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Actual Economy

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MANAGEMENT, KYIV, UKRAINE
SCIENCE JOURNAL "ACTUAL PROBLEMS
OF ECONOMICS" (SCOPUS)



National Academy of
Management, Kyiv, Ukraine

ACTUAL PROBLEMS OF ECONOMICS

Scientific Economic Journal, Ukraine
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Topic & abstract (up to 250 words) submission before	28 August, 2016
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Full paper submission –	10 September, 2016
Agenda proof and registration form submission –	25 September, 2016
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**INTERNATIONAL CONFERENCE
"ACTUAL ECONOMY:
LOCAL SOLUTIONS FOR GLOBAL
CHALLENGES (ACE-16)"**



ACE-2016

PROCEEDINGS OF 3RD INTERNATIONAL CONFERENCE

BANGKOK, THAILAND, JANUARY, 2016

ACTUAL ECONOMY: LOCAL SOLUTIONS FOR GLOBAL CHALLENGES
ACE-2016 @ BANGKOK.TH
=AGENDA=

Day 1		Twin Towers Hotel, Bangkok
8.30	Registration open	2 nd floor
9.00	Opening ceremony	Room - Charasmuang 1
	Welcome speeches:	
-	Dr. Kevin Wongleedee	
	<i>Director of Institute of lifelong Learning Promotion and Creativity, Suan Sunandha Rajabhat University, Bangkok, Thailand</i>	
-	Dr. Koh Noi Keng	
	<i>Professor, National Institute of education, Singapore</i>	
-	Darina Prokhorova	
	<i>Executive redactor, science journal "Actual problems of economics", Kyiv, Ukraine</i>	
-	Johan W de Jager	
	<i>Tshwane University of Technology, South Africa</i>	
-	Agus Hekso Pramudijono	
	<i>Ministry of Finance of Republic of Indonesia</i>	
-	Sukrit Ratanadachasakool	
	<i>Youth ambassador of Thailand in the United Nation, Suan Sunandha Rajabhat University</i>	
	Thai dance show	
	Group photo	Foyer, 2 nd floor
10.15	Coffee - break	
10.30	Key-note speech by Dr. Koh Noi Keng	
	<i>National Institute of education, Singapore</i>	
11.15	Special work-shop	
	<i>"Current trends in international editorial standards: how to get published at one dash" by Darina Prokhorova</i>	
	<i>Executive editor of science journal "Actual problems of economics", Kyiv, Ukraine</i>	
12.00	Lunch	Restaurant, 1 st floor
13.00	Sessions 1.1, 1.2	Room - Charasmuang 1, Room Charoenmuang
15.00	Coffee - break	Foyer, 2 nd floor
15.20	Sessions 2.1, 2.2	Room - Charasmuang 1, Room Charoenmuang
18.00	Dinner. Award ceremony	Room - Charasmuang 2
	Entrance for dinner IN NATIONAL COSTUMES	

Day 2		Twin Towers Hotel, Bangkok
9.00	Sessions 3.1, 3.2	Room - Charasmuang 1, Room Charoenmuang
11.00	Coffee-break	Foyer, 2 nd floor
11.15	Session 4.1	Room - Charasmuang 1, Room Charoenmuang
13.00	Lunch	Restaurant, 1 st floor
	Closing ceremony	

ACE-2016

LIST OF SESSIONS:

Day 1 // 13.00 – 15.00. Room - Charasmuang 1

Session 1.1 - Modern economic policy: regional and national aspects**Chairman:** Koh Noi Keng*National Institute of education, Singapore*

- 1 Oleg Patlasov (Omsk Humanitarian Academy, Omsk, Russia)
Economic modernization of BRICS countries on their way to global creativity
- 2 Karol Janas (Department of Political Science Alexander Dubcek University in Trencin, Slovakia)
The Functioning and Safeguard Operation of Integrated Rescue System in the Slovak Republic
- 3 Rudolf Kucharek (Department of Political Science, Alexander Dubcek University in Trencin, Slovakia)
Economic and Social Priorities in Political Parties' Manifestos for Parliamentary Election in the Slovak Republic in 2016
- 4 Tucker Reed (New York University, New York city, USA)
Building a Technology Triangle in Brooklyn: 5 key areas of focus
- 5 Heny Hendrayati, Vanessa Gaffar (University Pendidikan, Indonesia)
Political Marketing At The General Election In Indonesia
- 6 Mila Mumpuni, Agusta Rizar Binadja (Ministry of Finance, Republic of Indonesia)
Realigning Indonesia's Human Resource Development Strategy in Dealing with ASEAN Economic Community
- 7 Martin Allinson (Khon Kaen University, Thailand)
The Isan Economy: An Actual Local Solution for Global Challenges
- 8 Kalenova Saulesh, Nurzhaubayeva Raissa (University "Turan", Kazakhstan)
Combatting Poverty under the Conditions of Mass Increase of Transcontinental and Cross-Border Migration: Time for A Paradigm Shift

