

Confirmatory Analysis of Primary Business Function Learning For Small Industry

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ABSTRACT: *This study has the purpose to examine the unidimension construct or latent variable from Primary Business Functions Learning of Small Industries Onix and Marble in Tulungagung Region. Confirmatory Factor Analysis (CFA) is used to examine the unidimensionality of construct learning of the Primary Business Function. Important findings generated through hypothesis testing model measurement is that construct learning of the Primary Business function can be measured validly and reliably by the dimensions of Finance, Production, and Marketing Learning Experiences. These findings prove that the dimensions of Finance Learning, Production, and Marketing were credible or systemic to construct latent variables for the Primary Business Functions. It is indicated by the regression coefficients of all the dimensions of Primary Business Functions Learning Experiences that have a value of more than 2 CR, p-value less than 0.05, and with a coefficient of three dimensions of a high standard, which is 0.968 for the Learning Financial Functions dimension, and 0.992 for the dimension of Learning Function Production, and Marketing.*

Keywords: *Confirmatory Analysis, Experience of Primary Business Functions Learning*

I. INTRODUCTION

Tambunan and Supratikno (2004) has stated that Small and Medium Enterprises / SMEs in Indonesia have a very important role in job creation, a source of economic growth, and the creation of foreign exchange through exports. In addition, the company / small industry can provide training skills that is comprehensive (not a specialty) compared with larger companies, training is generally done while working (on the job training or learning by doing), small company / industry also teaches small skills that are highly precious ranging from how to handle clerical work through the use of computers (Zimmerer and Scarborough, 2002: 22).

Sandee et. al. (2002) suggested that a small industry is better able to deal with the crisis better than large businesses because of its flexibility and low dependence on formal financial institutions. Griffin and Ebert (2006) stated that the "reasons of small business are successful because: (1) hard work, and dedication, (2) market demand for product or services being provided, (3) managerial competence, and (4) luck.

Instead, Griffin and Elbert (2006) stated the causes of failure of small companies are: (1) incompetence and inexperience for management, (2) weak control system, and (3) insufficient capital. The failure of this small business by Zimmerer and Scarborough (2002: 25) stated it as "the nine deathly mistakes of entrepreneurship", which include: "management incompetence, lack of experience, poor financial control, failure to develop a strategic plan, uncontrolled growth, poor location, inventory control improper, incorrect pricing, and inability to make-the entrepreneurial transition".

To avoid the failure of a small business the owner or manager is expected to: "(1) know your business in depth, (2) develop a solid business plan, (3) manage financial resources, (4) understand financial statements, (5) learn to manage people effectively, and (6) keep in tune with yourself". Zimmerer and Scarborough (2002: 31).

Buchanan and Huczynski (2004: 108), stated that: (1) learning is a part of work and work involves learning; these are not separately but intertwined functions; the separation we have made of them is artificial and often does not serve us well; (2) learning are not only or even primarily about obtaining correct information or answers from knowledgeable others; it is fundamentally about making meaning out of the experience that we and others have in the world. Jones (2004: 376) stated that: organization learning is the process through which managers seek to improve organization members' desire and ability to understand and manage the organization and its environment so that they make a decision that continuously raise organizational effectiveness.

From various statements, above, it is deemed necessary to confirm or analysis unidimensionality on construct or latent variable of Primary Business Functions Learning Experience.

II. LITERATURE REVIEW

1. Organizational Learning Experience

According to Buchanan and Huczynski (2004: 108):

The learning organization is the configuration of structures and policies which encourage individual learning, with individual and organizational benefits. The organization itself can also be regarded as an entity

which is capable of learning. Knowledge has thus become an asset more important than materials and products for many organizations.

A number of interesting factors that stimulate learning organization concept according to Buchanan and Huczynski, (2004, 127) include:

(a). the production of goods and services increasingly involved sophisticated knowledge; (b) knowledge is therefore as valuable a resource as raw material; (c) many organizations lost knowledgeable staff lost through delayering in the 1990s; (d) information technologies are knowledge-intensive; (e) knowledge can have a short live span, made obsolete by innovation; (f) flexibility, creativity, and responsiveness a now prized capabilities; and (g) knowledge can thus be a source of competitive advantage for an organization.

