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by Lena Ellitan

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The Role of Partnership on Resource-Performance Relationships of Indonesia SMEs

LENA ELLITAN

Faculty of Business Widya Mandala Catholic University

Email: ellistya@yahoo.com

Tel: +6285648444755

Abstract

This research is about the management of resource of Indonesia SMEs which done through two stages of research that is based on theory by doing hypothesis testing and doing further exploration about the findings with qualitative approach. In the first phase of this study examine and analyze the influence of business strategy on the relationship between resources and performance of small and medium scale enterprises in Indonesia. From results of hypothesis testing, there are three main findings (1). Resources have a positive effect on both performance indicators, indicating that performance can be improved by adopting advanced manufacturing technology, having skilled workers, availability and quality of natural resources and applying management practices simultaneously and integrated. (2) The findings related to the role of partnership moderation are that the influence of material resources on profitability and operational performance is better at the low level of partnership, but the effect of management practices is higher on the condition of high partnership level. (3). Related to the correlation between the performance measures of this study found that the relative performance of firms compared to the industry average was positively correlated with growth. In the second phase, the research was conducted with in depth interviews about the role of resource management objectives as well as factors that support and obstruct the management of resources to SMEs. The second phase of this study yields the main findings: (1). All companies judge that the general objectives of organizational resource management are for short-term orientation and to relate to the operational aspects of the company. Only a few of their perspectives relate to long-term strategic aspects of the organization such as growth, expansion and long-term survival. (2) Factors supporting the management of resources are mainly relationships and partnerships built with suppliers. (3). Human resource weakness becomes an obstacle in resource management in addition to resource price volatility, technological limitations, and capital.

Key Words: *Firms Resources, Performance, Growth, Resource Management, and Business Partnerships.*

Introduction

Over thirty years ago, a little earlier than the start of China embracing the concept of market economy, Indonesia embarked on a massive industrialization especially in manufacturing. The manufacturing industry is characterized by the import basic substitution concept, the planned calendar for automotive components, labor-intensive, and preparation efforts that ultimately Indonesia becomes a strong and established industrial & agricultural country (Uli, 2009). In the late 1980s, Indonesia was the second largest exporter, after China, for garment products and footwear products to North America. At that time Indonesia products are very proud for example when the streets in the Big-Box stores such as Walmart, K-mart to specialty garment store, will be found a lot of garment products and linen Made in Indonesia. But now,

things are very much changed. Very rarely we can find the products Made in Indonesia again. For garment products and linen and footwear, China is still very prominent. In addition, but products made in India, Bangladesh, Sri Lanka, Vietnam, Thailand, and others are also rampant.

The above phenomenon shows that in the future it will be more challenging for manufacturing industry in Indonesia. Uli (2009) argues that there are several factors that cause the weakness of the Indonesian manufacturing industry or the failure of Indonesia to become a manufacturing country, among others are: (1). Convenient Government policies are inconsistent, often less assertive, less clear masterplan and an unassigned road map is applied. Some examples of improper wisdom for example are the view that the textile industry and its derivative products as the sunset industry. Looking at the textile industry as an industry that began to fade is something that is not quite right. It is sad and ironic to see the development of the domestic textile industry, marked by the demise of various garment and textile industries in the region.

In the past there was a NIC (Newly Industrialized Countries), Indonesia had entered this group, but eventually bounced out. Further developed BIC (Brazil, India, and China) whose economic growth is very prominent and certainly accompanied by improving the welfare of its people. Everything is successful because it is supported by the real sector, especially the manufacturing sector. When Indonesia can pursue being one of the successful manufacturing countries, it is a question that always intrigues researchers to continually melakukan research related to the manufacturing sector. Exciting news is the manufacturing sector in Indonesia is still promising amid the global economic crisis that occurred. It is seen from there are investors who are interested to enter Indonesia (detikfinance.com, 2009).

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With the background above, this research will focus on small and medium-scale manufacturing enterprises that become the backbone of the development and viability of the manufacturing sector in the long term. This study emphasizes on the factors that affect the performance of manufacturing companies both from the perspective of financial performance, operations and growth. Researchers use resource-based views as theoretical basis, as well as some contextual factors that affect resource relations and the competitiveness and viability of manufacturing firms.

There have been many studies that analyze the relationship between firms' resources and firm performance (Wernerfelt, 1984, Barney, 1991, Grant, 1991, Harrison et al. 1993, Russo and Fouts, 1997, Olala, 1999). The theory behind the role of resources for firms' performance in creating competitive advantage was developed by Barney (1991) and and researchers who put forward the theory of resource-based competitive advantage. The theory suggests that firms' resources are a key determinant of performance and competitive advantage, the Company can develop a competitive advantage by creating value that can hinder imitation by other companies.

To achieve this competitive advantage, companies need to apply flexible strategies to developments and changes that occur. Companies must have the capability to create competitive advantage with limited resources. A resource-based view of strategy provides a solution for a company to achieve a continuous competitive advantage through a unique set of resources owned by the company. Resource-based strategies focus on firm specific resources more than industrial structures, and show competitive advantages and strategies to exploit competitive advantage. Resource-based in the concept of strategy is defined as the resources and capabilities of different companies with other companies and has a special advantage over the long term (Barney, 1991; Chuang, 2004). A growing issue focuses on the relationship between resources and performance, whether relationships apply to all organizations in the business environment.

Several previous studies have reported that the influence of corporate resources on business performance is influenced by business relationships (Chisea, Manzini and Tecilla, 2000), manufacturing strategies, business strategies (Wernerfelt, 1984, Grant, 1991, Russo & Fouts, 1997), and type of cooperation (Ellitan, 2006). Therefore, this study aims to examine the moderating role of business relationships or partnership to

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resources and firm performance relationships. This study also aims to prove the influence of firms' resources in the relationship between resources and performance of manufacturing companies in Indonesia.

