

The effect of contextual factors, government, corporate social responsibility and competency on business development

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ABSTRACT

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This study aims to analyze the influence of contextual factors, government role, implementation of corporate social responsibility, and competency on competitiveness of wood craft Small Medium Industries (SMI) in Bali Province, Indonesia. The renewal of this research is to include the implementation of CSR in order to improve business competencies and competitiveness of SMIs. A sample of 152 respondents from the wood crafts SMIs in Bali Province. The research approach used is quantitative (positivist) and the type of research is exploratory with a questionnaire as a method of data collection. Partial Least Square as a data analysis tool is used. The results of the study show that: contextual factors, government role, and CSR implementation had positive and significant effects on competencies and competitiveness of SMIs. Contextual factors have the smallest influence on business competencies and competitiveness when compared with other variables in the study.

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1. Introduction

There is a growing development on the woodcraft industry in Bali Province through small and medium scale industries. Government policy is to grow the SMIs and help industry contribute to economy. This can be seen from, among others, the occurrence of unfair competition between small entrepreneurs and big entrepreneurs. The role of the government turned out to be largely directed towards empowerment and mentoring efforts in order to improve SMIs business competencies (Jane & Chandra, 2012). Another role of the government is to provide funding facilities (Sujadi, 2008; Laing, 2009). The government also plays a role in assisting business partnership (McFarland & McConnell, 2011; Afiah, 2009; Morgan, 2009) and also in line with Vargas-Hernández and Noruzi (2010) which states that fostering and empowering the government in the long term can play a vital role in increasing sustainable competitiveness. Mishra (2012) emphasizes more on government assistance in the context of business partnerships so that it becomes the foundation for developing competitive business in the long term. In today's more globalized world economy and free competition, competitiveness has become one of the key concepts for companies, countries and regions to succeed in their participation in globalization and free trade in the world (Markovics, 2005).

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Globalization has aroused a growing awareness of business responsibility for the community and corporate social responsibility. Strengthening the economy of the people based on SMIs and improving the quality of human resources through the improvement of educational facilities and infrastructure are the main objectives of implementing Corporate Social Responsibility (CSR) in developing countries, especially in Indonesia (Mapisangka, 2009). CSR is also believed to reduce the escalation of conflict between companies and local communities if they are able to eliminate poverty (Carroll & Shabana, 2010) and become a business opportunity, source of innovation and competitive advantage that is very powerful for the company (Porter & Kramer, 2006). Efforts to fulfill the needs of wood products in the country and abroad, production is one of the factors that need to be considered. There are two factors influencing exports including domestic and international market. One domestic factor is the amount of production, the existence of production subsidies from the government has proven to be able to stimulate a country's exports. The labor factor has a direct effect on the production process. The quality of consistently and continuously empowered SMIs resources will increase competitiveness in obtaining a wider market segment (Elnaga & Imran, 2013). The same thing was also stated by Okereke and Igboke (2011), Onuka and Ajayi (2012), and Oyitso and Olomukoro (2012). Mishra (2012), Sunje and Civi (2000). Morgan (2009) also stated things that were not different from previous researchers, namely that the arrangement of increasingly skilled resources would improve their competence in order to build production performance and market expansion. Stimson et al. (2003) state the need to pay attention to the social environment. Paldam and Svendsen (1999) state the role of traditional customs and culture of the community as a dynamic that develops and provides an impetus for improving achievement in production. Stable production increases in turn can create business competitiveness in a sustainable manner (Stephenson et al., 2004). Woolcock and Naraya (2000) stated the importance of production performance in order to encourage market expansion.

Contextual factors are important factors that are being owned or carried out by SMIs that can be directly related to the survival of the SMIs. These factors include marketing systems, technology, access to capital, access to information, business planning and entrepreneurial attitudes possessed by SMIs. Research by Trisninawati and Septhayuda (2012) proved that SMIs with a business plan has a significant influence on business growth. With the tight competition, the SMIs managers should be responsive and be able to take advantage of the existence of contextual factors in winning business competition. The renewal of this research is to include the implementation of CSR in order to improve business competencies and competitiveness of SMIs. In addition, this study examines simultaneously various variables, both external elements, namely the role of government, the private sector through CSR and the environment through contextual factors as well as internal elements, namely business competencies in order to improve the woodcraft SMIs competitiveness in Bali Province. This research is exploratory because it adds constructs and hypotheses from existing concepts (Hair et al., 2016).