It can be concluded that the learning organization is an organizational form that allows individuals to learn to create valuable outcomes through innovation, efficiency, environmental adjustment, and competitive advantage. Schrag and Poland (2002), said that "to be successful in the business world, a manager must demonstrate a broad range of capabilities." Hughes (2002) stated "formal education is one of the best ways to develop multiple perspectives on leadership". Dilworth (2002) illustrates the importance of experience as one of the elements forming competence in the job (job competence), that with increasing experience of working the increasing productivity. Evers et. al. (1998: xii), stating "the bases of competence is itself the result of a collaborative product between business experience and education".

2. Primary Business Functions

Dilworth (2002) suggested three Primary business functions are: finance, production (operation function) and marketing. These three functions interdependent. Heizer and Render (1991: 9), "these functions are the necessary ingredients not only for production but also for an organization's survival". Marketing, which generates the demand or at least takes the order for a product or service? Nothing happens until there is a sale, production / operations, which creates the product, and finance / accounting, which tracks how well the organization is doing, pays the bills, and collects the money.

Peters (1998) stated the overall planning, along with control of financial management, production, and marketing of the company will be able to create success in the long term. The third primary business functions will be studied further as follows.

a. Finance Function

Horne (1999: 8) stated that:

The functions of finance involve three major decisions the firm must take: the investment decision, the financing decision, and dividend decision. Each must be considered in relation to the objective of the firm; an optimal combination of the three will maximize the value of the firm to its. We must consider the join impact on the market price of the firm's stock.

Investment decision is the most important decision of the three decisions in the field of financing, because investment decisions will directly affect the amount of return on investment and future cash flows. Thus, investment decisions will determine the overall number of assets required, the composition of the assets, and the level of business risk, and capital budgeting as a primary aspect of investment decision.

Financing decision with regard to the determination of the source of funds and dividend decisions. Does the company use external funding sources in the form of debt / bond issues, or new shares are a primary aspect of this type of financing decisions, in order to achieve optimal capital structure? Dividend decision is a decision relating to the determination of the percentage of the net profit will be paid as cash dividend, stock dividend and repurchase shares of the company and how many were retained as a source of internal funding.

In connection with the cash-flow management to increase the value of the company's financial manager must ensure always available liquid funds (enough funds on hand) to buy raw materials and labor costs for producing goods and services. The financial manager must also invest in long-term assets. Thus, the financial manager must manage cash flow carefully; so as not to place idle cash that can reduce the level of return on investment.

In the financial control to increase the value of the company's financial managers have to make adjustments to the financial changes that occur. Griffin and Ebert (2006: 567), "financial control is the process of checking actual performance against plans to ensure that financial desired results occur." Budget is often used as a basis for financial control and as a basis for measuring performance. Griffin and Ebert (2006: 567), "the budget provides the measuring stick against which performance is evaluated".

Budget is planning the details of the estimated receipts and expenditure of funds for future periods. In addition to the operational budget, the company also set up a capital budgeting. Budget control is useful for short-term performance, by comparing actual results with the in-budget. In addition, the budget is also a signal discrepancies potential problem and spurs action to increase of long financial performance.

The allocation of funds should be streamlined. This means that any funds invested in the assets should be used as efficiently as possible to generate the required level of investment profits. Funds invested in each asset element number should not be too small because they interfere with liquidity; and do not be too big because it may cause idle fund. Efficient use of funds will directly determine the size of the rate of return on assets.

Every business owner should base the financial statements to determine the financial position and financial performance. To be able to know exactly what is happening in the business, most entrepreneurs do not have to have a basic understanding of accounting and finance (Zimmerer and Scarborough, 2002).

The financial statements are indicators that can be trusted about the health of the company. Financial reports are helpful in providing a warning about the problems facing the company. For example, the decline in sales, not achieving the target profit, swelling of corporate debt, and the shrinking of the working capital; everything is symptoms of potentially lethal problem that requires immediate attention.

b. Production Function

Production function is also known as operational function is a function of the organization related to the management of resources to produce goods or services. Production management meant that the utilization of available resources can produce goods and services that have added value. This occurs when an organization can obtain and utilize the best mix of resources to become inputs (Pardede, 2005).

