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# The influence of operational factors on employee trust and commitment and its impact on SME business performance

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## Abstract

This study aims to investigate how operational factors in SMEs, influence employee trust and commitment and impact business performance using empirical data. The operational factors that were examined namely group formality, internal communication, teamwork, skill, knowledge sharing, and IT support. The eligible 208 respondents who have been working in the SME for more than a year, were obtained through a questionnaire and analyzed using the PLS-SEM method. The empirical findings demonstrate that the six operational influences significantly employee commitment and trust ( $p < 0,05$ ), except for group formality and teamwork skills to trust. Interestingly, commitment shows a larger impact on SMEs' business performance compared to trust, likewise, commitment could mediate the impact of trust. In addition, the model with the total sample shows moderate prediction accuracy ( $R^2$ : 0,508). Furthermore, the FIMIX PLS identified the data heterogeneity and provide a segment analysis that provides a higher predictive capability ( $R^2$ : 0,936) to ascertain the explanatory and predictive capability of the model. Finally, the outcomes enable SMS business leaders to make pertinent observations in the organization and encourage the effort to gain employee commitment.

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## Keywords

Brand Image, Customer Reviews, Product Prices, Purchasing Decision, and Service Quality

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## INTRODUCTION

Small and medium enterprises (SMEs) are known to be key economic drivers and one of the indicators of a nation's economic development in an emerging country such as Indonesia (Setini et al., 2020). Studies on SMEs in Asia pointed out that SMEs' entrepreneurship is related to business management skills, in order to create employment and revenue (Xuan et al., 2020). The experience of surviving in the pandemic Covid-19 era has taught SMEs management a lot to pay attention to their operational management capabilities. Data from Indonesia (BPS, 2020) shows that there are many SMEs that can survive and grow in the pandemic era, while taking advantage of the opportunities that exist, among many other SMEs that are losing money. Business

processes are particularly crucial for developing SMEs' administrative capabilities, and productivity and encouraging innovation align with the social capital (Setini et al., 2020). Thus, encouraging the establishment of SMEs' business processes is thought to be a successful way to mobilize money as well as other resources for production and business operations, resulting in economic growth and social development (Cicea et al., 2019).

In light of the current market's intense competition. SMEs must be proactive and actively look for ways to enhance revenues responsibly (Xuan et al., 2020). The owner of the SME must first have a fundamental understanding of the elements affecting the performance of his SME in order to do this. In particular, a business performance that reflects profitability is the indicator used to gauge the performance of SMEs, which is the

primary component of SME financial statements (Seo & Lee, 2019). Business operation in SMEs as in other firms is a promising area to drive productivity and reduce cost (Walker et al. 2013). SME management has frequently been advised to optimize the business process through an internal organizational factors approach to combat the problems caused by inefficiency. However, there is little empirical data on how the internal collaboration approach affects SME management.

Developing and maintaining long-lasting intra-organizational capability, which is oriented toward human resources is considered difficult (Schotanus et al. 2010). A working relationship is needed that can motivate employees. Motivation alone is not always enough to drive the expected results while commitment was not always proven to be successful. There is a trust factor with considerable impact on the internal business process (Schotanus et al. 2010). Due to the necessity of collaboration among employees these relation-specific issues are important for SMEs (Cicea et al., 2019). It is crucial that employees are willing to make a future (commitment) and that they can rely on trust.

Organizational existence, survival, and continuity depend on achieving their goals, and achieving goals are linked to individuals who have high confidence in their organization, the business leader, and the organization's culture (Aldrich & Fiol, 1994). However one of the most critical issues facing all organizations today is how to improve organizational trust at work (McEvily, 2003; Gobbi, 2015). It is becoming increasingly recognized that trust in the workplace is a critical factor leading to increased performance in organizations (Gelderman et al., 2018).

