

THE INFLUENCE OF BUSINESS CLIMATE, BUSINESS ENVIRONMENT, AND BUSINESS SUPPORTING FACILITIES ON PROMOTION OF HANDICRAFT INDUSTRIES IN AMBON CITY INDONESIA

JOSEF PAPILAYA

Faculty of Teaching and Education Science, University of Pattimura Ambon, Maluku, Indonesia

ABSTRACT

Research is aimed to understand the influence of business climate on promotion, the influence of business environment on promotion, and the influence of business supporting facilities on promotion. Method of research is survey to produce information that takes form as explanation (*explanatory research*) which attempts to describe a generalization or to explain relationship between variables. Result of descriptive analysis, correlation analysis and double correlation analysis, indicates that there is a positive and significant influence of business climate on promotion, business environment on promotion and business supporting facilities on promotion. There is also simultaneous influence of business climate, business environment and business supporting facilities on promotion. This influence is caused by more conducive business climate and business environment.

KEYWORDS: Business Climate, Business Environment, Business Supporting Facilities, Promotion

INTRODUCTION

Maluku Province, before humanity conflict in 1999, is a place for several large industries with established businesses such as plywood, fishery and plantation, which absorbs great number of workforce. Humanity conflict has lowered GDP of Maluku Province. Development is stagnant and infrastructure is damaged badly. Small and middle enterprises with small capital can recover themselves but in slow pace, while large enterprises disappear at all from Maluku. It is hard to rebuild local infrastructure in very short term. Local government is highly expected to recover the trust of investors, either from local, national or international, to persuade their capital investment into Maluku. Resources in Maluku, especially Ambon City, are potential to empower small and large entrepreneurs.

Small enterprises in Ambon City, especially handicraft industries, are not supported by more conducive business climate, business environment and business supporting facilities. Handicraft product is less promoted to another regions or lack of marketing. Many small and medium enterprises cannot do promotion because their existence in Ambon City is only selling daily demand materials. The empowerment of small enterprise is not well governed because of the limited number of staffing resources for small and medium enterprises in Ambon City.

According to Philip Kotler, as quoted in Jacson Weenas, promotion may include giving short-term incentive to stimulate the interest toward trying or buying a product or service. Whole promotion activities will influence purchasing behavior, but main goal of promotion is telling, persuading and reminding. Raghubir (2004) adds that promotion itself is a way of decision-making to give cognitive evaluation against product.

Pursuant to Lubis (2004), *Sales Promotion* is a company activity to sell the promoted products such that consumers will be easier to see them by giving products with special deployment and arrangement. Hanafie (2010) says that sales promotion is a special program and offering at short-term which is designed to attract consumers (directly to final consumer) and convince them to make positive decision-making. Philip Kotler (2002) admits that sales promotion can give short-term cause by dramatizing product offer and encouraging flexible sales. According to Nickles, quoted by Basu Swastha (1998; 279), sales promotion is defined as marketing activities in addition to personal selling, advertising and publicity, which pushes forward the effectiveness of consumer purchase from traders using equipments such as modeling, exhibition, demonstration and others. In pursuance of Totten and Block (1994), sales promotion represents activities where producers use and entrusts traders (retailer, wholesaler, association or network), and where they attempt to make customers to buy various products they are sold. Sales promotion is a marketing activity that is conducted through focused action, with certain purpose, and with direct impact on consumer behavior. Blattberg and Neslin (1990) and Brassington and Pettitt (2000) have reported that sale promotion is marketing techniques designed for strategic marketing by giving extra value to a product or service, which is offered to achieve certain sales and marketing goals.

In general, the function of sales promotion is to connect between advertising, personal selling and other promotion devices, and to complete and coordinate the processes. Promotion, essentially, is a marketing communication, which means that communication activity attempts to disseminate information, to influence/persuade, and/or to recall the target market to accept, buy and keep loyalty to the offered product (Tjiptono, 2001; 219).