Literature Review

Overview of Small Scale Manufacturing Industry

As many as 20 percent of small and medium enterprises (SMEs) in the next two years plan to expand overseas. This was revealed in a survey titled HSBC Global Small Business Confidence Monitor. The survey captures the views of small business actors on the business and economic prospects shown globally. It will be more and more SMEs who wish to expand its business abroad, including SMEs in Indonesia. Response of the current economic dynamics, as well as providing a new perspective in addressing free trade, after the enactment of ACFTA. Intercultural free trade agreement that began in January 2010 has effectively eliminated tariffs, will certainly affect business activities including SMEs (okezone.com, 2010).

Small and Medium Industry (SMI) is an important component in supporting economic progress in Indonesia. This is evidenced by the issuance of Presidential Instruction No. RI. 10 of 1999, on the Empowerment of Small and Medium Enterprises. Through this Instruction, the government seeks to improve the capabilities of small and medium-sized enterprises into a formidable, self-sustaining and superior business. The Presidential Decree provides criteria for determining middle class business if the entrepreneur has a minimum net worth of Rp. 200.000.000, - up to Rp. 10 billion then enter the middle class entrepreneurs. This range does not include land and buildings as a place of business.

The Ministry of Industry and Trade measures the Small and Medium Industry (IKM) based on the value of initial investment (asset), while the BPS is based on the number of workers. Small Industry is a business unit with a total number of workers at least 5 people and a maximum of 19 persons including employers. Meanwhile, Household Industry is a business unit with a maximum number of 7 employees including employers. Unemployed business units fall into this category (Susilo, et.al, 2008). From an economic point of view, the company's success is seen from the increase in corporate wealth outside of the loan, for example: increase in profit, additional capital and other ratios (Permana, Laksmana, Ellitan, 2017). While the social aspect, the success of the company viewed from the existence of the company's survival with the relation of the existence of company employees.

The industrial sector contributes 30% of the national Gross Domestic Product (GDP), which has been increasingly high and nearly 30% during 2004-2007. Of the total contribution, non-oil and gas industry sectors contributed the most with an average of 80% in the same period. Based on data from the Central Bureau of Statistics (BPS), the role of food, beverage and tobacco industry sub-sectors; Textile, leather and footwear sub-sectors; Fertilizer, chemical and rubber sub-sectors; As well as its transport, machinery and equipment sub-sectors, accounting for about 80% of the total contribution of the national non-oil and gas industry sector.

Empirical studies in the industrial sector (as a real picture of competition) show that medium enterprises have several advantages to compete in the market (Tan, Sheng, Langston, 2012). Productivity per workforce of small and medium industries even outperform large industries. The medium industry is also better able to anticipate market changes that occur than large industries. This factor causes the middle industry relatively more stable in facing crisis despite still relying on domestic demand for turnover. From the composition of existing small and medium industries, the food industry, textile and apparel industry and wood materials industry become the primadonna of medium industries. From this composition it can be seen that with the support of efficiency, the middle industry is able to compete in the global market (Permana, et.al, 2017).

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The potential and ability to innovate based on skills, technology, human resources and capital accumulation owned by medium-sized enterprises is better than small business. Similarly, its ability in market access, information and sources of capital. While the support of flexibility in responding to markets makes medium-sized businesses more resilient in crisis hurricanes than big businesses. So in the context of free competition for SMEs, they put more emphasize on medium scale business by improving the efficiency and innovation power that has and encourage the ability to compete to be worthy to put forward (Ellitan and Koesworo, 2014).

Improving Competitiveness of Manufacturing Industry

The decline of competitiveness of SMEs is the result of various factors, identified 5 (five) important factors that stand out. At the macro level, there are 3 (three) factors, namely: (a) not conducive macroeconomic conditions; (B) poor quality of public institutions in performing their functions as facilitators and service centers; And (c) weak technology development policies in facilitating the need for increased productivity.

Meanwhile, at the micro level or business level, two (2) prominent factors are: (a) the low efficiency of the business at the operational level of the company; And (b) the lack of a competitive climate in order to create healthy competitive pressure. The low condition of Indonesia's competitiveness is due to the poor performance of the national economy in 4 (four) main points (detikfinance, 2009): (a) the poor performance of the national economy reflected in its performance in international trade, investment, employment and price stability, B) poor institutional efficiency in developing state financial management policies and fiscal policies, developing regulations and regulations for conducive business climate, weak coordination due to overlapping public institution frameworks, and the complexity of its social structure; (c) poor business efficiency in Encouraging responsible production and innovation improvement as reflected by low productivity levels, inadequate labor markets, low access to financial resources, relatively unprofessional managerial practices and values, and (d) limitations in infrastructure, Good Physical infrastructure, technology, and basic infrastructure related to the community's need for education and health.

Various problems at the macro level above, bring a negative influence on conditions at the business or industrial level. Institutional development and capacity-building capacity of human resources at the enterprise level do not go as expected. For example, increased productivity of workers is not created (Jiao, Alon, & Cui; 2011). From simple indications like real wage growth compared to the growth of value added per worker for the manufacturing sector, its condition shows a decline for the entire business scale. Another example, the industrial relations mechanism that occurs has not proportionally accommodated the interests of employers and workers. Meanwhile, the national standardization of industrial products, the development of efficient infrastructure and in accordance with the needs of the industrial sector, as well as increasing the competence of the workforce Not fully optimal because of limited resources. Very few of them produce raw materials and /or intermediate goods and supply them to downstream industries. Under these conditions, small and medium industries in Indonesia are not yet in a value-added chain with large-scale industries.