The challenge of accurately measuring processes in groups and organizations using objective metrics is a wider issue that is related to the measurement of trust (Grandori & Kogut, 2002). Therefore, in order to assess the value of trust, organizations should also relate the metrics to revenue or profit, which are simpler to evaluate (Seo & Lee, 2019). The tendency of businesses to exhibit interest in metrics that have a connection to financial success would seem to follow logically. However, one might consider the proxy from the perspective of the employees, since it indicates organizational commitment that is bound to the firm's objective (Bastug, et al., 2016)

Studies on the interactions in SMEs highlighting between owners and employees have frequently employed trust. All relational interactions in the business process are thought to revolve around trust (Morgan & Hunt, 1994). It is thought that building trust between parties is essential to achieving business performance (Hemakumara, 2020). Trust has been argued to reduce opportunistic behavior and, as a result, decrease the need to control the employee's day-to-day activity (Choi et al., 2018). Williamson (1979) asserts that relationships with genuine trust will be more resilient to stress and show higher adaptation. High levels of trust should result in lower operational costs because less effort for monitoring, and controlling, are required (McEvily, 2003). Trust can therefore be seen as a crucial antecedent of business performance (Schotanus et al., 2010).

By examining the connections between the effectiveness of operational factors in SMEs to trust, and commitment, this study proposed the modified conceptual framework built from the prior research. In particular, this study also attempts to investigate how interpersonal abilities and organizational characteristics affect trust and commitment in the context of SMEs. As outcome variables, which are typical in studies of operational factors, this study examined the impact of trust and commitment toward the perception of business performance among its employee.

## **LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT**

Financial performance and non-financial performance are often the two components of business performance (Seo & Lee, 2019). Consequently, actual monetary value and financial operations can be used to measure a firm's performance, and this is what is meant by financial performance. The performance of businesses that cannot be quantified in terms of monetary value, such as brand reputation, customer happiness, organizational performance, and innovation activities, is known as non-financial performance. While non-financial performance is more likely to be concerned with long-term sustainable growth, it is generally linked to the short-term survival of businesses. Therefore, early-stage SME financial performance is, to an extent, more

important than non- financial performance (Choi et al., 2018) but when it moves to the next stage in SME development, it's crucial to manage and mix the two forms of performance (Seo & Lee, 2019). Align with business performance, the operational factors in SMEs is viewed as a managerial resource within the context of resource-based perspective theory (Barney, 2001), with a significant emphasis on human capital management that encourages behaviors, process, and employee capabilities.

According to Aldrich and Fiol (1994), groups with trust-based strong relationships tend to display a more flexible and open structure characterized, by greater decentralization of decision- making, which supports increased productivity. However, formality in the organization also benefits the company (Hoffmann & Schlosser (2001). Rules, regulations, and the division of work are examples of formal organizational systems. Some claim that formal agreements between employees and business owners are not very crucial for cooperative behaviors in SMEs, others even think that partnerships with high levels of trust and commitment require less formality. However, It is necessary to come to agreements around decision-making and reporting group performance. Regularly scheduled meetings for evaluation and improvement and compliance with a number of rules in the SME, such as working guidelines, and rights, are additional formality elements (Cicea et al., 2019) The group's formality features are the game rules required to minimize uncertainty and potential opportunistic behavior (Schotanus, 2010). According to Hoffmann and Schlosser (2001), it is a detailed statement of rights and duties and considers the most crucial element. An empirical study by (Gelderman et al., 2018) found that group formality affects trust and commitment. This study argues that formal structures and regulations are necessary for SMEs who often rely on a kinship approach. This study anticipates that group formality will affect the levels of commitment and trust during the business process. This thinking suggests the following hypotheses:

**H1: Group formality has a positive influence on employee trust**

**H2: Group formality has a positive influence on employee commitment**

Information sharing between companies that are pertinent and timely is included in interfirm communication (Judeh, 2016). It has been shown that inter-organizational communication is essential for fostering strategic collaboration among businesses (Paulraj et al. 2008). This significance is acknowledged in SMEs, but despite its acknowledged importance, SMEs were often seen as having failed to manage communication well. Sharing information also lowers information asymmetry and the chance of opportunism, which lowers inefficiency For intra- organizational collaboration. Business leaders in SMEs should show their communication skills by identifying potential conflicts in the internal organization and assisting in the resolution of conflicts and bringing perceptions into alignment, communication could develop trust and commitment (Gelderman et al., 2018). Internal communication facilitates teamwork and continuous improvement in the organization (Walker et al. 2013). In the context of cooperation in SMEs, communication has a favorable effect on both commitment and trust. This thinking suggests the following hypotheses:

**H3: Internal communication has a positive influence on employee trust**

**H4: Internal communication has a positive influence on employee commitment**

Among these abilities is the capacity for teamwork. According to studies, the capacity to function well in groups and teams is seen as a crucial quality for supply chain specialists Working in cross- functional sourcing teams necessitates merging the expertise of individuals with various functional backgrounds (Driedonks 2011) Self- management and interpersonal skills, such as the ability to resolve conflicts, are examples of teamwork abilities (e.g. goal- setting, planning, and task coordination). Cross-functional teams must strike a balance between various influences and interests. Due to their internal position of authority and preferences for certain materials and pricey products, doctors have a significant influence over healthcare purchasing (Rego et al. 2014. A study by Gelderman et al. (2018) found the impact of teamwork ability on trust and commitment These traits make it even more crucial for purchasing experts to have cooperation abilities so they can operate in collaborative purchasing teams. An empirical

study by (Nguyen et al., 2021) found the effect of teamwork on SME performance. Based on these considerations, the following hypotheses are proposed.

**H5: Teamwork abilities have a positive influence on employee trust**

**H6: Teamwork abilities have a positive influence on employee commitment**

This study implied that knowledge sharing is an important operational factor in SMEs based on a previous study (Setini et al., 2020). As much of the tacit knowledge related to the specific job is generated in day to day activity. Generally, knowledge can be viewed as either an inherent part of the person, inextricably bound up with human cognition, or as raw material, used in the process but apart from the person, used for capturing, organizing, and retrieving information (Thomas et al., 2001). Edgington et al. (2004) defined a knowledge unit as a crude group of information items connected together by structure, assumptions, rationale, and process and described knowledge as multidimensional, as well as context and socially dependent. For the purposes of this research, Edgington's definition will be applied because it covers both knowledge management and how knowledge interacts with people.

It is simple to see how relationships relate to knowledge sharing if people prefer to seek information from other people rather than from documents (Levin and Cross, 2004). Relationships are crucial for learning, learning how to do tasks, and solving complicated problems. According to research by Nahapiet and Ghoshal from 1998, face-to-face communication was key to information sharing, with two-thirds of knowledge coming through in-person discussions and the remaining third from written materials or databases. According to Aldrich and Fiol (1994), groups with trust-based strong relationships tend to display a more flexible and open structure characterized by less formal and standardized procedures, greater decentralization of decision-making, and decreased impersonality of relationships all of which support increased knowledge-sharing. Additionally, organizational culture is communicated through the business leader, whose acts will show the employee how the organization or company values the sharing of knowledge (Goman, 2002). The level of confidence in an organization rises when

knowledge-sharing activities take place. The previous study on SMEs indicates the relationship between knowledge sharing and organizational outcomes (Setini et al., 2020). Thus, it could be hypothesized as follow

**H7: Knowledge sharing has a positive influence on employee trust**

**H8: Knowledge sharing has a positive influence on employee commitment**

SMEs often lag behind other industries in the use of IT systems to assist tactical purchasing, and this use is still in its early stages of maturity (Collum et al. 2016). According to Walker et al. (2013), the absence of a standard IT, a lack of data storage and analytics, and the need to rely on customer data based are all viewed as difficulties in SMEs. Many people have emphasized how crucial it is for today's organizations to use IT-supporting tools for communication and business purposes (Gobbi, 2015). This study's premise is that information and data must be successfully implemented in order for SMEs to be successful in competitive markets. IT is critical not just for marketing, but also for interventions and evaluation reasons which relate to process efficiency and reduce cost. Using efficient IT solutions helps enhance communication internally and with business partners. The IT supports communication within the organization and external partners as well, in particular, IT provides real-time and provide transparency for all employees, and business owners since worries about losing control of the process can be alleviated (Kusters, 2013). An empirical study by (Nguyen et al., 2021) found the effect of IT on organizational performance. These advantages of efficient IT systems are expected to increase employee perception, thus it could be hypothesized as follow

