

Influence of External Factors on the Performance through the Network of Small and Medium Enterprises

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Abstract

The background of this research is based on the performance of small and medium enterprises which states that the network is part of a very important thing to improve and enhance the performance, but the network is done SMEs is influenced by many factors, one of which factors external to the organization. This study examined theoretically based on previous literature and a variety of empirical evidence. The hypothesis there is a significant positive effect of external factors on the performance over the network. Networking is an entrepreneurial tool that is very important because it contributes to the formation, development and growth of small companies. Network on small companies shows that the network will help companies obtain information and advice. Results of this study showed that there were significant positive influence of external factors on the performance over the network.

Keywords: External Factors, Performance and Networking

Introduction

Environment is an important contextual factors that have an influence on the company's performance (Child, 1972; Hamel and Prahalad, 1994). SME sector has been promoted and used as the main agenda of economic development of Indonesia. The SME sector has proven resilient, when the economic crisis of 1998, only the SME sector that survived the collapse of the economy, while the larger sector actually uprooted by the crisis. Mudradjad Kuncoro in *Bisnis Indonesia* on October 21, 2008 suggests that SMEs proved resistant to the crisis and is able to survive because, first, do not have foreign debt. Secondly, there is a lot of debt to banks because they are considered unbankable. Third, the use of local inputs. Fourth, export-oriented. During 1997-2006, the number of large-scale enterprises SMEs reached 99% of all business units in Indonesia. SMEs contribution to gross domestic product reached 54% -57%. The contribution of SMEs to employment of about 96%. As many as 91% of SMEs export activities through a third party exporters / middlemen. Only 8.8% were in direct contact with buyers / importers overseas.

The environment is a totality whose inclinations are outside the organization and around the businesses concerned. Various studies on the environmental analysis of the organization stated that the environment is a monitoring, evaluation and dissemination of information from the external environment to the people who are key to the company (Wilson, 1990). Understanding others, the environment is a management tool to avoid strategic surprise and ensure the long-term health management. Research shows there is positive between the performance of the organization's environment (Hunger and Whelen, 2003). The research highlights the role of a manager with the environment such as, Covin and Dess (1997) which states that the complexity is the diversity of factors and problems in the environment is concerned, thus the greater number of external factors that must be dealt with managers and more High intensity differences between these factors, means that increasingly complex business environment is concerned.

Given the complexity of the business environment makes the manager becomes more difficult to make certain changes in depth (which is indispensable), so it tends to do a bit of adjustment measures. The diversity of these external factors will also affect the difficulty of knowing the important factors that determine the success of the company's performance (Amit and Schoemaker 1993), thus the resources and capabilities of the company makes an important requirement in the face of external factors such organization is complex.

Several studies conducted on SME wooden furniture industry in Jepara, where pruduknya has been well known in the local and world level. Its reputation has attracted a lot of economic activity related to the production and processing of timber, particularly in the furniture company. Jepara district has been one example of what is referred to as the industrial centers (Marshall 1890; Piore et al, 1984; Humphrey 1995; Cadène. Et. Al., 1998; Humphrey, et al, 2001). which states, growth in one sector (furniture manufacturing) has attracted thousands of small and medium size industries in the district. A total of 3,597 companies in Jepara regency government statistics, in 2004, but there are many companies that are not listed, so the district government estimates that the actual number could reach 5,000 companies.

The importance of the SME business networks are also supported at international meetings such as the Asia-Pacific Economic Cooperation (APEC), 2013 in Nusa Dua, Bali. According to I Wayan Dipta, Deputy

Assessment Resource KUMK Ministry of Cooperatives and SMEs, said that all members of APEC through the theme locally connected, globally competitive agreed to create a business network for all the players in small and medium enterprises (SMEs) between member countries of APEC, the idea This is the proposal of Indonesia and get a positive response. Meanwhile, according to the Department of Industry and Trade of Central Java, 2002. Stating that the wood furniture industry cluster has strong linkages with other industries well with, supporting industries such as raw materials, auxiliary materials brass, glue, teak oil, upholstery fabric, glass, copper, foam, packing paper, and others; supporting services such as transport, financial institutions, insurance, associations, and government R & D; as well as related industries such as the tourism industry, metal furniture and rattan furniture.

