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Foreign Direct Investment (FDI): A Survey of Entrepreneurs Perspectives (Makassar Insight)

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Abstract: The purposes of the research are to investigate relations of business environment, managerial skill and knowledge management to intent to cooperate, response to good corporate governace and response to foreign direct investment of entrepreneurs in Makassar. This research was undertaken in Makassar to 475 respondents who own businesses. The collected data were analyzed in SPSS and Amos 20. This reasearch found that business environment affected significantly to intent to cooperate and response to foreign direct investment but it did not affect to response to good corporate governance. Managerial skill affected significantly to intent to cooperate and good corporate governance but it did not affect to responce in foreign direct investment. Knowledge management affected significantly to good corporate governance and response to foreign direct investment but it did not affect intent to cooperate. The entrepreneur in Makassar wishes to cooperate with foreign direct investment and committed to implement good corporate governance but they lacking managerial skills. In terms of knowledge management, the entrepreneur did not want to cooperate but they recognized good corporate governance and respect to foreign direct investment.

Key words: Businesses environment, knowledge management, cooperate, good corporate governance, foreign direct investment

INTRODUCTION

Development of investment path around the world, contributes to body of knowledge and research on the way of thought to foreign direct investment. Verma and Brennan (2011) describe the pattern of Foreign Direct Investment (FDI) in India has been rapidly increased since liberalization system in 1990s which involved domestic entreprises participation. In emerging economy, FDI inflow is affected by a greater role of private sector transparency than public sector transparency (Seyoum and Manyak, 2009). Generally known that outward FDI can be explained by economy as a whole (Herzer, 2010). Many aspects have been explored in the previous research to dentify inward FDI in developing countries to ensure what factors contribute to determine FDI.

This study will determine management side of entreprenurs' response to inflow FDI in Makassar, South Sulawesi. Variables which included in this survey are business environment, managerial skills, knowledge management as independent variables while intent to cooperate and respence to good corporate governance as moderation variable and response to FDI as dependent variable. The main data used in the analysis taken from survey entrepreneurs in 14 sub-districts in the city of Makassar.

This study also would test opinion of entrepreneurs to ensure that the local entrepreneurs will be secured due to inward FDI existed in Makassar which might become competitors or supporter for local entrepreneurs. In deed, concerning inward FDI should thought in both positive side and the negative side. The positive side might be transfer in managerial skill, good corporate governance, partnership or sponsorship while the negative side could be environment risk, competition and market for domestic firm dissappear.

Literature review

Business environment: Business environment tend to welcome inward FDI since new order and reform era in Indonesian business history. Makassar has been one of foreign direct investment targeted since 1990s. Makassar become key city in terms of contribution on GDP in South Sulawesi and known as city for services and trade. It is important to mention that South Sulawesi tend to have inward FDI rather than outward FDI. Most of the inward FDI motives are market seeking and material seeking. In

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deed, inward FDI become competitor of local firms and several local firms have been closed down due to unable to compete. In poultry shop industry and chicken industry, local entrepreneurs were not able to compete multinational firms such as JATFA, Chaaronk Pokphan. Yellow corn has become popular material for cornfeed can be produced in the south part of celebes island. Traditional traders who are local dwellers were practiced trading activities for ages, since multinational operates in this island, the local traders were become unfortunate due to the exist of big traders organized by multinational firm. These activities were disappeared and many former local traders unemployee. This phenomenon embarasses local people and few of them become frustrated due to inability to compete traders organised by multinational firms. In the long term this might be become small violence among the traders. This fact can be thought as reasons why this research need to be undertaken. Inflow FDI to South Sulawesi did not afraid of social violence except for ethnic violence and industrial relation violence (Evrensel and Kutan, 2007). Inward FDI, in other hand become firms which can create new job to local people, transfer management skills to local firm through partnership program. At the same time inward FDI in mining sector as an example has been criticised as environmental destroyer. Flood, dust pollution, contaminated water, forest destroyed, even global warming have become current isuues as a side effect of mining acvities done mutltinational firms such as Freeport Macmoran, Newmon, Adaro and many others international firms to be mentioned. In globally, inward FDI become a comprehensive view by observing the effect of FDI flow to environment risks. Research done by Rogmans and Ebbers (2013) contributes to knowledge that energy endowments have a negative impact on FDI flow to MENA region. However GDP per capita, openness to trade and oil prices have a positive impact of FDI inflows. Moreover, environment risks are not differentiating factors among countries in the region.

