

# **DETERMINANTS OF THE PERFORMANCE OF COOPERATIVE MANAGER IN AMBON CITY, INDONESIA**

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## **ABSTRACT**

*The Cooperative is a "pillar of the Indonesian economy" which needs to be managed professionally, as stipulated in article 33 of the 1945 Constitution of the Republic of Indonesia. Articles of this research explain determinant factors for the performance of cooperative managers in Ambon City. The population studied included administrators, supervisors and managers of 200 active cooperatives or from 176 cooperatives with managers. Determination of the sample was carried out through a simple random technique, so that the number of respondents representing each population group (managers, administrators, and supervisors of cooperatives) was 64 people each. The analysis technique used is multiple regression. The results of the study found that there are two determinant factors namely intellectual capital and entrepreneurship significantly influence cooperative business performance, while the business strategy has no significant effect on cooperative business performance in Ambon City. It is recommended that regional government officials and stakeholder cooperatives in Ambon City pay attention to the availability and empowerment of management intellectual capital with members of cooperatives, provide financial support for cooperative managers to benchmarking entrepreneurial insights, and design cooperative business strategies that are profitable and relevant to regional potential and competitive conditions the business faced, both with fellow cooperatives and with other economic actors so that cooperatives continue to exist, survive, and develop as pillars of the local and national economy.*

**Keywords:** Intellectual Capital, Entrepreneurship, Business Strategy, Manager Performance, Cooperative.

## **INTRODUCTION**

Cooperatives are "*Indonesian economic pillars*" that need to be professionally managed, as stipulated in article 33 of the 1945 Constitution of the Republic of Indonesia. Cooperatives need to increase the success of their businesses through achieving goals and objectives, both to improve services to members and enhance cooperative capacity to obtain benefits of business results. Cooperatives as well as economic institutions need to improve their competitiveness, so that in running their business they are always guided by efficiency and business effectiveness. Cooperatives must have a competitive advantage compared to other business organizations to be able to win in the competition in the current era of globalization and free trade. Competitive

advantage is defined as an organizational strength that places the company in the leading position compared to its competitors. Factors of competitive advantage of cooperatives must come from:

1. Tangible sources such as the quality or uniqueness of the marketed product and the strength of capital.
2. Non-tangible sources such as brand name, reputation and management patterns applied.
3. Capability or core competency, namely the complex ability to carry out a particular set of work or competitive activities (e.g., innovation process).

The only competitive advantage of cooperatives is their relationship with members, this is difficult to do in other companies (non-cooperatives).

Managers as the main actors of cooperative organization management have a very important role in moving their organizational wheels operationally. Therefore, the manager's perception of performance is very important, assuming that the factors that determine the manager's performance, such as intellectual capital, entrepreneurship and manager's strategy get attention to shape a good manager's performance and increase the success of cooperative-led businesses.

According to Hanel (1992) and Rengifurwarin et al. (2018), the role of managers as managers of cooperatives is related to the success of the cooperative company. At least managers have the responsibility and obligation to develop cooperative companies as efficient economic/business institutions, and to support the business activities of members efficiently by improving service quality. However, Nkomo (1987) examined the relationship between HR planning and business performance and found that there was no correlation between them. This result is also supported by a study based on the (Delaney et al., 1988) survey which concluded that there was no relationship between HR practices and the company's financial performance.

Entrepreneurship is also an important factor in determining the performance of managers. Smith & Akib (2015), Subanar (2001), Syam et al. (2018), Syam (2007) argues, the role of the entrepreneur or entrepreneur greatly dominates business behavior and greatly determines the future direction for a small and medium-sized business. Suryana (2003), Syam et al. (2018), Syam (2007) explains that personal values associated with proactive strategies, often referred to as entrepreneurial values. According to Boohene et al. (2008) argued in the literature that owners-managers with entrepreneurial values who adopt proactive strategies show stronger performance than those with less entrepreneurial values with reactive strategy orientation. Entrepreneurial characteristics can be seen from the characteristics and characteristics that reflect cooperative entrepreneurial behavior.

The ability of the manager largely determines the success or failure of a cooperative.. Therefore, managers who are equipped with certain qualifications are needed to develop cooperatives. In cooperatives, more professional skills are required to achieve their goals. Technically, cooperative professionalism is the level of ability of all cooperative devices that effectively and efficiently work towards the goals and targets that have been set. The management of the cooperative in the cooperative shows the management team. There are four devices commonly found in cooperatives, namely members, management, managers, and employees.

