

TRUST ADVANTAGE IN EXPORT PERFORMANCE OF SMEs FOR FURNITURE EXPORTERS IN JEPARA

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Abstract: The purpose of this study is to analyze the trust advantage in export performance of SMEs for furniture exporters in Jepara. This study used qualitative approach to analyze the theory, build facts, show the relationship between variables, provide statistical descriptions, estimate and predict the results. In addition, it analyzes trust in partnership and trust in export performance. The population sampling taken are 307 furniture companies in Jepara which are exporters in the international furniture trade market. Structural Equation Model was used to analyze structural relationship between trust variable and latent constructs as indicators. The results show that trust has a role to enhance asymmetric partnership formation in order to create an organizational trust building where the inter-organizational and inter-personal trust interplay is scrutinized. The existence of strong positive relationships between trust–commitment, trust–export performance and commitment–export performance has implications for export marketing managers and researchers with respect to managing cross-border export–import relationships categorised by trust, commitment and export performance. It shows that the intensity of competition, trust, commitment, export performance, by Structural Equation Modeling, identifies that trust influences commitment and export performance positively, and commitment has a positive effect on export performance of SMEs for furniture exporters in Jepara.

Keywords: *Trust advantage, export performance, structural equation model, SMEs of furniture exporters in jepara*

1. Introduction [Times New Roman 12 bold]

The direction of economic policy for the creative industry (which includes the handicraft industry) is to facilitate creative people along the value chain of creation, production, distribution and conservation. This refers to the 2015-2019 National Medium Term Development Plan (RPJMN). The craft sector strategy to expand the market both for export and domestic markets. This has an impact on high growth and large economic volume. Indonesian handicraft which is well known to all corners of the world is furniture as a superior product from several regions in Indonesia. A number of areas such as Jepara, Surakarta, Cirebon, are identical with the largest furniture centers in Indonesia.

The Ministry of Industry noted that the furniture industry trade balance is getting a surplus in January 2019 with an export value of USD113.36 million. The export value rose 8.2 percent compared to the achievement in December 2018. Over the past year, the value of national furniture exports exceeded USD1.69 billion, up 4 percent compared to 2017 achievement. Furthermore, the export value of national handicraft products in January-November 2018 was able to reach USD823 million. This has increased compared to the same period the previous year amounting to USD 820 million. The number of handicraft industries in Indonesia is quite large, namely more than 700 thousand business units with a workforce of 1.32 million people (Perindustrian, 2019).

The furniture exporter as an export-oriented Small and Medium Enterprise (SME) has an economic role in contributing to the national product of a country by providing goods or services and contributing to the country's overall export performance. SMEs have the potential to create jobs, improve the quality of human resources, increase purchasing power and stimulate productive activities (Secretariat, 2005). This potential of the SMEs must be maintained for business continuity and economic improvement in the regions. Economic improvement in an area will have a very big role in the welfare of society. By increasing the export performance of SMEs, it will create more market opportunities and will create more jobs and more equitable welfare.

Indonesia is known to be one of the largest exporters of furniture products in the world (Indonesia, 2020). It states that Indonesian furniture, with its unique and competitive product, has shown its credibility toward the product and its competitiveness in a global market. It shows a positive trend with an export value U\$ 1.7 Billion in 2019. Jepara is one city in Indonesia with its furniture exports has been shown an export value of Rp. 2.3trillion in 2016 to 114 countries from 5 continents (Arifin, S., & Komaryatin, 2020).

Jepara is one of the center of furniture industry in Central Java. The furniture material made were from wood and bamboo solid wood and bamboo (Erlangga, B. M., & Sulistyono, 2019). Central Java Province has 374 companies engaged in the furniture with 46,786 workers. Indicators to see how important this sector plays for the regional economy was the absorption of labor which in 2015 was recorded 85,250 workers in the furniture industry. Besides, the number of business units registered in 2015 reached 3,593 units and around 15,000 home industry activities based on furniture which then developed in various types of processed wood industries (Munadi, 2017).