In Indonesia case, people believe that inward FDI will bring capital to the nation, creating new job to domestic labor. Opinion of people to inward FDI has been investigated by Jakobsen and Jakobsen (2011) found that FDI can bring sorely needed capital to poor countries, they can exploit economies of scale and thereby slash unit cost markedly, they can increase employment opportunities and they can have significant, positive spillover effects on local suppliers. It is a reasonbale way to say that business environment in Indoenesia could support inward FDI if they can ensure job creating and transfer management skill to local entrepreneurs. It is important to note that local managers also afraid to inward FDI for job position because FDI will brings froreigner to fill managerial position.

Indonesian government need to convince local entrepreneurs that FDI flow would creating better business environment and the local entrepreneurs could become suppliers or related traders to FDI. In long term, however, FDI could disseminate managerial skill to local entrepreneurs to enhance their business which making capable to compete in international market. Managerial skill is hoped to be implemented in South Sulawesi case to ensure that FDI could dissiminate managerial knowledge to FDI supporters.

- Hypothesis 1: business environment affects positive significantly to intent to cooperate
- Hypothesis 2: business environment affects positive significantly to response to good corporate governance
- Hypothesis 3: business environment affects positive significantly to response to foreign direct investment

Managerial skill: Previous research indicates that managerial skill is hoped to be transfered to local partner in order to make local entrepreneur gain managerial skill needed to enter international market. Previous research by Kuhlmann and Hutchings (2010) in China found that expatriate German and Australian companies overwhelming intention to assign local manager to their Chinese business operation and reduce the use of expatriates. Despite cultural and associated local knowledge held by local Chinese manager, though, it was also identified they lack Western businees expertise, organizational commitment and foreign language skills which companies may address through training and development. In fact, finding by Kuhlmann and Hutchings (2010) have similarity condition in South Sulawesi. Foreign companies in Makassar Industrial Zone (KIMA), for example, employ local managers to learn management and leadership style from expatriates to fit with management style from host country.

It is also clear that to gain managerial skills of local managers from inward FDI, the role of government must be address in this issue. Several research done in other countries reveal that government, foreign firm and local firm must cooperate one to others. A research by Elgrari and Ingirige (2011) for house building sector in Lybia found that three themes need to adressed are managerial, social and political. The tripartite framework, government, foreign firm and local firm should act collaboratively to adress the housing shortage. In this context, the role of government was found to be very important in facilitating the process of collaboration between local and foreign companies. At a strategic level the government was required to dispaly the role of guiding or facilitating the process of collaboration. At the same time these researchers hope local firms should play role in providing good climate for workers to improve their capability they needed assistance in every level. The foreign companies on the other hand were interested in performing important role of the technology management capability of local companies.

Another research done by McDonnell (2008) in Ireland, found Irish MNCs are the most likely to indicate having a specific development program for these key employees. A greater proportion of endigeneous MNCs operate in the more traditional, low technology sectors (e.g., food) this is a positive finding as it may reflect a change amongst these firm to broaden their activities into more "high technology" spheres. In the case of South Sulawesi, transfer managerial skills has not been investigated thoroughly except for the key success of former managers who resigned from foreign companies to set up their own businesses. These manager were able learn at the previous work to gain managerial skills in running business well and adjust into new business conditions. However, only few local businesses in South Sulawesi were able to enter international market as supplier or traders. None of the firms could operate as international business player, this contradict to situation in China which found that marketing capability plays the most important role in improving performance of internationalizing firms (Zeng *et al*., 2009). The role of government in South Sulawesi tended to be important to ensure that local entrepreneurs would be able to have appropriate managerial skills facing local competition because of FDI exist. However, the role of government did not comprehensively solve problem of entrepreneurs. Previous research done by Rakhman (2011) indicated that the role of government has significantly affected financial commitment of entrepreneurs but it did not affect significantly to intention to practice financial management and financial discipline of the entreprenuers. Even though Indonesia government has been paid more attention to enhance local firms capacity, it is not an easy task to let them have ability to enter international market. Therefore, it is important to explore relationship between managerial skill transfer and inward foreign direct investment in Makassar to cotribute the knowledge of inward FDI and response from local entrepreneurs.