Day 1 // 13.00 – 15.00. Room Charoenmuang

Session 1.2 – Problems of international financial markets and commercial banks functioning**Chairman:** Agus Hekso Pramudijono*Ministry of Finance of Republic of Indonesia*

- 1 Ahmad Adriansyah, Surachman Surjaatmadja (Indonesia Banking School)
Two Factors That Determine Innovation Performance in Indonesia Banking Industry: A Knowledge Based View Perspective
- 2 Nuri Wulandari, Abdul Salam (Indonesia Banking School)
Cashless Payment asan Alternative Solution for Black Money in Tourism
- 3 Amir Machmud (Indonesia University of Education, Bandung, Indonesia)
The Determinants Of Islamic Banking Finance Performance In Indonesia
- 4 Ikaputera Waspada (Indonesia University of Education, Bandung, Indonesia)
Profitability Analysis Of Stock Price Telecommunications Sector Sub In Indonesia Stock Exchange (Idx) Year 2009-2014
- 5 Maya Sari, Disman, Nugraha (Indonesia University of Education, Bandung, Indonesia)
Capital Structure Determinants: Empirical Evidence From Indonesia Capital Market
- 6 I Made Surya Negara, Sudirman, I Gusti Bagus Wiksuana (Udayana University, Indonesia)
An Evidence of Capital Markets Cointegration Decline in Five ASEAN Countries
- 7 Agus Hekso Pramudijono, Abdul Gaffur A Dama (General Finance Education and Training Center, Finance Education and Training Agency, Ministry of Finance of Republic of Indonesia)
National Potential Loss While Using Foreign Payment Network
- 8 Husaina Banu Kenayathulla (University of Malaya, Malaysia)
Financial adequacy and low performing schools: Evidence from Malaysia

Day 1 // 15.20 – 17.30. Room - Charasmuang 1

Session 2.1 – SME development: modern tendencies and regional features**Chairman:** Darina Prokhorova*National Academy of Management, Kyiv, Ukraine*

- 1 Rofi Rofaida, Suryana, (University Pendidikan Indonesia, Bandung, Indonesia)
Competency, Motivation, and Business Performance : Moderating Effect of Entrepreneurial Behavior
- 2 Y. Sri Susilo (YSS), Edy Suandi Hamid (ESH) (University Islam Indonesia, Yogyakarta, Indonesia)
Competitive Strategy & Survival Strategy of the Small and Medium Industries: Case in Yogyakarta, Indonesia 2015
- 3 Indrianawati Usman, Nur Laily, Marannu Marsudi (University Airlangga, Surabaya, Indonesia)
The Influence Of Entrepreneurial Leadership And Good Governance To Operational Performance Mediated By Business Process Management Of SME In Batik Industry
- 4 Agusta Rizar Binadja, Mila Mumpuni (Finance Education and Training Agency, Ministry of Finance of Republic of Indonesia, Tangerang Selatan, Indonesia)
Empowering Indonesia's Small Medium Enterprise Through The Development of Digital Economy
- 5 Roos K. Andadari Satya Wacana (Christian University, Indonesia)
Can Indonesian SMEs Compete with their Partners in the ASEAN Economic Community?
- 6 Mahir Pradana (Telkom University, Indonesia)
Understanding Collective Problem-Solving In E-Commerce: Crowd-sourcing As A Virtual Business Model
- 7 Chukiat Chaiboonsri, Prasert Chaitip (Chiang Mai University, Chiang Mai, Thailand)
AEC Extreme Value Analysis to Exploring and Indicating Evidence for the AEC Countries
- 8 Prasert Chaitip, Fawikorn Inluang (Chiang Mai University, Chiang Mai, Thailand)
An Application of Panel ARDL in Management on Import Values for Dairy Industry in Thailand

