

# Factors that Influencing the Profit of Furniture Industry

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Keywords: Competition, Managerial Competence, Profit.

Abstract: This research is motivated by the decline in profit growth in the wood furniture industry in Bandung. As this study is intended to determine the factors that influence it, including the variables of competition and managerial competencies. Subjects in this research were businessmen in the furniture industry Malabar and Cicaheum in Bandung. The method used in this research is explanatory survey. The population at the same time a sample is whole furniture producers in Malabar and Cicaheum Bandung, which amounted to 33 people. Data collected by distributing questionnaires to the respondents. Data were analyzed using multiple linear regression. The results showed that competition and managerial competencies positive effect on earnings. This means that if competition and managerial competencies furniture producer's increases, predicted profit will rise. Simultaneously, competition and managerial competence significant effect on profit of 80.33%.

## 1 INTRODUCTION

The economy is an essential field in a country's life. Small businesses have characteristics that imply potential weaknesses to the occurrence of problems. The weakness of small businesses according to Anoraga's banner is that initial investment may suffer losses. Some risks beyond the control of the entrepreneur, such as changes in fashion, government regulations, competition and labor issues can hamper business. Some businesses or businesses also tend to generate irregular income so the owner may not make a profit. Initial investments may suffer losses, this is because small businesses have limited capital making it difficult to reduce costs to efficient points, and if entrepreneurs are unaware of changes in existing modes they can lead to potential future problems such as loss of customers, entrepreneurs are required to know The development of fashion that occurs in the community so as not to be abandoned by the consumers, as well as the competition which inevitably must be faced by entrepreneurs so that their business can survive among rival entrepreneurs and to overcome the competition in addition to having a competitive strategy entrepreneurs must also have the ability to manage the company called competence Managerial is the way a businessman

who doubles as well as managers in achieving the goals set. Based on the explanation of researchers doing research on furniture entrepreneurs in the city of Bandung, which experienced a significant decline in profit of the entrepreneurs Malabar and Caheum furniture in the city of Bandung.

Furniture is a home supply that includes all items such as chairs, tables and cabinets. Furniture is derived from the word movable which means to move, furniture usually made of wood, board, rattan, iron and plastic. Based on the data obtained, it can be seen that the problems faced in the furniture industry center of Bandung is the decrease of production and the number of sales which then affects the decrease in profit earned by the entrepreneur. Profit is one of the goals of a company that can be a benchmark for business development. Then all the activities of the company will lead to the achievement of the company's goals. Managerial competence is manifested in the ability of entrepreneurs in making decisions, both in determining the amount of working capital to be used, labor to be used, the amount of output of production and in pricing.

In addition to managerial skills, one factor that can affect the high low earnings is competition. As Porter discloses in Anoraga banner (2009: 340) that competition is central to the success and failure of

the company. This affects the company's ability to earn profits, so that in increasing the profit, the entrepreneur certainly will not be separated from the competition that will ultimately determine whether his business will succeed in increasing profits or even decreased in the face of competition and increasingly stringent industry challenges. According to Porter in Anorga Pandji (2009: 341) argued that keen competition is the result of a number of interacting structural factors, namely: Number of competitors that are large or balanced, sluggish industry growth, cost & Fixed or high storage costs, lack of differentiation or switching costs, large capacity increases, multiple competitors, large strategic bets, and high resignation barriers. So in the face of competition, companies need the right competitive strategy in order to maintain the sustainability of their business, increase profits and gain competitive advantage. Then it can be concluded that the competition has a two-way influence on profit means that competition can give a positive influence and negative influence.

## 2 LITERATURE REVIEW

According to Adam Smith in pressman (2000: 34) explained To generate more profits earned by employers depends on the circumstances of the market where the company is located. The market structure in the furniture industry under study is a monopolistic market, as explained by Edward E. Chamberlin and Joan Robinson in Tati Suhartati (2012: 193) in which the characteristics are: 1). There are many sellers, 2). The goods are different in style, 3). Companies have little power to influence prices, 4), entry in industry is relatively easy, 5). Competition promotes very active sales.

Statement proposed by Chamberlin is supported by Case & Fair (2002: 59) who argued that, "the behavior of companies that want to achieve maximum profit depends on the characteristics of the market where the company is competing" and that every company that wants to maximize profit depends on its management internally in relation to companies Competitors.

According to Case and Fair (2002: 372), in monopolistic competition market, competition can be done through: 1) Price, because the price set by the company will affect the amount of sales and the amount of profit to be received by the company. 2) The product, if the entrepreneur can differentiate his product from all other competitors, the entrepreneur may be able to raise the price without losing all his

requests. 3) Promotion. With the holding of a vigorous promotion, it is expected that consumers will be interested to become customers.

## 3 METHODS

The object of this research is competition and managerial competence as independent variable and profit as dependent variable or (Y), while subject in this research is furniture industry entrepreneur Malabar and Cicaheum in Bandung city. The method used in this research is explanatory survey. Population in this penelitin is all furniture entrepreneurs who are in Kosambi Jl. Malabar and Caheum Jl. A. H. Nasution Bandung, which amounted to 33 entrepreneurs. Related to the sample of this study, it is known that the furniture industry business is located. In Bandung there are in two points namely Kosambi and Cicaheum. Samples of research all furniture industry entrepreneurs who are in two points in Bandung city based on the results of the study amounted to 33 entrepreneurs. In this study data collection is done by using the instrument in the form of questionnaire or questionnaire, therefore tested the validity and reliability of the instrument of this study so that the results of research is not biased and doubtfulness. With multiple regression analysis. According to Yana Rohmana (2013, pp. 59), the model of multiple linear regression equations, as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

