

THE COMPETITIVENESS INDICATOR OF SMALL BUSINESS IN SURABAYA

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Abstract

At this moment, there are many various model and framework of firm competitiveness have been presented. However, their application is still very low empirically moreover at small business context in Indonesia. This paper is written based on empirical research into 47 small business owners in Surabaya on June-September 2011, trying to reveal the kind of factors and indicators of the small business competitiveness according to the owners perception. The approach which is used in this research based on the framework of Assets-Process-Performance (APP). The validation of APP Framework as the Invention of this Research is expected to be able to use by all small businessman in Surabaya and for the consideration in arrange the strategy to increase small business competitiveness.

Key word: Competitiveness, Small business, Indicator, Factor, APP Framework, model, framework.

A. INTRODUCTION

At this moment, it can be denied that micro, small, and medium business have strategic role in Indonesian development mainly in providing job's vacancy and economic development. Significant role of Micro, Small and Medium Business (UMKM) in Indonesian economic development has shown on the data as follows

Tabel 1 : Role of UMKM for Indonesian Economic in 2008

No	Indicator	Number	Role for Economic
1.	Employment Rate	People (Million)	Percentage
	a. UMKM	90.896	97.04
	b. BIG BUSINESS	2.776	2.98
2.	PDB based on Constant Price in 2000	Billion Rp	Percentage
	a. UMKM	2.609.360,1	55.56
	b. BIG Business	2.087.121,1	44.44
3.	Non Gasoline Export	Billion Rp	Percentage
	a. UMKM	183.759,1	20,17
	b. BIG BUSINESS	727.168,9	79,83

Source : www.depkop.go.id/phocadownload/sandingan_data_umkm_2008-2009_new_format_tanpapemerintah.pdf.

The problem is , can UMKM face the pressure on more intensive competitiveness in globalisation era and liberation? The competitiveness on imported goods as well as on the exported activity it self. The Unability UMKM to cover it in domestic market and in abroad market is effected by the low competitiveness between domestic UMKM (Tambunan,2008).

Therefore, UMKM really needs "Diagnosis Tools" that is be able to fix UMKM strategy and to reach better business competitiveness .

There are many models, frameworks, and theory concerning about Business Competitiveness. But especially for increasing strategy in business competitiveness, what we need is a kind of framework or model that not only be able to integrate with the strategy but also to help the business practitioner in making decision to form the strategy pattern itself.

Evolving a model or framework that is able to help the practitioners in increasing business competitiveness, Ambastha and Momaya (2004) recommended APP framework as a tool which appropriates for business competitiveness.

The choosing of suitable framework should be based on business capability and the real world so we must observe and search APP framework which not only has examined in several counties (Momaya, 2004) but also accorded to business owners perception at Surabaya, Indonesia.

This paper explains the identification result of business competitiveness indicators according to business owners perception at Surabaya city, based on Asset-Processes-Performance (APP) Framework. The process of Research was on June - September in 2011 with total respondent of 47 small business owners at Surabaya city.

Besides aiming to identified the indicators of small business competitiveness, this research is also trying to validate whether APP Framework is suitable to use properly as a tool to find deeply the small business competitiveness indicator. Due to small sample size, so this research means only as preliminary study.

B. FIRM COMPETITIVENESS

1. Definitions

"Competitiveness" is an attractive concept across different levels of the study (Nelson, 1992 in Man, Lau and Chan, 1998) and as multidimensional concept, competitiveness can be looked at from three different levels : country, industry, and firm level (Ambastha & Momaya, 2004).

Law (2009) stated that generally, competitiveness is the ability of an organization to compete succesfully with its commercial rivals.

Wang (2005) stated that business competitiveness is manifested through the firms longterm relatively performed comparing to its competitor. Man et.al. (1998) summarized four conditions necessary for competitiveness at the firm level : firstly, competitiveness calls for sustainability, which focuses on long term performance; secondly, controllability is a necessary condition related to the various resources and capabilities of a firm rather than simply the favorable external conditions leading to superior performance; Thirdly, emphasized on the competitive strategy approach, competitiveness also requires relativity, concerning how competitive a firm when it is compared with the rest of the industry; The last condition, dynamism, involves the dynamic transformation of competitive potentials through the competitive process into outcomes.