Day 1 // 15.20 – 17.30. Room Charoenmuang

Session 2.2 – Marketing issues on Global and Regional economies development**Chairman:** Johan W de Jager*Tshwane University of Technology, South Africa*

- 1 Mokhamad Adib Sultan (Universitas Pendidikan, Bandung, Indonesia)
Role of motivation to elaborate information on the intentions of tourists visiting
- 2 Ayu Krishna Yuliatwati, Agus Rahayu, Mohamad Sapari Dwi Hadian (Universitas Pendidikan Indonesia)
Consumer Based Brand Equity in Indonesia Geotourism Market (A Survey at Indonesian Geotourism Destination)
- 3 Margaretha Pink Berlianto, John Tampil Purba (Business School, Pelita Harapan University, Lippo Karawaci, Tangerang, Indonesia)
Service Information for Intention to Buy with Groupon Application Viewed From Technology Readiness and Acceptance Indonesia Evidence
- 4 Wasi Bagasworo, Achmad Fajar (Indonesia Banking School)
Increased customer loyalty with the use of customer relation management through Customer Satisfaction: A study in Assa Rent A Car in Jakarta, Indonesia
- 5 Titiyoot Nuengchamngong, Sorrapakksorn Chatrakamolathas (Burapha University, Chonburi, Thailand)
Gender Effects on Customer Satisfaction Towards Products and Service at a Local Italian Bistro in Chonburi
- 6 Ayi Tejaningrum (STIE EKUITAS, Bandung, Indonesia)
Performance management based on the balanced score card Pt . Pertamina marketing unit
- 7 Johan W de Jager (Tshwane – University of Technology, South Africa)
Pre-Flight Expectations in the Air Transportation Industry of South Africa: A Confirmatory Factor Analytical Approach
- 8 Mahachai Sattayathamrongthian (Rajamangala University of Technology Rattanakosin, Nakhon Pathom, Thailand), Yingsak Vanpetch (Suan Sunandha Rajabhat University, Bangkok, Thailand)
Foreign Tourist's Perception toward Visiting Thailand after Erawan Shrine Bombing

Day 1 // 15.20 – 17.30. Room - Charasmuang 1

Session 2.1 – SME development: modern tendencies and regional features**Chairman:** Darina Prokhorova*National Academy of Management, Kyiv, Ukraine*

- 1 Rofi Rofaida, Suryana, (University Pendidikan Indonesia, Bandung, Indonesia)
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Day 1 // 15.20 – 17.30. Room Charoem

Session 2.2 – Marketing issues**Chairman:** Johan W de Jager

- 1 Mokhammad Adib Sultan (Universitas Islam Sumatera Utara)
Role of motivation to elaborate
- 2 Ayu Krishna Yuliawati, Agus Rianto (Universitas Pendidikan Indonesia)
Consumer Behavior
- 3 Margaretha Pink Berlianto, Jetha Tjandjaja (Universitas Lippo Karawaci, Tangerang)
Service Information Viewed From Technological Perspective
- 4 Wasi Bagasworo, Achmad Fajar (Universitas Indonesia)
Increased customer loyalty with Customer Satisfaction
- 5 Titiyoot Nuengchamnong, Sorapong Chonburi, Thailand)
Gender Effects on Customer Satisfaction
- 6 Ayi Tejaningrum (STIE EKUITAS, Pekanbaru)
Customer Satisfaction
- 7 Johan W de Jager (Tshwane University of Technology, Pretoria)
Pre-Flight Expectations on Customer Satisfaction
- 8 Mahachai Sattayathamrongthum, Rattanakosin, Nakhon Pathom, Thailand)
Foreign

The Influence Of Entrepreneurial Leadership And Good Governance To Operational Performance Mediated By Business Process Management Of Sme In Batik Industry

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Abstract

Recently, batik industry is one of the fast growing small and medium enterprise in Indonesia. The growth of batik industry is very high, as local products which can be seeded to enter the global market and expected to be sustain in the future. This study analyze the relationship between entrepreneurial leadership and good governance of the owner and also as a leader to operational performance of small and medium enterprises specially in batik industry. Moreover this study also analysing business process management as an intermediate variable to the effect of entrepreneurial leadership and good governance to operational performance. The study was conducted on 67 small and medium batik enterprises in Surabaya and surrounding.