The existence of these linkages, but in general industrial entrepreneurs furniture wood furniture is still not able to cooperate optimally with business units that serve as the link of business development, such as cooperation with suppliers of raw materials, suppliers of metal, financial institutions, transportation, and other - Other (Department of Industry and Trade of Central Java, 2007). Thus, seeing increased business growth rate is certainly much needed cooperation interrelated of all parties concerned. As presented Riana Pangabea, that SME development is a shared responsibility between the government and society, but in togetherness must have a special institution that is responsible for coordinating and implementing all activities related to the growth and development of SMEs or entities that serve to address the problem- internal issues and external issues facing the company. Internal problems of SMEs in trying to do through enhanced capabilities and management, while the external problems the solution should be sought through the coordination of inter between central and regional level I and level II, as well as the need for supporting institutions (Banks, underwriting, services and other supporting agencies), that all the supporting agencies is working to follow and support the development of SMEs (Riana Pangabea, 2012).

Based on the phenomena and situations that have been presented above, and supported by some of the research that has been done before, proving the influence of external factors on performance. On the other hand also for some empirical evidence that shows the influence of external factors on the network. some phenomena related to external factors, and network performance, then the network is indicated mediates the influence of external factors on performance.

Review of Literature

External Factors

Relating to the environmental aspects, Wilkinson (2002) states that small and medium enterprises will grow if the external environment such as regulations or policies supportive macroeconomic environment is well managed, an environment that is stable and predictable, the information can be trusted and accessible, as well as, environment Social can encourage and reward successful business performance. While the study conducted by Maupa (2004) indicate: (1) characteristics of the individual manager / owner, the characteristics of the company, the external environment of business, and the impact of economic and social policies have a direct impact, positive and significant impact on the business and growth strategies; (2) The characteristics of the company, and the impact of social and economic policy has a direct negative influence on business strategy; and (3) business strategy have a direct impact, positive and significant impact on the company's growth.

In an environment distinguished on the organization's internal environment and the external environment (Wheelen and Hunger, 2000: 8; Hitt, 1995: 6). In the internal environment consists of structure, culture, resources (Wheelen & Hunger, 2000; 10). The internal environment needs to be analyzed that aims to identify the strength and weaknesses in the company. In the internal environment, the structure is the way how the company in running the organization as a process of communication, authority and work flow. The other side of the structure is also seen as the chain of command and depicted graphically using organization charts. While the external environment, culture is a pattern of beliefs, expectations, and values that are shared by members of the organization. Organizational norms specifically raises and defines the acceptable behavior of the members of the top management to the operative employees. Furthermore, the resource is an asset which is the raw material for the production of goods and services of the organization. These assets can include an individual's expertise, capabilities, and managerial talents such as financial assets and manufacturing facilities in the functional areas. Peter et al., (1996: 52).

According to Peter et al (1996), the company's internal environment is the firm's resources will determine the strengths and weaknesses of the company. Resource companies include human resources like experiences, capabilities, knowledge, skill, and judgment of all employees of the company, organizational resources such as processes and enterprise systems, including corporate strategy, structure, culture, management material purchase, production / operations, finance, research and development, marketing, information systems, and control systems), and physical resources such as (plant and equipment, geographical location, access to the material, distribution network and technology). If the company can optimize the use of these resources, above the third resource gives companies a sustained competitive advantage.

For the industry, this course will provide a logical consequence that the goods and services produced by the employer should have a competitive advantage at a time of comparative advantage to compete with products coming from outside. Conversely, if the product does not have these advantages, sooner or later the business world will be knocked out by products from other countries. Sub-sector of small industry which is one part of the national industry are likely to be affected by the negative impact of globalization. This is because the small and medium industries largely inefficient, and traditional technology and His management is weak. In other words, small businesses are generally still facing the complexities of both internal and external problems such as a weak mastery of technology, lack of capital and limited access to markets. See the complexity of the problems faced by small industries, making the position of small industries in the face of business competition with medium and large industries especially coming from abroad is very weak, for it to be done immediately efforts to encourage and develop small industry in a comprehensive manner.