2. Competitiveness and Business Strategy

In this globalitation era, being able to manage and comprehend competitiveness are the most important requirements to survive in business world. Concerning about it, it is necessary for firm to defines competitiveness as *per as strategy* (Ambastha & Momaya 2004) and then used the strategy as competitive tools (Kotey & Harker 1998) no wonder Ambastha & Momaya (2004) argued that weaknesses in understanding competitiveness, specifically competitiveness *processes from awareness to its integration with strategy, may be a root cause of low competitiveness of firms in India.*

3.Assets - Processes - Performance Framework

At this moment many frameworks , models, and theories on competitiveness are exist , unfortunately integrated frameworks that can help practitioners to take key decisions on competitiveness are few. From this few number, empirical evidence has demonstrated the utility of APP framework as a useful and robust tool. Besides that APP framework that are now well understood by professionals may provide the best tool to link competitiveness with strategy (Ambastha & Momaya, 2004).

Buckley et.al. (1988) noted that definitions and measures of competitiveness, are vary and could distinguish three different views of competitiveness : the endowment of assets, the management process, and the ability to perform well. The term Assets, Process, and Performance were adopted by Momaya (1998), Momaya & Selby (1998), and Ambastha & Momaya (2004) to become the cornerstone of the APP framework.

Momaya (1998) stated that the three components of the basic concept of APP framework can be captured in three facets of competitiveness : competitive assets, competitive processes, and competitive performance. Assets are dormant factors unless they are transformed by competitive processes. The processes that ensure long term competitive performance are depicted as strategic management practices and defined as harmonious interaction among key stakeholders in creating and upgrading the assets for sustainable performance.

The three facets of competitiveness are the basic building blocks of the competitiveness model. However, it is possible to break down competitiveness into many distinct criteria that can be quantified independently (Momaya, 1998).