2. Data and methodology

The researchers focused on the object of research in Small and Medium Industries (SMIs) of Wood Crafts in Bali Province. The research approach used is a quantitative approach (positivism) to find out the associative level of one variable with another variable at the same time to test the research hypothesis. Based on the research objectives and the conceptual framework, the research hypothesis is as follows:

- H₁: The government role has an effect on business competencies of wood craft SMIs in Bali Province.
- H₂: The CSR implementation has an effect on business competency of wood craft SMIs in Bali Province.
- H₃: Contextual factors have an effect on the business competency of wood craft SMIs in Bali Province.
- H₄: The government role has an effect on competitiveness of wood craft SMIs in Bali Province.
- H₅: The CSR Implementation has an effect on competitiveness of wood craft SMIs in Bali Province;
- H₆: Contextual factors have an effect on competitiveness of wood craft SMIs in Bali Province.
- H₇: Business competencies has an effect on competitiveness of wood craft SMIs in Bali Province.
- H₈: Business competencies mediate an effect of government's role in competitiveness of wood craft SMIs in Bali Province.

H₉: Business competencies mediate an effect of implementing CSR on the competitiveness of wood craft SMIs in Bali Province.

H₁₀: Business competencies mediate the influence of contextual factors on the competitiveness of wood craft SMIs in Bali Province.

The research conducted is a type of exploratory research with a questionnaire as a method of data collection and Partial Least Square as a data analysis tool. The population in this study included all SMEs woodworking in Bali Province who directly accepted the implementation of CSR. In this study the total population was 152 respondents.

Table 1

Wood Crafts SMIs that receives guidance from the CSR Program consistently in Bali Province (2018)

| No | Regency/City | Total | No | Regency/City | Total |
|----|--------------|-------|-------|--------------|-------|
| 1 | Klungkung | 4 | 6 | Badung | 21 |
| 2 | Tabanan | 12 | 7 | Gianyar | 66 |
| 3 | Karangasem | 9 | 8 | Denpasar | 16 |
| 4 | Bangli | 7 | 9 | Jembrana | 3 |
| 5 | Buleleng | 14 | Total | | 152 |

There are five variables in this study where government role (X_1), CSR implementation (X_2) and contextual factors (X_3) are exogenous variables. Business competencies variable (Y_1) is an intermediate variable, and finally, the competitiveness variable (Y_2) is an endogenous variable.

