THE ANALYSIS OF THE DEVELOPMENT BASED ON RESOURCES AT RIAU PROVINCE: MANAGEMENT PERSPECTIVE
Jahrizal Harun
Lecturer at economics faculty, Riau University
Address: Jalan Mahang Raya C 25/6 Perum Pandau Permai Pekanbaru, Riau, Indonesia

Abstract
This study aims at testing the relationship between resources and regional development performances using Resource-Based View (RBV) approach. The paradigm RBV is to see the development outperform by resources approach. The success of regional development depends on the internal strength. Therefore, this paradigm tends to apply bottom-up approach by using their own strength.

The unit of analysis is the existing regencies and municipalities in Riau. The data were collected from 2006-2009 by using Partial Least Square (PLS) as the analysis tool. Besides, the qualitative data which were obtained from some selected informants are used to clarify the result of quantitative analysis.

The results of this study show that administrative resources has the biggest contribution on the performance of regional development in Riau. The second factor is human resources and the third one is political resources. The lowest influence is given by financial resources, and physical resource’s influence is slightly above the financial resource. This finding reveals that a region’s uniqueness and characteristics determine its development performance.

The approach of RBV theory has proved that the developmental resources of one region are different from the other regions, so that the role of resources in influencing their development is also different. Finally, this finding shows that the administration resource has significantly more contribution to Riau’s development performances than the finance and the natural resources have.

Key words: Administrative resource, human resource, financial resource, physical resource, Political resource, regional development, development performance, RBV.

Introduction
The development means different for different people (Todaro, 1996). Its signification is also different among different person (human). People in different time period have different definition. People with different knowledge will signify the development differently. Balancing the signification and meaning of development requires almost similar understanding (paradigm) of development (CNEE, 2005).

Traditional paradigm has seen development in term of economic size. Development progress is measured by the ability of economic to improve the production of goods and services. Such improvement is called the increment of Gross Domestic Product, abbreviated by GDP (Adam Smith, 1776; Mill, 1848; Ricardo, 1921; in Jhingan, 2003). This measure pushes forward the nations to empower production, which is in turn increasing GDP. However, the result is disappointing. Some problems are faced by the developing countries after they implement the theory of development. The disappointing trend leads the expert to look for other approach. The management approach in the development starts to be applied in various governmental organizations. Eisinger (1988) and Berry and Wichsler (1995) admit that the application of management principle, mainly strategic planning, by the government agency has shown economic success. Eisinger (1988) argues that this approach is good alternative for the economic development policy.

The advantage of the presence of management, especially in the strategic management, into public organization, is shown by the availability of guidance for every party (stakeholders) in making decision such that the tension reduces. Indeed, the management paradigm may be called as a bottom-up approach.
Research gap, however, is obvious among previous result of reviews (development economic approach). Reviews by Laderman & Melony (2003) and Sala-I Martin & Subrahamanian (2003) observe the positive relationship, while other reviews find negative relationship. One management approach, Resource-Based View, has positive effect in three countries such as Singapore, China, and Malaysia. Governmental performance may be better if it relies on the implementation of internal strength, likes Singapore with its reliance on its internal strength, human resource. China underscores its human resource and natural resource. Malaysia has been recognized by the superiority of organizational, technological and human resources. These reviews underline the presence of resource-based development approach. This research attempts to develop Resource-Based Theory approach to be applied in the developing countries. The application of this theory in the public sector is already considered in the developing and advanced countries. Therefore, the application of this theory at Riau may become an alternative model for local development.

Research is formulated as: The Analysis of The Development Based on Resources at Riau Province: Management Perspective.

Some problems are determined in this research such as:
1. Is administration resource influencing the local development performance?
2. Is financial resource influencing the local development performance?
3. Is human resource influencing the local development performance?
4. Is physical resource influencing the local development performance?
5. Is political resource influencing the local development performance?

