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The transglobal leadership-based strategy of MSMEs performance optimization of Malang Raya and the implementation of quality of work life

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Abstract

Purpose – The purpose of this paper is to examine the influence of transglobal leadership on quality of work-life, job involvement and its impact on the performance of micro, small and medium enterprises (MSMEs) employees throughout Malang Raya.

Design/methodology/approach – The population of the paper was all of MSME employees in Malang Raya and MSME developing in East Java regions, namely Sidoarjo, Pasuruan District, Pasuruan City, Kediri District, Jombang, Surabaya City, Blitar City and Blitar District. This paper uses GSCA for several reasons. First, it uses a structural model (involving several endogenous variables). Second, it involves unobservable variables that require a measurement model (variable measurement of the indicators). Third, it needs a comparative model testing that compares several groups of objects using the multigroup GSCA.

Findings – Transglobal leadership has a significant effect on quality of work life and job involvement in the five regions. It also has a significant effect on employee performance in the four regions, except Malang Regency. Quality of work life has a significant effect on job involvement in two regions, namely Malang City and Malang Regency, but not in the other three regions. Quality of work life and job involvement together has a significant effect on employee performance in all study sites.

Originality/value – These gaps motivate the researchers to comprehensively examine the relationship between QWL and employee performance, QWL and job involvement and job involvement and employee performance – these are the originality of the present study, in addition to different research locations. Small- and medium-sized enterprises (SMEs) in Malang are divided into three main groups, namely manufacturing business, merchandising business and service business.

Keywords Competitive advantage, Transglobal leadership, Quality of work life, Strategy of MSME performance

Paper type Research paper

1. Background

The empowerment of micro, small and medium enterprises (MSMEs) in Malang Raya has been stated in the RENSTRA of Department of Cooperatives and MSMEs of Malang Raya. The effort of the Department of Cooperatives and MSMEs of Malang Raya has encouraged the realization of MSMEs as the economic power that can improve the community's welfare. Puji (2009, 2013a, 2013b, 2013c) explains that the development of MSMEs includes four stages, namely start-up, growth, expansion and going overseas stages. Unfortunately, this four-stage MSMEs fostering is the MSMEs development model successfully applied only in Singapore. Meanwhile, Indonesia has not had any comprehensive model that can be applied



as fostering model for medium- and long-term effort to achieve optimal performance of MSMEs employee to contribute to the achievement of the MSMEs performance.

Malang City has reached 5.61 per cent of its economic growth in 2017; this is above the average economic growth of East Java Province at 5.5 per cent. The biggest contributors to the growth are the industrial and trade sectors, both the small, medium and large businesses. There are three main groups of MSMEs in Malang, namely the manufacturing business, merchandising business and service business. Based on statistical data, there were 143,000 of them in 2016. This number increased by 8.3 per cent compared to 2015 (BPS Malang, 2017).

Puji (2013c) in the Analysis strategy for small and medium business development and Puji (2013a) in the Analysis Program Business Development Service (BDS) Management Product Market for Small and Medium Enterprises (MSME) and Puji (2013b) in the Raw Material Supply Analysis Small Group assert that development strategy of MSMEs focuses on developing the Human Resources. Considering that HR is an important factor for every business including business in the MSMEs sector. How the success of MSMEs to break through global market and face the imported products in the domestic market as well as establishing the existence of business products are then further explained. Then, one of the determinant factors is the competence of the actor of the small-medium enterprise. In the MSMEs, the lack of human resources skill and lack of management strategy of human resources are relatively conventional. These aspects are the weakness factors of the development of MSMEs in Indonesia. Thus, it is important to give another chance to apply Human Resources development strategy to follow up the real implementation through the development of pioneering partnership at the MSMEs level.

Meanwhile, the collapsing phenomenon of the market economy resulted in massive unemployment and poverty in this country, MSMEs had emerged as the savior for those who are marginalized from the capitalistic economy. Hermawati and Mas (2017), MSMEs have been a source of livelihood for 91.25 million people who mostly live in the local and rural areas. Large-scale business organizations only able to absorb 2.52 million people. Hermawati and Mas (2017), one of the real developments of MSMEs existence currently monitored by the government, is the *posdaya* empowerment from the most rural to the medium areas. Thus, the contribution of MSMEs is very significant to improve the socio-economy level of the society in the middle of the flare of global market, AEC, Asia free market and others.

On the other hand, MSMEs of Malang Raya have contributed around 69.09 per cent (Rp 654.785 trillion) to the GRDP (BPS, 2016). In addition, the contribution of business and employment of MSMEs is a significant role in solving economic problems. A more specific observation to the MSMEs can be seen in Table I which shows the increase of the number of MSMEs amounted to 15.91 per cent (2013-2014), 26.17 per cent (2014-2015), 58.03 per cent

Year	No. of MSMEs	Indicator	
		Workforce	Bussiness Volume
2013	27,918 units	49,641 people	9.356 trillion (rp)
2014	28,619 units	54,741 people	10.854 trillion (rp)
2015	23,396 units	56,914 people	21.50 trillion (rp)
2016	38,712 units	58,420 people	22.35 trillion (rp)
2017	39,145 units	74,430 people	26.29 trillion (rp)

Source: Processed from BPS of East Java (2017)

Table I.
MSMEs development
in Malang raya of
2013-2017

(2015-2016) and 13.51 per cent (2016-2017). The largest increase of MSMEs number was in 2015-2016 (58.03 per cent). This is related to various policies of East Java Provincial Government, among others, implementation of grant funding, MSMEs empowerment and MSMEs award. At the level of East Java, the achievement of the number of MSMEs amounted to 6,825,931 with the absorption of human resources amounted to 11,117,439 (Performance of MSMEs East Java, 2016).

Table I, Data 5 of 2013-2017, is an interesting phenomenon to be observed. In the period of 2015-2016, there was an increase in the percentage of the number of MSME which amounted to 58.03 per cent. However, there was also the smallest human resources absorption of (2.65 per cent) along with the smallest percentage in the business volume of (3.95 per cent). Based on that data, the development of the number of MSME should be balanced with the number of qualified workforce and maximization of significant business volume. According to Hermawati and Nassarudin (2016), the new paradigm, human resources is a very important asset. It is a commodity of willingness to serve others. Thus, human resources-based strategy is an added value necessary for human resources of MSME.