Table 2

Latent Variables, Variable Indicators and Empirical Sources of Research

| Latent variable | Empirical source | References |
|------------------------------------|--|---|
| X_1 = Government role (GR) | X_{11} = Provision of regulations X_{12} = Technical/production support X_{13} = Financial technical support X_{14} = Access to funding | Mishra (2012), Onuoha & Barendrecht (2012), Sunje & Civi (2000), Tuokuu & Amponsah-Tawiah (2016), Kirby (2004), Morgan (2009), Vargas-Hernández & Noruzi (2010), Rashid (2018) |
| X_2 = CSR implementation (CSR) | X_{21} = Community assistance X_{22} = Labor assistance X_{23} = Marketing assistance | Battaglia, Testa, Bianchi, Iraldo, & Frey (2014), Turyakira, Venter, & Smith (2014), Murillo & Lozano (2006), Mousiolisa, Zaridisb, Karamanisc, & Rontogiannid (2014), Morsing & Perrini (2009), Calvano (2008), Porter & Kramer (2006), Kilian & Hennigs (2014), Figge & Schaltegger (2000). |
| X_3 = Contextual factors (CF) | X_{31} = Access to raw materials X_{32} = Market access X_{33} = Support of the surrounding environment | Ofoegbu, Akanbi, & Joseph (2013), Choi & Lim (2017), Sila (2007), Shemi & Procter (2013), Rosemann & Brocke (2014), Kronsbein, Meiser, & Leyer (2014), Sari & Hanoum (2012), Swierczek & Ha (2003) |
| Y_1 = Business competencies (BC) | Y_{11} = HR Competence Y_{12} = Use of technology for production Y_{13} = Use of ICT Y_{14} = Entrepreneur Skill | Ahmedova (2015), Ibrahim, Abdullah, & Ismail (2016), Ismaila, Khairy, Domila, & Isa (2013), Vala, Lampela, & Heilmann (2015), Atuahene-Gima & Wei (2010), Laing (2009), Tan & Amri (2013), Oyitso & Olomukoro (2012), Markovics (2005), Cubico et al. (2015), Okereke & Igboke (2011), Onuka & Ajayi (2012), Ozcelik & Ferman (2006), Tehseen & Ramayah (2015) |
| Y_2 = Competitiveness | Y_{21} = Product innovation Y_{22} = Competitive price Y_{23} = Productivity Y_{24} = Marketing Performance Y_{25} = Efficiency Y_{26} = Consumer Loyalty/ networking | Kadocsa & Borbás (2010), Borbás (2007), Zhang, Ebberts, & Witteloostuijn (2013), Man, Chan, & Lau (2002), Utami & Lantu (2014), Nohong, Sanusi, Nurqamar, & Harun (2018), Li (2009), Sipa (2017), Siddik (2018), Vargas-Hernández & Noruzi (2010), Morgan (2009), Tan & Amri (2013), Hitt (1995), Khan, Farooq, & Hussain (2010), Jamaluddin (2005), Jesika (2012), Rahayu (2010), Cetindamar & Kilitcioglu (2013), Cho & Moon (2005) |

The equation of the inner model in this study are:

$$BC = \beta_1 GR + \beta_2 CSR + \beta_3 CF + \varepsilon \quad (1)$$

$$C = \beta_1 GR + \beta_2 CSR + \beta_3 CF + \beta_3 BC + \varepsilon \quad (2)$$

Evaluation of the measurement model or outer model is accomplished using square root of the average variance extracted (AVE) and composite reliability

3. Results

Based on the results of PLS data processed, overall the full model of the influence of government role, CSR implementation, contextual factors and business competency on competitiveness of SMIs, the relationship of indicators to constructs, and relationships between constructs are shown in Fig. 1. Based on Fig. 1, the outer and inner models will be evaluated.

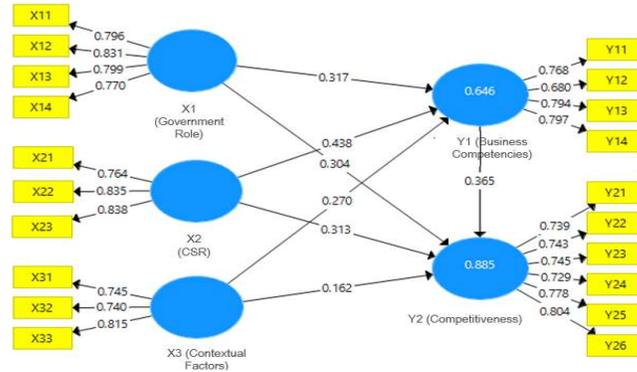


Fig. 1. Full Structural Model of the effect of government role, CSR implementation, contextual factors and business competency on the competitiveness of Wood Crafts SMIs in Bali Province

Based on the statistical results, it can be seen that all exogenous variables and constructs have direct effects on endogenous variables with positive relationships when the level of significance is five percent.

