

THE IMPACT OF SMALL BUSINESS MANAGEMENT ON THE IMPROVEMENT OF BUSINESS PERFORMANCE: THE STUDY OF SMALL-SCALE CAKE AND PASTRY BUSINESS IN SAROLANGUN REGENCY, INDONESIA

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Abstract

The purpose of this study is to describe the management of small-scale business, to identify the factors that influence the management of small-scale business and to formulate small business management model, specifically on the pastry business in Sarolangun regency in order to improve business performance. This study uses a combination of research methods (mixed method), which is a combination of qualitative and quantitative research methods. The type of research combination used is Sequential Exploratory Design. Qualitative methods were used in the early stage and quantitative methods were used in the latter stage. This study is the first research that examines the impact of small business management in terms of financial, human resources, operational and marketing management in order to formulate a comprehensive management system to improve the performance of small-scale enterprises in Sarolangun Regency, specifically for the pastry business. The results conclude that independent variables (X_1 = financial management, X_2 = HR management, X_3 = operational management and X_4 = marketing management) simultaneously influence Y (business performance of the pastry industry), as well as partially that each research variable has a significant effect on the business performance.

Keywords: Management, small-scale enterprise, business performance

INTRODUCTION

Small businesses play a very important role in improving the economy in both developed and developing countries. In developed countries, small businesses are important because they are the group that absorbs the most labor and on the other hand its contribution to growth of gross domestic product (GDP) is higher compared to the contribution of big enterprises.

In Indonesia the strategic role of small businesses is also very significant. The contribution of small businesses towards Indonesia's Gross Domestic Product (GDP) is increasing every year. Based on survey results and Central Bureau of Statistics (BPS) calculations, the contribution of SMEs to GDP (without oil and gas) in 2007 was 62.71 percent and in 2008 its contribution increased to 64.47 percent.

Undang-Undang (Act) No. 20 Year 2008 on Micro, Small and Medium Enterprises (SMEs), is the foundation of government policy to encourage small and medium enterprises. As stated, it is necessary to conduct comprehensive and sustainable measures for SMEs to grow through conducive climate, equal business opportunity, and development as widely as possible. Small enterprises are expected to take greater contribution as currently being held by the big businesses in realizing economic growth, equity as well as people's incomes, job creation, and poverty alleviation. Most small businesses have little chance to survive in this competitive world. There have been many efforts that has been done by various parties including the government in order to push the economy. The problem faced is not solely the on the availability and adequacy of capital. Other factors such as organization management, and low quality of input, process until output is thought to be the major factors. Therefore, for small businesses to be optimal, owners should manage it well so as to improve the performance of the business.

Therefore, in order for small businesses to improve their performance, it is necessary to find the proper management system of small businesses in Sarolangun Regency, especially for the pastry industry. Therefore, the study should be able to provide an explanation for small business management on improving business performance in Sarolangun Regency.

This study is the first research that examines the impact of business management in terms of financial, human resources, operational and marketing management in order to formulate a comprehensive management system to improve the performance of small-scale enterprises in Sarolangun especially for cake and pastry businesses.

RESEARCH METHOD

The study uses descriptive research design. Data collection techniques use structured questions and secondary data collection. In this study, the independent variables are financial management (X_1), human resource management (X_2), operational management (X_3) and

marketing management (X_4), while the dependent variables is the Management of Pastry Business (Y). To get satisfactory results, we required multiple linear regression to test the classical assumptions.

Classic Assumption Test

1. Normality Test
2. Multicollinearity Test
3. Heteroskedasticity Test

Hypotheses

To test whether there is a relationship between X and Y variables, thus we have to test it statistically with the critical value of t distribution, at the significance rate of $\alpha = 0.05$ with degrees of freedom $dk = n-2$.

H_0 : $b = 0$ (financial management (X_1), human resource management (X_2), operational management (X_3) and marketing management (X_4) have no effect on pastry business management (Y) either partially or simultaneously)

- a. H_a ; $b \neq 0$ (financial management (X_1), human resource management (X_2), operational management (X_3) and marketing management (X_4) have influence on the pastry business management (Y) either partially or simultaneously)

Simultaneous Test(F)

In this research, F test is used to know the level of significance of independent variables simultaneously to the dependent variable (Imam, 2005).