It is also affirmed by Hermawati and Puji (2015b, 2017) that it is important to identify this phenomenon of the weak "business volume". The solutions that can be adopted among others the revitalization of human resources strategy through the optimization of the employee performance, human resources training and development and human resources planning. It is further emphasized by Hermawati (2011, 2013, 2014, 2015) in which she stated that human resources are the very basic constraint of MSMEs. According to Puji (2009, 2013a, 2013b, 2013c), the organization will be an existing growing and developing that is emphasizing humanistic strategy on human resource development to perform its functions optimally, effectively and efficiently. Meanwhile, Loyd (2001) supported by the Puji and Hermawati and Mas (2017) and Suwarta (2010, 2014) mentioned that the key criteria for the competitive advantage of MSMEs' atmosphere as the best foundation are having a visionary leadership footing and able to "read" the market development trends, technology, changes in competition patterns. Thus, it is very important to have leader with a leadership style appropriate to answer the problems of human resources of MSMEs at the level of efforts in the global market.

Meanwhile, Smith *et al.* (2012) examine the theoretical problems of transactional and transformational leadership that are described in local-type leadership. In its early development, leadership style appeared in local (version) form that had not been able to reach the aspect globally. Hermawati (2015) and Hermawati and Nassarudin (2016) stated that the current implementation of leadership style is demanded to be more global, more comprehensive and proportional to the progress of the entry of ASEAN free market. Therefore, Holt and Seki (2012), Smith *et al.* (2012), Hermawati (2015) and Hermawati and Puji (2017) initiated a more global leadership type known as transglobal leadership. It is a visionary leadership behavior in adapting to a new and more complex environment. The consistent leadership will have the outcomes in the form of employee performance.

Hayward (2005) leadership in the organization has no direct significant effect on the employee performance. A negative relationship between organizational leadership on employee performance was found. The inconsistency of the outcome became the gap investigated by Hermawati (2015) on "The Mediation Effect of Quality of Work Life and Job Involvement in Relationship of Transglobal Leadership". Hermawati (2015) findings provide recommendations that it is important to further develop as an effort to achieve consistency and generalization and implementation of quality of work life on transglobal leadership to optimize the employee performance. On the other hand, the real phenomenon of the survey results is currently indicated by a trend of employee performance decline in MSMEs in East Java including Malang Raya. The causal factor is presumably the not

optimal implementation of quality of work life. In addition, the important of transglobal leadership in MSMEs in the global market has not been understood well.

Hermawati (2015, 2016) finding claims that the existence of MSMEs, the opportunities and chance of MSMEs in facing the challenges of the global market era are recommended to focus on optimizing the performance of human resources. The prospect of developing MSMEs is not only through the implementation of quality of work life and transglobal leadership, but also by strengthening integrated aspects of transglobal leadership, quality of work life and job involvement that lead to employee performance and downstream of MSMEs organization performance.

This phenomenon becomes the focus of 3 years continuous research (2017, 2018, 2019), the author team. The results of previous research by the author team found that based on the results of Biplot/Cluster analysis, MSMEs in Malang are divided into three main groups, namely, manufacturing business, business trading and service business. Merchandising group focuses more on the job engagement aspect as the main guide. Service group focuses on the essential transglobal leadership. Manufacturing group focuses on the performance. Based on the level of employee satisfaction and interest in transglobal leadership, job involvement and performance of MSMEs employees in Malang Raya, it is known that the MSMEs priority scale should be improved. Meanwhile, job involvement variable has been implemented well, but it should be maintained. In addition, the transglobal leadership has to be improved and it is also considered as important by the respondents. Second, based on the results of Importance-Performance Analysis (IPA), MSMEs want a good working environment. Hopefully, it will further enhance the growth and development of MSMEs as a basis for increasing appropriate compensation. MSMEs want to be involved/empowered in every work activity and policy-making by related parties. The leader of MSMEs should be more global trade oriented with global intelligence.

Relying on the First Year of PTUPT Research (superior applied research in higher education, in Indonesia) Scheme by PujiSuci, the second year of PTUPT Research Scheme is implemented in 2018 synergizing on:

- The extent to which transglobal leadership affects the quality of work-life, job involvement and its impact on the performance of employees of MSMEs throughout Malang Raya; and
- How the comparative model of the influence of transglobal leadership on the quality of work-life, job involvement and its impact on the performance of MSMEs employees in Malang Raya (Malang City, Malang Regency, Batu City) compared to other MSMEs in East Java such as Sidoarjo, Pasuruan, Pasuruan City, Kediri Regency, Kediri City, Jombang, Surabaya City, Blitar City and Blitar Regency (12 points of sample area).

Based on the above description, the high relevance of HR role as a central factor has created competitive advantage. Thus, it is relevant to address the critical issues for the organizational manager to optimize the performance of MSMEs employees by considering the employee's performance as an important and major contribution to the optimization of organizational performance (Hermawati, 2011, 2013, 2014, 2015). Based on the background that has been unraveled, this research becomes an important theme to be studied. Related matters are due to the more specific performance achievement support hub of MSME performance based on the process hierarchy and SWOT analysis.

Based on the above background, this study examines the influence of transglobal leadership on quality of work-life, job involvement and its impact on the performance of MSMEs employees throughout Malang Raya. The focus of this research is in line with the

framework in the Research Development Master Plan which is the empowerment of SME/MSME products to enter ASEAN market. The relevance of the research topic at the level of “The Transglobal Leadership-Based Strategy of MSMEs Performance Optimization of Malang Raya and the Implementation of Quality of Work Life as Competitive Advantage Effort in the Global Market”. This context is important as an effort to develop and empower the MSMEs. This is motivated by the large potential of MSMEs that should be utilized as the motor of the national economy after experiencing a prolonged economic crisis. Meanwhile, the quantity of MSMEs in East Java in all proportional sectors along with the number of human resources keep growing. It is a fact that MSMEs in East Java has reached the amount of 6,825,931 with the absorption of human resources amounted to 11,117,439. Thus, itMSMEs becomes an optimistic estimation as the key driver that will contribute positively to the strategy of optimizing the performance of MSMEs to Competitive Advantage.