Table 3

Respondents' Perception of Competitiveness Latent Variables

| Indicator | Total (percent) | | | | | Appreciation | Average |
|-----------------------------------|-------------------------------|------|-------|-------|-------|--------------|---------|
| | Respondent's Assessment Level | | | | | | |
| | 1 | 2 | 3 | 4 | 5 | | |
| Product Innovation (Y21) | 0.00 | 0.00 | 12.50 | 25.66 | 61.84 | 89.87 | 4.49 |
| Competitive Price (Y22) | 0.00 | 0.00 | 14.47 | 40.13 | 45.39 | 86.18 | 4.31 |
| Productivity (Y23) | 0.00 | 0.00 | 5.92 | 15.13 | 78.95 | 94.61 | 4.73 |
| Market Performance (Y24) | 0.00 | 0.00 | 6.58 | 35.53 | 57.89 | 90.26 | 4.51 |
| Efficiency (Y25) | 0.00 | 0.00 | 5.92 | 43.42 | 50.66 | 88.95 | 4.45 |
| Consumer loyalty/networking (Y26) | 0.00 | 0.00 | 5.92 | 20.39 | 73.68 | 93.55 | 4.68 |
| Average | 0.00 | 0.00 | 8.55 | 30.04 | 61.40 | 90.57 | 4.53 |

Source: Data Processed

Table 4

Factors in Loading Constructions

| Variable Correlation | Original Sample | Standard Deviation | T- Statistics | P-value |
|----------------------|-----------------|--------------------|---------------|---------|
| X11 ← X1 | 0.796 | 0.038 | 20.691 | 0.000 |
| X12 ← X1 | 0.831 | 0.033 | 25.496 | 0.000 |
| X13 ← X1 | 0.799 | 0.038 | 21.080 | 0.000 |
| X14 ← X1 | 0.770 | 0.044 | 17.487 | 0.000 |
| X21 ← X2 | 0.764 | 0.054 | 14.041 | 0.000 |
| X22 ← X2 | 0.835 | 0.035 | 23.999 | 0.000 |
| X23 ← X2 | 0.838 | 0.036 | 23.141 | 0.000 |
| X31 ← X3 | 0.745 | 0.081 | 9.228 | 0.000 |
| X32 ← X3 | 0.740 | 0.079 | 9.421 | 0.000 |
| X33 ← X3 | 0.815 | 0.067 | 12.094 | 0.000 |
| Y11 ← Y1 | 0.768 | 0.045 | 17.068 | 0.000 |
| Y12 ← Y1 | 0.680 | 0.076 | 9.000 | 0.000 |
| Y13 ← Y1 | 0.794 | 0.038 | 21.003 | 0.000 |
| Y14 ← Y1 | 0.797 | 0.042 | 18.783 | 0.000 |
| Y21 ← Y2 | 0.739 | 0.056 | 13.214 | 0.000 |
| Y22 ← Y2 | 0.743 | 0.046 | 16.195 | 0.000 |
| Y23 ← Y2 | 0.745 | 0.042 | 17.736 | 0.000 |
| Y24 ← Y2 | 0.729 | 0.048 | 15.063 | 0.000 |
| Y25 ← Y2 | 0.778 | 0.039 | 20.184 | 0.000 |
| Y26 ← Y2 | 0.804 | 0.041 | 19.842 | 0.000 |

Source: Data Processed

In Table 4, all indicators in the construct have loading factors of at least 0.50, and all of these indicators are valid, because they have probabilities or levels of significance less than 0.05. Thus, it can be stated that all indicators on variables (1) the government role, (2) CSR implementation, (3) contextual factors, (4) business competencies, and (5) competitiveness, proved valid in forming their respective constructs.