The following table is the volume of export furniture products from Jepara Regency which fluctuated (data for 2012 to 2016) as can be seen in table 1 below:

Table 1
Export Value of Furniture SMEs in Jepara Regency 2012-2016 in 2013-2017

Year	Exporter	Country	Value (USD)
2013	219	110	98,877,259.57
2014	223	106	114,781,164.54
2015	296	113	150,320,779,41
2016	307	114	174,042,524.173
2017	398	111	166,862,444.20

(Disperindag, 2017), *processed*

The data on table 1 indicates that from 2013 to 2017, the export value of Jepara Furniture SMEs increased significantly and it was still processed. It is shown that the 219 exporters from 2013 increased to 398 in 2017 even though it declined on the number of countries. Besides, the incomes got from sales automatically increase the income of workers and states economically with 166,862,444.20 in 2017. Therefore, Identifying variables both latent and manifest) properly is able to affect export performance. The export performance in Jepara regency can be anticipated by management capabilities to increase marketing (Arifin, S., & Komaryatin, 2020).

Export performance of micro, small, and medium enterprises (MSMEs) has role economically to contribute to the national product of a country. Maintaining export performance by improving quality of products, product differentiation and proper marketing strategy is carried out to remain competitive in the global market (Boehe, 2010). The concept of export performance is at the forefront conduct global expansion as strategic common business in the world, particularly for Small and Medium Enterprises (SMEs) (Ismail, S.S. et al., 2017). Exporting to foreign markets is driven by main target to optimizing competitive advantage (Spyropoulou, S., Skarmeas, D., & Katsikeas, 2010). In other words, the concept of marketing explains how firms enter foreign markets (Ambler, T., & Styles, 2000) (Gunawan, J., & Rose, 2014) to gain competitive advantage (Phan et al., 2005) (Khalid, S., & Bhatti, 2015). Competitive advantage is addressed by trust of export performance.

Entrepreneurial orientation with a positive influence on performance was stated on some previous research, such as about entrepreneurial orientation and the structuring organization focused on performance (Jogaratnam, G., & Tse, 2006); or about the relationship between entrepreneurial leadership, market orientation, and relationship marketing orientation, and South Africa's Small tourism business performance (Zyl, H. J., & Mathur-Helm, 2007). In addition, innovativeness and proactiveness positively moderate the relationship between market orientation (MO) and performance (Li, Y., Zhao, Y., Tan, J., & Liu, 2008).

There are several factors that influence export performance, namely perception of export manager as the main significant factor (Tsiotsou, R. H., & Hajidimitriou, 2017), market driven strategy (Karedza, G., & Govender, 2019), structural factors (Marandu, 2011), firm characteristics and demographic variables (Beyhan et al., 2011), and so forth. Innovative capability helps firms to improve their product and process (Coff, 1999). Besides, sufficient degree of internalization, i.e. global market, becomes consideration as one factor to improve export performance (Kafouros, M. I., Buckley, P. J., Sharp, J. A., & Wang, 2008). Therefore, it requires commitment and trust in export performance to achieve global market.

There are relevant studies conducted previously that examine trust to export performance. Michalskion his article examines the effect of trust and IT innovations on organizational performance (Michalski, 2014). Trust is considered as commitment on the search for new markets through internationalization reflects motivation and reasons to exploit global market through sustainability management and export performance (Vencato, 2014). Furthermore, building export performance through trust is one variable carried out by SMEs of furniture industries in Jepara. Finally, this study emphasizes on trust advantage in export performance of smes for furniture exporters in Jepara.

SMEs have competed and explored to international market. It is complex and not easy stuff. Hence, firms must equip themselves to develop a competitive advantage to reach export performance. The three types of export performance identified, including drivers of cost,

service, and product advantage, pertains to the capability to build enduring relationships with customers (Kaleka, 2002). This crucial point is the need for firms to respond and to meet customers' need in achieving competitive advantage and trust advantage to gain a superior offering of customer value. The values of customer rely on good export performance (Tsiotsou, R. H., & Hajidimitriou, 2017).