This study is a continuation of the research of the preliminary study PTUPT Research Scheme by Puji Suci in the first year of 2017 budget year. In addition, it is a comprehensive continuum of the previous study by Puji (2009, 2013, 2015a, 2015b) with the theme of competitive advantage and human resource strategy; Hermawati (2013, 2014, 2015, 2015, 2016) stated that employee performance is built by the implementation of quality of work life; Suwarta (2012, 2014) stated that the influence of competitive ability is strongly against the independence of MSMEs. Some of the above studies provide a gap where organizational success is built on the high performance generated by employees. Hermawati (2015, 2016) stated that the performance of MSMEs employees is influenced by transglobal leadership. Furthermore, this research tries to find out how to reach the strategy of MSMEs to compete and focus on the transglobal leadership as well as implementing the QWL. The optimization strategy will be carried out with a) more comprehensive factor intervention namely job involvement and QWL implementation that have not been used for optimizing the performance of MSMEs employees on the effects of transglobal leadership; and b) referring to the recommendations of the research results by Hermawati (2015a and 2016) and QWL implementation. Therefore, the result of this research is expected to be a new approach to the transglobal leadership towards the achievement of MSMEs employee performance optimization to obtain new implementation strategy as the finding of MSMEs performance originality has the implication of MSMEs profit oriented in the global market.

Some previous studies have partially examined the relationship between quality of work life (QWL) and job involvement, such as Arif and Ilyas (2013) and Hermawati and Nassarudin (2017). Other studies on QWL and job involvement show a significant relationship between the two variables. However, Cherns (1986) shows a non-significant relationship between QWL and job involvement. The contradictory results are the gap in previous studies.

Researchers, such like Hermawati and Mas (2017) and Kara *et al.* (2018), have examined the relationship between QWL and employee performance; their studies show a significant relationship between QWL and employee performance. This confirms no gap on the results of previous studies, yet there are the differences in research locations and objects.

Huang *et al.* (2016) and Mikkelsen and Olsen (2018) are some of the researchers who have been studying the relationship between job involvement and employee performance; the studies show a significant relationship between job involvement and employee performance. However, Rotenberry and Moberg (2007) find a non-significant relationship between job involvement and employee performance. The contradictory results are the gap in previous studies.

These gaps motivate the researchers to comprehensively examine the relationship between QWL and employee performance, QWL and job involvement and job involvement and employee performance – these are the originality of the present study, in addition to different research locations. SMEs in Malang are divided into three main groups, namely manufacturing business, merchandising business and service business.

First, a manufacturing business converts basic inputs into goods to be sold to consumers. The examples may cover a garment business that produces clothes from raw materials (cloth); bamboo craftsmen who produce furniture, home decoration, souvenirs and so on; and waste recycling to produce economical goods, such as bags from used glass of mineral water, souvenirs from coconut shells and shrimp farming. Second, a merchandising business sells existing products to consumers. The examples are traditional snacks sold at traditional markets and grocery stores or convenience stores that sell daily necessities. Third, a service business produces services, not products or goods for consumers. The examples are freight forwarding services, internet cafe services (*warnet*) that provide internet services to customer buying food or beverages in the cafe, telephone services that provide communication networks for consumers and travel services that provide tickets and travel packages to consumers.

2. Literature review

Previously conducted researchers have inspired this research. The empirical results by [Hermawati \(2015\)](#), [Hermawati and Puji \(2015a\)](#) and [Asri and Suwarta \(2014\)](#) support the theory of [Luthans \(2005\)](#) and [Robbins \(2006\)](#) and the two factors theory. When the employee needs are met, they will feel satisfied and able to work maximally. In addition, their commitment is more accountable, performance level becomes better, and the implication will be more optimal for individual performance. In the end, these will contribute to organizational performance. Meanwhile, it has been fully equipped with the research by [Hastuti \(2014\)](#) entitled “Model Pemberdayaan Usaha Mikro, Kecil dan Menengah (UMKM) sebagai Upaya Pengurangan Kemiskinan di Malang Raya” in which she concluded lack of awareness of MSMEs actors to improve its performance, as the access to economic progress, the weak human resources empowerment, market information, marketing network and limited capital in the business development. There is a weak indication to change the culture and work ethic of MSMEs actors, especially those related to discipline, hard work, respect for time and the relationship between business groups and weak performance motivation.

According to [Mohsan *et al.* \(2011\)](#), [Puji \(2013a\)](#) and [Hermawati and Nassarudin \(2016\)](#), employee performance’s workload and job skill in SME business simultaneously or partially affect the employee performance of SMEs. [Cafila Ficalista \(2011\)](#) states that the influence of leadership style on the performance of cooperative service and SME officer of Malang City become a reference related to the MSMEs in this research. The results conclude that a comprehensive leadership style simultaneously has a significant effect on the employee performance. However, the partial test is only the participative leadership style variable that has a significant influence on the employee performance. A variable that has the most dominant influence on the employee performance is the participative leadership style.

[Sudaryanto and Wijayanti \(2013\)](#) conducted a study entitled “A Strategy of MSMEs Empowerment to Face ASEAN Free Market”. This research uses a descriptive explorative approach by analyzing the strategy of empowering MSMEs in facing ASEAN free market. This research uses a literature review approach. This research concluded:

- A strategy to develop MSMEs in Indonesia cannot be separated from the human resource support.
- A strategy to anticipate market mechanism that is more open and competitive especially in the ASEAN region is the mastery of human resource competencies which is a prerequisite to increase the competitive advantage of MSME.

The development of MSME's human resources as a competitive advantage in the global market is considered capable of encouraging the growth and development of micro, small enterprises. The emphasis on the implementation of the strategies to anticipate an increasingly open and competitive market mechanism, especially in the ASEAN region is the control of the market, which is a prerequisite to improve the competitiveness of MSMEs. A study conducted by [Hermawati \(2015\)](#), [Hermawati and Nassarudin \(2016\)](#) and [Hsu \(2012\)](#) supports the theory of [Porter and Lawler \(1968\)](#) and Kanungo (1982), who explain that work involvement leads to someoneelse's performance. It shows a positive relationship between job involvement and performance, in which job involvement can overcome the employee performance. Based on the organizational perspective, job engagement is defined as a positive subject that affects the entire employee's performance and organizational performance.