According to Guest et al. (2003), Hanel (1992), Lawless & Reynolds (2004) problems that often arise in the development of cooperatives covering aspects of institutional and business aspects. Institutional aspects include:

1. There is still a lack of executive staff who have skilled and strong managerial capability and cooperative spirit.

2. The number of managers and employees of existing cooperatives still lacks high management and technical skills.

While the business aspects include:

1. Limited ability of the business owned by the cooperative managers, one result has not been able to develop innovative businesses such as business verified.
2. Due to the weaknesses of management and limited ability of the cooperative managers resulted in business planning cooperatives still cannot develop and support cooperatives to be able to race and compete with other economic actors.

The low quality and lack of strategic thinking skills of managers as executors in the business sector is caused by various factors, including a low understanding of the potential needs and benefits of strategic management and strategic capabilities, and inadequate behavior possessed by managers. Whereas cooperatives need the presence of a leader figure who not only understands the internal conditions of members and their organization but also requires the ability of a leader to be able to capture and anticipate the movement of external factors of the organization. The performance possessed by the leader/manager of the cooperative is still felt to be ineffective because the use of certain resources and planning targets that are suitable for the cooperative's objectives have not been achieved in a relatively short time, as well as the completion of work/targets that have not been implemented, resulting in services to members and the ability of cooperatives to obtain the remaining results of business is felt to have not increased. This makes the participation of members as co-owners and customers of cooperatives experience in a decline and has an impact on business performance or the success of the cooperative business has not been implemented. Based on this background, this article aims to explain the results of research and analysis (testing) hypotheses regarding the influence of intellectual capital, entrepreneurship, and business strategies on the performance of cooperative managers in Ambon City.

## LITERATURE

The ability of managers to make planning is one indicator to measure the performance of managers (Abdullah et al., 2017; Baum et al., 2001; Boohene et al., 2008; Guest et al., 2003; Matsuno et al., 2002; Nazaruddin, 1998; Niswaty et al., 2015; Nonaka & Takeuchi, 1995; Rengifurwarin et al., 2018; Smith & Akib, 2015; Totanan, 2004). To achieve business success, the things that managers can do include trying to improve their performance. Manager performance increases if the variables that influence it, including human capital, entrepreneurship and business strategies can be achieved.

### **Intellectual Capital Relations with Manager Performance**

According to Akib (2003), Rachmany & Akib (2002), Syam (2007), Totanan (2004), a company will produce different performance if managed by different people. This means that different human resources in managing the same company assets will produce different added values. It was concluded that the tangible assets owned by the company are passive without human resources managing and creating value for the company. Several studies have proven the link between the company's performance and the HR management process in the company.

Study Guest et al. (2003) showed that the use of human resources which is more associated with low labor turnover could generate a higher profit per labor but low productivity.

By estimating performance, there is a very strong relationship between HR and productivity and financial performance. Akib (2003) Nonaka & Takeuchi (1995) also prove a positive and significant relationship between intellectual capital and company performance. The research approach that focuses on human resources individually is associated with the performance of companies pioneered since the early 1990s. Gassing et al. (2015), Nilwana et al. (2015) examined the relationship between adopted education and training programs and productivity growth, while the relationship between training programs and financial performance was supported by Gerhart & Milkovich (1992). Empirical studies related to the relationship of intellectual capital in the form of knowledge resources with company performance include Nonaka & Takeuchi (1995), and Zahra & George (2002).

Competitive advantage can only be achieved if the source of individual knowledge which is the basis of strength is managed and maintained. Companies cannot create knowledge without actions and interactions from managers. This is where the importance of the behavior of managers to conduct knowledge sharing. The measurement of intellectual capital in this study supports the theory and results of the above research by placing indicators of intellectual capital on three intellectual capital Sveiby clusters/components (internal structure, external structure, and employee competence).

### **Entrepreneurship Relations with Manager Performance**

The concept of entrepreneurial characteristics not only has a relationship to business success, but also has a relationship to organizational constructs and business strategies. Baum et al. (2001), Syam (2017:2007), Syam et al. (2018a) suggested the dimensions of entrepreneurial nature, entrepreneurial motivation and entrepreneurial competencies have a direct positive effect on the implementation of competitive strategies. Study of entrepreneurial characteristics about organizational capabilities carried out by Matsuno et al. (2002). According to Matsuno et al. (2002) and Syam et al. (2018a), organizational capabilities which include the participation of members, operational and institutional capabilities have a positive influence on the capability of managers in managing a business. While Matsuno et al. (2002) argues, entrepreneurial tendencies have a direct negative influence on organizational structure.