According to jafar, Indonesia Rate SME's ability to compete in the era of free trade (GATT / WTO, 2010 or 2020) is determined by the full support of the government. Fully support does not mean the government to intervene directly in all aspects of SME business, but rather in the form of creating a supportive business environment so that SMEs are able to achieve optimal performance. But in its development, found many SMEs experiencing problems. Results of research conducted by M. Jafar Hafsa, find the critical issues faced by SMEs from external factors, namely:

a. Fully Not Conducive Business Climate

Government policies to cultivate SMEs, although from year to year continue to be refined, but have not been fully conducive. This can be seen, among others, still the occurrence of unfair competition between small entrepreneurs with big businessmen.

b. Infrastructures Limited Business

The lack of information relating to the progress of science and technology, leading facilities and infrastructure that they have also quickly developed and less support their growth as expected.

c. Implications of Regional Autonomy

With the enactment of Law No. 32 Year 2004 on Regional Government, local authorities have the autonomy to organize and manage the local community. This system change will have implications for small and medium-sized businesses in the form of new levies imposed on SMEs. If this condition is not immediately addressed it will reduce the competitiveness of SMEs. Besides, the spirit of regionalism excessive, sometimes creating conditions that are less attractive to employers outside the region to expand its business in the area.

d. Implications of Free Trade

As we know that AFTA which came into force in 2003 and APEC 2020 has important implications for SMEs to compete in free trade. In this case, inevitably SMEs are required to carry out production processes with productive and efficient, and can produce the products according to the frequency of the global market with quality standards such as the issue of quality (ISO 9000), environmental issues (ISO 14000), and the issue of Human Rights Human (HAM), as well as employment issues. This issue is often used unfairly by developed countries as a barrier (Non Tariff Barrier for Trade). For it is expected that SMEs need to prepare to compete either a comparative advantage or a sustainable competitive advantage.

e. Product properties with Lifetime Short

Most of the products of small industries have traits or characteristics of fashion products and crafts with a short lifetime.

f. Limited Market Access

Limited market access will cause the resulting product can not be marketed competitively in both national and international markets.

In addition, based on a survey of The Asia Foundation (2000) of SMEs in ten (10) cities in Indonesia showed the existence of problems, namely: a). Complaints about access to finance (49%); b). Complaints about the bureaucracy (55%); c). Unencumbered credit charges (52%); and d). Unencumbered license fees (33%).

According Welirang revealed that SMEs have less access to bank financing, because SMEs received discriminatory treatment concerning the legal status as individual businesses. Discriminatory treatment to obtain the same rights as major employers can be seen from the absence of the right to receive a premium interest rates are cheap. In terms of collateral, SMEs are not able to penetrate the banking system with the pattern personnel guarantee that the collateral required by the bank to SMEs contains procedures cumbersome and redundant.

Meanwhile, based on data from the Central Statistics Agency (BPS), SMEs have some weaknesses and problems, namely:

1. Lack of Capital;
2. Difficulty in marketing;
3. Competition is tight;
4. Difficulty of raw materials;
5. Lack of technical and production expertise;

6. Lack of managerial skills (HR);
7. Lack of knowledge in management issues, including finance and accounting

In the study conducted by Munizu (2010), on external factors using an indicator variable that is different from previous researchers external factors are classified into several aspects. External factors consist of government policies, socio-cultural and economic aspects, as well as the role of relevant institutions such as the government, universities, private sector, and NGOs. While the measurement of performance using five indicators consisting of sales growth, capital growth, increase employment, growth markets and marketing, and profit growth or earnings.

Network

In the model networking requires a deep understanding because the network has a dynamic pattern, given that the network model can change quickly (Venkataraman 1989). Understanding the network and the performance of the small and medium-sized enterprises there is no single general theory about the network of Small and medium-sized businesses (Jhon Mark Obura, Evance Ochieng Abeka, Obere Kalmadi, 2000). On the basis that it is also necessary diurakain the background of the formation of a business network.

There are three (3) background of the formation of business networks, the first model proposed from the perspective of the exchange by Blau, the business network is seen as a social structure that forms the social relations among the actors, for example through the exchange of direct or indirect (material or immaterial) were considered valuable (Blau, Peter M. 1964). The second model resource dependence, explaining that the network business is the result of efforts of the business unit's strategy in securing important resources controlled by others (Thompson, 1967). According to the third model "transaction cost economy" by Williamson, the network business of a company can gain needs efficiently through the "market" or "hierarchy" (Williamson, O. 1985).