[Husnawati \(2006\)](#) and [Hermawati \(2013, 2014, 2015a\)](#) or [Hermawati and Puji \(2015a\)](#) analyze and prove the influence of QWL on the employee performance, job satisfaction, work motivation and work motivation on the employee performance, as well as job satisfaction on the employee performance. (2) QWL implementation through the dimension of growth, development, participation, salary, profit and work environment in the company will influence the improvement of the employee performance; (3) QWL has an effect on the subsequent increase in the organizational commitment and it further affects the employee performance; and (4) QWL has an effect on the job satisfaction which then greatly contributes to the optimum performance of the employee.

[Tedjasuksmana \(2014\)](#) through his research entitled "A Portrait of Indonesian MSME to Face the 2015 ASEAN Economic Community" states that MSME Empowerment will only happen significantly if it can be guaranteed by the largest opportunity for MSMEs to enter the economic activity. The support needed mostly about the assistance of human resource development is a competitive advantage aspect that should not be overlooked. It is considered that the large companies which have entered international trade sector should be regulated by government policy in order to cooperate with MSMEs.

An analysis by [Sari and Ja'far \(2010\)](#) shows that 47 mid-level managers at small- and medium-scale industries (SMSI) in Central Java having more experiences and high involvement do not show high performance. [Mohsan et al. \(2011\)](#) proves a weak relationship between employee engagement and employee performance. [Dartu \(2007\)](#) states that there is an influence of employee work involvement on the individual performance in the organization of MSME cooperatives.

[Figure 1](#) above is a conceptual framework obtained from several theoretical maps. To achieve organizational objectives, it is necessary to make certain efforts to manage the organization based on the conceptual background that previously has been tested and implemented. In terms of managing the organization, it certainly cannot be separated from the managerial aspects that are closely related to the organizational activities, one of which is strongly related to the transglobal leadership, quality of work life, employee engagement and employee performance. The theory and conceptual background listed in [Figure 1](#) as the footholds in this study.

During the second-year study, there are six hypotheses tested namely:

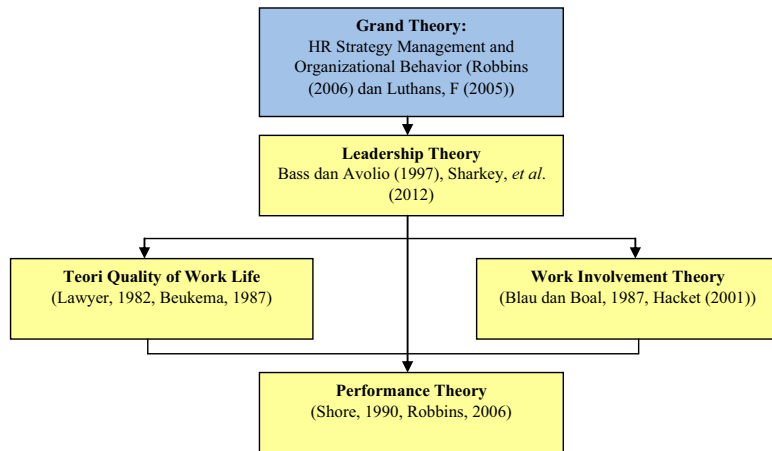


Figure 1.
Conceptual
framework

- H1.* Transglobal leadership has an influence on QWL.
- H2.* Transglobal Leadership has an influence on Job Involvement.
- H3.* Transglobal Leadership has an influence on Employee Performance.
- H4.* QWL has an influence on Job Involvement.
- H5.* QWL has influence on Employee Performance.
- H6.* Job Involvement has an influence on Employee Performance.

3. Research method

The purpose of this study is to determine the performance of MSMEs in Malang. This can be seen from the level of human resource management in MSMEs, including global leadership, quality of work life, job involvement and employee performance. "Malang Raya" is an area consisting of Batu City, Malang City and Malang Regency. The name began to be popular when Batu decided to be an independent city. Some argue that "Malang Raya" is a cultural representation of the ex-residency area of Malang, which includes Malang Regency and Malang City along with Batu City, Probolinggo Regency and Probolinggo City, Pasuruan Regency and Pasuruan City and Lumajang Regency. However, in the subsequent development, this term has been narrowed to the culturally bound areas of "Arek Malang Arema" community, including Malang Regency, Batu City, Malang City and some parts of Pasuruan Regency.

The population of the study was all of MSME employees in Malang Raya and MSME developing in East Java regions, namely Sidoarjo, Pasuruan District, Pasuruan City, Kediri District, Jombang, Surabaya City, Blitar City and Blitar District. The reasons to choose

MSME employees as the research subject are as follows: (1) employees were authorized to explain the matters related to the transglobal leadership, quality of work life, work involvement and performance of MSME employees; and (2) employees were the spearhead of an organization and directly related to the members, customers and local people. Based on the data from Cooperative and MSME service (2016), the number of all MSME employees was 2,790. The determination of sample size implemented Slovin's Formula on precision 5 per cent. The calculation in the sampling area was determined, which is 846 employees from MSME based on the regions.

The sample in this study was determined using the Slovin method (Umar, 1998) with the following formula:

$$n = \frac{N}{1 + Ne^2}$$

In which:

N = Total population;

n = Number of samples; and

e = Margin of error.

The defined margin of error was 5 per cent and the total population was 2,790 people. Based on the calculation, the sample included 846 people.

The operational definition of the research variable: Transglobal leadership: intelligence dimension possessed by a MSME manager based on the six indicators, namely cognitive intelligence, emotional intelligence, business intelligence, cultural intelligence, global intelligence and moral intelligence (Sharkey, 2012). Quality of Work Life (QWL): employee's perception that physically and psychologically he/she felt safe, comfortable, relatively satisfied and able to develop as humans. Six indicators underlying are: Participation, Growth and Development, Compensation and Reward and Work Environment (Werther and Davis, 1996; Wayne, 1992). Work involvement: A Participative process used the entire capacity of employees and was designed to support the improvement of organizational's commitment to the success. Having been measured from the performance of self-esteem contingency, and the importance of a job for individual total self-image, Lodahl and Kejner (Cohen and Gattiker, 2003). Employee performance: The result achieved by employees in working according to the certain criteria which was applicable to a job. It measures from the result of work, work behavior and personal characteristics (Wirawan, 2009).

