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# **The Influence of Bureaucratic Structure, Resources, Disposition and Communication towards the Effectiveness of Small and Medium Enterprises' Empowerment Policy Implementation in Indonesia**

**Ismet SULILA**

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## **Abstract**

For more than a decade, the government has implemented several policies by allocating resources and providing program assistances for small and medium businesses in Indonesia. However, the results have not reached the expected goals. This study aims at investigating the influence and contribution of bureaucratic structure, resources, disposition, and communication towards the small and medium enterprises empowerment policy implementation in Indonesia. This study used explanatory research. The data collected in one short study cross-sectionally through questionnaire and selected by using purposive sampling. The results showed that these four variables influence the implementation of the empowerment policy of micro, small and medium businesses in Indonesia. Based on the empirical facts, it was pointed out a groundbreaking finding on nine important aspects which determine government policy. Those nine aspects are creating conducive business climate, capital assistances, business protection, partnership development, training, establishment of a specific institution, strengthening the association, developing promotion, and developing equal cooperation.

**Keywords:** *Policy, empowerment, MSMEs*

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## **1. Introduction**

When Indonesia experienced a monetary crisis in 1998, SMEs could still be a buffer for the national economy, absorbing the workforce, and moving the economy (Effendi, Sugandini, Istanto : 2020). Micro, Small, and Medium Business Enterprises, known as MSMEs in Indonesia is deemed as a new Gross Domestic Product (GDP) force. This sector employs more than 107.6 million people in Indonesia and contributed as many as 60.6 % toward the Indonesian GDP (Indonesia-Investments, 2016). According to Rizky (2019), MSME in Indonesia are having potential and great contribution to economics and proving the resistant to the economic crisis that has ever hit Indonesia. Over the recent years, MSMEs empowerment has been the priority of government policy both in developing and developed countries around the world. This is to shorten the economic gap of unemployment and poverty between developing

and developed countries (Maksum, Rahayu, & Kusumawardhani, 2020).

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People who have ideas and intention to start a business are empowered, assisted, and trained to further develop their talents. These empowerment and assistances are not only in the form of human resources, but also in terms of other resources which are critical to their success as MSMEs. Thus, government support through policy to empower these MSMEs is highly required (Bhinekawati, 2016; Jahanshahi, et. al, 2011). A successful performance of policy implementation is identified through a well-



combined socio-cultural and inexistence of policy implementation gap (Grindle, 2017; Degroff and Cargo, 2009). Meanwhile, the success of policy implementation at business owner level is evidenced through the implementation of activities where business owners are participated. When a policy objective or indicator is deemed as too idealistic to be implemented at the society level, the implementation of policies is inclined to have several obstacles, it is rendered ineffective.

MSME empowerment is a strategic choice because it represents a way to recover from economic deterioration by accelerating economic growth during the post-crisis period (Sahela, Susanti & Adjie : 2021). The significant contribution of MSMEs should be the focus of the government to further develop MSMEs and make them independent organization. In this regard, several MSMEs development policies are issued, started from the topic of institutional strengthening, human resources strengthening, working capital assistance, and marketing assistance (Jahanshahi, et. al, 2011; Tambunan, 2019; Irawan and Chandranegara, 2018; Edoho, 2016; Alam, et. al, 2019). However, these policies have not gone as expected to accelerate and empower the MSMEs into the expected level of progressive and independent MSMEs. On the other hand, several studies have shown that there are various contributing factors to the ineffectiveness of government policy program. George Edward III reported that a policy product would be effective when it was supported by other factors such as, bureaucracy structure, resources, disposition, and communication (Edwards and Peabody 1980; Putra and Khaidir 2019). It is strongly believed that those factors also influence the policy implementation of MSMEs empowerment in Indonesia. Therefore, the rationales above posit the significance of the present study in analyzing the influence and contribution of bureaucratic structures, resources, disposition, and communication toward MSMEs empowerment policy in Indonesia. In addition, this study also offers novelty in terms of government policy determination to create a more effective MSMEs empowerment policy implementation.

## **2. Literature Review**

In cyclical theory, implementation is a critical stage within the whole public policy process (Howlett, 2018). Implementation refers to an abstraction process or working process which is purposively carried out to achieve the performance of public policy implementation. Van Meter and Van Horn (1975) elaborated six factors to influence public policy implementation, dimension and objective of policy, resources, characteristics of implementing agent, attitude or intention, communication, socio-economic environment. Implementation of MSMEs empowerment policy can be reviewed from the characteristics of the implementing agent. Implementing agents consists of formal organizations involved in the implementation of public policy. The importance of the performance of this (public) policy implementation is a complex activity with many influencing factors.

### **2.1. Bureaucratic Structure**

Bureaucracy is one of the institutions that most often become the overall implementor of an activity. Bureaucracy is not only existing in government organizations, but also in private organizations and educational institutions. Even in certain cases, bureaucracy is created purposefully to implement certain policies. Ripley and Franklin (1983) and Larson (1982) identified six characteristics of bureaucracy as the result of their observation of the United States bureaucracy, 1) bureaucracy as an instrument of public affairs management, 2) bureaucracy as a dominant institution in the public policy implementation which have different interests persisting within each of the hierarchy, 3) bureaucracy with several different objectives, 4) bureaucracy functioning within a complex and wide environment, 5) bureaucracy that has high survival instinct, therefore, a dying bureaucracy is relatively rare to discover, 6) bureaucracy as a non-neutral power and non-controlled aspect by the external party.

The complexity of policy implementation demands the full cooperation of all stakeholders.



When a bureaucratic structure is not conducive for implementation of a policy, this will result in ineffective and obstruct the implementation of a policy. Therefore, understanding a bureaucratic structure is a fundamental factor to study the implementation of public policy. In bureaucracy, two main characteristics are paramount significance. The characteristics involve Standard Operational Procedure (SOP) and Framework. Standard Operating Procedures is interpreted as the demand for timeliness, availability of resources, and the need for universality within a wide and complex working organization. The base line for this Standard Operating Procedure is generally used to deal with generic situations in various public and private sectors. By utilizing this SOP, the implementors can optimize the allocated time and it serves to unify officers' actions within a complex and large organization. Thus, large flexibility and unity in implementation of regulation can be achieved.

Standard Operational Procedure (SOP) is a potential constraint for the implementation of new policies that need innovative approaches of work or personnel to implement those policies. Therefore, the larger the policy, the more fundamental the changes needed in the usual way of business being conducted within an organization, similarly, the larger the probability of a SOP to obstruct policy implementation. Nevertheless, SOP also has its benefits. Organizations with flexible planning procedures and large but flexible control toward programs maybe more able to adjust to new responsibilities compared to bureaucracy that has none of this feature. The second feature of the bureaucracy structure that influence policy implementation is fragmentation. Fragmentation is a distribution of responsibility within a policy into several different units, thus, coordination is needed. Primarily, the higher the extent of coordination required in implementing a policy, the less likely for that program or policy to be successful. Fragmentation causes narrow minded in many bureaucratic institutions. This brings loss for the success of policy implementation.

## **2.2. Resources**

Resource is allocated as input within organization, it is considered to comprise economic and technological implications. Economically, resource is linked to cost or direct expense by the organization. It depicts the value or potential uses in its transformation process into the output. Meanwhile, technologically, resource related to transformational capability of the organization (Dibia et al., 2014). Resource is an important critical factor in public policy implementation (Knoepfel, et. al, 2011). There are several indicators used to measure the extent of a resource to influence policy implementation, those are: 1) Staffs. The main resource in policy implementation is staffs or street-level bureaucrats. Among others, common failure in policy implementation is caused by insufficient or incompetent staffs. Allocating more staffs and implementors is not necessarily sufficient to solve policy implementation problems. Otherwise, it needs sufficient staffs with adequate capability or competent staffs to properly implement a policy. 2) Information. In policy implementation, there are two types information, one related to the way policy is implemented and another is related to implementors' compliance to the issued regulation. 3) Authority. In general, authority should be formal for an order to be effectively implemented. Authority is a legitimation for the implementors in implementing the politically determined policy, without authority, there is no legitimation of policy implementors in public, so resulted in failure of public policy implementation. However, in other context, the presence of formal authority is often mistaken as abusive in viewing the effectiveness the authority. It is indeed that an authority's effectiveness is needed in policy implementation, yet, the effectiveness will be reduced when authority is misappropriated or abused for the personal or group interests. 4) Facility. Physical facility is substantial to the policy implementation. Policy implementors may have adequate, capable, and competent staffs. However, without sufficient facilities, policy implementation will not be successful.



### 2.3. Disposition

Tendency or disposition is one of the factors which has consequence in an effective policy implementation. When implementors have positive tendency or positive attitude or there is support for policy implementation, then, it is most likely for the implemented policy to yield the intended objective. In reverse, if the implementors have negative attitude or resist the policy implementation due to conflict of interests, then policy implementation will have serious problems. This resistance can take various forms, such as indifference, where policy implementors use their discretion to subtly prevent the policy implementation by ignoring, postponing, and other obstructing actions.

According to Grindle (2017), Edward III noted several things about disposition on implementation of policy such as, bureaucratic appointment. Disposition or attitude of the policy implementors can cause significant obstructions for policy implementation when the appointed personnel do not implement the policy in the way that it is intended by the higher managements. Therefore, appointment and selection of personnel to carry out policy should be those who have strong dedication to the issued policy, especially, those who are dedicated for public interests. 2) Incentive is one of the techniques recommended to deal with the policy implementors' attitude by manipulating them with incentive. It is common for people to act based on their individual interest; therefore, the policy makers influence the behavior of policy implementors with incentive. Increasing benefits for policy implementors may become contributing factor to make the policy implementors carry out the order appropriately. This is carried out as the conduct to achieve the expected personal or organizational interests.

### 2.4. Communication

Communication is one of important variables to influence public policy. Communication strongly determines the achievement of a public policy objective (Tezera, 2019). Effective policy implementation

will be achieved when policy makers know what they do. Information known to the policy-makers is disseminated optimally only by good means of communication. The study posits three indicators to measure the success of communication variable as proposed by Edward III, 1) Transmission, good communication transmission will result in good policy implementation. There are often problems in communication transmission causing miscommunication due to many layers of bureaucracy where the communication is channeled through. Thus, the expected information is distorted along the way. 2) Clarity, communication received by street-level bureaucrats should be clear and concise. 3) Consistency, the instruction given in implementation of a communication should be consistent and clear to be carried out. When an instruction is inconsistent, then it brings confusion in the field level.

There are several general problems in communication transmission as noted by Papathanassopoulos and Negrine (2010), first, there are clashes between policy implementor and the instruction issued by policy-makers, such as clash will cause distortion and direct resistance in policy communication. Second, information is passed down through layers of bureaucratic hierarchy. Communication distortion can happen due to the length of information chain that can cause information bias. Third, the information is absorbed due to perception and implementors' inability understand the general conditions for a policy. Factors enhancing the information unclarity in public policy implementation are generally due to the complexity of the policy, the lack of consensus on the objectives of public policy, problems in starting a new policy, and intention to avert policy responsibility (Hudson, Hunter, & Peckham, 2019). The process of policy implementation comprises different actors from top-tier management actors to street-level bureaucrats. Effective communication demands for organization of clear communication in each layer of bureaucracy. If there are resistance from the implementors, then the policy will be distorted and neglected. Therefore, the more layers or actors involved in a policy



implementation, the larger the possibility for it to be distorted and obstructed (Signé, 2017).

In managing a proper communication, effective communication channels should be established. The better the established communication channels, the higher the probability for the instructions to be clearly and correctly passed down and implemented. Within the clarity of information, there are generally intentions to distort the objectives of information by the policy implementors for their own interests by interpreting the information based on their discretion. This can be anticipated through creating a standard procedure which clearly stated the requirement, objective, eliminate multi-interpretation, implement procedure cautiously and detail reporting mechanism. Communication factor strongly influence the acceptance toward the policy by the target group, hence, communication quality will influence the effectiveness of public policy implementation. Therefore, distribution of policy content through good communication process will influence policy implementation. In this case, communication media used to distribute the content of the policy toward the target groups will be critical.

### **2.5. Effectiveness of Micro, Small and Medium Enterprises (MSMEs) Empowerment**

Effectiveness is the main component to achieve a target set by each organization, activity, and program. It is called effective when the objective is measurably achieved. In short, effectiveness is the measurement of level of achievement of the previously set target. Steers (1977) described effectiveness as an effort or system using certain resources and facilities which strives to achieve their objectives without having to spend the facilities and resources, and without having to suppress unnecessary implementation. Steers added, effectiveness can be measured through productivity, adaptive-working ability, work satisfaction, profitability, and resources exploration. Effectiveness can be understood as ability to physically and non-physically implement institutional activity to

achieve the objectives and achieve target measurably.

Empowerment is a conscious and systematic effort to achieve better life. Empowerment is the result of failure and hope, a failure of the economic development models to eradicate poverty and create preserve environment. Meanwhile, hope is due to the emerging democratic values, gender equality, and sufficient economic growth. Based on effectiveness definition and empowerment definition, the effectiveness of MSMEs empowerment is a measurement effort to actualize MSMEs potentials itself. Business people and MSMEs need to improve their entrepreneurial abilities in designing, implementing, and running new businesses that start from micro, small, and develop into medium-sized businesses that are transformed into the formal sector (Sondakh, Bernarto, Juliana, Purwanto : 2020). If the MSMEs empowerment approach emphasizes on the importance of MSMEs independence as a system that properly organize its group, then, such approach is expected to provide roles for individuals not as object, but rather as subject of the development that determine the future of the MSMEs.

### **3. Research Method**

This is an explanatory research, where data are collected in one short study cross-sectionally through questionnaire. Explanatory research is intended to describe the causal relationship among variables through hypothetical testing in order to draw a causality conclusion among variables and for further selecting the alternative actions (Stebbins, 2012). This explanatory approach is employed due to the objective of this study to empirically proven and to describe the significant influence of entrepreneurship orientation, managerial capacity, toward business strategy and business performance in food-sector MSMEs in Gorontalo province. The object of this study is all food-sector MSMEs in Gorontalo province, distributed in five regencies and one city, Gorontalo city, Bone Bolango regency,



Gorontalo regency, Gorontalo utara regency, Boalemo regency and Pohnuato regency.

