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# Business Performance and the Development of Business Unit Structure: A Study on Sasirangan Fabric Craftsmen in South Kalimantan

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## Abstract

This study aims to examine reciprocal effects between business performance and the development of business unit structure. The correlation between business performance and the development of business unit structure for the craftsmen of sasirangan fabric is a new study that is interesting to research in relation to employment and regional economic growth. There have not been any studies examining reciprocal effects between business performance and the development of business unit structure on the sector of Small and Medium Enterprises (SMEs). This study was conducted in Banjarmasin, Indonesia. The type of research is quantitative. The sample was determined by using census. The respondents of this study were the craftsmen of sasirangan fabrics. The data were collected from 139 craftsmen filling out the questionnaires. Data analysis technique used reciprocal equation model assisted by AMOS program to test the three research hypotheses. The results of this research show that sasirangan fabric craftsmen focus more on productivity and thus become ineffective in using business development opportunities. On the other hand, it is found that sasirangan fabric craftsmen who focus more on the utilization of market opportunities can have a positive impact on their productivity improvement.

**Keywords:** Business performance, development of business unit structure, Indonesia

## 1. Introduction

South Kalimantan as an Indonesian territory also has a famous unique cloth namely sasirangan fabric. Sasirangan fabric is the cloth made by *menyirang*, which is binding the cloth with the desired motifs using the yarn and then dipping it into the dyes. Sasirangan fabric belongs to batik cloth that possesses distinctive cultures of South Kalimantan. Sasirangan fabric is produced to meet the demands and the needs of the people in South Kalimantan. In fact, sasirangan fabric has been in demand by people in Europe and Asia. The craftsmen of sasirangan fabrics make a development by combining traditional motifs and new creations for clothing and apparel materials, as well as refining and developing the manufacturing techniques so that they can produce a lot of fabrics in a relatively short time (Achmadi *et. al.*, 2013). The fabric production process has now shifted from the technical one to the creativity because the quality and the attractiveness of the fabrics focus on the motifs such as the patterns and colorings (Poerwanto and Sukirno, 2012).

The Department of Trade of the Republic of Indonesia in 2008 stated that creative economy is a manifestation of the efforts for finding sustainable development through creativity. Sasirangan fabric industry can be categorized as a creative industry in terms of crafts, designs, and fashion subsectors. The development on various motifs, styles and colors that adapt the elements of the local cultures is one part of the performance for the craftsmen of sasirangan fabrics.

The development of various motifs, styles and colors is very important to improve the competitiveness of fabric craftsmen in trade (Yohanes and Indriyani, 2013). Business performance has a correlation with the development of creative industry in the fashion sub-sector (Poerwanto and Sukirno, 2012). The development of business unit such as sasirangan fabrics can build a center of creative-based industry for craftsmen as well as encourage the growth and the development of creative industries. In addition, the development of business unit structure of sasirangan fabric craftsmen can also expand business opportunities and create jobs in South Kalimantan (Achmadi *et. al.*, 2013).

Morrison (2003) explains that the development of small business units has a significant impact on regional economic development and creates new jobs. As stated by Mazzarol (2000), small businesses are the driver of economic growth and the solution to overcome unemployment. In Indonesia, the enactment of Law No. 20 of 2008 on micro, small and medium-sized enterprises (SMEs) is designed to improve SMEs's business performance. The correlation between business performance and the development of business unit structure for the craftsmen of sasirangan fabrics is a new study that is interesting to research in relation to employment and regional economic growth in South Kalimantan.

## 2. Literature Review

Business performance can be interpreted as an accomplishment achieved by a company in a certain period (Helfert, 1996). Performance evaluation according to Jane (1997) can be identified by several dimensions

namely dimensions of effectiveness, efficiency and *equity/fairness*. Jane (1997) asserts that effectiveness can be defined as the ability of a person or company to produce goods based on the required standards, while efficiency is defined as the utilization of sources of companies with a relatively lower cost to produce *output* without reducing the quality. Efficiency and effectiveness focus on two things, which are productivity and profitability. Productivity is related to the measurement of how *input* can produce *output*. Profitability is related to the overall measurement of *financial efficiency*. *Equity/fairness* is defined as the determination for customer satisfaction by providing affordable prices. Several indicators used to measure business performance according to Dwiyanto (2006) are productivity, service quality, responsiveness, responsibility, accountability.

**Productivity:** the concept of productivity not only measures the level of efficiency but also measures the effectiveness of a service. Productivity is generally understood as a measure between input and output such as a guarantee of the availability of raw materials and technological infrastructures.