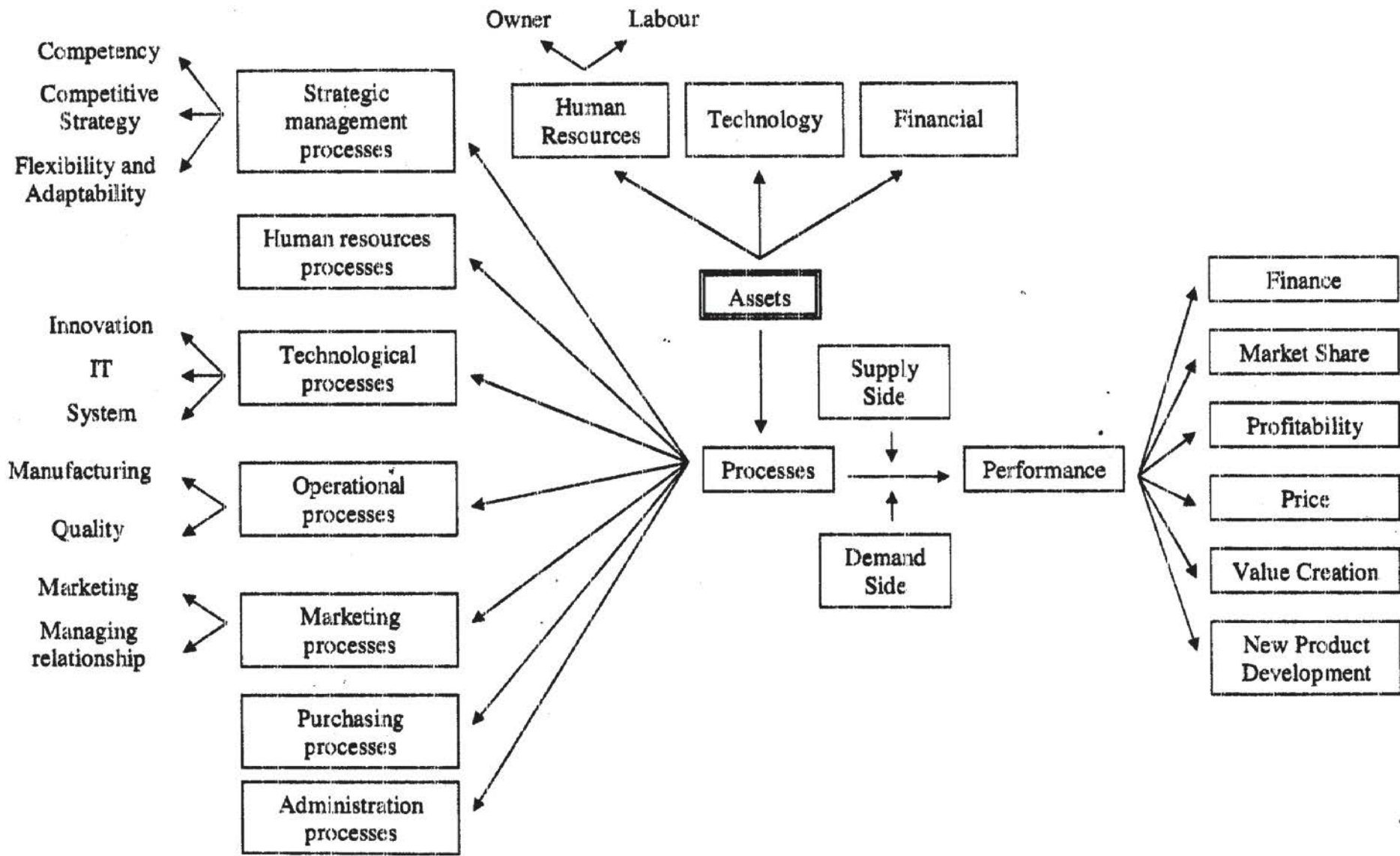
C. CONCEPTUAL FRAMEWORK

One of the purposes of this research is to identifying the factors of competitiveness of small business in Kota Surabaya.

With consideration that empirical evidence has demonstrated that APP framework not only as a usefull and robust tools but also may provide the best tool to link competitiveness with strategy (Ambastha & Momaya, 2004) therefore in this reseach APP framework use as corner stones. while competitive aspect become variable and in futher become sub-sub variable competitiveness, which is used in the result of previous research as summarized by Ambastha & Momaya (2004 : p. 51-52) and the study of Hungarian Small Business by Szerb & Terjessen (2010)

The conceptual framework of this study can be seen in figure 1 as follows :

Figure 1 : THE CONCEPTUAL FRAME WORK



D. RESEARCH METHODS

The empirical research entitle "The Competitiveness Indicator of Small Business in Surabaya was conducted with the financial support at Department of Industry and Trading at Surabaya city.

The Subject of research was small sized businesses that are : own net equity between Rp 50 million up to Rp 500 million excluding land and building, and net sales annually between Rp 300 billion up to Rp 2,5 billion .

Data Collection

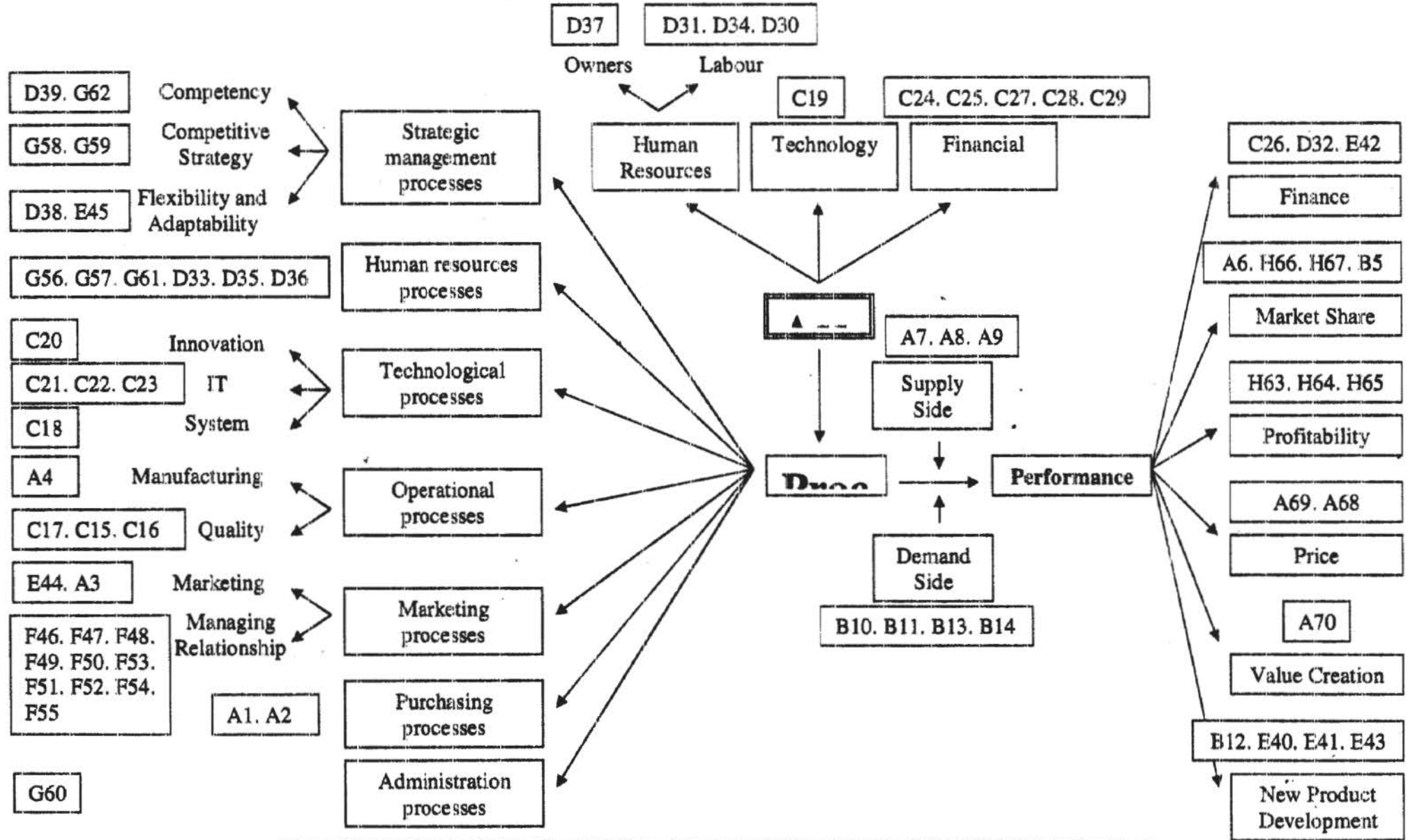
The research was conducted in June to September 2011. 60 questionnaire were distributed among small business owners; 47 of these were answered, which is 78,33% of the assumed research sample. All of them were production companies.