- Hypothesis 4: managerial skill affects positive significantly to intent to cooperate
- Hypothesis 5: managerial skill affects positive significantly to response to good corporate governance
- Hypothesis 6: managerial skill affects positive significantly to response to foreign direct investment

Knowledge management: Foreign direct investment could be sources of knowledge management for local firms to disseminate experience, managerial skills, value, leadership, working commitment or any others type of best practices management which are believed to benefit for local entrepreneurs. Further, more the main issue remain to discuss is the willingness of multinational firm staff to encourage local entrepreneurs to have a well established framework to let local improving research and development and gaining advance technology to achieve efficiency. A research done by Majumdar (2014) in India indicates that for 26 companies in hardware electronic industry, all sample were fail to achieve improvement in process efficiency in comparison to progress in production technology. Most of firms in developing countries spent high cost research and development for achieving efficiency program. It is important to note that local entrepreneurs need support by experienced staff in increasing their ability to compete in higly competitive market. In business, efficiency has become compulsory in gaining competition in international market and the South Sulawesi businesses, the local entrepreneurs were able to joint the international market because of comparative advantages in certain commodities such as seaweed, cement, cocoa, lobster and fresh fish (Rakhman, 2013).

Furthermore, a research done by Dutta (2007) found that the process of building the competitiveness through best practices of framework in firms or organizations level did not work to contribute to national competitiveness. This research contradict to Schwab in which 12 pilars of country competitiveness can be affected by the framework of financial institutional system and enhance firm competitiveness. In Indonesian perspectives, it is important for local entrepreneurs to enhance its framework to build country competitiveness.

It is obvious to ask whether or not foreign direct investors were able to transfer tacit knowledge or even explicit knowledge to local workers in Indonesia. Many foreign firms did not give explisit knowledge to local workers, namely Toyota or Freeport McMoran due to copy right or any rules given by multinational. Nevertheless, the remaining issue is how the local firms or local workers aware of preparation to gain international experience. Knowledge base is important to be considered. Previous research done by Chandra *et al*. (2009) found that the existing theories of internationalization by providing explanation of the process of recognizing initial information opportunities, the condition under which firms deliberately search for vs. discover opportunities in international markets and how the two are connected. They conclude network, relation and referral are necessary but insufficient to account for the discovery process. Through their networks and referral firms encounter new information but this is only the first part of the process. It is followed by the process of interpreting and recombining of new and prior knowledge in new ways that suggest international market opportunities including new means, new ends and new means-end combination.

Knowledge management is beleived to be very important for domestic due to ensure that local people will be able to participate in business similar to fereigner in international market. Ardichvili *et al*. (2012) found that even the four largest emerging countries, Rusia and Brazil have better starting condition and higher current level in human capital development, the government of these two countries do not seem to have sufficient political will to make a concern effort at creating coordinated country-level strategies for investment in human capital development. Furthermore, China and India have less advantageous starting condition but are making more comprehensive and coordinated effort at developing human capital. For Indonesia, transfer of knowledge is essential to ensure that multinational corporation can participate to let local business people would be able to gain experience dealing with international market.

Knowledge management also important for foreigners to know any aspects which influence multinational operation in host country including value, culture, social, local people characteres, legal and government political will. It is necessary for multinational firm to aware of these aspects in order to let local people accept the firm in friendly way. Schotter and Bontis (2009) say that subsidiary autonomy, environmental heterogeneity and managerial initiatives are all necessary antecedents of unique capability development at subsidiary level but that company do not utilize foreign subsidiry-originated capabilities in their home-country operations. They also found that person to person communication is required for intra MNC capability-transfer in any direction and that other form communication seem to be inefficient.

Knowledge management could be dissiminated if local people also could support the expatriate to create appropriate condition to transfer the knowledge and local people could create sustainable ability to receive knowledge from the expatriate. As Lee *et al*. (2013) said that transformational leadership and social support make significant contribution to expatriate adjustment and performance. They also said that the moderating roles of socialization experience and cultural intelligence were also confirmed in the study.