Entrepreneurial Leadership has an important role in small and medium businesses, for small and medium business leader is also a business owner. Therefore entrepreneurial leadership and good governance hypothesized influencing operations performance. Business process management is an integral factor in managing a business, since business process management is a strategic step in value creation. While the value creation is essential in supporting business sustainability.

Results of this study indicate that the entrepreneurial leadership and good governance influencing business process management and operational performance. But business process management has no direct effect on operating performance. Based on these findings, we can conclude that for entrepreneurs it is important to have a character of entrepreneurial leadership, and it is also important managing the business with good governance to achieve high operational performance in order to support business sustainability.

Key-words Entrepreneurial Leadership, Good Governance, Business Process Management, Operational Performance

Introduction

Small Medium Enterprise (SME) is one of country economy foundations (Cook, 2001). At SME, owners also serve as head of the company. Leadership style is one of the key factors that determine the success of a business. Different kind of leadership style will lead to different strategies (O'Reilly et al 2005, Wooldridge and Floyd 1990). An owner who also serves as the head of the business tend to have entrepreneurial style of leadership, known as *entrepreneurial leadership*. Rapid environmental change and development competence towards global and complex demands of stakeholders making the company not only takes an entrepreneurial leader but also requires good governance.

Today, the company's performance measurement and operational performance becomes very important for management, in particular. To evaluate the company performance and planning purposes in the future, various information are gathered so that the working process can be controlled and accounted for. This is done in order to achieve efficiency and effectiveness in all business processes. In the perspective of Business Process Management (BPM), managers must identify the processes that are most critical in achieving the goal of increasing value for customers and the goal of increasing shareholder value (Vincent Gaspersz, 2005: 59).

Literature review

Entrepreneurial leadership is very important to be applied in micro and small-scale enterprises (Zyl and Helm, 2007). According to Pattimukay (2008), an innovative act is needed to build the entrepreneurial spirit that lead to increasing creativity, innovation, intuition, and the ability to lead, to motivate, and the courage to take risks in the organization. A leader must be able to influence the behavior of subordinates to cooperate and work productively to achieve organizational goals (Hasibuan, 2006).

Gupta et al (2004) also states that an entrepreneurial leader needs to do two things to face the challenges of an interconnected. Firstly, create scenarios to confront all possibilities that occur in the future that may affect the state that have been planned at the moment, so called the *scenario enactment*. Secondly, the entrepreneurial leader also requires *cast enactment*, to raise the confidence of subordinates and stakeholders that the entire process of transformation from a set up transaction will be done by assembling all available resources. Cast enactment contemplated in this case means to create a character with sufficient capability to achieve its intended purpose.

Entrepreneurial Leadership Measurement

Dimension	Roles	Attributes
Scenario Enactment	Framing the challenge (Specifying highly challenging but realistic outcomes for the cast of actors to accomplish)	Performance oriented Ambitious Informed Has extra insight
Scenario Enactment	Absorbing uncertainty (Taking the burden of responsibility for the future)	Visionary Foresight Confidence builder
Scenario Enactment	Path clearing (Negotiating opposition and clearing the path for scenario enactment)	Diplomatic Effective bargainer Convincing Encouraging
Cast Enactment	Building commitment (Building as inspired common purpose)	Inspirational Enthusiastic Team builder Improvement-oriented
Cast Enactment	Specifying limits (Building a common understanding and agreement of what can and cannot be done)	Integrator Intellectually Stimulating Positive Decisive

Good governance is a term that emerged due to the high demand for good and clean business execution. Tjager et al. (2005: 53) states that the principles of good governance that is run by the State Owned Enterprises related to SDE Ministerial Decree No. Kep-117 / M-MBU / 2002 is made up of five components, namely:

1. Fairness, the equality in meeting stakeholder rights arising under the agreement and the legislation in force
2. Transparent, the transparency in the decision-making process and openness in expressing material relevant information about the company.
3. Accountability, the clarity of function, implementation and accountability of the organization so that the company's management are effective.
4. Openness, which is a state where a professionally managed company has nothing to do with a certain conflict of interest and influence or pressure from any party that is not in accordance with the legislation in force and the principles of clean conspiracy.
5. Responsibility and participation, the suitability in the management of the company to the legislation in force and the principles of the corporation.

Mahoney et al. (1963) in Mardiyah and Listianingsih (2005) states that the operational performance is a performance that can be achieved by a person or group of people within an organization, in accordance with the authority and responsibilities of each, in order to achieve organizational goals. Simatupang and Sridharan (2005) describe the three criteria in the measurement of operating performance, which are fulfillment, inventory, and responsiveness.