At the macro level, improving the performance of sustainable manufacturing industry competitiveness requires a strong economic foundation through mainly efforts to maintain macroeconomic stability as well as the realization of a sound business and investment climate. These conditions will facilitate the creation of innovation and increased productivity and wider use of science and technology and can be reached up to the small manufacturing industry sector. In the micro level, borrow UNIDO identification, 4 (four) main factors that need to be considered in improving the competitiveness performance of the manufacturing industry are (Tambunan, 2004): (a) the ability (skill) of human resources, (b) the mastery and application of technology, (c) FDI as potential sources of technology transfer and export market expansion, and (d) infrastructure capacity (including infrastructure for technological development).

In the next five years, the direction of developing the manufacturing industry sector is to encourage the improvement of capacity utilization; Expanding its business base by simplifying licensing procedures and business operations to enhance the role of small and medium-sized industries; Promote a healthy and fair competition climate; Expanding the application of standardization of industrial products; And encourage the strengthening of industrial structures in sub-sectors that have the potential for future competitive advantage.

Where market mechanisms can not proceed efficiently, strategic intervention measures are organized functionally in the interests of maintaining development sustainability while strengthening industrial structure (Parnel, 2013). It is mainly concerned with the development of technology and skills of industrial workers, market information services both at home and abroad, as well as public facilities and infrastructure quality control and product development. With the increasingly tight global competition and the more rapid and specific the development of technology, the quality of industrial policy is demanded better and more targeted (Akgul, A.K., Gozlu.S., Tatoglu, E. 2015). Therefore, it is necessary to formulate strategic and policy formulation of manufacturing industry development at sub-sector level. In accordance with the urgent problems faced and limited resource capabilities, the priority development of the industrial sub-sector within the next five years is set in the manufacturing industry sub-sector that meets one or more of the following criteria: (1) absorbing a lot of manpower; (2) fulfilling basic domestic needs; (3) has potential for export development; And (4) cultivating domestic sources. The intervention measures at the sub-sector level remain functional as described in the preceding paragraph. The pattern of development of its production network is approached using an industrial cluster analysis unit.

Hypothesis Formulation

Resources and Company Performance

Theories that explain how technology adoption, resources, and management practices can improve company performance and create competitive advantage are proposed by Barney (1991) and other researchers (Grant, 1991; Lado and Wilson, 1994; Wernerfelt, 1984; Chuang, 2004). It supports the theory of resource-based competitive advantage. According to this theory, corporate resources are the key determinants of corporate performance and competitive advantage.

Technology

Technology adoption and technological innovation are the strengths of companies to industrialize, increase productivity, promote growth and improve living standards (Alantone, et al., 2002; Pavia, et al. 2008). The power of technology affects the cost of manufacturing and other competitive drivers (Harrison & Samson, 1997). Schroeder (1990) found that the adoption of technology (innovation) creates competitive opportunities and challenges for the companies that adopt and the companies that adopt technology. Various studies (such as Youseff, 1993; Mechling et al., 1995; and Mc Gregor & Gomes, 1999, Ellitan, 2005) emphasize the strategic benefits of flexibility and productivity improvement through adoption of advanced manufacturing technology (AMT). Various literatures provide evidence that the benefits of AMT adoption can not only be felt by large companies, but also small scale enterprises (Rishel and Burn, 1997; Ignance, et al. 1998; McGregor and Gomes, 1999). Most studies have found that AMT has a positive effect on firm performance (Youseff, 1993; Zammuto and O'Connor, 1992; Rishel and Burn, 1997; McGregor and Gomes, 1999). But some studies suggest that hard technology has no significant effect on firm performance (Burgess et al., 1998; Dean and Snell, 1996). Even Beaumont and Schroeder (1997) found that hard technology has a negative effect on performance. So it can be concluded that studies related to the effect of AMT on performance have conflicting results. Studies in Indonesia, the level of technology adoption and implementation have a positive influence on all dimensions of performance (operational, financial, and growth) (Ellitan, 2004). The accuracy of hard technology implementation and use has an

impact on improving company productivity as measured by Efficiency and effectiveness, resulting in increased flexibility in responding to the needs and fulfilling consumer desires (Ellitan, 2005).

Human Resources/Labor

Based on the concept of intangible resources and some issues raised by Hall (1993), it can be concluded that human resources (skills, knowledge, talents, etc.) are intangible resources. But until the last few years, little effort has been made to identify and provide structures on the nature and role of intangible resources in strategic management. Human resource capabilities and skills are important to the company. The issues that now arise are related to the acquisition. Human resources can join in a company that has high compensation, career development programs and the like. According to Hall (1993), human resources can bear functional and cultural capabilities due to experience, ability, values, integration in the company and other factors. Therefore, resource-based theory suggests that human resources can create or sustain competitive advantage through competence development and knowledge transfer. Human resource skills and capabilities affect company performance and alignment between technology and skills and human resource capabilities can improve the productivity and flexibility of the company (Anatan & Ellitan, 2009).

Material (Raw Materials)

Raw materials include raw materials, utilities and other supporting materials in the production process (Heizer & Render, 2000). Material resources are considered assets-assets that can create competitive advantage if they have special advantages over competing companies (Badri, 2000). Availability and source of material also determines the competitiveness of the company. Harrison et al. (1993) found that firms dealing with the extraction of raw materials and manufactured products were more likely to be capital intensive than those producing finished products. Ellitan, (2004) found that the availability of raw materials will increase the effect of technology on the performance of the company. Therefore, it can be concluded that the availability of raw materials is the key to the success of the company's performance.