The objectives of research are: to analyze and to explain the influence of strategic policy implementation and business climate on promotion of handicraft industries small enterprises; to analyze and to explain the influence of business supporting facilities on promotion of handicraft industries small enterprises; to analyze and to explain the influence of business environment on promotion of handicraft industries small enterprises; and to analyze and to explain the influence of strategic policy implementation of business climate, business environment, and business supporting facilities on promotion of handicraft industries small enterprises, and its impact on business empowerment.

RESEARCH METHOD AND DATA

Research is survey to produce explanatory information (*explanatory research*) which aims to describe a generalization and to explain relationship between variables.

Population, according to Sugiono (2008), is a generalization region consisting of objects/subjects with certain quality and characteristic. These are examined by author to take conclusion. Arikunto (2003) explains that population is whole subjects of research.

Population of research includes all entrepreneurs of small enterprises in Ambon City. These small enterprises involve furniture, mollusk-based handicraft, wooden handicraft, rattan plait handicraft, and tied-weave handicraft. Small enterprises are coordinated under the Official of Cooperative and Small-Medium Enterprises for Ambon City. Whole handicraft industries small enterprises in Ambon City are distributed in four Districts. There are 35 handicraft industries small enterprises which are managed by 200 persons including principal and employees. Sampling technique is census data. The sample is 35 handicraft industries small enterprises with 200 staffs as respondents. Measuring scale is Likert Scale. It is anchored by score 5-1 from very agree to very disagree (Sugiono, 2011;134-135).

Research uses path analysis and *Structural Equation Modeling* (SEM). First, construct (latent) variables are observed. Variables are also categorized into two variables. Three variables are independent (exogenous) variables, such as business climate (X1), business supporting facilities (X2), business environment (X3). Dependent (endogenous) variable is promotion (Y1).

RESULTS AND DISCUSSIONS

Examination of first hypothesis to investigate the influence of strategic policy implementation of business climate creation on promotion of handicraft industries small enterprises

Table 1 shows result of analysis that $r = 0.351$ with $p = 0.000$, where $p < 0.05$. H_0 is rejected and H_a is accepted, meaning that there is a positive and significant influence from strategic policy implementation of business climate creation on promotion of handicraft industries small enterprises in Ambon City.

Table 1: Result of Correlation Test against The Influence of Business Climate on Promotion

		Business Climate	Promotion
Business Climate	Pearson Correlation	1	.351**
	Sig. (2-tailed)		.000
	N	200	200
Promotion	Pearson Correlation	.351**	1
	Sig. (2-tailed)	.000	
	N	200	200

** Correlation is significant at the 0.01 level (2-tailed).

To understand the influence rate of strategic policy implementation of business climate creation on promotion of handicraft industries small enterprises, it may be seen from R-square (r^2) which is squared and timed to 100, such that it will show the influence rate of strategic policy implementation of business climate creation on promotion of handicraft industries small enterprises. The equation is $0.351^2 \times 100 = 12.32\%$. This number indicates that the influence rate of strategic policy implementation of business climate creation on promotion of handicraft industries small enterprises in Ambon City is 12.32%, while the remaining is influenced by other variables beyond research.

Examination of third hypothesis to investigate the influence of strategic policy implementation of business supporting facilities creation on promotion of handicraft industries small enterprises

Table 2 shows result of analysis that $r = 0.309$ with $p = 0.000$, where $p < 0.05$. H_0 is rejected and H_a is accepted, meaning that there is a positive and significant influence from strategic policy implementation of business supporting facilities creation on promotion of handicraft industries small enterprises in Ambon City.

Table 2: Result of Correlation Test against the Influence of Business Supporting Facilities on Promotion

		Business Supporting	Promotion
Business Supporting	Pearson Correlation	1	.309**
	Sig. (2-tailed)		.000
	N	200	200
Promotion	Pearson Correlation	.309**	1
	Sig. (2-tailed)	.000	
	N	200	200

** Correlation is significant at the 0.01 level (2-tailed).

To conceive the influence rate of strategic policy implementation of business supporting facilities creation on promotion of handicraft industries small enterprises, it may be seen from r-value that shows the influence rate of strategic policy implementation of business supporting facilities creation on promotion of handicraft industries small enterprises.

