

# Three Success Pillars: A New Approach to Develop Small Business

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**Abstract-** *This research aims to analyze three success pillars of small business in Malang, Indonesia. This explorative research uses quantitative approach by survey method. Primary data were collected by questionnaire. The sampling technique using proportional random sampling, with the number of respondents are 100 units. Data analysis technique used structural equation model. Based on the results of data analysis revealed that three success pillars consisting of financial and cash management, fulfillment of customer value and pillars of profitable customers and partners significantly influence the success of small business. It means, the growing of small business absolutely depends on the implementation of three success pillars. In other words, implementation of cash and financial management, deliver and fulfill of customer value and get dan retain profitable customer and partner are extremely necessary.*

**Index Term -** *Three Success Pillars, Small Business*

## 1. INTRODUCTION

### 1.1 Background of the Study

Based on the results of research by Salimzadeh, Courvisanos & Ravi (2013), the three pillars of business success has many benefits and support the performance dramatically. Other benefits, it can improve the competitiveness of small industries. In a subsequent study, Halberstadt, J. & Johnson, W. (2014), also stated that the three pillars of business success as one of the coaching models had a dominant effect on business competitiveness. Also, Permenter (2015) explains that the implementation of the three pillars of business success has an impact on competitiveness as well as small business performance.

Further, based on secondary information, there are 273,000 units of SME's and 152 units of them are opak gambir craftsmen (Department of Industry and Trade of Malang Regency, 2016). While the average number of workers in each small business amounted to 5-45 people, including business owners. Of course from the aspect of labor absorption is certainly good enough. Unfortunately, these business are faced many problems. Growth continues to slow as the

implications of low competitiveness due to the lack of a touch of modern management. In other word, its management is far from efficient and quality that does not change quickly. Coupled with the increasingly widespread business of similar large-scale product variants with more and more interesting. This reality becomes of course a serious threat that can effect to the sustainability. It can also contribute to the regional economy deterioration. Even, it can increase the number of unemployment and other social impacts. Therefore, the development of this sector has to be conducted very soon.

It should be remembered, at the beginning of 2016, ASEAN Economic Community has been started, which certainly has implications for the increasing market share of SME's actors' products. But keep in mind, the increased market opportunities will surely follow the increasing climate of competition. So, the effort must be done by conducting study of three pillars of business success as an effort to encourage the growth and development of small industries become more prospective.

Business success is a goal for every business entity, both small and large, including home industry. Magretta, (2015) reveals, business success is a condition of business entities that continue to experience growth in various aspects of business. The indicators of business success consist of customer satisfaction, growth at business profit, greater customer retention, growth at business turn over, greater labor relations Growth at number employee. Many companies focus only on business as usual, but few prepare for business continuity when incidents or disasters occur.

### 1.2 Research Problem

Based on research survey shown that the small industries face many problems at Malang, Indonesia especially to reach business success. Even, 47% of it tends to be collapse. Of course, this condition is unfavorable to the local and regional economy. Even, it has several implications that create many social problems, such as poverty, criminality and so forth.

### 1.3 Research Objective

The research objective is to analyze the linkage of three success pillars to the business success of small industries at Malang, Indonesia.

#### 1.4 Significance of the Study

The output of this study will be an important information for local government, particularly in order to develop small business in Malang, Indonesia.

## 2. LITERATURE REVIEW

### 2.1 Theoretical Foundation

#### 2.1.1 Business Success

According to Boone (2007: 5), the business consists of all activities that seeking profit by providing goods and services needed for the economic system, produce tangible goods while others provide services. Therefore, business is an individual act and a group of people who create value through the creation of goods and services to meet the needs of society and gain profit through transactions. It means, business sustainability will appear when the profits gained growth. Therefore, continuity is the responsibility of all involved in business organizations. On the other hand, sustainability is a continuity that can meet today's needs without sacrificing the ability to exist in the future.

There are ten things to do when a business slows down. Sometimes activities in running a business often make managers facing many problems. Managers are very busy and often do not have time to think. But if the order keeps coming, the customer buys, then the business grows. Most small businesses go through the peak session cycle, but sometimes also experience periods of very slow growth. Here are some ideas that management should take when it comes to peak sessions and when a business slows down (a) sends letters to customers. Customer management is an important part in doing business.