Management Practices

There are many articles and empirical studies that examine the effects of management practices (such as TQM, JIT, TPM, MRP, and benchmarking) on firm performance (Beaumont & Schroeder, 1997; Sakakibara, et al., 1997; Sohal and Terziyky, 2000; Tzang and Chan, 2000; Sim, 2001). Sohal and Terziyky (2000) argue that the implementation of effective quality improvement practices (TQM, benchmarking, process reengineering) has an impact on improving company performance both in terms of productivity and profitability, along with improved customer satisfaction.

Beaumont and Schroeder (1997) suggest that achieving competitive pricing and quality will not be possible without the right technology and modern management practices. Sim (2001) examines the influence of TQM, JIT, and AMT on firm performance. Successive incremental technique can speed up the production process through elimination of activities that do not provide added value (Ellitan 2006). In contrast, capital investment in advanced manufacturing technology is often associated with "quantum leap" in achieving company performance. Most studies show that management practices have significant influence on companies with large and small production scales (Ellitan and Pradana, 2017). But some researchers find conflicting results. For example, Dean and Snell (1996) found that JIT has no significant effect on firm performance. The discovery of Burgess et al. (1998) found no significant correlation between soft technology (TQM, JIT, MRP) with the sales and market share. The surprise discovery of Beaumont and Schroeder (1997) which states that TQM increase the cost of quality.

H1: The higher the level of control and control over resources the higher the company's performance

Effects of Business Partnership Moderation

Chisea, Manzini and Tecilla (2000) argue that foreign companies and joint ventures have access to various sources of technology and other resources. The greater the access to technology resources and other resources, the greater the opportunity for foreign companies and joint ventures to adopt more advanced technologies. It is also supported by the availability of trained personnel to operate advanced technology in foreign companies and joint ventures. In the case of Indonesia, foreign companies and joint venture companies tend to adopt higher levels of AMT than local companies (Ellitan, 2006). In contrast, implementation of management practices between local firms and foreign firms does not differ significantly. This is because management practices are easier to adopt and implement by local companies. AMT adoption rates vary in terms of partnership levels (Ellitan, 2003). Companies that have partnerships with foreign companies tend to adopt AM and implement new management practices. This phenomenon shows that firms have more proactive foreign cooperation plans and have greater access to AMT, new management practices, and other resources (trained labor, raw materials and capital).

H2: The effect of resources on performance is moderated by the business partnerships built.

Relationship between Corporate Performance and Corporate Growth

Many variables affect company performance. However, this study focuses on the impact of critical resources on company performance. Swamidas and Newell (1987) describes the difficulty of choosing performance measures. The accuracy of the performance measures used is dependent on the conditions and the uniqueness of the study (Badri et al. 2000). Measuring performance by comparing company performance with industry performance, competitor, and growth rates is often used as a perspective to measure company performance (Dess & Byard, 1984; Vickery et al., 1993). The use of growth has an important role in previous studies and studies because the company faced recession and increased competition from outside. In this situation, growth provides more precise performance measurements than measurements by comparing company performance with industry or competitor performance averages. Vickery et al. (1993) suggests that there is an interrelation between firm performance and company growth, so the following propositions are developed:

H3: There is a causal inter relationship between company performance and company growth.

Research Methods

This research uses two stages. The first stage is done by developing a research framework developed based on resource-based theory. The second stage is done by exploratory approach.

Theoretical-Based Hypothesis Testing

Population and Sample

The unit of analysis in this research is the organization. For the purposes of this study, data on small and medium manufacturing enterprises are obtained from the Manufacturing Industry Directory published by the Indonesian Central Bureau of Statistics 2007. The industrial classification used in this study is the classification based on the Statistics of Large and Medium Industries published by the Central Bureau of Statistics, 2005. Classification based on International Standard Industrial Classification (ISIC) that has been adapted to the conditions in Indonesia under the name of Industrial Classification of Industrial Enterprises / KLUI (BPS, 2005). The classification of the company is divided into four groups: 1) large, with a workforce of 100 people or more, 2) medium, with a labor force of 20-99 people, 3) small, with a workforce of 5-19 people, and 4) Households, with a workforce of 1-4 people. Based on these criteria, the

selected sample is a manufacturing company with 100 more employees or a permanent workforce. Simple random sampling is used in this study with the aim of minimizing the bias that occurs as a result of sample selection and to improve the generalization of research results. To obtain the data of this study is done by sending questionnaires that have been structured to the leadership of medium and medium manufacturing companies in Indonesia.

Operational Definition and Variable Measurement

The variables developed in this study require several measurements, which are adopted and / or modified from several sources.

Technology

The technology in this research refers to a set of Advanced Manufacturing Technologies and Computer-based technologies that cover 13 types of hard technology. The five-point Likert scale (1 = not adopting up to 5 = very high) was used to measure the adoption rate of hard technology using instruments developed by Schroeder and Sohal (1999), Ko, Kinkade, and Brown (2000).

Human Resources

Human resources represent staff and workforce within the company that includes managerial staff, administrative staff, technicians, specialists, and parts of production. Human resource variables are viewed from two perspectives. The first perspective is seen from the level of skill and capability (low and high). The second perspective is seen from the scarcity-abundance of human resources. The five-point semantic differential scale type is used to measure the skill or capability and availability of human resources. The instruments used were developed by Badri et al. (2000).

Material

Material resources are the company's resources required in the production process. These resources include raw materials, facilities and utilities, and other support resources. Material resources are seen from the material availability perspective. The five-point semantic differential scale type (1 to 5) is used to measure the availability of material resources. The instrument developed by Ellitan et al (2005) was used in this research.