The equation is $0.309^2 \times 100 = 9.55\%$. This number indicates that the influence rate of strategic policy implementation of business supporting facilities creation on promotion of handicraft industries small enterprises in Ambon City is 9.55 %, while the remaining is influenced by other variables beyond research.

Examination of second hypothesis to investigate the influence of strategic policy implementation of business environment creation on promotion of handicraft industries small enterprises

Table 3 shows result of analysis that $r = 0.556$ with $p = 0.000$, where $p < 0.05$. H_0 is rejected and H_a is accepted, meaning that there is a positive and significant influence from strategic policy implementation of business environment creation on promotion of handicraft industries small enterprises in Ambon City.

Table 3: Result of Correlation Test against The Influence of Business Environment on Promotion

		Business Environment	Promotion
Business Environment	Pearson Correlation	1	.556**
	Sig. (2-tailed)		.000
	N	200	200
Promotion	Pearson Correlation	.556**	1
	Sig. (2-tailed)	.000	
	N	200	200

** . Correlation is significant at the 0.01 level (2-tailed).

To comprehend the influence rate of strategic policy implementation of business environment creation on promotion of handicraft industries small enterprises, it may be seen from r-value that shows the influence rate of strategic policy implementation of business environment creation on promotion of handicraft industries small enterprises. The equation is $0.556^2 \times 100 = 30.91\%$. This number indicates that the influence rate of strategic policy implementation of business environment creation on promotion of handicraft industries small enterprises in Ambon City is 30.91%, while the remaining is influenced by other variables beyond research.

Examination of fourth hypothesis to investigate the simultaneous influence of strategic policy implementation of business climate, business environment and business supporting facilities creation on promotion of handicraft industries small enterprises

Table 4 shows result of analysis that $r = 0.612$ with $p = 0.000$, where $p < 0.05$. H_0 is rejected and H_a is accepted, meaning that there is a positive, significant, and simultaneous influence from strategic policy implementation of business climate, business environment and business supporting facilities creation on promotion of handicraft industries small enterprises.

Table 4: Predictor Value of Business Climate, Business Environment and Business Supporting Facilities on Promotion

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.612 ^a	.375	.365	5.24021

a. Predictors: (Constant), Business Supporting, Business Climate, Business Environment

To understand the simultaneous influence rate of strategic policy implementation of business climate, business environment and business supporting facilities creation on promotion of handicraft industries small enterprises, it can be

seen from r-value that shows the influence rate of strategic policy implementation of business climate, business environment and business supporting facilities creation on promotion of handicraft industries small enterprises. The equation is $0.375^2 \times 100 = 14.06\%$.

This number indicates that the simultaneous influence rate of strategic policy implementation of business climate, business environment and business supporting facilities creation on promotion of handicraft industries small enterprises is 14.06%, while the remaining is influenced by other variables beyond research.

In this discussion, review attempts to answer the problems that are formulated based on hypothesis testing.

Small and medium enterprises are main pillars to eradicate poverty and to deal with unemployment. These enterprises are important because of their great contribution to national economic. Small enterprises are developed by private owners who always have small capital in the beginning but with good management. Despite its limited startup, small enterprises are the reliable dominant sector to contribute national development. Capital owners are usually self managing the enterprises and even becoming the director.

The Influence of Business Climate on Promotion

Descriptive analysis shows that business climate has influenced promotion of small and medium enterprises in Ambon City. Business climate of handicraft industries small enterprises in Ambon City, based on descriptive analysis, remains in moderate category, with frequency range between 55.83 and 66.56. Thus, the influence rate of business climate is in moderate category.

Result of correlation analysis indicates that for first hypothesis that business climate influences promotion, it is shown that $r = 0.351$ with $p = 0.000$ where $p < 0,005$. H_0 is rejected, meaning that there is significant influence between business climate and promotion.

