

## **INFLUENCE OF ANALYSIS WORK ETHIC TO IMPROVE THE ABILITY AND SMALL INDUSTRIAL BUSINESS SUCCESS: STUDIES IN SMALL INDUSTRIAL COMPANIES IN EAST JAVA**

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**ABSTRACT:** *This research is intended to study to what extent is the effect of the implementation of business ethos on the ability and success of small business? The sample of this research is 100 shoes small businesses in East Java Province by using stratified cluster sampling technique. The section of area samples is based on the potency of the products in that area. The researcher concludes that in order to increase of the success of small business shoes, the business is the ability needed. And in order to increase of business ability, the business ethos is needed.*

**KEYWORD:** business ethos, business ability, business success

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### **INTRODUCTION**

Development of the business environment facing today and in the future requires a paradigm shift for the company to survive and grow in the competitive world stage. To be able to survive and grow in the business environment has changed, the company's management needs to change their management paradigm that attitude and their actions in carrying out the business to be effective.

Challenge the increasingly sharp competition in the era of globalization requires increased quality and efficiency profession continuously, so that enterprise competitiveness can be more competitively. The era of globalization is changing the nature of work towards the professionalization of the amateur in all fields and aspects of life. Included in the global change is a small industry. In accordance with the changing demands of the global community, management also demanded professionalism small industries. Professional small business is not just doing business as a tool to avoid saturation alone but did venture to the dynamic culture and science mastery demands and technology, high productivity and quality of work that can improve their business competitiveness and business success.

Organizational success is dependent on effective use of its resources, among others: human capital (money), raw materials, machinery, and methods more recently led to the development of technology. Organizational resources are better known as the five M (5 M): man, money, material, machine, and method (Dharmestha and Sukotjo, 1993:14). Although the organization's success is inseparable from the activity and effectiveness of these five resources, factors that play a major role organizational success is human. It is man who is the main driver of the organization, which is able to carry out organizing other resources, both strategic and the operational and tactical. Without human, organizational performance will be

automation and robotizes. Nevertheless, humans are in control of the organization (Simamora, 1997:2).

Human resources that contributed to the success of an organization or the main proponent of the effectiveness of management, so as to achieve high productivity, but not least also the organization or management faces serious problems with its human resources. So important human role in the organization, so a lot of research done on the human role in the organization. This is due to the environment is not static and always there are many changes that are dynamic.

It must be realized also that the work ethic is closely related to humans. Strong work ethic will be seen from looking at how a work ethic that affects the behavior depicted has the motivation, dedication, creativity, ability and commitment. For that we need to cultivate work ethic for small industrial management.

Essentially according to the work ethic Sinamo (2009:30) that an individual or group can be said to have a high work ethic, if showing signs of the following:

- a. Has a very positive assessment of the results of human labor.
- b. Put the view of working, as a very noble thing for human existence.
- c. Work perceived as a meaningful activity for human life.
- d. Work experienced as a process that requires diligence, as well as advice and essential in realizing the ideals.
- e. Work done as a form of worship.

This contains the intention to be a good person to work and the results, so people are always passionate in running the organization that is worth worship. This opinion suggests the importance of an organization's success should be supported by the work ethic. Work ethic is owned by every person needs in order to be successful organizational life. Given the work ethic is one of the key elements of human resource management that determines the success and destruction (Sulaksono, 2002), it is important to analyze the work ethic of managers in an effort to build capacity by increasing the ability of businesses and enterprises will improve also the success of the business.

## **LITERATURE REVIEW**

### **Work Ethics**

Any organization that has always wanted to go forward, would involve the members to improve the quality of its performance, including every organization should have a work ethic. Ethos derived from the Greek ethos meaning attitude, personality, character, characters, and a belief in something. Ethos is not only owned by individuals, but also by the society even (Tasmara, 2003: 15). Meanwhile, work is an activity undertaken to achieve a goal, so that the activity has meaning. Workers showed an activity that was done deliberately and premeditated because of the urge to make something (Tasmara, 2003: 24). Sondra (2002:25) explains that the work ethic is meant by norms that are binding and explicitly defined and

practices are accepted and recognized as a reasonable practice to be maintained and applied in the lives of the members of the organization's workmanship. Abdullah (1986: 75) defines ethos as a fundamental attitude that one has to look at life. Thus, if associated with the work, it can be said as the identity fundamental self that characterizes the act and trying. In line with the characteristics, attitudes, habits, and beliefs in religion or more specifically called moral, that is an essential quality of a person or group. Work ethic was formed from a variety of customs, cultural influences, and a value system that is believed by a group of people. Work ethic has close links with morality (ethics / morals) that describes the values and norms associated with good-bad.

