



## Designing Performance Assessment Instruments for Entrepreneurs in Embroidery Sector in Tasikmalaya, West Java Indonesia

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### ARTICLE DETAILS

#### History

Revised format: Nov 2018

Available Online: Dec 2018

#### Keywords

Performance appraisal instrument, appraisal performance 360- degree feedback.

#### JEL Classification:

P27, P29

### ABSTRACT

This research develops performance assessment instruments based on multiple sources 360-degree feedback and multi-dimensional to measure the performance of SMEs in embroidery sector in Tasikmalaya. The topic of study is relatively new; as it adopts an employee performance appraisal model developed to assess the performance of SMEs. Stakeholder involvement is needed in the process of assessing the performance of SMEs so that the results of the assessment are more objective, such as: Koperindag Service, banking, CSR, supplier, distributor, customer, employee and self-assessment of the entrepreneur. Performance measurement indicators include: financial perspective, productivity, quality, service, innovation, personnel and self-character. The advantages of appraisal performance 360-degree feedback instruments lie on the process of self-assessment, feedback and measurement of personal characteristics of entrepreneurs. The feedback process is given by all assessors as inputs to improve the performance of SMEs as well as to improve the quality of decision making and accountability of owners. Data collection method is done by interview, expert judgment, FGD with stakeholders then drafting the performance appraisal instrument based on multi sources 360-degree feedback.

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**Recommended citation:** Rodhiah, Nuringsih, K. (2018). Performance Assessment Instruments Design of Entrepreneurs and Maklun Embroidery in Tasikmalaya, West Java. *Journal of Business and Social Review in Emerging Economies*, 4(2) 249-262

**DOI:** 10.26710/jbsee.v4i2.272

### 1. Introduction

Potential mapping of Tasikmalaya Regency identified four potency of handicraft business of pandanus, *mendong* (*Fimbristylis umbellaris*), bamboo and embroidery. (Rodhiah and Kartika, 2013) Among the four potentials, the Embroidery sector has more development potential than the other three sectors.

Embroidery entrepreneurs spread in Tasikmalaya such as: Kawalu, Sukaraja, Karangnunggal, Cikatomas and Pancatengah mostly started the business as *makloon*. When confident with experience and capital, *MAKLOON* develops business independently. Efforts to lift the performance of *makloon* / embroidery entrepreneurs encourages economic growth of Tasikmalaya, such as SMEs development strategy in India (Thampy; 2010), Negeria (USAID, 2005) and World Bank assistance (Ardic, Mylenko and Saltane, 2011). This step is in accordance with the recommendation of International Labor Organization No. 189

year 1998 which is: "general condition for the promotion of job creation through small and medium-sized enterprises". (Zuriah, 2012)

The result of observation with Tasik businessman stated that the success rate of Tasik embroidery business is relatively fast, but if not careful it will be easy to face failure. Koperindag service. Kab. Tasikmalaya needs to have a performance appraisal instrument, in order to accommodate the various interests of embroidery or *makloon* entrepreneurs. Stakeholder involvement is needed in the process of assessing the performance of SMEs, so that the results of the assessment become more objective. Parties involved in the performance appraisal process include: Office of Koperindag, banking, CSR, suppliers, distributor, customer and valuation of related SMEs. The performance appraisal system of entrepreneurs or *makloon* refers to an employee-based performance appraisal model based on multiple sources 360 feedback, in which the model was in the 1990s Edwards and Ewen (1996), Antonioni (1996), Wadman, Atwater and Antonioni (1998), McCharthy and Garavan (2001) and others. At the appraisal level of the scoring system reviewed by DeNisi & Printchard (2006), Rao & Chawla (2008), Kaur (2008), Baroda et.al. (2012), Raghunadhan & Sequeira (2013), Ghutke et.al. (2014). Inspired by the objectivity of the feedback process on the model, an adoption model for the performance appraisal system of entrepreneurs and *makloon* embroidery in Tasikmalaya was conducted,

Performance is the result of management activities in the SME business process, so the performance measurement is done multi dimensionally. (Coda; 2010 and Bianchi et.al.) refers to the keys performance index (KPI) emphasizing on financial, productivity, quality, service, innovation and personnel perspectives. (Kristiyanti; 2012) To measure 360° based performance feedback is done by involving many parties, including self assessment assessment from a personal perspective. (Baroda et.al. (2012), Pardosi et al., 2013). Some research issues that need to be studied in this research are: 1). How to design an instrument of multi-source based performance appraisal model on entrepreneur and maklun embroidery in Tasikmalaya Regency? 2). How to develop a multi-source performance appraisal model instrument for entrepreneurs and *makloon* embroidery in Tasikmalaya District?

