

# An Analysis Of Resilience Level Of Business Unit Of The Village-Owned Enterprises (Bumdes) Associated With The Dimensions Of Service Quality Using The Canonical Correlation Analysis (Case In Saintis Village, Percut Sei Tuan, Deli Serdang, Indonesia)

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**Abstract :** In an increasingly modern world today (social, technology, and environment), a business will not be able to guarantee and maintain a competitive position and survive the disruption of the business environment. This article provides a literature review on business resilience and its application in the context of Village-Owned Enterprises (BUMDES) level. The purpose of this study is to determine the business resilience level of BUMDES and its relationship to the quality of the products offered. Business resilience in this study was illustrated by some variables, namely customer satisfaction, customer retention and willingness to pay more. The population in this study was the entrepreneurs of BUMDES in Saintis Village. There were 60 people used as the sample. The primary data were collected using questionnaires and interviews, while the secondary data were collected using literature study. The hypotheses in this study were tested by using canonical correlation with the use of SPSS program. The results of this study are expected to be useful for BUMDES Enterprises to determine the level of business resilience and also relationship between the business resilience and product quality.

**Keywords:** business resilience, customer satisfaction, customer retention, willingness to pay more, product quality.

## 1. INTRODUCTION

Getting into today's era, it is impossible to run a business/company without facing any competition. There will always be new businesses that will seize the market share. Therefore, it is necessary to have the right business strategy to maintain business existence and develop its business. Every business certainly has a strategy in its operation. The form of strategy that is applied between one business and another is different. However, there are a number of common strategies and can be applied to various forms and sizes of business. According to Siagian (2011), there are at least twelve alternative strategies that can be the basis for efforts to achieve the long-term goals of a business so that business objectives can be achieved and it is able to have good business resilience. Business resilience is the ability of a business to compete competitively and also to survive in the environment.

Some efforts for achieving business resilience are:

1. Enterprises must have advantages
2. Improving business quality
3. Increasing income equity
4. Utilizing existing resources
5. Improving the welfare of the workers
6. Encouraging the creation of innovative products

## 7. Increasing business activities.

Nowadays, the small industries or small and medium enterprises are interesting business sector to pay attention to. Not only to its rapid development and distribution, but also the dynamics. The micro, small and medium enterprises or MSMEs are one of the leading driving forces in economic development. However, although the micro, small and medium enterprises have shown their role in the national economy, MSMEs still face various obstacles and constraints, both internal and external, in terms of production and processing, marketing, human resources, design and technology, capital, and business climate. Village-Owned Enterprises (BUMDES) are village business institutions managed by the community and village government in an effort to strengthen the village economy and are formed based on the needs and potential of the village. According to Law Number 32 of 2004 concerning Regional Government, BUMDES are established, among others, in order to increase Village-Owned Source Revenue (PADesa). BUMDES is one of economic institutions of which business capital is built on the initiative of the community and adheres to independent principles. It means that the fulfillment of its business capital must be sourced from the community. However, it is possible for BUMDES to apply for capital loans from outside parties, such as from the Village Government or other parties, even through third party. The establishment and management of BUMDES are the manifestation of village productive economic management that is carried out in a cooperative, participatory, emancipatory, transparency, accountable and sustainable manner. Therefore, serious efforts are needed to make the management of the business entity run effectively, efficiently, professionally and independently to survive and achieve its business objectives. Business resilience is a very interesting issue to be discussed at the level of small and medium enterprises, like BUMDES.

