



# ICBE 2019

INTERNATIONAL CONFERENCE ON BUSINESS AND ECONOMY

**THEME:**

**Creating, Managing,  
and Distributing Wealth:  
Fulfilling the ASEAN  
Economic Community  
(AEC) Goals**

- Management of Technology and Innovation
- Resource Management and Sustainable Development
- Entrepreneurship
- Accounting, Business Law, Economics, and Finance
- Governance and Corporate Social Responsibility
- ASEAN Economic Community: Challenges and Prospects

**13-14 March 2019  
Semarang, Indonesia**





# Editorial Board

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Messages



**A**t its core business is not only about Creating and Managing Wealth, but equally about its Distribution; this perspective taken by University of San Carlos for its scholastic agenda is proving its worth even this early – we are gratified to note that the highest submission of papers at this ICBE in Semarang falls under the themes of Governance and Corporate Social Responsibility. The emphasis found echo even at the World Economic Forum at Davos (2019), where social entrepreneurship figured prominently.

The relevance of wealth redistribution cannot be gainsaid; there will always be a need to provide financial services to the “un-bankable”; to ensure healthcare access in the most under-resourced sites, to push for a circular economy with regard to plastics, to invent unconventional ways of scrubbing our polluted oceans, to envision solutions to migration and refugee populations, to name just a few. Today, however, Distribution has become an inevitably urgent agendum for society and government given the extremes we find of poverty and inequality. Efforts to bridge the gaps have to critique conventional frameworks and antiquated strategies given the global reach of the Fourth Industrial Revolution (FIRe). Certain constants, however, must be respected; no matter how innovative the solution integrating FIRe technologies, it cannot dispense with the logic of the market if it is to succeed.

Philosophically a useful way to wrap our heads around volatile, uncertain, complex, ambiguous (VUCA) issues is to isolate the underlying paradigms, core values and institutional norms of society, history and culture. Davos argues correctly that solutions must begin with conversation on the linchpin issues and transition to shaping architectures to match the global scale of the problems as requisite to forming functional partnerships to build a shared future in a common home. Semarang is justifiably focused on the restricted context of the ASEAN Economic Community, its conversation and cooperation shaped therewith by the contextual configurations of its economies and socio-cultural predilections.

Davos inevitably represents a First World perspective on what makes governance policy frameworks superior, or what inclusiveness means for employment, or how best to bridge the mismatch between skills training and job requirements, or maximizing the unrecognized potentials of differently-abled sectors and so on. Being less global and more regional, Semarang will inevitably reflect distinctive perspectives on its hierarchy of needs, urgencies of priorities, strategic directions, possibilities of cooperation and the like. In face of disruptive technologies and cultural reflexes, neither conference can sidestep the dilemma of gradual and evolutionary progress versus bold and dislocating innovation. Davos felt the need to “turbo-charge” Social Entrepreneurship impact through partnerships with global corporates, key governments and civil society organizations, and to showcase their cause through global media exposure. Semarang can only imagine as much as the rudimentary achievement of ASEAN will allow; still such a conversation and engagement can only be postponed at great cost. ASEAN Integration must at least catch up if not match Globalization 4.0; outdated mind-sets and incremental adjustments on existing processes and institutions may no longer suffice.

Davos underlined another worrisome problem. Not only must we contend with FIRe techs affecting business; we must more consciously attend to the impact of Globalization 4.0 – where for a variety of reasons substantial segments of society have become disaffected with politics and embittered by its economic underpinnings. Insecurity and frustration have themselves become globalized; strongman populism has become an attractive foil to the status quo. One analysis contends that the anti-elitist populist discourse confuses the mechanics of globalization with the politics of globalism. Globalization is the movement of ideas, people, and goods, a phenomenon driven by technology. Globalism is an ideology that prioritizes the neoliberal global order over national interests. Nobody is immune to globalization in some form; but we can opt for some of our national policies to be globalist in service of our interests. Nativism, nationalism, sovereignty, protectionism and even populism protect certain values; on the flip side they can frustrate cooperation, promote illiberalism, heighten tensions in a multipolar international order, and negate the common good of both the nation and of the region.

Ethically, threats to the quality of life as well as opportunities to improve the human condition must be rethought in the context of Globalization 4.0. Ready or not, a new world is upon us, forcing us



to return to the fundamental questions of human existence. Ethics reminds us that here the key is not technology per se, so much as our understanding of the good life for the human community as a whole, whose realization in turn depends on the choices we make at corporate, local, national, and international levels of governance. The challenge to Davos and Semarang is to initiate a conversation on new paradigms and core values based on classical wisdom but refashioned for the contemporary context. What are the new root causes of inequality today? How should we define the public good at various levels? How can we ethically harness FIRE technologies? How can we safeguard the public trust in an age of disruption?

At Davos the conversation was principally among business and government leaders. At Semarang the conversation will presumably be among academics mostly. Our hope is that they will also reflect on themselves and their role in this milieu of disruption and transformation. For government to manage change it must be assisted by the academe proposing new frameworks for analysis and construction. For workers to adapt and succeed, the academe must teach new skills. For society to survive the rigors of transitioning to a new world the academe must encourage a narrative of sharing and caring. To capitalize on new opportunities presenting themselves and avoid the disruptions we are witnessing even now, academe must take responsibility for its classical role of crafting philosophies that enable societies to methodically redesign their systems and institutions from the ground up. ICBE Semarang is a modest contribution to the dialog which can help create an ASEAN community of shared interest and purpose. In that spirit, then – to all who contributed to make this conference possible – our heartfelt gratitude.



FR. DIONISIO M. MIRANDA, SVD  
President, University of San Carlos  
Cebu, Philippines

## Message from the School of Business and Economics Dean



**W**elcome delegates to the 5th International Conference on Business and Economy (ICBE) with the theme “Creating, Managing, and Distributing Wealth: Fulfilling the ASEAN Economic Community Goals. Unlike the last four conferences, the School of Business and Economics (SBE) of the University of San Carlos is co-organizing ICBE 2019 together with Universitas Katolik Soegijapranata (UNIKA) to be held on March 13-14, 2019 at the Noormans Hotel, Semarang, Central Java, Indonesia. We would like to thank UNIKA particularly Dr. Octavianus Digdo Hartomo, Dean of the Faculty of Economics and Business and former Dean Suciarto Sentot for successfully collaborating with USC to bring for the first time SBE’s home grown international academic conference to Indonesia.

The 4th ICBE continues the academic conversation and discussion on the overarching theme of Creating, Managing and Distributing Wealth. The last three years explored paradigm shifts, best practices and innovation in the context of the larger theme. This year’s conference will explore the ASEAN Economic Community goals juxtaposed with SBE’s advocacy of not just creating and managing wealth but more importantly, distributing it to those who have less and are marginalized. SBE believes that economic growth does not automatically redound to development if issues of inequality and poverty continue to abound. SBE wish to contribute to steering business and economic researches that will explore and produce data that will support relevant policies that will address these issues.

We are happy to share that this international conference has close to 70 paper presentors spread over 10 break-out sessions. We would like to extend our heartfelt gratitude to all researchers who chose to submit their papers to ICBE 2019. We are humbled with your continued support and participation. As a school, SBE is indeed inspired to strengthen its lead as Center of Excellence in Business Administration, Entrepreneurship and office Administration and Center of Development in Hospitality & Tourism Management, a designation given by the Philippine Commission on Higher Education. Our Accountancy programs, on the other hand, is recognized as one of the top performing accountancy schools in the Philippines. And lastly, our Economics Department is the preferred research partner of national government agencies in the Visayas region. Because of all these accolades, we are proud to share that Eduniversal, a global ranking and rating agency specializing in higher education awarded the School of Business and Economics, University of San Carlos, One Palme of Excellence – Business School with Considerable Local Influence. Eduniversal has established strong expertise in evaluating academic institutions and programs in France since 1994, and internationally since 2007.

In behalf of the USC and UNIKA, we thank all who made this conference possible. Our heartfelt thank you once again to all researchers who chose to present their latest papers in ICBE 2019. May our collective efforts find favor with the Almighty and ultimately bring about the social impact that we hope to achieve.

MELANIE BANZUELA-DE OCAMPO, CSS, PhD  
Dean, School of Business and Economics  
University of San Carlos  
Cebu, Philippines

## Message from the Dean of Faculty of Economics and Business, Soegijapranata Catholic University



Ladies and Gentlemen, Good Morning!

Since 2015, the Faculty of Economics and Business Soegijapranata Catholic University had strong collaboration with School of Economics and Business University of San Carlos Cebu Philippines. This collaboration is conducted to anticipate globalization, especially in the era of the Asean Economic Community which has been launched since 2015. The implementation of the collaboration are : students and faculty exchange programs, joint research programs on green business and joint international conferences.

The 4th International Conference on Business and Economics held in Semarang is a concrete manifestation of the joint international conference between the Faculty of Economics and Business, Soegijapranata Catholic University and the School of Economics and Business, University of San Carlos, Cebu, Philippines.

The conference is attended by approximately 70 presenters from four different countries and 120 participants involving academics, practitioners, students and government agencies. This activity is an appropriate platform for sharing research results and practical experiences in Economics and Business areas as well as tool for scientific publications for lecturers and students. We hope that this international conference will be conducted continuously and involve more parties so that the process of scientific dissemination in Economic and Business will be wider

Finally, we hope that the various collaborative activities carried out as the realization of the MOU between the Faculty of Economics and Business, Soegijapranata Catholic University and the School of Economics and Business, University of San Carlos, Cebu will continue and involve more parties. We believe this event will bring benefits not only for the two universities but also many parties and will be able to disseminate research results to the wider community, as well as for the nation and state. Last but not least, welcome to this conference . We hope you will enjoy this conference and will also enjoy the beauty of Semarang and Central Java Province.

Thank you.



OCTAVIANUS DIGDO HARTOMO, PhD  
Dean, Faculty of Economics and Business,  
Soegijapranata Catholic University  
Indonesia



## Message from the Conference Chairs



Welcome participants and presenters from various Universities and State Colleges to the 5th International Conference for Business and Economy 2019!

According to reports made by the Association of South-East Asian Nations, the establishment of the ASEAN Economic Community (AEC) in 2015, is viewed as a major milestone in the regional economic integration agenda, offering opportunities in the form of a huge market of US\$ 2.6 trillion and over 622 million people.

