

CONTEXTUAL AND CORPORATE SOCIAL RESPONSIBILITY FACTORS: CONCEPTUAL FRAMEWORK AND ITS IMPLEMENTATION FOR BUSINESS PERFORMANCE AND COMPETITIVENESS

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ABSTRACT

The important role of small and medium industries as business actors is shown through the indicators, namely the large number and moves in various business sectors and touches the interests of the community. This conceptual framework explores the contextual factors, corporate social responsibility and their implementation for improving business performance and competitiveness. The approach used is explanatory, namely discussing contextual perspectives and CSR in its role for improving welfare. The results showed: incentive assistance through CSR implementation programs carried out by the private sector proved to have a significant impact on business competency and also competitiveness of SMIs, as well as technical support carried out by the government in the form of training in a very positive response by SMIs actors. The theoretical foundations of this research are very important for policy making by the government.

Key words: contextual, CSR, performance, competitiveness

INTRODUCTION

The exchange rate of the rupiah against the US dollar at the beginning of 2018 is Rp. 13,477 per USD and up to mid-October 2018 to Rp. 15,271 per USD, this shows that there was a very significant decline in the rupiah exchange rate in 2018. The decline in the rupiah exchange rate directly also showed a decline in national competitiveness. In conditions of increasing global competition, the role of the state has become increasingly important. Differences in values between countries, cultural differences, economic structures, institutions, and the history of the nation all affect the level of success of the country's competitiveness. The competitiveness of a country directly also affects economic competitiveness which ultimately affects the competitiveness of companies in the country concerned. Likewise, the competitiveness of the Small and Medium Industries (SMIs) is strongly influenced by the country's competitiveness. The decline in the rupiah exchange rate against the US dollar directly indicates a decline in the competitiveness of SMIs in Indonesia.

The important role of Small and Medium Industries (SMIs) as business actors is shown through the indicators, namely the large number and moves in various business sectors and touches the interests of the community. In addition to being the largest business sector contributing to national development, the SMIs also creates considerable employment opportunities for domestic workers, so its role is very important in helping government efforts to reduce unemployment. Judging from the juridical aspect, the existence of SMIs has been legally regulated through the Ministry of Industry Regulation No. 6 of 2016. The central government's policy tools can be used as a foundation for a sustainable facilitation process. Tambunan (2002) states that SMIs began to be quite a warm topic since the emergence of the thesis of flexible specialization in the 1980s, which was based on the experience of Small Scale Industries (SSI) and Medium Scale Industries (MSI) centers in several European countries West, especially Italy. This shows that small industries in centers can develop more rapidly, are more flexible in facing market changes, and can increase their production than small industries individually outside the center (Aleke-Dondo, 1995). The industrial sector has a variety of products compared to other sectors. The industrial sector is more promising compared to other sectors, moreover the industrial sector does not depend on natural conditions such as the weather.

Bali Province should have a competitive advantage compared to other provinces due to proximity to the center of the country. However, in Tan & Amri (2013) study, it turns out that the SMIs competitiveness index in Bali is in ninth position nationally, this is quite disappointing considering that Bali's potential is at the main strength in a group of six provinces performing well in an environment that is located somewhere towards the center geographical center of the country.

The development of the handicraft industry in Bali is currently growing rapidly, this is because the demand for handicraft products is part of the development of the tourism industry. The development of the handicraft industry in Bali varies according to the potential of each region. The development of the wood craft industry is so rapid, including one of them is the wood craft industry that is developing well in small and medium scale industries. The development of wooden handicraft exports in Bali from year to year is increasing, even according to the Disperindag of Bali Province (2018) from 2013 to 2016 to become the leading export. This condition causes the wood industry to make a significant contribution to the supply of labor. This also shows that the wood industry is a potential industry to be developed as the main export commodity, supporting the tourism sector and increasing the income of artisans. Production of woodcraft in Bali from 2013 to 2017 shows growth that has increased and decreased. We can see the fluctuations in production in Table 1.

Table 1. Number of SMIs Production of Wood Crafts in Bali Province 2013-2017 (Million Rupiah)

No.	Regency/City	Production Number				
		2013	2014	2015	2016	2017
1	Gianyar	226.670.040	292.611.170	298.838.432	251.536.067	192.738.265
2	Denpasar	179.188.495	231.316.653	236.239.464	198.845.728	152.364.554
3	Badung	98.318.001	126.919.929	129.621.000	109.103.626	83.600.113
4	Tabanan	82.138.375	106.033.449	108.290.020	91.149.072	69.842.525
5	Jembrana	51.025.799	65.869.837	67.271.659	56.623.402	43.387.401
6	Buleleng	38.215.671	49.333.084	50.382.976	42.407.985	32.494.908
7	Bangli	26.971.337	34.817.634	35.558.613	29.930.132	22.933.815
8	Karangasem	7.609.587	9.823.310	10.032.367	8.444.369	6.470.456
9	Klungkung	6.311.953	8.148.179	8.321.586	7.004.383	5.367.074
	Total	716.449.259	924.973.246	944.556.117	795.044.764	606.199.111

Source: Department of Industry and Commerce, Bali Province, 2018 (Data processed)

The data in Table 1 shows that an increase in production from 2013 to 2014 was 22.5 percent. From 2014 to 2015 it increased by 2.08 percent. This increase is far smaller than the increase in the previous year. In fact, from 2015 to 2016 it decreased by 18.8 percent and in 2017 it experienced a greater decline of 30.51 percent. This condition is also inseparable from the fluctuations in the growth of SMIs in Bali Province as in table 2.