The population of this study is all food-sector MSMEs owned and managed directly by its owner and registered at KOPERINDAG Agency of Gorontalo province, which amounted to 6, 542 business units. The sampling method is non-probability sampling or purposive sampling (Showkat & Parveen, 2017). Purposive sampling means that samples were selected based on certain criteria to suit the objective of the research. The criteria are applied to filter the research objects (food-sector MSMEs). These criteria are: 1) independently established, not part of other companies, and not directly or indirectly affiliated with medium or large companies. 2) producing food products, 3) MSMEs under the guidance of the KOPERINDAG agency, Bank of Indonesia, or other institutions with similar vision to develop the industry, 4) having business license (P-IRT, Halal BPOM) required for food-processing industry, 5) having production location and facility that can be observed and visited, 6) have been established for at least 10 years, 7) owners and managers have knowledge on entrepreneurship, business management, marketing, and enterprise's condition.

Based on these criteria, 96 MSMEs were selected as samples. The data collection methods were: 1) questionnaire distributed to business owners or business managers of the selected MSMEs in Gorontalo province. 2) In-depth interview, this technique is employed to support and reveal facts behind the quantitative analysis. Interview was carried out toward respondents which were considered capable to provide the needed explanation. 3) Documentation, collecting relevant documents and study from various sources like companies, website, and other related institutions.

The data in this study were analyzed using *Partial Least Square* (PLS) to test the model or relations structure among variables. This research employed Second Order PLS as proposed by Wong (2013), second order SEM PLS was initiated from the construct – dimension – indicator. There are several reasons the employment of this Partial Least Square

(PLS) technique in this study, such as 1) PLS is an analysis method applicable to all scale of data, it does not need many assumptions and does not necessarily need large sample size (Gaskin & Lowry, 2014). The sample size used for hypothesis testing in PLS are resampling with bootstrapping developed by Geisser (1975). The sample size in PLS is estimated as follow a) ten times of the number of formative indicators (neglecting the reflexive indicator). b) ten times structural number (structural paths) in linier model. c) small sample size of 30 – 50 or large sample size of more than 200 can be used. 2) Logical framework constructed in this research consists of two exogen variables, disposition, resources, and bureaucratic structure, whereas two endogen variables in this study are communication and MSMEs empowerment. Each exogen and endogen variable are measured using several reflexive indicators, thus, the Partial Least Square (PLS) used to estimate is construct variant (Chin, 1998). 3) Partial Least Square (PLS) is a method of analysis to construct relationship between variables that are yet to have strong theoretical background or to test proposition. 4) Model Evaluation, PLS model evaluation is based on the prediction measurement with non-parametric characteristics. Measurement model or outer model with reflective indicator is evaluated with convergent and discriminant validity of its indicators and composite reliability of the indicators' block. Meanwhile, outer model with formative indicator is evaluated based on its substantive content by comparing its relative weight and to see the significance of that weight size (Henseler, Ringle, & Sinkovics, 2009).

Structural model is evaluated using the percentage of the described variant by considering the (R-square of exogen variable) for dependent latent construct by using the Stone-Geisser Q-Square test (Stone, 1974; Geisser, 1975) and also to see the extent of the structural path coefficient. The stability of this estimation is evaluated using the t-statistic through bootstrapping procedure. There are two models of PLS: 1) Inner model (structural model) devoted to correlation among latent variables. In this research concept, inner model



deals with the specific to relationship among variables. 2) Outer model (measurement model) that deals with the correlations of indicator with its latent variable.

#### 4. Results and Discussion

The data used in this study are primary data obtained through open ended questionnaire distributed to MSMEs owners as respondents all over Gorontalo province. There are 96 copies of questionnaire were sent to the previously determined samples. The result of analysis using the pathway analysis of *Partial Least Square* (PLS) is described in detail below:

#### 4.1. Pre-requisite of PLS analysis

##### 4.1.1. Convergent validity

In convergent validity analysis of the individual test of item reliability can be obtained from standardized loading factor. Standardized loading factor points out the degree of correlation among each measurement item (indicator) against its construct. The outer loading value of each indicators in this study presented below:

Table 1: Convergent Validity Results

Variable	Indicator	Outer Loading	Standard	Status
Bureaucratic Structure	X1.1	0.713	0.7	Valid
	X1.2	0.845	0.7	Valid
	X1.3	0.754	0.7	Valid
	X1.4	0.790	0.7	Valid
Resources	X2.1	0.825	0.7	Valid
	X2.2	0.901	0.7	Valid
	X2.3	0.889	0.7	Valid
	X2.4	0.931	0.7	Valid
Disposition	X3.1	0.942	0.7	Valid
	X3.2	0.927	0.7	Valid
	X3.3	0.936	0.7	Valid
Communication	Z.1	0.909	0.7	Valid
	Z.2	0.887	0.7	Valid
	Z.3	0.859	0.7	Valid
MSMEs Empowerment	Y.1	0.855	0.7	Valid
	Y.2	0.819	0.7	Valid
	Y.3	0.805	0.7	Valid
	Y.4	0.797	0.7	Valid
	Y.5	0.830	0.7	Valid
	Y.6	0.885	0.7	Valid

Source: PLS processing, 2020

Based on the test carried out above, there is no indicator with outer loading value below 0.7. Thus, all indicators are valid to be used in this study and can be used for further analysis.

##### 4.1.2. Discriminant validity

Discriminant Validity is to see and to compare between the discriminant validity and

the square root of average extracted (AVE). If the value of square root average (AVE) of each construct is larger than the correlation value among constructs within the model, then, it is said to have good discriminant value and the expected AVE value is  $> 0.5$ . The result of analysis is presented in the table below:

Table 2: Discriminant Validity Results



Variable	AVE	Standard	Status
Bureaucratic Structure	0.874	0.5	Valid
Resources	0.784	0.5	Valid
Disposition	0.693	0.5	Valid
Communication	0.604	0.5	Valid
MSMEs Empowerment	0.788	0.5	Valid

Source: PLS Processing, 2020

Based on the table above, it is obtained that the AVE value for bureaucratic structure, resources, communication, and implementation of MSMEs empowerment policy is  $> 0.5$ . Therefore, each variable is said to have good discriminant validity.

#### 4.1.3. Composite reliability

Composite Reliability is an index that shows the extent of a measurement tool to be reliable. Data with  $> 0.7$  composite reliability value have high reliability. Composite reliability of indicator block which measure a construct can be evaluated using two measurements, internal consistency, and Cronbach's Alpha. The result of composite reliability of variables in this study is presented in the table below:

**Table 3: Composite Reliability Results**

Variable	Composite Reliability	Standard	Status
Bureaucratic Structure	0.954	0.7	Reliable
Resources	0.916	0.7	Reliable
Disposition	0.931	0.7	Reliable
Communication	0.859	0.7	Reliable
MSMEs Empowerment	0.937	0.7	Reliable

Source: PLS Processing, 2020

Based on the analysis carried out on the data above, it is known that the internal consistency of each variable in this study is  $> 0.7$ . Therefore, this result shows that each variable in this study have meet the required value of internal consistency, thus, it can be concluded that all variables have high reliability.

#### 4.1.4. Cronbach's alpha

The reliability test with composite reliability above can be further strengthened using the Cronbach's Alpha value. A variable is said to be reliable when it has  $> 0.7$  Cronbach's Alpha value. The Cronbach's Alpha value of each variable presented below:

**Tabel 4: Cronbach's Alpha Results**

Variable	Cronbach's Alpha	Standard	Status
Bureaucratic Structure	0.928	0.7	Reliable
Resources	0.862	0.7	Reliable
Disposition	0.911	0.7	Reliable
Communication	0.780	0.7	Reliable
MSMEs Empowerment	0.910	0.7	Reliable

Source: PLS Processing, 2020



Based on the results shown in this table, it is shown that the composite reliability of all variables in this study are  $> 0.7$ . This indicates each variable has met the required composite reliability standard. Hence, they can be concluded that all variables have high reliability level.

#### 4.2. Path coefficient test

Path coefficient evaluation is used to show the extent of effect or influence of an independent variable against the dependent variable, whereas determinant coefficient (R-Square) is used to measure to which extent the endogen variable is influenced by other variables. This result of analysis on level of R square for all equations is provided in the following graphic:

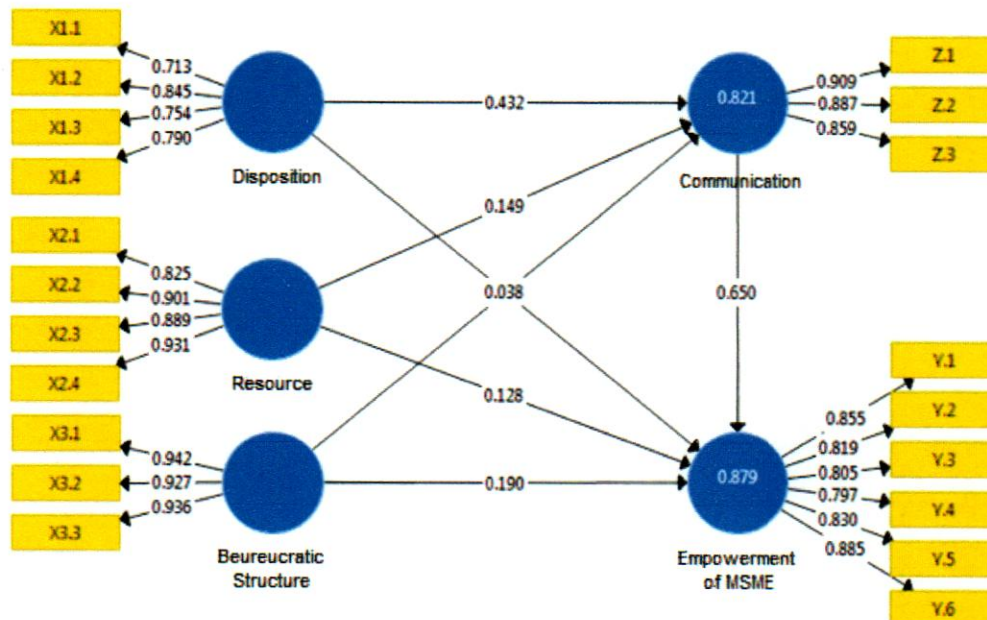


Figure 1: PLS Algorithm

Based on the figure above, it can be described that overall result of R square is as follow:

Table 5: R Square Results

No.	Variabel	Communication	MSMEs Empowerment	
			Direct	Indirect
1	Bureaucratic Structure	0.432	0.038	0.281
2	Resources	0.149	0.128	0.097
3	Disposition	0.409	0.190	0.266
4	Communication		0.650	
Simultaneous determinant		0.821	0.879	

Source: PLS Processing, 2020

Based on the table above, it can be described that the determinant results are as follow:

##### 4.2.1. The Influence of bureaucratic

**structure, resources, and disposition toward communication**

Overall, it can be interpreted that the value of R square is 0.821, which means that



82.10% of communication of MSMEs in Gorontalo province is influenced by bureaucratic structure, resources, and disposition, whereas, 17.90% is influenced by other variables outside this research. Specifically, bureaucratic structure influences 43.20% of communication of these MSMEs, followed by disposition variable by 40.90% and resources variable by 14.90%.

#### 4.2.2. The Influence of bureaucratic structure, resources, disposition, and communication toward implementation of MSMEs empowerment policy

Overall, it is shown that the R square value is 0.879, which means that 87.90% of the MSMEs empowerment policy implementation in Gorontalo province is influenced by bureaucratic structure, resources, disposition, and communication,

whereas, 12.10% is influenced by other factors outside this study. This study revealed that the most dominant variable influencing the MSMEs empowerment policy implementation is communication by 65%, followed by disposition variable by 19.00%, resource by 12.80%, and lastly influenced by bureaucratic structure by 3.80%.

#### 4.3. Path coefficient test

Based on the data analysis, the hypothesis testing in this study is carried out using the T-statistics and P-Values. The t-table value was looked up first before the partial testing is carried. The t-table value was 1.986 ( $df = n - k - 1 = 96 - 4 - 1 = 91$ ). The hypothesis testing in structural equation is presented in the figure below:

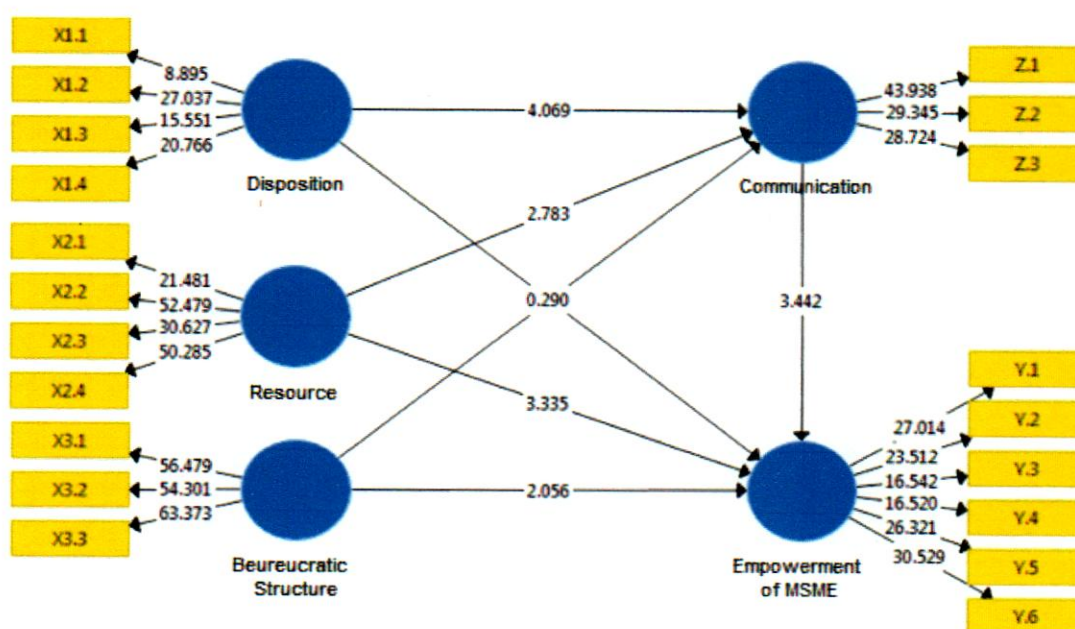


Figure 2.: Hypothesis Testing Results

Based on the figure above, the result of hypothesis testing can be described. Research hypothesis is accepted when the P-Values <

0.05. The detail result is presented in the table below:

Table 6: Hypothesis Testing Results

Type of Influence	Influence	t Statistic	P-Value
Direct	X1->Z	4.069	0.000***



	X2->Z	2.783	0.006***
	X3->Z	4.630	0.000***
	X1->Y	0.290	0.772 <sup>ns</sup>
	X2->Y	3.335	0.001***
	X3->Y	2.056	0.040**
	X4->Y	3.442	0.001***
Indirect	X1->Z->Y	2.084	0.038**
	X2->Z->Y	2.420	0.016**
	X3->Z->Y	2.935	0.003***
<sup>ns</sup> not significant * . Significant at the 0.1 level (2-tailed). ** Significant at the 0.05 level (2-tailed). *** . Significant at the 0.01 level (2-tailed).			