**H9: IT support has a positive influence on employee trust**

**H10: IT support has a positive influence on employee commitment**

Trust has been argued to reduce opportunistic behavior and, as a result, the need for control in the literature on organizational economics (Hofmann, 2001). Williamson (1979) pointed out that relationships with genuine trust will be more resilient to stress and show higher adaptation. High levels of trust should be

associated with lower transaction costs because fewer agreements for monitoring, controlling, and cooperating are required (Rushkani et al., 2014). The employee must have faith that their leader has the interests of the whole team rather than just their own (short-term) interests. Empirical studies show that building (mutual) trust is essential for business operations, which supports cost-savings, transparency, and simplification (Gobbi, 2015). Trust can therefore be seen as a crucial antecedent of cooperative purchasing performance (Schotanus et al. 2010). That argument was supported by an empirical study that indicated trust and organizational performance (Gelderman et al., 2018)

#### **H11: Trust has a positive impact on business performance**

The two concepts of organizational commitment and trust are closely related. It is regarded as one of the most crucial motivating variables for organizational achievement. Employee trust in their companies is the most crucial component in the development of organizational commitment (Rushkani et al., 2014). Organizational commitment is viewed as a connecting force or tie that binds individuals to organizations (Bastug, 2016). The degree to which a person identifies with and participates in an organization is referred to as organizational commitment. Furthermore, strong organizational outcomes may result from high levels of dedication (Bastug, 2016). Organizational commitment is positively related to job satisfaction, motivation, and organizational citizenship behavior, and commitment is connected with reduced absenteeism, turnover, and counterproductive behavior (Rushkani et al., 2014). In the context of SMEs, this study proposes the following hypothesis

#### **H12: Trust has a positive influence on employee commitment**

All partner exchanges in an organizational relationship revolve around commitment. According to Morgan and Hunt (1994), commitment is defined as an exchange partner believing that a continuing relationship with another is so important as to warrant maximum efforts to maintain it. Thus committed party believes the relationship is worth working on to ensure that it endures

indefinitely (Judeh, 2016). For the benefit of the long run, commitment leads to entities making short-term sacrifices. When commitment is high, the participation of employees stays longer with lesser opportunism (Judeh, 2016) Employees must feel that the group is worthwhile to be a part of (Engidaw, 2021). It appears that the business outcome depends on employee commitment to persist and dedication was the most crucial enabler of cooperative action. Although there was often pressure for immediate results in the SME business operation such as higher target quantity, the long view takes precedence over the short-term outcomes. Commitment needs a lot of effort and time from people who work in organizations such as SMEs. In turn, commitment proven has an impact on organizational performance (Gelderman et al., 2018). To that extent the following hypothesis is proposed

#### **H13: Commitment has a positive impact on business performance**

### **METHODS**

A quantitative survey with cross-sectional data from the SME employee technique was used in this study. This study proposed the research model with business performance as a dependent variable that is predicted by trust and commitment that also serves as a mediator from the influence of six operational factors variables The measurement of the variable in this study was derived from the previous research that has been validated. Measurement was deployed in the structured questionnaire on a Likert scale of 1 to 6, with 1 being "strongly disagree," and 6 being "strongly agree" that easily understood by respondents (Bougie & Sekaran, 2020).

Items of the questionnaire were translated into the local language, Bahasa Indonesia by a professional translator. Further, this set of questionnaires has been face-validated by a panel of five experts made up of practitioners in SMEs such as business owners, and experts in human resource management, and operation management.

The population of this study was the employee who has been working in SMEs for more than one year, located in Bekasi City, Indonesia 2022. For the purpose of this study, there were only two sectors of SMEs taken which are food/culinary and fashion/clothing. The selected SMEs are

those that have more than twenty employees and have been established for more than ten years. This study purposefully gathered data through an online questionnaire format. The total sample was determined by power analysis (Memon et al., 2020). Based on a significant level, power and the  $f^2$ , minimum sample size were determined using G\*Power (version 3.1.9.7). The significance threshold of 0.05 are considerably in social science (Bougie & Sekaran, 2020), a medium effect size of 0.15, and a power of 0.90 with 8 predictors, yielded the minimum sample size for this study, minimum should reach 154. However, from the questionnaire distribution, 208 respondents met the criteria, thus all those respondents were included in the analysis.