The concept of value is the basic elements to create customer value as an essential prerequisite for future company success (Graf, A., & Maas, 2008). Joining network of SME's and building it becomes source of competitive advantage for small firms entering to it. Then, trust among entrepreneurs is able to consolidate and ensure the continuity of that network. By trust, it will discourage the risk of opportunism among entrepreneurs, discourage low commitment from counterparts, and discourage the culture of the actors joining an alliance (Antoldi, F., Cerrato, D., & Depperu, 2011).

2. Research Method

This study used qualitative approach to analyze the theory, build facts, show the relationship between variables, provide statistical descriptions, estimate and predict the results. In addition, it analyzes trust in partnership and trust in export performance. The population sampling taken are 307 furniture companies in Jepara which are exporters in the international furniture trade market (Sugiyono., 2011). Sampling has an important role in the estimation and interpretation of Structural Equation Model (SEM) results (Hair et al., 2010). The use of SEM requires a relatively large sample size so that the results obtained have sufficient credibility (trustworthy results). SEM models with a total of up to five cellate variants and each of the three or more indicators described by three or more indicators, sample sizes of 100 to 150 data are considered adequate (Ghozali, 2011).

3. Results and Discussion

Trust Advantage in Export Performance of SMEs

Trust is the basis of knowledge transfer considered effective when the relationship among partners is developed (Wu, 2012). It is one of the most important factors in order to ensure the execution of transactions between exporters and importers. Trust sets an important stream on organizational literature concerning with economic organization and governance and becomes major issues on social sciences (Möllering, G., Bachmann, R., 2004). The role of trust is to enhance asymmetric partnership formation in order to create an organizational trust building where the inter-organizational and inter-personal trust interplay is scrutinized (Blomqvist, K., & Ståhle, 2011). It increases the competence of exporters to take advantage of local market opportunities and effectively reduces distributor opportunism (Wu, F., Sinkovics, R. R., Cavusgil, S. T., & Roath, 2007)

Trust shows work performance of organization (Amoah-Binfoh, K., botwe, P. b., & Masih, 2016). It is as part of positive relationship into three measures, namely financial performance, labour productivity, and product or service quality (Brown, S., Taylor, K., & Mchardy, 2015). It includes work performance to be identified as an impact of marketing strategy. Performance assessment becomes complex issues for numerous reasons due to undetail financial report and unvalid archival data. Therefore, trust advantage influence to harmonious relationships with overseas customers based on export management buiding in

sustaining export business relationships (Leonidou, L. C., Katsikeas, C. S., & Hadjimarcou, 2002).

Trust plays important role in building reputation and cooperation (Wierzbinski, B., & Potocki, 2013).

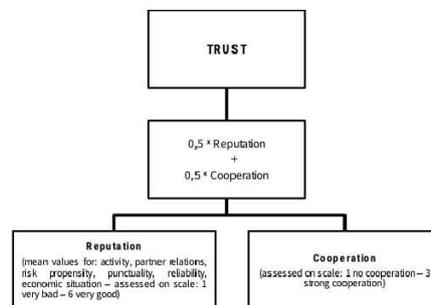


Figure 1. Trust Evaluation Model

: Lavrac et al. (2005)

Stakeholders of firms internally support the reputation building especially toward the quality of identity, whereas externally it helps building brand value. These prerequisite for building these pillars, i.e. trust followed by reputation, is satisfaction given by enterprise. Furthermore, reputation would be good when there is congruence in business' reputation of stakeholder, whereas reputation would be bad if it does not meet stakeholder's reputation. Strategic networks can influence the competition nature in industry and also profitability degree beyond traditional measures of industry concentration. In other words, if there is tacit collusion, it is far easier to sustain in an industry in which the major players are connected in a dense network of interfirms (Gulati, R., Nohria, N., & Zaheer, 2000). Thus, trust plays an important role as a trust advantage to sustain industry.