Table 5
Cross Loading Variables

| | Government | CSR Implementation | Contextual | Business | Competitiveness |
|-----|--------------|--------------------|--------------|--------------|-----------------|
| X11 | 0.796 | 0.472 | 0.307 | 0.585 | 0.628 |
| X12 | 0.831 | 0.568 | 0.182 | 0.552 | 0.679 |
| X13 | 0.799 | 0.470 | 0.222 | 0.504 | 0.630 |
| X14 | 0.770 | 0.456 | 0.025 | 0.425 | 0.522 |
| X21 | 0.529 | 0.764 | 0.289 | 0.577 | 0.595 |
| X22 | 0.464 | 0.835 | 0.193 | 0.596 | 0.671 |
| X23 | 0.515 | 0.838 | 0.225 | 0.563 | 0.700 |
| X31 | 0.197 | 0.185 | 0.745 | 0.429 | 0.293 |
| X32 | 0.132 | 0.206 | 0.740 | 0.311 | 0.387 |
| X33 | 0.220 | 0.266 | 0.815 | 0.350 | 0.459 |
| Y11 | 0.455 | 0.529 | 0.320 | 0.768 | 0.652 |
| Y12 | 0.374 | 0.446 | 0.318 | 0.680 | 0.522 |
| Y13 | 0.510 | 0.553 | 0.421 | 0.794 | 0.695 |
| Y14 | 0.615 | 0.619 | 0.373 | 0.797 | 0.734 |
| Y21 | 0.523 | 0.528 | 0.437 | 0.668 | 0.739 |
| Y22 | 0.615 | 0.604 | 0.339 | 0.619 | 0.743 |
| Y23 | 0.562 | 0.618 | 0.316 | 0.606 | 0.745 |
| Y24 | 0.588 | 0.588 | 0.438 | 0.643 | 0.729 |
| Y25 | 0.530 | 0.634 | 0.363 | 0.713 | 0.778 |
| Y26 | 0.688 | 0.686 | 0.370 | 0.668 | 0.804 |

Source: Data Processed

Based on Table 5, we see that each indicator has the highest cross loading value which shown in bold numbers, compared with other latent variables. This shows that all indicators are fulfilling discriminant validity in cross loading testing. This means that all indicators deserve to be included in further analysis.

Table 6
Cronbach's Alpha and Composite Reliability values, Average Variance Extracted (AVE)

| | Cronbach's Alpha | Composite Reliability | Average Variance Extracted |
|--------------------------------------|------------------|-----------------------|----------------------------|
| X ₁ (Government Role) | 0.812 | 0.876 | 0.639 |
| X ₂ (CSR) | 0.743 | 0.854 | 0.661 |
| X ₃ (Contextual Factors) | 0.651 | 0.811 | 0.589 |
| Y ₁ (Business Competency) | 0.758 | 0.846 | 0.579 |
| Y ₂ (Competitiveness) | 0.850 | 0.889 | 0.573 |

Source: Data Processed

Based on Table 6, the Cronbach alpha, Composite Reliability values for all constructs are all greater than 0.60 and the Average Variance Extracted (AVE) is greater than 0.50. Thus, all measurements used in this study are reliable.

Table 7
Value of R-Square Variables

| Latent Variable | R-Square | R-Square Adjusted | Information |
|--------------------------|----------|-------------------|-------------|
| Y1 (Business Competency) | 0.646 | 0.635 | Moderate |
| Y2 (Competitiveness) | 0.885 | 0.880 | Strong |

Source: Data Processed

Table 7 shows the R-square value for each endogenous variable has a R-square value between 0.67-1.00 which indicates that the model is good, while the R-Square ranges between 0.34-0.66 identifies the structural model of the model and if the R-square less than 0.33 it indicates the model is classified as weak. Based on R² in Table 7, Stone Geiser Q-square test, namely: $Q^2 = 1 - ((1 - R^2_1) (1 - R^2_2)) = 1 - ((1-0.646) (1-0.885)) = 0.96$. Q² value of 0.96 means that 96 percent of the variability of the competitiveness of SMIs woodwork in Bali is explained by variations in government role, CSR implementation, contextual

factors, business competencies and more or less the remaining 4 percent is explained by other variables outside of research.