The questionnaire clearly stated that the data was to remain confidential and would only be used for research purposes.

Based on the conceptual framework is used 70 item question to analyze which are the indicators of Small Business Competitiveness. In this study 5 point Likert scale variables were created.

The questionnaire map in figure 2 shows question items in the questionnaire which concern about conceptual framework.

Figure 2 : THE QUESTIONNAIRE MAP



Data Processing

1. Data Transformation

At this moment, the reliability using of ordinal scale data is still controversial for statistic analysis. To avoid this longer polemic, then transformed the data base of questionnaire result which were all of them in the form of ordinal data by using software ORDI to become interval data.

2. Validity and Reliability Analysis

We used reliability test and validity test to examine whether question items in the questionnaire was valid to become indicator of competitiveness. Cronbach Alpha method was used for reliability test while for validity test was using two methods which are Product moment Pearson correlation method and Corrected Item Total Correlation method. In this research, Statistic Program SPSS 20 used to analyze validity and reliability.

E. EMPIRICAL RESULTS

1. Result of Reliability Test

Reliability test is used to examine measurement tool if there is any remeasurement. when the test result is not reliable, so the measurement is also not reliable. In this research, Reliability test uses Cronbach Alpha method.

Reliability test in questionnaire in this research was supported by statistic program SPSS 20 showed the grade of Cronbach Alpha amounted 0,93. Due to Sekaran (1992) that stated if the grade of Cronbach Alpha is more than 0,8 it will show that the measurement tool has a good reliability. Therefore, result of measurement with questionnaire in this result is very reliable. And measure result will remain consistently when it is used to a differen group of sample.

2. Validity Test Result

Validity test was used to know whether measurement tool had worked properly. Once an item is invalid, it will fail and can't be used as measurement tool

In this research, validity test was used to know the possibility of an item tobe a competitiveness indicator. To make the chosen item to be a valid one, its validity was tested by two methods of validity test Product Moment Pearson Correlation method and Corrected Item Total Correlation Method. If one method indicated any unvalid item, so it would be failed as an indicator.

Validity test in this research was helped by Statistic Program SPSS 20.

The result of validity test showed that 21 items were failed from 70 items which had been tested so those 21 items couldn't be used as competitiveness indicator. Detail failed items can be seen on the tabel 2 below.

Table 2 : Failed items in validity test

No.	Question Number	Code	No	Question Number	Code
1.	3	G58	12.	34	A68
2.	4	G59	13.	42	B12
3.	8	A1	14.	51	F51
4.	9	A2	15.	52	F52
5.	10	A3	16.	54	F.54
6.	14	A9	17.	55	F55
7.	18	B14	18.	56	C15
8.	19	C27	19.	57	C16

9.	20	C28	20.	58	C18
10.	21	C29	21.	70	A70
11.	22	D30			

3. Small Business Competitiveness Indicator

The invalid item will impact to the existence of sub variable, variable, and or aspect of Small Business Competitiveness.