Social networking

Forms the link between the business units can be very loose, but can also be very tight or can otherwise be very loose, but can also otherwise very tight or form between them. Dpat form a loose connection in the form of for example the internal communication between business units. The form can be a tight business partnership or joint venture. While that was in between the two forms mentioned above can be either an association or a consortium. Form of linkage can also be vertical or horizontal nature, (Prabatmodjo, Hostu, 1996).

Network indicating the relationship of the business activities take place, where the intertwined / related and interdependent, and have consequences for the relationship, so the network can be spread everywhere naturally (Jamsa et al., 2011). Network includes relationships, hidden connections and relationships are active on the network is also described how the organization / individual to regulate and determine the relationship, either consciously or unconsciously in different ways to reflect the needs (Drakopoulou Dodd et al, 2006 in Jack, 2010). This illustrates that the SME network in an attempt by SMEs in achieving business goals as a reflection of the needs of businesses with an unlimited scope, network formation and reciprocal dependence determined and set according to the needs of the individual or organization.

Jamsa et al, (2011) sees SMEs as a network in view of the competence of the SMEs in implementing marketing activities. View highlights the competencies and learning skills in the network and see the activity as something that can be developed through the investment of time and resources. In addition, the relationship is also considered as a source of social capital for SMEs. Social capital is understood as a system of individual relationships in the network. Social capital facilitates individual actions as learning to recognize business opportunities. These actions can have consequences for both internal and external, even the surrounding community. Social capital is embedded in the relationship an individual who is a potential for individuals and business organizations in developing tissues (Ratten and Suseno, 2006).

On Generally SMEs develop the network in order to achieve various objectives, such as to obtain information and knowledge about the market, as well as get other information for decision making, obtaining raw materials, specialization, improve efficiency, and as a vehicle for learning from "the other" (Carlson et al ., 2004). Members of the network also can provide the skills required and necessary for entrepreneurs (Bosworth, 2009). Therefore, the relationship between SMEs in a network can even be seen as a separate resource (Street and Cameron, 2007). Networks can also have an impact on enterprise bargaining power and help identify new market opportunities, and affect the marketing activities of SMEs to become more interactive and informal, the reason the network is seen as an approach that is more oriented to people in marketing (Carlson et al, 2004).

Understanding others, a network is said to include a set of actors linked by a series connection of two or more, which is also called the bond (Cook and Emerson, 1978; Axelsson and Easton, 1992). Actors in a network can be a person, group or organization (Johanson and Mattsson, 1986; 1994; Hakansson and Snehota, 1995). Relationship or bond linking the different actors. When two actors connected then called Dyad (Wasserman and Faust, 1994). While some actors are connected and form a group (Watts, 1999; Everett and Borgatti, 2005) or group (Burt, 1978), it is called a network. Groove in the bonding network can be directed, for example, by giving

advice to someone (Watts, 1999).

While the Association is a network of channels for the flow of resources such as information, advice, knowledge, which help in the form of financial resources or problem solving (Uzzi, 1997, 1999). A bond can be a dichotomy (present or absent, as if the two companies work together to present or not). Bonding can also be asleep, for instance is not enabled for a while, although potentially be raised when necessary (Johanson and Mattsson, 1992). Relationships can be assessed (measured on a scale, such as how valuable partner to the other).

In a network have the contents (capacity) of the relationship in the form of a business relationship or a friendship, but also the relationship may change from time to time (Hakansson and Snehota, 1995). Different types of bonds are assumed to have different functions, it can even be assumed relationship built on mutual friendship would be more profitable than bonds or business relationship (Borgatti and Foster, 2003).

In the research of others, to analyze how the influence of the SME network in choosing foreign markets (eg Coviello & Munro, 1997; Zain & Ng, 2006) have chosen to include the social network managers / decision-makers, with family members and friends as the relationship of social networks. Meanwhile, Fukuyama (2002: 324) defines the network as a group of individual agents that implement the social network on the basis of norms or values informal. The importance of social networks in the face of the organization's external environment is also supported by a study that says that social networks as a basis for social cohesion, because it will encourage someone will cooperate with each other for mutual benefit (Field, 2010: 18).