Fulfillment, identifying the extent to which the practice of company collaboration is able to meet consumer demand, such as timeliness of delivery, accuracy specification of goods and conformance quality goods. Inventory is the ability to perform inventory management and reduction of inventory costs. Responsiveness is the ability to respond to consumer demand, such as the reduction of the waiting time, flexibility in accommodating the demand and sensitivity to consumer demand.

Business Process Management (BPM) is a management disciplines associated with increased organizational performance through continuous improvement and business control management process of itself (Jeston and Nelson 2006). Smith & Hingar (2003) states, Business Process Management (BPM) is a structured understanding, documentation process, providing a model, analyzing, simulating, and continuing to carry out the business processes of its resources which are relevant to the organization's ability to add the value to the business, as well as to achieve efficiency the company's operations.

Business Process Management (BPM) is often seen from different viewpoints. So there is still no general agreement about the definition of Business Process Management (van der Aalst et al. 2003). However, has been demonstrated in several studies that Business Process Management (BPM) is optimal to be effective when applied to SMEs (Hale & Cragg 1996, Raymond et al. 1998; Fu et al. 2001; Riley & Brown, 2001).

Methodology

This is an explanatory research using exogenous and endogenous variables in Indonesia. The questionnaire was prepared by closed questions to ensure construct validity and reliability. Data analysis was done, by using a Partial Least Squares (PLS) equation, which is based on the covariance matrix of the data (Chin 2011). PLS does not require a lot of

There are two models in the PLS analysis to analyze the validity and reliability indicators: discriminant validity and discriminant validity, while reliability is measured by Cronbach alpha.

Discriminant Validity
Discriminant validity, is measured by cross loading the root of AVE for each construct to construct a model is said to have sufficient discriminant validity if the correlation between the constructs with the variable are reflective, the invalid items are eliminated more or equal to 1.96 (Ghozali, 2008)

Reliability testing is needed to measure the stability of a concept or variable. It also said that to be considered reliable, the reliability coefficient must be greater than 0.7.

Testing the hypothesis which is seen from the statistical significance. In order to see the significance of the path coefficients, the T-test analysis of the path coefficients (path analysis) is considered significant if it has T-statistic value greater than 1.96.

1. The relationship between entrepreneurial leadership and business process management is positive and significant. These results are supported by the opportunity, the ability to meet the enterprise standard in today's (Kuratko & Hodgetts, 2005).
2. The relationship between good governance and business process management is positive and significant result. This result is the same as one (2009), namely, good governance becomes a key factor in business process management, so that the system and the real situation more effective business process management.
3. The relationship between entrepreneurial leadership and business process management is positive and significant result. This result is the same as one (2005), which conducts research on entrepreneurial leadership and business process management.
4. The relationship between good governance and business process management is positive and significant result. This result is the same as one (2009), namely, good governance becomes a key factor in business process management, so that the system and the real situation more effective business process management.
5. The relationship between business process management and business process management is negative result and not significant. The results of the research presented by Dehning and Richardson (2002), which shows that business process management towards the operational performance of several factors that proved less assessed in the study, changes in the external environment and the level of members of external environment.
6. The relationship between entrepreneurial leadership and business process management as an intervening variable is positive and significant.

Methodology

This is an explanatory research using quantitative approach. The variables used in this study consisted of exogenous and endogenous variables. The study was conducted on 67 batik entrepreneurs in Surabaya Indonesia. The questionnaire was given to the owner who also serves as head of the business. The questionnaire prepared by closed questions, using a Likert scale. With a value of 1 to 5. Further tested the construct validity and reliability.

Data analysis was done, by using a Partial Least Square (PLS). PLS is a model of Structural Equation Modeling (SEM) equation, which is based on components or variants. PLS is more of a predictive model. PLS can analyze a construct which is formed either by reflective or formative indicators (Yamin and Kurniawan, 2011). PLS does not require a lot of research so that it is suitable for a predictive research (Ghozali, 2008).

Conclusions

There are two models in the PLS analysis tool, the outer and inner models. Outer model is the analysis of the validity and reliability indicators of the PLS. Validity indicator consists of convergent validity and discriminant validity, while reliability can be seen from the composite reliability or Cronbach alpha.