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Business resilience for small and medium-sized businesses is expected to be able to withstand or minimize various internal and external obstacles and constraints. Resilience in the business climate, processing and production, human resources, business innovation (design, marketing, packaging and so on) and the use of existing technologies need to be owned by all business actors in order to be able to compete in the rapidly-growing business world (Anggoro, 2009). Business resilience becomes an approach that moves the business towards the realization of conditions that are strong and reliable in dealing with various pressures, threats, or any vulnerable situation (Bahransyaf, et al, 2005: 3). As with small and medium-sized entrepreneurs, BUMDES must also strive to maintain its business amid the intensively increasing competition and internal problems of the business group itself. Resilience will be associated with both internal and external factors of the business. In this study, resilience was associated with internal business factors, namely product quality which was described through reliability, assurance, tangible, empathy and responsiveness. This study aims to see the relationship between product quality and business resilience owned by BUMDES in Saintis Village. In addition to the results of this study, it can also be seen each relationship between independent and dependent variables as well as the relationship between the dependent variables through canonical correlation analysis.

## 2. LITERATURE REVIEW

### 2.1. Village Owned Enterprises (BUMDes)

Village Owned Enterprises (BUMDes) are village business institutions managed by the community and village government in an effort to strengthen the village economy and are formed based on the needs and potential of the village. BUMDes according to Law Number 32 of 2004 concerning Regional Government is established, among others, in the context of increasing Village Original Revenue (PADesa). As one of the economic institutions operating in the countryside, BUMDes must have differences with economic institutions in general. This is intended so that the existence and performance of BUMDes can contribute significantly to improving the welfare of villagers. In addition, in order not to develop a capitalistic business system in the countryside that can lead to disruption of the values of social life.

### 2.2. Business Unit Resilience Analysis

Companies in competitive industries have the freedom to enter and exit the market. In a situation of above normal profit, the company will enter the competition market, otherwise if profit is under normal conditions, the company will decide to exit the market. They tend to wait to find more favorable market conditions. However, if the market price tends to decrease continuously, the company will leave its industry.

### 2.3. Product quality

In customer satisfaction perspectives, companies really pay attention to things that are important factors in a concept of customer satisfaction itself. An important factor that is really considered by the company is the concept of service quality. According to Parasuraman, et al., In Tjiptono (1996) there are five main indicators that affect the quality of service, namely in the form of tangibles, reliability, responsiveness, assurance and empathy.

### 2.3.1. Tangibles

Service quality is a form of actual actualization that can physically be seen or used by employees in accordance with their use and use that can be felt to help the service received by people who want service, so that they are satisfied with the perceived service, which at the same time shows the work performance of the services provided (Parasuraman, 2001).

### 2.3.2 Reliability

In serving customers as best as possible and finally being able to provide customer satisfaction cannot be separated from the reliability or reliability of these. While the definition of reliability or reliability according to Parasuraman (2001) is that every employee has reliable abilities, knows about the ins and outs of work procedures, work mechanisms, corrects various deficiencies or irregularities that are not in accordance with work procedures and are able to show, direct and provide the right direction to every form of service that has not been understood by the community, thus giving a positive impact on the service.

### 2.3.3. Responsiveness (responsiveness)

The definition of responsiveness according to Tjiptono (2007) is the desire of staff and employees to assist customers and provide services responsively. The response here can be interpreted as the form of the company's response to all matters relating to consumers. The intended response as well as the way the company accepts whether it is a request, complaint, suggestion, criticism, complaint, and so on for the product or even service received by consumers.

### 2.3.4. Guarantee (assurance)

Today the discussion about guarantees or assurance is so intense in many circles, including in the field of marketing. The company now really pays attention to assurance that does not just want to be a term but is also one of the dimensions of the quality of service whose ultimate goal is customer satisfaction for the product of the company. The definition of assurance or guarantee according to Salim (2007) defines insurance as a willingness to establish small (small) losses that are certain as a substitute/substitution of large losses that have not yet occurred.

### 2.3.5. Empathy

The definition of empathy in marketing according to Nursodik (2010) is the individual attention given by the company to customers such as the ease of contacting the company, the ability of employees to communicate with customers, and the needs of their customers. Services will run smoothly and quality if each party with an interest in service has a sense of empathy in completing or managing or having the same commitment to service (Parasuraman, 2001).