Source: PLS Processing, 2020

The results of hypothesis testing as presented in the table above can be classified based on the influence of the variable:

#### 4.3.1. Direct influence

- a. The influence of bureaucratic structure toward communication

The t-statistic value on the influence of bureaucratic structure influence on communication yield the value of 4.069 with the probability value (P-value) of 0.000. This P-value is smaller than standard probability value of 0.05 ( $0.000 < 0.05$ ). Therefore, Ha<sub>1</sub> is accepted, which means that bureaucratic structure positively and significantly influences the communication of MSMEs in Gorontalo province.

- b. The influence of Resources toward Communication

The t-statistic value of the influence of resources toward communication is 2.783 with the probability value (P-value) of 0.006. This p-value is smaller than the standard probability value of 0.05 ( $0.006 < 0.05$ ), thus, Ha<sub>2</sub> is accepted, which means that resources have positive and significant influence on communication of MSMEs in Gorontalo province.

- c. The influence of Disposition toward the communication

The value of t-statistic on the influence of disposition toward communication is 4.630 with the probability value (P-value) of 0.000. This p-value is smaller than the standard probability value 0.05 ( $0.000 < 0.05$ ), hence, Ha<sub>3</sub> is accepted, which means that disposition has positive and significant influence on MSMEs communication in Gorontalo province.

- d. The influence of bureaucratic structure toward the implementation of MSMEs empowerment policy

The t-statistic value on the influence of bureaucratic structure toward communication is 0.290 with the probability value (P-value) of 0.772. This P-value is larger than the standard probability value 0.05 ( $0.772 > 0.05$ ), thus, Ha<sub>4</sub> is rejected, which means that the bureaucratic structure has positive but insignificant influence on implementation of MSMEs empowerment policy in Gorontalo province.

- e. The influence of resources on implementation of MSMEs empowerment policy

The t-statistic value on the influence of resources toward the communication is 3.335 with the probability value (P-value) of 0.002. This P-value is smaller than the standard probability value 0.05 ( $0.002 < 0.05$ ), hence, the Ha<sub>5</sub> is



accepted, which means that resources have positive and significant contribution toward implementation of MSMEs empowerment policy in Gorontalo province.

f. The Influence of Disposition toward Implementation of MSMEs Empowerment Policy

The t-statistic value on the influence of disposition toward implementation of MSMEs empowerment policy is 2.056 with the probability value (P-value) of 0.040. This P-value is smaller than the standard probability value 0.05 ( $0.040 < 0.05$ ), thus,  $H_{a6}$  is accepted, which means that disposition positively and significantly influence the implementation of MSMEs empowerment policy in Gorontalo province.

g. The influence of Communication toward implementation of MSMEs Empowerment Policy

The t-statistic value on the influence of communication toward the implementation of MSMEs empowerment policy is 3.442 with the probability value (P-value) 0.000. This P-value is smaller than the standard probability value 0.05 ( $0.001 < 0.05$ ), thus,  $H_{a7}$  is accepted, which means that there is a positive and significant influence of communication toward the implementation of MSMEs empowerment policy in Gorontalo province.

#### 4.3.2. Indirect influence

a. The Influence of Bureaucratic Structure toward Implementation of MSMEs Empowerment Policy through MSMEs Communication

The t-statistic value on the indirect influence of bureaucratic structure variable is 2.084 with the probability value (P-value) is 0.038. This P-value is smaller than the standard probability

value 0.05 ( $0.038 < 0.05$ ), thus,  $H_{a8}$  is accepted, which means that the bureaucratic structure through communication positively and significantly influence implementation of MSMEs empowerment policy in Gorontalo Province.

b. The Influence of Resources toward Implementation of MSMEs Empowerment Policy through MSMEs Communication

The t-statistic value on the indirect influence of resources variable is 2.420 with the probability value (P-value) is 0.016. This P-value is smaller than the standard probability value is 0.05 ( $0.016 < 0.05$ ), thus,  $H_{a9}$  is accepted, which means that resources, through communication, positively and significantly influence implementation of MSMEs empowerment policy in Gorontalo Province.

c. The Influence of Disposition toward Implementation of MSMEs Empowerment Policy through MSMEs Communication

The t-statistic value on the indirect influence of disposition variable is 2.935 with the probability value (P-value) of 0.003. This probability value is smaller than the standard probability value 0.05 ( $0.003 < 0.05$ ), thus,  $H_{a8}$  is accepted, which means that disposition positively and significantly influence implementation of MSMEs empowerment policy in Gorontalo province through communication.

Overall, it can be inferred that communication variable is an appropriate intervening variable as it was able to increase the influence of bureaucratic structure, resources, and disposition toward implementation of MSMEs empowerment policy in Gorontalo province. Therefore, in an implementation of a policy, good communication should be internally and externally developed.

These findings shed some lights in



several novelties in this study to increase the effectiveness implementation of MSMEs empowerment policy, 1) creating a conducive business climate. The government needs to create a conducive business climate by ensuring the safety and ease of doing business by simplifying the procedure of business agreement and tax incentive, 2) Working Capital Assistance, the government needs to create a new scheme of credit with terms and condition which are not too difficult to meet for the MSMEs, to assist them to increase their capital, either through formal financial sector services, or informal financial sector services, the guarantee scheme, leasing, and venture capital. 3) Business Protection, certain types of businesses, especially the traditional type of businesses which are mostly operated by the poor economic groups, should be protected by the government, both through national regulations and local regulations that can ensure positive-growth for all, 4) development of partnership, partnership among MSMEs, and between MSMEs and large businesses nationally and internationally should be developed, to prevent business monopoly. In addition, broadening the market share and more effective business management of these MSMEs. Therefore, MSMEs will be able to have competitive advantage to compete with other business, nationally and internationally. 5) trainings and coaching, government should increase trainings and coaching for these MSMEs. Those training can be in form of entrepreneurship, management, administration, and knowledge as well as skills in their specific field of business. In addition, they should be monitored on how they implement these new set of skills and knowledge to further develop their business and create partnership with other business entities. 6) Establishing specific institution to coordinate all activities related to the growth of MSMEs. This institution will also function as a business development service provider that provides consultation and coaching for problems related to MSMEs. 7) Strengthening the Association, the currently available MSMEs association needs to be strengthened in order to increase its role in

developing the business information network for its members. 8) Increasing Promotion, acceleration of partnership process among MSMEs and between MSMEs and large business, specific media to promote MSMEs products is needed. In addition, talk shows involving business associations and potential partners need to be held. 9) developing an equal partnership, equal partnership between government and MSMEs should be improved in order to have sufficient knowledge and information on current issues and trends on business development.

## 5. Conclusions

The hypothetical validations through quantitative analysis on the influence of bureaucratic structure, resources, disposition, and communication toward the effectiveness of MSMEs empowerment policy implementation concludes that bureaucratic structure, resources, disposition, and communication partially and simultaneously influence the effectiveness of MSMEs empowerment policy implementation.

The empiric results have also shown that there are nine other important aspects determining the effectiveness of implementation of MSMEs empowerment policy. These nine aspects, which also novelties found in this study are creating conducive business climate, working capital assistance, working capital protection, partnership development, training, establishing of specific institution, strengthening the association, developing promotion, and developing equal partnership.

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**PERBAIKAN/REVISI ARTIKEL**



# **The Influence of Structure, Resources, Disposition and Communication on Small- and Medium-Sized Enterprises' Empowerment Policy Implementation in Indonesia**

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## **Abstract**

For more than a decade, the government has implemented several policies by allocating resources and providing program assistances for small- and medium-sized enterprises (SMEs) in Indonesia. However, the results have not reached the expected goals. This study aims at investigating the influence and contribution of bureaucratic structure, resources, disposition, and communication toward the small- and medium-sized enterprises' empowerment policy implementation in Indonesia. This study is an explanatory research. The population of this study is all food-sector MSMEs owned and managed directly by their owners and registered with KOPERINDAG Agency of Gorontalo province; based on several criteria, 96 MSMEs were selected as samples. The data were collected in one short study cross-sectionally through questionnaire and selected by purposive sampling. The data were analyzed using Second Order Partial Least Square (PLS) to test the model. The results showed that four variables influence the implementation of the empowerment policy of micro, small and medium businesses in Indonesia. Based on the empirical facts, a ground-breaking finding pointed out to nine important aspects which determine government policy. Those nine aspects are creating conducive business climate, capital assistances, business protection, partnership development, training, establishment of a specific institution, strengthening the association, developing promotion, and developing equal cooperation.

**Keywords:** Policy, Empowerment, MSMEs

**JEL Classification Code:** D78, L53, M10



## 1. Introduction

When Indonesia experienced a monetary crisis in 1998, small- and medium-sized enterprises (SMEs) could still be a buffer for the national economy, absorbing the workforce, and moving the economy (Irhas, Dyah, & Yuni, 2020). Micro-, small- and medium-sized enterprises, known as MSMEs in Indonesia, are deemed as a new Gross Domestic Product (GDP) force. This sector employs more than 107.6 million people in Indonesia and contributed as many as 60.6 % toward the Indonesian GDP (Indonesia-Investments, 2016). According to Rizky (2019), MSMEs in Indonesia are having potential and make a great contribution to economics and proving resistant to the economic crisis that has ever hit Indonesia. Over the recent years, MSMEs' empowerment has been the priority of government policy both in developing and developed countries around the world. This is to shorten the economic gap of unemployment and poverty between developing and developed countries (Maksum, Rahayu, & Kusumawardhani, 2020).

People who have ideas and intention to start a business are empowered, assisted, and trained to further develop their talents. This empowerment and assistance are not only in the form of human resources, but also in terms of other resources, which are critical to their success as MSMEs. Thus, government support through policy to empower these MSMEs is highly required (Bhinekawati, 2016; Jahanshahi et al., 2011). A successful performance of policy implementation is identified through a well-combined socio-cultural and inexistence of policy implementation gap (Grindle, 2017; Degroff & Cargo, 2009). Meanwhile, the success of policy implementation at business owner level is evidenced through the implementation of activities where business owners are participating. When a policy objective or indicator is deemed as too idealistic to be implemented at the society level, the implementation of policies is inclined to face several obstacles, and is rendered ineffective.

MSME empowerment is a strategic choice because it represents a way to recover from economic deterioration by accelerating economic growth during the post-crisis period (Zeisha, Riana, & Radmoyo, 2021). The significant contribution of MSMEs should be the focus of the government to further develop MSMEs and make them independent organizations. In this regard, several MSME development policies are issued, started from the topic of institutional strengthening, human resources strengthening, working capital assistance, and marketing assistance (Jahanshahi et al. 2011; Tambunan, 2019; Irawan & Chandranegara, 2018; Edoho, 2016; Alam et al., 2019). However, these policies have not gone as expected to accelerate and empower the MSMEs into the expected level of progressive and independent MSMEs. On the other hand, several studies have shown that there are various contributing factors to the ineffectiveness of government policy program. George Edward III reported that a policy product would be effective when it was supported by other factors such as, bureaucracy structure, resources, disposition, and communication (Edwards & Peabody, 1980; Putra & Khaidir, 2019). It is strongly believed that those factors also influence the policy implementation of MSMEs' empowerment in Indonesia. Therefore, the rationales above posit the significance of the present study in analyzing the influence and contribution of bureaucratic structures, resources, disposition, and communication toward MSMEs empowerment policy in Indonesia. In addition, this study also offers novelty in terms of government policy determination to create a more effective MSMEs' empowerment policy implementation.

## 2. Literature Review



In cyclical theory, implementation is a critical stage within the whole public policy process (Howlett, 2018). Implementation refers to an abstraction process or working process, which is purposively carried out to achieve the performance of public policy implementation. Van Meter and Van Horn (1975) elaborated six factors to influence public policy implementation: dimension and objective of policy, resources, characteristics of implementing agent, attitude or intention, communication, and socio-economic environment. Implementation of MSMEs' empowerment policy can be reviewed from the characteristics of the implementing agent. Implementing agents consists of formal organizations involved in the implementation of public policy. The importance of the performance of this (public) policy implementation is a complex activity with many influencing factors.