Management Practices

Management practices represent systems that control technical processes within organizations such as Total Quality Management, Just In Time, Total Productive Maintenance, Manufacturing Resources Planning, Concurrent engineering, Quality Function Deployment, Team Work, and Benchmarking. The TQM instrument was acquired and modified from Sohal and Terziovsky (2000). Five-point Likert Scale used as a measurement that is 1 (not adopted) to 5 (very high) to measure the rate of technology adoption. Instruments were modified from Warnock (1996), Yasin et al. (1997), Sohal and Terziovsky (2000), Schroeder and Sohal (1999), Ko, Kinkade, and Brown, (2000).

Relationship (Partnership) Business

Business relationship type is categorized into two. International partnership is a cooperative relationship with international or foreign entities, while local partnership is a cooperative relationship with local or national entities. Partnership is the extent of cooperation with external entities.

Company Performance

This study looks at the performance of two perspectives. First, the performance of the company is compared to the major competitors in the industry, and the second is measured from the previous 10 year's performance changes compared to this performance (Tangem, 2004). Company performance is measured by Return on investment (ROI), return on assets (ROA), return on equity (ROE), and return on sales (ROS). The five-point Likert scale is used to measure performance against competitors from 1 (much lower) to 5 (much higher). The five-point Likert scale is also used to measure growth from 1 (very low) to 5 (very high).

Growth

Growth represents the company's ability to maintain operations and long-term survival skills. This study uses growth trends (in the last three years) based on financial reports and nonfinancial reports. Growth proxy is measured by sales and asset growth (Beaumont and Schroeder, 1997), and shipping productivity (Bond, 1999). The Likert scale is seven points from 1 (down more than 10%) to 7 (up more than 10%) used to measure the company's growth. The growing size used includes sales, assets, and overall productivity.

Data Collection Procedures

The low response rate is a major problem found in mail surveys. Chiu and Brennan (1990) suggest that response rates can be improved by using envelopes and postage stamps, sending personalized follow-up or reminder letters and cover letters. By following this suggestion, a questionnaire with KIRBAL facility will be sent to the respondent and two follow up letters will be sent 30 days and 60 days after the questionnaire is sent.

Data Analysis Technique

For the purpose of data analysis and hypothesis testing, some statistical analysis techniques and data analysis methods using SPSS software version 12. Statistical techniques used include:

1. Factor and Reliability Analysis.
2. Descriptive statistics to describe the profile of respondents.
3. Simultaneous Regression Model.
4. Hierarchical Regression Analysis to see the effect of moderator variables on resource-performance relationships.

Exploratory Approach

Research Design and Framework

There are several approaches to studying the management of corporate resources. Some previous researchers studied resource management and allocation through questionnaires developed with several methods (Schroeder & Sohal, 1999; Sim, 2001; Koo, et al., 2000; Burgess, et al., 1998; Mechling, et al., 1995), and interviewed directly to the organization under study. Several other researchers used case studies to examine resource management and its impact on organizational competitive advantage (Butcher, et al., 1999; Harrison & Samson, 1997).

For the purposes of this study, the sample was obtained from the Manufacturing Companies Directory published by the Indonesian Central Bureau of Statistics, 2007. because this study aims to conduct an in-depth case study on the organization to obtain a company willing to participate in this study performed with

the following stages : (1). Proposals are sent to medium and medium manufacturing companies in Surabaya and Surroundings, in the hope of getting 5 to 10 responses from companies willing to participate. (2). Initial data collection using semi structured questionnaire to company management. (3). In-depth interviews were conducted to clarify some of the information previously obtained. It is expected that some manufacturing companies in Surabaya and surrounding areas with different fields are willing to participate in this study. Data were collected through structured questionnaires and interviews to company leaders containing issues related to the research problem.

Major Issues Explored

There are two main aspects to be explored for the purposes of this study. Broadly speaking, these elements consist of several important things as follows:

1. Which resources are more dominantly used, and more instrumental in achieving competitive advantage, and exploring the types of technology, management practices, and capabilities it has?
2. What factors support the management of resources, and what are the constraints faced in its allocation?

Analysis and Discussion

First Stage Research Findings

Descriptive Statistics

From that data, the return of questionnaires from 600 questionnaires was 18.00%, but after the questionnaire was checked again, the questionnaires were not fully filled or filled completely but did not meet the criteria so can not be used in this study. The number of questionnaires used for the final analysis was 104 questionnaires or 17.33%.

From the company's age profile, it is mostly in the 1-10 year age category, with firm size shown from a diverse number of employees. The respondents' business fields are mostly textile manufacturing, and furniture processing industries. Owners of SMEs as research responden almost most of them are local owners with local marketing area, if doing export then cooperation country is region of Asean. The general performance of the respondents is experiencing an increase with varying increases.

Testing Validity and Reliability

The validity test is performed by bivariate correlation between the indicator score and the total score of the constants of each variable to ensure that each question will reveal something that the questionnaire wants to be measured by this questionnaire (construct validity) (Sekaran, 2000). The results show that the question items have significant significance except for item 6 with a value of 0.083. Variables Competition Level is Supplier Quality and Question 3 with a value of 0.396 for Variables the Company's manufacturing strategy on reducing the stock of the duplicate stock to be issued prior to further data analysis. The reliability test is performed by calculating cronbach's alpha greater than 0.5 and the test results show that all variables used in this study are reliable because they have cronbach's alpha greater than 0.5.