3). What is the feedback evaluation model from the performance appraisal results of entrepreneurs and maklun embroidery in Tasikmalaya Regency? .The purpose of this research is to 1) develop a model of performance appraisal instruments of entrepreneurs and multi-source embroidery maklun sources in Tasikmalaya District.2) .To develop a model of performance appraisal instruments of entrepreneurs and multi-source embroidery makloon sources in Tasikmalaya District.3). To evaluate the feedback result of performance appraisal of entrepreneur and maklun embroidery in Tasikmalaya Regency.

## 2. Literature Review

The development of the human resource performance appraisal theory identifies that traditional assessment models emphasize the feedback process from a single direct superior source. Along with the demands of the environment and corporate goals, the process is done in multi sources. If the assessment process involves peer & subordinate is called 1800 feedback, while involving all external & internal parties is called appraisal performance 3600 feedback. (Kaur; 2013, Ghutke et.al, 2014) Rao & Chawla's (2008) study, concludes the positive effect of implementing 360 degree feedback on the performance of Indian firms. Based on the explanation, it is concluded that the performance is the result of the activity of a person or company so that to obtain objective results, a model of assessment and feedback relevant to the performance is needed, one of them is a multi sources approach.

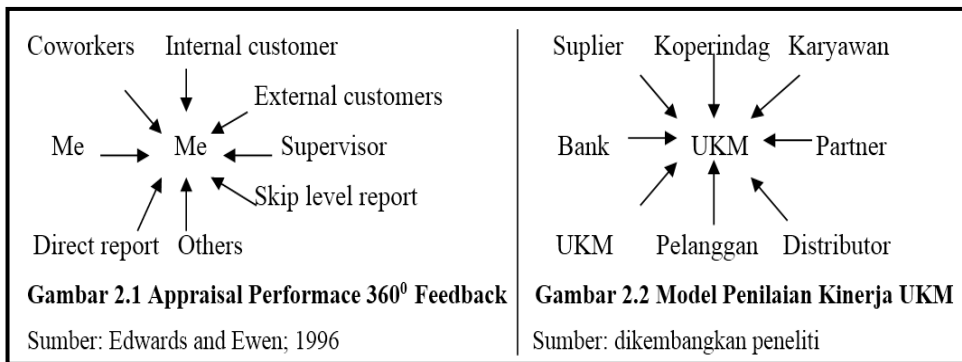
### 2.1 Performance Measurement Indicator

Many factors affect performance, such as: effectiveness, efficiency, authority, discipline and initiative. When applied to the employee performance level, employee performance indicators include: quality, quantity, timeliness, effectiveness and independence. (Robbins, 2006) Indicator measures employee performance based on 3600 feedback emphasizes the perspective of personality characteristic, job competency, general attitude. (Pardosi et al., 2013). Performance measures are broken down into several indicators: consistency, comparability, clarity, controllability, contingency, comprehensiveness,

boundedness, relevance and feasibility. Other indicators emphasize financial, productivity, quality, service, innovation and personnel perspectives. (Kristiyanti, 2012)

### 2.2 Performance Appraisal Model of SMEs

Approach assesses the performance of a company is done subjectively and objectively to anticipate the limitations of objective data. To suppress the subjectivity needs to involve stakeholders in the process of assessing performance. The involvement of the cooperative office, bank, CSR, supplier, distributor, customer, employee and self assessment will result in an objective assessment. Therefore, this research adopted multi sources model as a model of SME performance appraisal. Referring to Baroda et.al (2012), Kaur (2013), Improvisation of the SME performance appraisal model is :



To suppress the possibility of negative effects of the implementation of the model required a key guide to successfully implement appraisal performance 360<sup>o</sup> feedback for the small business sector of embroidery in Tasikmalaya.

#### Development of Multi Sources Performance Measurement Indicator 360<sup>o</sup> Feedback.

Referring to Hudson et.al. (2001) identified six categories of SMEs performance to be the focus of assessment: quality, time, flexibility, finance, customer satisfaction, human resources. Identify all six categories are summarized in Figure 2.