Table 8
Path Coefficient or Direct Variable Influence

| Variable Correlation | Original sample | Deviation Standard | t-Statistic | P-Value | Significance*** | Results |
|----------------------|-----------------|--------------------|-------------|---------|-----------------|----------|
| X1 → Y1 | 0.317 | 0.090 | 3.519 | 0.000 | *** | Accepted |
| X2 → Y1 | 0.438 | 0.105 | 4.188 | 0.000 | *** | Accepted |
| X3 → Y1 | 0.270 | 0.081 | 3.351 | 0.001 | *** | Accepted |
| X1 → Y2 | 0.304 | 0.081 | 3.774 | 0.000 | *** | Accepted |
| X2 → Y2 | 0.313 | 0.068 | 4.624 | 0.000 | *** | Accepted |
| X3 → Y2 | 0.162 | 0.052 | 3.114 | 0.002 | *** | Accepted |
| Y1 → Y2 | 0.365 | 0.115 | 3.167 | 0.002 | *** | Accepted |

Source: Data Processed

Based on Table 8, it can be seen that all exogenous variables or constructs have direct effects on endogenous variables with positive relationships when the level of significance is five percent. Thus, the research hypothesis has been statistically proven as follows: (1) The government role has a positive and significant effect on business competencies. This means that the increasing intensity and quality of the government's role have caused the business competency of the wood craft SMIs to increase. (2) CSR implementation has a positive and significant effect on business competencies. This means that the increasing intensity and quality of CSR implementation causes the business competencies of wood craft SMIs to increase. (3) Contextual factors have a positive and significant effect on business competencies. That is, the increasing intensity and quality of contextual factors influence positively on the business competency of wood craft SMIs. (4) The government role has a positive and significant effect on competitiveness. This means that the increasing intensity and quality of the government's role have led to increased competitiveness of wood craft SMIs. (5) CSR implementation has a positive and significant effect on competitiveness. This means that the increasing intensity and quality of CSR implementation causes the competitiveness of the wood craft SMIs to increase. (6) Contextual factors have positive and significant effects on competitiveness. That is, the increasing intensity and quality of contextual factors influence positively on the competitiveness of the wood craft SMIs. (7) Business competency has a positive and significant effect on competitiveness. This means that the increasing intensity and quality of business competencies will increase the competitiveness of the wood craft SMIs.

Table 9
Indirect Effects of Exogenous Variables on Endogenous Variables through Mediation Variables

| Correlation between variables | Mediation Variable | Original Sample | Standard Deviation | t-Statistics | P-Value | Significance*** | Results |
|-------------------------------|--------------------|-----------------|--------------------|--------------|---------|-----------------|---------|
| X1 → Y2 | Y1 | 0.116 | 0.057 | 2.039 | 0.042 | | |
| X2 → Y2 | Y1 | 0.160 | 0.069 | 2.309 | 0.021 | | |
| X3 → Y2 | Y1 | 0.099 | 0.042 | 2.343 | 0.020 | | |

Source: Data Processed

Based on the results of these statistics, the hypothesis regarding indirect effects is proven as follows: (1) The government role has an indirect and significant effect on competitiveness through the business competencies of wood craft SMIs in Bali province, which can be seen by p. value of 0.042. This means that the increasing role of the government has caused business competencies to increase, and with increasing business competencies, competitiveness has increased too. (2) The implementation of CSR has an indirect significant effect on competitiveness through the business competencies of wood craft SMIs in the province of Bali, which can be seen by the p. value of 0.021. This means that the increase in CSR implementation causes business competencies to increase, then with increasing business competencies, competitiveness increases. (3) Contextual factors have significant indirect effects on competitiveness through the business competencies of woodcraft SMIs in Bali province, which can be seen by p. value of 0.042.

This means that the increase in contextual factors causes business competencies to increase, then with increasing business competencies, competitiveness increases too.