The three main groups of MSMEs in Malang consist of the manufacturing business, merchandising business and service business. Examples of the manufacturing businesses are Lufas Collection, Karya Mandiri and Subur Makmur; examples of the merchandising business are Levina, Sangkar Mas and Lumba Lumba; and examples of the service business are Andis Batik, Pasir Rejo and Topeng.

This study uses GSCA for several reasons. First, it uses a structural model (involving several endogenous variables). Second, it involves unobservable variables that require a measurement model (variable measurement of the indicators). Third, it needs a comparative model testing that compares several groups of objects using the Multigroup GSCA (Solimun, 2013) (Figure 2).

4. Result and discussion

The first stage of the research was testing research instruments. This study involved 45 questions representing 15 indicators from 4 research variables. The validity test was done using Pearson correlation coefficient. The results of the validity and reliability test in Table I

shows that the correlation value > 0.3 , meaning that all items are valid. The results of the reliability test shows the Cronbach Alpha value > 0.6 , meaning that all variables are reliable. Thus, the instrument is valid and reliable.

The second stage of the research results describes the measurement results of each variable. This study involved six variables, namely Transglobal Leadership (X1), Quality of Work Life (M1), Job Involvement (M2) and Employee Performance (Y1) as the unobservable variables, in which each variable is not measured directly, but through several indicators. The measurement model of GSCA results presents the loading factor or the weight of each indicator as the measure of each variable.

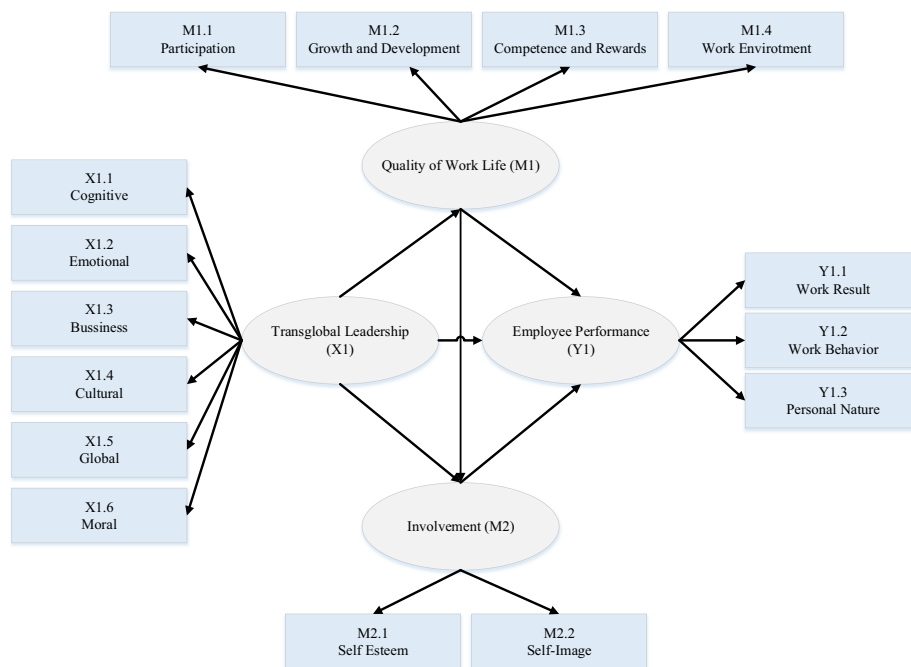
Table II shows the results of the X1 measurement model analysis; it confirms that the six indicators have a p -value < 0.05 , so X1 is determined by the six indicators. From the loading factor, it can be seen that global intelligence is the main factor of transglobal leadership measurement, as it has the highest value. The results of the M1 model analysis show that the four indicators have a p -value < 0.05 , meaning that M1 is determined by the four indicators. From the highest loading factor, it can be seen that growth and development is the main factor measuring quality of work life. The results of the M2 model analysis that the two indicators have a p -value < 0.05 , meaning that M2 is determined by those indicators. From the loading factor, it can be seen that self-esteem is the main factor in measuring job involvement, as it has the highest value. The results of the Y1 model analysis show that the three indicators have a p -value < 0.05 , meaning that Y1 is determined by the three indicators. From the loading factor, it can be seen that outcome is the main factor measuring employee performance, as it has the highest value

The theoretical model of the research conceptual framework could be said fit when it was supported by empirical data. The result of the goodness of fit overall model is in accordance to the result of GSCA analysis presented in Table I.

The result of a model-based testing showed that the value of FIT (equivalent to R^2 or coefficient of determination) was 0.759 or 75.9 per cent, and the value of AFIT (equivalent to R^2_{adjusted} or corrected coefficient of determination) was 0.815 or 81.5 per cent. Hair *et al.* (2011) states that the value of R^2 or R^2_{adjusted} higher than 0.5 shows that the obtained model is the moderate one. The other two criteria i.e. SRMR and GFI have fulfilled the cut-off value, so the GSCA model of the study was suitable and proper to use; therefore, interpretation could be

No	Variable	Indicators	Correlation			Alpha Cronbach
			Item 1	Item 2	Item 3	
1	X1	X1.1	0.655	0.752	0.454	0.875
		X1.2	0.659	0.655	0.651	
		X1.3	0.572	0.592	0.559	
		X1.4	0.587	0.681	0.656	
		X1.5	0.761	0.651	0.612	
		X1.6	0.571	0.595	0.604	
2	M1	M1.1	0.650	0.656	0.570	0.809
		M1.2	0.658	0.753	0.552	
		M1.3	0.620	0.566	0.554	
		M1.4	0.491	0.659	0.561	
3	M2	M2.1	0.657	0.609	0.652	0.789
		M2.2	0.583	0.619	0.623	
5	Y1	Y1.1	0.591	0.668	0.562	0.766
		Y1.2	0.666	0.665	0.563	
		Y1.3	0.653	0.635	0.560	

Table II.
Validity and reliability test results of the research instruments



MSMEs
performance
optimization

Figure 2.
Transglobal
leadership toward
QWL, involvement
and performance

done for further discussion. In terms of this structural model, six hypothesis of a relationship among variables (direct effect) were tested with CR = significant at 0.05 level. The testing result of the relationship among research variables are presented in [Table II](#) ([Figure 3](#)).