Company Resources and Performance

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Table.1 summarizes the results of multiple regression to see the relationship between resources and performance. Some important points to be said about the effects of Advanced Manufacturing Technology, Human Resources, Resources and Implementation of performance management practices are: First, overall, multiple regression results show that simultaneously independent variables explain 25.4% of industry

average performance variants and 15.8 % Current growth performance; Secondly, Resources have a positive effect on both business performance indicators, indicating that performance can be improved by adopting advanced manufacturing technology, having skilled workers, qualified natural resources and applying management practices simultaneously and integrated. Third, simultaneous resources simultaneously better describe relative performance with the industry average than its role in influencing growth. This is because resources will directly affect the current performance and translation of the current performance to growth performance involving time lag, and disruptions during the process of adoption, implementation and empowerment or resource use. Fourthly, it is uniquely found that material resources negatively affect current performance growth. This requires careful management of the use of natural resources, especially in the long term. These findings indicate that the first hypothesis of this study is partially accepted. Hunt and Morgan (1995) have described in detail the resource-based theory of competition by highlighting several points consistent with the findings of this study. First, resources managed for corporate purposes are superior performance. Second, corporate resources are financial, physical, organizational, informational, and relational, in the sense that competence and capability are necessary in achieving competitive advantage. Because resource characteristics are heterogeneous and mobility imperfect, the effect on performance depends on how the management of resources and how they are integrated in creating performance. The management should recognize, understand, create, select, implement and modify the resource management strategy to create maximum performance. Furthermore, the findings of this study also fit Hunt and Morgan's (1995) argument that states that resources are not limited to capital, labor, but are expanded by covering unreal resources such as culture, and competence. Resources are also perceived as heterogeneous (ie each company has different resources) and is not mobile (implies the difficulty of being traded) (Barney, 1991).

Table 1. The Effect of Corporate Resources on Performance

Independent Variables	KPRI	KPSI
R ²	.254	.188
Adjusted R ²	.248	.181
Sig. F	.000	.000
R ²	.254	.188
Standardized Coefficients (β)		
AMT	.052	.139***
SDM	.113*	.300***
SDA	.157**	-.263***
IMP	.260***	.267***
*** : significant at 0.01 ** : significant at 0.05 * : Sig. at 0.1		
Note:		
AMT: Advanced Manufacturing Technology		
IMP: Implementation of management practices		
SDA: Natural resources		
SDM: Human Resources		
KPRI: Company performance is relative to industry performance.		
KPSI: Current Growth.		

The Influence of Moderation of Business Cooperation

Hypothesis 2 of this study states that the relation of resources and performance depends on the relationship of cooperation that is built. The better higher the level of cooperation with outsiders the higher the influence of resources on performance. Table 2. shows the results of hierarchical regression analysis used to test the effect of partnership on performance. The findings shown in the table indicate: First, the influence of material resources on profitability and operational performance is better at the low level of partnership, but the effect of management practices is higher on the condition of high partnership level.

Second, AMT's impact on performance growth will be lower on the high extent of partnership. The findings of this study contradict the studies conducted by Chisea, Manzini and Tecilla (2000) suggest that foreign companies and joint ventures have access to a variety of technology resources and other resources. The greater the access to technology resources and other resources, the greater the opportunity for foreign companies and joint ventures to adopt more advanced technologies. But the phenomenon of this study found a contrary fact that shows that the effect of AMT and material resources is lower if the company has a high partnership. This shows that companies with partnerships are not ready to accelerate the implementation of advanced technology. Associated with material resources, the possibility of our SME position that has the relative availability of resources even sometimes less benefited by the partnership if not created conditions win-win solution. However, the influence of human resources and modern management practices is higher with higher partnership levels. This phenomenon shows that firms have more proactive foreign cooperation plans and have greater access to new management practices, and human resources. So the hypothesis 6 of this study is partially accepted.

Table 2 Influence of Moderation of Business Cooperation

Independent Variables	KPRI	KPSI
R2 1	.258	.190
R2 2	.300	.211
F Change	7.288	3.265
Sig. F change	.000	.012
Remark	Sig.	Sig.
Standardized Coefficients (β)		
AMT	.070	.127***
SDM	.119*	.296***
SDA	.152*	-.260***
IMP	.258***	.269***
BPR	.066	-.043
AMT	.112	.662***
SDM	-.371*	.098
SDA	1.482***	-.193
IMP	-.559	.058
TP	-.097	-.104
AMTxBPR	-.024	-.548***
SDMxBPR	.617***	.258
SDAxBPR	-1.624***	-.055
IMPxBPR	1.040***	.273
*** : significant at 0.01 ** : significant at 0.05 * : Sig. at 0.1		
Note: AMT: Advanced Manufacturing Technology IMP: Implementation of management practices SDA: Natural resources SDM: Human Resources BPR: Business Partnership level KPRI: Company performance is relative to industry performance. KPSI: Current Growth.		

Interrelationship between Corporate Performance and Growth

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The last hypothesis of this study states that there is a causal relationship between company performance and company performance growth. Correlation analysis is done to provide an overview of the inter-relationship between all dependent variables. Table 5 shows the correlations between the performance

dimensions used in this study that include performance and growth. These findings indicate that performance measurement from different perspectives is necessary (Vickery, et al, 1993). Hypothesis 7 of this study was accepted.

Table 3: Correlation between Dependent Variables

	Performance	Growth
Performance	1	.510(**)
Growth	.510(**)	1
** Correlation is significant at the 0.01 level (2-tailed).		
* Correlation is significant at the 0.05 level (2-tailed).		

Findings of Stage 2

Resource Management Objectives

The profiles of the five companies willing to participate in the research are those Companies operating in the food industry (3 companies), 1 gas company (chemical industry), and safety equipment. All companies are private companies that have been in operation for more than ten years. The company's production scale ranges from 500 to 1,500 employees working in full-time employment. The data was collected in mid-2011, and it is surprising that the five companies have shown improvement in financial performance over the past three years. This shows the tendency of the occurrence of trends in the development of the company in terms of performance achievement. Four of the companies that participated in this study had a partnership with an entity outside the country and only one company operated without cooperation with an entity outside the country. Judging from the ownership of these five companies is a company owned by local businesses.

