

# Seoul Journal of Economics

Seoul Journal of Economics

ISSN 12250279

Institute of Korean Studies

## **SMEs Performance optimization Malang Raya based Leadership**

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### **Abstract**

This study examines the influence of leadership on performance quality, SME employees in Malang Raya. The research population is an employee of MSMEs in Malang Raya. Significant direct effects are found in variable relationships, i.e., leadership L (X) to the quality of work-life (M1) and employee engagement (M2); and Leadership (X), work quality (M1), and employee engagement (M2) on the Human Resources (Y) working ability. Considering that the sign of the relationship coefficient is positive. For example, the more leadership level (X), the higher the quality of employee work (M1). Humans as employees, are factors in competitiveness. Human resources have a role in improving SME's development, so it is necessary to consider the leadership of the Organization to increase the work of SME employees, employees as a buffer production process so it is important to optimize SME's work.

Keywords: MSME strategy, leadership

### **Introduction**

The development of SMEs increasingly rapidly and as a reference to the development of SMEs is a successful Singapore in the development of SMEs, the Malang has a strategic plan in realizing economic strength and developing the economic welfare of the kingdom, Praise of the Saints (2009, 2013a, 2013b, 2013c) stated that the development of SMEs consist of 4 stages of the establishment of growing flowers, market expansion. Praise (2013C) human resources development is a major factor in each MSMEs, and MSMEs successfully penetrate the international market, HR expertise is needed in the development of SMEs, and inhibit the development of SMEs, it takes a good pattern of human resources education Sgarkey et al. (2012) Expresses leadership and transformation related to the style of leadership and traditional leadership style is difficult to thrive. Holt & Seki (2012), Sharkey et al. Puji Suci (2017), stated that a more

visionary leadership is needed, which can adapt to the rapid development of the era and technology according to Hayward (2005), the style of leadership does not affect employee performance, it takes more than a leadership style is a leading organization to have a further vision or visionary, creative, innovative and adaptability to the world. MSMEs as one part of the economy, should be able to have a character leader. Tedjasuksmana (2014) states that MSMEs have great opportunities as part of economic activity, established companies conducting international trade must be made a government regulation that takes MSMEs as partners, Development can be interpreted as a efforts to improve the conceptual, theoretical, technical, and moral abilities of individuals according to their needs employment or position through education and training. argued that the development of SMEs more directed to become a powerful economic actor competitiveness through strengthening entrepreneurship and enhancing productivity supported by improvement efforts adaptation to market needs, utilization of results innovation and application of technology. (Afifuddin, 2010: 180). The influence of the development of MSME in Indonesia and see the role of government in improving MSME growth in Indonesia has positive results, both directly and indirectly. (Tambunan, 2009: 04)

The World Bank also provides an understanding of Small and Medium Enterprises, namely:

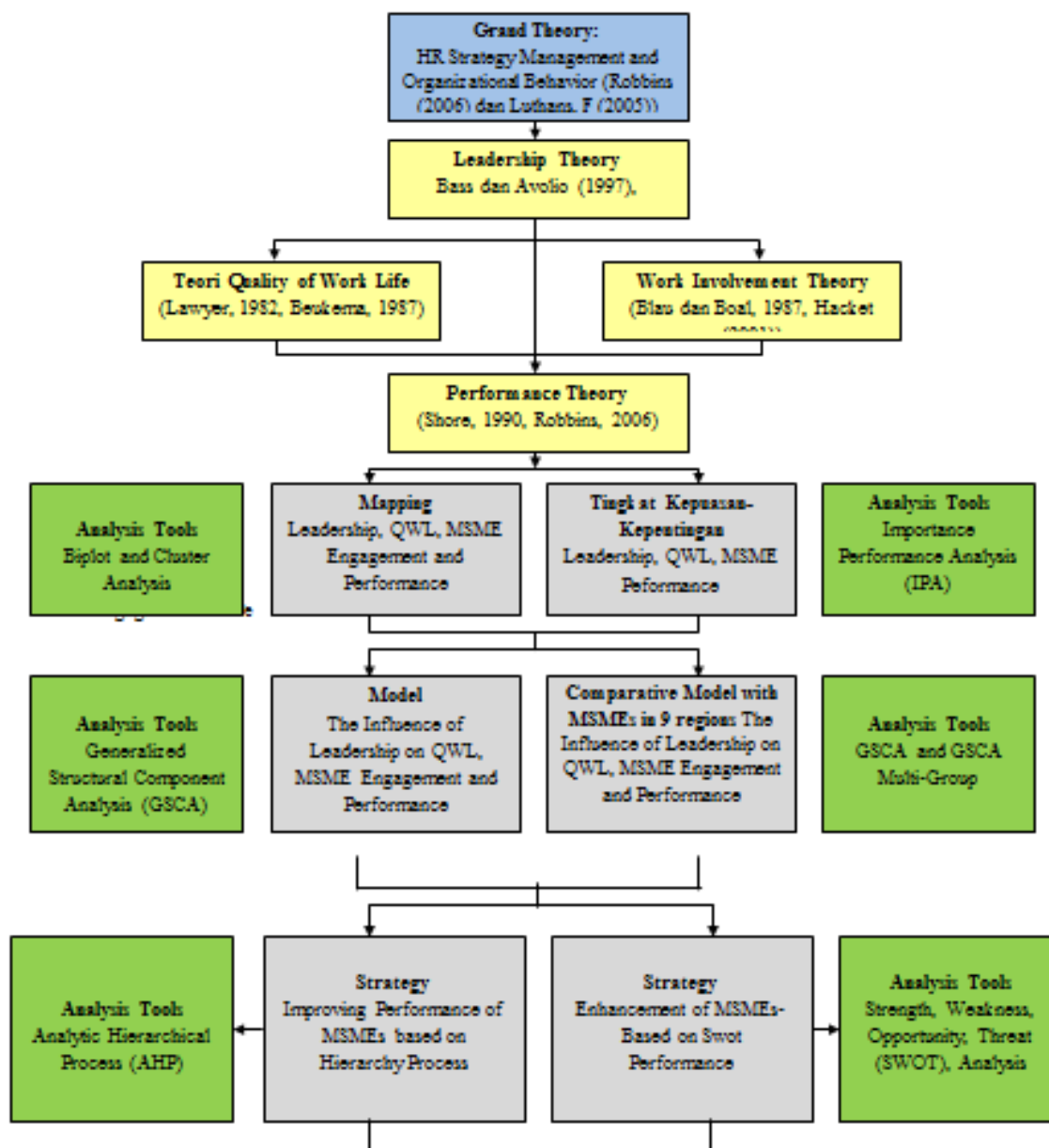
1. Small Business is a business that has fewer than 30 people, has a yearly income of less than \$ 3 million, and with assets of less than \$ 3 million.
2. workers of less than 300 people, a yearly income of less than \$ 15 million, and with total assets of up to \$ 15 million.

Indonesian Regulation Number 20 of 2008 concerning Micro, Small and Medium Enterprises, states that a

1. Micro Enterprise is a productive business owned by an individual and / or an individual business entity that meets the criteria for Micro Business as stipulated in this Law. The criteria for Micro Business are as follows: a. Has a net asset of no more than Rp 50,000,000 (fifty million rupiahs) excluding land and buildings for business premises; owning annual sales results of at most Rp. 300,000,000.00 (three hundred million rupiah).
2. Small Business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not a subsidiary or not a branch of the company that is owned, controlled, or become a part either directly or indirectly of medium or large businesses that meet the Small Business criteria as referred to in this Law. Small Business Criteria are as follows: a. Has a net worth of more than Rp 50,000,000.00 (fifty million rupiah) up to a maximum of Rp 500,000,000.00 (three hundred million rupiah) excluding land and buildings where the business is located; or has an annual sales proceeds of more than Rp. 300,000,000.00 (three hundred million rupiah) up to a maximum of Rp 2,500,000,000.00 (two billion five hundred million rupiah).
3. Medium Business is a productive economic business that stands alone , which is carried out by an individual business entity that is not a subsidiary or branch of a company that is owned, controlled, or becomes a part either directly or indirectly with a Small Business or Large Business with the amount of net assets or annual sales proceeds as regulated in this Law. . The criteria for Medium Enterprises are as follows: a. Has a net assets of more than Rp. 500,000,000.00 (five hundred million rupiah) up to a maximum of Rp. 10,000,000,000.00 (ten billion rupiah) excluding land and buildings for business premises; or have an annual sales income of more than Rp 2,500,000,000.00 (two billion five hundred million rupiah) up to a maximum of Rp 50,000,000,000.00 (fifty billion rupiah)