Production function is a vital business activity (Booner and Kurtz, 2000). Without production function, none of the business functions will run. Therefore, the production manager should be able to produce value added products for consumers. Because of these added value products consumers want to buy. Hansen and Mowen (2005) stated value added products for consumers also will deliver value to the customer (customer value) that is the difference between the benefits received by the customer what the customer sacrificed for a product.

Dilworth (2002: 6) "the operations function is responsible for providing the product (goods or services) offered to the customer by the organization". Furthermore, Dilworth, (2002: 6) "the operation function must obtain the necessary inputs and perform the necessary work to provide the output". Furthermore, McClain (1992: 3), stated: In general, operations managers must manager to produce high-quality, low-cost goods and services. The goods and services must meet customer needs and have quality and cost characteristics better than the competitors'. To meet customer needs and provide services and goods at higher quality and lower cost than competitors, operations managers must understand and help to shape the organization's overall strategy. Operations managers must obtain and utilize resources to produce useful goods and services and thus meet the goals of the organization.

Dilworth (2002), described the production system in the conceptual diagram, similar to Figure 1 below

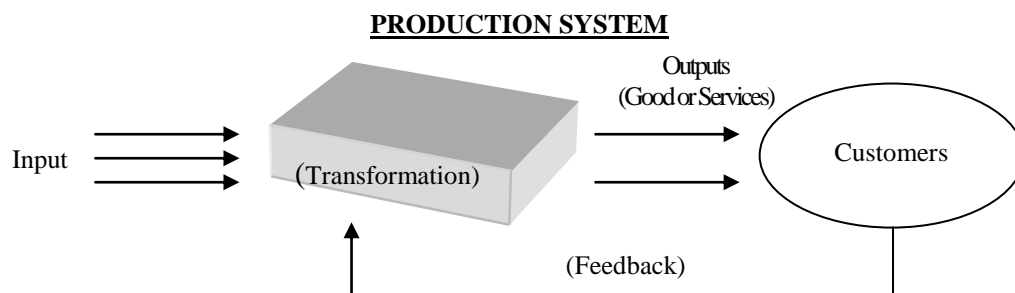


Figure 1: Conceptual Diagram of a Production System (Dilworth, 2002: 6)

All managers of various departments contribute to operational decisions. Operational decisions are a series of logical steps. The success of operational planning depends on the outcome of decisions this sequence logically. Planning and operational control can be described as Figure 1 above.

Production capacity plan is intended to ensure that the resulting product is only slightly exceeded the normal product demand (capacity slightly exceeds normal demand for its product). If the capacity is too little demand, companies should refuse the consumer; this situation will certainly lead to reduced profits. If the capacity exceeds demand, the company will be a waste of funds for property maintenance, excessive engine operating costs, and the cost of hiring more employees.

The entire series production function activities include: (1) planning and resource products include: the determination of the type of goods produced, and the determination of the type of input; (2) the design of treatment facilities that include: layout work centers, planning and control capacity of processing facilities; (3) planning processing activities include: arranging production plan (production budget), planning and control workload and sequence of work, and the standard-setting work and results; (4) the implementation of the

processing activities and planning efficiencies include: material requirements planning, planning and inventory control, planning and quality control, and management of technology (Pardede, 2005).

Pearce and Robinson (2000: 259) stated that product development involves the substantial modification of existing products or the creation of new but related products that can be marketed to current customers through established channels ". Product development strategy is often used to extend the product life cycle that already exists or to take advantage of the reputation or favorite brands.

Planning on quality begins before the product is designed or redesigned. At the beginning of the process managers must determine the purpose of both the performance quality and reliability quality. Griffin and Ebert (2006) states, quality performance related to quality reliability is the consistency of product quality unit for the sake of the unit. Product consistency can be achieved through quality control of raw materials, equipment maintenance, and precision encourage workers.