Trust and commitment are the foundation for building, developing and maintaining a successful relational exchange between parties (Morgan, N., 1994). Trust, a main requisite to interaction and cooperation among organization, is a research concept emerged during late decades. The role of trust is more salient in the process of governance manifestation (Zaheer & N. Venkatraman, 1995). Furthermore, it is hypothesized found that interorganizational trust and interpersonal trust has been related empirically but not theoretically (Zaheer, A., B. McEvily, 1998). Economic exchange extends an inherently individual level phenomenon to organizational level of analysis. The contribution goes to research on relational exchange by examining the nature of trust in buyer-supplier dyads.

Successful marketing requires relationship of trust and commitment (Morgan, N., 1994). It refers to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges between exporters as suppliers, firms, and customers. The theory of commitment-trust maintains marketing networks to cooperation among stakeholders. The relationship between commitment and trust will be developed if firms attend to relationships by (1) providing resources, opportunities, and benefits to offering alternative partners; (2) maintaining standards of corporate allying oneself with exchange partners with similar values; (3) communicating valuable information including expectation, market intelligence, and evaluations of partner's performance; and (4) avoiding malevolently in order to take advantage in cheating way.

In addition, buyer and seller as exporter have a trust relationship in a function of two factors, namely mutual dependence and trust (Ganesan, 1994). Both factors plays key roles in in determining long-term orientation of both retail buyers and vendors. The factors that determine users' trust are including individual, interpersonal, organizational, interorganizational/ interdepartmental, and project factors (Moorman, C., Deshpandé, R., & Zaltman, 1993). In addition, business relationships characterized by commitment/continuity and coordination/cooperation indicate a higher degree of company's perceived satisfaction of supplier (Mysen & Svensson, 2010). By scale of relationship quality, the relationship of trust can be measured between the exporting firm and the importer. Exporter perspective, then, toward commitment and the way to conceptualize it is to maintain the relationship and to maximize profit (Lages, 2005). Several scientists have identified that trust is a precursor to commitment and they have a positive and significant relationship (Caceres & N.G. Paparoidamis, 2007). Trust variable has a positive and significant effect on the export performance of supply chain in SMEs (Kodrat, K. F., Sinulingga, S., Napitupulu, H., & Hadiguna, 2019).

Trust Measurement

Trust variables used in this research is six variables which manifest the first version from trust latent variable (KUMAR, N., SCHEER, L. K., & STEENKAMP, 1995) (Camarero, C., & Cillán, 2004). The six variables are attitude towards mutual benefits, past and present experience beliefs, never worried to partners, never worry about partners, never act to take opportunities that can be detrimental, partner reputation is increasing, and developing business integration processes. Therefore, improving trust is necessary to overcome the low export performance and to improve export performance of furniture. A hypotheses is needed to be tested using structural equation model (SEM) based on parameter estimates from the complete structural equation model (Arifin, S., Oetomo, H. W., 2019). The accuracy of the manifestation variable is important for measuring the latent variable of confidence. So at the initial stage it is necessary to consider the factor of accuracy in the context of belief. Building that level of trust depends on a short-term process, namely the company owners. There are three important elements or factors that need to be done to build and maintain trust, namely credibility, proximity, and reliability.

Credibility is a very important thing to pay attention to on the this first element factor. A person's credibility takes a long time and requires a process of getting to know oneself. In business terms, first impressions greatly build consumer credibility and trust. The length of time required is the role of credibility as a learning point. Proximity, as the second element factor, is also important in building trust. Someone has credibility but lacks closeness and is unable to communicate well, trust is difficult to manifest. Reliability is one factor to maintain trust by establishing relationship to suppliers or customers.