4.1 Red is insignificant relationship

Based on [Table II](#), it is noted that Transglobal Leadership has a significant influence on QWL. Work Involvement, HR Performance and QWL have a significant effect on Work Involvement. QWL and Work Involvement have a significant effect on HR Performance. First, this study found that Transglobal Leadership (X) affected QWL (M1). High Transglobal Leadership, observable from high cognitive intelligence, emotional intelligence, business intelligence, cultural intelligence, global intelligence and moral intelligence, have an influence on the level of QWL (M1), reflected on Participation, Growth and Development, Compensation and Reward and Work Environment.

This hypothesis testing aims to investigate the direct effect of an MSME leader's intelligence and its impact on the employee perception both physically and psychologically of the feeling of safety, comfort, satisfied, so that able to grow and develop as humanized employees.

The test result showed that when a leader had acognitive intelligence, emotional intelligence, business intelligence, cultural intelligence, global intelligence and moral intelligence, hihe/sher employees would feel that they were physically and psychologically safe, comfortable, satisfied with the work, and able to grow and develop as appropriate. It was observable not only in the cities but also in the districts area. For example is in SME in Malang City, Malang District, Batu City or Pasuruan District.

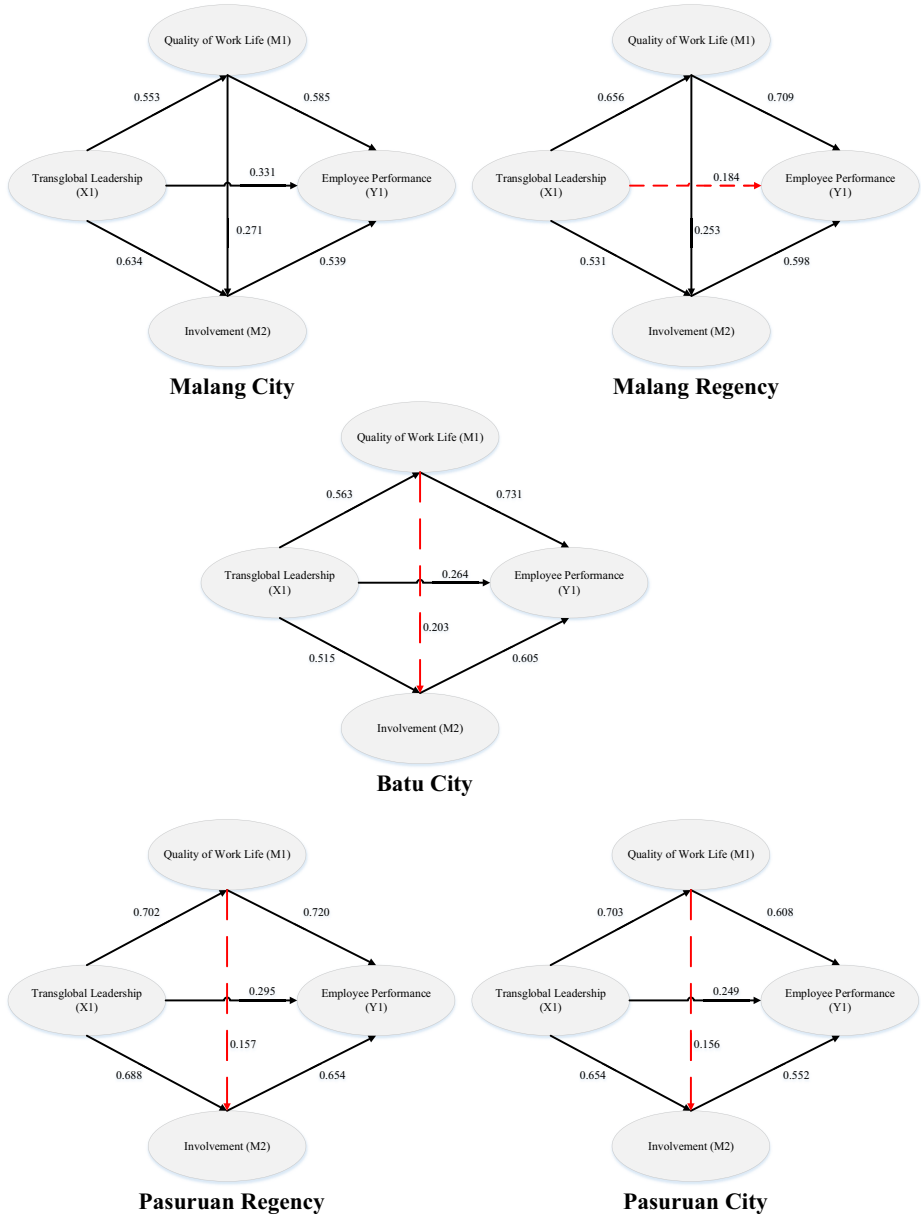


Figure 3.
Analysis result

Second, the study found that Transglobal Leadership (X) affected Work Involvement (M2). High Transglobal Leadership, observable from high cognitive intelligence, emotional intelligence, business intelligence, cultural intelligence, global intelligence and moral intelligence, affected the level of Work Involvement (M2), reflected on the performance self-esteem contingency and self-image.

The hypothesis testing aimed to observe the direct effect of TL on work involvement, which means to see the impact of MSME leader's intelligence and its impact on the management policy to involve the employees in designing to support the improvement of the organization so that the employees felt confident.

The test result showed that the higher the cognitive intelligence, emotional intelligence, business intelligence, cultural intelligence, global intelligence and moral intelligence an MSME leader, the better he/she understood to involve the employees in using their capacity to support the commitment for the MSME's success. Moreover, this employee involvement in MSME will improve HR performance.

Third, the study found that QWL (M1) has an influence on Work Involvement (M2). High QWL, observable from high Participation, Growth and development, Compensation and reward and Work environment, will impact on the level of Work Involvement (M2) reflected on performance self-esteem contingency and self-image.