Table 2. Growth of SMIs and Production Wood Crafts in Bali Province 2013-2017

No.	Year	Amount of Wood Industry		Total Production	
		Unit	Growth (%)	Million Rupiah	Growth (%)
1	2013	1.986	-	716.449.259	-
2	2014	1.568	-26,6	924.873.246	22,5
3	2015	2.092	25,0	944.556.117	2,08
4	2016	2.074	-0,8	795.044.764	-18,8
5	2017	2.037	-1,8	609.199.111	-30,5

Source : Department of Industry and Commerce, Bali Province, 2018 (Data processed)

The data in Table 2 clearly shows that the growth of wood craft SMIs has fluctuated over the past 5 years. A very large decrease which reached 26.6 percent occurred from 2013 to 2014, increasing again by 25 percent in 2015. The decline in the number of SMIs still occurred from 2016 to 2017, which was a decrease of 1.8 percent. This fact shows that the performance of SMIs has not shown good growth in quantity and quality. Competitiveness will be increasingly visible from the many investments that develop. Competitiveness is also inseparable from ranking maps based on quality of life and infrastructure development, in this condition the Province of Bali is in the main force in a group of six provinces performing well in an environment located somewhere towards the geographical center of the country or center of the country. The six provinces include East Kalimantan and South Kalimantan, South Sulawesi, Bali, East Java, and Yogyakarta (Tan & Amri, 2013).

The phenomenon of SMI performance in Bali Province can also be seen from the performance of SMIs in the form of export trade in handicraft products which have been exported to various destination countries, including ASEAN countries, Pacific countries, European Union, Middle East Eastern Europe, Africa, Central America, South America, South Asia, and other countries. The export realization of Bali Province per destination country in 2010 - 2017 for EU destination countries has decreased very high with an average of 5.27 percent. Likewise, the destination of other countries has decreased by 1.56 percent. Based on this phenomenon, the existence of SMIs cannot be separated from the factors that influence the performance of SMIs, including the problem of how to realize sustainable competitiveness.

Research on the competitiveness of SMIs in Indonesia has been carried out. The results of the study on the performance of Small and Medium Industries were reported by Badrudin (2012), and Sriyana (2010). Research by Jesika, (2012) found a positive role in increasing export-oriented competitiveness in the DKI Jakarta region from a number of variables such as product excellence, entrepreneurial innovation, human resources and marketing by utilizing technology. A more specific study was reported by Jamaluddin (2005) on the competitiveness of local products, and Rahayu (2010) on the importance of partnerships in an effort to improve competitiveness raised from the profile of small-scale industrial villages in East Jakarta. The results of the study in general provide an overview of capital constraints, limited marketing networks, and problems with less skilled resources.

The company's initiative to implement CSR can make companies no longer focus on the goal of maximizing profits and increasing shareholder welfare Friedman (1970); Bhide & Stevenson (1990); and Gaski (1985). This opinion is of course not in line with stakeholder theory which states that companies are not only responsible to shareholders but also to all stakeholders affected by company behavior and decisions (Center & Jackson, 2003). Therefore, CSR activities should be needed as a long-term investment, so that it will provide benefits to the company such as reducing business risk, improving good relations with the government, increasing worker productivity, increasing company reputation, decreasing capital costs, increasing sales and working motivation (Donleavy, Lam, & Ho, 2008); (Chapple & Moon, 2005); (Farah & Newman, 2010). CSR is also believed to be able to reduce the escalation of conflict between companies and local communities if they are able to eliminate poverty levels

Carroll & Shabana (2010) and become business opportunities, sources of innovation and competitive advantages that are very powerful for companies (Porter & Kramer, 2006). If viewed from the point of view of consumers, investors, suppliers, and other stakeholders also support companies in implementing CSR so that market opportunities and competitive advantages increase (Porter, 1992). So in other words companies that implement CSR will show better performance and increased profits and growth (Figge & Schaltegger, 2000).

Competitiveness is a concept commonly used in the economy, which usually refers to a commitment to market competition in the case of companies and success in international competition in the case of countries. With the increasingly globalized world economy and free competition, competitiveness has become one of the key concepts for companies, countries and regions to succeed in their participation in globalization and free trade in the world (Markovics, 2005). Competitiveness has three characteristics, namely, potential, process, and performance. In addition to this, competitiveness is also characterized by long-term orientation, control, relativity, and dynamics. Besides that, there are three important aspects that influence the competitiveness of SMIs, namely: internal company factors, the external environment, and the influence of entrepreneurs / business owners. The competitiveness of a company is reflected in the competitiveness of the products produced by the company. The competitiveness of the company is determined by seven very important factors including expertise or level of education of workers, expertise of entrepreneurs, availability of capital, good organizational and management systems (according to business needs), availability of technology, availability of information, and availability of other inputs, such as energy, and raw materials (Tambunan, 2002).