**Figure 1. Conceptual Framework**

Figure 1. Conceptual Framework



## Literature Review

According to the Theory of Luthans (2006), Robbins (2006), and Frederick Herzberg, Thomas (2001), the two-factor theory. The basic needs of employees are fulfilled, the employees will work optimally, integration, and high commitment, which will impact the optimum SME performance, the findings of Mohsan Faizan et al. (2011), Praise Suci (2013a), Cafila Ficalista (2011) Explaining the style In the conduct of SMES affecting the performance of the city of Sudaryanto, Ragimun, & Wijayanti (2013) The literature study was also conducted to strengthen the data. The research provides the following results: (1) Indonesia's SME development strategy cannot be separated from human resource support, and (2) strategies to anticipate the advent of more open and competitive market mechanisms Especially in the ASEAN region. The strategy reflects the competency of human resources that become a requirement to increase the competitiveness of SMEs. The research conducted by Hermawati (2015A), Hermawati & Nasarudin (2016), and HSU (2012) supported the positions of Porter & Lawyer (1968) and Kanungo (1982) explaining that employee involvement influenced its performance. It is also said that there is a positive relationship between engagement and performance, and that engagement will determine the level of employee performance. According to the organizational perspective, employee engagement is defined as a positive subject affecting employee performance and organizational performance. Employee performance improvements are affected by the working environment; (3) Increased employee performance impacts are the influence of quality of work-life; (4) Job satisfaction is influenced by the quality of work and influence on the contribution of Optimal worker Tedjasuksmana (2014) stating that SMEs have a great opportunity as part of economic activity, established companies that conduct international trade must Establish a government regulation that takes SMEs as a partner. Nanjundeswaraswamy et al. (2018). In this global competitive environment, an effective leadership style is needed to reduce the level of erosion. From effective leadership styles, it is only possible to achieve organizational goals productively. Leadership styles affect employee performance and productivity. Yusra Kaleem et al. (2015) Factors affecting which leadership styles are used; Personal background leaders: the knowledge, values, and experience and leadership styles used will vary depending on. Organization: Traditions, values, philosophies, and organizational concerns. Mario Franco DKK (2017) leadership, conducting a mixed-method approach, is applied in three Portuguese SMES (some case studies). Data obtained from the David et al (2018) Multifactor Leadership Questionnaire (MLQ), from SME collaborators. Strategy is the way a company's business leader realizes his philosophy. This understanding is more emphasizing strategy should be related with big decisions faced by individuals or organization in doing business that is a decision which determines individual failure and success or organization. (Kuncoro, 2005: 265). Strategy as a tool to achieve long-term goals. Besides the strategy is also interpreted as a potential action which requires top-level management decisions and company resources in large numbers. comprehensive related to implementation ideas / ideas, planning, and implementation of an activity within a certain period. Good strategy more demanding coordination of work teams, have theme, identifying appropriate supporting factors with the principles of implementing ideas rational, efficient in funding, and have tactics to achieve goals effectively. Strategy too is a broad set of organizational plans for implementing decisions taken for the sake of achieve organizational goals. Strategy into three groups that can be considered for application in a company, namely: (1) Company strategy (corporate strategy), (2) Business strategy or strategy competition, and (3) Functional strategy. (Sudaryanto, et al., (2015: 53), Strategy According to Umar Husen, strategy is an act of a nature incremental (always increasing) and continuously, and carried out based on the perspective of what is expected by the para future customers. Thus, the strategy almost always starts from what can happen not starting from what happened. Happen the

speed of new market innovations and changes in consumer patterns requires core competencies (core competencies). Company needs look for core competencies in the business being carried out.

## Research methods

Definition of operation many variables can be explained: The leadership measured six parts of SME's head intelligence, among others, KOGINITF, emotional, business, culture, Global, Moral (Sharkey, 2012). Quality of work (QWL) is the perception of workers physically and psychologically safe, comfortable, self-developing as a human being with potential (Wheter and Davis, 1996; Wayne 1992). Employee participation as support in strengthening integrity in the success of an organization (Lodahl and the Kejner in Cohen, 2003).