Another study says that social capital has an important role, such as network marketing model developed by Hakansson and Johanson (1988), which brings together both the standpoint of social networks (Aldrich, Zimmer 1986, Birley, 1985, 1990, Birley, Cromie 1988, Granovetter 1976, 1985, Johannisson, 1986, 1987a, 1995b, 1988, Uzi 1996, 1999, Veciana, Clarke 1999) and resource dependence theory (Butler and Sohod 1995; Pfeffer and Salancik, 1978, 2003). In social networks Granovetter (1973) went further in suggesting what characterizes the relationship. According to Granovetter strength of the relationship is seen as a combination of time, emotional intensity and intimacy as well as reciprocal service.

a. Business Network

Business network is defined as a way of organizing economic activity through the coordination of an organization as well as to cooperate in order to exchange information or share resources as well as an integrated structure and coordinated sustainable both economic and non-economic inside and outside the company (Yeung, 1998),

Network is also defined as a group of interconnected business relationship, in which each exchange relationships between business firms conceptualized as a collective actor (Johanson and Vahlne, 2003). However, other studies claimed as a business network of formal and informal relationships between entities with other entities that interact with each other to obtain the growth of business performance (Indarti and Langenberg, 2004; Lin and Zhang, 2005; Danis et al, 2006).

On the other, are in the business network, sometimes companies are not free to act as he wishes, because they should consult and rely on other people in the network, such as the approval of business license or loan funds. Given these constraints there is a possibility the company made a business network aims to be able to run power or control other resources (Oliver, 1990). It is given that the network of business relationships will provide an opportunity to attempt to influence other people (Hakansson and Ford, 2002) or otherwise.

In the study business network, the network consists of three dimensions: the actors, activities and resources (Hakansson, 1987). All of these can form their own subnetwork in the network business. According to Hakansson and Snehota (1995), the dimensions of the perpetrator refers to an individual or organization, and how they relate to each other. Dimensions activity, by looking at the flow of information, goods or services performed. Finally, referring to knowledge resources, social capital or monetary resources used by actors in the network. Thus, the business network structure in which an actor is seen as related to one another and where they exchange resources through activities (Hakansson and Johanson, 1993). Easton and Araujo (1994) adds the view that in addition to actors and relationship network structures also need for interdependence.

Various linkages between the company and the industry or other organizations that distinguished business network in a relationship that are vertically and horizontally Möller and Halinen (1999). The actors involved in such vertical business network, suppliers, customers and partners of customers, while business networks that are horizontal like a competitor, a competitor alliances, universities, NGOs or government organizations. In relation categorize enterprise network served by Möller and Halinen (1999). In his writings, described the Network into a business relationship between the different companies, then formed a group enterprise networks.

Evidence that private institutional arrangements among SMEs that facilitate performance of the company in many countries according theory of the firm view that the company as a collection of contracts and the relationship between the company and various stakeholders from the external environment (Alchian and Demsetz 1972; Williamson 1985). According to Anderson, et al. (1994, 2), "business network can be defined as a set of two or more business relationships bound, where each exchange relationships between business firms

who conceptualized as a collective actor." This definition is derived from Emerson (1981), and has been commonly used in approach to business networks.

While the concept of partnership at the perpetrator / actor Kuncoro According to the network, a partnership format also needs to be adjusted to the potential and characteristics of the area. Study and training programs that have been implemented in Ende, East Nusa Tenggara Province, for example, indicates the importance attributed to tourism development of small businesses (Kuncoro, et al., 1997). Therefore, the definition of tissue used in this study are: the network is a set of actor / actors interacting (individual or organization) and a set of relationships between actors (Hoang and Antoncic, 2003, Hakansson and Ford (2000), and Susana slote -kock, 2009), the network in the form of vertical and horizontal (Möller and Halinen, 1999), Actor in a network can be a person, group or organization (Johanson and Mattsson, 1986; 1994; Hakansson and Snehota, 1995), a formal relationship and informal (eg Coviello & Munro, 1995, 1997; Coviello and Martin, 1999; Ojala, 2009).

Treziowski (2003) on the synthesis of the literature reveals that most important regarding the practices of significant tissue, associated with the effectiveness of a strategic network of SMEs are as follows:

1. The products / services produced is an asset along with several companies that are the key points of the value chain.
2. Members of the network share information, cooperate with each other, customize their products or services, and demonstrate goodwill and trust.
3. Members of the network provide a unique response to the needs of the value chain partners, which reflects the competence of the company.
4. Conduct Voluntary improve the final product or service expected network participation is not just fulfilling contractual obligations.
5. Networking learn to operate without exclusive behavior and compete without seek an unfair advantage.
6. Benchmarking when applied, as a component of a cooperative approach to organizational change, can be a powerful means of building mutual understanding and cultural participation.
7. The relationship better and more closely with suppliers and customers can contribute strongly to the company's performance in areas such as cost, quality, reliability and timeliness of delivery of inputs (raw materials).
8. The structure, culture and procedures that encourage dynamic change, flexibility and knowledge sharing between individuals should be included in the organization's strategy.