The conceptual framework is a comprehensive research paradigm that consists of nine constructs considered complex. In order to analyze a complicated model in exploratory research, partial least squares structural equation modeling (PLS-SEM) was preferable (Sarstedt et al., 2022). SmartPLS version 4 was used to analyze respondent data (Hair et al, 2019). This software was chosen since it offers a bootstrapping menu to assess the significance and provide an advanced analytics menu (Memon et al, 2021). Both measurement and structural models are used sequentially in the PLS-SEM methods. The measuring model was developed to assess the consistency and validity between the model's construct and its indicators.

Following the fulfillment of that prerequisites, the structural model is implemented to examine the significance of the relationships between the constructs in the research model. Later, an importance-performance map analysis (IPMA) and mediation analysis will be performed and FIMIX PLS to investigate the heterogeneity.

**RESULTS**

Table 1. displays the characteristics of the total respondents. Males made up 32 percent of respondents, with female making up the majority (68 percent). Most respondents, when grouped by age, fell into the 25 to 35 age range (67 percent) which is productive age. Almost all respondents (70 percent) have been working for more than five years in the SME, indicating that the respondent has enough experience to understand the respective SME business. The respondent's

educational background is dominated by high school graduates (66 percent). More than 70 percent of respondent work in the fashion and clothing category which often required creativity, while the rest work in the food or culinary industry. It found that all the company where they work based on their business turnover is included in the medium enterprise.

Table 1. Respondent Profile

Deskripsi	Category	Number (n)	Percentage (%)
Age (year)	18 - 25	27	13
	26 - 35	139	67
	36 - 45	29	14
	> 45	12	6
<b>Total</b>		<b>207</b>	<b>100</b>
Gender	Male	66	32
	Female	142	68
<b>Total</b>		<b>208</b>	<b>100</b>
Education Level	Junior high school	17	8
	Senior high school	138	66
	Diploma/no degree	30	14
	Under graduate	23	11
<b>Total</b>		<b>208</b>	<b>100</b>
Industry Sector	Food/culinary	60	29
	Fashion/clothing	148	71
<b>Total</b>		<b>208</b>	<b>100</b>

**Measurement Model**

The first step in PLS-SEM was to establish the measurement of constructs by its own indicator. To evaluate the indicator reliability, the outer loading from the reflective model was used. It found that each indication had a loading value greater than 0.708, satisfying the outer loading criteria. Table 2. shows acceptable convergent validity with the average variance extracted score (AVE) over 0.5 and satisfactory internal consistency reliability with Cronbach's alpha greater than 0,7 and composite reliability ranging between 0.7 and 0.95. 2019 (Hair et al., 2019).

Table 2. Construct Reliability and Validity

Variable	Cronbach's alpha	Composite reliability	AVE	HT/MT Ratio						
				BUP	COM	GFR	ITSU	ICO	KSH	TW
Business Performance (BUP)	0,854	0,911	0,774							
Commitment (COM)	0,883	0,928	0,811	0,799						
Group Formality (GFR)	0,859	0,915	0,783	0,658	0,798					
IT Support (ITSU)	0,899	0,937	0,833	0,632	0,783	0,579				
Internal Communication (ICO)	0,804	0,885	0,721	0,720	0,845	0,722	0,670			
Knowledge Sharing (KSH)	0,760	0,863	0,678	0,665	0,860	0,778	0,722	0,824		
Teamwork Skill (TWS)	0,894	0,934	0,825	0,682	0,809	0,676	0,771	0,771	0,756	
Trust. (TRS)	0,908	0,943	0,846	0,673	0,803	0,613	0,737	0,726	0,767	0,700

The heterotrait-monotrait ratio (HT/MT) as seen in Table 2. was used to evaluate the discriminant validity of this study as suggested by Henseler et al. (2015) The result validates the HT/MT ratio value yielded below 0.9 as the cut-off value. This is in accordance with the recommendation by Hair et al. (2019) to demonstrate the conceptual

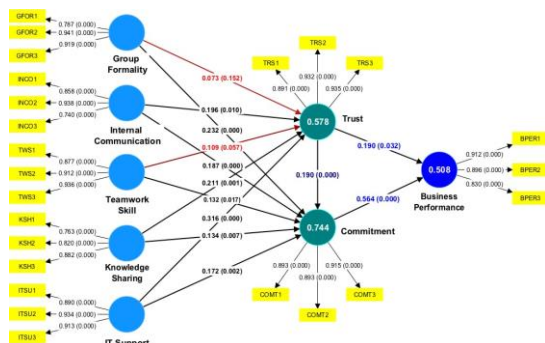
distinction between each construct indicator in the model. All of the indicators utilized in this research model, it's found, have sufficient discrimination to measure the corresponding constructs. Finally, in assessing the fit model, the SRMR (Standardized Root Mean Square Residual) value was found 0.073, lower than the limit of 0.08, therefore it can be said that the model is a good fit (Sarstedt et al., 2022).