Thus, the work ethic can be interpreted as an attitude, personality, temperament, character, and beliefs that serve as the basis for an activity undertaken by individuals or groups in order to achieve a desired goal. Indicator of work ethic in this study include; intellectual competence / intelligent, task commitment / accountable, honesty / honest and transformative capabilities / cooperative.

### **The ability of businesses**

Someone's ability is basically a result of the learning process, which covers aspects of knowledge (knowledge), attitude (attitude) and skill (skill) (Nadler, 1982; and Thonhowi, 1991) or cognitive, attitude, and psychomotor (Gagne, 1992 ). Likewise with Grounlund (1977) which states that the results of learning (learning outcomes) that includes three domains, namely: (a) cognitive, (b) affective and (c) psychomotor, which is often called the taxonomy of education objectives.

Capabilities covering the four aspects of knowledge (knowledge), attitude (attitude), skills (skills) and EQ (emotional maturity) will affect the performance of small businesses which in turn will affect the level of success of the company.

### **Business success**

The success of small industries is influenced by various factors. Business performance of the company is one of the goals of every entrepreneur. Performance of small industries can be defined as the degree of success in achieving the purpose / goals expected. As a measure of the success of the business of an enterprise can be seen from various aspects, such as financial performance, corporate image, and others. Pickle (1989) in his study conducted on 97 small companies to conduct manager, generating 5 personality characteristics that contribute the success of small businesses, namely: (1) drive, (2) mental ability, (3) human relations ability, (4) communications ability, and (5) technical knowledge.

According to Luke (1996) deals with the determinants of the success of this small industrial enterprises, research results found that small business success is characterized by innovations, risk-averse behavior. Likewise Murphy results in the same source found that the success of small businesses contributed by hard work, dedication, and commitment to service and quality.

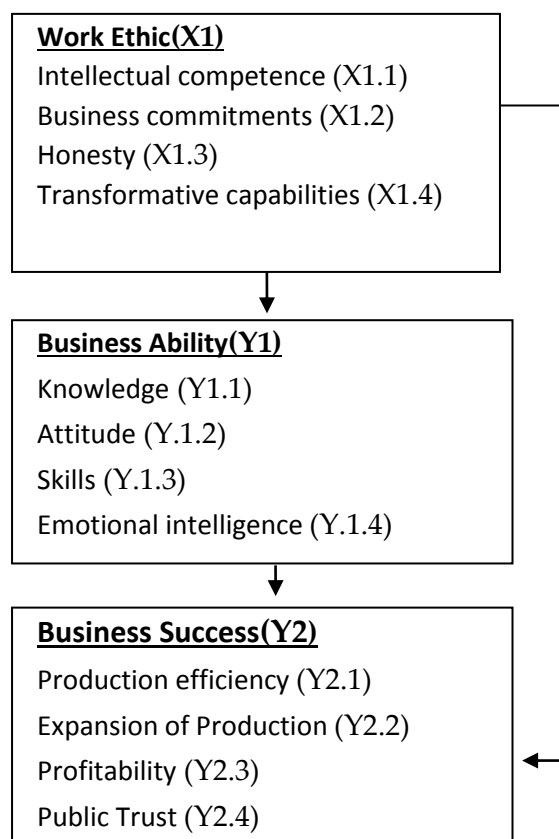
Various critical success factors of small industries that Luk research on identification is basically a reflection of the ability of the business (knowledge, attitudes and skills), relevant experience, work motivation and one's level of education entrepreneur. According Algifari (2003:118) the success of the business can be seen from the efficiency of the production process are grouped based on technical efficiency and economic efficiency. Meanwhile, Jane

(1997: 22) says that the assessment of ability can be measured using several dimensions of effectiveness, efficiency and equity / fairness of the price. To further determine the success of the various aspects of small business identification results Algifari, Jane Luk Orpah and is in use as a research instrument making reference variable production efficiency, expansion of production, profitability and public trust.