## 2.1. Bureaucratic Structure

Bureaucracy is one of the institutions that most often become the overall **implementer** of an activity. Bureaucracy **does** not only **exist** in government organizations, but also in private organizations and educational institutions. Even in certain cases, bureaucracy is created purposefully to implement certain policies. Ripley and Franklin (1983) and Larson (1982) identified six characteristics of bureaucracy as the result of their observation of the United States bureaucracy, 1) bureaucracy as an instrument of public affairs management, 2) bureaucracy as a dominant institution in the public policy implementation, which have different interests persisting within each of the hierarchy, 3) bureaucracy with several different objectives, 4) bureaucracy functioning within a complex and wide environment, 5) bureaucracy that has high survival instinct, therefore, a dying bureaucracy is relatively rare to discover, and 6) bureaucracy as a non-neutral power and non-controlled aspect by the external party.

The complexity of policy implementation demands the full cooperation of all stakeholders. When a bureaucratic structure is not conducive for implementation of a policy, this will result **as** ineffective and obstruct the implementation of a policy. Therefore, understanding a bureaucratic structure is a fundamental factor to study the implementation of public policy. In bureaucracy, two main characteristics are paramount. The characteristics involve Standard Operational Procedure (SOP) and Framework. Standard Operating Procedures is interpreted as the demand for timeliness, availability of resources, and the need for universality within a wide and complex working organization. The base line for this Standard Operating Procedure is generally used to deal with generic situations in various public and private sectors. By utilizing this SOP, the **implementers** can optimize the allocated time and it serves to unify officers' actions within a complex and large organization. Thus, large flexibility and unity in implementation of regulation can be achieved.

Standard Operational Procedure is a potential constraint for the implementation of new policies that need innovative approaches of work or personnel to implement those policies. Therefore, the larger the policy, the more fundamental the changes needed in the usual way of business being conducted within an organization, similarly, the larger the probability of a SOP to obstruct policy implementation. Nevertheless, SOP also has its benefits. Organizations with flexible planning procedures and large, but flexible control toward programs **may be** more able to adjust to new responsibilities compared to bureaucracy that has none of **these features**. The second feature of the bureaucracy structure that influences policy implementation is fragmentation. Fragmentation is a distribution of responsibility within a policy into several different units, thus, coordination is needed. Primarily, the higher the extent of coordination required in implementing a policy, the less likely for that program or policy to be successful. Fragmentation causes narrow minded in many bureaucratic institutions. This brings loss for the success of policy implementation.



## 2.2. Resources

Resource is allocated as input within organization, it is considered to comprise economic and technological implications. Economically, resource is linked to cost or direct expense by the organization. It depicts the value or potential uses in its transformation process into the output. Meanwhile, technologically, resource related to transformational capability of the organization (Dibia et al., 2014). Resource is an important critical factor in public policy implementation (Knoepfel et al., 2011). There are several indicators used to measure the extent of a resource to influence policy implementation, those are: 1) Staffs. The main resource in policy implementation is staffs or street-level bureaucrats. Among others, common failure in policy implementation is caused by insufficient or incompetent staff. Allocating more staff and implementers is not necessarily sufficient to solve policy implementation problems. Otherwise, it needs sufficient staffs with adequate capability or competent staffs to properly implement a policy. 2) Information. In policy implementation, there are two types information, one related to the way policy is implemented and another is related to implementers' compliance to the issued regulation. 3) Authority. In general, authority should be formal for an order to be effectively implemented. Authority is a legitimation for the implementers in carrying out the politically-determined policy, without authority, there is no legitimation of policy implementers in public, resulting in failure of public policy implementation. However, in other context, the presence of formal authority is often mistaken as abusive in viewing the effectiveness the authority. It is indeed that an authority's effectiveness is needed in policy implementation. Yet, the effectiveness will be reduced when authority is misappropriated or abused for the personal or group interests. 4) Facility. Physical facility is substantial to the policy implementation. Policy implementers may have adequate, capable, and competent staff. However, without sufficient facilities, policy implementation will not be successful.

## 2.3. Disposition

Tendency or disposition is one of the factors, which has consequence in an effective policy implementation. When implementers have positive tendency or positive attitude or there is support for policy implementation, then, it is most likely for the implemented policy to yield the intended objective. In reverse, if the implementers have negative attitude or resist the policy implementation due to conflict of interests, then policy implementation will have serious problems. This resistance can take various forms, such as indifference, where policy implementers use their discretion to subtly prevent the policy implementation by ignoring, postponing, and other obstructing actions.

According to Grindle (2017), Edward III noted several things about disposition on implementation of policy such as, bureaucratic appointment. Disposition or attitude of the policy implementers can cause significant obstructions for policy implementation when the appointed personnel do not implement the policy in the way that is intended by the top management. Therefore, appointment and selection of personnel to carry out policy should be those who have strong dedication to the issued policy, especially, those who are dedicated for public interests. Incentive is one of the techniques recommended to deal with the policy implementers' attitude by manipulating them with incentive. It is common for people to act based on their individual interest; therefore, the policy-makers influence the behavior of policy implementers with incentive. Increasing benefits for policy implementers may become contributing factor to make the policy implementers carry out the order



appropriately. This is carried out as the conduct to achieve the expected personal or organizational interests.

## 2.4. Communication

Communication is one of important variables to influence public policy. Communication strongly determines the achievement of a public policy objective (Tezera, 2019). Effective policy implementation will be achieved when policy-makers know what they do. Information known to the policy-makers is disseminated optimally only by good means of communication. The study posits three indicators to measure the success of communication variable as proposed by Edward III: 1) Transmission. Good communication transmission will result in good policy implementation. There are often problems in communication transmission causing miscommunication due to many layers of bureaucracy where the communication is channeled through. Thus, the expected information is distorted along the way. 2) Clarity. Communication received by street-level bureaucrats should be clear and concise. 3) Consistency. The instruction given in implementation of a communication should be consistent and clear to be carried out. When an instruction is inconsistent, then it brings confusion in the field level.

There are several general problems in communication transmission as noted by Papathanassopoulos & Negrine (2010). First, there are clashes between policy implementers and the instruction issued by policy-makers, such as clash will cause distortion and direct resistance in policy communication. Second, information is passed down through layers of bureaucratic hierarchy. Communication distortion can happen due to the length of information chain that can cause information bias. Third, the information is absorbed due to perception and implementers' inability to understand the general conditions for a policy. Factors enhancing the unclear information in public policy implementation are generally due to the complexity of the policy, the lack of consensus on the objectives of public policy, problems in starting a new policy, and intention to avert policy responsibility (Hudson, Hunter, & Peckham, 2019). The process of policy implementation comprises different actors from top-tier management actors to street-level bureaucrats. Effective communication demands for organization of clear communication in each layer of bureaucracy. If there is resistance from the implementers, then the policy will be distorted and neglected. Therefore, the more layers or actors involved in a policy implementation, the larger the possibility for it to be distorted and obstructed (Signé, 2017).

In managing a proper communication, effective communication channels should be established. The better the established communication channels, the higher the probability for the instructions to be clearly and correctly passed down and implemented. Within the clarity of information, there are generally intentions to distort the objectives of information by the policy implementers for their own interests by interpreting the information based on their discretion. This can be anticipated through creating a standard procedure which clearly stated the requirement, objective, eliminate multi-interpretation, implement procedure cautiously and detail reporting mechanism. Communication factor strongly influence the acceptance toward the policy by the target group, hence, communication quality will influence the effectiveness of public policy implementation. Therefore, distribution of policy content through good communication process will influence policy implementation. In this case, communication media used to distribute the content of the policy toward the target groups will be critical.

## 2.5. Effectiveness of Micro-, Small- and Medium-Sized Enterprises' (MSMEs) Empowerment



Effectiveness is the main component to achieve a target set by each organization, activity, and program. It is called effective when the objective is measurably achieved. In short, effectiveness is the measurement of level of achievement of the previously set target. Steers (1977) described effectiveness as an effort or system using certain resources and facilities which strives to achieve their objectives without having to spend the facilities and resources, and without having to suppress unnecessary implementation. Steers added, effectiveness can be measured through productivity, adaptive-working ability, work satisfaction, profitability, and resources exploration. Effectiveness can be understood as ability to physically and non-physically implement institutional activity to achieve the objectives and achieve target measurably.

Empowerment is a conscious and systematic effort to achieve better life. Empowerment is the result of failure and hope, a failure of the economic development models to eradicate poverty and create preserve environment. Meanwhile, hope is due to the emerging democratic values, gender equality, and sufficient economic growth. Based on effectiveness definition and empowerment definition, the effectiveness of MSMEs' empowerment is a measurement effort to actualize MSMEs' potentials itself. Business people and MSMEs need to improve their entrepreneurial abilities in designing, implementing, and running new businesses that start from micro, small, and develop into medium-sized businesses that are transformed into the formal sector (Sondakh, Bernarto, Juliana, Purwanto, & Pramono, 2020). If the MSMEs' empowerment approach emphasizes on the importance of MSMEs' independence as a system that properly organize its group, then, such approach is expected to provide roles for individuals not as object, but rather as subject of the development that determine the future of the MSMEs.

### 3. Research Method

This is an explanatory research, where data are collected in one short study cross-sectionally through questionnaire. Explanatory research is intended to describe the causal relationship among variables through hypothetical testing in order to draw a causality conclusion among variables and for further selecting the alternative actions (Stebbins, 2012). This explanatory approach is employed due to the objective of this study to empirically proven and to describe the significant influence of entrepreneurship orientation, managerial capacity, toward business strategy and business performance in food-sector MSMEs in Gorontalo province. The object of this study is all food-sector MSMEs in Gorontalo province, distributed in five regencies and one city, Gorontalo city, Bone Bolango regency, Gorontalo regency, Gorontalo utara regency, Boalemo regency and Pohuwato regency.

The population of this study is all food-sector MSMEs owned and managed directly by **their** owners and registered **with** KOPERINDAG Agency of Gorontalo province, which amounted to 6,542 business units. The sampling method is non-probability sampling or purposive sampling (Showkat & Parveen, 2017). Purposive sampling means that samples were selected based on certain criteria to suit the objective of the research. The criteria are applied to filter the research objects (food-sector MSMEs). These criteria are: 1) independently established, not part of other companies, and not directly or indirectly affiliated with medium or large companies; 2) producing food products; 3) MSMEs under the guidance of the KOPERINDAG agency, Bank of Indonesia, or other institutions with similar vision to develop the industry; 4) having business license (P-IRT, Halal BPOM) required for food-processing industry; 5) having production location and facility that can be observed and



visited; 6) have been established for at least 10 years; and 7) owners and managers have knowledge on entrepreneurship, business management, marketing, and enterprise's condition.

Based on these criteria, 96 MSMEs were selected as samples. The data collection methods were: 1) a questionnaire distributed to business owners or business managers of the selected MSMEs in Gorontalo province; 2) in-depth interview, this technique is employed to support and reveal facts behind the quantitative analysis. Interview was carried out with respondents who were considered capable to provide the needed explanation; and 3) documentation, collecting relevant documents and studies from various sources like companies, website, and other relevant institutions.

The data in this study were analyzed using Partial Least Square (PLS) to test the model or relations structure among variables. This research employed Second Order PLS as proposed by Wong (2013), second order SEM PLS was initiated from the construct – dimension – indicator. There are several reasons for using this Partial Least Square (PLS) technique in this study, such as 1) PLS is an analysis method applicable to all scale of data, it does not need many assumptions and does not necessarily need large sample size (Gaskin & Lowry, 2014). The sample size used for hypothesis testing in PLS are resampling with bootstrapping developed by Geisser (1975). The sample size in PLS is estimated as follow a) ten times the number of formative indicators (neglecting the reflexive indicator) ; b) ten times the structural number (structural paths) in linier model; and c) small sample size of 30-50 or large sample size of more than 200 can be used. 2) Logical framework constructed in this research consists of three exogenous variables – disposition, resources, and bureaucratic structure, whereas two endogen variables in this study are communication and MSMEs' empowerment. Each exogenous and endogenous variable is measured using several reflexive indicators, thus, the Partial Least Square (PLS) used to estimate is construct variant (Chin, 1998). 3) Partial Least Square (PLS) is a method of analysis to construct relationship between variables that are yet to have strong theoretical background or to test proposition. 4) Model Evaluation, PLS model evaluation is based on the prediction measurement with non-parametric characteristics. Measurement model or outer model with reflective indicator is evaluated with convergent and discriminant validity of its indicators and composite reliability of the indicators' block. Meanwhile, outer model with formative indicator is evaluated based on its substantive content by comparing its relative weight and to see the significance of that weight size (Henseler, Ringle, & Sinkovics, 2009).

Structural model is evaluated using the percentage of the described variant by considering the (R-square of exogenous variable) for dependent latent construct by using the Stone-Geisser Q-Square test (Stone, 1974; Geisser, 1975) and also to see the extent of the structural path coefficient. The stability of this estimation is evaluated using the t-statistic through bootstrapping procedure. There are two models of PLS: 1) Inner model (structural model) devoted to correlation among latent variables. In this research concept, inner model deals with the specific to relationship among variables. 2) Outer model (measurement model) that deals with the correlations of indicator with its latent variable.

#### 4. Results and Discussion

The data used in this study are primary data obtained through open-ended questionnaire distributed to MSME owners as respondents all over Gorontalo province. There are 96 questionnaire sent to the previously determined samples. The result of analysis using the pathway analysis of Partial Least Square (PLS) is described in detail below:



## 4.1. Pre-requisite of PLS Analysis

### 4.1.1. Convergent Validity

In convergent validity analysis of the individual test of item reliability can be obtained from standardized loading factor. Standardized loading factor points out the degree of correlation among each measurement item (indicator) against its construct. The outer loading value of each indicators in this study presented in Table 1:

Table 1: Convergent Validity Results

Variable	Indicator	Outer Loading	Standard	Status
Bureaucratic Structure	X1.1	0.713	0.7	Valid
	X1.2	0.845	0.7	Valid
	X1.3	0.754	0.7	Valid
	X1.4	0.790	0.7	Valid
Resources	X2.1	0.825	0.7	Valid
	X2.2	0.901	0.7	Valid
	X2.3	0.889	0.7	Valid
	X2.4	0.931	0.7	Valid
Disposition	X3.1	0.942	0.7	Valid
	X3.2	0.927	0.7	Valid
	X3.3	0.936	0.7	Valid
Communication	Z.1	0.909	0.7	Valid
	Z.2	0.887	0.7	Valid
	Z.3	0.859	0.7	Valid
MSMEs Empowerment	Y.1	0.855	0.7	Valid
	Y.2	0.819	0.7	Valid
	Y.3	0.805	0.7	Valid
	Y.4	0.797	0.7	Valid
	Y.5	0.830	0.7	Valid
	Y.6	0.885	0.7	Valid

Based on the test carried out above, there is no indicator of outer loading value below 0.7. Thus, all indicators are valid to be used in this study and can be used for further analysis.