Choo (2008) has written a recipe to guide the company into an innovative company, which is called a knowledge organization. According to Choo business organizations are able to survive in the information age is an organization that is able to adapt to changes in their environment. Thus, the ability of these adaptations can be a competitive advantage for the company. Competitive advantage can be realized if the organization can use information strategically.

c. Marketing Function

Kotler and Keller (2006: 3), states "marketing is everywhere. Formally or informally, people and organization engage in a vast number of activities that could be called marketing. Good marketing has become an increasingly vital ingredient for business success". Further Kotler and Keller (2006: 4), states: Good marketing is no accident, but a result of careful planning and execution. Marketing practices are continually being refined and reformed in virtually all industries to Increase the chances of success. But marketing is excellence is rare and difficult to achieve. Marketing is both an 'art' and a 'science' there is constant tension between the formulated side of marketing and the creative side.

In the buyer employers need to do market segmentation. Market segmentation is a grouping of potential buyers based on similar needs or desires. By grouping in a certain segment of potential buyers will save on marketing costs because employers can use the same marketing tools for all members of the segment, and employers may decide the potential target group. The final goal is market segmentation to maximize return on investment.

Hollin and Pugh (1990) noted the importance of market share as follows. "Increases in market share are closely associated with increases in profitability, improved chances of survival and minimizing the risk of loss". A large market share allows for companies to gain greater benefit on economies of scale in production using machine tools are better, rationalization, and the purchase of materials and components of larger production. Learning curve shows that with a large market share, more production equipment can be used more familiar and more efficient, thus reducing the unit cost of production.

To become a market-oriented entrepreneur, it takes information concerning the acquisition of customers, competitors, and markets is viewed from the perspective of the overall business to determine how to provide superior value for customers, and take the actions necessary to deliver value to customers. In the long-term market-oriented company can obtain high levels of profit and strong increase customer loyalty (Zeithami and Bitner., 2000) through superior quality. Creaven (1997) described the components market orientation in Figure 2 below.

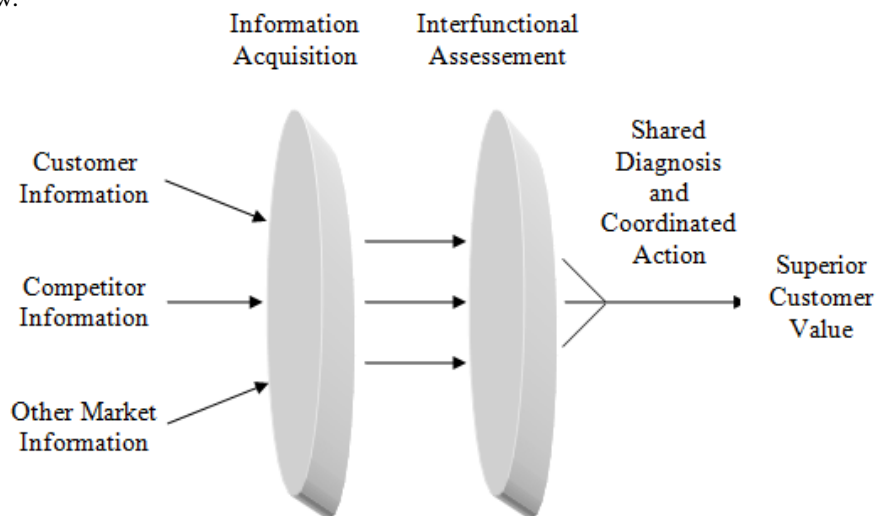


Figure 2: Components of Market Orientation Cravens (1997: 7)

Viewed from a marketing angle, the task of the entrepreneur is to determine the activities of marketing and integrating marketing programs are complete (fully integrated marketing programs) for creating, communicating, and delivering value to the customer. The marketing program consists of a number of decisions to increase market value through increased marketing activities were worthwhile. The activities of an integrated marketing are called marketing mix and is described by Kotler and Keller (2006), as Figure 3 below.