AEC's primary purpose is to work together as one, in ensuring the region's end goal of economic integration. The AEC envisions ASEAN as a single market and production base, a highly competitive region with equitable economic development, and fully integrated into the global economy.



Most funded researches related to the AEC includes measuring its progress; security competition and vision of ASEAN; competition law; and ASEAN's resiliency as one community. Singapore's AEC Chairmanship, as reported in the current ASEAN Economic Integration Brief, signals the region's commitment to foster its collective future-readiness. Thus, research interests relating to the need for a more interconnectedness of the various works across the pillars of the ASEAN Community is growing. The three pillars of the ASEAN Community, namely the ASEAN Political Security Community (APSC), the ASEAN Economic Community (AEC) and the ASEAN Socio Cultural Community (ASCC), must work harmoniously with rhythmic cooperation and/or coordination for the AEC to efficiently and rapidly move forward towards its end goal.

The conference brings together industry, academe, government and non-government leaders to share their researches and valuable thoughts about the conference theme, through a plenary session followed by parallel sessions. ICBE 2019 serves as venue for researchers to present documentation of such efforts and researches related to the fulfillment of, and the articulation of the existence of ASEAN. Around 60 academic research papers will be presented over the 2 day conference, with the following topics and sub-topics: Management of Technology and Innovation with sub-topics in Management Innovation, and on Industry 4.0; Resource Management and Sustainable Development, with sub-topics in Sustainable Tourism, Green Business, UNWTO's Sustainable Development Goals; Accounting, Business Law, Economics, and Finance; Governance and Corporate Social Responsibility; ASEAN Economic Community: Challenges and Prospects, with sub-topic on the ASEAN MRAs

In behalf of the organizing committee, scientific committee, University of San Carlos, Cebu City, Philippines, and Soegijapranata Catholic University, Semarang, Indonesia, we thank you for choosing to participate in 2019 ICBE.

CECILE S. GANTALAO, DM  
Co-Chair, 2019 ICBE  
Philippines

SENTOT SUCIARTO, PhD  
Co-Chair, 2019 ICBE  
Indonesia



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# Committee Members

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Demetrio Anticuando, MBA  
Carmencita Alviola  
Lilystone Steves

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# Conference Program

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## Day 1, Morning

March 13, 2019 - Wednesday

Venue: Noormans Hotel Semarang, Indonesia

0800-0900	Registration and Morning Coffee	
0900-1000	Opening Ceremonies	
	Opening Dance : Indonesia Menari (Kembang Taru)	
	National Anthems: Philippines and Indonesia	
	Welcome Remarks	Melanie B. De Ocampo, Ph. D. Dean, School of Business and Economics University of San Carlos, Cebu, Philippines
		Octavianus Digdo Hartomo, Ph. D. Dean, Faculty of Economics and Business Universitas Katolik Soegijapranata Semarang, Indonesia
	Rationale of Conference	Cecil S. Gantalao, Ph. D. University of San Carlos Co-Chair, ICBE 2019
	Introduction of Keynote Speaker	Sentot Suciarto, Ph. D. Universitas Katolik Soegijapranata Co, Chair, ICBE 2019
1000-1100	Keynote Address: Central Java Development	Ganjar Pranowo Governor Central Java, Indonesia
	Photo opportunity and giving of certificate and token	
	Plenary Session	
	Session Chair Rapporteur	M. Dwi Hayu Agustini, PhD Devitia Nilam Putri., M.Ak
1100-1120	ASEAN Economic Community and Its Implication to Academe as it Relates to the Philippine Experience	Challoner A. Matero, CPA, DPA Former Dean, School of Business & Economics University of San Carlos
1120-1140	Doing Business in ASEAN	Ms. Anne Patricia Sutanto Vice CEO, Pan Brothers
1140-1200	Green Banking in Central Java	Mr. Supriyatno President Director of Bank Jateng
1200-1230	Open forum and photo opportunity	
1200-1300	Lunch Break with Entertainment	

**Parallel Sessions (Day 1, Afternoon)****March 13, 2019 - Wednesday**

Venue: Noormans Hotel Semarang, Indonesia

1300-1330 Registration in Session Rooms

1330-1730 Parallel Sessions

<i>Parallel Session A: ECONOMICS</i>		
Session Chair:	Rapporteur:	Venue:
<b>Christopher Bacungan (USC)</b>	<b>Alma Pramitha</b>	<b>Petra 1</b>
Title of Paper	Presenter	
1. <b>Managing Dynamic Capital Flows and Macro-Prudential Policy: What are They Good for?</b>	Yulia Indrawati, Munawar Ismail, David Kaluge, Ghozali Maskie Doctoral Programme of Economics, Faculty of Economics and Business, Universitas Brawijaya Email: yuliaindrawati2012@gmail.com	
2. <b>Determinants of Non-Farm Enterprise Participation among Agricultural Households in the Philippines</b>	Ferdinand D. Anabo Department of Business and Economics, College of Business Administration, Capiz State University Email: drefboana@gmail.com	
3. <b>Structural Co-integrating Vector Autoregression Approach in Macroeconomic Model</b>	Yulia Indrawati, Adhitya Wardhono, Cliplis Gema Qori'ah, M. Abd.Nasir, Nyomar Gede Krishnabudi Department of Economics and Business, Faculty of Economics and Business, University of Jember Email: yulia.feb@unej.ac.id	
4. <b>Objective Loss Function of Monetary and Macro-Prudential Policy: Evidence from Indonesia</b>	M.abd.Nasir, Adhitya Wardhono, Yulia Indrati, Cliplis Gema Qori'ah Department of Economics and Development Studies, Faculty of Economics and Business, University of Jember Email: abd.nasir@unej.ac.id	
5. <b>Budgeting Planning Model based on Participating Institutional Economics Perspective</b>	Moh.Adenan, Susanti Prasetyaningtias, Fajar Wahyu Prianto Department of Economics and Business, Faculty of Economics and Business, University of Jember Email: mohadenan.feb@unej.ac.id	
6. <b>Macroeconomic Condition and Investment in Indonesia: 2004 – 2017</b>	Widuri Kurniasari, Angellina Ika Rahutami Management, Faculty of Economics and Business Soegijapranata Catholic University Email: widuri@unika.ac.id	
7. <b>The development of Indonesia Furniture Industry: A Review of Its Potential Tax Revenue</b>	Shandy Jannufer Matitaputty, MG Westri Kekalih, Agnes Arie M. Christi, Rini Hastuti Taxatation, Faculty of Economics and Business Soegijapranata Catholic University Email: shandy@unika.ac.id	



<i>Parallel Session B: FINANCE</i>		
Session Chair: <b>Ivy Jumao-as (USC)</b>	Rapporteur: <b>Agatha Christiani</b>	Venue: <b>Samara</b>
Title of Paper	Presenter	
1. <b>Case Study of TZM Company's Strategy for Foreign Labor Intermediation</b>	Lee Yi Mei, Liberato A, Reyes Business Administration Department, School of Business and Economics University of San Carlos Email: lareyes.indriana@gmail.com	
2. <b>Banking and Stability : Evidence From Indonesia</b>	Resty Eka Adiyani, Astiwi Indriani Management Department, Economics and Business Faculty Diponegoro University Email: astiwi.indriani@gmail.com	
3. <b>Performance Analysis and Strategies Construction of Nirlaba Organizational with the Balanced Scorecard Approach: Case Study at Paseban Retreat House Semarang</b>	Veronica Kurniati, Theresia Dwi Hastuti Master of Accounting, Faculty of Economics Soegijapranata Catholic University Email: vkurniapi@gmail.com	
4. <b>Analysis of Sharia Banking Performance Based on Maqashid Sharia (Empiris Study of Shaira Banking in Indonesia and Thailand)</b>	Fateemah Kalupae, Khanifah Khanifah, Atieq Amjadallah, Rosida Dwi Ayuningtyas, Jaka Isgiyarta Accountancy, Faculty of Economy, Universitas Wahid Hasyim Semarang Email: khanifah@unwahas.ac.id	
5. <b>The Institutional and Macroeconomic Determinants of Stock Market Development in East Asia from 1996 to 2017</b>	Manuelito F. Co PhD Program, Virata School of Business University of the Philippines Email: manuelito.co@yahoo.com	
6. <b>Financial Inclusion in Carcar City, Cebu, Philippines</b>	Melanie De Ocampo, Jann Allison Y. Barcenas, John Louis U. Blanco, John Irvin C. Carcallas, Quina Josel T. Doauta, Gigi A. Quilla and Patrick Cyle G. Servano Business Administration Department, School of Business and Economics University of San Carlos Email: mbdeocampo@usc.edu.ph	
7. <b>Determinants of Profitability of Initial Public Offerings in Indonesian Stock Exchange</b>	Tatang Ary Gumanti, Elok Sri Utami, Irma Waro'ah, Eka Lavista Universitas Jember Email: tatangag@unej.ac.id	

<i>Parallel Session C: GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY</i>		
Session Chair: <b>Mr. Angelo Burdeos (USC)</b>	Rapporteur: <b>Ghabby</b>	Venue: <b>Petra 2</b>
Title of Paper	Presenter	
1. <b>Social Responsibility Practices and its Effect on Employees' Commitment, Business Growth and Company Image</b>	Romano G. Lavilla Institute of Accounts, Business and Finance Far Eastern University Email: ronnglav@yahoo.com	
2. <b>The importance of moral inputs within basic education and their role in the enhancement of the common responsibilities in economic development A case study: Introduction for Civic and Moral Education Syllabus for Basic Education Standard III-VI in Tanzania</b>	Jacek A. Gorka Theology and Religious Science, Arts and Social Sciences Jordan University College Email: placeoofm@gmail.com	
3. <b>Corporate Social Responsibility Disclosure: Learning from Thailand Experience</b>	Agatha Christiani Prasetyo, Ayu Ariyani Sutikno, Thianggung Gabriella Hutapea, Alma Della Lukitasari, Rania Fa'atin Accounting, Economic and Business Faculty Email: agathachristiani15@gmail.com	
4. <b>The Influence of Corporate Governance to the Financial Performance of Cooperatives</b>	Ma.Angelica C. Balatucan, Christopher Asuncion I. Arcay Business Department, College of Accountancy, Business and Management Mater Dei College Email: macbalatucan@yahoo.com	
5. <b>University Social Responsibility: Terobosan Konsep Transformatif Berbasis Pengembangan Berkelanjutan</b>	Bayu Jadzil Hadi, Bayu Tri Cahya, JadzilBaihaqi, Suhadi Akuntansi Syariah, Ekonomi Bisnis Islam IAIN Kudus Email: cahyab380@gmail.com	
6. <b>Corporate Governance in Indonesia, Antecedents and Consequences</b>	Octavianus Digdo Hartomo, Theresia Dwi Hastuti, Vena Purnamasari Accounting, Economics and Business Soegijapranata Catholic Univeristy Email: digdo@unika.ac.id	
7. <b>Corporate Governance Implementation, Indonesian Sector Impact</b>	Stephana Dyah Ayu Ratnaningsih, Vena Purnamasari Doctoral Program, Economics and Business Diponegro University Email: stephana@unika.ac.id	