Subanar (2001) argues the role of the entrepreneur or entrepreneur greatly dominates business behavior and greatly determines the future direction for a small and medium-sized business. Hodgetts and Kuratko (2001) and Kickul and Gundry (2002) in Boohene et al. (2008) explained that personal values associated with proactive strategies are often referred to as entrepreneurial values. According to Blackman (2003) in Boohene et al. (2008) the owner-managers with entrepreneurial values who adopt proactive strategies show stronger/better performance.

### **Business Strategy Relations with Manager Performance**

Suryana (2003) explains that for small businesses, managers who operate companies are owners, employers and investors, and take decisions independently. Akib (2003) and Boohene et al. (2008) suggested that the ability to formulate and implement effective strategies has a major influence on survival or business failure. The company's performance is in turn determined by the strategy adopted by the owner/manager.

Boohene et al. (2008), Suryana (2003), Syam (2007) suggested that companies that invest time proactively in developing strategies show a higher level of performance than companies that

are less proactive in developing strategies, but react to their environment. According to Akib (2003), the strategy is not only needed by an organization that focuses on profit-oriented only, but also non-profit oriented organizations. Some research's results show that organizations that have a clear or formal strategy, are outperformed compared to organizations that are not formulated (reactive).

Business strategies that include cost strategies, differentiation strategies, and focus strategies, each of which offers its uniqueness. While the cost strategy offers better product/service quality than competitors, while differentiation strategies make it easier for products/services to be found by consumers and introduce them through promotions. Furthermore, the focus strategy makes the upper middle class a product/service target and serves consumers directly. These three strategy choices are the choice of business.

## **Conceptual Framework for Research**

The conceptual framework was built based on the literature review and the results of previous research. This research was conducted to analyze the influence of variables of Intellectual Capital, Entrepreneurship and Business Strategy on the Cooperative Manager Performance variables in Ambon City.

## **METHODOLOGY**

This study uses a survey method to analyze, test hypotheses and explain the relationship between variables, namely the influence of intellectual capital, entrepreneurship, and business strategies on the performance of cooperative managers in Ambon City. This study included all cooperatives in 5 sub-districts in Ambon City, in July 2017. The population of this study was all cooperative managers, supervisors and managers in the research location. The number of Cooperatives in Ambon City in 2016 and still active was 199 with 26,325 active members. Of the 200 number of active cooperatives, the number of cooperatives that have managers is 176 cooperatives with 22,443 members.

The sampling technique used is probability sampling with a simple random sampling method. In this study the population is known so that the determination of the number of samples is used the formula Yamane and Slovin (1982) in Effendi & Manning (1989) and Cooper et al. (2006). Thus, the number of samples as respondents were 64 cooperative managers, plus respondents with the same number to represent cooperative administrators (64 people) and cooperative supervisors (64 people). So, the total number of samples of this study were 192 people.

Data is processed and analyzed by following the procedure, namely testing the validity and reliability of the instrument by comparing the Pearson product moment correlation index (Singarimbun and Effendi, 1995) with a level of significance of 5% on the correlation value. If the significance of the correlation results is smaller than 0.05, the instrument is declared valid, but if otherwise it is invalid. Then used the Spearman Brown Product Moment correlation analysis. The approach used to determine the reliability of the questionnaire is the measurement of internal consistency reliability, by calculating the coefficient alpha ( $\alpha$ ), if Cronbach Alpha is greater than 0.60 then the data is considered quite good and reliable as input in the process of data analysis. This validity and reliability testing use SPSS 21. Furthermore, inferential statistical techniques used to test hypotheses are t-test and multiple regression analysis which are also computed with SPSS 21.

## RESULTS AND DISCUSSION

The results of testing the validity of the instrument show that all indicators are valid so that further analysis can be used. This is shown through Spearman Brown's product moment correlation coefficient greater than 0.377 and a significance value (p-value) of 0.000 less than 0.05 at a 95% confidence level.

Multiple regression analysis is used to measure the amount of contribution or the effect of independent variables on the dependent variable. The form of multiple regression equations from this study are:

$$Y = PYX_1 + PYX_2 + PYX_3 + \epsilon \quad \dots \dots \dots \text{Equation (1)}$$

Where,

$Y$ =Manager Performance.

$X_3$ =Business Strategy.

$X_2$ =Entrepreneurship.

$X_1$ =Intellectual Capital.

$\epsilon$ =Error Term.