Competitiveness analysis (TCD) mostly refers to the Trade Competitiveness Diagnostic (Reis & Thomas, 2012) which is an approach that aims to provide an understanding of the position, performance and capability of a country in the export market, as well as factors that affect its competitiveness. Trading activity is a lens that is useful for measuring competitiveness. The export market generally has a high level of competition so that countries with high competitiveness in exports generally are also superior to their domestic factors. This is in line with the reciprocal relationship between trade and productivity. Productive business actors become exporters and will be more productive with demand from the export market. A concept of comparative advantage will shift to take into account technology as a dynamic element, this is because mastery of science and technology has been able to produce sophisticated equipment to shift a large portion of human labor so that the ratio of capital and labor is no longer important variables, even though labor still needed but its role becomes very lacking in the production process. According to Tambunan (2002) that the competitiveness of a commodity is also determined by its technology. In the future, technological demands are characteristic of the export development process by taking the rationale and assumptions built by classical theory. However, classical theorists do not see the importance of the influence of technological processes on world trade patterns. Because ultimately competitive advantage will determine the power of a country or a commodity rather than its comparative advantage.

ANALYSIS AND DISCUSSION

Porter’s Five Forces Model and Porter’s Diamond Model

In competitiveness theory, there is generally a theory from Michael Porter that is used when conducting competition analysis. The theory is known as the Porter’s Five Forces Model. The theory explains that in reality the company does not only compete with companies in the industry today. The analysis used by the company is who is the direct competitor of the company and finally they are trapped in "competitor oriented", so they do not have a clear market vision. Through Porter's theory, the company also competes with its potential competitors, namely those who will enter, suppliers, consumers, and manufacturers of substitute products. So that there are five forces that determine the characteristics of an industry, namely: (1) Intensity of competition between current players, (2) Threats of entering new entrants, (3) Supplier bargaining power, (4) Buyer bargaining power, and (5) Threats of substitution products. Porter (1988) theory of competitiveness stems from his belief in classical economic theory which explains the inadequate comparative advantage, or even according to him to be inappropriate. Porter argues that a country will gain a competitive advantage if companies in that country are competitive. The competitiveness of a country is determined by the ability of an industry to innovate and improve its capabilities. Porter explained that Diamond Model is a tool of analysis as well as a framework for building and strengthening competitiveness. Companies must be able to minimize the impact of these five forces in order to be able to occupy a competitive position in their industry. Figure 1 shows the competitive situation in an industry, where the five forces determine the intensity of competition and capability in the industry.



Figure 1. Porter’s Diamond Model

Source: Porter, 1998

Porter's Diamond Model includes several influencing factors, namely: National Competitive Advantage which includes: demand conditions, related and supporting industries, and firm strategy, structure, and rivalry.

1. Demand conditions, the focus of which is on the availability of a domestic market that acts as an important element in generating competitiveness. This is characterized by the ability to sell superior products, driven by the demand for quality goods and services and the existence of relationships between companies and customers.
2. Related and Supporting Industries, namely the existence of a strong link between supporting industries and companies, this positive relationship and support that leads to increasing company competitiveness. Porter develops a model of this type of condition with industrial clusters or agglomeration, which then provides the advantage of a potential technology knowledge spillover, proximity to consumers, so as to increase market power.
3. Firm strategy, Structure and Rivalry, which is focused on the strategies and structures that exist in the company in general with the intensity of competition in certain industries. Strategy factors consist of two aspects, namely: capital markets and individual career choices. Domestic capital markets have an effect on company strategy, while individuals generally make career decisions based on opportunities and prestige. A country will have competitiveness in an industry where key personnel are considered prestigious. Structure follows strategy. The structure is built to execute the strategy. The higher the intensity of competition (rivalry) it will be able to encourage innovation.

Other factors are: the role of government and chance, namely as players in the industry, but through the authority they have to provide facilitation, catalysts and industry challenges. The government encourages industries to achieve certain levels of competitiveness. So that the government can do it through incentive policies, namely: subsidies, taxation, education, focusing on the creation and strengthening of factor conditions, as well as enforcing industry standards.

According to Porter, a country will gain a competitive advantage if the company in that country is competitive. The competitiveness of a country is determined by the industry's ability to innovate and improve its competence. The company has a competitive advantage due to pressure and challenges. The company benefits through competition in the domestic market, aggressive domestic suppliers, and local markets that have high demand. Differences that exist in national values, culture, economic structure, institutions, and overall history contribute to success in competition. A competitive company through innovation that can include technical improvements in the production process and product quality.

Porter underlined that the availability of factors such as human resources, raw materials, knowledge and infrastructure are not determined by differences in the natural characteristics of a country. The ability of a country to provide factors is largely determined by the political will of the government. Therefore, government variables play an important role in increasing national competitiveness.

The core of Diamond Porter's model is creating self-reinforcing competitiveness, where domestic competition encourages the growth of industry and simultaneously forms sophisticated consumers who always want improvement and innovation. Porter's Diamond Model also promotes industrial clusters. Where Porter explains the existence of relations between firm-industry-country, and how this relationship can support the state and vice versa. If the company wants to improve its business in intense competition, the company must have business principles, high prices, low cost products, and not both. For this reason, Porter stated that there are three Generic Strategies, namely: Differentiation, Overall Cost Leadership and Focus. The differences in the company's strategies in competing are described in various dimensions by Porter including: Specialization, Brand Identification, Pull Versus Versus, Channel Selection, Product Quality, Technological Pioneering, Vertical Integration, Cost Position, Service, Price Policy, Leverage, Parent Company Relations, Relations with the Government.