<i>Parallel Session D: ENTREPRENEURSHIP AND SMALL &amp; MEDIUM ENTERPRISES (SMEs)</i>		
Session Chair: <b>Dr. Adhitya Wardhono (Unel)</b>	Rapporteur: <b>Novita</b>	Venue: <b>Permata</b>
Title of Paper	Presenter	
1. <b>On Becoming College – Age Netpreneur</b>	Sri Rahayu Tri Astuti, Imroatul Khasanah, Yoestini, Andriyani Management Department, Faculty of Economics and Business Diponegoro University Email: sr.triastuti73@gmail.com and sriahayutri@undip.ac.id	
2. <b>A Study of the Accounting Information System of a Shawarma Food Chain</b>	Emelie S. Campoamor, Marissa M. Baldecir Department of Accountancy, School of Business and Economics, University of San Carlos Email: marissabaldecir@gmail.com	
3. <b>Structural Relationship of Entrepreneurial Characteristics of Business and Information Technology Students</b>	Angelica T. Lanoy, Christopher Asuncion I. Arcay Student Service, College of Accountancy, Business and Management Mater Dei College Email: encay_mdc@yahoo.com	
4. <b>The Maturity Level of Computer – Based Accounting Systems in SMEs: Empirical Evidence in Semarang Indonesia</b>	Muhammad Noor Ardiansah, Indah Anisykurlillah Accounting, Economics and Business Faculty Diponegoro Dei College Email: m.noorardiansah@gmail.com	
5. <b>Corporate Entrepreneurship and Firm Growth among Selected Companies in Cebu, Philippines</b>	Lauro Cipriano R. Silapan, Jr. Business Administration Dept. School of Business and Economics, University of San Carlos Email: lrsilapan@usc.edu.ph	
6. <b>An Empirical Study on Impact of Artificial Intelligence on Employment</b>	Punith Kumar H S, Roopa P Commerce and Management Nagarjuna Degree College Email: Chethanpunith1995@gmail.com	
7. <b>The attitude of MSMEs to Digital Financial Services: The Perspective of Cognitive, Affective and Conative Aspects</b>	Westri Kekalih Susilowati, MG Management, Faculty of Economics and Business Soegijapranata Catholic University Email: westrie@unila.ac.id	

(Note: Parallel Sessions are dependent on room assignments and number of presenters. For the identified parallel sessions, it should follow the format above.)

1730 - 1800 Health Break

1800 Gala Dinner

Inspirational Talk

Octavianus Digo Hartomo, PhD  
Dean, Faculty of Economics and Business  
Universitas Katolik Soegijapranata  
Semarang, Indonesia

Dinner

Parallel Session E: <b>HUMAN RESOURCE MANAGEMENT</b>		
Session Chair: <b>Rini Hastuti, M. Si (SCU)</b>	Rapporteur: <b>Dea</b>	Venue: <b>Kanaya</b>
Title of Paper	Presenter	
1. <b>Involvement Intention of Employees of University of Southern Mindanao in the Implementation of ISO 9001:2015 Standards</b>	Nerissa G. Dela Viña Graduate Programs, School of Business and Economics, University of San Carlos Email: ngdelavina@usc.edu.ph	
2. <b>Tracer Study on the Employability of the Accountancy Graduates of the University of San Carlos</b>	Eleanor D. Paclijan, Khristine Jill B. Malazarte, Marvic John M. Leyson, Robee Ann L. Aranas Department of Accountancy, School of Business and Economics, University of San Carlos Email: edpaclijan@usc.edu.ph	
3. <b>Job Satisfaction and Employee Engagement of Temporary Agency Workers and Permanent Employees in Cebu City</b>	Lyndon Carlos N. Ogoc Business Administration, College of Business and Accountancy, University of Cebu – Banilad Email: ogoclyndoncarlos@yahoo.com	
4. <b>Organizational Behavior Model of Bank XYZ</b>	Dinah F. Verallo School of Business and Economics, University of San Carlos Email: dfverallo@gmail.com	
5. <b>Management Control System in Team-Based Settings and the Environment of ERP: Effect on Motivation and Performance</b>	Purnamasari, Vena; Sitinjak M. Lucky Accounting, Economics Soegijapranata Catholic University Email: vena@unika.ac.id	
6. <b>Learning and Development Practices of a Manufacturing Company in the Philippines</b>	Nikki Esperanza A. Sagun, Allan O. Gozon, Cheska Mae R. Caberte, Angelo L. Alfafara, John C. Antonio, Sealtiel Marieh C. Ardon Business Administration Dept., School of Business and Economics, University of San Carlos Email: aogozon@usc.edu.ph	
7. <b>Effect of Strategic Leadership on the Property Agent's Performance with Motivation and Training as Moderating Variables</b>	Ester Minarni, Sentot Suciarto Athanasius Master of Management, Faculty of Economics and Business Soegijapranata Catholic University Email: sentot.sa@unika.ac.id	

1730 - 1800 Health Break

1800 Gala Dinner

Inspirational Talk

Dinner

**Bernardia Linggar Yekti, Ph.D.**  
Master of Ceremonies

**Octavianus Digdo Hartomo, Ph.D.**  
Dean, Faculty of Economics and Business  
Universitas Katolik Soegijapranata  
Semarang, Indonesia

## Parallel Sessions (Day 2, Morning)

March 14, 2019 - Thursday

Venue: Pre-identified Parallel Session Rooms

0700-0830 Registration in Session Rooms

0830-1200 Parallel Sessions

<i>Parallel Session F: RESOURCE MANAGEMENT AND SUSTAINABLE DEVELOPMENT</i>		
Session Chair: <b>Dr. Yulia Indrawati (Unej)</b>	Rapporteur: <b>Grace</b>	Venue: <b>Petra 1</b>
Title of Paper	Presenter	
1. <b>Improving Tobacco Besuki Na – Oogst Competitiveness: Does Tobacco Still at a Crossroads?</b>	Adhitya Wardhono, Josi Ali Arifandi, Yulia Indrawati, M. Abd. Nasir Department of Economics and Development Studies, Faculty of Economics and Business University of Jember Email: adhitya.wardhono@unej.ac.id	
2. <b>Smart ICT Platform for Enhancing Commercialization among Cassava Stakeholders in Tanzania</b>	Catherine A. Ongoro Department of Information Sciences, Faculty of Arts and Social Sciences Jordan University College Email: catherineongoro@gmail.com	
3. <b>Ecotourism Readiness of a Municipality in Cebu: Its Response to the ASEAN's Goal for Sustainable Tourism</b>	Cecil S. Gantalao Graduate Program, School of Business and Economics University of San Carlos Email: csgantalao@usc.edu.ph	
4. <b>Competitiveness of Dried Fish Dealers in an Island Economy in Cebu, Philippines</b>	Karynel A. Amorado, Corazon G. Anzano Department of Business Administration, School of Business and Economics University of San Carlos Email: cganzano@usc.edu.ph	
5. <b>Adjustment of Jepara Industrial Furniture Business For Business Stability</b>	Angelina Ika Rahutami, Widuri Kurniasari, Chatarina Yekti Prawihatmi, MG. Westri K. Management, Economic and Business Soegijapranata Catholic University Email: yekti@unika.ac.id	
6. <b>The application of Sustainability development concept study on campus of Nusa Ceqndana University</b>	Oktovianus Nawa Paul, Ralland Fanggidae, Karmila Dwi Lestari Department of Management, Economic and Business Nusa Cendana University Email: nadapi@yahoo.com	
7. <b>The Effect of the Solid Waste Management Toward Employee and Guest Satisfaction, also Financial Benefits at Four and Five Star Hotels in Bali</b>	Jaya Pramono Hotel Management Department, Universitas Dhyana Pura Email: jayapramono@undhirabali.ac.id	



*Parallel Session G: RESOURCE MANAGEMENT AND SUSTAINABLE DEVELOPMENT//MARKETING MANAGEMENT*

Session Chair: <b>M. Abd. Nasir (UneJ)</b>	Rapporteur: <b>Fadhil</b>	Venue: <b>Samara</b>
Title of Paper	Presenter	
1. <b>Green Productivity Initiatives of Selected Japanese Companies in Japan and the Philippines</b>	Marites A. Khanser, Melanie Banzuela-De Ocampo, Allan O. Gozon, Soontorn Piromsartkoon, Ivy R. Jumao-as Co-Founder and VP-Business Strategy Perpetual Light Biotechnologies Co., Ltd. Email: tesskhanser@gmail.com	
2. <b>Bioluminescent Light as a Disruptive Innovation: Case Study of Perpetual Light Biotechnologies, Co. Ltd., Bangkok, Thailand</b>	Marites A. Khanser, Sootorn Piromsartkoon Founder and President Perpetual Light Biotechnologies, Co., Ltd. Email: tesskhanser@gmail.com	
3. <b>Green Entrepreneur Typology of Batik SMEs in Semarang</b>	Eny Trimeiningrum, Bernadeta Irmawati, Meniek Sring Prapti Management, Faculty of Economics and Business Soegijapranata Catholic University Email: eny@unika.ac.id	
4. <b>The Influencing Factors of Self Identity, Hedonic, Materialism, and Novelty of Luxury Value Perception of Nature Tourism Products</b>	Zunan Setiawan, Purwoko, Beni Agus Sulistyo Magister of Management, Economics and Business Ahmad Dahlan Email: Zoonan46@gmail.com	
5. <b>Study on Go-Jek Customer Satisfaction in Semarang, Indonesia</b>	Reza Akbar Pratama, Sri Rahayu Tri Astuti Management Department, Faculty of Economics and Business Diponegoro University Email: sr.triastuti73@gmail.com	
6. <b>Online Shopping Behaviors of Silliman University Community</b>	Ofelia T. Ragpa College of Business Administration, Silliman University Email: ofeliatragpa@su.edu.ph	
7. <b>The success's analysis of JKN Mobile with the Delone and Mclean Model at the BPJS Kesehatan</b>	Muhammad Noor Ardiansah, Desiana E.S., Ulfah Hidayati Accounting, Economics and Business Faculty Diponegoro University Email: m.noorardiansah@gmail.com	