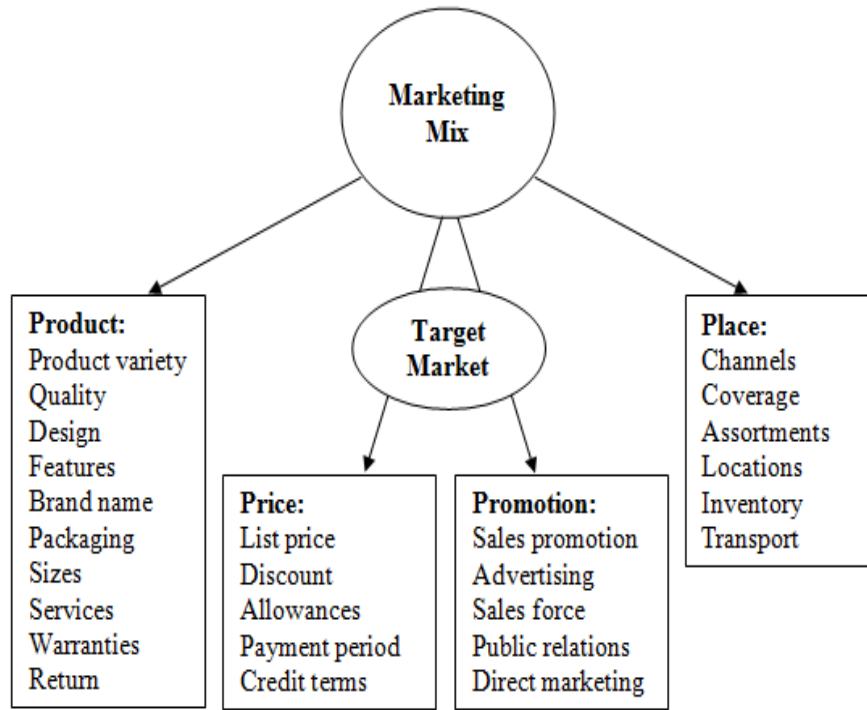


Figure 3: The Four P Components of the Marketing (Kotler and Keller: 2006)

Marketing mix can be defined as a means of marketing companies (the set of marketing tools) used to achieve marketing objectives. As shown in Figure 4 of the marketing mix is grouped into four large groups called "the four Ps of marketing," which includes: product, price, place, and promotion.

The products produced by the company, should be able to meet the needs of consumers that is both functional and psychological-emotional. That is both functional needs are real needs that arise from a person on the basic functions of a product. By understanding the real needs of consumers of products produced, then the possibility of marketing myopia can be avoided. Marketing myopia is an effect of vagueness or ambiguity manager of the real needs of consumers who want to be met.

III. RESEARCH METHOD

Ferdinand, (2002) stated Confirmatory Factor Analysis (CFA) can be used to test unidimension a construct. In this study constructs or latent variables to be confirmed is the construct of the learning of primarybusiness functions. The criteria used to measure the reliability this construct is Cronbach alpha reliability coefficient, the coefficient of reliability of composite and the proportion of variance extracted. Malhotra (1999) stated that a construct would be considered reliable if it has a value of Cronbach alpha reliability coefficient of at least 0.66. Size composite reliability with the reliability expected more than 0.70 (Ferdinand, 2002). In addition, the proportion of the diversity of each indicator in a construct is expected to reach at least 0.50 (Hair et al, 1998).

Examination of validity will be based on the value of weights (loading) factors obtained. Sharma (1996) recommends that the weighting factor above 0.40 indicate a fairly strong validation of an indicator to measure a construct. Unidimensionality can also be measured by the convergent validity of the delta Bentler-Bonnet. Delta coefficient is a ratio of the difference between the value of chi-square and null measurement model and the chi-square value of the model analyzed delta value with a value of more than 0.90 indicate a high convergent validity (Ferdinand, 2002).

IV. FINDINGS

The construct of Primary Business Function Learning Experience consists of three dimensions and 11 indicators. Figure 4 below shows the results of confirmatory factor analysis (CFA) for unidimensionality analysis.