Corporate Social Responsibility Concept

The concept of Corporate Social Responsibility is one of the important milestones in corporate management. Although the concept of Corporate Social Responsibility was only known in the early 1970s, this concept was proposed by Bowen (1953). According to Carroll (2016), the concept of Corporate Social Responsibility contains the following components:

1. Economic responsibilities
The main corporate social responsibility is economic responsibility because business institutions consist of economic activities that produce goods and services for society profitably.
2. Legal responsibilities. The community hopes that the business will be carried out by complying with applicable laws and regulations which are essentially made by the community through the legislature.
3. Ethical responsibilities. The community hopes that the company conducts business ethically by showing moral reflection carried out by business people individually and institutionally to assess an issue where this assessment is a choice towards the value that develops in a society.

Discretionary responsibilities. The community expects the existence of the company to provide benefits to them. According to The World Business Council for Sustainable Development, Corporate Social Responsibility or corporate social responsibility is defined as a business commitment to contribute to sustainable economic development. This is done in collaboration with employees and their representatives, their families, the local community and the general public to improve the quality of life in ways that benefit both their own business and development. The concept of CSR will be more easily understood, by asking who exactly is the company manager responsible. Stakeholders in CSR Stakeholder Activities are all parties, both internal and external, that have a relationship that is both influential and influenced, directly or indirectly by the company. To fulfill its social contract in the community, the company is faced with several simultaneous social responsibilities to stakeholders. What

stakeholders mean here are people or groups that influence or are influenced by various decisions, policies, and operations of the company.

The theories underlying the implementation of Corporate Social Responsibility include:

1. The Stakeholder Theory

Stakeholder theory states that a company is not an entity that only operates for its own interests, but also must provide benefits to its stakeholders, namely shareholders, creditors, consumers, suppliers, government, society, analysts and other parties. The existence of a company is strongly influenced by the support provided by the company's stakeholders. The assumption of stakeholder theory is built on the statement that the company develops to be very large and causes the community to become very related and pay attention to the company, so that the company needs to demonstrate accountability and responsibility more broadly and not limited to shareholders. a) Descriptive Arguments. The descriptive argument states that stakeholder views are simply a realistic description of how the company actually operates or works. Managers must pay full attention to the company's financial performance, but management tasks are more important than that. To be able to obtain consistent results, managers must pay attention to the production of high-quality and innovative products for their customers, attract and retain high-quality employees, and adhere to all complex government regulations. Practically, managers direct their energy towards all stakeholders, not just the owners.

The existence of this stakeholder theory provides the foundation that a company must be able to provide benefits to its stakeholders. These benefits can be provided by implementing a Corporate Social Responsibility (CSR) program. The existence of the program in the company is expected to improve the welfare of employees, customers and local communities. So that good relations are expected between the company and the surrounding environment. Corporate CSR basically rests on two theoretical frameworks. First, the traditional theory of CSR which is based on Friedman (1970) which is also supported by (Bhide & Stevenson, 1990) and (Gaski, 1985) namely "business of business is business". This perspective holds that companies only have the responsibility to provide goods and services to the community with a reasonable level of profit. Another relevant perspective is contemporary theory or modern CSR. This theory explains that organizations are not only responsible to shareholders, but also groups in society that influence the company. This theory holds that CSR is very important as a long-term strategy aimed at improving the company's financial performance, including profitability, market share, and customer loyalty. Stakeholders as individuals and groups that are influenced or influential on the strategic outcomes generated by organizational performance. So that maintaining relationships with stakeholders as a competitive advantage is important.

2. Legitimacy Theory

The thing that underlies the legitimacy theory is the social contract that occurs between the company and the community in which the company operates and uses economic resources. Companies operate in an external environment that changes constantly and they try to ensure that their behavior is in accordance with the boundaries and norms of society. Legislation theory focuses on the interaction between the company and the community. O'Donovan (2000) argues that the legitimacy of an organization can be seen as something that the community gives to the company and something the company wants or from the community. However, it must be borne in mind that the existence and magnitude of the legitimacy gap is not an easy thing to determine, what is important is how companies try to monitor corporate values and social values and identify possible gaps. To gain legitimacy from the community, the company carries out social responsibility activities. By implementing CSR, it is hoped that the company will gain social legitimacy and can maximize its financial strength in the long run. Legitimacy can be considered as equating perceptions or assumptions that actions taken by an entity are desirable, appropriate or in accordance with the system of norms, values, beliefs and socially developed definitions (Suchman, 1995). Legitimacy is considered important for companies because the legitimacy of the people to the company is a strategic factor for the company's future development. O'Donovan (2000) argues that the organization's legitimacy can be seen as something that is given by the community to the company and something that the company wants or wants from the community. Thus the legitimacy has benefits to support the survival of a company. Legitimacy is a company management system that is oriented towards society, individual government and community groups, (Gray, 2002). For that reason, as a system that prioritizes the alignments or interests of the community. The company's operations must be in accordance with the expectations of the community. Deegan, Rankin, & Tobin (2002) state that legitimacy can be obtained when there is a match between the existence of a company that is not disturbing or congruent with the existence of value systems that exist in society and the environment. When there is a shift towards nonconformity, then at the moment the legitimacy of the company can be threatened.