*Parallel Session H: GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY*

Session Chair:  
**Dr. Rustina Untari (SCU)**

Rapporteur:  
**Ivan**

Venue:  
**Petra 2**

Title of Paper	Presenter
1. <b>Corporate Governance Mechanisms and Earnings Management in Initial Public Offerings: The Case of Philippines and Singapore</b>	Angelo O. Burdeos, Melanie B. De Ocampo Business Administration Dept., School of Business & Economics University of San Carlos Email: angeloburdeos@gmail.com
2. <b>Corporate Governance Report Narratives and Analyst Forecast Accuracy</b>	Purnamasari, Vena; Dyah Ayu R., Stephana PhD Program in Economics, Faculty of Economics and Business Diponegoro University Email: vena@unika.ac.id
3. <b>Entrepreneurial Program, A Sustainability Project: The Case of Organic Hog Growers in Alegria, Cebu, Philippines</b>	Ivy R. Jumao-as, Lauro Silapan, Jr., Melanie De Ocampo, Jovenal Arnaiz Business Administration Department, School of Business and Economics University of San Carlos Email: ivyrjumaoas@gmail.com
4. <b>Toward Taxpayers compliance: The role of tax Knowledge and Ethical Behavior</b>	Rini Hastuti, Shandy Jannifer Matitaputty Taxation, Faculty of Economics and Business Soegijapranata Catholic University Email: rien@unika.ac.id
5. <b>The Effect of Corporate Governance and Intellectual Capital toward Financial Performance and Corporate Value of Socially Responsible Firms</b>	Robiyanto, Adhi Rahadi Putra, Andreas Lako Faculty of Economics and Business, Satya Wacana Christian University Email: robiyanto@staff.uksw.edu
6. <b>CSR and OCB-E in The Banking : The Mediating Role of Organizational Commitment</b>	Bernadeta Irmawati, Lucia Haripatworo Management, School of Business and Economics Soegijapranata Catholic University Email: irmawati_b@unika.ac.id

<i>Parallel Session I: ASEAN ECONOMIC COMMUNITY</i>		
Session Chair: <b>Posmaria Sitohang (SCU)</b>	Rapporteur: <b>Hellen</b>	Venue: <b>Permata</b>
Title of Paper	Presenter	
1. <b>The State of the Philippine Real Estate Industry in the Face of the ASEAN Economic Integration</b>	Mabel R. Calva, Edgardo M. Buhayang, Edgardo Z. Antonio Administrative Department Southern Leyte State University Email: slsuborsec@gmail.com	
2. <b>Leveling of Expectations: Understanding the Political and Economic Ramifications of ASEAN Economic Community using the New Institutional Economics</b>	Jan Lorenzo G. Alegado Department of Economics, School of Business and Economics University of San Carlos Email: jlgalegado@gmail.com	
3. <b>Coping the Prospects and Challenges of the ASEAN Integration: A Local Cooperative Story</b>	Mabel R. Calva Administrative Department, Graduate School Southern Leyte State University Email: slsuborsec@gmail.com	
4. <b>Determinants of High-Technology Export for Selected ASEAN Members: A Cross-Country Study from 2002-2015</b>	Christopher C. Bacungan Department of Economics, School of Business and Economics University of San Carlos Email: ccbacungan@usc.edu.ph	
5. <b>Disharmony Between Moral and Economics, Main Sources of The Economy's Crisis</b>	Ida Rosnidah, I.M. Ulum, M.Y. Mahadiyanto, D. Surana, Siska Ernawati Fatimah Faculty of Economics Universitas Swadaya Gunungjati / Unswagati Email: idarosnidah@gmail.com	

(Note: Parallel Sessions are dependent on room assignments and number of presenters. For the identified parallel sessions, it should follow the format above.)

1200 - 1330 Lunch

## **Day 2, Afternoon**

### **March 14, 2019 - Thursday**

Venue: Noormans Hotel Semarang, Indonesia

#### Closing Ceremonies

1300-1330 Recognition and Awarding of Best Paper

1330-1400 Closing Remarks and ICBE 2019 Announcement

ICBE 2020 Call for Papers:  
"Title of Theme for 2020"

Angelo Burdeos, Ph. D. (candidate)  
Chair, ICBE 2020

Closing Remarks

Octavianus Digdo Hartomo, Ph. D.  
Dean, Faculty of Economics and Business  
Universitas Katolik Soegijapranata  
Semarang, Indonesia

Photo Opportunity

1400-1430 Preparation for City Tour  
1430-2100 Semarang City Tour

Master of Ceremonies: Alexander Agung & Agatha Christiani



# ICBE 2019

INTERNATIONAL CONFERENCE ON BUSINESS AND ECONOMY

## THEME:

## Creating, Managing, and Distributing Wealth: Fulfilling the ASEAN Economic Community (AEC) Goals

- Management of Technology and Innovation
- Resource Management and Sustainable Development
- Entrepreneurship
- Accounting, Business Law, Economics, and Finance
- Governance and Corporate Social Responsibility
- ASEAN Economic Community: Challenges and Prospects

13-14 March 2019  
Semarang, Indonesia





# Adjustment of Jepara Industrial Furniture Business for Business Stability

Angelina Ika Rahutami, Widuri Kurniasari, Chatarina Yekti Prawihatmi

College of Economics and Business, Soegijapranata Catholic University, Semarang, Indonesia

## Abstract

Furniture industry in Jepara is a strategic industry both for local and national economy. Furniture industry in Jepara is uniquely known for its carving. This research is aimed to conduct a mapping of furniture industry condition in Jepara. In addition, this research also conducts an investigation of how furniture industry in Jepara performs its online and external business adjustment. The research has been conducted in Jepara district, Central Java. The sample collected from micro small medium enterprises (MSMEs) in the furniture field. The research used primary data collected through questionnaires and in-depth interviews. The key informants of this research are policy makers, such as Head of the Industrial Board, Head of the Trade Board, and Head of Cooperative and MSMEs, Head of furniture association at the provincial level of Central Java and Jepara District, and 5 players of furniture industry in Jepara. The variables observed in this study are: business competition, management priority, performance and innovation. In facing globalization, furniture industry in Jepara conducts some adjustments internally and externally. All industry players attempt to behave adaptively toward business development and competition by doing design innovation continuously. Furniture industry businessmen also motivate their employees to be creative and innovative. Externally, local government constantly supports the existence and competitiveness of the industry by providing facility for promotion and exhibition both national and international level. Business strategies that can be applied are improving product durability and design variation. This needs to be done because of market demands that move fast in terms of designs and seasonal fluctuation in furniture production itself.

*Keywords:* furniture industry, small and medium enterprises, adjustments, creative, innovative.

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## ADJUSTMENT OF JEPARA INDUSTRIAL FURNITURE BUSINESS FOR BUSINESS SUSTAINABILITY

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### **Abstract**

Furniture industry in Jepara is a strategic industry both for local or national economy. Furniture industry in Jepara is uniquely well known for its carving. This research is aimed to conduct a mapping of furniture industry condition in Jepara. In addition, this research also conducts an investigation of how furniture industry in Jepara performs its online and external business adjustment. The research has been conducted in Jepara district, Central Java. The sample collected from Small and Medium Enterprises (UKM) in furniture field. The research used primary data collected through questionnaires and in-depth interviews. The key informants for this research are: policy makers, such as Head of the Industrial Board, head of the Trade Board, and Head of Cooperative and Small Micro Medium Enterprises (UMKM), head of furniture association at the provincial level of Central Java and Jepara District and 5 major players of furniture industry in Jepara. The variables observed in this study are; business competition, management priority, performance and innovation. In facing globalization, furniture industry in Jepara conducts some adjustments internally and externally. All industry players attempt to behave adaptively toward business development and competition by doing design innovation continuously. Furniture industry businessmen also motivate their employees to be creative and innovative. Externally, local government constantly supports the existence and competitiveness of the industry by providing facility for promotion and exhibition both national and international. Business strategies that can be applied are improving product durability and design variation. These need to be done because of market demands that move fast in designs and seasonal fluctuation in furniture production itself.

Keywords: furniture industry, Small and Medium Enterprises, adjustments, creative, innovative

## Introduction

Furniture Industry becomes one of priority industries in Indonesia. It generates a highly qualified products and has global competitiveness. It also becomes a source of foreign exchange. Furniture industry significantly absorbs human resources and it is supported by raw material resources, such as wood, rattan, and bamboo. Furniture industry shows a big contribution in developments of economy and empowerment since it has various interesting products.

Jejara becomes the center of furniture industry in Indonesia. Furniture industry in Jejara is uniquely well known for its carving. It is one of intellectual treasures of local wisdom that has improved the value added of products of furniture industry and wood craft, not only in Jejara Region but also in Central Java Province and Indonesia. Based on the Statistics report of Jejara district in 2016, there were 5.993 furniture business units. They were able to absorb 77.187 human resources. The furniture industry in Jejara district gave dominant contribution in non oil and gas export.

In the first quarter of 2016, the export value of Jejara furniture was 46,26 US million dollar with the volume of exported goods reached 12,6 million kilograms. That condition was different with the one in the same period last year. The export value in the first quarter of 2015 was 41,82 US million dollar with the volume of exported goods reached 10,89 million kilograms. The number of exporters in the period of January to March 2016 was 247 exporters, while there were 206 exporters in the same period last year.