The rationale is to use a significant level 0,05, namely:

- a. If $F_{count} > F_{table}$, then H_0 is rejected, it means that each independent variable (X) together has a significant influence on the dependent variable (Y).
- b. If $F_{count} < F_{table}$, then H_0 is accepted means that each independent variable (X) together has no significant effect on the dependent variable (Y).

The way to do the F test is to compare the statistical value of F arithmetic with F table as follows:

- a. If $Sig > \alpha$ then, H_0 is Accepted; and H_a Rejected
- b. If $Sig < \alpha$ then, H_0 is Rejected; and H_a Accepted

Partial Test (t)

The purpose of t test is to see the significancy of each independent variable on the dependent variable by assuming other variables are constant. The significancy level ($Sig t$) of each

independent variable in at sig level $\alpha = 0.05$. According to Imam (2005), test t is conducted by comparing the static value t with the criteria point according to the table.

Testing criteria:

- a. If $t_{hitung} > t_{tabel}$ then H_0 accepted and H_a rejected (no effect),
- b. If $t_{hitung} < t_{tabel}$ then H_0 rejected and H_a accepted (influential)

Coefficient of Determination (R^2)

The coefficient of determination (R^2) essentially measures how far the model's ability to explain variations of dependent variables. The determinant coefficient (R^2) is intended to determine the best level of accuracy in the regression analysis, which is indicated by the magnitude of the determination coefficient (R^2) between 0 (zero) and 1 (one).

The coefficient of determination is shown by R Square in the Summary Model generated by the SPSS program. If the value of R^2 approaches 1, the regression model is considered better because the independent variables used in this study are able to explain the dependent variable. A value close to one means the independent variables provide almost all the information required for variation of the dependent variable (Imam, 2005).

RESULTS AND DISCUSSION

Overview of the Respondence

Respondent in this research is owner or perpetrator of Small Business especially the pastry business in Sarolangun regency doing sales activity in region of Sarolangun Regency that spread over 10 districts in Sarolangun regency. Sampling method used in this research is the method of purposive sampling type or judgment sampling. According Jogiyanto (2010), judgment sampling is purposive sampling with criteria based on the results of qualitative research. Data from the Department of Industry and Trade of Sarolangun Regency in 2015 number of Small Businesses especially pastry makers in Sarolangun Regency as many as 96 units. Referring to the opinion of Arikunto (2002), then if the subject is less than 100 respondents, better taken all so that his research is a population study.

The majority of small-scale businesses, especially pastry makers in Sarolangun regency are male respondents which is 79.27%. While the female sex is only 20.73%. This shows that men tend to dominate become small business entrepreneurs in Sarolangun regency.

Small Scale Businesses, especially Crafters In Sarolangun District, which is the respondent is the sales of Aneka Keripuk and Kerupuk by 60%, followed by the sale of Aneka Kue and Roti which is 30%. While the remaining 10% is the sale of Dodol.

Small business owners who run their business in the region of Sarolangun Regency is dominated in Sarolangun District, which is 50 people or 52% of the total respondents.

Data Analysis

a. Test of Validity

The result of validity is fulfilled because each item questionnaire yields pearson correlation greater than r critical 0,3, so that instrumentation items of each construct can be said good and acceptable validity

b. Test of Reliability

This research reliability test is done by Croanbach's Alpha formula. the criterion of Croanbach's Alpha score of less than 0.600 means bad, about 0.700 received and more than or equal to 0.800 is good. Instruments of all variables in good / reliable categories ie greater than 0800.

c. Multiple Regression Analysis

In this study, the independent variables are financial management (X_1), human resource management (X_2), operational management (X_3) and marketing management (X_3), while the dependent variables are business performance (Y). To get good results, multiple linear regression requires to test classical assumptions. The general form of multiple linear regression equation used in this study is as follows:

The formula: $Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + e_i$

where: Y = Business Performance

B = constant

(X_1) = management finance

(X_2) = HR management

(X_3) = management operational

(X_4) = management marketing

e = error

Table 1. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.800 ^a	.640	.624	.96253

a. Predictors: (Constant), (X_4) (X_1) (X_3) (X_2)