QUALITY	TIME	FLEXIBILITY	FINANCE	CUSTOMER SATISFACTION	HUMAN RESOURCES
- Product performance	- Lead time	- Manufacturing effectiveness	- Cash flow	- Market share	- Employee relationships
- Delivery reliability	- Delivery reliability	- Resource utilisation	- Market share	- Service	- Employee involvement
- Waste	- Process throughput time	- Volume flexibility	- Overhead cost reduction	- Image	- Workforce
- Dependability	- Process time	- New product introduction	- Inventory performance	- Integration with customers	- Employee skills
- Innovation	- Productivity	- Computer systems	- Cost control	- Competitiveness	- Learning
	- Cycle time	- Future growth	- Sales	- Innovation	- Labour efficiency
	- Delivery speed	- Product innovation	- Profitability	- Delivery reliability	- Quality of work life
	- Labour efficiency		- Efficiency		- Resource utilisation
	- Resource utilisation		- Product cost reduction		- Productivity

Figure 2 SMEs Performance Measurement Category

In addition Coda (2010) designed a multi dimensional measurement of company performance based on competitive, financial and social dimension.

Referring to the *keys performance index* (KPI) with the development of Kristiyanti (2012), Pardosi et al. (2013), as well as the comparison of Hudson et.al. (2001), Coda (2010) developed a multi-dimensional 3600 feedback and multi-dimensional performance appraisal approach: Financial perspective,

productivity, quality, service, innovation and personnel and personal characteristics of the owner. The identification of indicators is clarified in the next section.

### 3. RESEARCH METHODS

The research combines the two methods qualitatively by interview, expert judgment and FDG, and quantitative methods using questionnaires to the entrepreneur and *makloon* embroidery sector in Kab. Tasikmalaya.

The objective of this research is to develop a model of performance assessment instrument of central Kawalu embroidery SME and its surroundings based on multiple sources 360° feedback. The model assesses the performance of SMEs based on stakeholder assessment including: Koperindag Service, bank / CSR, supplier, distributor, customer, embroidery business owner (self assesment). Feedback process as performance improvement. Summarize summarized activity below.

**Table 3. Research methods**

Research	Types of activity	Activities	Activity Result
2017	The model design of SMEs performance assessment instruments based on multiple sources 360° feedback and multi dimension...	Observation Interview Questionnaire	2017 :Produce primary and secondary data for the preparation of 360° feedback SME performance assessment instruments.
	Preparation of 360° feedback instruments and multidimensional performance assessment instruments	Expert judgement FGD	
	Instrument testing on small-scale SMEs	Pilot instrument, Test reliability, Test validity	

**Table 4. Instrument Design Based on Stakeholder Assessment**

No	Indicator
<b>Financial Perspective</b>	
<b>Cost</b>	
1	Ability to achieve cost reduction from budget
2	Ability to realize expenses / expenses
<b>Income</b>	
1	Ability to achieve sales growth target
2	Ability to achieve market expansion effectively
<b>Rate of Return and Surplus</b>	
1	Ability to achieve target margin contribution
2	Ability to reach income target
3	Ability to reach the target cashflow
4	Ability to reach ROA on target
5	Ability to reach a surplus after total investment
6	Ability to develop business capital
<b>Productivity Perspectives</b>	
1	The number of effective hourly outputs per employee
2	The number of outputs per unit of raw materials
3	The rate of reduction / increase of the product is broken

4	Proportion of added value of total effective working hours
5	The proportion of unemployed time of total working hours is effective
6	The total amount of time produces one unit of product
<b>Quality Perspectives</b>	
1	Percentage of failed products
2	Total cost for the replacement of failed products (liability cost)
3	Total cost of quality
4	Customer ratings of services / products
<b>Service Perspectives</b>	
1	Consumer satisfaction
2	Third party assessment
3	Percentage of product preparation in a timely manner
4	Number of customer complaints per day /week / month
5	The ability to meet the product needs the community.
<b>Innovation Perspectives</b>	
1	Number of new products each period
2	Percentage of product supply for new markets
3	New product introduction time
4	Comparison of innovation with other companies.
<b>Personnel perspectives</b>	
1	LTO
2	Employee absenteeism
3	Employee satisfaction level
4	Number of employee trainings
<b>Perspective of the Owner's Personal Characteristics/<i>makloon</i></b>	
1	Responsible
2	Honesty
3	Adaptation
4	Leadership
5	Ability to continually improve
6	Ability to work together
7	Assertive
8	Confidence

The population consists of entrepreneurs & makloon embroidery in the District. Tasikmalaya. The technique of selecting the sample using purposive sampling with the following considerations are: (1) The selected sample is entrepreneur embroidery or makloon with assets and sales turnover refers to UU UKM No 20 th 2008. (2) Have opportunity / plan to apply for investment credit, grant, / DN, get help tool / machine / softloan. Number of samples 50 embroidery SMEs and 50 makloons. The description of research respondents as follows:



## Figure.1 Description of Respondents

### 3.1 Data Collection Procedures

The study incorporates primary and secondary data in which the primary data collection technique is by: 1) Expert judgment with the Koperindag Office, banking, 2) FDG with distributors, suppliers, consumers, employees and entrepreneurs & maklun embroidery (5 businesses). 3) Observations and interviews with employers / makloon and stakeholders. 4) Pilot questionnaires to entrepreneurs / makloon as well as stakeholders and distribution of small sample questionnaires in Tasikmalaya district.

### 3.2 Testing Validity and Reliability

Testing of instruments using convergent, discriminant validity and using Lisrel-based reliability test. The convergence validity coefficients of latent variables are assessed on the basis of AVE. Analysis of the validity and reliability of performance appraisal instruments was conducted with LISREL 8.8 and SPSS 20 programs.

### 3.3 Research result

#### 3.3.1 Designing Performance Appraisal Instruments

Appropriate research objectives design the assessment model by involving various appraisal perspective and the appraisers are: Koperindag, banking, employees, distributors, suppliers, consumers and businessmen / maklun. Thus, multi-source and multi-information based assessment model is used to assess the performance of embroidery business based on seven perspectives: financial, quality, service, innovation, productivity, personnel and character of embroidery businessman. Identification that has been compiled according to inputs from experts'.

#### 3.3.2 Results of Validity and Reliability

The test results determination of valid whether or not each question is done by comparing corrected total correlation item obtained through SPSS version 20. Where From the results of the validity and reliability test mentioned above that the Corrected Item Total Correlation value for each multi dimensional financial statement, quality, service, innovation, productivity, personnel and character of embroidery entrepreneurs through various perception assessments greater than 0.2 so it is concluded that all statements are valid. Furthermore, the results of Alpha Cronbach reliability test showed the value of Alpha Cronbach each indicator greater than 0.6 so it is concluded all indicators are reliable.

#### 3.3.3 Performance Appraisal Perception

##### a. Financial Perspective

**Table 5. of Statistical Description of Financial Perspective**

Group of Respondents	Number of Respondents	Average value
Employers	50	5,4246
Makloon	50	5,3438
Koperindag	2	4,8350
Bank	2	4,8900
Distributor	4	5,1675
Supplier	5	4,4220
Employees	5	5,1760
Customer	20	4,3160

In the financial perspective, the greatest *mean* is in the characteristics of the entrepreneur, and the smallest *mean* is in the characteristics of the customer.

##### b. Productivity Perspectives

**Table 6. of Statistical Description of Financial Perspective**

Group of Respondents	Number of Respondents	Average value
Employers	50	5,5494
Makloon	50	5,4902
Koperindag	2	5,0000
Bank	2	4,9150
Distributor	4	5,5425
Supplier	5	4,4000
Employees	5	5,4340
Customer	20	4,5910

From the above table it can be seen the mean value ( $\bar{x}$ ) for each respondent's characteristic, showing that in productivity perspective, the biggest *mean* is on the characteristics of the entrepreneur, and the smallest *mean* is in the characteristics of the supplier.

### c. Quality Perspective

**Table 7. Statistical Description on Quality Perspective**

Group of Respondents	Number of Respondents	Average value
Employers	50	5,5950
Makloon	50	5,5450
Koperindag	2	5,0000
Bank	2	5,0000
Distributor	4	5,5625
Supplier	5	4,6500
Employees	5	5,4000
Customer	20	4,7375

From the above table it is known that the mean value ( $\bar{x}$ ) for each respondent's characteristic indicates that the quality perspective, the biggest mean is on the characteristics of the entrepreneur and the smallest mean is in the characteristics of the supplier.

### d. Service Perspective

**Table 8. Statistical Description on Service Perspective**

Group of Respondents	Number of Respondents	Average value
Employers	50	5,2760
Makloon	50	5,1960
Koperindag	2	4,7000
Bank	2	4,9000
Distributor	4	5,0000
Supplier	5	4,2400
Employees	5	4,8400
Customer	20	4,3600

From the above table it can be seen the mean value ( $\bar{x}$ ) for each respondent's characteristic, indicating that in terms of service perspective, the largest mean is on the characteristics of the entrepreneur, and the

smallest mean is in the characteristics of the supplier.

