

The Management of Street Vendors Using Diamond Model and Partial Least Square-Path Modeling (PLS-PM)

Untung Usada¹, Dan Luqman Hakim²

¹Untung Usada, dosen Teknik Industri, UNU Sidoarjo, u2_usada[at]yahoo.com

²Luqman Hakim, dosen Teknik Industri, UNU Sidoarjo, hqm_az[at]yahoo.com

Abstract: *The Sidoarjo Government in managing street vendors (PKL) often focus on controlling the location and maintenance of the environment. While the real problems faced by street vendors are much more complex, covering issues of financial management, human resources, operations and sales. Conducting a conducive climate with effective management will increase the scale of its business without ignoring the order, cleanliness and beauty of the city. The model of PKL management in this study uses a diamond model from Porter (1990) that is formed from several factors, namely conditions, demand, supporting and related industries, strategy, competition and local government policy. Partial Least Square-Path Modeling Analysis (PLS-PM) is used to determine the factors that have influence on the policy of structuring street vendors. The data were obtained from the street vendors in Sidoarjo. Processing and data testing using SmartPLS 2.0 software support. The final result shows that factors that have a great influence on the management of street vendors are demand, strategy and business competition, and local government policy. Of the three factors, the most influential is the strategy and business competition.*

Keywords: economic growth, street vendors, business performance, diamond, partial least square

1. Introduction

The phenomenon of the emergence of street vendors (PKL) in urban areas to the attention of many parties. PKL itself is the name of merchants who use merchandise or street vendors in general. PKL is a group of workers who move a lot in the informal sector (Lubis, T. Dkk, 2014). The street vendors also have the potential to create and expand employment, especially for those workers lacking adequate skills and expertise to work in the formal sector due to their low level of education.

Street vendors need more attention from the government in conducting a conducive climate to the development of their business. This condition will streamline the management and structuring of street vendors to scale their business up and grow without ignoring the order, cleanliness and beauty of the city as regulated in Sidoarjo City Regulation No. 5 of 2007 concerning peace and public order. PKL is a business actor that has great potential to be developed and empowered. There is a need for a thorough understanding of the impacts of PKL management on their business performance.

PKL is defined as someone who offers goods to sell to audiences without having a permanent place to sell (Erwita, 2014). Erwita (2014) added that street vendors are people who sell sidewalks or other public areas, and they will often move around. In connection with this, Susanty (2013) said that street vendors are a kind of retail sellers who sell goods and services on the public street such as alleys and main roadsides.

Susanty (2013) also claims that street vendors are a global phenomenon, will be found all over the world, especially in poor countries. A street vendor is a category of informal economic activity. This category includes the production and exchange of legal goods and services, but the activities

are not accompanied by official permits or legal contracts from related parties such as suppliers and clients (Lubis. T, 2014).

Sidoarjo City Government in managing street vendors often focus on controlling the location and maintenance of the environment. While the real problems faced by street vendors are much more complex, covering issues of financial management, human resources, operations and sales. Research on the governance of street vendors has been widely practiced (Lubis, T. Dkk, 2014). Corporate management refers to the mechanism or procedure that controls the organization in achieving its goal of maximizing long-term profit for stakeholders. The ultimate goal of corporate management is to create corporate value through sustainable performance as a result of proper business conduct (Susanty, A. Dkk, 2013).

Research on PKL management using diamond porter and Partial Least Square-Path Modeling (PLS-PM) is aimed to produce a comprehensive management model that can be implemented by street vendors. The results of the analysis are expected to optimize the business performance of street vendors (PKL), so as to bring the utilization of resources more effectively and efficiently and help develop small business street vendors and will encourage economic growth of Sidoarjo people.

2. Business Performance

Business performance is described as the achievement of the business organization in its business. Variable business performance has indicators of sales growth, capital growth, labor growth, market growth and profit growth (musran munizu, 2010).

Performance is a multi dimensional concept. The relationship between entrepreneurial orientation and

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performance can depend on the indicators used to access performance. The difference in performance indicators is generally the difference between a measure of financial performance and non-financial performance. Non-financial performance measurements also measure business goals such as global satisfaction and level of success that can be achieved by owners or managers; Measuring financial performance measures factors such as sales growth and ROI. With regard to financial performance, there is often a low convergence between different indicators (Lubis.T et al, 2014).