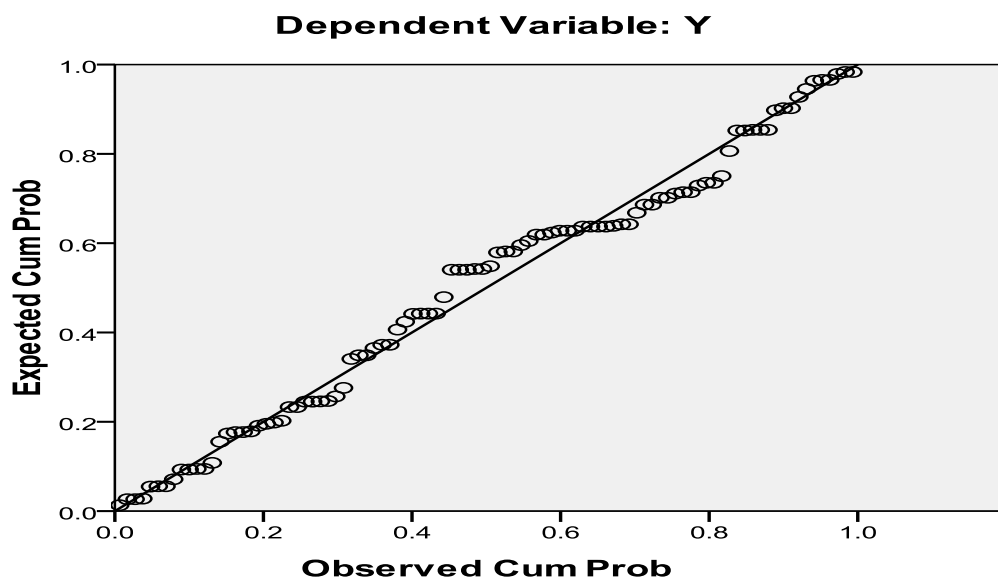
Based on the results of multiple regression analysis conducted with SPSS program version 17.0, note that the value of $R = 0.800$. This means that the relationship (relation) between financial management, human resources, operations, marketing and business performance satisfaction of 80.0%, which means have a close relationship.

Adjusted R square of 0.640 means that 64.0% of business performance variables can be explained by financial management, human resources, operations, marketing, while 36.0% can be explained by other variables not examined by this research.

Normality Test

Normality test aims to validate one basic assumption of multiple regression analysis, ie independent and dependent variables must be normally distributed or near normal (Imam, 2005).

Figure 1. Normal P-P plot of Regression Standardized Residual



From the figure it is seen that on the scatter plot the dots follow the data along the diagonal line. This means that data is normally distributed.

Hypothesis Testing

To test whether there is a relationship between X and Y variables, then tested statistically with the critical value of t distribution, at the significance rate $\alpha = 0.05$ with degrees of freedom $dk = n-2$.

Hypothesis:

- a) $H_0: b = 0$ (financial management (X_1), human resources management (X_2), operational management (X_3) and marketing management (X_4) have no effect on pastry makers (Y) performance either partially or simultaneously)
- b) $H_a: b \neq 0$ (financial management (X_1), human resource management (X_2), operational management (X_3) and marketing management (X_4) affect the performance of pastry makers (Y) either partially or simultaneously)

This test is associated with the real test of the regression line obtained from the prediction of the observed value of the dependent variable. In addition to the above test, the predicted b value of β values obtained from the sample must still be tested. The hypothesis is as follows:

- a) $H_0: b = \beta$ (regression coefficient is not significant)
- b) $H_a: b \neq \beta$ (significant regression coefficient)

Hypothesis testing as a whole is done for testing the regression coefficient as a whole that is by using value t . With a significant value t which is close to zero it can be said that independent variable (X) associated with the regression coefficient has a significant influence on the dependent variable (Y) studied.

Annova (F Test) Simultaneous Test

To test whether the proposed hypothesis is accepted or rejected statistically used F statistic (F test). If $F_{\text{count}} < F_{\text{table}}$, then H_0 be accepted or H_a rejected, while if $F_{\text{count}} > F_{\text{table}}$, then H_0 processed or H_a accepted. If level sign finance under 0, 05 then H_0 rejected and H_a accepted.