## CONCEPTUAL FRAMEWORK

Conceptual framework of the study is intended to illustrate how the relationship between the study variables based on theory and previous studies experts. Conceptual framework models the relationship between the variables in this fieldwork can be presented in Figure 1 below.

**Figure 1: Conceptual Framework Model Research**



## RESEARCH METHODOLOGY

### Research Design

Generally, this study aims to describe and analyze the work ethic that includes the influence of intellectual competence, commitment to duty, honesty and ability to Traffic transformative work industry entrepreneurs and small business success. In accordance with its objectives, the study was designed as an explanatory research. The results obtained in this study is expected

to provide an explanation of how the business capabilities and business success is influenced by the work ethic of intellectual competence indicators, business commitment, honesty and capability transformative.

### Sample Selection

The number of samples in this study 100 small industrial business units of shoes, using a sample set of sampling (stratified cluster sampling) based on the areas that have the potential for industrial development (industrial district) consists of 4 regions in the East Java Tulungagung, Mojokerto , Mojokerto and Sidoarjo.

## RESULTS

This study used factor analysis and regression model with Structural Equation Modeling. Based on the results of testing the model, then obtained Confirmatory Factor Analysis and Critical ratio as follows:

Work ethic

Results loading factor confirmatory and Critical ratio of meticulous work ethic that is as follows:

**Table 1: Regression weight (loading factor confrimatory) model work ethic**

No.	Indicators	<i>Standardized estimate (Loading Factor) good of fit</i> >0,4	Specification
1	X1 ←work ethic	0,645	good of fit
2	X2 ←work ethic	0,801	good of fit
3	X3 ←work ethic	0,554	good of fit
4	X4 ←work ethic	0,851	good of fit

**Table 2: Critical ratio indicator work ethic**

No	Indicator	Istimate	CR good of fit>1,96	Probability (P) good of fit<0,05	Specification
1	X1 ←work ethic	1,215	5,779	0,000	good of fit
2	X2 ←work ethic	2,355	7,079	0,000	good of fit
3	X3 ←work ethic	1,101	5,542	0,000	good of fit
4	X4 ←work ethic	2,454	7,251	0,000	good of fit

The test results are presented in Table 1 show that when seen from the loading factor, that these four indicators above 0.4 by Ferdinand (2000) values loading factor is allowed to enter in the analysis model is greater than 0.4, further Ferdinand said that while the critical ratio (CR) required greater than 1.96 at  $\alpha = 0.05$  level and if seen from Table 2 shows that the value of its CR fourth significant indicator with CR values: 1.96 and the value of the probability (P) of 0.00 is smaller than 0.05. From the test results obtained on the five indicators that can be used as a measure in explaining variables jointly work ethic, namely:

1. Intellectual competence (X1)
2. Business commitments (X2)
3. Honesty (X3)
4. Transformative capabilities (X4)

Four indicators are jointly able to explain the variable and of these four indicators are best able to explain the variable is transformative abilities, and commitment to the business, followed by intellectual competence and the most recent is honesty. It can be seen from the loading factor of each of these indicators as in Table 1

### The ability of businesses

Results and Critical confirmatory factor loading ratio on the ability of businesses in the following carefully:

**Table 3: Regression weight (factor loading confirmatory) Business Ability model**

No	Indicators	<i>Standardized estimate (Loading Factor) good of fit &gt; 0,4</i>	Specification
1	Y11 ← Business Ability	0.456	good of fit
2	Y12 ← Business Ability	0.710	good of fit
3	Y13 ← Business Ability	0.642	good of fit
4	Y14 ← Business Ability	0.724	good of fit

**Table 4: Critical Capability factor ratio indicators of business capability**

No	Indicator	Istimate	CR good of fit > 1,96	Probability (P) good of fit < 0,05	Specification
1	Y11 ← Business Ability	0.572	5.378	0,000	good of fit
2	Y12 ← Business Ability	0.978	8.077	0,000	good of fit
3	Y13 ← Business Ability	0.838	7.404	0,000	good of fit
4	Y14 ← Business Ability	1.220	8.521	0,000	good of fit