Performance of Small and Medium Enterprises SMEs

A business can develop a relationship with various companies and organizations, either directly or indirectly that could affect the success of business performance (Hakansson and Ford, 2001). Companies must rely on the ability of many people and organizations, as well as the ability to incorporate external environment in accordance with the need to achieve excellence (Loasby, 1998). Partners should not be formally linked by formal structures or businesses. The company's activities and resources of the company are carried out within the company network occurs interdependence between companies (Anderson et al, 1994). Further definition of the network is a collection of interlinking between them (Fombrun, 1982). Uraian of the results of the above it can be concluded that an organization with all the resources they have, should be able to engage and combine with external factors, resulting interdependence as an effort to achieve excellence and better performance.

Measurement of company performance are grouped into two, namely the non-financial performance measurement and financial performance measurement (Morse and Davis, 1996 in Hiro Tugiman, 2000: 96; Hirsch 1994: 594-607). Performance of the company are used in measuring non-financial performance information presented is not in terms of money or rupiah (non-financial information), but the unit of measurement of non-financial (Kaplan & Atkinson, 1998: 551).

The information used in measuring financial performance is the financial information, the information management accounting and financial accounting information such as profit before tax, return on investment, and so on. Based on a literature review (Donckels and Lambrecht, 1995; Hansen, 1995; Ostgaard and Birley, 1996) related to performance measurement involves two measurements, the first involving the sales growth and improved profitability over a given period. Second, the measurement of business performance is measured by using the market Ekspansion were divided into three regions (local, regional, and national).

Performance measurement SME relevant to other research that states that the dimension of growth known as a performance measure that is most important, especially in small firms (Tsai et al. 1991; Wiklund 1999) and is a test of good performance amidst the economic recession and intense competition (Swamidass and Newell, 1987). Sales growth is a performance indicator that is highly prevalent and has become the consensus as the best measure of growth. (Brush and Vanderwerf, 1992; Chandler and Hanks, 1993; Fombrun and Wally, 1989; Tsai et al., 1991).

Theoretical Framework

External factors, Network and Performance

Broadly speaking, this study is divided into three parts memiiliki linkages between variables penilitian. On the external factors are part of the organization theory. Environment is the totality of all the conditions and trends are across the organization and around the businesses concerned. Wheelen and Hunger says that the external environment in general are all factors which consists of the social environment (societal environment), among other socio-cultural conditions, economic, legal and political, as well as technology. Next is the environment task (task environment) or in a business perspective is also called an industrial environment with a number of elements such as governments, competitors, suppliers, creditors, workers, business associations / trade, business community and so on (Wheelen and Hunger, 2000)

Relation to the organization's external environment can be explained by such theories, population ecology theory, contingency theory and resource dependence theory. Approach to population ecology theory explains that the survival and success of a company is determined by the characteristics of the environment in which the company is located (Child, 1997). This approach implies that the external environment has a direct effect on firm performance regardless of strategy options that run the company (Wiklund, 1999).

Contingency theory stated that the alignment of the strategy with external business environment determine the viability and performance of the company (Child, 1997; Lee & Miller, 1996). Contingency theory also means how planning strategy capable of meeting the demands of the environment, which if not created alignment between strategic planning with external business environment can result in a drop in performance of the company (Elenkov, 1997).

Other empirical evidence shows that companies that successfully align with the external environment facing it will show better performance and vice versa. (Beal, 2000; Elenkov, 1997). In the different studies related to the environmental analysis of the organization stated that, the environmental analysis is monitoring, evaluating and disseminating information from the external environment to the people who are key to the company (Wilson, 1990).

From the description above it can be concluded that external factors consisting of socio-cultural organization, economics, law and politics, technology, government, competitors, suppliers, creditors, workers, business associations / trade, and the business community showed a positive effect on the performance of the organization. Results of these studies are relevant to the findings Munizu (2010) that the factors - external factors which consists of aspects of government policy, socio-cultural and economic aspects, and aspects related to the role of institutions significant and positive impact on the performance of small and medium enterprises.