Discriminant Validity

Discriminant validity, is measured by cross loading measurement with its construct or by comparing the root of AVE for each construct to construct a correlation between the other constructs in the model. A model is said to have sufficient discriminant validity if the root of AVE for each construct is greater than the correlation between the constructs with other constructs in the model.

Convergent Validity of indicators depend on the variety of those indicators itself. The items of each variable are reflective, the invalid items are eliminated. Indicators are valid if the value of T statistic more or equal to 1.96 (Ghozali, 2008)

Reliability testing is needed to measure the stability and consistency of an instrument to measure a concept or variable. It also said that to be considered a reliable construct, the rule of thumb that applies is > 0.7 .

Testing the hypothesis which is seen from the inner path coefficients or models indicate the level of significance. In order to see the significance of the relationship between constructs, it is suggested to use T-test analysis of the path coefficients (path coefficient). The relationship between these variables pathways is considered significant if it has T-statistics that is more than 1.64.

Based on the result of path analysis with Smart-PLS, the conclusions can be made.

1. The relationship between entrepreneurial leadership for business process management has positive and significant. These results are supporting theory that states that the sensitivity of a businessman against the opportunities, the ability to innovate, and the ability to excel have become the enterprise standard in today (Kuratko & Hodgetts, 2007).

2. The relationship between good governance with business process management has a positive and significant result. This result is the same as one of the supporting theories expressed by DeBruin (2009), namely, good governance becomes a key factor which is indispensable in business process management, so that the system and the real situation in the company will be run in unison, resulting more effective business process management.

3. The relationship between entrepreneurial leadership with operational performance has a positive and significant result. This result is the same as one of the supporting theories expressed by Wilkund (2005), which conducts research on entrepreneurial influence on the performance on small businesses.

4. The relationship between good governance with operational performance has a positive and significant result. This result is the same as one of the supporting theories stated that the main contribution of good governance of the company is to improve operating performance and prevent fraud.

5. The relationship between business process management with operational performance had a negative result and not significant. The results of this study refers to the results that have been presented by Dehning and Richardson (2002); Melville et al., (2004), that the relationship business process management towards the operational performance of the company is not significant due to several factors that proved less assessed in the study, namely: the business strategy of competitors, changes in the external environment and the level of competition with their competitors who are members of external environment.

6. The relationship between entrepreneurial leadership with operational performance is not suitable by business process management as an Intervening Variable. Results are stated that business process

management is not mediating between entrepreneurial leadership with operational performance. This is caused by business process management does not have a positive and significant relationship to the operational performance of entrepreneurial leadership although a direct link to operational performance and significant positive effect causes this.

7. The relationship between good governance with operational performance is not suitable by business process management as an Intervening Variable. Results are stated that business process management is not mediating between good governance to operational performance. This is caused by business process management that does not have a positive and significant relationship to the operational performance despite direct link good governance to operational performance and significant positive effect.

A suggestion for Small and Medium Enterprises (SMEs) is a means for the sustainability of SMEs especially in the current competitive situation. Better management does not only focus on the internal process, but also pay attention to the external environment, that has been said in the previous theory, which has a strong impact and cannot be ignored. Then the leader needs to continue to have a good entrepreneurial leadership, so that strategic decisions are being made to develop SMEs.

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Empowering Indonesia's Small and Medium Enterprises Development

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Abstract

Ernst & Young data showed that Indonesia's online sales value in 2014 reached USD 18 billion. With about 93.4 million internet users and 70 million e-commerce users, the e-commerce business value in Indonesia reached USD 18 billion by the end of this year. By 2016, the e-commerce business value in Indonesia is projected to reach USD 24.6 billion. The Indonesian E-Commerce Association (idEA) expects the e-commerce business value in Indonesia to reach USD 24.6 billion by the end of 2016. The Indonesian E-Commerce Association (idEA) expects the e-commerce business value in Indonesia to reach USD 24.6 billion by the end of 2016. The Indonesian E-Commerce Association (idEA) expects the e-commerce business value in Indonesia to reach USD 24.6 billion by the end of 2016. The Indonesian E-Commerce Association (idEA) expects the e-commerce business value in Indonesia to reach USD 24.6 billion by the end of 2016.

