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Financial Governance of Intangible Success Factors: An Option in Building Business Resilience and Sustainability

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Abstract:
The aim of this research is to analyze the financial intangible success factors related to business resilience and sustainability. The research population are all small and medium industries at Probolinggo region. Data collection techniques used proportional random sampling. The number of respondents are 100 respondents who are performing well, as a minimum requirement that is needed in data analysis techniques structural equation model. Gradually, it will be applied two kinds of analysis techniques (1) factor analysis, is used to confirm the factors most dominant variable in one group and (2) regression weight in structural equation model, used for confirmatory examine how much the relationship between variables. Furthermore, modeling of the complete structural equation model needs to step (a) the development of the model, (b) the making path diagram, (c) selecting an input matrix and estimation of the model, (d) evaluation criteria of goodness-of-fit and (e) the interpretation and modification of the model. Based on the results of data analysis revealed that financial intangible success factors significantly influence to the business resilience and sustainability as well. Shortly, Financial intangible will be an option to improve business resilience and sustainability.

Keywords: Financial intangible success factors, resilience, sustainability

1. Introduction

Severalresearch result revealed that there are currently a significant shift in the use of corporate assets. Evidently, more and more developing intangible assets than tangible assets to realize the targets of the organization (Zigan & Zeglat, 2010). That's because the benefits of a shift towards the use of intangible assets that have a real contribution to organizational performance. Reynoso (2008) and Durst (2015) also confirms that the assets intangibles such as supplier partnerships, collaborations, skills, knowledge, innovation, patents and other intellectual property, leadership, image and reputation, and culture, is now the essence of competitive advantage.

Then, the purpose of the implementation of this research activity is specific to assess the governance of the Financial Intangible Success Factors (FISFs) in relation to the resilience of the business in the Small and Medium Industries (SMI) in Kota Probolinggo. It is expected that the results of this research, it will be the new findings can be as a tool for local government intervention through the Department of Trade and Industry as the leading sector for guidance and development of small and medium industries in Kota Probolinggo tough.

Based on the results of the survey revealed, small and medium industries in the town of Probolinggo turned out relatively large amounts. Even small businesses are also the backbone of the life of its owner. This is because the source of their income to finance the family's daily life comes from managing their business. Interestingly, the average number of workers in every small business is as much as 5-45 people, including business owners. Certainly, the aspect of employment can be considered quite promising, amid difficulties in obtaining employment.

In addition, the information obtained from the chairman of Regional Forum of Small Business; currently there are 385 in the town of Probolinggo Small and Medium Industries. And based on other information, the number of actors SME non-member association, the numbers even more. Certainly the facts proficiency level is the economic potential that cannot be ignored. Meaning, guidance and development absolutely must be done. Because,it is not only impact on business owners, but also to the chain of other businesses in the vicinity. What is clear, their presence is one area of potential assets to build a people's economy becomes more developed regions.

Keep in mind, according to Feindt, Jeffcoate, and Chappell (2002) Financial Intangible Success Factors (FISFs) is an important component in realizing the vision and mission of the corporation. Even dynamic corporate finance should be concerned with intangible assets are to success in improving competitiveness and profitability. It was as said Wiley (2012) and Olavarrieta, S., & Friedmann, R. (1999) stated that the measure corporate success is a challenge that is continuous. According to him, there are five dimensions are dictated by financial success, market, process, human resources, and future.

While the classification of the key success factors of small industries based governance utilization of tangible assets and intangible assets, and also according to the category of financial and non-financial are described in Table 1. It is interesting that the success of the small industries are also built through the use of financial assets are intangible, among others include brand value, goodwill and the value of immaterial properties. Therefore, the study of the utilization of intangible financial assets becomes important, given the assets that are owned by many small industries.