On the other, according to Covin and Dess (1997) the diversity of factors and problems in the environment is concerned, shows that the greater number of external factors that must be dealt with managers and the higher the intensity differences among these factors, the more complex business environment faced. Given the complexity of the business environment makes the manager becomes more difficult to make certain changes in depth, making it likely to do just a little adjustment steps. Otherwise it becomes more difficult to know the important factors that determine the success of the company.

The existence of these difficulties, the risks, resources and capabilities of the company is a requirement that must correspond to the external environment that are the complex. Certification or a good reputation for example, can be a very important factor in determining the performance of its business (Amit and Schoemaker 1993). A standard that will either be able to reduce transaction costs, provide access to markets, reduce operating costs, which in turn can improve the performance of the company. (Amit and Schoemaker 1993).

In an increasingly competitive environment, which is characterized by a change-change rapidly in almost all aspects of life, organizations face greater uncertainty. In the face of these uncertainties organizations trying to change into certainty (Porter 1985). Hodge and Anthony (1988) says that the complementary cooperation in the form of reciprocal agreements, whether formal or informal, conducted among organizations in the form of resource exchange network. Thus, an organization often forced by environmentalists to be dependent on each other because of limited resources in competitive conditions. This interdependence will foster mutually beneficial cooperation between the organizations concerned.

Various phenomena and theoretical study and empirical evidence above also strengthened by the existence of the organization network, which has changed the dynamics of global competition, which was originally companies compete with other companies, but with the advent of organizational network, a group of companies or network companies to compete with another network (Gomes-Casseres, 1994), in which a network of organizations, companies are individually associated with other companies in the network. Relationship between companies in a network can be considered an attempt to survive and exist. The results also supported by Jap (1999) of the research results which indicate that the process of collaboration will be beneficial to investment and coordination of efforts that lead to improved performance.

Related to the organization's ability to gain wider network .According Thoha (2007: 80) argues that many theories that tries to develop an assumption about the beginnings and growth of a group is formed. Very

basic theory about the formation of this group is trying to explain about the affiliation between certain people. This theory is called propinquity or proximity theory, meaning that a person relates to others due to the spatial and geographical proximity. This is in accordance with the opinion delivered by M. Tahir (2014: 46) on how the role of humans as social beings in relation to groups of organizations. As social beings human family can not be separated from the group. The group is part of human life. In the every day man will be involved in a group activity. Similarly, the group is part of organizational life.

The theory of the formation of a more comprehensive group is a theory which comes from George Homans. (In Thoha 2007: 80). His theory is based on the activities, interactions, and sentiment (feeling or emotion). Three of these elements relate to each other directly, and can be described as follows:

An examination of the activities that, more and more activities a person is done with other people (shared), the range of interactions, as well as the stronger growth of sentiments them and the more interactions between people, the more possibilities activities and sentiments are transmitted (shared) on others. Furthermore, a growing number of activities and sentiments passed on to others, and the more sentiment someone understood by others, the more possibilities ditularkannya activities and interactions.

In the above description it can be concluded that the interaction between individuals or groups of organizations on the network need to be reviewed in terms of the amount of interaction and closeness (intimacy) any connections made. Empirical research on the social network can also support the concept. Presented, Granovetter (1973), stating what characterizes a relationship. According to Granovetter strength of the relationship is seen as a combination of time, emotional intensity and intimacy as well as reciprocal service. While many sentiment that made someone can have an impact on another person or group then this will lead to the formation of the group so it is important to know the size of the network members in a group / organization.

The number of members in the group can be determined by counting the number of members involved and interaction between members. In previous research has been conducted to determine and quantify the extent of Networking Range. Linking the scope of the network (eg, competitors, customers, suppliers, universities, government, and other institutions). In the breadth of network coverage shows actors bound and cooperation in networking groups, by identifying the various actors as network structure (Zhang, Wong, and Soh 2005).

On the other, the general composition of the entire network, highlighting the importance of family and friends (Birley et al 1991 ; Donckels and Lambrecht 1997). In a study on the effect of entrepreneurial characteristics of the network structure, Donckels and Lambrecht (1997) found that the human resources in this case the employer or head to the level of higher education will probably have a wider network, involving family and friends into the structure networking, entrepreneur or leader will be able to obtain advice or assessment of them. Meanwhile, Birley and Cromie (1988) found that small companies can grow, due to the diversity of the membership in the network to include banking institutions, suppliers, lawyers and accountants.