### E. Innovation Perspective

**Tabel 9. Statistical Description on Innovation Perspective**

Group of Respondents	Number of Respondents	Average value
Employers	50	5,5050
Makloon	50	5,4500
Koperindag	2	5,0000
Bank	2	5,0000
Distributor	4	4,6875
Supplier	5	4,1500
Employees	5	5,4000
Customer	20	4,3750

From the above table it can be seen the mean value ( $\bar{x}$ ) for each respondent's characteristic, indicating that in terms of service perspective, the largest mean is on the characteristics of the entrepreneur, and the smallest mean is in the characteristics of the supplier.

### F. Personnel Perspective

**Tabel 10. Statistical Description on Personnel Perspective**

Group of Respondents	Number of Respondents	Average value
Employers	50	5,5600
Makloon	50	5,4800
Koperindag	2	5,0000
Bank	2	5,0000
Distributor	4	5,0000
Supplier	5	4,7500
Employees	5	5,3500
Customer	20	4,4500

From the above table it can be seen the mean value ( $\bar{x}$ ) for each respondent characteristic, indicating that in terms of service perspective, the largest mean is in the characteristics of the entrepreneur, and the smallest mean is in the customer characteristics.

### G. Personal Characteristics Perspective of Business Owners & Makloon

**Tabel 11. Statistical Description on Personal Characteristics Perspective of Business Owners & Makloon**

Group of Respondents	Number of Respondents	Average value
Employers	50	5,6152
Makloon	50	5,4150
Koperindag	2	5,0000
Bank	2	5,0000
Distributor	4	5,3450
Supplier	5	4,3760
Employees	5	5,3780
Customer	20	4,5395



From the above table it can be seen the mean value ( $\bar{x}$ ) for each respondent's characteristic, indicating that in terms of service perspective, the largest mean is on the characteristics of the entrepreneur, and the smallest mean is in the characteristics of the supplier.

#### 4. Data Analysis

##### 4.1 Normality test

The first step in the different test analysis is to determine whether the data is normally distributed or not. If the data is normally distributed, then the data analysis using the parametric test (Oneway Anova), but if the data is not normally distributed, then the data analysis using non-parametric test (Kruskall Wallis). In performing the normality test, One Sample Kolmogorov-Smirnov Test is given: if the sig value is greater than 0.05, then the data is normally distributed, and vice versa if the asymp value. Sig is smaller than 0.05 it can be stated that the data is not normally distributed. Here are the results of the data normality test for each variable / perspective.

**Table 12. Normality Test**

	FIN	PROD	QUAL	PLYN	INOV	PERS	KRT	
N	138	138	138	138	138	138	138	
Normal Parameters <sup>a,b</sup>	Mean	5,1656	5,3259	5,3931	5,0391	5,2301	5,3007	5,3076
	Std. Deviation	,49283	,57889	,49807	,52325	,64860	,51895	,50313
Most Extreme Differences	Absolute	,145	,112	,162	,180	,158	,122	,142
	Positive	,071	,071	,090	,085	,081	,076	,077
	Negative	-,145	-,112	-,162	-,180	-,158	-,122	-,142
Kolmogorov-Smirnov Z	1,708	1,310	1,900	2,118	1,862	1,430	1,664	
Asymp. Sig. (2-tailed)	,006	,065	,001	,000	,002	,034	,008	

Based on the above table it is known from the eight variables tested, having asymp.sig values greater than 0.05 (normal distributed) is just a productivity variable (PROD), while other variables have asymp values smaller than 0.05 (not normally distributed), so for the productivity variables use the analysis tool of Oneway Anova, while the other seven variables use Kruskal-Wallis.

##### 4.2 Average Difference Test

###### 1). One-way Anova

This test is used to determine whether there is an average difference for more than two unrelated sample groups and the data is normally distributed.

**Table 13. Difference Test - Oneway Anova**

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	19,732	7	2,819	13,997	,000
Within Groups	26,179	130	,201		
Total	45,911	137			

From the above table it is known that the sig value for the productivity variable (PROD) is 0.000 or less than 0.05. Therefore, it can be concluded that there is a difference of perceptions about productivity among the eight characteristics of respondents (entrepreneurs, makloon, employees, cooperatives, banks, distributors, suppliers, employees and customers).

###### 2). Kruskal-Wallis

This test is used to determine whether or not there is an average difference for more than two unrelated sample groups and the data is not normally distributed.