### 4.1.2. Discriminant Validity

Discriminant validity is to see and to compare between the discriminant validity and the square root of average extracted (AVE). If the value of square root average (AVE) of each construct is larger than the correlation value among constructs within the model, then, it is said to have good discriminant value and the expected AVE value is  $> 0.5$ . The result of analysis is presented in Table 2:

Table 2: Discriminant Validity Results

Variable	AVE	Standard	Status
Bureaucratic Structure	0.874	0.5	Valid
Resources	0.784	0.5	Valid
Disposition	0.693	0.5	Valid
Communication	0.604	0.5	Valid
MSMEs Empowerment	0.788	0.5	Valid



Based on the table above, the AVE value for bureaucratic structure, resources, communication, and implementation of MSMEs' empowerment policy is  $> 0.5$ . Therefore, each variable is said to have good discriminant validity.

#### 4.1.3. Composite Reliability

Composite reliability is an index that shows the extent of a measurement tool to be reliable. Data with  $> 0.7$  composite reliability value have high reliability. Composite reliability of indicator block, which measures a construct can be evaluated using two measurements, internal consistency and Cronbach's Alpha. The result of composite reliability of variables in this study is presented in Table 3:

**Table 3: Composite Reliability Results**

Variable	Composite Reliability	Standard	Status
Bureaucratic Structure	0.954	0.7	Reliable
Resources	0.916	0.7	Reliable
Disposition	0.931	0.7	Reliable
Communication	0.859	0.7	Reliable
MSMEs Empowerment	0.937	0.7	Reliable

Based on the analysis carried out on the data above, it is known that the internal consistency of each variable in this study is  $> 0.7$ . Therefore, this result shows that each variable in this study have meet the required value of internal consistency, thus, it can be concluded that all variables have high reliability.

#### 4.1.4. Cronbach's Alpha

The reliability test with composite reliability above can be further strengthened using the Cronbach's Alpha value. A variable is said to be reliable when it has  $> 0.7$  Cronbach's Alpha value. The Cronbach's Alpha value of each variable presented in Table 4:

**Table 4: Cronbach's Alpha Results**

Variable	Cronbach's Alpha	Standard	Status
Bureaucratic Structure	0.928	0.7	Reliable
Resources	0.862	0.7	Reliable
Disposition	0.911	0.7	Reliable
Communication	0.780	0.7	Reliable
MSMEs Empowerment	0.910	0.7	Reliable

Based on the results shown in this table, the composite reliability of all variables in this study are  $> 0.7$ . This indicates each variable has met the required composite reliability standard. Hence, it can be concluded that all variables have a high reliability level.

## 4.2. Path Coefficient Test



Path coefficient evaluation is used to show the extent of effect or influence of an independent variable against the dependent variable, whereas determinant coefficient (R-Square) is used to measure to which extent the endogen variable is influenced by other variables. This result of analysis on level of R square for all equations is provided in Figure 1:

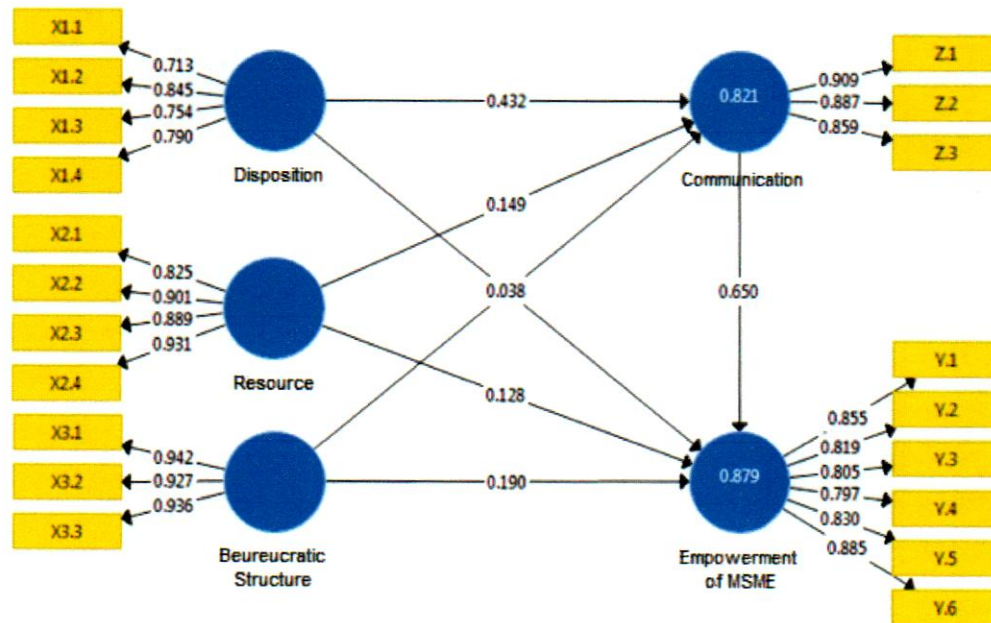


Figure 1: PLS Algorithm

Based on the figure above, it can be described that overall result of R square is as follow (Table 5):

Table 5: R Square Results

No.	Variable	Communication	MSMEs Empowerment	
			Direct	Indirect
1	Bureaucratic Structure	0.432	0.038	0.281
2	Resources	0.149	0.128	0.097
3	Disposition	0.409	0.190	0.266
4	Communication		0.650	
Simultaneous determinant		0.821	0.879	

Based on the table above, it can be described that the determinant results are as follow:

#### 4.2.1. The Influence of Bureaucratic Structure, Resources, and Disposition Toward Communication

Overall, it can be interpreted that the value of R square is 0.821, which means that 82.10% of communication of MSMEs in Gorontalo province is influenced by bureaucratic structure, resources, and disposition, whereas, 17.90% is influenced by other variables outside this research. Specifically,



bureaucratic structure influences 43.20% of communication of these MSMEs, followed by disposition variable by 40.90% and resources variable by 14.90%.

#### 4.2.2. The Influence of Bureaucratic Structure, Resources, Disposition, and Communication Toward Implementation of MSMEs Empowerment Policy

Overall, it is shown that the R square value is 0.879, which means that 87.90% of the MSMEs' empowerment policy implementation in Gorontalo province is influenced by bureaucratic structure, resources, disposition, and communication, whereas, 12.10% is influenced by other factors outside this study. This study revealed that the most dominant variable influencing MSMEs' empowerment policy implementation is communication by 65%, followed by disposition variable by 19.00%, resource by 12.80%, and lastly influenced by bureaucratic structure by 3.80%.

#### 4.3. Hypothesis Test

Based on the data analysis, the hypothesis testing in this study is carried out using the T-statistics and P-Values. The t-table value was looked up first before the partial testing is carried out. The t-table value was 1.986 ( $df = n - k - 1 = 96 - 4 - 1 = 91$ ). The hypothesis testing in structural equation is presented in Figure 2:

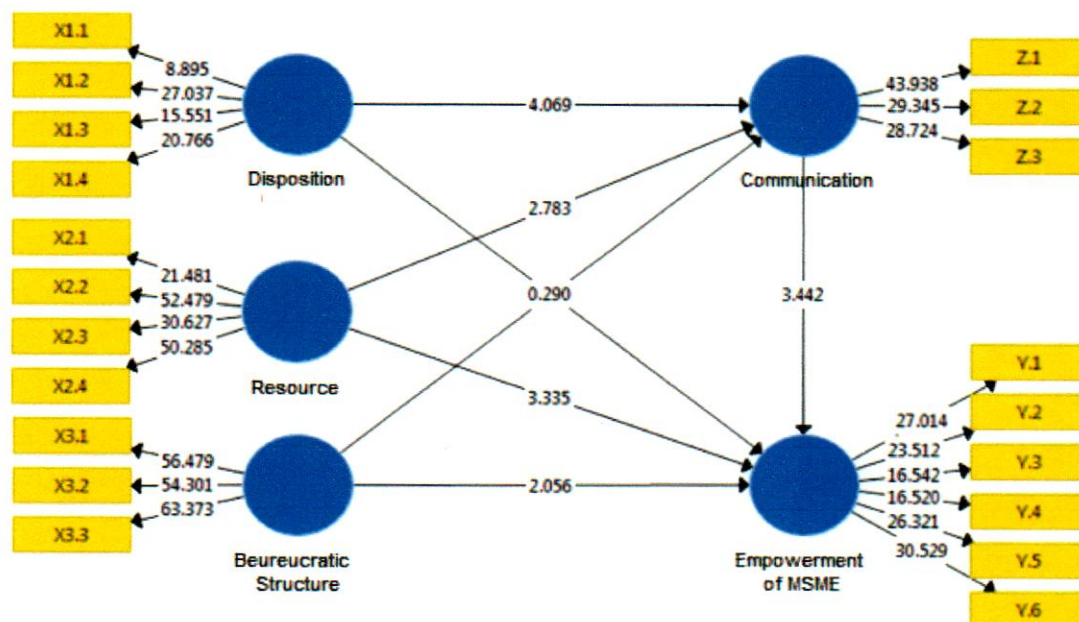


Figure 2.: Hypothesis Testing Results

Based on the figure above, the result of hypothesis testing can be described. Research hypothesis is accepted when the P-value is  $< 0.05$ . The detailed result is presented in Table 6:



**Table 6: Hypothesis Testing Results**

Type of Influence	Influence	t Statistic	P-Value
Direct	X1->Z	4.069	0.000***
	X2->Z	2.783	0.006***
	X3->Z	4.630	0.000***
	X1->Y	0.290	0.772 <sup>ns</sup>
	X2->Y	3.335	0.001***
	X3->Y	2.056	0.040**
	X4->Y	3.442	0.001***
Indirect	X1->Z->Y	2.084	0.038**
	X2->Z->Y	2.420	0.016**
	X3->Z->Y	2.935	0.003***
<sup>ns</sup> not significant * . Significant at the 0.1 level (2-tailed). ** Significant at the 0.05 level (2-tailed). ***. Significant at the 0.01 level (2-tailed).			

Source: PLS Processing, 2020

The results of hypothesis testing as presented in the table above can be classified based on the influence of the variable:

#### 4.3.1. Direct Influence

- The influence of bureaucratic structure toward communication  
The t-statistic value on the influence of bureaucratic structure on communication yield the value of 4.069 with the probability value (P-value) of 0.000. This P-value is smaller than standard probability value of 0.05 ( $0.000 < 0.05$ ). Therefore, Ha<sub>1</sub> is accepted, which means that bureaucratic structure positively and significantly influences the communication of MSMEs in Gorontalo Province.
- The influence of resources toward communication  
The t-statistic value of the influence of resources toward communication is 2.783 with the probability value (P-value) of 0.006. This p-value is smaller than the standard probability value of 0.05 ( $0.006 < 0.05$ ), thus, Ha<sub>2</sub> is accepted, which means that resources have positive and significant influence on communication of MSMEs in Gorontalo province.
- The influence of disposition toward the communication  
The value of t-statistic on the influence of disposition toward communication is 4.630 with the probability value (P-value) of 0.000. This p-value is smaller than the standard probability value 0.05 ( $0.000 < 0.05$ ), hence, Ha<sub>3</sub> is accepted, which means that disposition has positive and significant influence on MSMEs' communication in Gorontalo province.
- The influence of bureaucratic structure toward the implementation of MSMEs empowerment policy  
The t-statistic value on the influence of bureaucratic structure toward communication is 0.290 with the probability value (P-value) of 0.772. This P-value is larger than the standard probability value 0.05 ( $0.772 > 0.05$ ), thus, Ha<sub>4</sub> is rejected, which means that the bureaucratic



structure has positive, but insignificant influence on implementation of MSMEs' empowerment policy in Gorontalo province.

e. The influence of resources on implementation of MSMEs' empowerment policy

The t-statistic value on the influence of resources toward the communication is 3.335 with the probability value (P-value) of 0.002. This P-value is smaller than the standard probability value 0.05 ( $0.002 < 0.05$ ), hence, the  $H_{a5}$  is accepted, which means that resources have positive and significant contribution toward implementation of MSMEs empowerment policy in Gorontalo province.

f. The influence of disposition toward implementation of MSMEs' empowerment policy

The t-statistic value on the influence of disposition toward implementation of MSMEs' empowerment policy is 2.056 with the probability value (P-value) of 0.040. This P-value is smaller than the standard probability value 0.05 ( $0.040 < 0.05$ ), thus,  $H_{a6}$  is accepted, which means that disposition positively and significantly influence the implementation of MSMEs' empowerment policy in Gorontalo province.

g. The influence of communication toward implementation of MSMEs' empowerment policy

The t-statistic value on the influence of communication toward the implementation of MSMEs' empowerment policy is 3.442 with the probability value (P-value) 0.000. This P-value is smaller than the standard probability value 0.05 ( $0.001 < 0.05$ ), thus,  $H_{a7}$  is accepted, which means that there is a positive and significant influence of communication toward the implementation of MSMEs' empowerment policy in Gorontalo province.