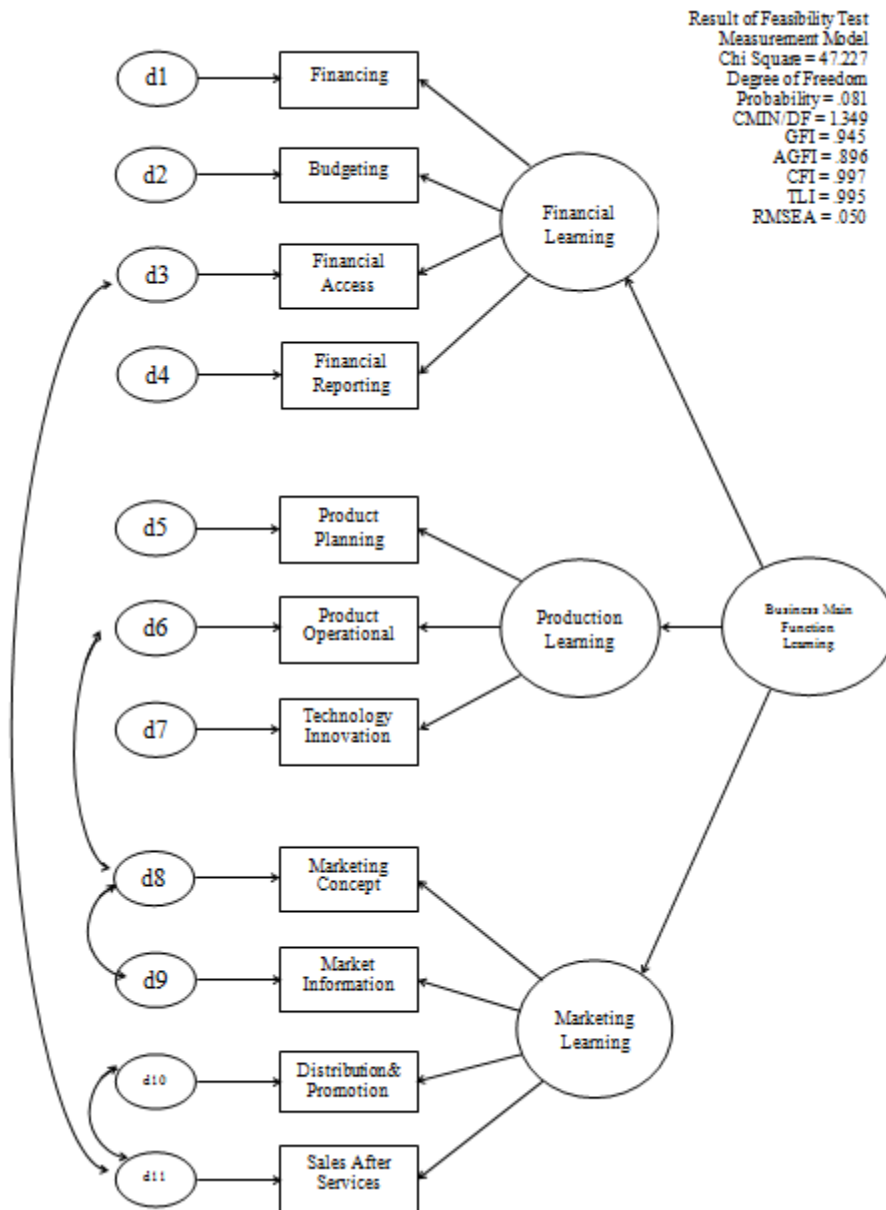


Figure 4 Unidimensional Model for Construct Learning Experience of Primary Business Functions

The results of the model on criteria of goodness-of-fit indices testing to construct the Primary Business Functions Learning Experiences are presented in Table 1 below.

Table 1 Evaluation Unidimensional for Construct the Learning Experience of Primary Business Functions

Criteria	Result	Critical Value	Evaluation Model
Chi-square (χ^2)	47,227	≤ 254.52	Good
Probabilitas	0,081	$\geq 0,05$	Good
CMIN/DF	1,349	$\leq 2,00$	Good
GFI	0,945	$\geq 0,90$	Good
AGFI	0,896	$\geq 0,90$	Marginal
CFI	0,997	$\geq 0,95$	Good
TLI	0,995	$\geq 0,95$	Good
RMSEA	0,050	$\leq 0,08$	Good

The whole calculation results of the analysis unidimensional for the Learning Experience of Primary Business Function have qualified confirmatory factor analysis. GFI value as a measure of the feasibility of the model reached a value of 0.945 (greater than 0.90) and chi-square value of 47.227 yield probability value of 0.081 (greater than 0.05). Therefore, it can be concluded that there has been strong evidence that construct the Learning Experience for Primary Business Function has unidimensional accepted.