In relation to financial performance, studies can rely on self-generated reports or secondary data collected from trusted sources. However, the data collected by the entrepreneur can provide an enormous opportunity to test multiple dimensions of performance, such as comparisons with competitors. Such a measure can be subject to bias because there are social propriety, memory damage and / or variation of commonly used methods.

3. Method

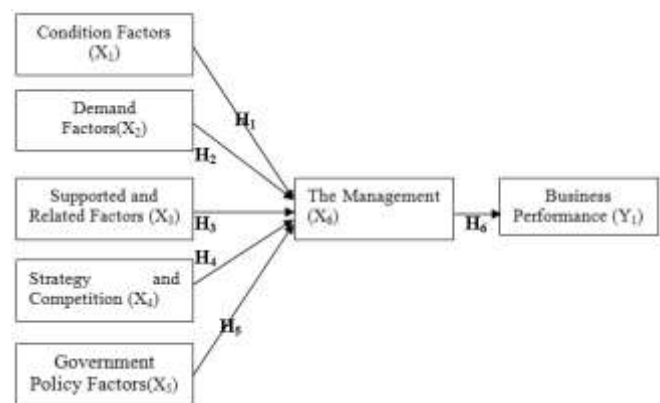
The Model Competitiveness Diamond (Porter, 1990), says that the industry in a superior area is not of its own accord but a group's success with the inter-linkages between supporting companies and institutions. The Diamond Competitiveness Model is based on 6 factors, namely: conditions, demand factors, supporting and related industry factors, strategic and competition factors, local government policy factors, and chane. Competitive values are then used as a basic in determining the variables and indicators as shown in table 1.

Table 1: Research Variable and Indicator

Variable	Indicator	Explanation
Condition Factors (X₁)	X ₁₁ : Human resources	Describe the condition of the resource in meeting the needs of the workforce
	X ₁₂ : Physical resources	Describe the availability of equipment needed to support the activities of street vendors.
	X ₁₃ : Capital resources	Describe the frequency of the use of third party capital assistance by the street vendors.
	X ₁₄ : Products	Describe the uniqueness of the product being marketed.
	X ₁₅ : Location	Describe the location of the street vendors to the relevant parties who are directly interested in the arrangement of street vendors
Demand Factors (X₂)	X ₂₁ : Market share	Describe the share that is targeted by street vendors
	X ₂₂ : Number of requests	Describe the number of requests
	X ₂₃ : Market Development	Describe the efforts made by street vendors to develop the market by improving the quality and innovating from their business.
Supported	X ₃₁ : The system	Describe the system of

and Related Industries Factors (X₃)	of purchasing materials and equipment	purchasing materials and equipment needed by street vendors to do activities
	X ₃₂ : The location of supported and related industries	Distance between supporting industries and related to location of street vendors
Strategy and Competition Business Factors (X₄)	X ₄₁ : Strategy street vendors	Describe the strategies that are implemented by street vendors to win the competition
	X ₄₂ : Business Competition	Describe the high and low competition that occurred
Government Policy Factors (X₅)	X ₅₁ : Human Resources Development	Human Resource Development
	X ₅₂ : Coaching skill	Technological enhancement
	X ₅₃ : Capital Access	Providing facilitation of capital access, Diskoperindag Sidoarjo for capital access problem
	X ₅₄ : Promotion Facility	Provide marketing facilitation
Management (X₆)	X ₆₁ : Transparency	Street vendors must be transparent with managing procedures
	X ₆₂ : Accountability	The street vendors must have clear financial statements
	X ₆₃ : Responsibility	The street vendors must be responsible for all decisions and business actions taken.
Business Performance (Y₁)	Y ₁₁ : Turnover	Increase Total sales turnover
	Y ₁₂ : Total sales	Increasing number of entrants
	Y ₁₃ : Business Development	Can expand his business

The Management of Street Vendors Model



Picture 1: Conceptual Model

To know the relationship between variables and indicators on the outer model tested:

- Convergent Validity. The value of factor loading on the latent variable with its indicators. (The expected value is greater than 0.7).
- Composite Reliability. Data has a composite reliability greater than 0.8 has a high reliability.
- Average Variance Extracted (AVE). The expected AVE value is greater than 0.5.

