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## Influence of Leadership and Environmental Excellence SME Towards Operational Excellence In Bandung District

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### ABSTRACT

*Global competition very tight making SMEs should make a different value that reflects an advantage to win the competition of competitors. The research objective to be achieved is to measure and determine how much influence the leadership and environmental excellence towards operational excellence. Type of research is the study of cause and effect. The sampling method used by the researchers is nonprobability sampling with accidental sampling method. Test instrument instrument using validity and reliability. The analytical tool used in the study are SEM Pls. The results showed that the leadership had a significant influence on the operational excellence that is equal to 0,265, or 26.5%, this suggests that SMEs concluded that aspects of leadership including the important things that must be considered. Environmental excellence provide no significant effect on the operational excellence that is equal to 0.230 or 23%, this shows that SMEs have not been able to optimize its operations. Simultaneously leadership and environmental excellence gives the effect of 0,142 or 14.2%, this suggests that operational excellence is heavily influenced by other factors not examined.*

**Keywords: Leadership, Environmental Excellence, Operational Excellence, and SME**

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### INTRODUCTION

SMEs are part of the corporate world and become one of the important factors in the face of the economic crisis experienced by Indonesia in 1998 is now getting more attention from the government as a solution in facing and resolving social problems. The lack of diversification of skills and inconsistency quality products become the main obstacle the micro small and medium enterprises (SMEs) in the field of food and beverage West Java in the face of the onslaught of foreign products is increasingly widespread. It was triggered by the lack of containers that facilitate the SMEs, so that they still walk on their own with the existing limitations. (Pikiran Rakyat Online,

April, 2015)

Irawan and Ludiya (2017) in research on operational excellence on Food and Drink SMEs in Bandung concluded that the operating strategy has the effect of 0.586 or 58.6% and influential cultural engagement of 0.460 or 46% partially while simultaneously by 0.828 or 82,8% of operational excellence.

Operational excellence is an implementation of a business strategy that is consistent and reliable in a competition or rivalry. Operational excellence can be mirrored by a result in the form of the company's performance, for example if there are two companies that used the same strategy the company with operational excellence will be able to operate with a small risk, less operating costs and a higher income compared to its competitors through the creation of customer value and those of other interested parties (Seifert, 2013).

Operational excellence is a way to enhance the flexible production activities, increased responsiveness to customers and minimize the cost that would result in a company's competitive advantage. Operational excellence help companies create a competitive cost with ease of purchase and for consumers who use them. It requires an effective and efficient process, high productivity, and speed of delivery of products to market. Based on observing the operational excellence of an organization, how to define precisely a strategy and operational planning, achieving goals that can be measured by the success of the indicator and ensuring alignment, even though those who do it are different people, management is process oriented, value of supply and process supports the attitude, capability and motivation (Seifert, 2013).

Operational excellence is the first and primary factor in creating value for essentially operational excellence will be reflected in the company's ability to execute existing business to generate long-term profit growth from existing assets (Hartomo, 2011).

The company in its efforts to create operational excellence requires other elements including leadership and business environment. Leadership has a direct impact on the development of superior capability of employees, encouraging work and assistance, and encouraging creativity and streamlining work relationships in maintaining stability (Mc. Adam et al, 2013) whereas the environmental advantages to driving operational excellence and to improve financial performance. It also can generate financial success and contribute to the overall complexity (Corbett and Klassen, 2006: 8-9). Environmental excellence is a big change and implementing the changes required and should be supported by the

company's management a moral commitment to the principle of sustainable development and environmental management (Kondev, 2014:

Based on the pre-survey has been based on a SWOT analysis of the SMEs in Bandung there are several issues, is:

- 1) The development of technology, especially e-commerce that has entered into a small industry
- 2) SME business competition increasingly fierce with many new innovations emerge, supported by technology
- 3) Low consumer confidence in SMEs due to lack of commitment to business ethics enforcement
- 4) Weaknesses in regulation and law enforcement are increasingly pressing for SMEs by large businesses that are aggressively entering business areas that are appropriately intended for SMEs
- 5) The low quality commitment of SMEs leads to lower consumer confidence in the quality and reliability of SMEs

(SMEs Kab. Bandung Blogspot (Online).

Based on the above, the central issue of my research is leadership and environmental excellence that has been done MSMEs Food and Beverages in Bandung Regency in creating operational excellence The aim of this study was to determine and measure how much influence the leadership and environmental excellence in SMEs in Bandung on operational excellence.

## **LITERATURE REVIEW**

Assen (2016) in the in the research concludes that there is a positive relationship between the empirical study of transformational leadership, service leadership and leadership participation with effective and efficient leadership. Assen (2016) in research in the Netherlands by using as many as 199 company respondents conclude that there is a positive relationship between transformational leadership and leadership participation with effective leadership and efficient service leadership while showing a negative correlation with the effective and efficient leadership. The leader must be able to develop a vision, strategy and plans to support, motivate and provide opportunities to managers through its authority to encourage employees to work well. (Masa'deh et al, 2014).

Environmental excellence is defined as a policy and organizational culture are implanted sustainably into all activities of the company (Vartiak, 2016). According Kondev (2014; 39) states that the development of economic and social system in a sustainable manner has a strong relationship in the improvement to create a good environment of excellence. Characteristics of a superior environmental excellence has the characteristics has the ability to

recycle, reusable, the exact level of reduction and lower costs in providing the benefits received by consumers.