#### 4.3.2. Indirect Influence

a. The influence of bureaucratic structure toward implementation of MSMEs' empowerment policy through MSMEs communication

The t-statistic value on the indirect influence of bureaucratic structure variable is 2.084 with the probability value (P-value) is 0.038. This P-value is smaller than the standard probability value 0.05 ( $0.038 < 0.05$ ), thus,  $H_{a8}$  is accepted, which means that the bureaucratic structure through communication positively and significantly influence implementation of MSMEs' empowerment policy in Gorontalo province.

b. The influence of resources toward implementation of MSMEs' empowerment policy through MSMEs communication

The t-statistic value on the indirect influence of resources variable is 2.420 with the probability value (P-value) is 0.016. This P-value is smaller than the standard probability value is 0.05 ( $0.016 < 0.05$ ), thus,  $H_{a9}$  is accepted, which means that resources, through communication, positively and significantly influence implementation of MSMEs' empowerment policy in Gorontalo province.

c. The influence of disposition toward implementation of MSMEs' empowerment policy through MSMEs communication

The t-statistic value on the indirect influence of disposition variable is 2.935 with the probability value (P-value) of 0.003. This probability value is smaller than the standard probability value 0.05 ( $0.003 < 0.05$ ), thus,  $H_{a8}$  is accepted, which means that disposition positively and significantly influence implementation of MSMEs' empowerment policy in Gorontalo province through communication.



Overall, it can be inferred that communication variable is an appropriate intervening variable as it was able to increase the influence of bureaucratic structure, resources, and disposition toward implementation of MSMEs' empowerment policy in Gorontalo province. Therefore, in an implementation of a policy, good communication should be internally and externally developed.

These findings shed some lights in several novelties in this study to increase the effectiveness implementation of MSMEs' empowerment policy: 1) *Creating a conducive business climate*. The government needs to create a conducive business climate by ensuring the safety and ease of doing business by simplifying the procedure of business agreement and tax incentive; 2) *Working capital assistance*. The government needs to create a new scheme of credit with terms and condition, which are not too difficult to meet for the MSMEs, to assist them to increase their capital, either through formal financial sector services, or informal financial sector services, the guarantee scheme, leasing, and venture capital; 3) *Business protection*. Certain types of businesses, especially the traditional type of businesses which are mostly operated by the poor economic groups, should be protected by the government, both through national regulations and local regulations that can ensure positive-growth for all; 4) *Development of partnership*. Partnership among MSMEs, and between MSMEs and large businesses nationally and internationally should be developed, to prevent business monopoly. In addition, broadening the market share and more effective business management of these MSMEs. Therefore, MSMEs will be able to have competitive advantage to compete with other business, nationally and internationally; 5) *Trainings and coaching*. Government should increase trainings and coaching for these MSMEs. This training can be in form of entrepreneurship, management, administration, and knowledge as well as skills in their specific field of business. In addition, they should be monitored on how they implement these new sets of skills and knowledge to further develop their business and create partnership with other business entities; 6) *Establishing specific institution to coordinate all activities related to the growth of MSMEs*. This institution will also function as a business development service provider that provides consultation and coaching for problems related to MSMEs; 7) *Strengthening the association*. The currently available MSMEs association needs to be strengthened in order to increase its role in developing the business information network for its members; 8) *Increasing promotion*. Acceleration of partnership process among MSMEs and between MSMEs and large business, specific media to promote MSMEs products is needed. In addition, talk shows involving business associations and potential partners need to be held; and 9) *Developing an equal partnership*. Equal partnership between government and MSMEs should be improved in order to have sufficient knowledge and information on current issues and trends on business development.

## 5. Conclusion

The hypothetical validations through quantitative analysis of the influence of bureaucratic structure, resources, disposition, and communication toward the effectiveness of MSMEs' empowerment policy implementation conclude that bureaucratic structure, resources, disposition, and communication partially and simultaneously influence the effectiveness of MSMEs' empowerment policy implementation. The empirical results have also shown that there are nine other important aspects determining the effectiveness of implementation of MSMEs empowerment policy. These nine aspects, which are new this study, are creating conducive business climate, working capital assistance, working capital protection, partnership development, training, establishing of specific institution, strengthening the association, developing promotion, and developing equal partnership.



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# **ARTIKEL PUBLISH**





## **Letter of Acceptance**

### **AUTHORS AND TITLE:**

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# The Influence of Structure, Resources, Disposition and Communication on Small- and Medium-Sized Enterprises' Empowerment Policy Implementation in Indonesia

Ismet SULILA<sup>1</sup>

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## Abstract

For more than a decade, the government has implemented several policies by allocating resources and providing program assistances for small- and medium-sized enterprises (SMEs) in Indonesia. However, the results have not reached the expected goals. This study aims at investigating the influence and contribution of bureaucratic structure, resources, disposition, and communication toward the small- and medium-sized enterprises' empowerment policy implementation in Indonesia. This study is an explanatory research. The population of this study is all food-sector SMEs owned and managed directly by their owners and registered with KOPERINDAG Agency of Gorontalo province; based on several criteria, 96 SMEs were selected as samples. The data were collected in one short study cross-sectionally through questionnaire and selected by purposive sampling. The data were analyzed using Second Order Partial Least Square (PLS) to test the model. The results showed that four variables influence the implementation of the empowerment policy of micro, small and medium businesses in Indonesia. Based on the empirical facts, a ground-breaking finding pointed out to nine important aspects which determine government policy. Those nine aspects are creating conducive business climate, capital assistances, business protection, partnership development, training, establishment of a specific institution, strengthening the association, developing promotion, and developing equal cooperation.

**Keywords:** Policy, Empowerment, MSMEs

**JEL Classification Code:** D78, L53, M10

## 1. Introduction

When Indonesia experienced a monetary crisis in 1998, small- and medium-sized enterprises (SMEs) could still be a buffer for the national economy, absorbing the workforce, and moving the economy (Irhas, Dyah, & Yuni, 2020). Micro-, small- and medium-sized enterprises, known as MSMEs in Indonesia, are deemed as a new Gross Domestic Product (GDP) force. This sector employs more than

107.6 million people in Indonesia and contributed as many as 60.6 % toward the Indonesian GDP (Indonesia-Investments, 2016). According to Rizky (2019), MSMEs in Indonesia are having potential and make a great contribution to economics and proving resistant to the economic crisis that has ever hit Indonesia. Over the recent years, MSMEs' empowerment has been the priority of government policy both in developing and developed countries around the world. This is to shorten the economic gap of unemployment and poverty between developing and developed countries (Maksum, Rahayu, & Kusumawardhani, 2020).

People who have ideas and intention to start a business are empowered, assisted, and trained to further develop their talents. This empowerment and assistance are not only in the form of human resources, but also in terms of other resources, which are critical to their success as MSMEs. Thus, government support through policy to empower these MSMEs is highly required (Bhinekawati, 2016; Jahanshahi et al., 2011). A successful performance of policy

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implementation is identified through a well-combined socio-cultural and inexistence of policy implementation gap (Grindle, 2017; Degroff & Cargo, 2009). Meanwhile, the success of policy implementation at business owner level is evidenced through the implementation of activities where business owners are participating. When a policy objective or indicator is deemed as too idealistic to be implemented at the society level, the implementation of policies is inclined to face several obstacles, and is rendered ineffective.

MSME empowerment is a strategic choice because it represents a way to recover from economic deterioration by accelerating economic growth during the post-crisis period (Zeisha, Riana, & Radmoyo, 2021). The significant contribution of MSMEs should be the focus of the government to further develop MSMEs and make them independent organizations. In this regard, several MSME development policies are issued, started from the topic of institutional strengthening, human resources strengthening, working capital assistance, and marketing assistance (Jahanshahi et al. 2011; Tambunan, 2019; Irawan & Chandranegara, 2018; Edoho, 2016; Alam et al., 2019). However, these policies have not gone as expected to accelerate and empower the MSMEs into the expected level of progressive and independent MSMEs. On the other hand, several studies have shown that there are various contributing factors to the ineffectiveness of government policy program. George Edward III reported that a policy product would be effective when it was supported by other factors such as, bureaucracy structure, resources, disposition, and communication (Edwards & Peabody, 1980; Putra & Khaidir, 2019). It is strongly believed that those factors also influence the policy implementation of MSMEs' empowerment in Indonesia. Therefore, the rationales above posit the significance of the present study in analyzing the influence and contribution of bureaucratic structures, resources, disposition, and communication toward MSMEs empowerment policy in Indonesia. In addition, this study also offers novelty in terms of government policy determination to create a more effective MSMEs' empowerment policy implementation.

## 2. Literature Review

In cyclical theory, implementation is a critical stage within the whole public policy process (Howlett, 2018). Implementation refers to an abstraction process or working process, which is purposively carried out to achieve the performance of public policy implementation. Van Meter and Van Horn (1975) elaborated six factors to influence public policy implementation: dimension and objective of policy, resources, characteristics of implementing agent, attitude or intention, communication, and socio-economic environment. Implementation of MSMEs' empowerment policy can be reviewed from the characteristics of the

implementing agent. Implementing agents consists of formal organizations involved in the implementation of public policy. The importance of the performance of this (public) policy implementation is a complex activity with many influencing factors.

### 2.1. Bureaucratic Structure

Bureaucracy is one of the institutions that most often become the overall implementer of an activity. Bureaucracy does not only exist in government organizations, but also in private organizations and educational institutions. Even in certain cases, bureaucracy is created purposefully to implement certain policies. Ripley and Franklin (1983) and Larson (1982) identified six characteristics of bureaucracy as the result of their observation of the United States bureaucracy, 1) bureaucracy as an instrument of public affairs management, 2) bureaucracy as a dominant institution in the public policy implementation, which have different interests persisting within each of the hierarchy, 3) bureaucracy with several different objectives, 4) bureaucracy functioning within a complex and wide environment, 5) bureaucracy that has high survival instinct, therefore, a dying bureaucracy is relatively rare to discover, and 6) bureaucracy as a non-neutral power and non-controlled aspect by the external party.

The complexity of policy implementation demands the full cooperation of all stakeholders. When a bureaucratic structure is not conducive for implementation of a policy, this will result as ineffective and obstruct the implementation of a policy. Therefore, understanding a bureaucratic structure is a fundamental factor to study the implementation of public policy. In bureaucracy, two main characteristics are paramount. The characteristics involve Standard Operational Procedure (SOP) and Framework. Standard Operating Procedures is interpreted as the demand for timeliness, availability of resources, and the need for universality within a wide and complex working organization. The base line for this Standard Operating Procedure is generally used to deal with generic situations in various public and private sectors. By utilizing this SOP, the implementers can optimize the allocated time and it serves to unify officers' actions within a complex and large organization. Thus, large flexibility and unity in implementation of regulation can be achieved.

Standard Operational Procedure is a potential constraint for the implementation of new policies that need innovative approaches of work or personnel to implement those policies. Therefore, the larger the policy, the more fundamental the changes needed in the usual way of business being conducted within an organization, similarly, the larger the probability of a SOP to obstruct policy implementation. Nevertheless, SOP also has its benefits. Organizations with flexible planning procedures and large, but flexible control toward programs may be more able to adjust to new responsibilities compared to bureaucracy



that has none of these features. The second feature of the bureaucracy structure that influences policy implementation is fragmentation. Fragmentation is a distribution of responsibility within a policy into several different units, thus, coordination is needed. Primarily, the higher the extent of coordination required in implementing a policy, the less likely for that program or policy to be successful. Fragmentation causes narrow minded in many bureaucratic institutions. This brings loss for the success of policy implementation.

## 2.2. Resources

Resource is allocated as input within organization, it is considered to comprise economic and technological implications. Economically, resource is linked to cost or direct expense by the organization. It depicts the value or potential uses in its transformation process into the output. Meanwhile, technologically, resource related to transformational capability of the organization (Dibia et al., 2014). Resource is an important critical factor in public policy implementation (Knoepfel et al., 2011). There are several indicators used to measure the extent of a resource to influence policy implementation, those are: 1) Staffs. The main resource in policy implementation is staffs or street-level bureaucrats. Among others, common failure in policy implementation is caused by insufficient or incompetent staff. Allocating more staff and implementers is not necessarily sufficient to solve policy implementation problems. Otherwise, it needs sufficient staffs with adequate capability or competent staffs to properly implement a policy. 2) Information. In policy implementation, there are two types information, one related to the way policy is implemented and another is related to implementers' compliance to the issued regulation. 3) Authority. In general, authority should be formal for an order to be effectively implemented. Authority is a legitimation for the implementers in carrying out the politically-determined policy, without authority, there is no legitimation of policy implementers in public, resulting in failure of public policy implementation. However, in other context, the presence of formal authority is often mistaken as abusive in viewing the effectiveness the authority. It is indeed that an authority's effectiveness is needed in policy implementation. Yet, the effectiveness will be reduced when authority is misappropriated or abused for the personal or group interests. 4) Facility. Physical facility is substantial to the policy implementation. Policy implementers may have adequate, capable, and competent staff. However, without sufficient facilities, policy implementation will not be successful.

## 2.3. Disposition

Tendency or disposition is one of the factors, which has consequence in an effective policy implementation. When

implementers have positive tendency or positive attitude or there is support for policy implementation, then, it is most likely for the implemented policy to yield the intended objective. In reverse, if the implementers have negative attitude or resist the policy implementation due to conflict of interests, then policy implementation will have serious problems. This resistance can take various forms, such as indifference, where policy implementers use their discretion to subtly prevent the policy implementation by ignoring, postponing, and other obstructing actions.

According to Grindle (2017), Edward III noted several things about disposition on implementation of policy such as, bureaucratic appointment. Disposition or attitude of the policy implementers can cause significant obstructions for policy implementation when the appointed personnel do not implement the policy in the way that is intended by the top management. Therefore, appointment and selection of personnel to carry out policy should be those who have strong dedication to the issued policy, especially, those who are dedicated for public interests. Incentive is one of the techniques recommended to deal with the policy implementers' attitude by manipulating them with incentive. It is common for people to act based on their individual interest; therefore, the policy-makers influence the behavior of policy implementers with incentive. Increasing benefits for policy implementers may become contributing factor to make the policy implementers carry out the order appropriately. This is carried out as the conduct to achieve the expected personal or organizational interests.