Table 2 Unidimensional Results for The Construct the Learning Experience of Primary Business Functions

Indicator	Dimension	C.R.	P	Lambda	Composite Reliability	Variance Extracted	Alpha Cronbach
Financing	Finance		Fix	1.000	0.994	0.941	0.986
Budgeting	Finance	25.345	0.000	0.969			
Financial Access	Finance	22.058	0.000	0.956			
Financial report	Finance	95.585	0.000	0.992			
Production Plan	Production	29.855	0.000	0.967			
Production Operation	Production		Fix	0.959			
Inovation	Production	33.395	0.000	0.982			
Marketing	Marketing		Fix	0.990			
Market information	Marketing	32.114	0.000	0.981			
Distribution & Promotion	Marketing	33.217	0.000	0.951			
After Sales Service	Marketing	26.653	0.000	0.922			

Chi-square independent model = 3551.663; Chi-square model default = 47.227
 Reliability delta Bentler Bonnet $\Delta d = (3551.663 - 47,227) / 3551,663 = 0,987$

Test results of the statistical C.R on each indicator to construct of Primary Business Function Learning Experience showed significant gains. These results demonstrated the value C.R more than 2 or p-value <0.05. Based on the loading value (lambda), entirely worth over 0.40, so it can be stated that every indicator provides evidence that high levels of the construct validity (Sharma, 1996).

V. DISCUSSION

Part of this discussion is intended to give meaning and explanation of the findings of hypothesis testing measurement model which states that the latent variables / constructs of Primary Business Functions Learning Experience can be measured validly and reliably through the dimensions of Finance, Production, and Marketing Learning Experiences. The test results are intended to explain whether the third dimension into the determinant, a significant (systematic) to measure the latent variable Learning Experience of Primary Business Function. From the results of hypothesis testing turned out to be three dimensions significantly measure the construct / latent variable Learning Experience of Primary Business Functions. Thus, the hypothesis of this study accepted. The hypothesis acceptance is indicated by the regression coefficient of the whole dimension to the value of CR greater than 2, p-value less than 0.05, and raw coefficients of these three dimensions each worth 0.968 for financial dimension, 0.982 for production and marketing dimensions.

From the figures, above raw coefficients can be seen that the dimensions be determinant to construct the Learning Experience of Primary Business Function is Learning Production, and Marketing with loading factor, or the same lambda value, such as 0.982 Financial Learning followed by the loading factor 0.968. Figures greatest loading for a dimension of a construct indicates that the dimension concerned is determinant to construct a variable. Accordingly, it can be said that the Learning Experience of Primary Business Function for entrepreneurs of onyx and marble industry in Tulungagung is determined by Production, and Marketing Learning, rather than the Finance. This means that good or not the learning experience of Primary Business Function more characterized by good or not the learning experience of production and marketing.

Loading factor for the Learning of Production dimension and Marketing are relatively larger than the Finance; it will be clarified through the justification theories as follows.

In running the business, respondents emphasize the importance of production and marketing practices rather than starting a business with a financial plan (budget) needed as a guideline for carrying out activities of production and marketing. This is in accordance opinions by Zimmerer and Scarborough (2002) that employers are less likely to start a business with little regard or understanding of financial control, financial resources management, and understand financial statements.

As shown by several references that drawback for small industry seen from the financial dimension is a weakness for access to financial institutions or providers of funds. Griffin and Elbert (2002) suggested that small businesses often operate with insufficient capital, and weak financial control system. The majority of

respondents have no experience of difficulties to access to financial institutions, but to obtain a loan with a lower cost of capital is still a lot of difficulties. The weaknesses of this kind experienced by most respondents.

In theory, conservative spending to industrial companies stated that the behavior of assets must determine than capital behavior, not vice versa. This means that before the company determines how much money is needed, it must first be identified for what the funds are used. So, the allocation of funds determines obtain of funds or resources of fund. Relying on rules like this, the company will be spared from their funds idle (idle cash), or vice versa, to avoid a shortage of funds (insufficient fund) for production activities and marketing. Mindset about spending this industry has not been understood by respondents.