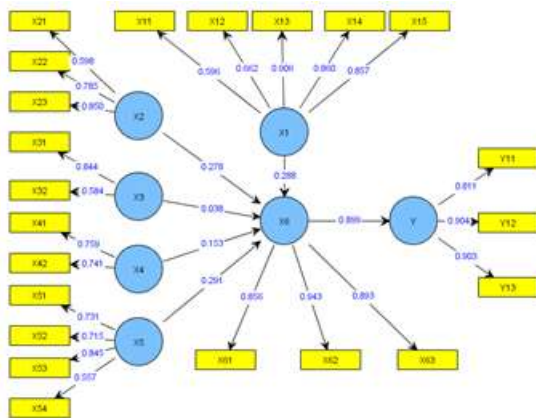
d) While to test the relationship between latent construct in inner model, R Square test on endogenous construct. R Square value is the coefficient of determination in endogenous constructs. According to Chin (1998), R square values of 0.67 (strong), 0.33 (moderate) and 0.19 (weak)

4. Result

Partial Least Square -Path Modeling (PLS-PM) was developed as an alternative to structural equation modeling (SEM) on a covarian basis. There are several things that distinguish PLS analysis from other SEM analysis models. The difference between the two according to Sanjiwani (2015), among others: 1). Data should not normally be distributed; 2). Minimum sample > 30 can be used; 3). PLS in addition to confirming the theory, also explains the presence or absence of relations between latent variables; 4). PLS can analyze construct with reflective and formative indicators; 5). PLS is able to estimate large and complex models with hundreds of latent variables and thousands of indicators.

In PLS-PM there are 2 models of outer model (consisting of reflective indicator and formative indicator) and inner model where test criteria are performed on both models (sanjiwani, 2015).

Model of street vendors management (PKL) can be seen in picture 2.



To know the relationship between the variables and the indicators on the outer model tested: Convergent Validity, Composite Reliability, and Average Variance Extracted (AVE). From the test results Convergent Validity there are some indicators that have a value below 0.7. The rest has a value above 0.7. This means that each indicator has a very strong influence on its variable value (See Picture 2).

For Composite Reliability value can be seen in table 3. This value is the reliability value of each variable.

Table 3: Value of Composite Reliability

	Composite Reliability
X1	0.887
X2	0.792
X3	0.683
X4	0.720
X5	0.808

X6	0.926
Y	0.906

While the value of AVE it can be seen in table 4. AVE value greater than 0.5. This is in accordance with Chin's research results (1998) that the value of AVE should be greater than 0.5.

Table 4: Value of Average variance extracted (AVE)

	Average Variance Extracted (AVE)
X1	0.618
X2	0.565
X3	0.527
X4	0.563
X5	0.518
X6	0.806
Y	0.763

While to test the relationship between latent construct in inner model, R Square test on endogenous construct. R Square value is the coefficient of determination in endogenous constructs. Based on the calculation got R Square value for the variable of PKL management is equal to 0.803 and business performance equal to 0.808. This shows that the variables in the model have a very strong determination in accordance with the results of research Chin (1998).

From the test results to the relationship between these variables, it can be said that the existing model can be used in general.

Table 2: The End Result of Data Processing

	Original Sample Estimate	Mean of Subsamples	Standard Deviation	T-Statistic
X₁→X₆	0.288	0.300	0.181	1.589
X₂→X₆	0.278	0.313	0.154	1.810
X₃→X₆	0.038	-0.030	0.175	0.220
X₄→X₆	0.153	0.148	0.067	2.291
X₅→X₆	0.291	0.313	0.169	1.723
X₆→Y	0.899	0.902	0.050	18.135

Processing Data used software SmartPLS

Hypothesis 1: Condition factors have a positive effect on the management of street vendors in Sidoarjo. With T-Statistik of 1.589, where this value is less than 1.6 it can be said that the condition factor does not positively affect the management of street vendors. Availability of equipment, capital, product uniqueness and location are the factors that have become the uniqueness of each street vendors. Agent PKL is the owner and labor. This result is consistent with what Broomley (2000) has pointed out that street vendors may have one or more workers but usually only come from families. Almost all street vendors run their business without doing / paying attention to management related to capital, cost and financial recording. This condition causes the size of capital management does not affect the performance of their business. The need for attention is more likely at the location where it will also relate to the legality factor. The condition factor in the management of street vendors is no longer something to pay special attention because it has no influence on the management of street vendors. This condition is contrary to the results of research Susanty (2013) that condition

factors have a positive influence on the performance of small and medium enterprises.