Resources are a tool for organizations to create value. Value creation in this case involves increasing the value of output and lowering the cost of input or done simultaneously. The resources owned by an organization differentiate one company from another and influence its sustainable competitive advantage that can be achieved (Lynch, 2006). The concept of generating value is critical to corporate strategy. It all depends on how the organization manages the resources it has and what the organization's general objectives are to achieve with the management of resources.

This study finds a variety of resource management objectives for each organization. Nevertheless, almost all companies judge that the general objectives of organizational resource management are for short-term orientation and to relate to the operational aspects of the company. Only a few of their perspectives relate to long-term strategic aspects of the organization such as growth, expansion and long-term survival.

The company is not yet fully aware about importance of resource management for long-term profit orientation. Companies need to identify in more depth in an effort to create competitive advantage for the company. The purpose of managing resources should be focused on creating valuable resources and difficult to imitate competitors. In addition, the analysis of organizational resources should be linked to the analysis of organizational resources.

The study found that 3 out of five companies considered that human resources were the most important resource, while the other two assessed the most material resources (Table 5.). For companies that consider HR is the most dominant organizational resource due to the high quality and availability of human resources is the key to successful management of organizational resources.

Table 4. General Management Resource Management Objectives

Company	General purpose of resource management by the organization
1	A. Human Resources: how to manage the relationship and role of human resources owned by individuals efficiently and effectively and can be used maximally so as to achieve goals (goals) with the company, employees and society to the maximum. B. Material Resources: utilizing capacity utilization Organizational material resources C. Technology management: to help management of other resources within the company and optimize the utilization of natural and human resources. D. Capital management: help long-term corporate planning such as expansion.
2	A. Human Resources: for the design and implementation of planning systems, employee development, employee development, career management, performance evaluation, employee compensation and good employment relationships. B. Material Resources: Reduce depreciation and improve supervision of leakage of raw materials or materials. C. Technology management: encouraging corporate innovation. D. Capital management: look at detailed cash flow and perform cash flow analysis, manage profits or overcome financial difficulties.
3	A. Human Resources: aims to make all management decisions and practices that directly affect its human resources B. Material Resources: keep the production smooth. C. Technology management: making the company more awaited than others with traditional technology. D. Capital Management: see the growth opportunities of an organization with its own capital or capital.
4	A. Human Resources: The need of skill and competence of human resources continue to increase. B. Material Resources: to be used more effectively and efficiently. C. Technology management: for companies to better manage the operational aspects in all lines and functional areas of the organization. D. Capital management: In order that all forms of capital owned by the organization can produce maximum benefits.
5	A. Human Resources: humanize employees - not machines - and not just become a business resource. But for human resources become the spirits that lead the life of the organization. B. Material resources: reduce waste and smooth production process. C. Technology management: provides an opportunity for organizations to innovate, improve production efficiency and improve production processes. D. Capital management: looking at the possibilities of current and future investments.

In human resources embedded knowledge and managerial skills. As for companies who consider that the dominant resources are those that are oriented towards the cost of production and output. These findings indicate that technology and modern management practices are used as a capability or enabler for the achievement of organizational goals by integrating them with human resource (HR) and natural resources (Natural Resources) owned by the organization (Ellitan, 2013).

The successful management of organizational resources is influenced by several factors as well as its inhibiting factors. Table 6 shows that the main drivers of resource management are relationships and partnerships built with suppliers. This allows the achievement of economies of scale. High skill and availability human resource are also major factors supporting the management of other organizational resources. In Human Resource embedded knowledge, skills and managerial capabilities that can be relied upon in the management of resources.

Table 5 The Most Dominant Resources

Company	The Most Dominant Resources
1	Material resources, because the material is considered the most dominant thing in determining the cost of production company.
2	Human resources, because with high quality human resources other resource management capabilities will be more effective and efficient.
3	Material resources, because it determines the quality of output and determines the cost of production
4	Human Resources: quality of human resources required in all divisions, all functions and all joints of the organization. Human Resource is a key machine in R&D. If the quality of human resources continues to increase then the performance of all lines and all areas will fit the targets applied by the company.
5	Human Resources, because it is the main driver of organizational success.

Table 6. Factors Supporting Resources Management, and Constraints Faced with Resource Allocation

Company	Factors that Support Resource Management, and the Constraints Faced in Resource Allocation
	Supporting Factors
	Inhibiting Factors
1	A. Availability of adequate supply from suppliers supported by partnerships built with suppliers. B. Adequate human resources and support personnel that support the management of other resources of machinery, technology, raw materials and auxiliary materials and support the practice of organizational management in all lines.
2	A. The speed of raw material handling should be improved because the raw materials do not last long. B. Lack of employee discipline and work ethic.
3	A. Availability of adequate infrastructure and infrastructure within the organization. B. Lack of skill and knowledge of experts owned by the organization. C. Increase in production costs due to increased electricity costs and other facility costs.
4	Competent human resources A. Lack of adequate technology. B. Limited production facilities.
5	A. Human Resource: training related to increasing motivation is done periodically. B. The management of material resources with the effort of providing sufficient material resources so that the production process is not hampered by the stock out. C. The management of machine and energy is done by maintenance planning and improvement of technical skill. D. Financial management is carried out professionally through management that involves the Joint Manager, Finance Director, and BOD. E. Information including data: applied technology such as computer applications and SOP implementation. A. Limitations of operational funds in providing training, skills enhancement and knowledge of employees. B. Uncomplicated interdisciplinary communications C. Each division tends to focus on the group and is less oriented towards the overall interests of the organization. D. A portion of the funds obtained from the loan so that the actual interest rate can be allocated for other purposes. D. Less good network in the transfer of information.
5	A systematic and organized management system. B.SDM with high skill and capability A. Inadequate technology. B. Weak relationship with suppliers

If resource management issues occur then in the context of a competing strategy the organization requires a revolution or change beyond the existing structure (Lynch, 2006). This study also indicates that human resource weakness is an obstacle in resource management in addition to resource price volatility, technological limitations, and capital. Consistent with the findings of related supporting factors, poor partnering relationships with suppliers also affect the management of organizational resources.