Success Factor		
	Financial	**Non-Financial**
Tangible Success Factor	Economic growth	Delivery time
	Liquidity	Quality of products
	Product/service costs	Production volume
	Profitability	Productivity
	Capital adequacy	Stock turn time
		Service volume
Intangible	Brand value	Competencies
	Goodwill	Customer satisfaction
	Value of immaterial properties	Customer retention
		Innovation
		Motivation
		Personnel satisfaction

Table 1: Classification of Small Business Success Factors.
Source: Lönnqvist, 2004

Subsequently, Li and Wang (2014) proposed a framework which includes the corporate success of the marketing concept, good management approach and ethics organizations to meet the needs and desires of various public organizations and, in the long term, ensuring the satisfaction of the needs of the organization itself

Flamholtz and Aksehirli (2000) found that there is a statistically significant relationship between the development of the six critical success factors, namely the market, products and services, resource management, operating systems, management systems and corporate culture, and the overall financial success of the organization.

However interestingly, Lönnqvist (2004) states that the factor of business success is determined by the tangible and intangible assets. Even more details are that intangible success factor is classified into financial and non-financial. Intangible success factors that are financially include brand value, goodwill, and value of immaterial properties. While non financial consists of competencies, customer satisfaction, customer retention, innovation, motivation and personnel satisfaction.

In fact, the majority of SMEs did not have any tangible assets of great value. Thus, efforts should be done with other approaches through the optimization of other assets such as potential financial intangible assets. Therefore, the potential can be optimized to improve the sustainability of its business, the format with the optimization of the governance model of intangible success factors in small and medium industries in the town of Probolinggo, continuity can be assured and the resilience of small and medium industries for the better.

Burnard & Bhamra (2014) states that the business resilience is the ability to adapt and respond to a variety of business interruption for the purpose to maintain the continuity of its operations, be reliable and enable the entity to continue to grow and develop. Carmeli, Tishler (2014) and supported by Chang & Hsiech, (2011) explains, the true business resilience that originated from its ability to understand correctly about what it takes to run a business on the performance of the business. Of course in order survivalists in the face of unexpected problems and future challenges that arise from time to time. Even the dynamics of information technology-related businesses including other disasters, is a challenge that must be addressed with a business approach. Thinking about business resilisience is a ticket to maintain continuity of business operations, adaptive planning, preparedness and ability to respond quickly threats or opportunities.
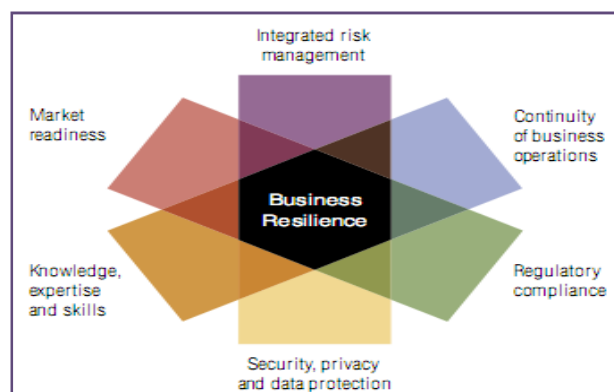

Figure 1: Components of Business Resiliencece
Source: Linnenluecke (2017)

Management should not focus only on issues that cause organizations to work defensively, but must be with a proactive approach to face unexpected problems, so that the resilience of the business running effectively and efficiently. In addition to the issue of the situation, a strong business resilience program can help organizations prepare for audit purposes and demonstrate compliance with regulatory requirements. Business resilience is essential for effective resistance strategy allows organizations to avoid costly downtime, avoiding many of the attacks of competitors, and reduce the impact of other issues. Linnenluecke (2017) revealed that there are six elements of business resilience as illustrated in Figure 1 of the elements of business resilience.

On the other hand, Ciarelo et al (2014), disclose financial intangible assets turned out to have a major contribution to the achievement of profit and business continuity beyond the contribution of physical assets. Husnah (2013) also further reinforce that financial asset value development of intangible produce larger company through the company's earnings are relatively higher.Furthermore, based on some of the results of previous research, the formulation of research hypothesis, (1) financial intangible success factors significantly influence the resilience of the business; (2) financial intangible success factors significantly influence the sustainability and (3) a business resilience significant effect on sustainability.

2. Methodolgy

2.1. Research Design

Research activities on "Governance Financial Intangible Success Factors (ISFs) and Business Resilience." This is an explanatory research (explanatory research) with quantitative methods. The data collection technique used is a survey, a study that takes a sample of the population using questionnaires as the main data collection tool. The unit of analysis are all SMEs in Kota Probolinggo. From the nature of the relationship with other variables, consisting of exogenous and endogenous variables. In this study, the Financial Intangible Success Factors (FISFs), as exogenous, and as anendogen variable is business resilience and sustainability.