## 2.4. Communication

Communication is one of important variables to influence public policy. Communication strongly determines the achievement of a public policy objective (Tezera, 2019). Effective policy implementation will be achieved when policy-makers know what they do. Information known to the policy-makers is disseminated optimally only by good means of communication. The study posits three indicators to measure the success of communication variable as proposed by Edward III: 1) Transmission. Good communication transmission will result in good policy implementation. There are often problems in communication transmission causing miscommunication due to many layers of bureaucracy where the communication is channeled through. Thus, the expected information is distorted along the way. 2) Clarity. Communication received by street-level bureaucrats should be clear and concise. 3) Consistency. The instruction given in implementation of a communication should be consistent and clear to be carried out. When an instruction is inconsistent, then it brings confusion in the field level.

There are several general problems in communication transmission as noted by Papathanassopoulos & Negrine



(2010). First, there are clashes between policy implementers and the instruction issued by policy-makers, such as clash will cause distortion and direct resistance in policy communication. Second, information is passed down through layers of bureaucratic hierarchy. Communication distortion can happen due to the length of information chain that can cause information bias. Third, the information is absorbed due to perception and implementers' inability to understand the general conditions for a policy. Factors enhancing the unclear information in public policy implementation are generally due to the complexity of the policy, the lack of consensus on the objectives of public policy, problems in starting a new policy, and intention to avert policy responsibility (Hudson, Hunter, & Peckham, 2019). The process of policy implementation comprises different actors from top-tier management actors to street-level bureaucrats. Effective communication demands for organization of clear communication in each layer of bureaucracy. If there is resistance from the implementers, then the policy will be distorted and neglected. Therefore, the more layers or actors involved in a policy implementation, the larger the possibility for it to be distorted and obstructed (Signé, 2017).

In managing a proper communication, effective communication channels should be established. The better the established communication channels, the higher the probability for the instructions to be clearly and correctly passed down and implemented. Within the clarity of information, there are generally intentions to distort the objectives of information by the policy implementers for their own interests by interpreting the information based on their discretion. This can be anticipated through creating a standard procedure which clearly stated the requirement, objective, eliminate multi-interpretation, implement procedure cautiously and detail reporting mechanism. Communication factor strongly influence the acceptance toward the policy by the target group, hence, communication quality will influence the effectiveness of public policy implementation. Therefore, distribution of policy content through good communication process will influence policy implementation. In this case, communication media used to distribute the content of the policy toward the target groups will be critical.

### **2.5. Effectiveness of Micro-, Small- and Medium-Sized Enterprises' (MSMEs) Empowerment**

Effectiveness is the main component to achieve a target set by each organization, activity, and program. It is called effective when the objective is measurably achieved. In short, effectiveness is the measurement of level of achievement of the previously set target. Steers (1977) described effectiveness as an effort or system using certain resources and facilities which strives to achieve their objectives

without having to spend the facilities and resources, and without having to suppress unnecessary implementation. Steers added, effectiveness can be measured through productivity, adaptive-working ability, work satisfaction, profitability, and resources exploration. Effectiveness can be understood as ability to physically and non-physically implement institutional activity to achieve the objectives and achieve target measurably.

Empowerment is a conscious and systematic effort to achieve better life. Empowerment is the result of failure and hope, a failure of the economic development models to eradicate poverty and create preserve environment. Meanwhile, hope is due to the emerging democratic values, gender equality, and sufficient economic growth. Based on effectiveness definition and empowerment definition, the effectiveness of MSMEs' empowerment is a measurement effort to actualize MSMEs' potentials itself. Business people and MSMEs need to improve their entrepreneurial abilities in designing, implementing, and running new businesses that start from micro, small, and develop into medium-sized businesses that are transformed into the formal sector (Sondakh, Bernarto, Juliana, Purwanto, & Pramono, 2020). If the MSMEs' empowerment approach emphasizes on the importance of MSMEs' independence as a system that properly organize its group, then, such approach is expected to provide roles for individuals not as object, but rather as subject of the development that determine the future of the MSMEs.

### **3. Research Method**

This is an explanatory research, where data are collected in one short study cross-sectionally through questionnaire. Explanatory research is intended to describe the causal relationship among variables through hypothetical testing in order to draw a causality conclusion among variables and for further selecting the alternative actions (Stebbins, 2012). This explanatory approach is employed due to the objective of this study to empirically proven and to describe the significant influence of entrepreneurship orientation, managerial capacity, toward business strategy and business performance in food-sector MSMEs in Gorontalo province. The object of this study is all food-sector MSMEs in Gorontalo province, distributed in five regencies and one city, Gorontalo city, Bone Bolango regency, Gorontalo regency, Gorontalo utara regency, Boalemo regency and Pohuwato regency.

The population of this study is all food-sector MSMEs owned and managed directly by their owners and registered with KOPERINDAG Agency of Gorontalo province, which amounted to 6,542 business units. The sampling method is non-probability sampling or purposive sampling (Showkat & Parveen, 2017). Purposive sampling means that samples were selected based on certain criteria to suit the objective of the research. The criteria are applied to filter the research objects (food-sector MSMEs). These criteria are: 1) independently



established, not part of other companies, and not directly or indirectly affiliated with medium or large companies; 2) producing food products; 3) MSMEs under the guidance of the KOPERINDAG agency, Bank of Indonesia, or other institutions with similar vision to develop the industry; 4) having business license (P-IRT, Halal BPOM) required for food-processing industry; 5) having production location and facility that can be observed and visited; 6) have been established for at least 10 years; and 7) owners and managers have knowledge on entrepreneurship, business management, marketing, and enterprise's condition.

Based on these criteria, 96 MSMEs were selected as samples. The data collection methods were: 1) a questionnaire distributed to business owners or business managers of the selected MSMEs in Gorontalo province; 2) in-depth interview, this technique is employed to support and reveal facts behind the quantitative analysis. Interview was carried out with respondents who were considered capable to provide the needed explanation; and 3) documentation, collecting relevant documents and studies from various sources like companies, website, and other relevant institutions.

The data in this study were analyzed using Partial Least Square (PLS) to test the model or relations structure among variables. This research employed Second Order PLS as proposed by Wong (2013), second order SEM PLS was initiated from the construct – dimension – indicator. There are several reasons for using this Partial Least Square (PLS) technique in this study, such as 1) PLS is an analysis method applicable to all scale of data, it does not need many assumptions and does not necessarily need large sample size (Gaskin & Lowry, 2014). The sample size used for hypothesis testing in PLS are resampling with bootstrapping developed by Geisser (1975). The sample size in PLS is estimated as follow a) ten times the number of formative indicators (neglecting the reflexive indicator) ; b) ten times the structural number (structural paths) in linier model; and c) small sample size of 30-50 or large sample size of more than 200 can be used. 2) Logical framework constructed in this research consists of three exogenous variables – disposition, resources, and bureaucratic structure, whereas two endogen variables in this study are communication and MSMEs' empowerment. Each exogenous and endogenous variable is measured using several reflexive indicators, thus, the Partial Least Square (PLS) used to estimate is construct variant (Chin, 1998). 3) Partial Least Square (PLS) is a method of analysis to construct relationship between variables that are yet to have strong theoretical background or to test proposition. 4) Model Evaluation, PLS model evaluation is based on the prediction measurement with non-parametric characteristics. Measurement model or outer model with reflective indicator is evaluated with convergent and discriminant validity of its indicators and composite reliability of the indicators' block. Meanwhile, outer model with formative indicator is evaluated based

on its substantive content by comparing its relative weight and to see the significance of that weight size (Henseler, Ringle, & Sinkovics, 2009).

Structural model is evaluated using the percentage of the described variant by considering the (*R*-square of exogenous variable) for dependent latent construct by using the Stone-Geisser *Q*-Square test (Stone, 1974; Geisser, 1975) and also to see the extent of the structural path coefficient. The stability of this estimation is evaluated using the *t*-statistic through bootstrapping procedure. There are two models of PLS: 1) Inner model (structural model) devoted to correlation among latent variables. In this research concept, inner model deals with the specific to relationship among variables. 2) Outer model (measurement model) that deals with the correlations of indicator with its latent variable.

## 4. Results and Discussion

The data used in this study are primary data obtained through open-ended questionnaire distributed to MSME owners as respondents all over Gorontalo province. There are 96 questionnaire sent to the previously determined samples. The result of analysis using the pathway analysis of Partial Least Square (PLS) is described in detail below:

### 4.1. Pre-requisite of PLS Analysis

#### 4.1.1. Convergent Validity

In convergent validity analysis of the individual test of item reliability can be obtained from standardized loading factor. Standardized loading factor points out the degree of correlation among each measurement item (indicator) against its construct. The outer loading value of each indicators in this study presented in Table 1.

Based on the test carried out above, there is no indicator of outer loading value below 0.7. Thus, all indicators are valid to be used in this study and can be used for further analysis.

#### 4.1.2. Discriminant Validity

Discriminant validity is to see and to compare between the discriminant validity and the square root of average extracted (AVE). If the value of square root average (AVE) of each construct is larger than the correlation value among constructs within the model, then, it is said to have good discriminant value and the expected AVE value is >0.5. The result of analysis is presented in Table 2.

Based on the table above, the AVE value for bureaucratic structure, resources, communication, and implementation of MSMEs' empowerment policy is >0.5. Therefore, each variable is said to have good discriminant validity.



**Table 1:** Convergent Validity Results

Variables	Indicator	Outer Loading	Standard	Status
Bureaucratic Structure	X1.1	0.713	0.7	Valid
	X1.2	0.845	0.7	Valid
	X1.3	0.754	0.7	Valid
	X1.4	0.790	0.7	Valid
Resources	X2.1	0.825	0.7	Valid
	X2.2	0.901	0.7	Valid
	X2.3	0.889	0.7	Valid
	X2.4	0.931	0.7	Valid
Disposition	X3.1	0.942	0.7	Valid
	X3.2	0.927	0.7	Valid
	X3.3	0.936	0.7	Valid
Communication	Z.1	0.909	0.7	Valid
	Z.2	0.887	0.7	Valid
	Z.3	0.859	0.7	Valid
MSMEs Empowerment	Y.1	0.855	0.7	Valid
	Y.2	0.819	0.7	Valid
	Y.3	0.805	0.7	Valid
	Y.4	0.797	0.7	Valid
	Y.5	0.830	0.7	Valid
	Y.6	0.885	0.7	Valid

**Table 2:** Discriminant Validity Results

Variables	AVE	Standard	Status
Bureaucratic Structure	0.874	0.5	Valid
Resources	0.784	0.5	Valid
Disposition	0.693	0.5	Valid
Communication	0.604	0.5	Valid
MSMEs Empowerment	0.788	0.5	Valid

#### 4.1.3. Composite Reliability

Composite reliability is an index that shows the extent of a measurement tool to be reliable. Data with  $>0.7$  composite reliability value have high reliability. Composite reliability of indicator block, which measures a construct can be evaluated using two measurements, internal consistency and Cronbach's Alpha. The result of composite reliability of variables in this study is presented in Table 3:

Based on the analysis carried out on the data above, it is known that the internal consistency of each variable in

**Table 3:** Composite Reliability Results

Variables	Composite Reliability	Standard	Status
Bureaucratic Structure	0.954	0.7	Reliable
Resources	0.916	0.7	Reliable
Disposition	0.931	0.7	Reliable
Communication	0.859	0.7	Reliable
MSMEs Empowerment	0.937	0.7	Reliable

**Table 4:** Cronbach's Alpha Results

Variables	Cronbach's Alpha	Standard	Status
Bureaucratic Structure	0.928	0.7	Reliable
Resources	0.862	0.7	Reliable
Disposition	0.911	0.7	Reliable
Communication	0.780	0.7	Reliable
MSMEs Empowerment	0.910	0.7	Reliable

this study is  $>0.7$ . Therefore, this result shows that each variable in this study have meet the required value of internal consistency, thus, it can be concluded that all variables have high reliability.

#### 4.1.4. Cronbach's Alpha

The reliability test with composite reliability above can be further strengthened using the Cronbach's Alpha value. A variable is said to be reliable when it has  $>0.7$  Cronbach's Alpha value. The Cronbach's Alpha value of each variable presented in Table 4.

Based on the results shown in this table, the composite reliability of all variables in this study are  $>0.7$ . This indicates each variable has met the required composite reliability standard. Hence, it can be concluded that all variables have a high reliability level.

#### 4.2. Path Coefficient Test

Path coefficient evaluation is used to show the extent of effect or influence of an independent variable against the dependent variable, whereas determinant coefficient (*R*-Square) is used to measure to which extent the endogen variable is influenced by other variables. This result of analysis on level of *R* square for all equations is provided in Figure 1.