Export Performance

Export performance can be classified into twoways, namely Direct Exporter and Indirect Exporter. SMEs as exporters produce export products and sell directly is called direct exporter. Whereas, SMEs which indirectly sell export products to buyers through export trade agents is called indirect exporter. The factors influence SMEs of export orientation directly is export trading problem. It happens because of the high risk of export both in payment and

delivery. The time lag of payment becomes obstacle factor and the high of export cost as well. Besides, financing problem of capital and guarantee institution problem due to low support from financing institutions and export guarantees for SMEs are also becomes obstacle factors of export performance.

SMEs need strategies through promotion and partnership relationship. Thence, SMEs need a balance of exploratory and exploitative learning to enhance export performance (Atuahene-Gima, K., & Murray, 2007). Organizational Learning (OL) is used on performance and innovation to imply turbulent environment, cognitive skills of leaders, and resource flexibility (Patky, 2019). The balance is expected through relative level of exploratory and exploitative learning according to level of resource flexibility or coordination flexibility rather than just try to keep the equal. Therefore, SMEs should build resource flexibility or coordination flexibility to enhance the effects of exploratory and interactive dimensions on new product development performance (Wei, Z., Yi, Y., & Guo, 2014).

Besides, knowledge management and knowledge transfer claim as successful ways of improving and enhancing employees' performance, i.e. export performance. The effect is from interpersonal trust on team performance to a large extent are mediated by the intervening variables of knowledge acquisitions (Politis, 2003). The ways to sale products are by increasing customers, enhancing profit, and expanding market. Exploiting export performance using exploratory and exploitative learning combined with improving and enhancing employees' performance would be appropriate to develop to penetrate global market. The measurement of products used is the excellence of selling, the rise of customers, the extent of market, and the profit.

Basically, the assessment of export performance is a key factor in developing a company effectively and efficiently, due to the existence of a better policy or program for existing resources within the company. Basically, the assessment of export performance is a key factor in developing a company effectively and efficiently, due to the existence of a better policy or program for existing resources within the company. Export management sets guidelines to establish, to develop, and to sustain successful export business relationship between company and overseas customers shown by dependence, trust, understanding, commitment, communication, and cooperation (Leonidou, L. C., Katsikeas, C. S., & Hadjimarcou, 2002). This research tests export performance using composite index to reflect the outcomes of export behavior in SMEs-specific and environment-specific circumstances and constructing both national government concerned with improving the international competitiveness (Diamantopoulos, A., & Kakkos, 2007). Export effort-level analysis investigates the success or failure of a particular product in a foreign market. It examines trust, contracts, and the legal environment in international channel relationship (Cavusgil et al., 2004). Trust is considered as an effective way to minimizing opportunism despite the level of formal contractual control in given relationship. Formal contracts gain effectiveness in curbing foreign distributor opportunism along with trust. Level analysis in the research of export performance less commonly provides data from multiple export ventures for testing purposes. Analysis at the level of business exports does not provide complete insight into the long-term performance of a firm because it examines a particular venture, not the entire export business (Oliveira, J. S., Cadogan, J. W., & Souchon, 2012).

Export performance measurement can be classified into two categories, namely objective and subjective measurement. Company performance can be seen from various aspects, both

quantitative and qualitative in nature. A company's performance management system includes both behavioral measures (what the company does) and outcomes (outputs of corporate behavior). The role of export performance of firms becomes increasingly important. The study shows the measurement of export performance published between 1998 and 2004. Measurement of export performance may be problem driven rather than theory driven, as the study of export performance differs in definition and addresses different problems (Sousa, 2004).