Based on all the parameters in the outer model analysis, this measurement model has passed the reliability and validity test criteria.

### Structural Model

Following the evaluation of the measurement model, the analysis moves on to evaluate the structural model, which examines the strength of the relationships between the various constructs in the research model. This study uses the multicollinearity issue to check the common method bias, to that end the inner variance inflation factor (VIF) was evaluated, and the results showed that all the constructs had inner VIF values under 5, indicating that this model had no multicollinearity issue.

The outcome of the bootstrapping process was the inner model as shown in Figure 1. This inner model showed the significance for each path (p-value in brackets) and the coefficient. The arrow line with red ink denotes an insignificant path. Meanwhile, it can also be seen the value of R<sup>2</sup> in the endogenous constructs in this model. Furthermore, from the inner model, it can be ascertained that all indicator loading was found above the value of 0.708 and was significant.



To measure the structural model's explanatory power and prediction accuracy, the coefficient determinants, or R<sup>2</sup>, were used. According to the findings, business performance had an R<sup>2</sup> of 0,508 and was categorized as moderate, while commitment had an R<sup>2</sup> of 0,744 thus could be said to be

substantial (strong) refer to hair et al. (2019) on the other side trust had 0,578. It could be said that employee commitment can be explained by nearly 75% of the operational factors, meanwhile, the rest come from other factors which not included in the mode

As suggested by Shmueli et al. (2019) the Q<sup>2</sup>\_predict approach was used to assess an out- of-sample prediction capability, where there is a change in the data parameter. Based on the Q<sup>2</sup>\_predict value, business performance has a moderate predictive relevance with a value of 0,455 whereas commitment has a large predictive relevance. This finding established the model's adequate to predict business performance based on operational factors and thus could be replicable in future studies.

To ascertain the relationship between the model's variables and confirm that the hypotheses were supported, bootstrapping was used to test significance and assess the coefficient. Through SmartPLS4 software, bootstrapping as the non-parametric method could establish a significant relation in the research model (Ringle et al., 2022). To evaluate if the hypothesis is significant, the one-tailed with an alpha of 0,05 and confidence interval (CI) range of CI 5% as the lower value and CI of 95% as the upper value was used as the cut-off (Hair et al., 2019; Sarstedt et al., 2022). Table 3. presents the outcomes.

Table 3. Hypotheses Test Result

	Variabel	Coefficient	P-values	CI 5%	CI 95%	Result
H1	Group Formality -> Trust	0,073	0,152	-0,045	0,188	Hypothesis Not Supported
H2	Group Formality -> Commitment	0,232	0,000	0,150	0,309	Hypothesis Supported
H3	Internal Communication -> Trust	0,196	0,010	0,046	0,328	Hypothesis Supported
H4	Internal Communication -> Commitment	0,187	0,000	0,103	0,281	Hypothesis Supported
H5	Teamwork Skill -> Trust	0,109	0,057	-0,010	0,217	Hypothesis Not Supported
H6	Teamwork Skill -> Commitment	0,132	0,017	0,031	0,237	Hypothesis Supported
H7	Knowledge Sharing -> Trust	0,211	0,001	0,106	0,334	Hypothesis Supported
H8	Knowledge Sharing -> Commitment	0,134	0,007	0,049	0,228	Hypothesis Supported
H9	IT Support -> Trust	0,316	0,000	0,235	0,406	Hypothesis Supported
H10	IT Support -> Commitment	0,172	0,002	0,065	0,264	Hypothesis Supported
H11	Trust -> Business Performance	0,190	0,032	0,029	0,363	Hypothesis Supported
H12	Trust -> Commitment	0,190	0,000	0,105	0,274	Hypothesis Supported
H13	Commitment -> Business Performance	0,564	0,000	0,425	0,696	Hypothesis Supported

Table 3 shows that eleven of the thirteen hypotheses in the model, with positive directions corresponding to the hypotheses' direction, were supported with p<0.05 and zero values did not fall between the confidence interval (CI) range. Exceptionally, two hypotheses cannot be supported, which



were group formality and teamwork skills toward trust.