Operational excellence must be demonstrated by the company with a real result and not with a mere statement, showing a continuity of the company in the long term. Therefore, the operational excellence must be demonstrated by a real company results reflect several things, namely:

1. Continued improvement in the long term.
2. Improvements in all important areas, including the area of performance and area of each business segment.
3. The performance is better than the best in class organizations.

Operational excellence can also be compared with the advantages of the process. Excellence process reflect a broader focus than operational excellence. For example, in a process excellence focus, groups such as sales people, marketing department and top management are expected to consistently develop their own processes. As for operational excellence focus more on one of the processes in the value stream (Hartomo, 2011)

Shehadeh et al (2016) concluded in his research in Jordan that operational excellence simultaneously influenced by the operating strategy, leadership and human resource management practices, in which the operating strategy provides the highest influence and leadership provide the least influence. One of the key advantages of the business is operational excellence which is an aspect of organizational structure which seeks to improvements in key operational performance metrics. Companies must seek continuous improvement in the objects that define the area of their operations to remain competitive in their environment (Ozumba, C, 2010)

## **RESEARCH METHOD**

The object of research that will be examined in this study are leadership and environmental excellence as a variable X1 and X2 as well as operational excellence as a variable Y. The goal of this research is to measure and determine how much influence the leadership and environmental excellence towards operational excellence in food SMEs and Beverages in bandung regency type of research is the study of cause and effect. According Sugiyono (2010) this type of research is used to examine the causal relationship was not manipulated or treated.

The population in this study population manifold unknown number. According Arikunto (2002) if the population size is not known, the amount of samples taken are as follows:

$$n = \left[ \frac{Z_{\alpha/2}}{E} \right]^2$$

$$n = \left[ \frac{1,96}{0,20} \right]$$

**n = 96 responden**

The sampling method used by the researchers is nonprobability sampling with accidental sampling method. According Sugiyono (2010) accidental sampling is sampling technique based on chance, that anyone who accidentally met with investigators can be used as a sample, when seen people who happened to encounter it suitable as a data source. Data analysis tools using SEM Pls.

## FINDINGS AND DISCUSSION

Based on the results of questionnaires that have been processed, obtained the value perception of the respondents as follows:

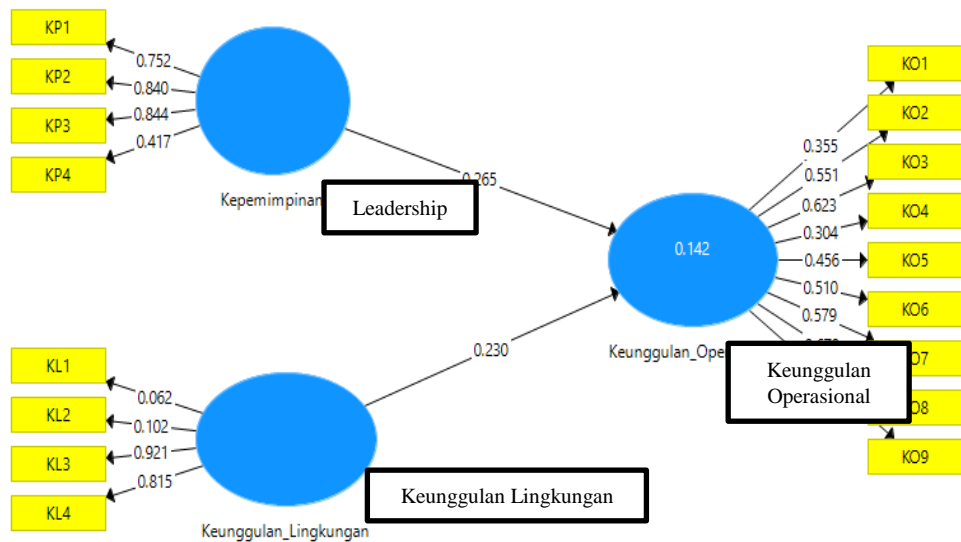
**Table 1. Perceptions of Respondents**

| No. | Variables                | Value Perception of Respondents | Criteria        |
|-----|--------------------------|---------------------------------|-----------------|
| 1   | Leadership               | 4.03                            | Important       |
| 2   | Environmental Excellence | 2.83                            | Quite important |
| 3   | Operational Excellence   | 3.22                            | Quite important |

Source: Adapted Questionnaire Data, 2018

Based on the above table it can be concluded aspects of leadership has an important criteria that must be considered is the perception by the SME Food and Beverages in Bandung while environmental excellence and operational excellence is not too be taken by SMEs Food and Beverages in Bandung Regency in implementation activities.

The results of the data analysis by using SEM Pls already done showed the following results:



**Figure 1.**  
**Results of SEM PLS Analysis**  
Source: Data Processed, 2018

PLS SEM data analysis can be concluded that leadership and environmental excellence together provide 14.2% influence on operational excellence while partial effect level, leadership provides significant influence on the operational excellence of 26.5%, while the impact of environmental excellence not too significant to the operational excellence that is equal to 23%. It shows that currently has the leadership aspects.

## CONCLUSION

Based on the results of the discussions that have been carried out it can be concluded that leadership is an important thing that must be considered by SMEs Food and Beverage in Bandung Regency while in its business activities have not paid attention to environmental excellence in creating an operational advantage.

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