The hypothesis testing aimed to investigate the direct effect of an OWL on work involvement. It means to investigate whether MSME employee perception that they felt physically and psychologically safe, comfortable and satisfied could affect the involvement in MSME.

The test result showed that when MSME employees felt safe, comfortable and satisfied because they could participate in MSME where they worked, developed, are given a comfortable compensation and allowance in accordance with the work environment, the employees felt involved in MSME to achieve the MSME's success. It can be observed from the fact that MSME employees felt confident with the work.

Variable	Indicators	Loading	<i>p</i> -value
Transglobal leadership (X1)	Cognitive intelligence	0.622	0.001
	Emotional intelligence	0.691	0.001
	Business intelligence	0.698	0.001
	Cultural intelligence	0.529	0.013
	Global intelligence	0.798	0.003
	Moral intelligence	0.629	0.004
Quality of Work Life (M1)	Participation	0.639	0.003
	Growth – Development	0.764	0.001
	Compensation – Rewards	0.632	0.001
	Work environment	0.590	0.002
	Performance – Self-esteem	0.814	0.000
Job involvement (M2)	Self-image	0.787	0.002
	Outcome	0.813	0.000
Performance (Y1)	Work behaviour	0.715	0.000
	Personality	0.678	0.004

Table III.
Descriptive test and
measurement model

Criteria	<i>Cut-off Value</i>	Model result	Description
FIT	≥ 0.50	0.759	Moderate model
AFIT	≥ 0.50	0.815	Moderate model
GFI	≥ 0.90	0.983	Good model
SRMR	≤ 0.08	0.010	Good model

Table IV.
Result of goodness of
fit

City/District	Hypothesis	Relationship among variables	Path coefficients			Remarks
			Overall	Estimate	CR	
Malang City	H1	X1->M1	0.646	0.553	5.511	Significant
	H2	X1->M2	0.556	0.634	5.622	Significant
	H3	M1->M2	0.149	0.271	2.600	Significant
	H4	X1->Y	0.201	0.331	3.060	Significant
	H5	M1->Y	0.608	0.585	5.380	Significant
	H6	M2->Y	0.554	0.539	4.584	Significant
Malang District	H1	X1->M1	0.646	0.656	6.536	Significant
	H2	X1->M2	0.556	0.531	4.704	Significant
	H3	M1->M2	0.149	0.253	2.429	Significant
	H4	X1->Y	0.201	0.184	1.701	Insignificant
	H5	M1->Y	0.608	0.709	6.524	Significant
	H6	M2->Y	0.554	0.598	5.089	Significant
Batu City	H1	X1->M1	0.646	0.563	5.607	Significant
	H2	X1->M2	0.556	0.515	4.563	Significant
	H3	M1->M2	0.149	0.203	1.943	Insignificant
	H4	X1->Y	0.201	0.264	2.440	Significant
	H5	M1->Y	0.608	0.731	6.731	Significant
	H6	M2->Y	0.554	0.605	5.148	Significant
Pasuruan District	H1	X1->M1	0.646	0.702	7.000	Significant
	H2	X1->M2	0.556	0.688	6.100	Significant
	H3	M1->M2	0.149	0.157	1.509	Insignificant
	H4	X1->Y	0.201	0.295	2.727	Significant
	H5	M1->Y	0.608	0.720	6.630	Significant
	H6	M2->Y	0.554	0.653	5.553	Significant
Pasuruan City	H1	X1->M1	0.646	0.703	7.004	Significant
	H2	X1->M2	0.556	0.654	5.801	Significant
	H3	M1->M2	0.149	0.156	1.499	Insignificant
	H4	X1->Y	0.201	0.249	2.300	Significant
	H5	M1->Y	0.608	0.608	5.596	Significant
	H6	M2->Y	0.554	0.552	4.695	Significant

Table V.

The result of GSCA analysis: inner model (structural model)

Notes: Description: X1 = Transglobal leadership, M1 = Quality of work life, M2 = Work Involvement and Y = HR performance

An empirical result by [Hermawati \(2015\)](#), [Hermawati and Puji \(2015a\)](#), [Asri and Suwarta \(2014\)](#), supporting [Luthans's \(2005\)](#) theory, [Robbins \(2006\)](#), Frederick Herzberg's two-factor theory and [Thomas and Velthouse \(2001\)](#) proposed that when an employee's needs were completed, the employees would feel satisfied, able to work optimally, more accountable commitment, better work order, optimal individual performance and contribution towards organizational performance. It is completed by [Hastuti \(2014\)](#) with a study entitled "Empowerment Model of Micro, Small, and Medium Enterprise (MSME) As an Effort to Cut Poverty in Malang Raya", which concluded the minimum awareness of MSME actors to improve performance, as an economy progress access, a weak HR empowerment, market information, marketing network and limitedness of capital owned in business development. The indicators were weak willingness to change work culture and ethics of MSME actors, especially those related to discipline, hard work, respecting time, the relationship among business groups and weak work motivation.

Fourth, the study found that Transglobal Leadership (X) affected HR Performance (Y). High Transglobal Leadership, observable from high cognitive intelligence, emotional

intelligence, business intelligence, cultural intelligence, global intelligence and moral intelligence, affected the level of HR Performance (Y), reflected on work result, work behavior and personal character.

The hypothesis testing aimed to investigate the direct effect of TL on performance, which means to investigate the impact of an MSME leader's intelligence on MSME employee performance observable from employee work result, work behavior and personal character.

The test result showed that the higher the cognitive intelligence, emotional intelligence, business intelligence, cultural intelligence, global intelligence and moral intelligence an MSME leader, the better the MSME HR performance observable from work result, work behavior and personal character, therefore, if we want MSME employees to work optimally, then it needs to consider the MSME leader's intelligence.

According to [Mohsan et al. \(2011\)](#), [Puji \(2013a\)](#), [Hermawati and Nassarudin \(2016\)](#), work burden and skills, either simultaneously or partially, affected employee performance in SME. According to [Cafila Ficalista \(2011\)](#), the effect of leadership style on the performance of employees in cooperatives and SME of Malang City became a reference related to MSME in the study. However, based on the partial test, only participative leadership style variable which has a significant effect on employee performance. The variable with the most dominant effect on employee performance was participative leadership style.