Based on data from Investment Agency and One-stop Permit Services Board (BPMPPPT) in Jejara, the number of foreign investors who invest their investments in wood processing industry in 2015 had reached 11 investors. Their investment value was Rp158,69 billion. In 2014, there were more foreign investors who invested their investment in Jejara District. It reached 19 investors with the investment value of Rp 266,5 billion. Several parties consider that the enforcement of Certificate of Timber Legality Verification System (SVLK) has contributed in elevating the export value of Jejara furniture industry since timber legality regulation is applied by only certain countries.

Behind the splendor of furniture industry in Jepara district, there are many classical and new problems that are resulted from technology development. The difficulty of getting the raw materials that are recently brought in from outside Jepara and their expensive price have become classical problems. Timber needs to be brought in from outside Java island so that it costs high production fee. The other problem is that it is difficult to find employees, both carpenters and sandpaper workers. Nowadays, along with the rise of industrial investment climate in Jepara, many workers prefer to work in factory because the salary is higher. Many new factories are established in Jepara recently.

Lately, the number of the doer of home industry furniture business has reduced. One of the causes is that he/she changes in becoming an exporter, a business person who uses his/her mobile phone as a capital. Now, there are many furniture businessmen who sell their products online. They do not need to produce the furniture. By using online selling method, they only need to know the market prices, have photos of the products and sell them online. The products they sell are not their own products.

It is shown that Jepara experiences a decline in production, design and competition in furniture market of ASEAN and the world. Problems in market network, capital, production, and craftsman's welfare become the major propositions in Jepara.

This research is aimed to conduct a mapping of furniture industry condition in Jepara. In addition, this research also conducts an investigation of how furniture industry in Jepara performs its online and external business adjustment.

## **Study of related literatures**

The condition of industry in Jepara, as reviewed by Berry, Albert, Edgard Rodriguez, and Henry Sandee (2001) discussed about the cluster role and subcontract as factors in the evolution of small and middle enterprises in Indonesia for the last quarter century. This research has found that 50% of furniture export is dominated by 10 big companies where foreign investors donate 25% of the total of export. The players of small business are able to penetrate export market through buyer driven of trading network (wood furniture crafting) and brokers, agents, and sellers functioned as intermediary between international buyers and small scale producers.

The research conducted by Loebis, Lienda, Hubert Schmitz (2005) discussed whether furniture craftsmen in Central Java are able to survive or not in international market. From the results of their research, it can be determined that the company and workers in fact obtain their earnings from productions of products sold to international markets. However, they do not get sustainable profit since the export viability depends on woods as the raw materials that are obtained illegally. Furthermore, the number of those raw materials are running low. On the other hand, according to Zainuri, Muhammad, Waridin, Purbayu B, and Santoso I (2012), the ones who did the research on the condition of furniture in Jepara through the analysis of Structure Conduct Performance, the results showed that the furniture industry in Jepara had monopolistic competition. The market behaviors that are experienced by the market players, especially small and middle industries are quite weak. Large scale industry is considered to have good performance. The level of competition in small and middle industries is relatively low, while small scale industries have higher level of competition. From the results of this research, it can be shown that the arrangement of production and distribution strategies needs to be prioritized in small and middle industries.

## **Methodology**

The research was conducted in Jepara district, Central Java. The sample has been collected from Small and Medium Enterprises (UKM) in furniture field. This research used the purposive random sampling. The primary data has been collected through questionnaires and in-depth interviews. The key informants for this research who will be interviewed thoroughly are:

1. Policy makers, such as Head of the Industrial Board, Head of the Trade Board, and Head of Cooperative and Small Micro Medium Enterprises (UMKM).
2. Head of furniture association at the provincial level of Central Java and Jepara District.
3. 5 major players of furniture industry in Jepara.

Variables used in this research are :

1. Business competition. Several approaches of business competition in furniture industry will be applied to determine how important the condition of business competition as a consideration in business development is. These approaches are the conditions or product qualities, post-sale service, fee and price, and production time and shipping.
2. Management Priority. Measuring the scale of interest of respondents for several major things, such as things related with products, production, cost of goods produced, and product selling.
3. Performance. The performance of managers and production supervisors will particularly be measured during production process.
4. Inovasion. Measuring the inovasion of importance level for business development, both in measuring inovasion of subordinates in soliciting new production ideas and measuring inovasion for the company's importance in general, for example matters related with production and marketing fees.

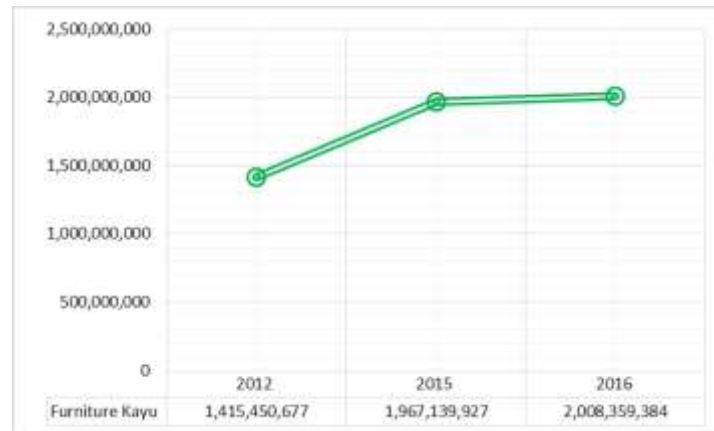
The analysis method used in this research is a descriptive research to make a profile of furniture industry in Jepara. The data will be described comprehensively. This research will also consider some related policies. The search of the policy will be beneficial in making the decisions of strategic steps of development which can be conducted by furniture industry in Jepara.

## **The Profile of Furniture Industry in Jepara**

The development of the number and volume of business unit and production of furniture industry in Jepara shows that the trend in the number of Middle Small Industry (IKM) and production volume has risen from year to year. However, there is an indication that there was a fall of the number of IKM from 2015 to 2016 even though the production volume increased. Based on the whole industrial data in Jepara, wood furniture industry has the most number of IKM. In 2012, there were 4,104 IKM units. It accelerated to be 5,993 IKM units or 43,03%. However, if it is compared to the number of IKM units in 2016, there was an downward of the number of IKM units. There were 5,870 units or 2,05%. Meanwhile, the production volume had increased from



2,948,824 pieces in 2012 to be 4,098,164 pieces in 2016. It increased for 41,89% in 2012 to 2015 and increased for 2,10% in 2015 to 2016.



Source: Central Statistics Body, processed data

## Figure of Production Value Development of Wood Furniture Industry in Jepara District

Overall, from 2012 to 2016, the number of IKM in Jepara experienced an increase. The number of IKM in 2012 was 9,959 business units. It became 19,340 business units in 2015. In 2016, it decreased to 18,695 business units. From various IKM growing in Jepara District, the data shows that the number of business unit of wood furniture becomes a dominant industry with the data as follows: 4.104 units out of 9.959 units of IKM in 2012; 5.993 units out of 19,340 units of IKM in 2015 and 5.870 IKM units out of 18.695 IKM units in 2016 . viewed from the work force absorption, furniture industry successfully absorbed 54.000 people in 2012. In 2015, the number increased into 77.187 people. It rapidly rose into 75.603 people in 2016. The value of furniture IKM shows that there was an increase of production value from Rp 1.415.450.677 thousand (2012) into Rp1.967.139.927 thousand (2015) and it increased again into Rp 2.008.359.384 thousand in 2016. The orientation of furniture IKM in Jepara fulfills domestic needs and export oriented.

Based on the previous description, it can be seen that wood furniture industry has an important role in economy, such as its role in goods availability, production values, and work force absorption and export foreign exchange. Furniture IKM has a contribution of furniture for 52,13% out of all IKM in Jepara with the portion of work force absorption of 33,27% and the contribution

value of 49,54%. 49,60% of the exporter number in Jepara become furniture IKM and show export contribution of 82,51%.

There are 30 respondents as the sample in this research. They are companies in furniture industry in Jepara District. The respondent detail description of single ownership is in the following table. 77% of the samples (it means most of the respondents), with company's legal status of single ownership, is owned by men, not women. The latest education level of those business owners are high school graduates (38%), and under graduates (35%).

In production process, not all production processes are conducted by the companies. There usually are companies which use sub-contractors or not in production process. Based on the questionnaires, the data shows that 17% of IKM use sub-contractor system and the remaining 83% do not. It is shown that 60% of respondents stated that they uses sub-contractors for peak works, while 20% of them stated that they used sub-contractors when they need them, and the remaining 20% stated that they always used sub-contractors. Based on sex, 61% of the sub-contractors were men and 39% of them were women. Sub-contraction is conducted in the same area (60%) and the remaining percentage were from Jepara or Central Java.

Some IKM have separated offices and factories. The following information is the condition of offices and factories of furniture IKM. From the ownership, 97% of offices and 86% of factories are private property. The location of most offices and factories is in housing areas, not in commercial ones.

Considered from the raw materials, 89% of furniture products use local raw materials, while the remaining percentage use imported ones. The following table shows the resulted products. In average, tables and chairs are the most products made. The number of products produced is also in fluctuation. It depends on high and low seasons of order. The high season of order usually happens in the beginning of the year and seasonal change for export products.

Viewed from marketing performance, furniture product is one of strategic commodities for the economy in Indonesia. Several criteria that make furniture industry as strategic commodities are because furniture product has high additional value and it is globally competitive. Furniture product from Jepara is quite famous. It has given significant contribution for local, regional, or national economy.

The export value of furniture in Jepara District in 2017 decreased for 13%. The export of furniture products until the end of last year was USD 166,8 million. In the previous year, export value reached USD 174,1 million. A decrease of export value was followed by a decrease of the number of export destination country. In 2016, there were 113 destination countries for export. The number decreased to 111 export destination countries in 2017. However, it is inversely proportional to the number of exporters in Jepara. The value and the number of export destination country decreased, but the number of exporters increased.

One of the causes of export value decrease is because some businessmen prefer to strengthen domestic markets. This is along with the weakening of purchasing power of importing countries. Some European countries experience a downward of export value. United States is the only country that experience an increase of export value from Jepara. Furniture businessmen depend on the economy condition of importing countries. United States is quite stable and tends to increase. However, European and East Asia countries tend to decrease.