The Effect of Trust on Partnerships

Trust and commitment are the foundation for building, developing and sustaining partnerships between parties in a relationship to be successful (Morgan, N., 1994). Trust is a key prerequisite for interaction between organizations and companies, that is, one of the most interesting research concepts has emerged over the last few decades (Zaheer & N. Venkatraman, 1995); (Zaheer, A., B. McEvily, 1998). Trust is a major determinant of commitment to a key mediating variable. Trust prevents partners from working opportunistically and encourages them to consider expected long-term benefits rather than short-term draws (Morgan & Hunt, 1994)

Trust is the basis of every business relationship, especially in developing long-term cooperation (KUMAR, N., SCHEER, L. K., & STEENKAMP, 1995). Trust is the belief of one party in a working relationship that the other person's behavior is honest, sincere, and fair (Leonidou, L. C., Katsikeas, C. S., & Hadjimarcou, 2002). Sønderskov, (2011) examined partnerships, general social trust and changing social heuristics, using multiple regression methods, the results show that general social trust promotes greater partnerships through social exchange heuristics, which conditionally stimulate the ability to partner in social dilemmas (Sønderskov, 2011). Trust can be an effective tool to reduce the opportunism of foreign partners (Cavusgil et al., 2004). Partners are less likely to engage in untrustworthy behavior.

The Effect of Trust on Export Performance

Trust is a prerequisite for success in an international export-import context because both parties (exporters and importers) need to have confidence in each other's capabilities. The interpersonal factors become the most predictive of trust (Moorman, C., Deshpandé, R., & Zaltman, 1993). Successful relationship marketing requires relationship commitment and trust (Morgan, N., 1994). Business relationships characterized by commitment/continuity and coordination/cooperation indicate a higher degree of a company's perceived satisfaction of the supplier (Mysen & Svensson, 2010). The quality degree of relationship between exporting firm and importer is positively a result of satisfaction (Lages, 2005). Customers with long-term loyalty do not easily switch to other service providers, while customers with short-term loyalty defect more easily when offered a perceived better alternative (Caceres & N.G. Paparoidamis, 2007). Trust has a positive and significant effect on the performance of supply chain management in the company (Kodrat, K. F., Sinulingga, S., Napitupulu, H., & Hadiguna, 2019).

Utilization of customer relationship management implementation effectively and efficiently will increase companies performance in significant, specifically in financial, marketing, or operational performance (Alawiyah, I., & Humairoh, 2017). The utilization of

company relationship management (CRM) implementation effectively and efficiently will increase company performance in significant marketing or operational performance (Alawiyah, I., & Humairoh, 2017). The existence of strong positive relationships between trust–commitment, trust–export performance and commitment–export performance has implications for export marketing managers and researchers with respect to managing cross-border export–import relationships categorised by trust, commitment and export performance (Ahamed, 2015). It shows that the intensity of competition, trust, commitment, export performance, by Structural Equation Modeling, identifies that trust influences commitment and export performance positively, and commitment has a positive effect on export performance. The relationship element, export performance, using the correlational method shows that trust is at the top of the order of influence, followed by kindness and friendship. Trust has a positive and significant effect on both economic and non-economic measures of export performance (Beyhan et al., 2011). Trust, export performance, market orientation, learning orientation, with the Structural Equation Modeling method shows that trust has a positive effect on export performance, market orientation has no effect on trust, learning orientation has a positive and significant effect on trust, organizational learning has a positive effect on international business relations (Ismail, 2011). From the research that has been done before, the hypothesis can be drawn that trust has a positive and significant effect on Export Performance.

4. Conclusion

Trust is one of the most important factors in order to ensure the execution of transactions between exporters and importers. It plays important role in building reputation and cooperation. The role of trust is to enhance asymmetric partnership formation in order to create an organizational trust building where the inter-organizational and inter-personal trust interplay is scrutinized. Trust advantage influence to harmonious relationships with overseas customers based on export management building in sustaining export business relationships. The existence of strong positive relationships between trust–commitment, trust–export performance and commitment–export performance has implications for export marketing managers and researchers with respect to managing cross-border export–import relationships categorised by trust, commitment and export performance. It shows that the intensity of competition, trust, commitment, export performance, by Structural Equation Modeling, identifies that trust influences commitment and export performance positively, and commitment has a positive effect on export performance of SMEs for furniture exporters in Jepara.

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