All six operational factors influence commitment, while group formality showed a stronger influence on commitment. On the other side, IT support showed a stronger influence on trust. This result made clear that formality is considered important to drive employee commitment in SMEs business practice, likewise IT support can generate a level of employee trust in the organization. It's noteworthy to notice sharing knowledge, teamwork skill, and communication also play significant roles in building employee trust and commitment. Employee commitment was discovered to have a stronger impact on business performance compared to trust, commitment also could mediate the impact from trust to business performance. Indicating that commitment could occur in the trust impact. Thus measurement of commitment level merits the SME business leader with relevant feedback.

As per the advice given by Nitzl et al. (2016). Mediation analysis was also conducted to ascertain the significance of mediation through specific indirect effects. From the specific indirect effect significant value ( $p$ -value < 0,05) it can be noticed that commitment can mediate all the relationships of the six operational factors on business performance, whereas trust can mediate only four operational factors outside the teamwork skill and group formality. This denotes that mediation arises between operational factors and outcomes, therefore this trust and commitment can be considered signifiers in a business process that must be monitored by business leaders. on the other hand, commitment can mediate the influence of trust on the outcome, this confirms the theory of the relation between trust and commitment (Morgan & Hunt, 2004).

### IPMA Analysis

Moving on to managerial insight, to identify feedback from the respondents' (SMEs employee) standpoint, an Importance-Performance Mapping Analysis (IPMA) is helpful. It will concentrate on the metrics that the business leader must prioritize for improvement (Ringle & Sarstedt, 2016). The mean value of indicator performance and the overall impact on the intended construct are used to divide the importance-performance map analysis into four quadrants. This will aid in deciding which indicator is the most

important that should receive greater attention.

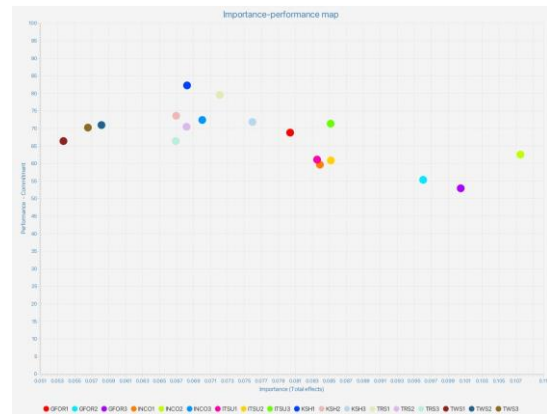


Figure 2. Importance-Performance Map (IPMA) Indicator

From the Figure 2. it can be seen that the 3 indicators that are on the right in this mapping, namely INCO2 reflecting internal communication, GFOR3, and GFOR2 reflecting group formality. The indicator is on the far right and is the most important indicator in the eyes of the respondents an indicator of internal communication. Because it can be concluded that the communication element is considered very important for employment and therefore must be very concern by business leaders. On the other hand, group formality is also considered important, but the position of this indicator is mapped further down which describes the actual conditions not as expected by the respondents. Therefore, there must be an improvement in managing this group formality.

### FIMIX PLS

Data heterogeneity issues are often taken into consideration by researchers using the PLS-SEM method in the development of a particular research model (Hair et al., 2016). The researcher was suggested to determine the heterogeneity of the data using latent class analysis such as the finite mixture or FIMIX PLS menu since heterogeneity of the data in question could impair the ability of the model to predict the future (Sarstedt et al., 2022). The segmentation technique used here is also known as latent class analysis, which is used to analyze unobserved heterogeneity in the data (Hair et al., 2016).

The FIMIX PLS method is used to identify the segments that are present in the complete sample set and to later samples analysis according to the segment under



consideration (Matthews et al., 2016). This study uses FIMIX-PLS which simultaneously estimates the path coefficient and ensures data heterogeneity by calculating the probability of the observed segment.