Contextual Factors

Contextual factors are expressed in general, known for decades where academic literature does not have an exact definition of what is meant by contextual factors (Pugh, Hickson, Hinings, & Turner, 1969). Dey (2001) defines context in a manner that is common at the operational level. "Context is information that can be used to characterize the situation of an entity". Another narrower definition that refers to business processes is given by (Rosemann, Recker, Flender, & Ansell, 2006): "The combination of all implicit and explicit circumstances that affect the situation of a process can be called the context in which business processes are embedded". By summarizing the two definitions, it can be concluded that context is explicit and implicit information about a situation or situation that affects an entity. In other words, contextual factors are important factors that are being owned or being carried out by SMIs that can be directly related to the survival of the company. These factors can be influenced by internal conditions and external conditions of the company as stated by (Kronsbein & Leyer, 2014). In connection with this concept, several types of contextual factors are marketing systems, technology, capital access, access to information, business planning, entrepreneurial attitudes, which are owned by managers and assistance provided by the government and others. The existence of a new market will affect sales growth in SMIs. Another important factor in the company is technology. The lack of technology, including information technology owned or implemented by the SMIs, will hamper its development. Sari

& Hanoum (2012) in their study concluded that the application of technology, especially the internet, could improve the performance of SMIs.

Another important problem that is often faced by SMEs is access to capital. Lack of capital in the SMIs will cause delays in production and innovation activities which in turn have an impact on the inhibition of business success (Swierczek & Ha, 2003). The main sources of capital from SMIs are generally from personal savings, loans from families or groups, cooperatives and other financial institutions. The business plan or business plan can show the direction of business activities and development. The research of Trisninawati & Septhayuda (2012) states that SMIs that have business plans in business development have a significant influence on business growth. Generally SMIs need government assistance to develop. Some government assistance includes increasing capacity training to improve management, operational, financial and other skills. The more assistance from the government, the more advanced the SMIs (Trimurti & Komalasari, 2014).

Framework of Thinking

Competitive strategies in companies and industries are expressed in dimension 5, including relationships, which have a core position of the industry concerned for 4 supporting components, namely threat of new entrance, training of suppliers (left quadrant), bargaining power of customers (right quadrant) and the threats of substitute of product and service (lower quadrant) Porter (1988) formulates a competitive strategy to increase customer value added and can enhance a company's competitiveness position. The strategy in business development following Porter (1998) is a combination in increasing the company's competitiveness potential by paying attention to the customer quadrant environment, suppliers, competitors in the form of threats from new entrants, and product development as a threat to competitors.

The purpose of business organizations to survive (survival) is to earn profits and continue to grow, both of these things can be realized if the organization has good performance (Jauch & Glueck, 1988). Performance is the level of achievement or achievement of the organization within a certain period of time. The performance of the SMIs as a booster for the national economy is inseparable from the influence of the internal and external environment. External factors that affect the growth of the performance of SMIs are government regulations and policies. Chowdhury (2006) states that the government has an important role in creating a positive climate in the development of small businesses. The role of the government in supporting the existence of the SMIs is in a strategic position, where the government provides assistance to the SMIs through the repair and construction of infrastructure, education and training, and financial assistance to support the development of SMIs (Korry, Troena, Hadiwidjojo, & Noermijati, 2013). The development and development of the SMIs has received great attention from the government given its role in the development of a populist economy through a labor-intensive production process that is able to absorb a lot of labor, and expand employment opportunities and increase income (Hill, 2001). According to the National Development Planning Agency (Bappenas), the development of SMIs has not been balanced by the prevalence of improving the quality of SMIs. Human capital refers to the knowledge, attitudes and skills that are developed and considered to be economically productive (Hill, 2001). Human resources are also core sources to gain competitive advantage in the organization (Lepak & Snell, 1999). Human resources have a very large contribution and become a very decisive asset in achieving the desired goals, so that the utilization and management of appropriate human resources is needed. Human resources include two aspects, namely: (1) quantity, which involves the number or number of people, which will only burden development if it does not have good quality. (2) quality, concerning the quality of human resources both physical and non-physical abilities (intelligence and mental). For this reason, in the interests of accelerating development in various fields, improving the quality of human resources is the main requirement. The research conducted by Ucbasaran (2004) in the UK with entrepreneurial objects in the cities of Scotland, South West, South East, North West, North East, York and the Humber, Wales, London, East Midlands, West Midlands, East of England. The results stated that the habits of entrepreneurs have differences between groups with one another, where beginner entrepreneurs generally have lower performance than experienced entrepreneurs. So there is a relationship between the level of profit and the introduction of business practices carried out. Competitive advantage is the ability of a company to win consistently in the long run in a competitive situation. To be able to compete in the market, the effort that must be made is to increase cooperation with the government in addition to having to have adequate abilities and skills.