Table 2. ANOVA ^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	149.932	4	37483	40458	.000 ^a
	Residual	84308	91	.926		
	Total	234.240	95			

a. Predictors: (Constant), (X_4) (X_1) (X_3) (X_2) b. Dependent Variable: Y

The table above reveals that F_{count} is 40.458 with a significance level of 0,000, while F_{table} at 95% confidence ($\alpha=0.05$) is 2.6. Therefore, in both calculations $F_{\text{count}} > F_{\text{table}}$ and its significance level $0,000 < 0.05$, indicating that the effect of independent variables (X_1 = financial management, X_2 = management of human resources, X_3 = operational management and X_4 = marketing

management) simultaneously is significant to Y (business performance of pastry company). Therefore, simultaneously $F_{\text{count}} > F_{\text{table}}$, then H_0 is rejected and accept H_a , meaning that each independent variable (X) together has a significant influence on the dependent variable (Y), so also the significance value $< \alpha$ then, H_0 Declined ; and H_a accepted.

T Test, Partial Test

Table 3. Coefficients ^a

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.530	.825		1.854	.067
	X1	.240	.054	.330	4.417	.000
	X2	.317	.064	.465	4.971	.000
	X3	.471	.071	.520	6,679	.000
	X4	.277	.071	.381	3.884	.000

a. Dependent Variable: Y

To test whether the proposed hypothesis is accepted or rejected it is used statistic t (t test). If $t_{\text{count}} < t_{\text{table}}$, then H_0 accepted or H_a rejected, while $t_{\text{count}} > t_{\text{table}}$, then H_0 processed or H_a accepted. If the level of significance is below 0.05 then H_a is rejected and H_0 accepted.

From the table above can be explained that:

- The financial management variable (X_1) has a positive and significant effect on the performance of pastry company (Y), it is seen from significant value $0,000 < 0,05$, and t hitting value $4,417 > 1,98$, it means if the financial management variable is increased (X_1) for one unit (unit) then the performance of pastry company (Y) will increase by 0.240 units. (units). Therefore, partially $t_{\text{count}} > t_{\text{table}}$, then H_0 is rejected and accept H_a , meaning that each independent variable (X_1) in paarsial has a significant influence on the dependent variable (Y), so also the significance value $< \alpha$ then, H_0 rejected; and H_a accepted.
- The variable of HR management (X_2) has a positive and significant influence on the performance of pastry company (Y), it is seen from significant value $0,000 < 0,05$, and t hit value $4,971 > 1,98$, it means if the human resource management (X_2) for one unit (unit) then the performance of pastry company (Y) will increase by 0.317 units. (units).

Therefore, partially $t_{\text{count}} > t_{\text{table}}$, then H_0 is rejected and accept H_a , meaning that each independent variable (X_2) in paarsial has a significant influence on the dependent variable (Y), so also the significance value $< \alpha$ then, H_0 rejected; and H_a accepted.

- The operational management variable (X_3) has a positive and significant effect on the performance of pastry company (Y), it is seen from significant value $0,000 < 0,05$, and t_{count} value $6,679 > 1,98$, it means that if operational management variable is increased (X_3) for one unit (unit) then the performance of pastry company (Y) will increase by 0.471 units. (units). Therefore, partially $t_{\text{count}} > t_{\text{table}}$, then H_0 is rejected and accept H_a , meaning that each independent variable (X_3) in paarsial has a significant influence on the dependent variable (Y), so also the significance value $< \alpha$ then, H_0 Rejected; and H_a accepted.
- The marketing management variable (x_4) has a positive and significant effect on the performance of pastry company (Y), it is seen from significant value $0,000 < 0,05$, and t_{count} $3,884 > 1,98$, it means if the marketing management variables (X_4) for one unit (unit) then the performance of pastry company (Y) will increase by 0.277 units. (units). Therefore, partially $t_{\text{count}} > t_{\text{table}}$, then H_0 is rejected and accept H_a , meaning that each independent variable (X_4) in paarsial has a significant influence on the dependent variable (Y), so also the significance value $< \alpha$ then, H_0 Disapproved; and H_a accepted.
- Based on the output, the formula of the regression equation is:

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + e_i$$

$$Y = 1,530 + 0,240 x_1 + 0,317 x_2 + 0.471 x_3 + 0.277 x_4 + e_i$$

DISCUSSION

The Effects of Money Management towards Business Performance

Based on the results of analysis, financial management has a significant effect on the performance of pastry business in Sarolangun. This means that the better the financial management of pastry business will further improve the performance of its business. The results of this study in accordance with that presented by Broomley (2000) that the weak capital will affect the performance of SMEs business so that the goods sold quality is also low. Good financial management will improve business performance. Incoming and outgoing financial entry systems in business will improve business performance. Business money will be well controlled so as to avoid the deviations in the management of business finances, avoid the mixing of business finances with family finances. Good financial management will facilitate business actors in allocating and planning financial use and avoiding the mistakes of allocating business funds.