Conclusion, Limitations and Suggestions

Conclusion

From the results of hypothesis testing then some of the main findings are presented in this section.

First, resources have a positive effect on both performance indicators, indicating that performance can be improved by adopting advanced manufacturing technology, having skilled workforce, possessing qualified natural resources and applying management practices simultaneously and integrated. It is uniquely found that material resources negatively affect growth. This provides careful management in the use of natural resources, especially in the long term. These findings indicate that the first hypothesis of this study is partially accepted. Hunt and Morgan (1995) have described in detail the resource-based theory of competition by highlighting several points consistent with the findings of this study. First, resources managed for corporate purposes are superior performance. Second, corporate resources are financial, physical, organizational, informational, and relational, in the sense that competence and capability are necessary in achieving competitive advantage. Because resource characteristics are heterogeneous and mobility imperfect, the effect on performance depends on how the management of resources and how they are integrated in creating performance. Furthermore, the findings of this study also fit Hunt and Morgan's (1995) argument that states that resources are not limited to capital, labor, but are expanded by covering unreal resources such as culture, and competence. Resources are also perceived as heterogeneous (ie each company has different resources) and is not mobile (implies the difficulty of being traded) (Barney, 1991).

Second, the findings related to the role of partnership moderation are that the influence of material resources on profitability and operational performance is better at the low level of partnership, but the effect of management practices is higher on the condition of high partnership level. The findings of this study contradict the studies conducted by Chisea, Manzini and Tecilla (2000) suggest that foreign companies and joint ventures have access to a variety of technology resources and other resources. The greater the access to technology resources and other resources, the greater the opportunity for foreign companies and joint ventures to adopt more advanced technologies. But the phenomenon of this study found a contrary fact that shows that the effect of AMT and material resources is lower if the company has a high partnership. This shows that companies with partnerships are not ready to accelerate the implementation of advanced technology. Associated with material resources, the possibility of our country's position that is relatively have the availability of resources even sometimes less benefited by the partnership if not created conditions win-win solution. But the influence of human resources and modern management practices is higher with higher partnership levels. Hypothesis 6 of this study is partially accepted.

Third, the correlation between the performance measurements of this study found that the relative performance of firms compared to the industry average was positively correlated with growth. These findings indicate that performance measurement from different perspectives is necessary (Vickery, et al, 1994). Hypothesis 7 of this study is partially accepted.

Fourth, almost all firms judge that the general objective of organizational resource management is for short-term orientation and to relate to the operational aspects of the company. Only a few of their perspectives relate to long-term strategic aspects of the organization such as growth, expansion and long-

term survival. The company is not yet fully aware of the importance of resource management for long-term profit orientation. Companies need to identify in more depth in an effort to create competitive advantage for company. The purpose of managing resources should be focused on creating valuable resources and difficult to imitate competitors (Ellitan, 2017). In addition, the analysis of organizational resources should be linked to the analysis of organizational resources.

Limitations and Suggestions

However, the authors acknowledge that this study still has many limitations. The results of this study can not be generalized considering that this study is only done at a certain point in Indonesia and the data used is only the CEO's perception. Therefore, the researcher suggests the need for longitudinal study. Involving multiple-respondents in one company will increase the accuracy of the results (eg taking into account the perception of the operational / manufacturing field). In addition, studies on technology adoption in manufacturing companies are recognized to be biased if perceptions of technology adoption rates, manufacturing strategies, business strategies and performance vary. Another disadvantage of this study is not to consider how long the technology has been adopted.

The data were collected based on the respondent's perception, self-rating, and multi-choice questionnaire. This approach is sufficient to obtain much information in a relatively short time. It should be considered to treat longitudinal studies, but unfortunately this can not be done in the scope of this study. Questionnaires addressed to company leaders, so only leaders who respond to all questions related to resource management, strategy, cooperation with outsiders, perceptions of the level of competition and uncertainty of the business environment. In this case it is highly potential to generate mono-response biased. Limitations related to this whether the operations manager, or other managers involved in strategy execution, development of cooperation, strategy facing the business environment conditions have the same perception with the leadership of the company. Nevertheless, the leader of the company is chosen as the target subject because it is considered to have access to information on all the variables that become the focus of interest in this research.

The confidential nature of the data causes the respondent to be careful and this may limit the provision of information, as evidenced by some respondents who object to answering or answering incompletely and thus can not be used for study purposes. Associated with the selection of research samples are limited to medium and large manufacturing companies. This embraces different perceptions between companies, especially in assessing strategy, and assessing their business environment. This study is limited only in Indonesia so it is not necessarily generalizable to other countries.

Finally, the researcher gives some suggestions for future research that can be done to deepen the study of firm's resources: (1). This study can be done also in other developing countries that have similar culture. (2). The same instrument can also be used to examine technology adoption in small and medium enterprises. (3). Conducting a study of resources with environmental variables, organizational context and culture as a moderator in resource-and-performance relationships will enrich the knowledge and insight into the management of corporate resources.

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