- Hypothesis 7: knowledge management affects positive significantly to intent to cooperate
- Hypothesis 8: knowledge management affects sigificantly to response to good corporate governance
- Hypothesis 9: knowledge management affects significantly to response to foreign direct investment

Intent to cooperate: Dealing with multinational corporation tent to give benefit insight to local firms if the MNC let local firm to provide materials need by multinational firm in other words, local firms need to have intention to cooperate with MNC. Foreign direct investment for MNC activities are hoping to not only benefit to local firm but also must benefit to the host country. Moon *et al*. (2011) found that countiries with had more FDI prior to the crisis experienced a milder recession and a more gradual recovery in the immediate aftermath. Stabilizing effect of FDI was found for both inward and outward FDI, however, the observed effect on the local economy was more robust for FDI stock than FDI flow. Furthermore, the local people must know mode entry strategies of multinational firm in order to ensure that local people would able to cooperate with multinational. Forlani *et al*. (2008) found that ownership provided control interact with capability to influence managerial risk perceptions. Managers in lower capability firms see the least risk in the non-ownership entry mode while those in higher-capability firms see the least risk in the equal-partnership entry mode. Managers believe that for a new venture in a foreign market to be successful, control should be retained over the R&D function, regardless of entry mode.

It has been known that Indonesia, gains benefit from FDI especially from mining firms, however, it is in doubt that local firms could get benefit from mining sector. Issue of damaging environment far ahead than benefit, nevertheless in other sector such as manufacturing, tourism and agriculture could be enhanced by learning from the MNC. The local business people must keen in finding ways how to learn from FDI in order to adjust in competing international market in the host country.

Mutual benefit can also be considered from supplier linkages to multinational firms. Previous research by Tseng and Chen (2014), indicates local linkage contributes to the development of the subsidiary's technological capability in which asset specific investment of local supplier and the relational capital cultivated in the subsidiary-local supplier linkage both improve the subsidiary's technological capability.

Foreign direct investment could be seen in different angle point of views to ensure that FDI could be accepted by stakeholder including NGO views. Leasonen (2010) emphasizes that dialogue can be conducted in two process, the first process was conducted by the investing company as information providing and consultation. Despite a more thorough process in theory, the NGO argumentation shows deep mistrust in the second process conducted by the International Finance Corporation. Therefore, it is argued that as the degree of preparation of the investment increases and the room for alteration decreases, the possibility of achieving meaningfull dialogue deminishes. Dialogue in the situation with limit room for choice occurs rather in the realm of conflict resolution and bargaining than in that true dialogue. This in turn causes lack of trust toward the terms of dialogue and increase the problem of non-participation.

Foreign direct investment in Makassar has been known as the source of income creator and the multinational firms became partners for local traders and entrepreneurs. As mentioned by Rakhman (2014) multinational firms have existed in foods and beverages industry such as Coca Cola Amatil, Mars and few fish pillet companies. These companies have contributed to create job, management practices for local cocoa traders and creating earning for fishermen. In environment, Mars has had help to plant trees at the forest as part of corporate social responsibility program. The firm also provide training for cocoa farmers how to handle the cocoa trees to produce high quality cocoa. The farmers also were trained how to dry cocoa in appropriate method to achieve quality required by cocoa industry. The farmers must aware of dust, soil or any waste that may affect product quality and the area or field to dry must be protected from dust, soil and waste. Mars always remind farmers to not dry cocoa in the area very close to main road or in the side of the road because the cocoa might be contaminated or it beomes dirty.

The example described above calls for further research to investigate the case in Makassar which can be used to ensure that multinational firms can create knowledge transfer to local entrepreneurs through raw material supplier relations or even become partners to do in local market. Many experiences from other countries could seen as multinational firms creating benefit to local as mentioned by Soberg (2011), for example in India and China are benefited by Scandinavian MNCs in innovation related knowledge in creating competencies in codification of knowledge. Other research by Ardichvili *et al.* (2012) found that local government have to create national program to enhance human capital development through regulation in primary and secondary education vocational education and training and higher education, especially in science and technology fields.

- Hyppthesis 10: intent to cooperate affects positive significantly to response to foreign direct investment

Good corporate governance: The existent of multinational firm in emerging economy made the government require best practices to apply corporate governance by ordering official requirement by national corporate governance code. A research done by Lattemann (2014) found that with practical and specific insight for investors, managers and policy makers in the importance of national government regimes and international institutions on corporate governance practices. The researcher suggests corporate governance should be studied by considering multilevel antecedents on a country, industry and firm-level. Another research by Okpara (2011) in Nigeria, indicates that the barriers to implement good corporate governance are weak or not non existent law enforcement mechanism, abuse of shareholder rights, lack of commitment on the part of board of directors to their responsibilities, lack of adherence to the regulatory framework, weak enforcement and monitoring systems and lack of transparency and disclosure.