*Sources: Primary data were processed*

The test results are presented in Table 3 show that when seen from the large loading factor, that the four indicators above 0.4 by Ferdinand (2000) values loading factor is allowed to enter in the analysis model is greater than 0.4, further Ferdinand said for the critical ratio (CR) required greater than 1.96 at  $\alpha = 0.05$  level and if seen from Table 4 shows that the value of its CR fourth significant indicator of the value of CR 1.96 and when viewed at the level of  $\alpha = 5\%$ . This can be seen in the value of the probability (P) 0.000 less than 0.05. From the above test results obtained that the four indicators, all of them can be used as a measure in explaining variables together Business Ability are:

1. Knowledge (Y11)
2. Attitude (Y12)
3. Skills (Y13)
4. Emotional intelligence (Y14)

Four indicators are jointly able to explain the variable operating capability of these four indicators are best able to explain the variable operating capability is emotional intelligence, and attitudes, followed by the most recent skills and knowledge. It can be seen from the value of the factor loading of each indicator as shown in Table 3.

### Business Success

Results loading factor confirmatory and Critical ratio of success in the meticulous effort are as follows:

**Table 5: Regression weight (loading factor confirmatory) model of business success**

No	Indicators	Standardized estimate (Loading Factor) good of fit > 0,4	Specification
1	Y21 ← Business Success	0,801	good of fit
2	Y22 ← Business Success	0.437	good of fit
3	Y23 ← Business Success	0.562	good of fit
4	Y24 ← Business Success	0.845	good of fit

**Table 6: Critical ratio indicators of business success factors**

No	Indicator	Istimate	CR good of fit > 1,96	Probability (P) good of fit < 0,05	Specification
1	Y21 ← Business Success	1.241	8.021	0,000	good of fit
2	Y22 ← Business Success	0.448	4.564	0,000	good of fit
3	Y23 ← Business Success	0,756	6,235	0,000	good of fit
4	Y24 ← Business Success	1.354	8.124	0,000	good of fit

The test results are presented in Table 5 shows that when viewed from the large loading factor, that these four indicators and values above 0.4 when seen from Table 4b shows that the value of its CR fourth significant indicator of the value of CR 1.96 and when seen on level  $\alpha = 5\%$ . This can be seen in the value of the probability (P) 0.000 less than 0.05. From the above test results showed that all four indicators, all of them can be used as a measure in explaining variables together business success, namely:

1. Production efficiency (Y21)
2. Expansion of Production (Y22)
3. Profitability (Y2.3)
4. Public Trust (Y2.4)

Four indicators are jointly able to explain the variable and of these four indicators are best able to explain the variable is public trust, and then efficiency production followed by profitability and the most recent is the expansion of production. It can be seen from the loading factor of each of these indicators as shown in Table 5

### Hypothetical Testing Results

Results of calculations as presented in Table 7

**Table 7: Results of Testing Effects work ethic and Business Capabilities to the business success of Small Industrial Business.**

NO	Variabel	Koefisien Jalur	S.E	C.R	Probability (P)
1	Business Ability ← Work Ethic	0,587	0,176	2,156	0,031
2	Business Success ← Work Ethic	1,245	0,124	4,253	0,002
3	Business Success ← Business Ability	1,352	0,149	6,541	0,000

Seen from Table 7 above, with significant critical ratio values  $> 1.96$  and  $\alpha = 0.05$  level (Ferdinand, 2000). It is found that 1). Work ethic significant effect on the ability of the business to the probability value (P) = 0.031 is smaller than 0.05 and 2,156 CR greater than 1.96. 2). Work ethic significant effect on business success with probability value (P) = 0.002 is smaller than 0.05 and 4.253 CR is smaller than 1.96 and 3). Ability to significantly influence the success of the business venture with a probability value (P) = 0.000 is smaller than 0.05 and 6.541 CR greater than 1.96. The test results influence the work ethic and the ability of business to business success shows that the work ethic effect on the ability of business with path coefficient of 0.587 whereas the direct influence on the success of the business ethos of 1.245 and influence the ability of business to business success by 1,354.