Some of the respondents do not prepare financial statements are required; not realize the importance of financial statements and notes to the financial statements as a means of controlling vital. Zimmerer and Scarborough, (2002), said that financial reporting is a reliable indicator of the financial health of the company. The financial statements can give a warning about the problems facing the company. For example, the decline in sales, not achieving the target profit, high debt, and a decline in working capital; everything is symptoms of potentially lethal problem that requires immediate attention. Various issues related to the importance of financial statements apparently have not yet received full attention from respondents.

Most respondents understand the characteristics of onyx and marble industry as handicraft industry and furniture industry are long-lasting nature of the product, where business success is determined more by how the resulting product features to attract consumers; could be a unique shape, product features, and quality. The characteristics of such products and the need to meet the need for technology and innovation of both products and processes have been understood by some of the respondents, namely to produce a product that is durable and features (product feature) Primary on the product design first on a flexible product design (Swink, 1999), Such competence is owned most of the respondents.

Most of the respondents acted upon production processes and efficient marketing. Efficient production activity is the production activities carried out to produce output that is planned with no excess resources, which is realized by efficient lay out process, fuel efficiency, and cost efficiency. Efficient marketing, done with marketing products that provide customer satisfaction through offering products that have superior customer value to yielding a profit for the company.

Most respondents understand and implement holistic marketing concept; recognizes that every problem requires a perspective of integrated marketing as an approach that recognizes and reconcile the scope and complexity of marketing activity. Kotler and Keller (2006) suggested four components of holistic marketing are: relationship marketing, integrated marketing, internal marketing, marketing and social responsibility.

Most respondents have understood the importance of both process and product innovation in the industry to be able to meet customers' needs are always changing both functional and emotional psychological for his product. A functional requirement is a real need arising from the customer on the basic functions of a product. By understanding the real needs of consumers of products produced, the possibility of marketing myopia can be avoided by respondents.

The majority of respondents recognized that consumer purchasing patterns are not simple and appear for their real needs that must be met for a product. Consumers with style and a variety of different personalities, cultural and social influence, raise the emotional psychological needs of a product that is very personal. Most respondents successfully meet these two kinds of needs and already have competitiveness as well as a fairly strong competitive advantage.

Most respondents realize the importance of grouping potential buyers based on their needs. By grouping of potential buyers in a particular market segment, it can be obtained by marketing efficiency, which in turn can increase the profit from the investment. Likewise, most respondents realized the importance of market share 'to the creation of profit margins, as set Hollin and Pugh (1990), "increases in market share are closely associated with increases in profitability, improved chances of survival and minimizing the risk of loss".

Most respondents realize that a large market share allows for its efforts to obtain greater benefit on economies of scale in production; which can be achieved through the use of equipment / machinery better, rationalization, and the purchase of materials and components of larger production. Onyx and marble industry entrepreneurs, who responded, also do a lot of sales through outlets near the industry, in the region of Tulungagung, as well as in major cities in Indonesia.

Most respondents realize the importance of understanding and implementation market orientation in order to be able to identify quickly and accurately to the needs and desires of consumers, the level of customer satisfaction associated with changes in product innovation and the development of strategies that can enhance the competitive advantage. Respondents also realized that in order to implement this needed the support of all parties in the organization. Likewise, to become market-oriented needed information concerning customers, competitors, and markets in the light of the overall business perspective to provide superior value for the customer.

VI. CONCLUSIONS AND RECOMMENDATIONS

This research has resulted in an important finding generated through hypothesis testing model measurement in which the construct of the Primary Business Functions Learning Experience can be measured validly and reliably by the financial dimensions, production, and Marketing. These findings prove that the dimension of Finance, Production, and Marketing credible to construct latent variables of Primary Business Functions Learning Experience.

Recommendation is given for Educational Institutions and small industry. The involvement of educational institutions especially indispensable for economic education. Education of economic institution is important in terms of clicking to increase business competence of small businesses based on the learning need and learning model that fits the needs of small industry. Small industries should develop the attitude, motivation, and a willingness to keep learning because basically learning is an integral part of the world of work. Learning can be done by learning by doing or by means of a more formal through training and development by others. With a willingness to learn constantly, of course, it will leverage the competencies in business.

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