**Quality of service:** it describes the ability of entrepreneurs to satisfy customers by utilizing the available business resources. The company's services include the knowledge of the employers and the employees as well as skills to satisfy customers.

**Responsiveness:** the company's ability to recognize the needs of the customers and develop services in accordance with the customers' needs and aspirations. The company's responsiveness is related to the talent and the creativity of the employees to recognize customers' needs.

**Responsibility:** it focuses more on the conformity of the implementation of organizational activities with the principles of the correct administration, either explicit or implicit. It includes the achievements of the company's vision, mission and objectives as well as the compliance of the policies of the company related to the business challenges.

**Accountability:** it includes the corporate governance systems related to changes in the business environment. Accountability appears in the implementation of the company's management system and strategies.

The development of business unit structure refers to the process (stages) of the development of business units or small business groups, starting from the pioneering (establishment) process to the last observed condition (Haryadi, 2001). Kirkpatrick (2006) describes development of business unit structure as "a step-by-step process, which is systematic to increase the knowledge, skills, attitudes and job performance in the business managerial field as well as the growth of the organization."

Development of business unit structure according to Afuah (2004) is a set of activities undertaken to create something by developing and transforming various resources into goods/services wanted by the consumers. Development is an analytical preparation process of potential growth opportunities by utilizing the expertise, technology, intellectual property and directives from the outside parties to improve the quality as an effort to expand a business. Afuah (2004) measures the Development of Business Unit Structure into three indicators, consisting of the motives to change the situations, opportunities for growth and the needs for supervision from the outside parties.

### 3. Methodology

#### 3.1 Conceptual Framework

Business performance appears on the accomplishments achieved by the company in a certain period (Helfert, 1996). According to Jane (1997), business performance can be characterized by three dimensions consisting of effectiveness, efficiency and *equity/fairness*. Development of business unit structure is a process (stages) of the development of business units or small business groups, starting from the pioneering (establishment) process to the last observed condition (Haryadi, 2001). The Development of Business Unit Structure can be reflected by the three circumstances namely the motives to change the situations, finding opportunities to grow and the needs for supervision from the outside parties (Afuah, 2004). Related to the guidance policy for small and medium entrepreneurs in accordance with Law No. 20 of 2008, which aims to improve business performance and the growth of business unit structures, the correlation between business performance and the growth of business unit structure becomes a unique study to be investigated. There are three proposed research hypotheses.

H1: Business performance and the growth of business unit structures have different characteristics.

H2: Business performance affects the growth of business unit structures.

H3: The growth of business unit structure affects business performance.

Table 1. Notations of variables and indicators

Variable and indicators		Variable and indicators	
X	Business Performance	Y	The development of business unit structure
X11	Productivity	Y11	The Motives to Change the Situations
X12	Service Quality	Y12	Opportunities to Grow
X13	Responsiveness	Y13	The Needs for Supervision from the Outside Parties
X14	Responsibility		
X15	Accountability		

Figure 1. The model for Hypothesis 1

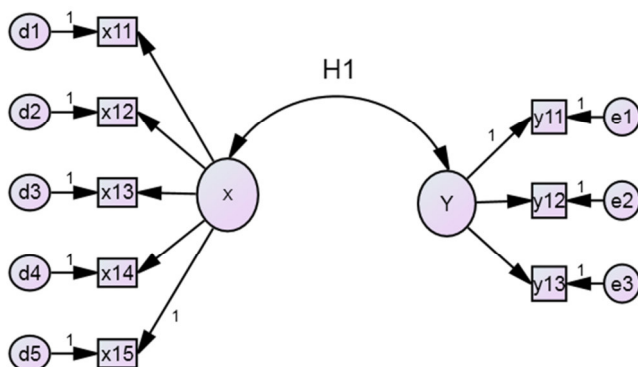
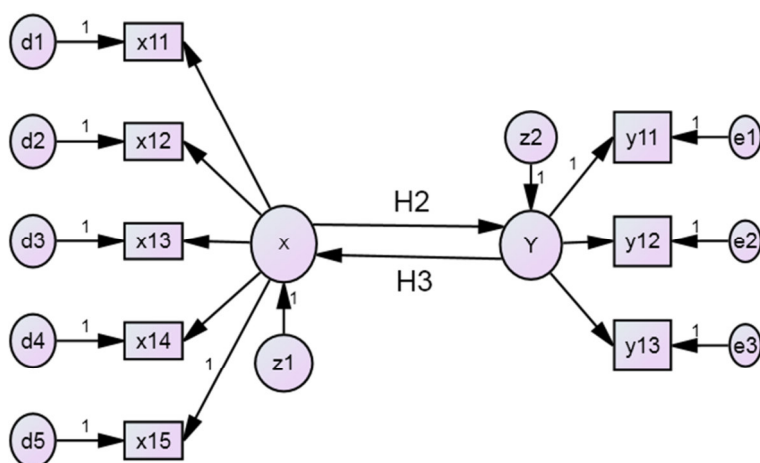