The Effect of Human Resources Management towards Business Performance

Based on the results of multiple linear regressions testing, human resource management (Human Resources) has a significant effect on the performance of pastry business in Sarolangun regency. This illustrates that the better management of the pastry business will further improve the performance of the business.

Human resources are an important factor for any business including in the food sector. The success of pastry business to deal with imported products is determined by the ability of the business actors to develop their business products so that they can still exist. The main weakness of the development of small and medium enterprises in Indonesia is due to lack of human resource skills. The management is relatively traditional.

Therefore, in business development, it is necessary to improve the training for business actors both in the aspect of entrepreneurship, administration and knowledge as well as skills in business development. Improving the quality of human resources is done through various ways such as education and training, seminars and workshops, on the job training, apprenticeship and business cooperation. In addition, it should also be given the opportunity to apply field training results to practice theory through the development of pilot partnerships (Hafsah, 2004).

In addition, one form of human resource development in the SME sector is assistance. Mentoring SMEs is necessary and important. The main task of this companion is to facilitate the learning process or reflection and become a mediator for strengthening the partnership. All you need to think about is who will be the most effective person to be a community companion.

The Effects of Operational Management towards Business Performance

Based on the results of multiple linear regressions testing, operational management significantly affects the performance of traditional pastry business in Sarolangun Regency. This illustrates that the better operational management of pastry business will further improve the performance of pastry business. In accordance with that described by Maman et al (2006) that extensive production and distribution activities will support the performance of the corporation. Such activities shall be supported by the determination of appropriate work flow. It means that the more capable the business owner arranges the flow of work, the higher the level of their performance which is reflected by the increase of business income.

Good operational management will also prevent the entrepreneurs from inefficient business, because all workflow has been arranged in such a way and already have a standard work set so that will avoid the mistakes of work that can ultimately harm.

The Effects of Marketing Management towards Business Performance

Based on the results of multiple linear regression analysis, marketing management significantly influences the performance of pastry business in Sarolangun regency. This indicates that the better the marketing of pastry business will further improve the performance of the business.

In the business marketing system, in addition to business networks, network marketing is also one of the factors that determine business performance. Therefore, an entrepreneur should pay attention to the marketing management well. There are four mixes in marketing that should be a concern: product, price, distribution and promotion.

Products offered must be products that can be accepted by consumers, the price offered must be appropriate and able to be purchased by consumers, the distribution should be easy for consumers and promotion must be done by the entrepreneur so that the product is known by the consumer.

CONCLUSION

1. The majority actors of pastry business in Sarolangun Regency are male which amounts to 79,27%. *Keripik* and crackers products dominates the industry reaching up to 60% of total pastry products, and up to 52% of crackers products were made in Kecamatan Sarolangun. Meanwhile 88% of the businesses employs 1-5 people.
2. The independent variables (X_1 = financial management, X_2 = HR management, X_3 = operational management and X_4 = marketing management) simultaneously influence Y (business performance of pastry business). Therefore, $F_{count} > F_{table}$ simultaneously, thus H_0 is rejected and H_a is accepted, meaning that each independent variable (X) together has a significant influence on the dependent variable (Y), as well as the significance value of $< \alpha$ thus, H_0 Declined ; and H_a accepted.
3. Partially, all research variables (X_1 = financial management, X_2 = HR management, X_3 = operational management and X_4 = marketing management) has significance influence on Y (business performance of pastry company).

RECOMMENDATIONS

1. As an effort to improve and sustain their business performance, the cake and pastry industry in Sarolangun Regency should focus on improving their financial management, human resource management, operational management and marketing management.
2. We suggest that, future researchers should further explore other variables in order to produce cutting edge research on business performance in the future, based on established concepts, theories and previous researches.

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