2.1. Resource Based Theory

Resource based theory begins with question: *Why do some firms persistently outperform others?* (Barney and Clark, 2009). This theory starts by the effort to recognize and to look for the strength of the company. This concept attempts to see the company approach which is able to show the performance, to survive and to conquer the market. Jay B. Barney and Delwyn N. Clark (2009) in their books *Resource-Based Theory: Creating and Sustaining Comparative Advantage* explain that this theory is affected by (a) Distinctive Competency, (b) Ricardo Analysis of land rent, (c) Penrose (1959), and (d) Anti-Monopoly Implication (Anti-trust implication on economic).

Barney (2009) clarifies the emergence of resource based theory. This theory represents a strategy. Resource based strategy is one based on the availability of input in the internal realm of organization (Barney, 1991). Emphasizing this strategy will rely on the internal strength. The availability of resource, however, may be temporary with limited number (Jahrizal, 2008). Therefore, optimal use of resource becomes a strategic step to give expected benefit. Supriono (1998) adds that a strategy is the allocation of rare and limited resource (Sariningrum, 2006).

**Resource-Based View Approach for Public Organization**

Public organization (government) has been demanded to be more efficient, to calculate economical and social costs, and to anticipate the negative impact of the activity (Mardiasmo, 2009). Therefore, public organization always searches for the organizational management approach which is acceptable to the stakeholders (people). Public management approach has been becoming the recent orientation of the organization. This approach is directed...
toward the strategic management approach already used by the private sector.

**Competitive Capability for The Local**

Local autonomy provides a freedom for the local to develop its potential. As a consequence, the competition between locals occurs in showing their performance.

Local performance is very depended on the economic activity, precisely the production. The more goods and services are produced by the local, the better the local is (Mankiw, 2007). The production rate of the local will be accepted by the market if it meets the market interest. Two main interests of market are quality and price. Local production which is meeting both criteria will be competitive in conquering the market. Competitive capability is developed from the availability and the usability of resource.

Porter (1994) asserts that the competitive capability strategy is always based on the strength owned for the success.

**Conceptual Framework of Research**

Based on the theory and previous result of research, the conceptual model is formulated as follows:

*Figure 3.1. Conceptual Framework*
Hypothesis
Based on the problems determined and the conceptual framework, the hypotheses of research are proposed in Figure 3.2.

Figure 3.2. Hypothesis Model

Notes:
Hypotheses are elaborated as follows:
H1 : The administration resource is influencing the local development performance.
H2 : The financial resource is influencing the local development performance.
H3 : The human resource is influencing the local development performance.
H4 : The physical resource is influencing the local development performance.
H5 : The political resource is influencing the local development performance.

Research Methodology
The analysis unit of research is the governments of the district and the city which are authorized to manage the local development at Riau Province.

Data Analysis
Research uses quantitative approach with PLS inferential statistic analysis tool.

Discussion

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Coefficient</th>
<th>T-stat</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration Resource (X1) on Performance (Y)</td>
<td>0.496</td>
<td>6.936</td>
<td>0.000*</td>
</tr>
<tr>
<td>Financial Resource (X2) on Performance (Y)</td>
<td>0.094</td>
<td>2.373</td>
<td>0.018</td>
</tr>
<tr>
<td>Human Resource (X3) on Performance (Y)</td>
<td>0.239</td>
<td>8.137</td>
<td>0.000*</td>
</tr>
<tr>
<td>Physical Resource (X4) on Performance (Y)</td>
<td>0.105</td>
<td>1.971</td>
<td>0.049*</td>
</tr>
<tr>
<td>Political Resource (X5) on Performance (Y)</td>
<td>0.193</td>
<td>7.674</td>
<td>0.000*</td>
</tr>
</tbody>
</table>

Source: Data are processed (2011) (Enclosure 3)
Note: Sign * is significant at 5 % level; Sign ** is significant at 10 % level

Result of hypothesis test is shown in the following diagram.

Figure 6.1
Path Diagram of Hypotheses Test Result from Inner Model

The relationship of these five variables can be illustrated in the following graphic:

Hypotheses Test
Based on the result above, it is concluded that the result of five hypotheses is accepted.