Based on the literature review, statement of research hypotheses that have been formulated and theoretical frameworks, the operational definition of a complete research variables are: (a) intangible financial success factors (FISFs) are intangible factors are financial key success business continuity. Indicators FISFs that are financially include brand value, goodwill, value of immaterial properties, (b) the resilience of the business is the ability to adapt and respond to the interruption of business quickly in order to sustain its operations, becoming a reliable partner which allows it to continue to grow and (c) sustainability is a business continuity apparent from assets positive growth. While indicators of each variable of this study are as follows.

Variable	Indicators	Notation
Financial Intangible Success Factors (ISFs) (Lönnqvist, 2004)	*Brand value*	X1
	Goodwill	X2
	Value of immaterial properties	X3
BusinessResiliencece (Linnenluecke, 2017)	Adaptability	X4
	Responsive	X5
	Colaborative	X6
	Market Readiness	X7
	Survivability	X8
Sustainability (Shapiro,2013)	Market Growth	X9
	Customer Growth	X10
	Profit Growth	X11
	Gasset Growth	X12

Table 2: Variable Indicators Research

2.2. Research Population

Furthermore, the populations of this study are all small and medium industries in Kota Probolinggo. Mechanical sampling will be done by cluster random sampling to be representative. It was given a total population of 385 SMEs. Then, set 100 perpetrators of SMEs will be the respondent and at the FGD. The number of samples obtained from five (5) times the number of indicators (5n). Thus, this study sample in accordance with the requirements of SEM (Ferdinand, 2006).

2.3. Research Analysis

Then, according to the flow chart of research, the first step will be the preparation of the questionnaire and the continued validity and reliabilities. Furthermore, disseminated and primary data will be analyzed with a desk analysis and Equation Structural Model (SEM). Ferdinand (2013) states that there are two (2) techniques SEM analysis, namely (a) Factor Analysis in the SEM is used to confirm the factors most dominant in the variable group and (b) Regression Weight on the SEM used for confirmatory how big the relationship between variables (intangible success factors which include brand value, goodwill, value of immaterial. Furthermore, modeling SEM, manufacture path diagram, choose the matrix inputs and estimation models, evaluation criteria of goodness-of-fit and interpretation of models and modifications / finalization of the model. Here's suitability index and its cut-off value used in the test model it is accepted / rejected:

No.	Goodness of Fit Index	Cut of Value
1	*Chi Square*	Diharapkan Kecil
2	*Significant*	Probability ≥0.05
3	RMSEA	≤ 0.08
4	GFI	≥ 0.90
5	AGFI	≥ 0.90
6	CMIN/DF	≤ 2,00
7	TLI	≥ 0.95
8	CFI	≥ 0.95

Table 3: Feasibility Model Testing Index
Source : Ferdinand, 2013

3. Results

Based on the survey results of the study, the number of actors in Kota Probolinggo SMEs totaled 385 units IKM (Department of Cooperatives, Energy Minerals, Industry and Commerce Probolinggo, 2015). The existence of SMEs are scattered in five (5) sub-districts (Mayangan, Wonoasih, Kanigaran, Kademangan and Kadopok covering 29 wards. The industry includes timber industry, industry nonmetallic minerals, Manufacture of metal goods, food and beverage industry, textile industry, Industry leather, and ceramics industry. Then, Number of samples in research activities, as many as 100 SMEs. The research showed that respondents composed of 55% men and 45% women, which can be explained in more detail in Table 4 below:

No.	Gender	Total of Respondens	Prosent
1	Male	60	60%
2	Female	40	40%
	Total	100	100%