Fifth, the study found that QWL (M1) affected HR Performance (Y). High QWL, observable from high Participation, Growth and development, Compensation and reward and Work environment, affected the level of HR Performance (Y), reflected on work result, work behavior and personal character.

The hypothesis testing aimed to investigate the direct effect on MSME employee performance, which means to see whether safety, comfort and satisfaction wanted by employees both physically and psychologically affected MSME HR Performance. The test result showed that when MSME employees felt safe, comfortable and satisfied, MSME HR Performance which is observable from work result and work character would be better, furthermore to achieve high MSME HR performance both in work result and work behavior, MSME had to maintain that HR was safe and comfortable by condition.

[Husnawati \(2006\)](#) and [Hermawati \(2013, 2014, 2015a\)](#), as well as [Hermawati and Puji \(2015a\)](#), analyzed and proved the effect of QWL on employee performance, work satisfaction and work motivation on employee performance and work satisfaction on employee performance. The result of the study:

- QWL directly affected employee performance;
- implementation of QWL through the dimension of growth, development, participation, wage, benefit and work environment in the company affected the improvement of employee performance;
- QWL affected the improvement of organizational commitment and employee performance; and
- QWL affected work satisfaction and gave a great contribution to the optimal employee performance.

Sixth, the study found that Work Involvement (M2) affected HR Performance (Y). High QWL, observable from high-performance self-esteem contingency and self-image, affected the level of HR Performance (Y), reflected on work result, work behavior and personal character.

The hypothesis testing aimed to investigate the direct effect of work involvement on performance, which means to see whether MSME employee's involvement affected MSME

HR performance. The test result showed that when all employees were involved in the commitment to the MSME's success, both in cities and districts area, and work behavior or personal character. Therefore, MSME employees should be involved in activities to improve MSME.

Sudaryanto and Wijayanti (2013) conducted a study entitled "*MSME Empowerment Strategy to Face ASEAN Free Market*". The study implemented the descriptive explorative approach by analyzing MSME empowerment strategies in facing ASEAN free market. It used literature review approach. The study concluded:

- The strategy to develop MSMEs in Indonesia was inseparable from the support of human resource.
- The strategy to anticipate the more open and competitive market mechanism especially in ASEAN was the mastery of HR competence that was the requirement to improve competitive advanced MSME.

Development of MSME HR to be competitive and advanced in the global market was considered able to support the growth and development of MSME. The emphasis on the implementation of the strategy to anticipate the more open and competitive market mechanism especially in ASEAN was the market control that was the requirement to improve MSME competitiveness. It was supported by the study carried out by Hermawati (2015), Hermawati and Nassarudin (2016), Hsu (2012), Porter and Lawler's theory (1968) and Kanungo (1982) explaining that work involvement led to a personal's performance. Proving the existence of the positive relationship between work involvement and performance that work involvement could overcome employee performance. From the organizational perspective, work involvement is defined as a positive subject giving impact on the entire employee performance and organizational performance.

4.2 Research implications

The findings confirm that MSMEs in Malang City are in their best conditions; this implies the need to increase global leadership both from the cognitive, emotional, business, cultural, global and moral aspects of the leaders to increase quality of work life, job involvement and employee performance.

MSMEs in Malang Regency are slightly different from MSMEs in Malang City, as well as the other three regions. The transglobal leadership style is unable to improve employee performance directly, but by mediating quality of work life and job involvement, an indirect influence on transglobal leadership on employee performance presents. Therefore, the practical implication for MSMEs in Malang Regency is the need to focus on improving the quality of work life, both in terms of participation, growth and development, competence and rewards, work environment, as well as increasing job involvement including self-esteem and self-image.

MSMEs in Batu City, Pasuruan Regency and Pasuruan City are in the same condition, where the quality of work life does not directly affect job involvement. The practical implication is that improvement of MSMEs in these three regions tends to be conservative or only a partial increase (independent) on the global leadership, quality of work life and job involvement. The partial increase in all three aspects can improve employee performance, which can be seen from the high work result, work behavior and personality as indicators of employee performance.

To sum up, this study can describe the transglobal leadership, QWL, job involvement, employee performance and obtain an appropriate model for the development of MSME performance aspects in Malang. Furthermore, by comparing MSMEs in the East Java region

(Sidoarjo City, Pasuruan Regency, Pasuruan City, Kediri Regency, Kediri City, Jombang Regency, Surabaya City, Blitar City and Blitar Regency), development strategies for MSME performance based on the process hierarchy and SWOT analysis can now be made. In addition, the results of this study can be used as recommendations for managers in managing HR as an asset, especially related to the theory of organizational behaviour and HRM strategies, so as to accelerate the success of MSMEs.

4.3 Limitations of the study

If supported by adequate policies, then MSMEs can be a pillar of future economic development. In the perspective of MSME development, this study represents an effort to improve the human resources of MSMEs, as part of the efforts to improve regional economies. However, it seems that the existing policies are not enough to support MSME development, if we must not say that some policies hinder the development of MSMEs, which have not been studied in this study. For this reason, further research on policies that support MSMEs is necessary, especially in-depth policy analyses to cover the limitations of the present study. In addition, Analytical Hierarchy Process (AHP) can be added as the method of analysis in this study. The use of AHP begins by creating a hierarchical or network structure of the problems to be studied.

5. Conclusion and recommendation

Transglobal leadership has a significant effect on quality of work life and job involvement in the five regions. It also has a significant effect on employee performance in the four regions, except Malang Regency. Quality of work life has a significant effect on job involvement in two regions, namely Malang City and Malang Regency, but not in the other three regions. Quality of work life and job involvement together has a significant effect on employee performance in all study sites.

The recommendations are as follows. (1) MSME actors in Malang Raya must apply transglobal leadership by increasing intelligence both IQ (cognitive), emotional intelligence, business intelligence, cultural intelligence, global intelligence and moral intelligence. (2) The government is recommended to create policies focusing on improving human resources in managing MSMEs, by providing education and training in leadership, quality of work life and job involvement, as the three aspects affect the performance of MSMEs.

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