The Discussion of The Result of Research

The Administration Resource Influences The Local Development Performance
The weight of outer model shows that the indicator of regional width, in term of comparison of the number of subdistricts, plays significant role in establishing the administration resource by outer weight of -0.371. The minus sign signifies that the smaller width of the region served by the subdistrict means the better service given. The average width of the region served by the subdistrict is 59.037 hectares, which is still wide. For temporary matter, it is sufficient enough for the reason of regional extension.
The recent review denies the finding of Syikhu Usman (2001) that the decentralization is not giving good public service to the people. Usman reasons that local bureaucrat and its politician are not well organized, and if organized, they strive to their self-interest. In fact, the extended subdistrict has successfully served the public well. Ira et al (2007) assert that the governments of district/city play important role in the local development by acting as the good administration resource. This role is impossible without the support of subdistrict. The subdistrict as the public organization is established to give optimum public service. Khusaini (2004) indicates that decentralization in Indonesia has positive relationship with the quality of governmental administration. Similarly, Susilowati (2009), during her inauguration as the master lecturer in University of Indonesia, argues that the additional number of suibdistrict as a result of the regional extension will close the people to the government, such that the development impact should be better. Such review declares that the increased number of subdistrict will influence the service. As a result, the lower number of population to be served, the better quality of administration resource. It means that the increased number of subdistrict office will improve the public service. This improvement may be referred to the success story of the program held by The Ministry of Interior, called PPK (Program Pengembangan Kecamatan), to improve the capacity of subdistrict throughout Indonesia.

The role of village administration in serving the population is very great by Outer Weight value of 0.795. In average, the village can serve 4,218 persons. This research reveals that the village administration with its administration resource available will support the development performance. According to Hendra (2008), the government of village is the spear point in the organizing of governmental administration because the village officer is who directly contacts with the people.

The role of village administration will develop if the village has greater population rate (linear relationship). Population density rate in Sumatera is absolutely different from Java. Population density rate in Riau is lower by 1.62 persons per hectare. Daru Wisakti (2008) admits that the village capability to implement the development duty is not well supported by the funding source. Lack of village revenue is caused by the less receipt from tax item and limited retribution. Mostly, Alokasi Dana Desa (ADD) is not balanced with the expense, especially for the physical development. The review also shows that the relationship between the population rate and the number of public servant is not significant. The weight of the comparison between the population rate and the number of public servant has Outer Weight of 0.059. It means that every public servant serves 83 persons. Research also shows that some public servants are not showing good work quality, thus not positively contributing to the administration resource. This finding supports Ira et al (2005), especially with their recommendation to the government about the improvement of discipline against public servant. Many public servants already violate the procedure, regulation and service. Research also finds that the understanding of public servant about their role and their work scope is still low.

The Financial Resource Influences The Local Development Performance

Result of Inner Model indicates that there is low effect from financial resource on the local development performance. It means that the financial resource managed by the local government has less effect on
the performance rate of local development. The coefficient of inner model shows that the financial resource has been positioned in the lowest rank in the performance measurer of local development as compared to other four resources.

The weight of the APBD per capita indicator has not significant role on the variable financial resource, by Outer Weight of 0.074. The average per capita is 2.64 millions rupiahs. The weak indicator is caused by the role and phenomena related to APBD indicator. Indeed, APBD Fund is the investment which is supporting the activity of local economic. Public investment sourced from the governmental finance (APBD) represents a stimulation to increase the private investment (Mankiw, 2006). Therefore, the driver of the economic wheel is supposed to be the private investment and the people expense (Kuncoro, 2008).

This review supports Fisman and Gatti (1999) in which their research entitles “Decentralization and Corruption: Cross Country and Cross-State Evidence”. Recent review also explains that the decentralization applied in a region will give opportunity to the increased number of corruption. The strength of law enforcement, therefore, is important. Aligned with the review of Gebrak Brebes (2006), from the result of investigation and documentary analysis, it is found that the preparation, discussion and validation are without the public participation.