3. Discussion

Based on the results of the research and discussion that have been conducted, there are several findings or novelty as the results of this study, namely as follows: (1) The government role, CSR implementation and contextual factors have positive and significant effects on the performance of wood crafts SMIs in Bali Province. Based on path coefficient, the relationship between variables shows that business competencies are more influenced by CSR implementation compared with government role and contextual factors with a coefficient of 0.438 compared with 0.317 and 0.270. The results of this study prove that the assistance of incentives is carried out through the CSR implementation program carried out by the private sector has a greater positive impact than the role of government and contextual factors. (2) The government role, CSR implementation, contextual factors and business competencies have positive and significant effects on the competitiveness of Wood Crafts SMIs in Bali Province. Based on path coefficient, the relationship between variables indicates that the greatest competitiveness is influenced by business competency which has a stronger influence, namely with a coefficient of 0.365 compared with the role of government, implementation of CSR and contextual factors with a comparison coefficient of 0.313, 0.304 and 0.162. The results of this study prove that business competence as a reflection of the internal elements of SMIs actors remains the most important factor that gives a greater positive effect than the government role, CSR implementation and contextual factors. (3) Business competencies mediate the influence of the role of the government, CSR implementation and contextual factors on the competitiveness of wood crafts SMIs in Bali Province.

The government has a central role as a regulator through the provision of various government regulations that can cause the business climate to be conducive (Akhmad et al., 2018) including for wood crafts SMIs in Bali. Existing government regulations can help facilitate or at least not hinder the acquisition of raw materials, production processes, marketing and also support business processes (Obaji & Olugu, 2014). Production and technical financial support in order to improve business competence in line with the research conducted by Mishra (2013), Ismaila et al. (2013), Ibrahim et al. (2016), Vala et al. (2015), Ahmedova (2015). It is undeniable that funding is a problem that arises in every SMIs, including wood crafts SMIs in Bali. In order to fulfill funding, it is certain that SMIs requires access to adequate funding. This was confirmed by the results of interviews with researchers with wood crafts SMIs in Tabanan, Mr. I Made Bagiarta, who said:

“I have little business capital, sometimes I am forced to buy a limited amount of wood because of capital shortage. I also use these tools from the beginning even though they have been damaged, because of lack of capital. To be able to borrow money is rather difficult especially from the Bank, if I am forced to borrow money from friends only and it is definitely high interest, indeed sometimes there are government programs that help facilitate the obtaining of loan capital, but only sometimes the interest is low”

The policy of ease of access to funding can only be fulfilled through government-generated regulations related to funding. The role of the government in accessing funding can be in the form of a policy of lending in the form of fairly cheap interest, ease of loan terms and no difficulties in obtaining loans. The ease of access to funding is sure to increase entrepreneur skills, especially in terms of the ability to calculate the cheapest funding sources. The implementation of CSR in the form of community assistance is an incentive and directed mentoring activity aimed at creating a similar community that is useful in terms of business discussions, production techniques, market expansion and resource sharing (Battaglia et al., 2014). Community assistance is directed towards coordinating community building activities, discussion forums, and other activities involving more than one business unit (Turyakira et al., 2014). This was

confirmed by the results of interviews with researchers with woodworking SMIs in Gianyar, Mr. I Gede Putu Suanda, who said:

“I am glad that at certain times we collected discussions about how in the future our business will be the one that does not just manage the business, gather with friends especially someone who directs the discussion to make the discussion connect and hear the complaints of fellow craftsmen and how to get wood and also get shopping, like feeling knowledge”

The same thing was said by Mr. Nyoman Giri, a woodworking SMIs in Bangli who said:

“Several times we get together with friends of group members discussing these business problems. It turned out that many problems were discussed and usually other friends gave input”

The implementation of CSR carried out in the form of labor assistance is an activity in the form of training and assistance in order to improve the skills of the workforce (Murillo & Lozano, 2006). Assistance activities to workers are carried out incentive in addition to improving skills also carried out in an effort to ensure social and health security (Mousiolisa et al., 2014). The CSR implementation activities are in the form of assisting workers in order to improve business competencies in line with the research that has been done by Ismaila et al. (2013), Ibrahim et al. (2016), Vala et al. (2015), Ahmedova (2015), Murillo & Lozano (2006) and Mousiolisa et al. (2014). Activities in the form of labor assistance are able to improve competitiveness in terms of innovating in products, increasing production and completing orders on time (Smith et al., 2005; Kadocsa & Borbás, 2010). In addition to access to raw materials, SMIs also desperately need the availability of market access, the existence of markets around SMIs causes the learning process to increase the ability to introduce / sell products to be easier. This is in line with the results of interviews with researchers with woodworking SMIs from Mas Gianyar Village, Mr. I Nyoman Wiraga, who said:

“I am thankful every day there are people who come here to shop whether it's Balinese or not Balinese. Sometimes people around here bring guests to shop. The people around here have never complained about my business even though some neighbors sometimes help this business when there are many orders.”