Introduction

As a backbone of Indonesia's economy it is imperative to further develop the Small Medium Enterprises - SMEs. In 2015, Indonesian Stock Exchange (IDX) collapsed, the e-commerce business value in Indonesia reached USD 18 billion by the end of this year. By 2016, the e-commerce business value in Indonesia is projected to reach USD 24.6 billion. The Indonesian E-Commerce Association (idEA) expects the e-commerce business value in Indonesia to reach USD 24.6 billion by the end of 2016. The Indonesian E-Commerce Association (idEA) expects the e-commerce business value in Indonesia to reach USD 24.6 billion by the end of 2016. The Indonesian E-Commerce Association (idEA) expects the e-commerce business value in Indonesia to reach USD 24.6 billion by the end of 2016. The Indonesian E-Commerce Association (idEA) expects the e-commerce business value in Indonesia to reach USD 24.6 billion by the end of 2016.

Empowering Indonesia's Small Medium Enterprise Through The Development of Digital Economy

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Abstract

Ernst & Young data showed that Indonesia's online sales value increases by 40 percent each year. With about 93.4 million internet users and 71 million smartphone users, by late 2014 the e-commerce business value in Indonesia reached USD 12 billion. The value is projected to reach US\$18 billion by the end of this year. By 2016, The Indonesian E-Commerce Association (idEA) expects the market to be worth IDR 295 trillion (USD 24.6 billion). Small medium enterprise is one of the backbone of Indonesia economy, during the Asian Financial Crisis, Indonesian Stock Exchange (IDX) collapsed, but informal economic sector (dominated by Small Medium enterprises) was not significantly affected by crisis and was able to survive well. In 2011, Small Medium Enterprises - SMEs contribution to National GDP was around 57.94% (or equal to IDR 4.303.571,5 Trillion) and it increased to 59.08% (or equal to IDR 4.869.568,1 Trillion) in 2012. These contributions have made SMEs as one of the key sectors to enhance Indonesian economy. This paper will highlight Indonesia's opportunities and challenges in developing the SMEs as a backbone of economy, key success factors that is needed to implement the digital economy, and strategies that Indonesia should adopt in empowering small medium enterprise through digital economy.

Key-words Digital Economy, Small Medium Enterprise, E-commerce, Government Strategies

Introduction

As a backbone of Indonesia's economy it is imperative for Indonesia to maintain and further develop the Small Medium Enterprises - SMEs. during the Asian Financial Crisis, Indonesian Stock Exchange (IDX) collapsed, but informal economic sector (dominated by Small Medium enterprises) was not significantly affected by crisis and was able to survive well. As a matter of fact, according to Gatra News, Indonesia private sectors are dominated by grass roots SME, that is, almost 99 per cent of the companies are SMEs.

The growth of Small Medium Enterprises in Indonesia is rapid. To illustrate the growth from 2011 to 2012 was 2.41 per cent from a total of 55.206.444 units to a total of 56.534.592 units. SMEs contributes greatly to employment creation in Indonesia, data from Ministry of Cooperative and Small Medium Enterprise shows that in 2011, SMEs created jobs as much as 97.24 per cent or equal 101.722.458 persons, while in 2012 it increased by 9.16 per cent or equal to jobs for 107.657.509 person. It also significantly contributes to national GDP as SMEs contributes 57.94 per cent equal to IDR 4.303.571,5 trillion and increases to 59.08 per cent or IDR 4.303.571,5 trillion. Nevertheless, SMEs access to financial institutions are limited, currently only around 25 per cent or 13 million SMEs have access to it.

Ernst & Young data showed that Indonesia's online sales value increases by 40 percent each year. With about 93.4 million internet users and 71 million smartphone users, by late 2014 the e-commerce business value in Indonesia reached USD 12 billion. The value is projected to reach USD 18 billion by the end of this year. By 2016, The Indonesian E-Commerce Association (idEA) expects the market to be worth IDR 295 trillion (USD 24.6 billion).

Indonesia's economy is growing rapidly, and a large portion of the population is entering the middle-class and affluent consumer (MAC) socioeconomic category. As shown by Boston Consulting Group - BCG research, there are currently about 74 million of MACs in Indonesia, and the number is expected to double by 2020, to roughly 141 million people. Indonesia consumers are extremely connected through digital technology. Regardless of the wealth level, they enjoy hunting for bargains, and are value conscious. More than 60 per cent of Indonesia's resident belongs to the 20 to 65 age group or the productive age. Indonesia's productive age population bring about a large domestic market; more than half of Indonesia's GDP is derived from domestic demands, which makes the country resilient to external shocks.