Good corporate governance has been popular in Indonesia since the country implement law enforcement to let the firm raise capital in the stock exchange with perfect financial report system, transparency and disclosure (Dercon, 2007). It is important for the firms to have independent audit committee, independent commissioner and making financial report in the regular basis (Ika and Ghazali, 2012). The roles audit committee as one of corporate governance mechanism in ensuring financial reporting quality in an emerging country. Ika and Ghazali find evidence that the effectiveness of audit committee may reduce the financial report lead time related to the submission of financial information to the stock exchange.

- Hypothesis 11: response to good corporate governance affects positive significantly to response to foreign direct investment

Response to foreign direct investment: The existent of foreign direct investment is expected to contribute to knowledge transfer that involve the development of production process by means installation of machinery and equipment in order to develop subsidiaries competencies in accordance with its strategic importance on the local market. Bojnec (2011) found in Slovenia that the defence suplly-in return FDI and technical cooperation with a set of legal environment and expected tranparent practices for enterprises and social responsibility. The defence supply in return FDI and terchnical cooperation activities provide opportunities for the internationalisation of enterprises and utilization of economic of scale in regional and global markets.

In the emerging economy, competition among government to attract FDI has grown significantly. As Kok and Ersoy (2009) found that appropriate domestic policies will help attract FDI and maximise its benefit while at the same time removing obstacle to local businesses. Foreign enterprises, like domestic ones, pursue the good business environment rather than special favors offered to induce the foreign enterprises to locate in the incentive offering regions, transparency and accountability of governments and corporations are fundamental conditions for providing a trustworthy and effective framework for the social, environmental and economic life of their citizens.

Foreign direct investment have been popular in creating human capital development in developing countries, Ardichvili *et al*. (2012) found in BRICs that in terms of present human capaital capacity, the BRICs can be arranged in this order (from high to low) Russia, Brazil, China and India. In terms of actual use of the potential and opportunities for future human capital growth the Brics can be arranged in this order China, India Brazil and Russia. They place Russia behind Brazil because in addition to other barriers, than are common to these countries, Russia is also facing a serious decline of the workforce pool.

Business transparency is important aspect need to be considered in developing nations to attract foreign direct investment. As found in Seyoum and Manyak (2009) that foreign investors require extensive information in matters ranging from cost of input to reliability of suppliers in host countries. However, public information in developing countries, even when available is often compromised due to corruption or the lack of competence of the public officials. Multinational corporation are hoped to transfer know how, technology and tranparency to local firm in showing best practices how to do international businesses. Multinational firms in host country, seem to play important role to local firm in exchanging knowledge or dissiminate international experience through supplier relationship. A research by Schotter and Bontis (2009) in Canada found that environmental heterogeneity is positively related to the development of new capabilities. A high level of decision making autonomy is necessary but not sufficient for local product and service development. Managerial initiative at the subsidiary level is positively related to local product and service development.

MATERIALS AND METHODS

This research is undertaken in Makassar by a survey to 475 respondents who own small and medium enterprises. The respondents were asked to express their opinion regarding the existent of Foreign Direct Investment (FDI) in Makassar. This survey produced 550 questionnaires which consists of 410 direct survey, 40 questionnaires using e-mail, 50 questionnaires were sent by post and 50 questionnaires were filled by telephone. The survey was undertaken in May to August 2013. Useful questionnaires in total 475 which consists of 410 direct survey, 20 questionnaires via e-mail, 30 questionnaires via post and 15 questionnaires via telephone. The 20 questionnaires were excluded due to incomplete answers. Prior research was undertaken in April to 40 respondents in Makassar Industrial Zone (KIMA) in order to test response to early questionnaires. A few change to indicators were made to ensure that questionnnaire is easy to understand and applicable. The minor change in questionnaires was done to let respondent become familiar with the questions.

The participant in the survey are owner of firm, directors, human resource development, managers and marketing staff. The participants represent the company which operate in Makassar.

The collected questionnaires were analyzed using SPSS 19 and AMOS 20 to answer the proposed hypotheses. Each variable is evaluated to test reliability and each indicator was selected based on its loading which is higher than 0.50.