This finding is also supported by Ida Bagus Putu (2011) with the study entitled “Implikasi Desentralisasi Fiskal dan Good Governance di Bidang Tata Kelola Anggaran Terhadap Kapasitas Ekonomi dan Kesejahteraan Masyarakat (Kasus Provinsi Bali). His study shows that the availability of APBD data has not had significant effect on local economic capacity. The distortion of the budget use still occurs at local such that it hinders the improvement of local economic capacity.

In other hand, PAD Indicator has played greater role for APBD because it establishes the variable financial resource by Outer Weight of 0.995. The contribution average of PAD to APBD is 6.5 %. The achievement of PAD is still low. Most operational budget funds in the government of district/city are still depending on central funds (Joko, 2005; Jahrizal, 2009). This review is consistent to the review of Chandra and Khusaini (2002) which is showing that the local dependence is caused by many tax posts which are not yet authorized to the local. This condition is apparent in Riau.

The Human Resource Influences The Local Development Performance
The Outer Weight is 0.636. The average population density is 1.62 per hectare. The population rate indicator has greatest effect of other three indicators on the establishment of human resource in Riau. Barro (1995), Jinghan (2007) and Kuncoro (2008) explain that the population is the base capital of development. The population rate is consistent to the supply of workforce. The population rate also stimulates the company to decide investment into a region. The indicator of the ratio of pupil to teacher may play important role for the variable human resource by Outer Weight of 0.518. The attention of the local government to the education is reflected by the supply of school and teacher. The higher number of school and teacher is related to the higher accessibility of the population to the schooling chance. Data of the number of school and teacher in Riau show an increasing trend (Ramli, 2011). However, the teacher ratio is a straight comparison number, meaning that the number of teacher is too excessive in Riau by 18.25 for ratio of pupil per teacher. Despite this fact,
investment in the education is still very important (Ali Gufran, 2008).

The increased number of teacher is very obvious. The ratio of pupil to teacher, however, is getting better with average below 20. The lower ratio is the better human resource in Riau. However, the reality is reversed. It signifies the low education quality in Riau.

The health access indicator, measured by the ratio of population to the number of physician, plays important role in establishing the variable human resource with the loading factor of Outer Weight of -0.261. It means that the less population to be served is the better health access by the people. The government of Riau has allocated the increasing annual health budget (Ramli, 2011). Budget allocation is not only important for the supply of health worker, but also significant to build the Faculty of Medicine and Nursing in the University of Riau. Less surprisingly, the number of medical worker is increased. However, in 2008, the ratio of physician in Riau decreases because some physicians continue their schooling in the advanced education. The ratio of the population to the physician/medical worker is 5092.20 (Table 6.3.3), meaning that it influences the variable human resource.

The Physical Resource Influences The Local Development Performance
The indicator of the revenue from natural resource, which is the contribution of DBH to APBD, plays a role in establishing the physical resource. Result of review shows Outer Weight of 0.100. This number is the lowest number from 4 (four) indicators establishing the physical resource. The potential of natural resource in Riau is very great but mostly in the form of less renewed resource. This natural resource is mostly processed by the foreign investment. It is aligned with the previous review stating that foreign investment usually disregards the wellbeing of the local people (Laula Alfaro, 2003; Abi Ajayi, 2006). The indicator of location plays positive role in establishing the variable physical resource by Outer Weight of -0.557 or in average of 490 rupiahs ke kilo meter. The location indicator plays highest role of all indicators in establishing physical resource. The minus sign in the outer weight means that the cheaper cost per kilo meter signifies the closer distance of the local economically to the growth center. This research is in parallel with the theory of location (Adisasmita, 2005) stating that the region with closer proximity to the growth center will always have distinctive attraction.