The findings above, it can be concluded that the entrepreneurial characteristics such as level of education possessed entrepreneurs or leaders who are internal factors mempengaruhi breadth of the network and then have an impact on the company's growth. It is shown that the higher the level of education a woman entrepreneur, the actors interact within the network will be more extensive (networking range), supported by the findings of Birley and Cromie (1988), Small company had a network of banking institutions, suppliers, lawyers , accountants will have an impact on the growth performance of the company.

Having a diversity of networks enables small companies to obtain a wide range of external resources, such as technical knowledge, market information and finance, which can be used to supplement internal resources of the organization (Beesley and Rothwell, 1987; Conway, 1994; 1997; Dodgson, 1989; Shaw, 1997; 1998). Jennings and Beaver (1997) suggest that an owner, manager or entrepreneur is expected to be involved in networking with stakeholders or with whom the company must interact in order to secure its future.

External factors, among others, financial institutions, customers, suppliers, local government and central government. Employers will be successful or successful if it can utilize existing network around the company so it will be easier to get support as a source of venture capital, market access and market intelligence. Partnering with customers, employees, suppliers, financial institutions and government agencies is a hallmark of successful small companies (Hall, 1992).

At the organization's network Networking Range (Wide range of network) shows the breadth of network coverage which is bound actors and cooperation in networking groups, as the network structure (Zhang, Wong, and Soh 2005). This is reinforced by the importance of human resources in a company. Resource is an asset which is the raw material for the production of goods and services of the organization. These assets can include an individual's expertise, capabilities, and managerial talents such as financial assets and manufacturing facilities in the functional areas. Peter et al., (1996: 52).

At the company level, an important dimension of the bonding strength of the network is the degree of closeness between the company partner organizations, such closeness is expressed in the amount of interaction and stability of relations (Hagedoorn, 1993; Contractor and Lorange, 2002). The closeness between the company will increase the general understanding, which can be expected to facilitate the transfer of knowledge.

Dimensions bond strength in a network at the enterprise level can be described as the depth of relations (Hagedoorn et al., 2006). While Tie suggests that proximity appears to be very important among the various organizations and even have a significant effect on the overall performance of companies in the countries of East Asia (Peng and Luo, 2000) in which, because of the background of Confucian culture, social relationships close is greatly appreciated (Yum, 1988).

The importance of strong ties is emphasized in Korea, where the relationship between the company's business groups (chaebol) tend to close and hierarchical (Chang, 2003). Instead, build relationships with companies outside the business group is considered to be difficult, not least due to the widespread mistrust against all kinds of 'out-group' (Lee, 2003). Most Koreans believe that they are at a disadvantage when dealing with external organizations. To overcome these difficulties, they typically maintain extensive social ties that exceeds that of family ties. In particular, they build a strong bond, including personal friendships and acquaintances, with individuals within their organization or other institution, either directly or indirectly considered as an instrument for their own long-term interests. (Yee, 2000) ..

Methodology, Finding and Discussion

Based on consideration of the study, this research is descriptive. Descriptive research is research that aims to obtain descriptive of the characteristics of variables. Verification research is research that aims to determine the causal relationship between the variables through a hypothesis testing. (Cooper and Schindler, 2006: 154). The concept of a descriptive study conducted to test the truth of a hypothesis by collecting various secondary data sources and take advantage of the available literature on the effect of external factors Influence and Its Implication to Networking Industry Performance Small and Medium Enterprises (SMEs). Results of this paper with descriptive analysis.

Conclusion

Based on the literature study, the results of this study demonstrate that the external environment has a direct effect on performance. If the company is able to adjust to external factors facing the company's performance will be better. Furthermore, companies that successfully align its strategy with the external environment it faces will show better performance than companies that are less successful aligning strategy. In addition, networking among individuals or groups of organizations needs to be reviewed in terms of the number of interactions made, intimacy between the groups in the network. Proximity seems to be very important among the various organizations and even have a significant effect on the overall performance of the company. Based on the results of the study of theory and some empirical evidence suggests that the effect on the performance of external factors over the network in small and medium enterprises (SMEs).

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