## 2.4. Behavioral Intention

According to Olson & Peter (2008) intention to behave (behavioral intention) is a proportion that connects itself to the actions that will come. Based on the above theory, it can be concluded that behavioral intentions are an indication of how people are willing to try and instill customer trust in the company, giving rise to their own satisfaction. According to Zeithaml (2003), behavioral intention is measured from 5 dimensions, namely

1. Loyalty to company (Loyalty): a condition where the customer makes regular repurchases, cannot be affected by competitors to move and refer to others.
2. Propensity to switch (Switch): a behavior that shows a desire to move or not to a competitor.
3. Willingness to pay more (Pay More): willingness to make payments that are higher than they should to get the benefits received.
4. External response to problem (External Response): communicates dissatisfaction with services provided to parties outside the organization.
5. Internal response to problem (Internal Response): communicates dissatisfaction with the services provided to parties within the organization.
6. Customer Retention (Loyalty): a type of management that specifically discusses theories about handling the relationship between a company and its customers, with the aim of increasing the value of the company in the eyes of its customers.

## 2. CONCEPTUAL FRAMEWORK

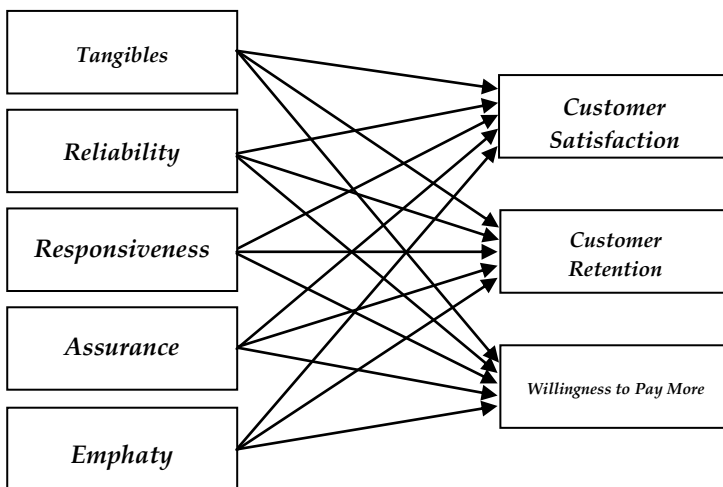


Figure 1. Conceptual Framework

## IV. RESEARCH METHOD

This research is categorized as explanatory research, the research that aims to analyze the relationship between the variables or how a variable has an effect on other variables. The sampling was conducted by using purposive sampling technique that is taking the research sample based on certain criteria. The population in this study was the entrepreneurs of BUMDES in Saintis Village. There were 60 people used as the sample. The data were analyzed by using canonical correlation analysis to determine the relationship between the independent and dependent variables simultaneously.

## III. RESULTS AND DISCUSSION

### 3.1. Result

#### 3.1.1. Assumption Test on Canonic Correlation Analysis

In the canonical correlation analysis, there are several assumptions that must be met before conducting the analysis, including the normality, linearity and multicollinearity assumptions. The followings are the results of the assumption of data normality in this study.

TABLE 1. Results of Data Normality Assumption

Variable	N	Kurtosis	Std. Error of Kurtosis	ZKurtosis	Information
Tangibles	60	-0,401	0,608	-0,660	Normal
Reliability	60	-0,568	0,608	-0,934	Normal
Responsiveness	60	-0,525	0,608	-0,863	Normal
Assurance	60	0,451	0,608	0,742	Normal
Emphaty	60	-0,326	0,608	-0,536	Normal
Customer Satisfaction	60	-0,02	0,608	-0,033	Normal
Customer Retention	60	-0,091	0,608	-0,150	Normal
Willingness to Pay More	60	-0,572	0,608	-0,941	Normal

Source : SPSS Result (2018).

The measurement of normality using Kurtosis was conducted by indicating the sharpness of a data. The more sharp the data distribution, the more abnormal the data. In order to be able to make a decision, the value of Zkurtosis was compared using the Z value for a significance level of 5%, which is 1,96. Based on the table, it can be seen that each Zkurtosis value is less than 1,96. Then, the data can be concluded that the data used in this study has been normally distributed.