Furthermore, descriptive analysis with frequency table and correlation analysis have shown that business climate for small and medium enterprises in Ambon City remains in moderate category. Therefore, local government or related official, mainly the Official of Cooperative and Small-Medium Enterprises for Ambon City, must extend business coverage by taking over promotion from the hand of entrepreneurs because entrepreneurs are always constrained in doing promotion and opening for partnership with other entrepreneurs. Products from small and medium enterprises in Ambon City must be introduced to other companies and consumers that may need the products delivered by small and medium enterprises in Ambon City. The government shall exploit all potentials because business climate is favorable condition created by entrepreneurs and government because good business climate will influence well to promotion.

Result of previous research by Abidin. A (2008) has declared that small and medium enterprises have important potentials not only for the utilization of workforce and local community but also for the coherence and stabilization against social gap. Therefore, more conducive business climate must be organized for the development of small and medium enterprises and also to accelerate local development.

Moreover, micro, small and medium enterprises as the main target of development shall be empowered by strong commitment and well coordination between government, entrepreneurs and non-business organization, as well as immediate community, to apply *aggressive strategy based on network economic (partnership)*.

Micro, small and medium enterprises are understood as typically those with relatively small number of worker and asset. One criterion of small and medium enterprises is that the number of worker is between 10 and 50. Number of worker must be potentially important to encourage the creation of more conducive business climate.

The finding of current research determines that small and medium enterprises of handicraft industries in Ambon City are mostly having less than 10-50 workers. It is consistent to the observation fact that handicraft industries in Ambon City have their workers not more than 2-7 workers. Good business climate can be developed if there is reasonable (healthy) business competition, good banking support and reliable business security.

The Influence of Business Environment on Promotion

Result of descriptive analysis on the influence of business environment on promotion of small and medium enterprises in Ambon City has indicated that business environment of handicraft industries in Ambon City remains in moderate category which ranges between 55.83 and 66.56. Result of analysis has produced $r = 0.556$ with $p = 0.000$ where $p < 0.05$. H_0 is rejected. It is concluded that there is significant influence of business environment on promotion.

Business environment and promotion are inseparable. Small and medium enterprises is higher susceptible to fail because company owners, when they establish their enterprise, do not concern with business environment, wide access to capital and comprehensive exploration of their potentials to deal with business constraints. Without promotion, products are hardly known by peoples or failed to be sold in the market with many similar competitors. Consumers have been more selective in shopping by focusing on the business location nearby their houses. Promotion helps to introduce the products regularly and based on business environment, especially for distant consumers. Several small and medium enterprises in Java Island have their location far away from the road, but the promotion stimulates consumers to look for the product, to buy them and even to resell them to another buyer.

Mas'ud Machfoeds (2008:143) has reported that sales promotion is an activity to introduce value-added of a product to consumers. Sales promotion involves promotion devices designed to motivate earlier response of market. Good promotion activity is obtained if it is supported by favorable business environment. Indeed, business environment, based on the examination result, is significantly influential to promotion. It can be said that business environment and promotion is very influential to small handicraft industries in Ambon City.

The Influence of Business Supporting Facilities on Promotion

Result of descriptive analysis on the influence of business supporting facilities on promotion of small and medium enterprises in Ambon City has exhibited that business supporting facilities of handicraft industries in Ambon City remains in moderate category which ranges between 36.59 and 46.46. Result of correlation analysis has produced $r = 0.309$ with $p = 0.000$ where $p < 0.05$. H_0 is rejected. It is then concluded that there is significant influence of business supporting facilities on promotion.

Many small enterprises entrepreneurs ignore business supporting facilities. Indeed, business supporting facilities are supporting workers to accomplish their work. Result of research indicates that handicraft small enterprises in Ambon City are still below expectation. Their supporting equipments for production and technology are still conventional or even classified as traditional devices since the beginning of startup. Entrepreneurs do not give care to their business supporting

facilities. Consequently, their product is always limited and entrepreneurs are difficult to make their product competitive with other products from outside entrepreneurs.