Table 4: Identity of Respondents
Source: Primary Data, 2016

Furthermore, the descriptive analysis is an analysis that aims to describe the perception of respondents in all the variables comprising intangible success financial factors, resilience and sustainability. As for the graphic average response of the respondents to the variable that summarized the results of quesioener distributed on 100 respondents owners of the SMEs in Kota Probolinggo presented in Figure 5 is as follows:
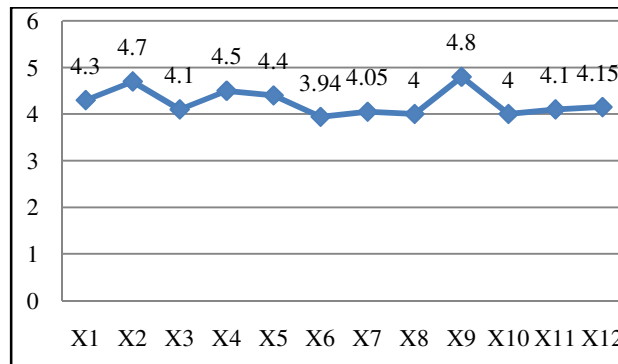

Figure 2: Responddof Small Industries
Source: Primary Data, 2016

Based on Figure 2, it was revealed that the responses of 100 respondents to the study variables consisting of 12 indicators show a relatively good. This is because the response revolves around the score of 3.94 up to 4.80. X9 highest response contained in an indicator of the sustainability and response with the lowest score is an indicator of the ffinancial x6 ITFs.
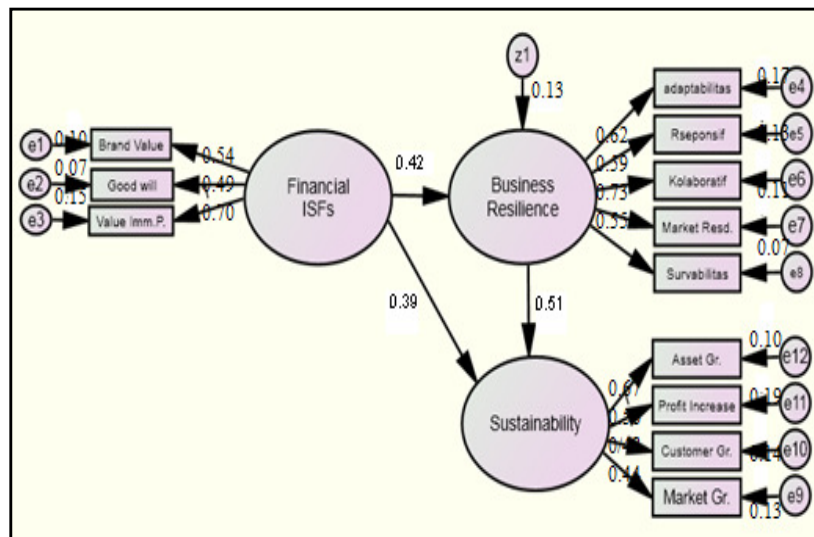
Figure 3: The linkage Financials ISFs, Business Resilience and Sustainability

Based on Figure 3 were revealed artifacts positive influence between variables Financial ISFs positive effect on business resilience and also effect positively to sustainability, business resilience also have a positive influence on sustainability with a coefficient of each of 0:42. 0:39 and 0:51.

Furthermore, the test is done to determine whether a variable can be used to confirm that the variables that can be shared with other variables explain latent variables are assessed using analysis phases.. Lambda value or Factor Loading Lambda value required is to be reached greater than or equal to 0.40. If the lambda value or lower loading factor of 0.40, it is deemed that it is dimensionless variables together with other variables to explain a latent variable. Lambda value for the variable in this confirmatory analysis that explains financial ISFs is of 0.54; 0.49; and 0.70. Thus it can be concluded that these variables are jointly presenting undimensionality for latent variables. Weighting factor (Weight Regression) this analysis was conducted to determine how strong the dimensions that form its latent factor by using a test of the regression weight generated by the model. Judging from this result, each indicator of each latent variable already qualified so that it can be accepted, because it has a value loading factor (coefficient λ) or regression weight or standardized estimate significantly to the value Critical Ratio (CR) above or equal to 2.0. The results of this Latent Variable Regression Weight can be seen in the table below 5:20.

From these results it can be seen that each of the indicators of each dimension has a value loading factor (λ coefficient) or standardized regression weight or significant estimate the value of Critical Ratio or CR> 2.0. So that all indicators are acceptable. Medium their high correlation coefficients among these variables, not necessarily indicate a high causal relationship of these variables. With the value of P (probability) that the overall below 0.05. With this result, it can be concluded that the indicators forming latent variables have shown unidimensionality. With reference to the results of this confirmatory factor analysis, the research model can be used to analyze the next without any modifications or adjustments.