TABLE 2. Results of Data Linearity Assumption

Variable	F	P	Information
Tangibles*Customer Satisfaction	1,795	0,108	Linear
Tangibles*Customer Retention	1,462	0,202	Linear
Tangibles*Willingness to Pay More	1,288	0,275	Linear
Reliability*Customer Satisfaction	1,128	0,359	Linear
Reliability*Customer Retention	1,038	0,412	Linear
Reliability*Willingness to Pay More	1,479	0,204	Linear
Responsiveness*Customer Satisfaction	0,364	0,919	Linear
Responsiveness*Customer Retention	0,616	0,740	Linear
Responsiveness*Willingness to Pay More	0,252	0,969	Linear
Assurance*Customer Satisfaction	0,845	0,568	Linear
Assurance*Customer Retention	1,073	0,397	Linear
Assurance*Willingness to Pay More	0,976	0,466	Linear
Emphaty*Customer Satisfaction	1,578	0,172	Linear
Emphaty*Customer Retention	1,896	0,099	Linear
Emphaty*Willingness to Pay More	1,318	0,266	Linear

Source : SPSS Result (2018).

Based on the table above, it can be seen that all the relationships described in the model have met the linearity assumption because each relationship has a P value that is greater than alpha 5% which is 0,05.

TABLE 3. Results of Data Multicollinearity Assumption

Variable	Tolerance	VIF	Information
Tangibles	0,251	3,988	Not occurred
Reliability	0,277	3,612	Not occurred
Responsiveness	0,252	3,970	Not occurred
Assurance	0,254	3,930	Not occurred
Emphaty	0,239	4,178	Not occurred

Source : SPSS Result (2018).

Based on the table above it can be seen that each independent variable has a tolerance value greater than 0,1 and a VIF value lower than 10. So it can be concluded that there is no multicollinearity in each independent variable in this study.

### 3.1.2. Canonic Correlation Analysis

The canonical functions were used for determining the functions that could be further analyzed for the use in the interpretation of the results of Canonical Variates. In the equation (model) of this study, there were 3 dependent variables and 5 independent variables, so that there will be 3 canonical functions formed.

**TABLE 4. Eigenvalue and Canonic Correlation**

Function	Eigenvalue	%	Canon Cor.	Sq. Cor.
1	3,625	91,56	0,885	0,784
2	0,305	7,71	0,484	0,234
3	0,029	0,73	0,167	0,028

Source : SPSS Result (2018).

Based on Table 4 it can be seen that function 1 accommodates 91,56% of canonical correlations, while function 2 and 3 only accommodate 7,71% and 0,73%. The canonical correlation at function 1 (0,885) is much greater than the canonical correlation in function 2 (0,484) and also in the third function (0,167) Furthermore, in order to find out whether the functions can be further processed, it can be seen in the results of the following table.

**TABLE 5. Dimension Reduction Analysis**

Function	Wilks Lambda	F	P Value
1 TO 3	0,161	8,999	0,000
2 TO 3	0,745	2,104	0,042
3 TO 3	0,972	0,517	0,672

Source : SPSS Result (2018).

Based on the table above it is known that function 1 and 2 have a significance value of 0.000 and 0.042, respectively, which is smaller than the alpha value ( $p < \alpha$ ). So that, it can be seen that function 1 and 2 have canonical functions which are individually significant at the 5% level. While the 3rd function does not have the canonical function because the significance value of the 3rd function is 0.672, which is greater than the alpha value ( $p > \alpha$ ). With these results, it can be seen that there are two significant canonical correlations individually, so that canonical functions can be further tested.

**TABLE 6. Multivariate Significance Test**

No	Test	Value	Sig.
1	Pillais	1,04556	0,000
2	Hotellings	3,95898	0,000
3	Wilks	0,16103	0,000
4	Roys	0,78379	

Source : SPSS Result (2018).