## **Discussion: Business Adjustment and Business Sustainability Strategy**

This research digs up business sustainability process conducted by furniture industry in Jepara it will eventually be used as business sustainability strategies. Based on discussion and questionnaire, it can be seen that furniture industry moves rapidly, faces tight competition, and has challenges in design, environmental problem, and marketing. There are some adjustments to face business world that moves fast so that furniture IKM able to survive and develop.

Furniture companies in Jepara are quite adaptive in updating technology development to develop their products. It is proven that 58,82% of furniture companies in Jepara make websites to promote their furniture products. Promotion through website has more interesting advantages. It can be accessed easily, it has cheap fee, and interactive.

**Table of Conducted Promotion**

<b>Promotion Activity</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Website	20	58,82
Brochure	8	23,53
Exhibition	6	17,64
	34	100,00

Source: Questionnaire, processed data

Recently, marketing orientation of furniture companies in Jepara is no longer aggressive to export markets. They consider the fact that export market is full of competitors from Tiongkok and Vietnam. Producers of Jepara furniture then shift their orientation to domestic market along with the increasing of middle income amount in Indonesia. From all respondents, only 33,25% of furniture companies oriented in export, while the remaining percentage orientate to domestic market. The main destinations of export are ASEAN, Middle East, Australia, and Europe. Jepara furniture companies oriented in local markets only cover district and inter-island markets.

**Table of Marketing Orientation**

<b>Marketing Orientation</b>	<b>Destination</b>
Export	ASEAN, Middle East, Australia, Europe, Arab and others
Domestic	Local – inter-island in Indonesia

Source: Questionnaire, processed data

Marketing channels of furniture product marketing in Jepara are short because majority of products is sold in own shops. Furniture companies in Jepara usually own showrooms to display their furniture product collection. Periodically, the products displayed in the showrooms are replaced with new design products. Product innovation becomes one of successful keys for furniture industry in Jepara.

## **Table of Marketing Channels**

<b>Marketing Channels</b>	<b>Total Percentage</b>	
Department		
Stores	1	2,85
Boutiques	1	2,85
Own Stores	21	60,00
Sellers	6	17,14
Contractors		
Direct Selling	6	17,14

Source: Questionnaire, processed data

Potential of furniture market in Jepara is still very high in the future. There are many things to do to seriously develop furniture products in Jepara. Domestic market for furniture industry will continuously increase. Data show that requests for domestic furniture products keep increasing because of developments of housing and property, markets for companies, governmental institutions, hotels, State-Owned Enterprise (BUMN), and hundreds of Local-Government-Owned Enterprises (BUMD).

In identifying the strategy to guarantee business continuity, questionnaires are used to determine importance levels of several indicators of business continuity strategy. The following table indicates manager performance using levels of very unimportant to very important. Most of managers (40%) determine that it is very important for managers to be able to adjust the capacity rapidly. Whereas, there are 3% of them who consider it unimportant. Most of managers also have perception that it is important (50%) to very important (17%) that a manager should be able to change the design of the products even after the production process starts. It is important, even very important, for a manager to be able to reduce the total inventory and production time.

It is clearly shown in the table about the competency qualification needed for managers in furniture industry. Because production has become an important thing for business continuity, a manager should be able to manage things related to design, supplies, production processes, and processing time well and carefully.

**Table of Managerial Performance**

Notes	1	2	3	4	5	6	7	total
The ability of managers to adjust the capacity rapidly.			1	3	5	9	12	30
	0%	0%	3%	10%	17%	30%	40%	100%
The ability of managers in changing the product designs after the production starts.			1	4	5	15	5	30
	0%	0%	3%	13%	17%	50%	17%	100%
The reduction of supplies			1	1	8	17	3	30
	0%	0%	3%	3%	27%	57%	10%	100%
The reduction of production time.				5	8	9	8	30
	0%	0%	0%	17%	27%	30%	27%	100%

Source: Questionnaire, processed data

Here is how employers evaluate the behaviors of their employees related to their working innovation. Most respondents evaluate their employees using the scales of important to very important when they are motivated in searching new things (ideas, technology, process), bringing up creative ideas, giving ideas to other people, securing funds, and developing plans to implement new ideas. Most respondents also evaluate that their employees are innovative.

#### 4.16. Innovation

Notes	1	2	3	4	5	6	7	Total
Enthusiastically looking for new technologies, new processes, new techniques, and/or new ideas regarding to the products.				1	4	12	13	30
	0%	0%	0%	3%	13%	40%	43%	100%
Often bringing up creative ideas.			1	5	19	5	30	
	0%	0%	0%	3%	17%	63%	17%	100%
Promoting and giving ideas to other people.				3	7	15	5	30
	0%	0%	0%	10%	23%	50%	17%	100%
Securing funds needed to implement ideas.			3	3	13	11	30	
	0%	0%	0%	10%	10%	43%	37%	100%
Developing suffice plans and scheduling to implement new ideas.				1	5	15	9	30
	0%	0%	0%	3%	17%	50%	30%	100%
Your employees are innovative.				3	12	12	3	30
	0%	0%	0%	10%	40%	40%	10%	100%

Source : Questionnaire, processed data



Based on the results of the survey to 30 respondents, it can be seen that the business competition side is an important thing to be concerned in the future, both to maintain markets and expand markets. Only 47% of respondents stated that the high quality of products is very important. They stated that the durability of products is the most important (60% respondents). In the question of product reliability, from the scale of 1 to 7, it can be seen that the product reliability is important. The interesting part is about the accuracy in handling customers' complaints. There are 3% of respondents who consider that handling customers' complaints is not a major thing, even though there are 53% of respondents stated otherwise. Feature variation or furniture design are also important for them. Considering this condition, it can be seen that business competition has become an aspect to be noticed. Business strategy that can be applied is by improving products durability and product design variation.

**Table of Business Competition**

Notes	1	2	3	4	5	6	7
High quality of products						16	14
						53%	47%
High durability of products					2	10	18
					7%	33%	60%
High reliability of products					5	13	12
					17%	43%	40%
Convenience in product service (fee and time)					5	11	14
					17%	37%	47%
Accuracy in handling customers' complaints				1	4	9	16
				3%	13%	30%	53%
Short period of delivery				1	4	16	9
				3%	13%	53%	30%
Delivery on the due date (on time)				2	6	8	14
				7%	20%	27%	47%
Variation of product features				4	18	8	
					13%	60%	27%

Source: Questionnaire, processed data

The last question in the questionnaire is about management priority. In management priority, it can be seen that reduction of production period and reduction of supply are not options to choose by furniture IKM. The most important strategy is still related to products, they are

introduction of new designs and fast and precise adjustment of product capacity. It is conducted due to market demands that move fast in designs and seasonal fluctuation in furniture production itself.

**Table of Management Priority**

Notes	1	2	3	4	5	6	7
Cost of products sold (fee)				1	3	15	11
				3%	10%	50%	37%
Productivity of employees				2	1	17	10
				7%	3%	57%	33%
Capacity Usage					4	14	12
					13%	47%	40%
Suitability of final products to design specification				1	3	13	13
				3%	10%	43%	43%
Ability of introducing new products rapidly to production team					2	18	10
					7%	60%	33%
Ability in adjusting capacity quickly and in a short notice					5	18	7
					17%	60%	23%
Ability in changing product design after production starts				1	8	15	6
				3%	27%	50%	20%
Reduction of supplies		1	3	11	13	2	
		3%	10%	37%	43%	7%	
Reduction of production period		1	3	7	10	9	
		3%	10%	23%	33%	30%	

Source: Questionnaire, processed data

## Conclusion

Furniture industry in Jepara is a strategic industry both for local or national economy. In facing globalization, furniture industry in Jepara conducts some adjustments internally and externally. All industry players attempt to behave adaptively toward business development and competition by doing design innovation continuously. Furniture industry businessmen also motivate their employees to be creative and innovative. Externally, local government constantly supports the existence and competitiveness of the industry by providing facility for promotion and

exhibition both national and international. Business strategies that can be applied are improving product durability and design variation. These need to be done because of market demands that move fast in designs and seasonal fluctuation in furniture production itself.

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# Adjustment of Jepara Industrial Furniture Business for Business Stability

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## Abstract

Furniture industry in Jepara is a strategic industry both for local and national economy. Furniture industry in Jepara is uniquely known for its carving. This research is aimed to conduct a mapping of furniture industry condition in Jepara. In addition, this research also conducts an investigation of how furniture industry in Jepara performs its online and external business adjustment. The research has been conducted in Jepara district, Central Java. The sample collected from micro small medium enterprises (MSMEs) in the furniture field. The research used primary data collected through questionnaires and in-depth interviews. The key informants of this research are policy makers, such as Head of the Industrial Board, Head of the Trade Board, and Head of Cooperative and MSMEs, Head of furniture association at the provincial level of Central Java and Jepara District, and 5 players of furniture industry in Jepara. The variables observed in this study are: business competition, management priority, performance and innovation. In facing globalization, furniture industry in Jepara conducts some adjustments internally and externally. All industry players attempt to behave adaptively toward business development and competition by doing design innovation continuously. Furniture industry businessmen also motivate their employees to be creative and innovative. Externally, local government constantly supports the existence and competitiveness of the industry by providing facility for promotion and exhibition both national and international level. Business strategies that can be applied are improving product durability and design variation. This needs to be done because of market demands that move fast in terms of designs and seasonal fluctuation in furniture production itself.