Hypothesis 2: The demand factor positively affects the management of street vendors in Sidoarjo. T-Statistic score of 1.810 indicates that demand has a positive influence on the management of street vendors. High demand will make the performance of street vendors will increase. For that in managing street vendors need to note how big the existing demand. In managing street vendors, market share must be clear so that the products marketed in accordance with what is desired by consumers. Good management of street vendors should be tailored to the extent of the opportunities that consumers have. This condition will improve the performance of street vendors in maintaining their business.

Hypothesis 3: Supporting and related industrial factors have a positive effect on the management of street vendors in Sidoarjo. The T-Statistic value of 0.220 indicates that in managing street vendors, supporting industries do not have a positive effect on the management of street vendors. Supporting industries in the management of street vendors are only expected to provide financial support for further development. These results are consistent with those described by Alasadi and Abdelrahim (2007) that street vendors are an easy way to create income with less investment. In conducting its business, PKL is able to do its own business without the support from industry and other supporters.

Hypothesis 4: Strategic factors and business competition positively affect the management of street vendors in Sidoarjo. The T-Statistics score of 2.291 indicates that the strategy and business competition have a positive influence on the management of street vendors. Strategy in conducting development, marketing and product innovation will determine the sustainability of street vendors. The same is true for business competition. With the existence of business competition, the street vendors are forced to always innovate the products, services and marketing.

Hypothesis 5: Government policy factors have a positive effect on the management of street vendors in Sidoarjo. The T-Statistic score of 1.723 indicates that the local government policy toward the existence of street vendors towards the management of street vendors has a positive influence. Local government policy will provide legal basis for the existence of street vendors in doing their business. Therefore, the policy is expected to be a policy that will have a positive impact on the development of street vendors.

Hypothesis 6: The management factor has a positive effect on the performance of the street vendor business in Sidoarjo. The T-Statistic score of 18.125 indicates that the management of street vendors has a positive influence on the business performance of street vendors. With good management will have a good impact on the development of business street vendors. Management should be able to accommodate all aspects without ignoring of the factors even if they negatively affect the management itself.

Based on the hypothesis test, in the management of street vendors to note are the factors that have a positive influence on their performance. These factors include: demand factors, strategic factors and business competition, and policy factors of local government. High demand will make the performance of street vendors will be better. The performance of street vendors will increase as demand grows. For that in the structuring of street vendors must really pay attention to the opportunities demand for products street vendors, so that when the arrangement of street vendors and improvement of street vendors, street vendors do not lose and still have a high competitiveness. To increase demand for products, street vendors must know the market share for their products, the opportunity of existing market share and have the ability to develop the market. This condition will have a good impact on the performance of its business.

In terms of strategy and business competition, street vendors who are small businesses with their own uniqueness must have a strategy to win the competition. Although PKL is a business with a family business capacity, but the strategy in business competition should really be considered. How to attract consumers, how to innovate in products, how to serve customers well are the things that must be considered in winning the competition. This is consistent with that described by maman et al (2006) that extensive production and distribution activities will support corporate management. These activities should be supported by appropriate work strategies. This means that the more street vendors are able to provide the right strategy, the higher the level of their performance to get win incompetition.

In terms of local government policies, street vendors have a high interest in this policy. The sustainability of the street vendors is very dependent on the policies issued by the local government. In management street vendors need to support local government policy, this is due to how well we have manage to street vendors but not supported by local government policy, it will be no use. Street vendors who are collectors of traders who move on the road and move around need special attention from the local government so they have the legality in doing business. According to Alasadi and Abdelrahim (2007) that PKL is an easy way to create income with less investment is the attraction of many people to carry out these activities. If this condition is not considered by the local government with the right policy, street vendors can be a big problem for the growth of a region. But if the policy made by the local government is right, then this condition will give a big economic impact for the growth of a region.

5. Conclusion

Based on the results of the discussion can be concluded that in the structuring and management of street vendors, there are some that need to be considered are human resources management, strategy in promoting and innovating products, support from several parties concerned with the existence of street vendors especially financial institutions, always doing business development and innovation In the face of competition, and compliance

with local government policies. These factors are factors that have a major influence on the sustainability of business street vendors.

For the future in maintaining the sustainability of its business, PKL is expected to adapt to the development of technology and the development of a city. The authors hope can be done a research on the factors that must be prepared by street vendors in the face of technological developments and progress and local government policy in doing urban planning.

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