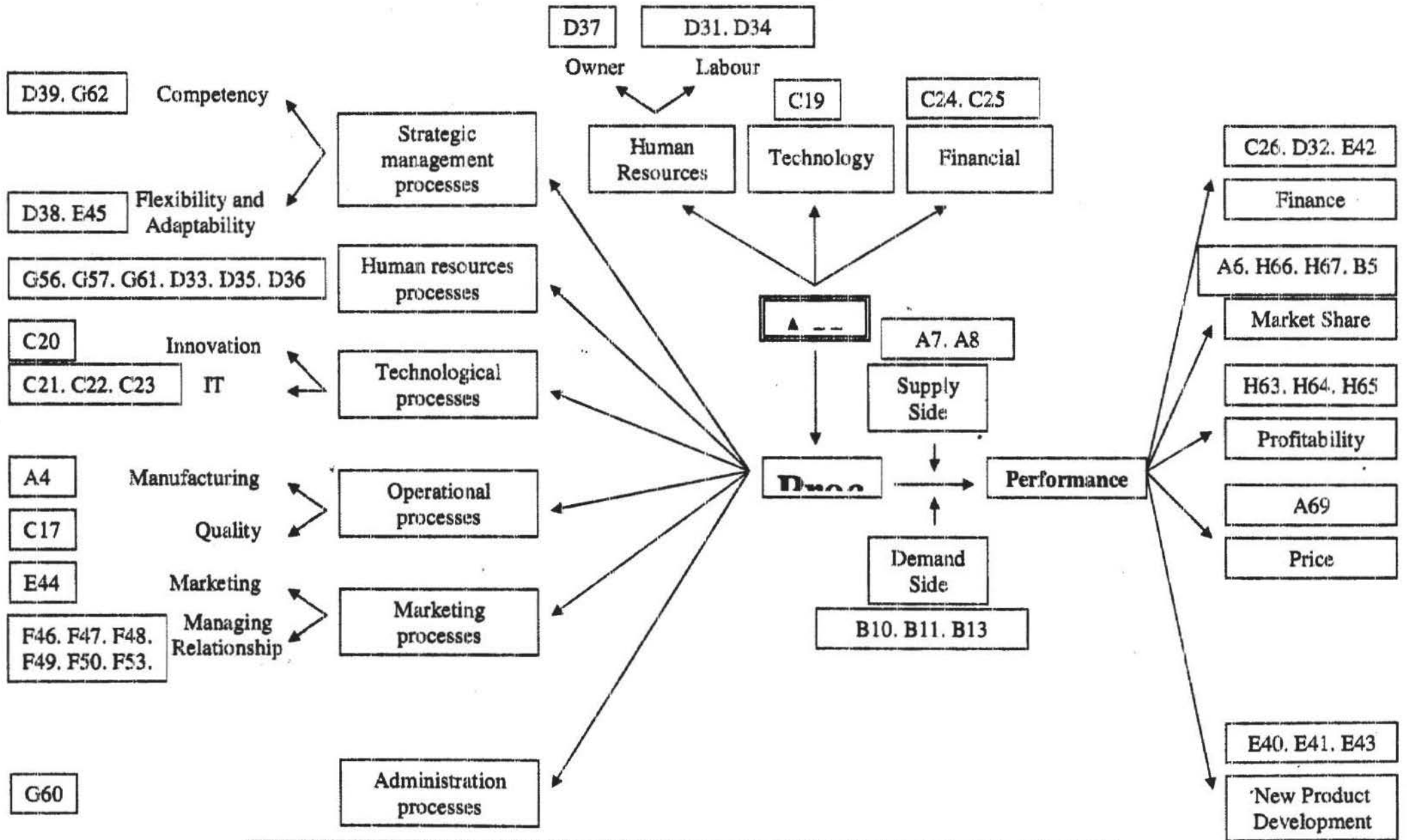
The invalid item at Competitive Asset aspect, (D30, C27, C28, C29), Competitive Supply Side Aspect (A9), and Competitive Demand Side Aspect (B14) doesn't change the existence of sub variable and its variable so they remain the same as it was, as mentioned in Conceptual Framework. It shows that in the Competitive Asset aspect, business owner perception is appropriately fitted to APP framework.