Figure 2. The model for Hypotheses 2 and 3



### 3.2 Research Design

The type of this research used quantitative approach. The research paradigm was positivism. Questionnaires as a tool to collect primary data and survey method were used in this research. The location of this research was in Banjarmasin, South Kalimantan - Indonesia. The research population was all 145 craftsmen of sasirangan fabrics. The census method was used to collect the data.

### 4. Findings

The survey was conducted for two months in 2017. The collected questionnaires were 139 units that could be analyzed. The 139 units of analysis still meet the limit of tolerance at the 5% error rate with not more than 7 units. Descriptive analysis and structural equation modeling were used to explain the three research hypotheses.

The answers of the respondents to the questionnaires were examined, classified and tabulated. The tabulation process was supported with Excell program and the structural equation modeling analysis technique was assisted with AMOS (Analysis Moment of Structure) program.

Validity and reliability tests of the research instruments were supported with SPSS program. The results of analysis show that the respondents understand the questions in the questionnaires, which is shown in Table 2 presenting the product-moment correlation value with probability level less than the error rate (0.05). The value of Chronbach's Alpha for each indicator in Table 2 exceeds the  $r$  (statistics) with  $n=139$  at the error rate of 0.05, which is 0.161. This comparison indicates that some of the questions asked to the respondents have a good level of reliability; i.e. if the questionnaires were circulated once more, then the respondents had the opportunity to give the same answers.

The results of validity and reliability tests were presented in Table 2.

Table 2. The results of validity and reliability tests

Variable and indicators		Product moment Correlation	Chronbach's Alpha	Variable and indicators		Product moment Correlation	Chronbach's Alpha
X	Business Performance	-	-	Y	The development of business unit structure	-	-
X11	Productivity	0.789*	0.767	Y11	The motives to change the situations	0.681*	0.816
X12	Service Quality	0.758*	0.868	Y12	Opportunities to grow	0.757*	0.833
X13	Responsiveness	0.869*	0.690	Y13	The needs for supervision from the outside parties	0.878*	0.851
X14	Responsibility	0.889*	0.890				
X15	Accountability	0.795*	0.715				

Note: \*) error rate  $\leq 0.05$

The results of the confirmatory analysis of business performance and the development of business unit structure variables were presented in Appendix 1 and summarized in Table 3.

Table 3. The results of confirmatory analysis model

Goodness of fit indices		Cut-Off	Result
Chi Square (statistic)	10.003	$\leq 30.143$	Good
probability	0.953	$\geq 0.05$	Good
RMSEA	0.000	$\leq 0.08$	Good
Chi Square (statistic)/DF	0.526	$\leq 2.00$	Good
GFI	0.983	$\geq 0.90$	Good
TLI	1.022	$\geq 0.95$	Good

Table 3 describes the confirmation results of the test on business performance and the development of business unit structure variables. The Chi-Square (statistic) at the error rate of 0.05 with DF=19 is 30.143. The comparison between Chi-Square (table) is 30.143, which exceeds the Chi-Square (statistic) value, which is 10.003. Indeed, the model probability value of 0.953 exceeds the 0.05 rate. This comparison shows five indicators consisting of productivity, service quality, responsiveness, responsibility and accountability capable of characterizing business performance. Similarly, the three indicators comprising the motives to change the situations, opportunities to grow and the needs for supervision from the outside parties are also capable of characterizing the development of business unit structures. The unstandardized covariance value is 0.066 with the probability value of 0.008. The error rate value set at 0.05 exceeds the probability of 0.008. This comparison reveals that there are characteristic differences between business performance and development of business unit structure variables. Hence, the first hypothesis can be proven.

The figure of the equation model for the test results of the reciprocal effects of the latent variables of business performance and development of business unit structure is presented in Appendix 2.

Table 4. Reciprocal Equation Model

Variable	Path	Variable	Coefficient	Probability	Result
Business Performance (X)	→	The development of business unit structure (Y)	-7.037	0.000	H2 was accepted
The development of business unit structure (Y)	→	Business Performance (X)	4.851	0.000	H3 was accepted

Table 4 explains the test results of the reciprocal equation model. The simultaneous reciprocal test of business performance and the development of business unit structure shows significant reciprocal results. There is a negative effect of business performance on the development of business unit structure with unstandardized coefficient value of -7.037 and there is a positive effect of development of business unit structure on business performance with unstandardized coefficient value of 4.851. This test indicates that the first and second hypotheses were accepted.