**Keywords:** furniture industry, small and medium enterprises, adjustments, creative, innovative.

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## ADJUSTMENT OF JEPARA INDUSTRIAL FURNITURE BUSINESS FOR BUSINESS SUSTAINABILITY

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### **Abstract**

Furniture industry in Jepara is a strategic industry both for local or national economy. Furniture industry in Jepara is uniquely well known for its carving. This research is aimed to conduct a mapping of furniture industry condition in Jepara. In addition, this research also conducts an investigation of how furniture industry in Jepara performs its online and external business adjustment. The research has been conducted in Jepara district, Central Java. The sample collected from Small and Medium Enterprises (UKM) in furniture field. The research used primary data collected through questionnaires and in-depth interviews. The key informants for this research are: policy makers, such as Head of the Industrial Board, head of the Trade Board, and Head of Cooperative and Small Micro Medium Enterprises (UMKM), head of furniture association at the provincial level of Central Java and Jepara District and 5 major players of furniture industry in Jepara. The variables observed in this study are; business competition, management priority, performance and innovation. In facing globalization, furniture industry in Jepara conducts some adjustments internally and externally. All industry players attempt to behave adaptively toward business development and competition by doing design innovation continuously. Furniture industry businessmen also motivate their employees to be creative and innovative. Externally, local government constantly supports the existence and competitiveness of the industry by providing facility for promotion and exhibition both national and international. Business strategies that can be applied are improving product durability and design variation. These need to be done because of market demands that move fast in designs and seasonal fluctuation in furniture production itself.

Keywords: furniture industry, Small and Medium Enterprises, adjustments, creative, innovative

## Introduction

Furniture Industry becomes one of priority industries in Indonesia. It generates a highly qualified products and has global competitiveness. It also becomes a source of foreign exchange. Furniture industry significantly absorbs human resources and it is supported by raw material resources, such as wood, rattan, and bamboo. Furniture industry shows a big contribution in developments of economy and empowerment since it has various interesting products.

Jejara becomes the center of furniture industry in Indonesia. Furniture industry in Jejara is uniquely well known for its carving. It is one of intellectual treasures of local wisdom that has improved the value added of products of furniture industry and wood craft, not only in Jejara Region but also in Central Java Province and Indonesia. Based on the Statistics report of Jejara district in 2016, there were 5.993 furniture business units. They were able to absorb 77.187 human resources. The furniture industry in Jejara district gave dominant contribution in non oil and gas export.

In the first quarter of 2016, the export value of Jejara furniture was 46,26 US million dollar with the volume of exported goods reached 12,6 million kilograms. That condition was different with the one in the same period last year. The export value in the first quarter of 2015 was 41,82 US million dollar with the volume of exported goods reached 10,89 million kilograms. The number of exporters in the period of January to March 2016 was 247 exporters, while there were 206 exporters in the same period last year.

Based on data from Investment Agency and One-stop Permit Services Board (BPMPTT) in Jejara, the number of foreign investors who invest their investments in wood processing industry in 2015 had reached 11 investors. Their investment value was Rp158,69 billion. In 2014, there were more foreign investors who invested their investment in Jejara District. It reached 19 investors with the investment value of Rp 266,5 billion. Several parties consider that the enforcement of Certificate of Timber Legality Verification System (SVLK) has contributed in elevating the export value of Jejara furniture industry since timber legality regulation is applied by only certain countries.

Behind the splendor of furniture industry in Jepara district, there are many classical and new problems that are resulted from technology development. The difficulty of getting the raw materials that are recently brought in from outside Jepara and their expensive price have become classical problems. Timber needs to be brought in from outside Java island so that it costs high production fee. The other problem is that it is difficult to find employees, both carpenters and sandpaper workers. Nowadays, along with the rise of industrial investment climate in Jepara, many workers prefer to work in factory because the salary is higher. Many new factories are established in Jepara recently.

Lately, the number of the doer of home industry furniture business has reduced. One of the causes is that he/she changes in becoming an exporter, a business person who uses his/her mobile phone as a capital. Now, there are many furniture businessmen who sell their products online. They do not need to produce the furniture. By using online selling method, they only need to know the market prices, have photos of the products and sell them online. The products they sell are not their own products.

It is shown that Jepara experiences a decline in production, design and competition in furniture market of ASEAN and the world. Problems in market network, capital, production, and craftsman's welfare become the major propositions in Jepara.

This research is aimed to conduct a mapping of furniture industry condition in Jepara. In addition, this research also conducts an investigation of how furniture industry in Jepara performs its online and external business adjustment.

## **Study of related literatures**

The condition of industry in Jepara, as reviewed by Berry, Albert, Edgard Rodriguez, and Henry Sandee (2001) discussed about the cluster role and subcontract as factors in the evolution of small and middle enterprises in Indonesia for the last quarter century. This research has found that 50% of furniture export is dominated by 10 big companies where foreign investors donate 25% of the total of export. The players of small business are able to penetrate export market through buyer driven of trading network (wood furniture crafting) and brokers, agents, and sellers functioned as intermediary between international buyers and small scale producers.

The research conducted by Loebis, Lienda, Hubert Schmitz (2005) discussed whether furniture craftsmen in Central Java are able to survive or not in international market. From the results of their research, it can be determined that the company and workers in fact obtain their earnings from productions of products sold to international markets. However, they do not get sustainable profit since the export viability depends on woods as the raw materials that are obtained illegally. Furthermore, the number of those raw materials are running low. On the other hand, according to Zainuri, Muhammad, Waridin, Purbayu B, and Santoso I (2012), the ones who did the research on the condition of furniture in Jepara through the analysis of Structure Conduct Performance, the results showed that the furniture industry in Jepara had monopolistic competition. The market behaviors that are experienced by the market players, especially small and middle industries are quite weak. Large scale industry is considered to have good performance. The level of competition in small and middle industries is relatively low, while small scale industries have higher level of competition. From the results of this research, it can be shown that the arrangement of production and distribution strategies needs to be prioritized in small and middle industries.

## **Methodology**

The research was conducted in Jepara district, Central Java. The sample has been collected from Small and Medium Enterprises (UKM) in furniture field. This research used the purposive random sampling. The primary data has been collected through questionnaires and in-depth interviews. The key informants for this research who will be interviewed thoroughly are:

1. Policy makers, such as Head of the Industrial Board, Head of the Trade Board, and Head of Cooperative and Small Micro Medium Enterprises (UMKM).
2. Head of furniture association at the provincial level of Central Java and Jepara District.
3. 5 major players of furniture industry in Jepara.

Variables used in this research are :

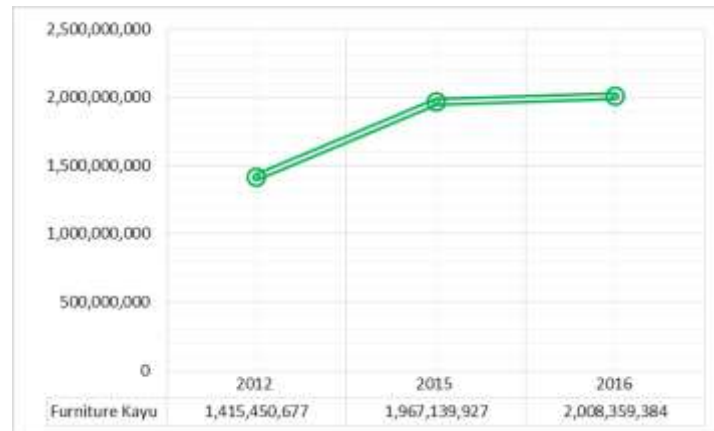
1. Business competition. Several approaches of business competition in furniture industry will be applied to determine how important the condition of business competition as a consideration in business development is. These approaches are the conditions or product qualities, post-sale service, fee and price, and production time and shipping.
2. Management Priority. Measuring the scale of interest of respondents for several major things, such as things related with products, production, cost of goods produced, and product selling.
3. Performance. The performance of managers and production supervisors will particularly be measured during production process.
4. Inovasion. Measuring the inovasion of importance level for business development, both in measuring inovasion of subordinates in soliciting new production ideas and measuring inovasion for the company's importance in general, for example matters related with production and marketing fees.

The analysis method used in this research is a descriptive research to make a profile of furniture industry in Jepara. The data will be described comprehensively. This research will also consider some related policies. The search of the policy will be beneficial in making the decisions of strategic steps of development which can be conducted by furniture industry in Jepara.

## **The Profile of Furniture Industry in Jepara**

The development of the number and volume of business unit and production of furniture industry in Jepara shows that the trend in the number of Middle Small Industry (IKM) and production volume has risen from year to year. However, there is an indication that there was a fall of the number of IKM from 2015 to 2016 even though the production volume increased. Based on the whole industrial data in Jepara, wood furniture industry has the most number of IKM. In 2012, there were 4,104 IKM units. It accelerated to be 5,993 IKM units or 43,03%. However, if it is compared to the number of IKM units in 2016, there was an downward of the number of IKM units. There were 5,870 units or 2,05%. Meanwhile, the production volume had increased from

2,948,824 pieces in 2012 to be 4,098,164 pieces in 2016. It increased for 41,89% in 2012 to 2015 and increased for 2,10% in 2015 to 2016.



Source: Central Statistics Body, processed data

## Figure of Production Value Development of Wood Furniture Industry in Jepara District

Overall, from 2012 to 2016, the number of IKM in Jepara experienced an increase. The number of IKM in 2012 was 9,959 business units. It became 19,340 business units in 2015. In 2016, it decreased to 18,695 business units. From various IKM growing in Jepara District, the data shows that the number of business unit of wood furniture becomes a dominant industry with the data as follows: 4.104 units out of 9.959 units of IKM in 2012; 5.993 units out of 19,340 units of IKM in 2015 and 5.870 IKM units out of 18.695 IKM units in 2016 . viewed from the work force absorption, furniture industry successfully absorbed 54.000 people in 2012. In 2015, the number increased into 77.187 people. It rapidly rose into 75.603 people in 2016. The value of furniture IKM shows that there was an increase of production value from Rp 1.415.450.677 thousand (2012) into Rp1.967.139.927 thousand (2015) and it increased again into Rp 2.008.359.384 thousand in 2016. The orientation of furniture IKM in Jepara fulfills domestic needs and export oriented.

Based on the previous description, it can be seen that wood furniture industry has an important role in economy, such as its role in goods availability, production values, and work force absorption and export foreign exchange. Furniture IKM has a contribution of furniture for 52,13% out of all IKM in Jepara with the portion of work force absorption of 33,27% and the contribution

value of 49,54%. 49,60% of the exporter number in Jepara become furniture IKM and show export contribution of 82,51%.

There are 30 respondents as the sample in this research. They are companies in furniture industry in Jepara District. The respondent detail description of single ownership is in the following table. 77% of the samples (it means most of the respondents), with company's legal status of single ownership, is owned by men, not women. The latest education level of those business owners are high school graduates (38%), and under graduates (35%).