### DISCUSSION

Of these findings with the work ethic of intellectual competence indicators, business commitment, honesty and capability transformative. Four indicators are jointly able to



explain the variables and the work ethic of these four indicators are best able to explain the variable work ethic are the transformative abilities, and commitment to the business, followed by intellectual competence and the most recent is honesty. While the indicator of business capabilities include knowledge, attitudes, skills and emotional maturity. Four indicators are jointly able to explain the variable abilities and efforts of these four indicators are best able to explain the variable operating capability is emotional intelligence, and attitudes, followed by skills and knowledge of the most recent is. For business success indicators include production efficiency, expansion of production, profitability and public trust. Four indicators are jointly able to explain the variable success of the business and of these four indicators are best able to explain the variable success of the business is a public trust, and then the efficiency of production followed by profitability and the most recent is the expansion of production. The test results influence the work ethic and the ability of business to business success shows that the work ethic effect on the ability of business with path coefficient of 0.587 whereas the direct influence on the success of the business ethos of 1.245 and influence the ability of business to business success by 1,354.

It can be concluded that the results of this test indicate that the work ethic and ability to positively influence business to business success. This finding indicates that the results are in line with what is uttered by Pickle (1989) in his study stated that, 5 personality characteristics that contribute the success of small businesses, namely: (1) drive, (2) mental ability, (3) human relations abilities, (4) communications ability, and (5) technical knowledge. This finding is also in line with Bufford (1988) and Steers (1991) that a person's performance is affected by factors of ability, motivation, and role clarity. Because one of the realization of the performance of a small industrial entrepreneurs as managers of the company is its business success.

This finding also supports research Luke (1996) who found an important variable in determining the success of Hong Kong's labor is: a willingness to work hard, willpower in achieving goals, good decision-making skills, good personal relationship skills, good analytical skills, which called personal factors; skills to manage a good product can motivate workers called factors management; willingness achieve same target, can respond to market changes, and the serving skills well, called product and market, and company factors. Due to various aspects of the findings Luke is basically an indicator of work ethic. By having adequate work ethic, an understanding of what the authority and responsibilities, and accompanied the strong push from within an entrepreneur to undertake business activities, they will be diligent in work, hard work, full of initiative and creativity and responsibility in conducting business. With these conditions will tend to increase customer satisfaction, which in turn attempt is heading towards success. With these circumstances means that the work ethic has an important role on the performance of a small industrial entrepreneurs in East Java shoes. But the work ethic of the four indicators (intellectual competence, effort commitment, honesty and capability transformative) must walk together. An entrepreneur who has sufficient skills and intellectual competence can be difficult to improve performance, without having committed effort, honesty and capability transformative. So is a businessman who has a business commitment, honesty and capability transformative, it is difficult to improve its performance without have the skills and the skills / competencies for intellectual work and know what to do appropriate tasks and authority.

Behind these findings suggest that aspects of the work ethic and the ability of businesses have an important role in influencing the success of small industries in East Java shoes.

## CONCLUSION

Based on the results of the study and discussion of research it can be concluded that the work ethic of the form (intellectual competence, commitment, effort, honesty and capability transformative) has a positive influence on the success of small industries in East Java shoes as follows.

First, a strong work ethic (intellectual competence, effort commitment, honesty and transformative capability) affect the success of small industries indirectly, namely through improved business capabilities. Here the ability of businesses has a direct influence on the success of small businesses shoe industry. Four indicators are jointly able to explain the variable and of these four indicators are best able to explain the variable is transformative abilities, and commitment to the business, followed by intellectual competence and the most recent is honesty

Second, a business capacity (knowledge, attitudes, skills and emotional maturity) affects business success these four indicators are jointly able to explain the variable abilities and efforts of these four indicators are best able to explain the variable operating capability is emotional intelligence, and attitude, followed by the skills and knowledge of the most recent is. For business success indicators include production efficiency, expansion of production, profitability and public trust. Four indicators are jointly able to explain the variable success of the business and of these four indicators are best able to explain the variable success of the business is a public trust, then followed the production efficiency and profitability is the most recent production expansion.

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