Where:

- Y : Profit
- $\beta_0$  : Regression Constant
- $\beta_1$  : Regression Coefficient X1
- $\beta_2$  : Regression Coefficient X2
- X1 : Competition
- X2 : Managerial Competence
- e : Anxiety Factor

## 4 RESULTS AND DISCUSSION

The data analyzed is data collected from the research results, then will be tested through Eviews 6. Data processing is done by statistical method by using multiple linear regression model because the independent variable in this research more than one. Data obtained on an ordinal scale should be converted into an interval scale using MSI (Methode Successive Interval) as it is a requirement of the use of regression analysis. In this study the authors take

the research model with the population as well as 33 respondents. From the results of data processing, it can be concluded that the model of multiple linear regression equation in this study are:

$$Y = -5.307046034568 + 0.597619485386 * LNX1 + 0.553829435575 * LNX2$$

$$Se = (2.543991) (0.122909) (0.053578)$$

$$Tcount = (-2.086110)(4.862275) (10.33696)$$

From the equation above can be known the meaning of each regression coefficient as follows: The regression equation constant is -5.307046034568, meaning that if there is no independent variable (X), then the success of business obtained by furniture industry entrepreneurs in the city of Bandung will be loss of -5.307046 million rupiah. The amount of regression coefficient for competition is 597619485386, meaning that when the competition increases by one unit of competition, the profit of furniture industry entrepreneurs will increase by 0.597619 million rupiah. The amount of regression coefficient for managerial competence is 0.553829435575, meaning that when managerial competence increases on average by one unit of managerial ability, then the furniture industry profession will increase by 0.553829 million rupiah.

T test is used to determine the influence of each independent variable (ie Competition and managerial competency to dependent variable (profit) (Y). The criterion for t test is if  $t_{count} < t_{table}$  then  $H_0$  accepted and  $H_a$  rejected, otherwise if  $t_{count} > t_{table}$  then  $H_0$  is rejected and  $H_a$  accepted.

Table 1: Result T Test.

Vari able	t count	t table	Decision	Conclusion
X1	4.86	1.697	$H_a$ accept	Significant
X2	10.37	1.697	$H_a$ accept	Significant

Hypothesis testing through this test, the error rate used by the writer is 5% or 0.05 at 95% significance level with  $df = nk - 1 (33 - 3 - 1) = 96$ . The t test results in with Using Eviews 6 of each independent variable is as follows: Variable competition obtained  $t_{count}$  equal to 4.862275 while  $t_{table}$  equal to 1.697, in other words  $H_a$  accepted and  $H_0$  rejected, this means that the competition variable influence influence the positive direction of profit. Variable managerial competence obtained  $tcount$  equal to 10.33699 while  $ttable$  equal to 1.697, in other words  $H_a$  accepted and  $H_0$  rejected, this means that the variables of managerial competence influence the positive direction of profit.

#### 4.1 The Effect of Managerial Competence on Profit

Result of data analysis of research and hypothesis test known that managerial competence variable significantly influence to profit of furniture industry entrepreneurs in Bandung and have positive relation to earnings of entrepreneur. This means that the higher the managerial competence of industrial entrepreneurs mebeul in Bandung, the profits will be greater and vice versa, if the managerial competence of the entrepreneur is low, then the profits earned by employers will decline. This is evidenced by a larger thitung compared to ttable. The acceptance of the hypothesis stating that the variables of managerial ability significantly influence the positive direction to profit entrepreneurs mebeul in Bandung shows the suitability between the theoretical basis with the results of research.

Anoraga banner (2009: 125) suggests that managerial competence is the ability to use knowledge, behavior and talents to complete a task. Skills are learned and developed through experience, training and practice. This value in management is crucial because the value is so related to all the principal activities of leading from an organization concerned. Pandji Anoraga's statement reveals that the managerial competence of a corporate leader will realize the success that is the goal of the company itself. Good managerial skills will increase profits. The statement was supported by Sadono Sukirno (2004: 113) who argued that the success of management depends on managerial competence.

In general, a business owner who is also a manager must have three basic skills, including: Conceptual Skill, which is the mental ability of entrepreneurs to think in giving understanding, views, opinions in dealing with the organization's activities thoroughly both about policy possibilities in the face of change and how Overcome them. Human Skill, which is the ability to work in other groups organically and individually in improving motivation, communicating, leading and directing people to do something in achieving the desired goals. Technical Skill is the ability to handle or handle a problem or use of equipment, procedures, methods, and techniques in the operational process, especially concerning working people related to the tools that must be used in completing the work.

From the results of research that has been done, entrepreneurs who have high managerial competence can make employers earn high profits. This is because the chances are greater when compared to entrepreneurs who do not have managerial competence. From the exposure above the managerial competence of furniture industry

entrepreneurs in Bandung should continue to be improved both in Technical skills, Human Skills, and Conceptual skills. This is because the managerial ability has a big influence on the profit of furniture industry entrepreneurs in the city of Bandung.

## 5 CONCLUSIONS

Based on the results of research and analysis can be concluded competition and managerial competence significantly influence the profit of furniture industry entrepreneurs in the city of Bandung. Competition effect significantly with positive direction to profit of furniture industry entrepreneurs in Bandung. This means that the higher competition of furniture entrepreneurs in the city of Bandung, the profit or gain obtained will be greater and achieve maximum profit. Managerial competence has significant effect in the positive direction to profit of furniture industry entrepreneurs in Bandung. This means that the higher the managerial competence of the furniture entrepreneurs in the city of Bandung, the profits obtained by furniture entrepreneurs will be greater and achieve maximum profit.

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