In research, there are now six hypotheses to be tested, namely:

- (1) Quality of Leadership influenced work
- (2) Involvement of workers influenced by leadership.
- (3) Employee performance influenced by leadership.
- (4) Employee engagement influenced the quality of work life.
- (5) Employee performance influenced the quality of work life.
- (6) Employee performance influenced by employee involvement

## Results and discussion

The theoretical basis shown in this study corresponds when supported with empirical data goodness-of-fit results in the test overall model goodness-of-fit result shown in table 1.

**Table 1. Goodness-of-fit results**

Criteria	Cut-off Value	Model results	Description
<b>FIT</b>	<u>&gt;0,50</u>	<b>0,758</b>	<b>Intermediate Model</b>
<b>AFIT</b>	<u>&gt;0,50</u>	<b>0,816</b>	<b>Intermediate Model</b>
<b>GFI</b>	<u>&gt;0,91</u>	<b>0,984</b>	<b>Good Model</b>
<b>SRMR</b>	<u>&gt;0,09</u>	<b>0,012</b>	<b>Good Model</b>

The test result model found that the FIT value (equivalently with a coefficient of determination or R2) was 0.758 or and the AFIT value (equivalently with a corrected coefficient of determination or R2 adjusted) was 0.816. Hair et al. (2011) state that the R2 or R2 adjusted value is higher than 0.5, meaning the model is an intermediate model. Two Criteria, namely GFI and SRMR, have fulfilled the cut-off value, the GSCA model is suitable for use.

Table 2. GSCA Analysis Results

	Hypothesis	Line coefficient	
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Regency City		Relationships between variables	Overall	Estimation	CR	Description
City of Malang	H1	X1 → M1	0,647	0,532	5,512	Significant
	H2	X1 → M2	0,555	0,633	5,623	Significant
	H3	M1 → M2	0,148	0,271	2,601	Significant
	H4	X1 → Y	0,202	0,332	3,060	Significant
	H5	M1 → Y	0,608	0,586	5,382	Significant
	H6	M2 → Y	0,544	0,539	4,583	Significant
Regency of Malang	H1	X1 → M1	0,647	0,655	6,534	Significant
	H2	X1 → M2	0,555	0,532	4,703	Significant
	H3	M1 → M2	0,148	0,254	2,248	Significant
	H4	X1 → Y	0,202	0,185	1,703	Not significant
	H5	M1 → Y	0,608	0,708	6,524	Significant
	H6	M2 → Y	0,544	0,598	5,088	Significant

From the results of the analysis states, the first leader (X) affects the quality of work (M1). Visionary leaders have cognitive abilities, emotional control, business skills, ethics, and morals to provide a sense of security, comfort, to employees. Other test results show that employees are involved in the development of the company and given compensation, allowance and trust, which can foster confidence in the quality of the work. Leadership (x) affects employee engagement (M2). That is measured from cognitive, emotional, business and cultural. The hypothesis test results showed that MSME leaders have a cognitive, emotional, business, and cultural intelligence. Able to influence the results of the test result is demonstrated that SMEs employees are satisfied with the performance of SMEs and employees have confidence. HR performance factors (y) are influenced by leadership (x). And can be measured from the work, behavior and character of employees. According to the praise (2013a) performance skills and influential skills in the MSME Kinnerja, according to Cafila Ficalista (2011) Leadership models can affect the performance of SME employees.

## Conclusion

Based on the results and research discussion, the following conclusions:

1. In poor cities, the relation of influence is direct and significant, namely: between Transglobal Leadership (x) on the quality of work-life (QWL) (M1) and employee engagement (m2); Between work-life (M1) in employee engagement (m2); Between the leadership of Transglobalm (x), Work-Life quality (M1), and employee engagement (m2) of human resource performance (y). Considering that the efficiency is marked positively, it is said that the above relationship is positive. This means that the higher the level of Transglobal Leadership (x), as well as the quality of Work-life (M1)
2. In Malang district, the relationship of influence demonstrates the direct and significant nature, namely: between Transglobal Leadership (x) of work-life quality (M1) and employee engagement (m2); Between work-life quality (M1) of employee engagement (m2); And between the work Life Quality (M1) and employee involvement (m2) on the performance of



human resources (y). Considering that the above relationship is positive, the relationship is positive. This means that the higher the level of Transglobal Leadership (x), the higher the work Life Quality (M1). Nevertheless, the global Leadership (x) has no significant influence on human resource performance.

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