The values of factor loadings for each latent variable are presented in Table 5.

Table 5. Research indicators and factor loading

Business Performance (X)		Factor Loading	mean	The development of business unit structure (Y)		Factor Loading	mean
X11	Productivity	0.86*	4.02	Y11	The motives to change the situations	0.86*	4.01
X12	Service quality	0.74*	3.97	Y12	Opportunities to grow	0.95*	4.15
X13	Responsiveness	0.68*	3.90	Y13	The needs for supervision from the outside parties	0.86*	4.02
X14	Responsibility	0.76*	3.99				
X15	Accountability	0.67*	3.87				

Note: \*) error rate  $\leq 0,05$

Table 5 explains that business performance variable is measured by five indicators consisting of productivity, service quality, responsiveness, responsibility and accountability. Of the five indicators, it is found that productivity indicator is able to best describe business performance with the factor loading of 0.86 and the mean score of 4.02. The development of business unit structure variable is measured by three indicators consisting of motives to change the situations, opportunities to grow and the needs for supervision from the outside parties. Of these three indicators, the one that is most able to explain the development of business unit structure is the opportunities to grow with the highest factor loading value of 0.95 and the mean score of 4.15.

## 5. Discussion and Recommendation

The research respondents were all of the craftsmen of sasirangan fabrics in Banjarmasin. This study is a research on the perception of sasirangan fabric craftsmen on business performance and the development of business unit structures. Based on the respondents' perception, it is found that the ability of the craftsmen in managing the availability of raw materials, performing the production process and producing valuable products shows the activities that can reflect the overall business performance of sasirangan fabric craftsmen. In addition, the responsibility skill, namely the craftsmen's ability to respond to the administrative order properly and in accordance with the principles of administration proved to be done well by the craftsmen of sasirangan fabrics. The development of business unit structures of the sasirangan fabric craftsmen appears in their activities in utilizing the opportunities to develop the business. This ability to effectively utilize opportunities reflects the development of the business unit structures of sasirangan fabric craftsmen in Banjarmasin. There are various patterns of finding opportunities such as entering new market locations, new segments or the courage to compete with other similar products.

Reciprocal testing of business performance and the development of business unit structure is a rare study especially for SMEs. The test results of the effects of business performance on the development of business unit structure found that the business performance of the sasirangan fabrics craftsmen can actually decrease the development of business unit structure. Work productivity of the sasirangan fabric craftsmen that has been done so far by conducting the input management of raw materials to produce high value products, on the contrary, ignores other business opportunities in order to improve the development of this business. This can happen because the business management of sasirangan fabrics belongs to the type of business that requires high supervision, so that the work of production process becomes the key to business success. The sasirangan fabric craftsmen focus more on productivity activities, thus ignoring other opportunity factors that can develop the structure of their business units. Thereby, from the test results of the effects of business performance on the development of business unit structures, it can be concluded that the sasirangan fabric craftsmen who focus more on productivity will then utilize the business development opportunities ineffectively.

The test result of the effects of the development of business unit structure on business performance reveals that the development of business unit structure can improve business performance. The development of the business unit structure of sasirangan fabrics is mostly done by searching and finding opportunities to develop the business. The ability to find opportunities for new market locations and new segments has a positive impact on the business performance of the sasirangan fabric craftsmen. The more active they are looking for market opportunities, the more positive the effects on the improvement of sasirangan fabric productivity are. These test results indicate that most craftsmen of sasirangan fabrics have succeeded in finding and utilizing new markets as business opportunities, so that the demand for sasirangan fabrics increases and positively impacts on increasing the productivity to produce sasirangan fabrics. It is apparent that sasirangan fabric is popular with many people and there are even many craftsmen who export their products. The test results of the effects of the development of business unit structure on business performance lead to a conclusion that sasirangan fabric craftsmen who focus more on the utilization of market opportunities have a positive impact on increasing their productivity.

The findings reveal that this two-way reciprocal effect shows the negative and positive effects for SMEs. For future research, it is possible to investigate the reciprocal effects of business performance and the

development of business unit structures with different indicators for SMEs in service sectors. The service sector is interesting to investigate because it produces “unreal” products and requires interaction between producers and consumers.