This method was run through the SmartPLS®<sup>4</sup> software application (Hair et al., 2019). Prior to this step, the segment was set to be divided into two segments to ensure the sample size in each segment are acceptable.

The results of the FIMIX PLS outcome produce two outcome models with different path coefficient values and different R<sup>2</sup> values as well, as shown in the figure. In accordance with the orientation of the PLS-SEM selection which is causal predictive (Hair et al., 2019) an evaluation was carried out on both models based on the R<sup>2</sup> value of each model. Segment 1 with 106 samples from a total of 208 samples shows the R<sup>2</sup> which is lesser than the original result model. Whereas segment 2 with 102 samples demonstrated a higher R<sup>2</sup> value.

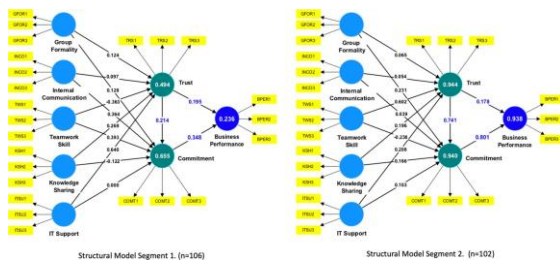


Figure 3. FIMIX PLS Segment

Business performance as a dependent variable that wants to predict from the start, showed an R<sup>2</sup> value of 0.938 compared to the R<sup>2</sup> 0,508 value from the bootstrapping model. which means it has strong or substantial predictive accuracy. Thus it can be said that there is the heterogeneity of data affected the predictive ability of this research model to some extent. From these results, it can also be said that this model actually has strong predictive abilities on certain segments and vice versa can be weaker on samples with other characteristics, therefore it is necessary to do a post hoc analysis, of what characters or attributes are attached to these different segments samples. This approach will greatly assist in managerial implications in recognizing the characteristics of respondents, in this case the SMEs employees.

## CONCLUSION

This study investigates the role of operational factors in SMEs, in influencing employee trust and commitment and impacting business performance. This study show evidence from empirical analysis, that operational factors namely group formality, internal communication, teamwork, skill, knowledge sharing, and IT support can influence commitment, however only four of them can influence trust, except for group formality and teamwork skills. This is possibly related to the profile of the respondents and the internal conditions of SMEs, which are mostly family businesses that started as informal businesses. It is also possible that the job descriptions in SME organizations are not very clear. Moreover, it is also often found that employee recruitment is still based on a familial approach so it can affect teamwork capability.

This finding shows that the direct impact of commitment on business performance is greater than the direct impact of trust on outcomes. Meanwhile, commitment was found to mediate the influence of trust. Therefore, it is concluded that commitment appears as a mediation that can reflect the sincerity of employees to carry out their duties and stay in the SME.

The findings of this study confirm the resource-based theory, through the resources owned in the form of human capital, competencies, and work systems in SMEs. This is related to the long-term outcome of the organizational climate which is based on employee trust and commitment.

The results of this study are in line with several previous studies which show the role of operational factors in SMEs (Engidaw, 2021; Xuan et al., 2020; Cicea et al., 2019; Gelderman et al., 2018) and how it impact the SME organizational commitment (Rahman et al., 2021; Setini et al., 2020; Bastug et al., 2016). However, the findings of this study also provide fresh insight into the sharing of knowledge needed in work processes, where tacit knowledge can be transmitted to working teams through written instructions and supervision.

Furthermore, these findings can contribute by showing that group formality is needed in SMEs that transform into companies that are managed more professionally. If the operational factor increases, employee trust, and commitment will also increase, therefore business leaders need to pay attention to this in planning and daily execution. Finally, this study demonstrated strong evidence that

employee trust and commitment can predict SMEs' business performance. By considering the heterogeneity analysis of the sample data, this research model can be considered adequate for predicting business performance from an employee perspective.

There are several limitations that can be identified in this study, among others, there may be variations from one company to another, including in their financial performance which can also affect employees' wages and benefits differently.

This will cause variations in the attitude of employees in the company which also affects their commitment. Therefore, future research needs to classify SMEs according to equivalent financial performance and similar business sectors. This research model does not include collaboration factors with SME business partners which may affect processes and operations as well as external factors such as the competition they face. because these factors can be considered moderate in future research models.

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