Corporate CSR basically rests on two theoretical frameworks. First, the traditional theory of CSR based on Friedman's classic thinking (1970) is also supported by Bhide & Stevenson (1990) and Gaski (1985), namely "business of business is business". This perspective holds that companies only have the responsibility to provide goods and services to the community with a reasonable level of profit. Another relevant perspective is contemporary theory or modern CSR. This theory explains that organizations are not only responsible to shareholders, but also groups in society that influence the company (Freeman, 1994). This theory holds that CSR is very important as a long-term strategy aimed at improving the company's financial performance, including profitability, market share, and customer loyalty (Quazi, 2003). Stakeholders as individuals and groups that are influenced or influential on the strategic outcomes generated by organizational performance. So that maintaining relationships with stakeholders as a competitive advantage is important (Susilowati & Turyanto, 2011). Contextual factors are important factors that are owned or carried out by SMIs that are directly related to the survival of the SMIs. This factor is the factors that are available from the parties or external environment, but not intentionally provided by other parties to the SMIs. These factors include the marketing system, technology, access to capital, access to information, business planning and entrepreneurial attitudes owned by the SMIs. A common problem faced by SMEs is marketing problems (Pious, 1985). In addition, the lack of SMIs capital is the cause of late production and investment which ultimately has an impact on business success (Swierczek & Ha, 2003). The lack of utilization of the technology owned by the SMIs will hamper the development of SMIs (Sari & Hanoum, 2012). The research of Trisninawati & Septhayuda (2012) shows that SMIs that have a business plan in developing a business have a significant influence on business growth. Sikki (2011) research on knowledge management at sources of competitive advantage and implementation of the blue ocean strategy as an effort to create sustainable competitiveness. The result states that

the process of knowledge and the application of the blue ocean strategy cannot create competitive advantage on an ongoing basis without the sources of competitive advantage possessed by every personal supporter of the company organization.

Research Concept Framework

Business Performance is the appearance or performance of a business that involves three important components, namely: objectives, size and assessment. Determining the objectives of each organizational unit is a strategy to improve performance. This goal will give direction and influence how the organization's expected work behavior towards each personnel. However, just setting goals is not enough, because it requires a measure, whether someone has achieved the expected performance. In this study several indicators measured are: (1) total production, (2) increase in the amount of production, (3) amount of profit, and (4) profitability (profit divided by total capital)

There are two aspects that must be owned by companies in competing, namely first, related to the sustainability of the key resources used. Second, related to the durability of the superiority possessed by various key resources for what is owned by competitors. Retire or survive by holding a consolidation, divestment, switching to the upper or exit segments of the market. Challenging rivals directly with price declines, increasing capacity, this is a resistance process that is difficult to predict or turbulence (Sikki, 2011). Competitiveness is a commitment to market competition faced by SMEs that is reflected in the competitiveness of the products produced, has three characteristics, namely, potential, process, and performance. Competitiveness is determined by seven very important factors including expertise or education level of workers, entrepreneurial expertise, availability of capital, good organizational and management systems (according to business needs), availability of technology, availability of information, and availability of other inputs, such as energy, and raw materials. In this study several indicators measured were: (1) number of customers, (2) increase in the number of customers, (3) the existence of product innovation, (4) the existence of business network governance, and (5) export orientation. Competence is a basic character of a person based on knowledge, skills and attitudes in a particular field so that a person can carry out a job and have outstanding achievements. Competence is a fundamental characteristic of each individual that is associated with criteria that are referenced against superior or effective performance in a job or situation. Business Competence is the ability of the SMIs to carry out a job or function and productive behavior characterized by professionalism so that it excels in the field of business. Competencies can be grouped into four levels, namely: (1) Core competencies (core competencies) that describe the most important competencies for an entire organization; (2) role competencies that show a relevant role for employees holding managerial positions; (3) Behavioral competencies are hidden characteristics related to effective or superior performance; (4) Functional competencies (functional competencies) are classified into three fields that reflect broad job classifications, namely the company's main services, services to the main services and services to the organization. In this study several indicators measured were: (1) the percentage of senior secondary education level, (2) work experience, (3) wage system, (4) the existence of a quality control system, (5) the large number of workers trained, (6) percentage of working capital to total assets, (7) total value of equipment (Morgan, 2009), and Vargas-Hernández & Noruzi (2010), states that fostering and empowering the government in the long term can play a role in increasing the competitiveness of IKM in a sustainable manner. Rashid (2018), and Mishra (2012) put more emphasis on government assistance in the context of business partnerships so that it becomes the foundation for developing long-term competitive business. The development and development of the SMIs has received great attention from the government given its role in the development of a populist economy through a labor-intensive production process that is able to absorb a lot of labor, and expand employment opportunities and increase income (Hill, 2001). According to the National Development Planning Agency (Bappenas), the development of SMIs has not been balanced by the prevalence of higher quality

The research conducted by Hussain (2010) concerning the Effect of Corporate Social Responsibility on Corporate Financial Performance. The results of the study show that Corporate Social Responsibility has a significant effect on Return On Assets (ROA) and Return on Sales (ROS). Previously Indrawan (2011) conducted a study entitled the influence of Corporate Social Responsibility on company performance. Showing that the variables of corporate social responsibility and leverage control variables have a significant positive effect on the company's financial performance. The implementation of Corporate Social Responsibility (CSR) is a form of concern of the company towards its environment which in this case its form of concern for SMEs in the form of community development, charity, or philanthropy which is currently developing in Indonesia is still a service activity for the community or environment that is not far from the location where the business world conducts its activities. In this study several indicators measured were: (1) marketing assistance, (2) product assistance, (3) labor competency assistance, and (4) financial assistance. The implementation of CSR depends on the regional topology, organizational structure and background of the business organization. The implementation of CSR will contribute to the development of business sustainability, (Albareda, Lozano, Tencati, Midttun, & Perrini, 2008) including the SMIs Wood Crafts. Albareda et al. (2008) also argue that there is a relationship between CSR and business competence, so that it will provide a positive financial response for businesses both at the micro and macro level. Therefore the government plays an active role in promoting CSR to be accepted and implemented by the business.