Based on the table above, it can be seen that all p values are  $< 0,05$ , so that, collectively, the canonical functions used in this study are significant.

**TABLE 7. Canonical Weight and Loadings**

No	Type	Variable	Function 1		Function 2	
			Weigh t	Load ing	Weigh t	Load ing
1	Dependent	Customer Satisfaction	-	0,917	2,083	0,378
2		Customer Retention	-	0,856	1,632	0,485

3		Willingness to Pay More	1,593	0,985	-3,357	0,172
4	Independe nt	Tangibles	0,238	0,841	0,283	0,325
5		Reliability	0,174	0,877	0,625	0,295
6		Responsivene ss	-	0,737	-0,106	0,228
7		Assurance	0,007	0,779	1,168	0,501
8		Emphaty	0,822	0,981	-1,649	-0,099

Source : SPSS Result (2018).

Canonical weight is the standardized canonical coefficient, can be interpreted as the closeness of the original variables to canonical variables. The greater the coefficient value, the higher the closeness of the related variable to the canonical variable. Meanwhile, the canonical loading can be calculated from a simple correlation between the original variables and each canonical variable. The greater the canonical loading, the closer the correlation between the related canonical variable and the original variable. Based on the order from the largest to the smallest contribution, the canonical weights of the dependent variables in the 1<sup>st</sup> canonical function will be; willingness to pay more (Y3), customer satisfaction (Y1) and customer retention (Y2). For the second function, the order from the largest to the smallest contribution will be the same as function 1; willingness to pay more (Y3), customer satisfaction (Y1) and customer retention (Y2). Based on the order from the largest to the smallest contribution, the canonical weights of the independent variables in the 1<sup>st</sup> canonical function will be empathy (X5), tangibles (X1), responsiveness (X3), reliability (X2) and assurance (X4). Whereas based the order from the largest to the smallest contribution, the canonical weights of the independent variables for the 2<sup>nd</sup> canonical function will be empathy (X5), assurance (X4), reliability (X2), tangibles (X1), and responsiveness (X3). Based on the order from the closest to the farthest correlation to the canonical function, the canonical loadings in the 1<sup>st</sup> canonical function will be; willingness to pay more (Y3), customer satisfaction (Y1) and customer retention (Y2). Whereas based on the order from the closest to the farthest correlation to the canonical function, the canonical loadings for function 2 will be; customer retention (Y2), customer satisfaction (Y1) and willingness to pay more (Y3). Based on the order from the closest to the farthest correlation to the canonical function, the canonical loadings of the independent variables in function 1 will be empathy (X5), reliability (X2), tangibles (X1), assurance (X4) and responsiveness (X3). Whereas based on the order from the closest to the farthest correlation, the canonical loadings of the independent variables in function 2 will be assurance (X4), tangibles (X1), reliability (X2), responsiveness (X3) and empathy (X5).

### 3.2. Discussion

In recent decades, the small and medium enterprises have been existing and contributing greatly to the global economy as in Thailand, (Nagai, 2007); Malaysia (Shankar, 2010); Korea (Yhee, 2001) and Indonesia (Akira et al., 2011). In addition, the small and medium enterprises in America have become great engines in job creation (Agyapong, 2010). This also happens in Singapore, Taiwan, Thailand and South Korea (Vandenberg, 2006). Village-owned enterprises (BUMDES) as the support of the village administration's economy in achieving community welfare improvement must be able to survive and compete with other businesses. Based on the results of the research conducted by Sari (2017), it is known that BUMDES has a