4. Discussion

4.1. Hypothesis Testing

Hypothesis testing is used to test several hypotheses of the study as it has been formulated previously. Hypothesis testing is based on research data processing using SEM analysis tool, by analyzing the regression values as shown in the previous table. Hypothesis testing is done by analyzing the value of CR and the value of P on the results by Regression Weights Full Data Model, compared with the required statistical limits, the value must be greater than 2.00 to the value of CR and below 0.05 for the value P. If the result of the data showed the value to qualify, then the research hypothesis will be discussed in stages in accordance with the hypothesis proposed in this study. Here in Table 6 described parameter estimation regression weights that are the result of primary data processing.

	Estimate	S.E	C.R.	P
BR<--- FISF	0.42	0.14	3.00	.009
SS<--- FISF	0.39	0.10	2.60	.004
SS<--- BR	0.51	0.11	4.63	.000

Table 6: Regression Parameter Estimation Weights
Source: Primary Data, 2016

4.1.1. Hypothesis 1

Hypothesis 1: Financial Intangible Success Factors significantly influence business resilience. From table 6 revealed that its influence is shown by the CR at 3:00 greater than 2:00 with p value of 0.009 means of <0.05. Thus H1 in this study can be accepted. Meaning, it can be explained that the better financial intangible success factors conducted small-scale industries in Kota Probolinggo there is a tendency of business resilience will be better. A finding that is certainly very meaningful to management, the main objective is in order to build business resilience.

4.1.2. Hypothesis 2

Hypothesis 2: Financial intangible success factors significantly influence sustainability. The better implementation intangible financial governance success factors is done, the better the sustainability demonstrated by the CR amounted to 2.60 greater than 2:00 with a p-value of 0.004 means of <0.05. Thus H2 in this study can be accepted.

4.1.3. Hypothesis 3

Hypothesis 3: The Business Resilience significant effect on sustainability. From Table 6 it is shown that the influence of business resiliency with sustainability shown by CR of 4.63 are eligible ie> 2:00 and p value of 0.000 qualified ie> 0.05. Thus H3 in this study can be accepted.

Based on the description of hypothesis testing of hypotheses 1 through 3 turns empirical hypotheses are accepted. It means, all the endogenous variables (financial intangible success factors and business resilience) significantly affect sustainability.

4.2. Theoretical Implications

The results support previous findings of which were disclosed Zigan, K., & Zeglat, D. (2010) in his article in Intangible resources performance measurement systems of the hotel industry that the intangible asset has a positive role in building a business continuity. Also, in line with the expression Carmeli, A., Tishler, A. (2004), in his article The relationships between organizational intangible elements and organizational performance, that the links between the assets Bendan no organizational performance Furthermore, the findings of this study reinforce the notion Linnenluecke , MK, (2017), in an article about the resilience of research results in business and management research: a review of influential publications and a research agenda that explains that the intangible assets were affecting the development of the business. Even linearly with the opinion of Durst, S. (2015), the results of his research on the relevance of intangible assets in German SMEs, management of intangible assets is highly relevant to develop small industries. Thus, the findings of this research increasingly support previous research findings that the governance of the intangible asset is another option that can be optimized consumer in achieving business continuity.

5. Conclusions

Based on the analysis, revealed that intangible financial success factors significantly influence business resilience and sustainability. It was revealed from the results of the research hypothesis testing that has been done. Meaning, when a business entity wants to build the resilience of its business, then one option that should be done is to optimize the governance of the intangible assets that are financial mentioned. In addition, the governance of the intangible assets optimally, then all at once will be able to ensure business continuity in the mission of every business entities, especially small scale.

Suggestion. Based on the conclusion of the study of the interrelationships of financial governance intangible success factor in business and sustainability resilience then further research should focus on their findings of this research, especially in the indicator value of immaterial properties, which has the largest contribution to the intangible assets financially. Meaning, by making such indicators as new research variables, it is possible will be found new factors ISFs financial formers, mainly triggered by the values of the non-material financial wealth.

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