Contextual factors are factors that are already available from the parties or external environment, but not intentionally provided by other parties for SMIs, this factor is an important factor that is being owned or carried out by the SMIs which can be directly related to the survival of the SMIs. These factors include the marketing system, technology, access to capital, access to information, business planning and entrepreneurial attitudes owned by the SMIs. A common problem faced by SMEs is marketing problems (Pious, 1985). In addition, the lack of SMIs capital is the cause of late production and investment which ultimately has an impact on business success (Swuerzek and Ha, 2003). The lack of utilization of the technology owned by the SMIs will hamper the development of SMIs (Sari & Hanoum, 2012). Furthermore, a conceptual framework such as Figure 1 can be arranged as follows:

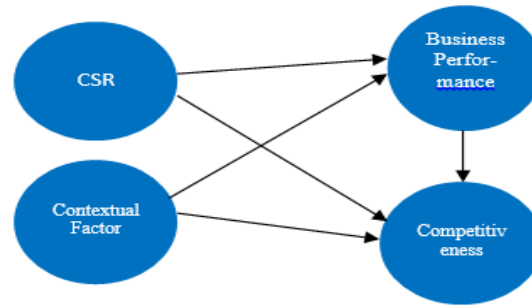


Figure 2. Construction of the Implementation of CSR, Contextual Factors and business competencies Against the Competitiveness of SMIs Wood Crafts in Bali

The wood industry in Bali is inseparable from the historical perspective of Hindu culture in Java and Bali can be divided into three eras namely the old stone age, the new stone age and the bronze era (Udiana, 2006). The development of the modern world wood industry is said to be a small industry and home industry group. The wood sculpture industry is also said to be Suryana, (2011) as part of craft art in various types of carved motifs, such as garuda motifs, dragon motifs, horse motifs. In general, this carving art craft motif is patterned with living things. The wood craft industry is a small industry and home industry group made from wood. The wood sculpture industry is a business unit that has a workforce of one or more people, and not exceeding 19 people who focus on making sculptures and wood carvings as livelihoods with distinctive skills to earn income. Currently the wood craft SMIs in Bali is largely a private business. This shows that the interest of the community in regencies / cities in Bali in entrepreneurship in the field of wood craft is quite high and opens business opportunities for other communities. Woodcraft business can be understood as a transformation of the socio-cultural life of the community in the midst of tourism progress so as to provide confidence and motivation for wood industry entrepreneurs to pursue wooden handicraft businesses. So that later in the aggregate with the growing growth of the craft industry sector will be an attraction for regional economic development.

The length of time to start a business for wood craft SMIs craftsmen is classified based on the period of business start-up, namely: (1) less than 10 years by 16 percent; (2) between 10-20 years at 55 percent; (3) more than 20 years at 29%. Currently the craftsmen of SMIs wood are able to produce various forms of products which are grouped into traditional products and modern products. The production process has now begun to utilize technology, so many machines have been used so that it is enough to help accelerate the production process. Some woodcraft production is made based on orders from consumers and the overall production process is quite smooth even though a small portion still experiences fluctuations in production. In addition, timber industry entrepreneurs also continue to develop innovations in designs that are produced so that they have high selling power and are able to compete both in the domestic and foreign markets. Another obstacle to the production process is related to the supply of industrial raw materials, which are mostly imported from outside the Province of Bali. This figure shows that the timber industry entrepreneurs in Bali Province are very dependent on the availability of raw materials from outside. This condition makes production costs increase, because the timber industry entrepreneurs must allocate the cost of transportation services that are not small to bring in raw materials from outside the region. Marketing of production is spread to various regions ranging from marketing in the local, national and export regions. As many as 34 respondents or 22 percent stated that the products produced had penetrated into the international world either directly to export sales or through intermediaries / indirect. Although it is a private business, the market share of SMIs wood crafts spreads both on a local, national and international scale. As many as 34 respondents or 22 percent stated that the products produced had penetrated into the international world either directly to export sales or through intermediaries / indirect. This condition shows that the potential of SMIs wood crafts as foreign exchange earners and producing prestigious products that are internationally recognized is very large.

When discussing further regarding the length of time to start a business of wood craft SMIs which is classified based on the period of business start-up, namely: (1) less than 10 years by 16 percent; (2) between 10-20 years at 55 percent; (3) more than 20 years at 29 percent. As presented in Figure 3:

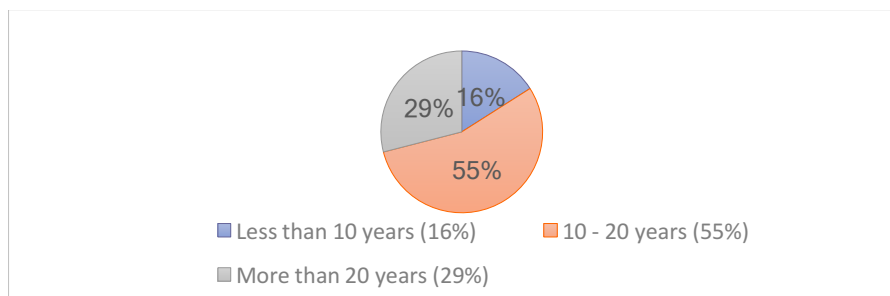


Figure 3. SMIs Wood Crafts in Bali
Source: data processed

Viewed from the point of view of gender or the involvement of women in woodcraft business, based on the results of a survey of 152 respondents, the percentage of respondents was male as much as 89 percent and the rest were female by 11 percent. It means

that the majority of entrepreneurs who move the wood craft SMIs are mostly men. However, it can be said that the figure of 11 percent is also not a small number considering that the type of business is woodwork that is identical to men, this condition can be observed in Figure 4.