significant effect on the economic development of the villages. Business resilience is something that BUMDES must have to improve the welfare of the community. Based on the data obtained from the Ministry of Villages, Underdeveloped Regions and Transmigration, there are 1.022 Village-Owned Enterprises (BUMDES) that have been developed throughout Indonesia, spread in 74 Regencies, 264 Sub-districts and 1.022 Villages (Sari, 2017). Based on the results of the canonical correlation analysis, it is known that 2 of the 3 functions created have a significance level lower than the alpha value of 5%. Thus, it can be seen that, individually, there are 2 canonical functions that are significant at the 5% level. In addition, based on multivariate results (Pillais, Hotellings, Wilks), it can also be seen that, collectively, the canonical function used in this study is significant at the 5% level. More specifically about the discussion of canonical functions used in this study, it can be seen based on the canonical loadings generated. Based on the results of the canonical loadings, it is known that in function 1, the dependent variable that has the closest correlation with the canonical function is willingness to pay more, with a correlation of 0,985. Whereas in function 2, the dependent variable that has the closest correlation with the canonical function is customer retention, with a correlation of 0,485. Thus, as the dependent variables, willingness to pay more and customer retention can describe the closeness of the correlation between the quality of products of BUMDES in Desa Saintis and the business resilience of BUMDES. It means that, if the quality of the products of BUMDES in Desa Saintis increasingly improves, the willingness to pay more and also customer retention will improve towards the business. Therefore, in order to improve business resilience (willingness to pay more and customer retention). BUMDES in Saintis Village must strive to improve the quality of the products. In this study the product quality is described based on 5 dimensions, namely tangibles, reliability, responsiveness, assurance, and empathy. In order to find out which dimensions with the closest correlation to business resilience, we can see the closeness of correlation based on the results of canonical correlation analysis. Based on the results of the canonical correlation loadings of the independent variables, it can be seen that function 1 of the product quality dimension which has the greatest correlation to the canonical function is empathy, with a correlation of 0,981. Whereas in function 2, the product quality dimension which has the greatest correlation to the canonical function is assurance, with a correlation of 0,501. Based on these results, it can be seen that the generated canonical function will illustrate the closeness of the correlation between product quality and business resilience in BUMDES in Saintis Village. In order to be able to improve the business resilience of BUMDES in Saintis Village through product quality, this can be done by increasing the empathy and assurance. In accordance with the results of canonical analysis as described in Table 6, the best canonical function is:

**TABLE 8. Canonical Function**

Function	Product Quality	Business Resilience
1	Empathy	→ Willingness to Pay More
2	Assurance	→ Customer Retention

Source : SPSS Result (2018).

Based on the table, it can be seen that, in order to improve the willingness to pay more, BUMDES of Desa Saintis must improve the quality of the product in empathy dimension. Then,

in order to improve customer retention, BUMDES of Saintis Village must be able to improve the quality of products produced based on the assurance dimension.

## 4. CONCLUSIONS AND SUGGESTIONS

### 4.1. Conclusions

1. The canonical correlation analysis shows that there are simultaneous relationships between product quality dimensions, namely tangibles, reliability, responsiveness, assurance and empathy with customer satisfaction, customer retention and willingness to pay more.
2. In function 1, the closest relationship between product quality and business resilience can be described through empathy and willingness to pay dimensions.
3. In function 2, the closest relationship between product quality and business resilience can be described through assurance and customer retention dimensions.

### 4.2. Suggestions

1. From the results of hypothesis testing it can be seen that the canonical function created has described the closeness between the quality of products and the resilience of its business. Therefore, it is expected that all parties directly involved can improve the quality of the products offered. Product quality is very important to note in order to improve the business resilience of BUMDES in Saintis Village.
2. Another important thing is that the government must also participate in supporting the Saintis Village owned enterprises in improving the welfare of its people by continuing to provide directions, training, guidance, and assistance in the form of additional capital to ensure the BUMDES of Saintis Village can improve its business resilience.
3. As it is known that BUMDES will be able to help the economy of a village (Sari, 2017). So it is expected that all villages in North Sumatra and throughout Indonesia can start to establish BUMDES so that they can improve the welfare of the community starting from the village level. This is also certainly inseparable from the role of both the central and local governments to help the village government to develop.

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