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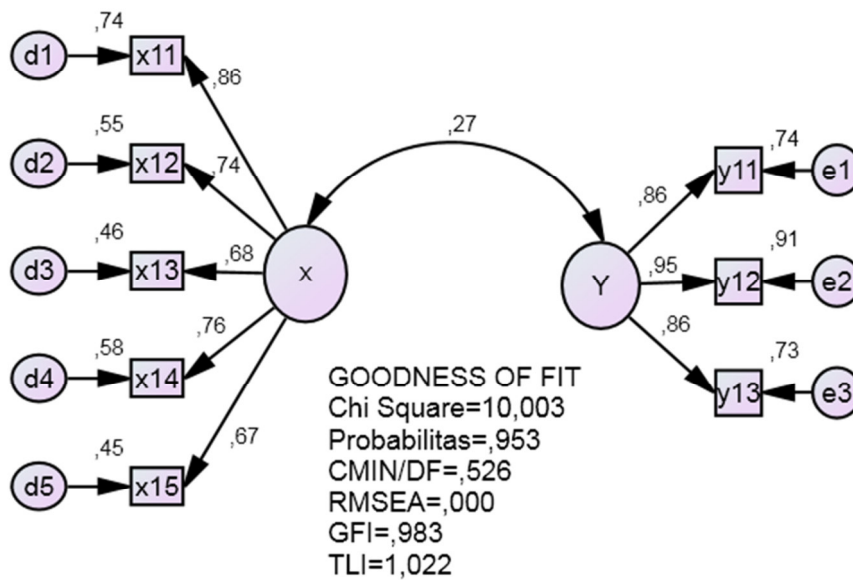
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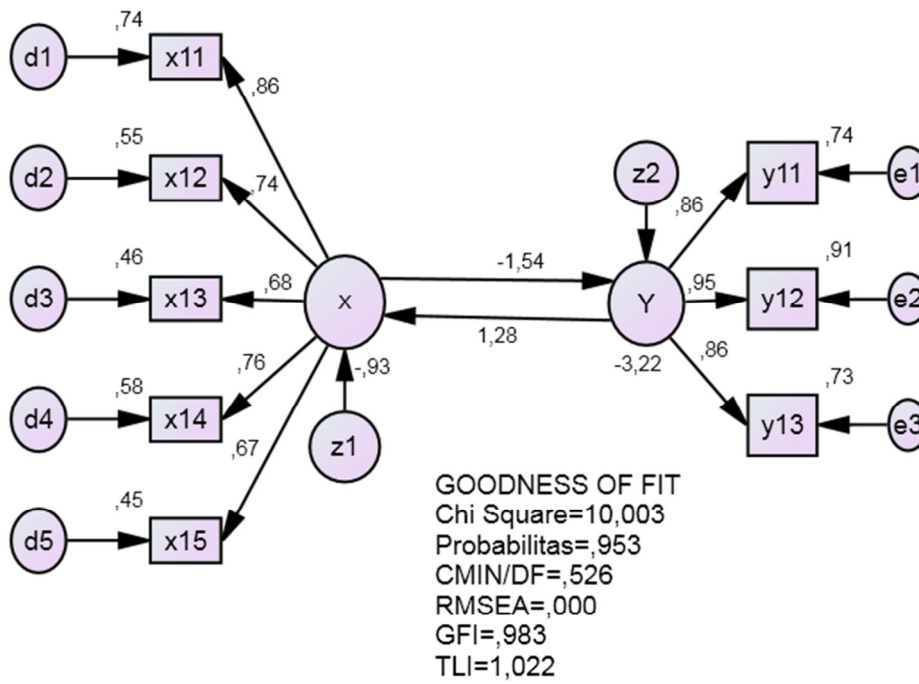
**APPENDIX 1**



**Covariances: (Group number 1 - Default model)**

		Estimate	S.E.	C.R.	P	Label
Y	<--> X	,066	,025	2,666	,008	par_7

**APPENDIX 2**



Path	Estimate	S.E.	C.R.	P	Label
y11 <--- Y	1				
y12 <--- Y	1,136	0,076	14,996	***	par_1
y13 <--- Y	1,046	0,080	13,125	***	par_2
x15 <--- X	1				
x14 <--- X	1,149	0,15	7,647	***	par_3
x13 <--- X	0,984	0,141	6,966	***	par_4
x12 <--- X	1,051	0,141	7,467	***	par_5
x11 <--- X	1,134	0,136	8,325	***	par_6
Y <--- X	-1,517	0,216	-7,037	***	par_7
X <--- Y	1,298	0,268	4,851	***	par_8



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