**Table 14. Difference Test-Kruskal-Wallis**

	FIN	KUAL	PLYN	INOV	PERS	KRT
Chi-Square	70,524	54,405	51,942	62,019	68,316	72,424
Df	7	7	7	7	7	7

Asymp. Sig.	,000	,000	,000	,000	,000	,000
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From the table above it is known that the sig value for all variables is 0.000 or less than 0.05. It is concluded that there are different perceptions of financial perception, quality, service, innovation, personnel and personal characteristics of business owners based on the opinion of the eight respondent characteristics: entrepreneurs, employees, distributors, bankers, distributors, suppliers, employees and customers.

### 5. Analysis of First Year Research Results

Embroidery Tasik is widely known at the national level so that research aims to appreciate the success of Tasikmalaya embroidery entrepreneurs. Craftsmen or maklun are considered resilient, skilled, easy to get the raw material (supplier) and easy to get marketing cooperation (distributor) so that performance appraisal involves direct stakeholders. To develop Tasik embroidery, Koperindag Service. facing various considerations of selecting SMEs for overseas actors or closer CSR & banking. This model is designed as an instrument to prepare entrepreneurs & followers of the event so that multi-source assessment will choose SMEs have good performance in terms of products, suppliers, distributors, suppliers, banks, employees, consumers and the entrepreneur / makloon itself.

Based on the results of one-way anova and kruskal-wallis tests, there were significant differences between perceptions of embroidery & maklun businessmen, employees, cooperatives, banks, distributors, suppliers, employees and customers in assessing the performance of embroidery sector entrepreneurs in Tasikmala. Performance measured from seven perspectives are: financial, quality, service, innovation, productivity, personnel and character of embroidery businessman. These differences indicate that each assessor gives different ratings or perceptions on the performance of the embroidery business sector in Tasikmalaya. In accordance with the first year activity, the first year target is obtained primary and secondary data for the preparation of 360° feedback SMEs performance assessment instruments. To develop the instrument of multi-source based performance appraisal model was conducted in the second year. The results of good assessment should provide the assessment tend to be the same between the assessor 1 with another so that the development needs to be done as follows: (1) Improvement of the instrument to produce the model more precisely and accurately. (2) Incorporate feedback system in the appraisal process. (3) Performed the dissemination of quisioner with bigger respondent.

To perform the above activities is done through further research in the second year so assessment instrument as a social engineering for the performance assessment of the embroidery sector. In the realization & field process is not easy to equate perception among the assessors so that to perfect the process is done through FGD or brainstorming. The activity is to introduce the objectives and how to provide this assessment to each party so that the assessor knows the purpose of the scoring system. Problems during assessment are due to various conditions, namely: (1) Requires relatively complex time & administration of each assessor. (2) The feedback process is done carefully to fit the conditions of SMEs. (3) Need honesty & openness during the assessment process to obtain objective results. (4) Need training and hard effort of the appraiser to use model as performance appraisal method for entrepreneur of embroidery sector.

### 6. Conclusion

Based on the results of questionnaires distributed to 50 entrepreneurs and 50 maklun embroidery in Tasikmalaya identified the following results:

- (1) Preparation of performance appraisal instruments of entrepreneurs & maklun by involving Koperindag, Banking, Distributors, Suppliers, Employees and Consumers.
- (2) The results of validity and reliability are identified as follows: 9 items for financial perspectives, 6 items of productivity perspective, 4 items of quality perspective, 5 items of service perspective, 4 items of innovation perspective, 4 personnel perspective items and 8 personal perspectives of entrepreneurs / maklun. Thus there are 40 items to measure the performance of entrepreneur / maklun embroidery in

Tasikmalaya.

(3) One way anova test results known productivity sig value of 0.000 or smaller than 0.05. It is concluded that there is a difference of perception about productivity among eight respondent characteristic that is entrepreneur, makloon, employee, koperindag, bank, distributor, supplier, employee and customer.

(4) The result of kristkal wallis test is known sig value for all variables of 0.000 or less 0.05. It is concluded that there are differences of perception about financial perception, quality, service, innovation, personnel and personal characteristics of business owner based on the opinion of eight respondent characteristic of entrepreneur, maklun, employee, cooperative, bank, distributor, supplier, employee and customer.

## 7. Suggestion

From the above results identified there are differences in perceptions between entrepreneurs, maklun, employees, cooperatives, banks, distributors, suppliers and customers. In achieving the outcome, coordination is required with the assessors, so that each party understands the purpose and objective of the SME 3600 feedback & multi sources performance assessment system. Co-operation and coordination should be established with Koperindag, banking and CSR to create a performance appraisal simulation.

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