In competitive process aspect, the invalid items A1 and A2 made a failed impact the Purchasing Process Variable; the invalid items C18 made a failed impact sub variable system in Technological Process variable; and the invalid items G58 and G59 made a failed impact sub Variable Competitive Strategy in Strategic management Processes variable. It shows in Competitive Processes Aspect although business owner perception is not fully suitable but it still has a high appropriately fit to APP framework.

In competitive performance aspect the invalid item A70 made a failed impact Value Creation Variable. The failed Value Creation Variable as one of variable in competitive Performance aspect is interesting part and need furthermore analysis since it shows that micro business owner in Surabaya city doesn't assume Value Creation as an important thing in Competitive Performance.

In this way, we can state that The Conceptual Framework which is based on APP framework in general is suitable with the business owner perception. Small Business Competitiveness Aspect; variable; sub variable; and indicators as a result in this research can be seen in figure 3 as follows:

SMALL BUSINESS COMPETITIVENESS: ASPECT, VARIABLE, SUB VARIABLE, AND INDICATORS



F. CONCLUSION AND RECOMMENDATION

The basic aim of this empirical research is to examine APP framework in empirical world. To know the kind of question items accepted as indicator of small business competitiveness is conducted a survey by using questionnaire to small business owner in Surabaya.

As the question items in questionnaire is arranged according to APP framework so that if any invalid items will not change "building blocks of APP framework" it can be stated that in small business competitiveness context of small business owner perception is suitable with APP framework.

Conclusion :

1. The invalid question item doesn't change the APP Competitiveness Basic Building Blocks that are competitive assets aspect, competitive process aspect, and competitive performance aspect. This finding support the opinion of Momaya (1998) about Basic building blocks of the competitiveness model.
2. In variable level of each aspect, the invalid question items can give various impact. The invalid question item doesn't change the existence variable in Competitive Assets Aspect. Therefore competitive Assets Variable is the same as in Conceptual Framework that consists of Human Resources Variable, Technology Variable, and Financial Variable.

In competitive Processes Aspect, the invalid question item in this aspect make a failed impact Purchasing Processes variable as one of Processes aspect.

For competitive performance aspect, the invalid question item in this aspect make a failed impact value creation as one variable of performance aspect.

1. According to the competitiveness indicators, the business owners perception is appropriately fitted with APP Framework.

Recommendation

1. Due to small sample size, this empirical research was to present as a preliminary study : that's why should be careful to interpret of this "small research" findings
2. Future research should include the following :
 - a. Attempt to increase the sample size to capture a better representative research in the future.
 - b. The increased sample size should be analyzed according to sectors.
 - c. Case studies could be conducted to support or otherwise reject the findings of this study.

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FOREWORD

This Proceeding is a compilation of papers submitted for **The 9th International Annual Symposium on Management** conducted by the Department of Management, Faculty of Business and Economics, Universitas Surabaya. This year's theme of the symposium is **Innovation And Best Practices In Business Management: "How To Enhance Organizational Effectiveness On Free Trade Area In Asia?"**

In this opportunity, we would like to share our grateful to the institution (national and abroad) who send their lecturer or researcher to our symposium.

This symposium is to provide a sharing forum for researchers, academics, and practitioners engaged in basic and applied research in Free Trade Area Agreement in Asia opens up opportunities while increasing competition among enterprises. Therefore, every business entity must have a certain comparative advantage so that it can run a strategic role for competition in the business world. This condition requires every business entity in Asia to accelerate growth and changes, and to develop capacity to be able to survive. In order to achieve that acceleration, those business entities must have much innovation and the best business practice that can provide a long term competitiveness (futuristic) more than today market demands, and that can resist recession (Recession Proof). Those Innovation and business practices are supported by the efforts of strategic alliances in a network with various business entities as well as by conducting a Strategic Benchmarking for an increase in the effectiveness of the enterprise and the ability to compete in the business world.

Finally, we hope that this compilation of papers, ranging from a conceptual work to an empirical research can enrich our perspective in corporate governance theory and practices.

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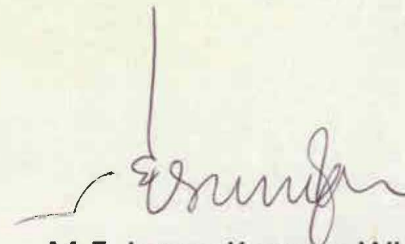
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