Multiple regression equation tests using SPSS 21 and obtained results, as in Table 1.

<b>Table 1</b> <b>MODEL SUMMARY OF MULTIPLE REGRESSION EQUATIONS</b>				
<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	0.751	0.564	0.557	0.27648

Source: Data Processing Results, 2018.

The R value of 0.751 shows the simultaneous relationship of the independent variables Intellectual Capital ( $X_1$ ), Entrepreneurship ( $X_2$ ), and Business Strategy ( $X_3$ ) to the Manager's Performance ( $Y$ ). Furthermore, the value of R Square ( $R^2$ ) or the coefficient of determination of 0.564 shows the amount of variation in manager performance can be explained by intellectual capital, entrepreneurship, and business strategy of 0.564 or 56.4%. The rest ( $\epsilon$ ) of 43.6% is influenced by other variables not examined. While the Adjusted R Square value of 0.557 shows the influence of intellectual capital, entrepreneurship, and business strategy on the manager's performance of 0.557 or 55.7% which is corrected by the number of variables and sample size to avoid bias in the event of additional variables. The standard error of the estimated value of 0.27648 shows the deviation between the regression equation with the real dependent value of 0.27648, the dependent variable unit. The smaller the standard error value, the better the regression equation is used as a predictor. Hypothesis testing in this study using t-test. Testing *hypotheses 1-3* using data in Table 2.

<b>Model</b>	<b>REGRESSION COEFFICIENT OF EQUATION I</b>			<b>t</b>	<b>Sig.</b>
	<b>B</b>	<b>Unstandardized Coefficients</b>	<b>Standardized Coefficients</b>		
(Constant)	2.215	0.308		7.196	0
Intellectual Capital	0.124	0.068	0.107	1.827	0.007
Entrepreneurship	0.644	0.045	0.704	14.449	0
Business Strategy	0.096	0.062	0.091	1.557	0.121

The constant value of the manager's performance variable is 2.215. Furthermore, the coefficient of the intellectual capital variable of 0.107 shows that the influence of intellectual capital on the performance of cooperative managers in Ambon City is 0.107 or 10.7%. The magnitude of the entrepreneurial variable coefficient of 0.704 shows the magnitude of the influence of entrepreneurship on the performance of cooperative managers in Ambon City is 0.704 or 70.4%. Furthermore, the business strategy variable coefficient of 0.091 shows the magnitude of the influence of business strategy on the performance of cooperative managers in Ambon City is 0.091 or 9.1%.

Testing of *hypothesis 1* shows the intellectual capital variable t-value of 1.827 and significance (p-value) 0.007 at 95% confidence level, so that the t-count value is greater than the t-table value and the significance value is 0.007 smaller than 0.05 determined. Thus, the direct influence of the intellectual capital variable on the manager's performance 0.107 is significant, so *hypothesis 1* is accepted, where intellectual capital directly and positively influences significantly the performance of cooperative managers in Ambon City.

Testing of *hypothesis 2* show the entrepreneurial variable t-count value of 14.449 and significance (p-value) 0.000 at 95% confidence level. While the t-table value for df=188 is 1.66 so that the t-count value is greater than the value of the t-table and the significance value of 0.000 is smaller than the 0.05 specified. Thus, the direct influence of entrepreneurship variables on manager performance is 0.704 is significant, so *hypothesis 2* is accepted, where entrepreneurship has a positive and significant direct effect on the performance of cooperative managers in Ambon City.

The testing of *hypothesis 3* shows the t-count value is 1.557 and the significance (p-value) is 0.121 at the 95% confidence level, while the t-table value for df=188 is 1.66. Thus, the direct influence of entrepreneurship variables on manager performance is 0.091 is insignificant, so *hypothesis 3* is rejected, where the business strategy has a direct positive but not significant effect on the performance of cooperative managers in Ambon City.

## DISCUSSION

Intellectual capital has a positive and significant direct effect on the performance of cooperative managers in Ambon City. This is because most respondents choose positive answers to indicators of measurement of intellectual capital and manager's performance variables, both by cooperative management respondent groups, cooperative supervisors, and cooperative group managers themselves. These results indicate an increase in the performance of cooperative managers in Ambon City can be done through the utilization of intellectual capital owned by cooperatives, both human capital (human capital), organizational capital (organization capital), and market capital (market capital). Cooperatives through their administrators are obliged to

support and facilitate selected cooperative managers so that they can carry out their duties and job responsibilities properly.