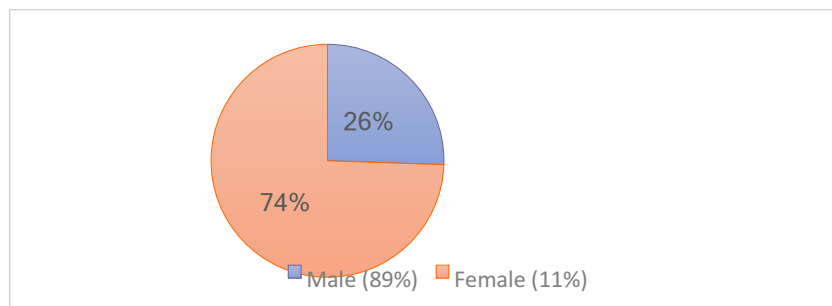


Figure 4. SMIs Wood Craftsmen by gender in Bali

Source: data processed

Technology absorption has been carried out in the production process, this is demonstrated in its operations using tools / machines. Indeed, it must be realized that the use of sophisticated machines is still not usable due to capital constraints. Some woodcraft production is made based on orders from consumers and the overall production process is quite smooth even though a small portion still experiences fluctuations in production. In addition, timber industry entrepreneurs also continue to develop innovations in designs that are produced so that they have high selling power and are able to compete both in the domestic and foreign markets. Serious constraints can be seen in the supply of raw materials, which are mostly imported from outside the Province of Bali. This condition shows that the woodworking SMIs entrepreneurs in Bali Province are very dependent on the availability of raw materials from outside. This condition makes production costs increase, because the timber industry entrepreneurs must allocate the cost of transportation services that are not small to bring in raw materials from outside the region, not to mention the constraints on the legality of raw materials. Even more interesting is that almost all of the respondents stated that they had bought / obtained raw materials illegally. Need some policies that can ease the burden and can increase the competitiveness of SMIs, especially related to the availability of raw materials. This was confirmed by the results of interviews with researchers. It was said by Mr. Wayan Simpen, a woodworking entrepreneur in Gianyar who said:

"The wood for making sculptures has been difficult to obtain, if in the past it was still possible to get it from a game in Bali. Now I get wood supplied from outside the island. Even if it's from Bali it's already difficult and the price is also expensive. The most expensive thing in this business is wood to make statues." (Interview, dated: May 4th, 2019)

The implementation of CSR in the form of labor assistance is an activity in the form of training and mentoring in order to improve workforce skills (Murillo & Lozano, 2006). Assistance activities for workers are carried out incentive in addition to improving skills also carried out in an effort to ensure social security and health (Mousiolisa, Zaridisb, Karamanisc, & Rontogiannid, 2014). Activities in the form of labor assistance are able to improve HR competencies, especially in fulfilling work experience and skills (Ismaila, Khairy, Domila, & Isa, 2013). In addition, labor assistance also improves competency in the utilization of production technology both in the initial stages / preparation of the production process, the production process itself and also the final stage / product finishing (Ibrahim, Abdullah, & Ismail, 2016). Manpower assistance in utilizing the latest technology including the use of ICT in business operations, this condition can certainly improve business competencies, especially in terms of the use of ICT that can be utilized in the acquisition of raw materials, coordinating the production process and also in supporting marketing (Ahmedova, 2015).

CONCLUSIONS

Based on the results of research and discussion, there are several conclusions in this study, namely as follows:

1. Incentive assistance through the CSR implementation program carried out by the private sector proved to have a significant impact on business competency as well as the competitiveness of SMIs, as well as technical support carried out by the government in the form of training in a very positive response by SMIs actors. On the other hand, we can see that most SMIs actors have lower levels of high school education, so it is very necessary to increase business competency an SMIs competitiveness of SMIs actors through mentoring and training programs that are well structured and coordinated so that they can really be useful for improve their competence.
2. Based on the results of the research on contextual factors that have the smallest influence on business competency and competitiveness when compared to other variables in the study, this condition is also supported by the statement of the SMIs actors that there are fundamental problems related to raw material access and market access. Various policy breakthroughs are needed by the government that can help resolve market access and raw materials. The government should be able to provide policies that alleviate the burden of SMIs actors regarding the supply of raw materials, including ease in terms of legality and raw material costs. In addition, the government is expected to provide markets indirectly to SMIs wood crafts through a policy to prioritize the use of local industrial products

The indicators used in this study are still limited in terms of not all, there are still indicators that have not been used as forming variables for the implementation of CSR, contextual factors, business competencies and competitiveness. Subsequent research is

suggested to further explore other indicators as forming variables for the implementation of CSR, contextual factors, business competencies and competitiveness.

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