The existence of woodworking SMIs around the community must have support from the surrounding environment. Support from the surrounding environment can be in the form of no objections from the community about the existence of SMIs in their environment and there are no obstacles from the government in business development (Ofoegbu et al., 2013; Choi & Lim, 2017). The support of the surrounding environment results in facilitating obtaining quality human resources, the ease of obtaining technology for production and also the ease in utilizing ICT. This increased business competency ultimately results in increased competitiveness in various ways including increasing business productivity (Sipa, 2017), increasing marketing network (Utami & Lantu, 2014; Morsing & Perrini, 2009). The support of the surrounding environment results in increased competitiveness in various ways including in the form of increased business productivity (Sipa, 2017), increasing marketing network (Utami & Lantu, 2014; Morsing & Perrini, 2009). Existing government regulations can help facilitate or at least not hinder the acquisition of raw materials, production processes, marketing and also support business processes (Obaji & Olugu, 2014). The provision of this regulation increases business competitiveness including increasing marketing performance, especially in terms of marketing coverage, including increasing the number of sales each year (Smith et al., 2005). Provision of government regulations in order to increase competitiveness in line with research conducted by Akhmad et al. (2018); Obaji & Olugu (2014); Smith et al. (2005). The government has a role in supporting the survival of SMIs in the form of production and financial technical support such as in the form of training to improve competence in managerial, technical production and also financial technical capabilities (Mishra, 2013). Technical support in the form of

production training also increases competitiveness in terms of innovating in products, increasing production and completing orders on time (Smith et al., 2005; Kadocsa & Borbás, 2010). Some training in managerial technical support is also in the form of training in the use of ICT in business operations, especially in terms of improving marketing performance in reaching expanding market, increasing customer loyalty and marketing networks (Westbrook et al., 2011). Production and technical financial support in order to improve business competencies in line with the research conducted by Mishra (2013), Sipa (2017), Smith et al. (2005), Kadocsa & Borbás (2010), Man et al. (2002).

4. Conclusions and recommendation

Incentive assistance through the CSR implementation program carried out by the private sector proved to have a significant impact on business competency as well as the competitiveness of SMIs, as well as technical support carried out by the government in the form of training in a very positive response by SMIs. On the other hand, we can see that most SMIs have a lower level of high school education, so it is very necessary to increase business competency and competitiveness of SMIs through mentoring and training programs that are well structured and coordinated so that it can really be useful for improve their competence. Based on the results of the study, contextual factors have the smallest influence on business competency and competitiveness when compared with other variables in the study, this condition is also supported by the statement of the SMIs that there are fundamental problems related to raw material access and market access. Various policy breakthroughs are needed by the government that can help resolve market access and raw materials. The government should be able to provide policies that alleviate the burden of SMIs related to the supply of raw materials, including ease in terms of legality and raw material costs. In addition, the government is expected to provide markets indirectly to SMIs through policies to prioritize the use of local industry products in meeting other big business people in Bali. Business people in woodworking SMIs and also skilled woodworking workers are currently focused on the range of over 40 years and above. SMIs practitioners who are young wood craftsmen and also skilled laborers in young woodworking are very limited in this industry. Various parties including the government are expected to be able to spawn policies that can realize the regeneration of skilled workers, especially related to the timber industry which produces typical Balinese products. Respondents of this study were woodworking SMIs who received assistance from the implementation of CSR conducted by the private sector, this study did not include woodworking SMEs that did not accept CSR programs as a comparison. Subsequent research can include woodcraft SMIs who do not accept CSR programs as comparison respondents.

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