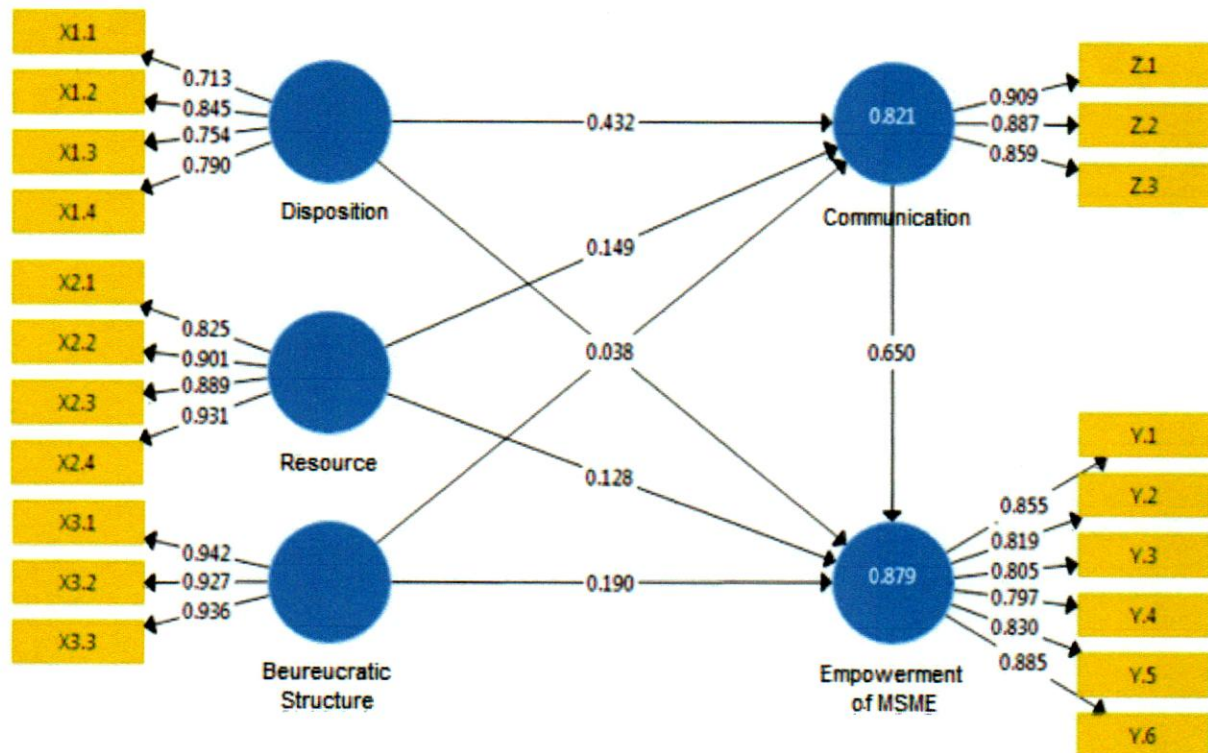


Figure 1: PLS Algorithm

Table 5: R Square Results

No	Variables	Communication	MSMEs Empowerment	
			Direct	Indirect
1	Bureaucratic Structure	0.432	0.038	0.281
2	Resources	0.149	0.128	0.097
3	Disposition	0.409	0.190	0.266
4	Communication		0.650	
Simultaneous determinant		0.821	0.879	

Based on the figure above, it can be described that overall result of *R* square is as follow (Table 5).

Based on the table above, it can be described that the determinant results are as follow:

#### 4.2.1. The Influence of Bureaucratic Structure, Resources, and Disposition Toward Communication

Overall, it can be interpreted that the value of *R* square is 0.821, which means that 82.10% of communication of MSMEs in Gorontalo province is influenced by bureaucratic structure, resources, and disposition, whereas,

17.90% is influenced by other variables outside this research. Specifically, bureaucratic structure influences 43.20% of communication of these MSMEs, followed by disposition variable by 40.90% and resources variable by 14.90%.

#### 4.2.2. The Influence of Bureaucratic Structure, Resources, Disposition, and Communication Toward Implementation of MSMEs Empowerment Policy

Overall, it is shown that the *R* square value is 0.879, which means that 87.90% of the MSMEs' empowerment policy implementation in Gorontalo province is influenced



by bureaucratic structure, resources, disposition, and communication, whereas, 12.10% is influenced by other factors outside this study. This study revealed that the most dominant variable influencing MSMEs' empowerment policy implementation is communication by 65%, followed by disposition variable by 19.00%, resource by 12.80%, and lastly influenced by bureaucratic structure by 3.80%.

### 4.3. Hypothesis Test

Based on the data analysis, the hypothesis testing in this study is carried out using the *T*-statistics and *P*-values. The *t*-table value was looked up first before the partial testing is carried out. The *t*-table value was 1.986 ( $df = n - k - 1 = 96 - 4 - 1 = 91$ ). The hypothesis testing in structural equation is presented in Figure 2.

Based on the figure above, the result of hypothesis testing can be described. Research hypothesis is accepted when the *P*-value is  $< 0.05$ . The detailed result is presented in Table 6.

The results of hypothesis testing as presented in the table above can be classified based on the influence of the variable:

#### 4.3.1. Direct Influence

- The influence of bureaucratic structure toward communication.

The *t*-statistic value on the influence of bureaucratic structure on communication yield the value of 4.069 with the probability value (*p*-value) of 0.000. This *p*-value is smaller than standard probability value of 0.05 ( $0.000 < 0.05$ ). Therefore, Ha1 is accepted, which means that bureaucratic structure positively and significantly influences the communication of MSMEs in Gorontalo province.

- The influence of resources toward communication.

The *t*-statistic value of the influence of resources toward communication is 2.783 with the probability value (*p*-value) of 0.006. This *p*-value is smaller than the standard probability value of 0.05 ( $0.006 < 0.05$ ), thus, Ha2 is accepted, which means that resources have positive and significant influence on communication of MSMEs in Gorontalo province.

- The influence of disposition toward the communication.

The value of *t*-statistic on the influence of disposition toward communication is 4.630 with the probability value (*p*-value) of 0.000. This *p*-value is smaller than the standard probability value 0.05 ( $0.000 < 0.05$ ), hence, Ha3 is accepted, which means that disposition has positive and significant influence on MSMEs' communication in Gorontalo province.

- The influence of bureaucratic structure toward the implementation of MSMEs empowerment policy.

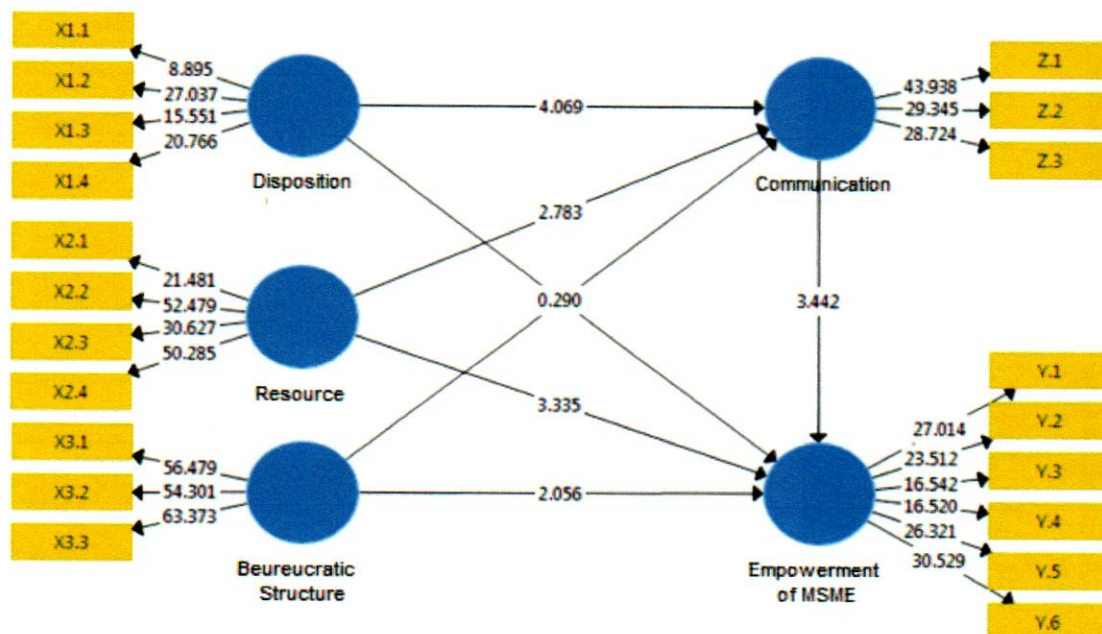


Figure 2: Hypothesis Testing Results



**Table 6:** Hypothesis Testing Results

Type of Influence	Influence	t-statistic	P-value
Direct	X1 → Z	4.069	0.000***
	X2 → Z	2.783	0.006***
	X3 → Z	4.630	0.000***
	X1 → Y	0.290	0.772 <sup>ns</sup>
	X2 → Y	3.335	0.001***
	X3 → Y	2.056	0.040**
	X4 → Y	3.442	0.001***
Indirect	X1 → Z → Y	2.084	0.038**
	X2 → Z → Y	2.420	0.016**
	X3 → Z → Y	2.935	0.003***

<sup>ns</sup>not significant; \*Significant at the 0.1 level (2-tailed); \*\*Significant at the 0.05 level (2-tailed); \*\*\*Significant at the 0.01 level (2-tailed).  
Source: PLS Processing, 2020.

The *t*-statistic value on the influence of bureaucratic structure toward communication is 0.290 with the probability value (*p*-value) of 0.772. This *p*-value is larger than the standard probability value 0.05 (0.772 > 0.05), thus,  $H_{a4}$  is rejected, which means that the bureaucratic structure has positive, but insignificant influence on implementation of MSMEs' empowerment policy in Gorontalo province.

- e. The influence of resources on implementation of MSMEs' empowerment policy.

The *t*-statistic value on the influence of resources toward the communication is 3.335 with the probability value (*p*-value) of 0.002. This *p*-value is smaller than the standard probability value 0.05 (0.002 < 0.05), hence, the  $H_{a5}$  is accepted, which means that resources have positive and significant contribution toward implementation of MSMEs' empowerment policy in Gorontalo province.

- f. The influence of disposition toward implementation of MSMEs' empowerment policy.

The *t*-statistic value on the influence of disposition toward implementation of MSMEs' empowerment policy is 2.056 with the probability value (*p*-value) of 0.040. This *p*-value is smaller than the standard probability value 0.05 (0.040 < 0.05), thus,  $H_{a6}$  is accepted, which means that disposition positively and significantly influence the implementation of MSMEs' empowerment policy in Gorontalo province.

- g. The influence of communication toward implementation of MSMEs' empowerment policy.

The *t*-statistic value on the influence of communication toward the implementation of MSMEs' empowerment policy is 3.442 with the probability value (*p*-value)

0.000. This *p*-value is smaller than the standard probability value 0.05 (0.001 < 0.05), thus,  $H_{a7}$  is accepted, which means that there is a positive and significant influence of communication toward the implementation of MSMEs' empowerment policy in Gorontalo province.

#### 4.3.2. Indirect Influence

- a. The influence of bureaucratic structure toward implementation of MSMEs' empowerment policy through MSMEs communication.

The *t*-statistic value on the indirect influence of bureaucratic structure variable is 2.084 with the probability value (*p*-value) is 0.038. This *p*-value is smaller than the standard probability value 0.05 (0.038 < 0.05), thus,  $H_{a8}$  is accepted, which means that the bureaucratic structure through communication positively and significantly influence implementation of MSMEs' empowerment policy in Gorontalo province.

- b. The influence of resources toward implementation of MSMEs' empowerment policy through MSMEs communication.

The *t*-statistic value on the indirect influence of resources variable is 2.420 with the probability value (*p*-value) is 0.016. This *p*-value is smaller than the standard probability value is 0.05 (0.016 < 0.05), thus,  $H_{a9}$  is accepted, which means that resources, through communication, positively and significantly influence implementation of MSMEs' empowerment policy in Gorontalo province.

- c. The influence of disposition toward implementation of MSMEs' empowerment policy through MSMEs communication.

The *t*-statistic value on the indirect influence of disposition variable is 2.935 with the probability value (*p*-value) of 0.003. This probability value is smaller than the standard probability value 0.05 (0.003 < 0.05), thus,  $H_{a8}$  is accepted, which means that disposition positively and significantly influence implementation of MSMEs' empowerment policy in Gorontalo province through communication.

Overall, it can be inferred that communication variable is an appropriate intervening variable as it was able to increase the influence of bureaucratic structure, resources, and disposition toward implementation of MSMEs' empowerment policy in Gorontalo province. Therefore, in an implementation of a policy, good communication should be internally and externally developed.

These findings shed some lights in several novelties in this study to increase the effectiveness implementation of



MSMEs' empowerment policy: 1) *Creating a conducive business climate*. The government needs to create a conducive business climate by ensuring the safety and ease of doing business by simplifying the procedure of business agreement and tax incentive; 2) *Working capital assistance*. The government needs to create a new scheme of credit with terms and condition, which are not too difficult to meet for the MSMEs, to assist them to increase their capital, either through formal financial sector services, or informal financial sector services, the guarantee scheme, leasing, and venture capital; 3) *Business protection*. Certain types of businesses, especially the traditional type of businesses which are mostly operated by the poor economic groups, should be protected by the government, both through national regulations and local regulations that can ensure positive-growth for all; 4) *Development of partnership*. Partnership among MSMEs, and between MSMEs and large businesses nationally and internationally should be developed, to prevent business monopoly. In addition, broadening the market share and more effective business management of these MSMEs. Therefore, MSMEs will be able to have competitive advantage to compete with other business, nationally and internationally; 5) *Trainings and coaching*. Government should increase trainings and coaching for these MSMEs. This training can be in form of entrepreneurship, management, administration, and knowledge as well as skills in their specific field of business. In addition, they should be monitored on how they implement these new sets of skills and knowledge to further develop their business and create partnership with other business entities; 6) *Establishing specific institution to coordinate all activities related to the growth of MSMEs*. This institution will also function as a business development service provider that provides consultation and coaching for problems related to MSMEs; 7) *Strengthening the association*. The currently available MSMEs association needs to be strengthened in order to increase its role in developing the business information network for its members; 8) *Increasing promotion*. Acceleration of partnership process among MSMEs and between MSMEs and large business, specific media to promote MSMEs products is needed. In addition, talk shows involving business associations and potential partners need to be held; and 9) *Developing an equal partnership*. Equal partnership between government and MSMEs should be improved in order to have sufficient knowledge and information on current issues and trends on business development.

## 5. Conclusion

The hypothetical validations through quantitative analysis of the influence of bureaucratic structure, resources, disposition, and communication toward the effectiveness of MSMEs' empowerment policy implementation conclude

that bureaucratic structure, resources, disposition, and communication partially and simultaneously influence the effectiveness of MSMEs' empowerment policy implementation. The empirical results have also shown that there are nine other important aspects determining the effectiveness of implementation of MSMEs empowerment policy. These nine aspects, which are new this study, are creating conducive business climate, working capital assistance, working capital protection, partnership development, training, establishing of specific institution, strengthening the association, developing promotion, and developing equal partnership.

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