Previous researches compiled within Journal of Review over Cooperatives and Small and Medium Enterprises No. 1 in 2006 have mentioned that the most important factor that supports business is technology. Small and medium enterprises are still using conventional technology. There are some weaknesses for this technology such as: (1) low productivity, (2) difficulty in product innovation, (3) low product quality, (4) low motivation of worker, (5) limited fund and less information and understanding of entrepreneurs about technology developed and existed in the market.

Dealing with these weaknesses, entrepreneurs shall develop partnership with other entrepreneurs, and even with government, to ensure that information and new technologies are exchanged to modify the product. If the product is similar, the quality may still differ. Promotion always involves introducing the products because theoretically, business supporting facilities are significantly influencing promotion.

CONCLUSIONS

Recent development of small and medium enterprises in Ambon City is elucidated as follows. Based on frequency distribution and statistic test, the conclusion is taken.

First, result of analysis of frequency distribution shows that in general, business climate, business environment and business supporting facilities are closely related to promotion. Most respondents assess that business climate, business environment and business supporting facilities of handicraft industries in Ambon City, are remaining in moderate category.

Second, pursuant to the result of correlation analysis, or after being combined with frequency distribution, the influence of business climate, business environment and business supporting facilities on promotion is in moderate category. Business climate, business environment and business supporting facilities remain in moderate category and are influencing promotion.

Third, multiple correlation analysis against business climate and business supporting facilities on promotion, business climate and business environment on promotion, and business environment and business supporting facilities on promotion, gives several results. Statistic value confirms the presence of influence. Therefore, handicraft industries entrepreneurs at Ambon City must calculate business climate, business environment and business supporting facilities, and shall promote the products offered to community.

REFERENCES

- I. Abidin, A. (2008). *Pengembangan Usaha Mikro Kecil dan Menengah (UMKM) Sebagai Kekuatan strategis dalam Mempercepat Pembangunan daerah*. Jurnal Koperasi & UMKM, edisi VI/Oktober.
- II. Arikunto .S. (2009). *Manajemen Penelitian*, Rineka Cipta
- III. Blattberg RC, Scott AN. (1990). *Sales Promotion, Concepts, Methods and Strategies*. New Jersey, Englewood Cliffs. Prentice Hall.
- IV. Brassington F, Pettitt S. (2000). *Sales Promotion In: Principles of Marketing*. 2nd ed, FT Prentice Hall, Harlow. pp. 642-685.

- V. Basu Swastha. (1998). *Manajemen Pemasaran Modern*. Liberty. Yogyakarta.
- VI. Hanafi. (2010). *Manajemen Keuangan*. Yogyakarta: BPFE-Yogyakarta
- VII. Jackson R.s. Weenas. (2013). *Kualitas Produk, Harga, Promosi Dan Kualitas Pelayanan Pengaruhnya Terhadap Keputusan Pembelian Spring Bed Comforta*. Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi, 1(4).
- VIII. Lubis, A. N. (2004). *Strategi Pemasaran dalam persaingan bisnis*. Fakultas Ekonomi Universitas Sumatera Utara, Medan.
- IX. Mas'ud M. Machfoedz. (2007). *Kewirausahaan, Metode, Manajemen dan Implementasi*, BPFE UGM.
- X. Philip Kotler. (2002). *Manajemen pemasaran*, Edisi Milenium 2, PT Indeks, 2002, hal 664
- XI. Raghubir. P Inman, J. J., & Grande, H. (2004). *The three faces of consumer promotions*. California Management Review, (46), 23-42.
- XII. Sugiono. (2008). *Metode Penelitian Bisnis*, Alfabeth.
- XIII. Sugiono. (2011). *Pengantar Statistika*, Alfabeth Bandung
- XIV. Tjiptono, F. (2001). *Strategi Promosi*. Yogyakarta: ANDI Yogyakarta
- XV. Totten, J.C. and Block, M.P. (1994). *Analyzing Sales Promotion: Text & Cases: How to Profit from the New Power of Promotion Marketing*, 2nd ed., Dartnell Corp., Chicago, IL.