Keep in touch with customers even during peak hours, so do not ever forget about paying attention. The goal, just remind the customer that the product is still there. Let the customer know if there is something new that might be interested, or write a short article about the areas of management expertise and customer interest, (b) set up the office. It's good to keep the office neat and clean. Avoid piles of stuff and have to decide to throw out most of the unnecessary. Prompted good ideas where by removing them from the office desk, organizing books and documents and more. Do not forget the computer desktop is rearranged and reset. After that, work hard again with a better atmosphere and certainly can bring fresh business ideas that are needed when the business slows down, (c) meet with other business owners. Take the time to form several alliances, build partnerships and keep collaborating together with other business actors. When we are

busy, we rarely take the time to build networks, work with mentors or just hang out with business associates. This activity can be a stepping stone for finding new ideas, information about industry or markets and maybe even finding new customers, (d) Paying attention to expenses. For small business owners, keep paying attention to the various costs are indispensable. The goal, in order to identify operational costs that are often unnecessary. Do some organizing when the opportunity arises and will be amazed how it feels to produce ready goods for sale at competitive cost and price, (e) playing with staff. If the business slows down, it is possible because it all comes boredom. Take this opportunity to do some team building. Plan a staff meeting. Do some team building activities. Watching training videos with staff that have been followed together, at some time ago. At the same time jointly plan for further training, (f) clear the pile of tasks. Procrastination of work will make the workload more and more mounting. Of course the implications will make it more selfish and difficult to cooperate with other parties. In fact, collaboration is an important factor in working to realize business targets. Therefore, make it a habit to work in a planned and scheduled manner to avoid accumulating workloads, (g) take time. Basically everyone is always complaining. Especially during the hours of work solid and busy. Because anyone will never avoid the condition. Of course when the market continues to be excited. However, in the opposite moments, take time to refresh the mind, such as playing outside the office on a day off. In this way, the mind becomes refreshed and ready to work productively again, (h) clean up the file. This activity is not something most people do, but it can really help improve efficiency at work. With deleting that are not important, it will make the work becomes faster. There will be efficiency and effectiveness in work and (i) brainstorming new ideas. Gather staff for brainstorming sessions. Ask big questions that often do not have Time to think about. For example, what new innovations might be tried? What do customers need and have fulfilled? How can work more fun in the workplace? What are some areas of marketing need to be developed?, and what crazy things are ready and can be tried?



Figure.1. *Three Pillars of Small Business Success*  
Source: Moyeen & Courvisanos, 2015

### 2.1.2 Three Success Pillars

Basically, small businesses will succeed when balancing the three business pillars. According to Moyeen & Courvisanos (2015) that the system manages cash and financial resources. It also provides the critical data you need to make consistently good decisions. Interact with almost every other functional area of your business. That means the financial pillar and cash management quickly become a treasure trove of valuable information. Companies that cannot effectively manage their money do not stay in business. Business leaders often do not make the best use of their financial systems and cash management. Too often, the data they capture is passed out of the accountant—who often focuses primarily or solely on taxes. That means financial information is often not well analyzed and used. This usually results in bad decisions—and business is more stressful. Intelligent leaders make decisions using evidence, not guesswork. What they do is ART: ensuring accurate, reliable and timely information is shared within the company. It starts with having a healthy financial system, identifying the information you need to gain from it, and understanding what this means for more effective business decision making and guidance. Furthermore, delivering and fulfilling promised customer value is also very important. This is where customer trust and loyalty are either built or eroded. Often the owner starts a business to provide something of value to the customer. Unfortunately, the information about how to make this is often locked in the person's head. Because there are often inadequate systems or processes to share this knowledge with others, everyone has to go through the founders for decisions. It's inefficient and stressful as the company grows and becomes more complex. This almost always leads to mistakes, unfulfilled promises of customer value, and an increase in internal stress levels of compliance issues. The fulfillment of the pillars also holds the

greatest potential for profit and / or cash leaks out of business. It stems from the perverse tendency many businesses have to solve the problem of customer dissatisfaction. They either give or do not charge for fulfilling profitable fulfillment services to compensate and reduce customer displeasure.

Also, no less important is getting partners and profitable customers. The famous slogan of Peter Drucker is that business exists to create customers. I believe we should add qualifications from profitable customers. If a business cannot get and retain enough profitable customers and partners to increase revenue, it will not survive. Without the right level of sales, a business cannot create the positive cash flow needed to operate. Here, too, the secrets of acquiring and retaining the right customers are often located with the founders. When there are no effective and repetitive systems and processes there to do this, there are serious problems. This is also where we determine which customers generate the most profits and that fall below an acceptable level. If necessary, sales strategies and processes are being engineered to make customers more profitable, and gradually reduce or eliminate those who do not fit. The three basic pillars must work together. They feed every other information, insight and critical performance data. Then leaders use this to regularly improve product, service, customer value, competitive differentiation, and marketing communications to target the audience. A free flow of communication between pillars is as important to business success as its own pillars. Make certain these dynamic interactions continue to happen up to the leaders of the organization. They have to make sure that the three pillars do not turn into three standalone organizational silos, which will throw dangerous businesses out of balance over time. The next step is to regularly audit your three pillars to ensure they operate at an effective and comparable level of competence. Use a scale of 1 to 10 to assess their operational competencies. A combined score of 30 will be perfect, and 3 horrible. Do not shoot to perfect. It is a waste of time and unnecessary. This will involve making judgments. For obvious reasons, you cannot ask a pillar manager to rate and score yourself. Trusted advisor the goal works well for the types of assessment. Periodically request internal and external customer pillars about the quality, quantity, timeliness and value of the products or services they receive. Based on the study of literature and some previous research results, the theoretical framework of this research, as follows:

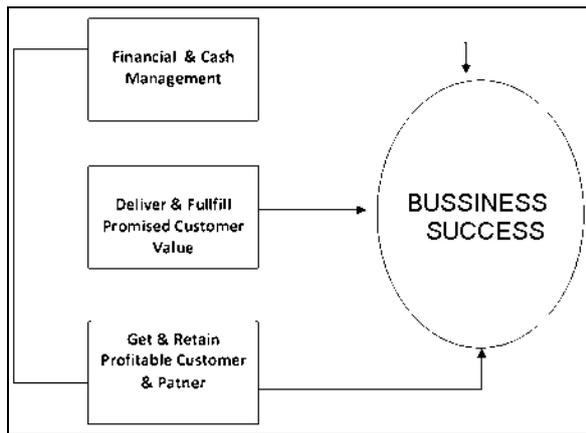


Figure 2. Theoretical Framework, 2017

Based on the previous research and theoretical framework, it can be formulated three hypotheses, (a) financial and cash management effect significantly to business success, (b) deliver & fullfill promised customer value effect significantly to business success and (c) get & retain profitable customer and patner effect significantly to business success.

### 3. RESEARCH METHODOLOGY

#### 3.1 Research Design

The study was carried out in Kepanjen Malang. It is located in East Java, Indonesia. This study employed the survey research design and the proportional random sampling procedure. While the operational definition of research variables (a) three pillars of small business success is defined as a model of business entity development that aims to build sustainability by applying balance pillars of finance and cash management, pillars of customer value fulfillment and pillar profitable customer and partners, and (b) business success is a condition of business entities that continues to experience growth in various aspects of business with indicators of greater customer satisfaction, growth at business profit, greater customer retention, growth at business turn over, greater labor satisfaction, corporate reputation and growth at number of employee.

#### 3.2 Population and Sampling

The population in this study are all small business in Kepanjen, Malang, Indonesia. The sampling technique will be done by proportional random sampling. The sample size is 100 small business who will be respondents as well as focus group discussion participants. The number of samples is determined due to requirement of structural equation model analysis. Thus, the sample of this study in accordance with the requirements of data analysis (Sugiyono, 2014, Ferdinand, 2013).

### 4. DATA ANALYSIS

#### 4.1 Descriptive Analysis

Base on descriptive analysis show that majority of respondents interest to the three pillars success factors. It was revealed from the majority of respondents answered with a score of 4 (agree) and score (5) strongly agree from 1 till 5 scale. It means, three pillars success factors are required by small business to be success.

#### 4.2 Inferential Analysis

Cronbach Alpha was used to test for validity and reliability of the data collected. All of 75 questionnaires were returned with only 5 (7%) returned uncomplicated. This leaves the data collected 93% reliable. After the primary data were collected, the activity continued with editing and tabulation. Data analysis technique used in this research is structural equation model. The goal, in order to know the relationship between three success pillars with the development and growth of small business.

Based on the results of primary data analysis using the technique of structural equation model analysis, shown that the research instrument used is valid and reliable. It is seem from all loading factor values are greater than 0.40. While reliable because on the results of reliability test all have coefficients greater than 0.60. Further, the relationship between three success pillars & business success are as follows:

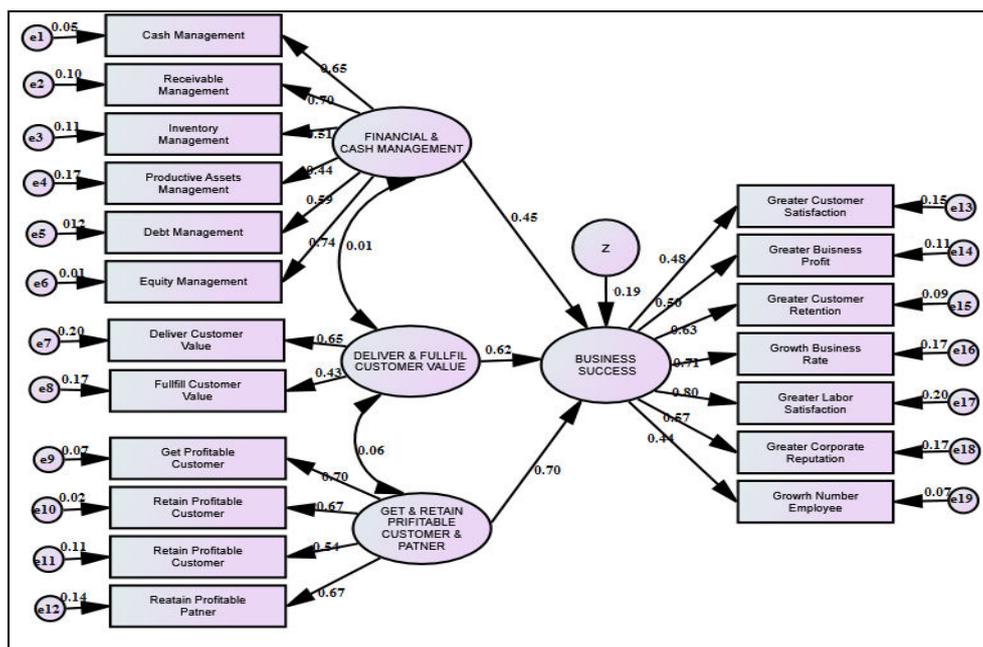


Figure 3. Linkage of Three Success Pillars & Business Success.  
 Source: Primary Data, 2017.

As seen at Figure 3, there are no relationship among components of three success pillars. This is due to all coefficient value are very little. However, it was demonstrated that financial and cash management effect significantly to business success by coefficient of 0.45. Deliver & fulfill customer value positively affects business success with a coefficient of 0.62. and get and retain profitable customer and partner also effect significantly to business success by coefficient of 0.70. It means that all components of three success pillars effect to the business success of small business at Malang, Indonesia.

### 5. CONCLUSION & RECOMMENDATION

Moreover, hypothesis testing is used to test some research hypotheses as previously formulated. Hypothesis testing is based on data processing research using structural equation model analysis, by analyzing the regression value as shown in the table 1 below. Hypothesis testing is done by analyzing Critical Ratio (CR) value and Probability (P) value on result by Regression Weights Full Model data, compared to the required statistical limit, i.e. the

value must be greater than 2.00 for CR value and below 0.05 for P value. The data indicates the value that qualifies, and then the research hypothesis will be discussed gradually in accordance with the hypothesis proposed in this study.

As shown at table 1, it is demonstrated that financial and cash management effect significantly to business success. This is due to the value of critical ratio (CR) is 2.04 more than 2.00, and the value of probability 0.009 is less than 0.05. Further, hypothesis that states deliver & fulfill customer value have a significant effect on business success. From table 1 it is revealed that the effect is shown by CR of 2.62 greater than 2.00 with a p value of 0.001 which means <0.05. Thus the hypothesis in this study is acceptable. It means, it can be explained that the implementation of deliver & fulfill customer value significantly affect business success. A finding that is certainly very meaningful for small business entities in order to increase its success. Also, get & retain profitable customer and partner effect significantly to business success. It means, all research hypotheses are accepted.

Table 1. Estimation of Parameter Regression Weights

		Estimate	S.E	C.R.	P
Financial & Cash management	→ Business Success	0.45	0.22	2.04	0.009
Deliver & fulfill customer value	→ Business Success	0.62	0.24	2.58	0.005
Get & Retain Profitable Customer and Partner	→ Business Success	0.70	0.19	3.68	0.000

Source: Primary Data, 2017

This findings support the idea of Salimzadeh, Courvisanos & Ravi (2013) that implementation of three pillars of business success has many benefits and one of them influences dramatically. Furthermore, it supports Halberstadt, J. & Johnson, W. (2014), also reveals that the three pillars of business success as one of the coaching models has a dominant effect on business competitiveness. Another researcher, Permenter (2015) explains that the implementation of the three pillars of business success has an impact on competitiveness as well as small business performance. It means that these research findings reinforce the findings of previous research.

### 5.1 Conclusion

Based on the result and discussion of this research, it can be concluded that financial and cash management effect significantly to business success. Further, deliver & fulfill customer value also significantly effect on business success, and get & retain profitable customer and partner effect significantly to business success as well. It means, all research hypotheses are accepted. It means, all hypotheses are accepted. Of course, this findings are useful to develop small business. However, further research is still required to get more specific findings that will have a major impact on the success of small businesses.

### 5.2 Recommendation

Based on the conclusion of this research, the next researcher should focus on this research findings especially on the get & retain profitable customer and partner. It means that the further research should focus on these factors.

### 5.3 Limitations and Future direction

Due to this research was conducted in Malang, Indonesia, the findings can be only applied in this country. However, it can be also applied in other countries by modification.

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