The cooperative manager as a party that is appointed and entrusted by the cooperative management to manage the business units owned by the cooperative is responsible to the management of the cooperative for the implementation of its work duties, especially related to the utilization of intellectual capital owned by the cooperative. This finding is by expert views and research results (Akib, 2003; Papilaya et al., 2015; Rengifurwarin et al., 2018) that intellectual capital is a strategic part of the development of organizations and societies that occupy knowledge as the most powerful "*production machine*".

Entrepreneurship has a positive and significant direct effect on the performance of cooperative managers in Ambon City. The survey results showed that the majority of respondents chose positive answers to the measurement indicators of entrepreneurship variables and manager's performance, both by cooperative management respondent groups, cooperative supervisors, and cooperative group managers themselves. These results indicate an increase in the performance of cooperative managers through understanding and deepening entrepreneurial insights for cooperative managers in Ambon City.

The character of cooperative entrepreneurship is different from entrepreneurship in general. Cooperative entrepreneurship has the task not only to create added value, but the extent to which the impact of the effort to achieve added value in the cooperative business and the business of its members. In line with that, it can be said that successful entrepreneurs in general are those who have competencies, namely people who have knowledge, skills and individual qualities which include attitudes, motivations, and behaviors needed to carry out work/activities (Abdullah et al., 2017; Ahearne et al., 2005; Akib, 2003; Rengifurwarin et al., 2018; Saparuddin et al., 2011; Totanan, 2004). Therefore, according to the understanding that cooperative human resource development is one of the important factors that get the attention of all parties so that cooperatives can be competitive (Saparuddin et al., 2011). The level of education and experience possessed in working as part of intellectual capital also plays an important role in increasing business success (Musa & Hasan, 2018). Similarly, organizational culture as one element of organizational capital needs to continue to be developed as part of efforts to win competition through competitive advantage (Abdullah, 2014).

The business strategy has a positive but not significant direct effect on the performance of cooperative managers in Ambon City. Some respondents chose a positive answer to the measurement indicators of business strategy variables and manager's performance, both by the cooperative management respondent group, the cooperative supervisor, and the cooperative manager group itself. Thus, improving the performance of cooperative managers is carried out by managers through the design and implementation of business strategies that are by the situations and conditions experienced by cooperatives in Ambon City. So, even though the performance of cooperative managers is not significantly affected by the business strategy created, it is seen that the fixed business strategy has a positive effect on the performance of cooperative managers in Ambon City. Business strategy as a "*director*" to run a cooperative business, is an integrated plan about the description of products, activities, functions and markets that are currently run by cooperatives to achieve their goals. The approach used in designing the cooperative business strategy has been referring to Porter's (1996) view, namely cost advantage, compensation, and cost focus or differentiation, but the application is not optimal

In principle, the variables of intellectual capital, entrepreneurship and business strategies, both simultaneously and partially, have contributed to the performance of cooperative managers.

This also means "*the opposite*" that the failure of cooperatives in Ambon City and general in Indonesia has been caused by "*poor*" performance of managers or managers, because it is influenced by various factors. Therefore, efforts can be made in order to improve the performance of cooperative managers at a minimum through the utilization of intellectual capital owned, the entrepreneurial insight possessed by cooperative managers, and the design and implementation of business strategies that are applicable, profitable, and appropriate to the situation and conditions of competition both with fellow cooperatives and with other economic business actors.

## CONCLUSIONS AND RECOMMENDATIONS

The focus and locus of analysis on the three determinants of cooperative manager performance in Ambon City underlie the importance of realizing "*cooperatives as pillars of the Indonesian economy*". Both normatively and factually cooperative institutions are always used as a forum for community economic cooperation where cooperative managers' performance is a factor the key to the success of the cooperative is to realize its vision and mission to "*prosper the cooperative members in particular and society in general*". The results of this study indicate that intellectual capital and (understanding and application) entrepreneurship have a positive and significant effect while business strategies have a positive but not significant effect on the performance of cooperative managers in Ambon City. Therefore, it is recommended that local governments and other cooperative stakeholders pay attention to the availability and carrying capacity of the management of cooperative intellectual capital, both human capital, organizational capital, and market capital. Also, cooperative stakeholders support financially and morally the efforts to increase and expand the insight into the entrepreneurial management of cooperatives, so that the performance of managers and the performance of cooperatives they lead increases. Likewise, the management of the cooperative pays attention to the design of a cooperative business strategy that is SMART (specific, measurable, attainable, rational, time bound) and more in line with the direction of developing competencies in the area where the cooperative conducts its business activities.

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