The infrastructure indicator such as road plays important role in establishing the variable physical resource by Outer Weight of 0.383. In average, 29.67 % of road condition is better than road total. Dardak (2005) asserts that the road development requires the compatibility of cross-spatial, cross-sector, and cross-interest party. Therefore, road development is conducted based on the condition of development in every region. There are three categories of development: (1) the development of road in the region which already develops, (2) in the region which starts to develop, and (3) in the new development region. The technological indicator plays important role in establishing the variable resource by Outer Weight of 0.528. The average of electrification in Riau is 55.27 %. This indicator plays positive role in establishing the variable physical resource, but remains in the second rank. It means that the higher proportion of household with electricity is related to the higher use of technology in the region. This indicator, therefore, is said as playing important role in establishing the physical variable. Theory of growth proposed by Barro (1995) explains the importance of technology in the economic growth. The use
of technology is a common thing in the recent era. Achmad Junaidi (2002) says that the technology which is accelerating the technological development includes computer technology and information technology.

The Political Resource Influences The Local Development Performance

This current research indicates that the people support may play important role in establishing the variable political resource by Outer Weight of 0.845. In average, the vote support is 49.51 %. It is consistent to Jati Purnomo (2009) who reveals that the greater support from the people to their local leader means that the leader is closer to their people. The local leader makes vision, mission and program of development which is more acceptable to the community and useful for the development acceleration. Alberto and Natalia (2000) review from Argentina case that decentralization persuades people to choose and to participate into the election of the local leader. The local people very much understand their candidate. People may be enthusiastic in supporting the leader who supports the local development. It is also shown that the parliamentary support is very influential to the political resource. Outer Weight is 0.43, while the number of chair given to the main supporter party is 25.14 chairs compared to all chairs in DPRD. Result of research also supports Banu (2003) that DPRD plays important role in the development because it accelerates the development through its supervisory function from the planning stage to the evaluation stage. By this supervisory action against any events in the community, DPRD has enforced its function.

The Performance of Riau Local Development

The indicator of PDRB rate has played important role in establishing the local development performance by Outer Weight of 0.661. The average of PDRB per capita is 7.55 millions rupiahs. This PDRB rate shows that the economic growth in Riau is good. This rate is higher than the national rate because it is above 6.9 % (BPS Riau, 2011). This finding supports Khusaini (2004) who states that the decentralization strengthens the local to increase its own economic performance. Aligned with this, Ida Bagus Putu (2011) uncovers that decentralization by the local can increase the economic capacity and public welfare of the local. Through his review in Bali Province, Putu finds that the capacity and welfare of the people of Bali are increased. Similar to Riau, the resource used by the local has increased the public welfare.

The development progress in Riau invites workforce to migrate into this region. The Outer Weight is 0.433 of unemployment. In average, the unemployment is 6.3 %, meaning that there is positive contribution that if the local should be progressing in the economic, a number of the unemployed people may arrive. Based on BPS (2009), the contribution of natural resource sector to Riau economic has triggered migration. Therefore, a movement of population (workforce) to Riau is evident such that the contribution to the unemployment is increased.

The indicator of the poor proportion also contributes to the variable development performance by Outer Weight of -0.133. In average, the poor average is 11.79 %. It means that the less proportion of the poor is the better development performance.

Theoretical Contribution

This review so far is useful for the decision maker in formulating the development plan in the future.
Research Limit

Research is concerning with 5 (five) variables with limited dimensions.

Conclusion

Research shows that the development performance is related to some resources such as Administration, Human, Financial, Physical and Political. Research finds that financial resource (government budget) and natural resource (physical resource) have played lower role in the development of Riau. The administration resource is less concern in local planning but this study shows that administration resource determining mostly on the local development performance. And finance resource (budget) contributes the smallest impact

Suggestion

Research has measured the performance of local government using resource based theory. The next research should involves variables of law, culture, environment and economic. It is also necessary to identify or to review any resources which are signifying the base and characteristic of Riau. At last, the other author should extend the size of indicator or dimension. Other statistic analysis tools are possible to use such as SEM, System Dynamic, Eview, and others, such that different perspectives are obtained. Result of this review will be a considering material for the local government in using the resource. The important information in this matter is about financial and physical resources. Both resources are less optimally used. Both resources, however, can accelerate Riau development performance.