In production process, not all production processes are conducted by the companies. There usually are companies which use sub-contractors or not in production process. Based on the questionnaires, the data shows that 17% of IKM use sub-contractor system and the remaining 83% do not. It is shown that 60% of respondents stated that they uses sub-contractors for peak works, while 20% of them stated that they used sub-contractors when they need them, and the remaining 20% stated that they always used sub-contractors. Based on sex, 61% of the sub-contractors were men and 39% of them were women. Sub-contraction is conducted in the same area (60%) and the remaining percentage were from Jepara or Central Java.

Some IKM have separated offices and factories. The following information is the condition of offices and factories of furniture IKM. From the ownership, 97% of offices and 86% of factories are private property. The location of most offices and factories is in housing areas, not in commercial ones.

Considered from the raw materials, 89% of furniture products use local raw materials, while the remaining percentage use imported ones. The following table shows the resulted products. In average, tables and chairs are the most products made. The number of products produced is also in fluctuation. It depends on high and low seasons of order. The high season of order usually happens in the beginning of the year and seasonal change for export products.

Viewed from marketing performance, furniture product is one of strategic commodities for the economy in Indonesia. Several criteria that make furniture industry as strategic commodities are because furniture product has high additional value and it is globally competitive. Furniture product from Jepara is quite famous. It has given significant contribution for local, regional, or national economy.



The export value of furniture in Jepara District in 2017 decreased for 13%. The export of furniture products until the end of last year was USD 166,8 million. In the previous year, export value reached USD 174,1 million. A decrease of export value was followed by a decrease of the number of export destination country. In 2016, there were 113 destination countries for export. The number decreased to 111 export destination countries in 2017. However, it is inversely proportional to the number of exporters in Jepara. The value and the number of export destination country decreased, but the number of exporters increased.

One of the causes of export value decrease is because some businessmen prefer to strengthen domestic markets. This is along with the weakening of purchasing power of importing countries. Some European countries experience a downward of export value. United States is the only country that experience an increase of export value from Jepara. Furniture businessmen depend on the economy condition of importing countries. United States is quite stable and tends to increase. However, European and East Asia countries tend to decrease.

## **Discussion: Business Adjustment and Business Sustainability Strategy**

This research digs up business sustainability process conducted by furniture industry in Jepara it will eventually be used as business sustainability strategies. Based on discussion and questionnaire, it can be seen that furniture industry moves rapidly, faces tight competition, and has challenges in design, environmental problem, and marketing. There are some adjustments to face business world that moves fast so that furniture IKM able to survive and develop.

Furniture companies in Jepara are quite adaptive in updating technology development to develop their products. It is proven that 58,82% of furniture companies in Jepara make websites to promote their furniture products. Promotion through website has more interesting advantages. It can be accessed easily, it has cheap fee, and interactive.

**Table of Conducted Promotion**

Promotion Activity	Frequency	Percentage (%)
Website	20	58,82
Brochure	8	23,53
Exhibition	6	17,64
	34	100,00

Source: Questionnaire, processed data

Recently, marketing orientation of furniture companies in Jepara is no longer aggressive to export markets. They consider the fact that export market is full of competitors from Tiongkok and Vietnam. Producers of Jepara furniture then shift their orientation to domestic market along with the increasing of middle income amount in Indonesia. From all respondents, only 33,25% of furniture companies oriented in export, while the remaining percentage orientate to domestic market. The main destinations of export are ASEAN, Middle East, Australia, and Europe. Jepara furniture companies oriented in local markets only cover district and inter-island markets.

**Table of Marketing Orientation**

Marketing Orientation	Destination
Export	ASEAN, Middle East, Australia, Europe, Arab and others
Domestic	Local – inter-island in Indonesia

Source: Questionnaire, processed data

Marketing channels of furniture product marketing in Jepara are short because majority of products is sold in own shops. Furniture companies in Jepara usually own showrooms to display their furniture product collection. Periodically, the products displayed in the showrooms are replaced with new design products. Product innovation becomes one of successful keys for furniture industry in Jepara.

## Table of Marketing Channels

<b>Marketing Channels</b>	<b>Total Percentage</b>	
Department		
Stores	1	2,85
Boutiques	1	2,85
Own Stores	21	60,00
Sellers	6	17,14
Contractors		
Direct Selling	6	17,14

Source: Questionnaire, processed data

Potential of furniture market in Jepara is still very high in the future. There are many things to do to seriously develop furniture products in Jepara. Domestic market for furniture industry will continuously increase. Data show that requests for domestic furniture products keep increasing because of developments of housing and property, markets for companies, governmental institutions, hotels, State-Owned Enterprise (BUMN), and hundreds of Local-Government-Owned Enterprises (BUMD).

In identifying the strategy to guarantee business continuity, questionnaires are used to determine importance levels of several indicators of business continuity strategy. The following table indicates manager performance using levels of very unimportant to very important. Most of managers (40%) determine that it is very important for managers to be able to adjust the capacity rapidly. Whereas, there are 3% of them who consider it unimportant. Most of managers also have perception that it is important (50%) to very important (17%) that a manager should be able to change the design of the products even after the production process starts. It is important, even very important, for a manager to be able to reduce the total inventory and production time.

It is clearly shown in the table about the competency qualification needed for managers in furniture industry. Because production has become an important thing for business continuity, a manager should be able to manage things related to design, supplies, production processes, and processing time well and carefully.

**Table of Managerial Performance**

Notes	1	2	3	4	5	6	7	total
The ability of managers to adjust the capacity rapidly.			1	3	5	9	12	30
	0%	0%	3%	10%	17%	30%	40%	100%
The ability of managers in changing the product designs after the production starts.			1	4	5	15	5	30
	0%	0%	3%	13%	17%	50%	17%	100%
The reduction of supplies			1	1	8	17	3	30
	0%	0%	3%	3%	27%	57%	10%	100%
The reduction of production time.				5	8	9	8	30
	0%	0%	0%	17%	27%	30%	27%	100%

Source: Questionnaire, processed data

Here is how employers evaluate the behaviors of their employees related to their working innovation. Most respondents evaluate their employees using the scales of important to very important when they are motivated in searching new things (ideas, technology, process), bringing up creative ideas, giving ideas to other people, securing funds, and developing plans to implement new ideas. Most respondents also evaluate that their employees are innovative.

#### 4.16. Innovation

Notes	1	2	3	4	5	6	7	Total
Enthusiastically looking for new technologies, new processes, new techniques, and/or new ideas regarding to the products.				1	4	12	13	30
	0%	0%	0%	3%	13%	40%	43%	100%
Often bringing up creative ideas.			1	5	19	5	30	
	0%	0%	0%	3%	17%	63%	17%	100%
Promoting and giving ideas to other people.				3	7	15	5	30
	0%	0%	0%	10%	23%	50%	17%	100%
Securing funds needed to implement ideas.			3	3	13	11	30	
	0%	0%	0%	10%	10%	43%	37%	100%
Developing suffice plans and scheduling to implement new ideas.				1	5	15	9	30
	0%	0%	0%	3%	17%	50%	30%	100%
Your employees are innovative.				3	12	12	3	30
	0%	0%	0%	10%	40%	40%	10%	100%

Source : Questionnaire, processed data

Based on the results of the survey to 30 respondents, it can be seen that the business competition side is an important thing to be concerned in the future, both to maintain markets and expand markets. Only 47% of respondents stated that the high quality of products is very important. They stated that the durability of products is the most important (60% respondents). In the question of product reliability, from the scale of 1 to 7, it can be seen that the product reliability is important. The interesting part is about the accuracy in handling customers' complaints. There are 3% of respondents who consider that handling customers' complaints is not a major thing, even though there are 53% of respondents stated otherwise. Feature variation or furniture design are also important for them. Considering this condition, it can be seen that business competition has become an aspect to be noticed. Business strategy that can be applied is by improving products durability and product design variation.

**Table of Business Competition**

Notes	1	2	3	4	5	6	7
High quality of products						16	14
						53%	47%
High durability of products					2	10	18
					7%	33%	60%
High reliability of products					5	13	12
					17%	43%	40%
Convenience in product service (fee and time)					5	11	14
					17%	37%	47%
Accuracy in handling customers' complaints				1	4	9	16
				3%	13%	30%	53%
Short period of delivery				1	4	16	9
				3%	13%	53%	30%
Delivery on the due date (on time)				2	6	8	14
				7%	20%	27%	47%
Variation of product features				4	18	8	
					13%	60%	27%

Source: Questionnaire, processed data

The last question in the questionnaire is about management priority. In management priority, it can be seen that reduction of production period and reduction of supply are not options to choose by furniture IKM. The most important strategy is still related to products, they are

introduction of new designs and fast and precise adjustment of product capacity. It is conducted due to market demands that move fast in designs and seasonal fluctuation in furniture production itself.

**Table of Management Priority**

Notes	1	2	3	4	5	6	7
Cost of products sold (fee)				1	3	15	11
				3%	10%	50%	37%
Productivity of employees				2	1	17	10
				7%	3%	57%	33%
Capacity Usage					4	14	12
					13%	47%	40%
Suitability of final products to design specification				1	3	13	13
				3%	10%	43%	43%
Ability of introducing new products rapidly to production team					2	18	10
					7%	60%	33%
Ability in adjusting capacity quickly and in a short notice					5	18	7
					17%	60%	23%
Ability in changing product design after production starts				1	8	15	6
				3%	27%	50%	20%
Reduction of supplies			1	3	11	13	2
			3%	10%	37%	43%	7%
Reduction of production period			1	3	7	10	9
			3%	10%	23%	33%	30%

Source: Questionnaire, processed data

## Conclusion

Furniture industry in Jepara is a strategic industry both for local or national economy. In facing globalization, furniture industry in Jepara conducts some adjustments internally and externally. All industry players attempt to behave adaptively toward business development and competition by doing design innovation continuously. Furniture industry businessmen also motivate their employees to be creative and innovative. Externally, local government constantly supports the existence and competitiveness of the industry by providing facility for promotion and

exhibition both national and international. Business strategies that can be applied are improving product durability and design variation. These need to be done because of market demands that move fast in designs and seasonal fluctuation in furniture production itself.

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