjo should be more intensive help the artisans to get the right brand protection (IPR), so in the long run industrial centers bags and luggage brands can thrive without imitating other products; Given the production capacity has a positive effect on the performance of handicraft bags and luggage industry in Sidoarjo, it is expected that the parties involved in this case through an intensive cooperative INTAKO help the artisans to constantly improve their production capacity either through financial aid or assistance in the form of expertise to improve human resources, and a major increase sales turnover again through *road shows* both domestically and abroad.

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