RESULTS

Respondent profile can be seen in Table 1 which shows. Data presents in Table 2 and 3 shows response of sample to selected indicators which have loading score of 0.50 or higher. This data indicates that questions asked to respondents, reveals some questions were eliminated due to low loading score which excluded in further analysis. In terms of loading scores, twenty indicators were selected to be used in the next analysis. Only 6 out of 20 indicators having responce score with very important and 14 item having responce score with important. None of the indicators having score less important.

Variable relations: Figure 1 shows relations of variable in this research which in interpreting the model, this research considers the value coefficient of direct effect, indirect effect and total effect. The result of calculation are of business environment, managerial skills, knowledge management, intent to cooperate, response to good corporate governance and response to foreign direct investment. All relations can be seen in the Table 4.

Table 1: Respondents profile sex, age, education, position and experience

Respondent characteristics	N	Percentage
Sex		
Men	357	75.16
Women	118	24.84
Total	475	100.00
Age (years)		
10-25	32	6.74
26-40	225	47.37
41-55	131	27.58
55-70	87	18.31
Total	475	100.00
Educational background		
High school or same level	202	42.53
Diploma	95	20.00
Under graduate	152	32.00
Post graduate	26	5.47
Total	475	100.00
Respondent's position		
Leader	61	12.84
Supervisor	115	24.21
Manager	113	23.79
Owner	38	8.00
Director and assisten director	116	24.42
Others	32	6.74
Total	475	100.00
Work experience in years		
1-3	96	20.21
4-7	138	29.05
8-10	131	27.58
>10	110	23.16
Total	475	100.00

Primary data 2014

Table 2: Companies' profile: product, type of firm and number of employees

Companies' profile	N	Percentage
Core businesses		
Contractors	21	4.42
Choco traders	29	6.11
Foods and drinks	52	10.95
Seaweed traders	31	6.53
Manufacturing	95	20.00
Fish and processed fish	18	3.79
Crafting and wood	15	3.16
Lobster traders	45	9.47
Poultry	10	2.10
Tourism industry and travel	99	20.84
Hotels	35	7.37
Furniture	19	4.00
Others	6	1.26
Total	475	100.00
Type of firm		
PO (personally owned)	3	0.63
UD (sole proprietorship)	115	24.21
CV (commanditer firm)	114	24.00
PT (limited corporation)	243	51.16
Total	475	100.00
Number of workers		
1-20	93	19.58
21-40	112	23.58
41-60	94	19.78
61-80	71	14.95
81-100	91	19.16
101 or more	14	2.95
Total	475	100.00

Respondents 2014

Table 3: Responces to indicators of foreign direct investment survey

Constructs	Indicators	Mean	SD	Loading
Business environment	X1.8 local entrepreneur partnership	3.240	0.862	0.510
	X1.9 government role in collaboration FDI and local entrepreneur	3.261	0.856	0.534
	X1.10 access to local markrt	3.564	0.930	0.564
	X1.11 possibility to enhance technology	3.625	0.988	0.705
Managerial skill	X2.3 ability to compete locally	3.873	0.928	0.450
	X2.4 foreign languange skill	4.073	0.893	0.548
	X2.7 openness to staff	4.077	0.881	0.662
	X2.8 experience to cooperate foreigner	4.065	0.940	0.600
Knowledge management	X3.2 sharing technology with foreigner	3.684	0.930	0.553
	X3.4 joint mentoring at FDI	3.701	0.833	0.600
	X3.5 learning international management	3.802	0.880	0.583
Intent to cooperate	Y1.2 wanted to become FDI supplier	3.637	0.976	0.633
	Y1.3 equal partnership cooperation	3.747	0.958	0.736
	Y1.4 transfer know how dan technology	3.907	0.839	0.704
	Y1.5 creating capacity and human capital	3.802	0.858	0.606
Response to good corporate governnce	Y2.2 wanted to apply international accounting standard	3.658	0.930	0.619
	Y2.3 openness in financial report	3.846	0.969	0.772
	Y2.4 implement internal control	4.037	1.003	0.696
	Y2.5 having independent director	4.029	0.934	0.615
Response to FDI	Y3.2 FDI could transfer transparency	3.637	0.890	0.612
	Y3.3 FDI could enhance economic life	3.825	0.893	0.742
	Y3.4 FDI could create good business environment	4.023	0.877	0.605

Developed for this research

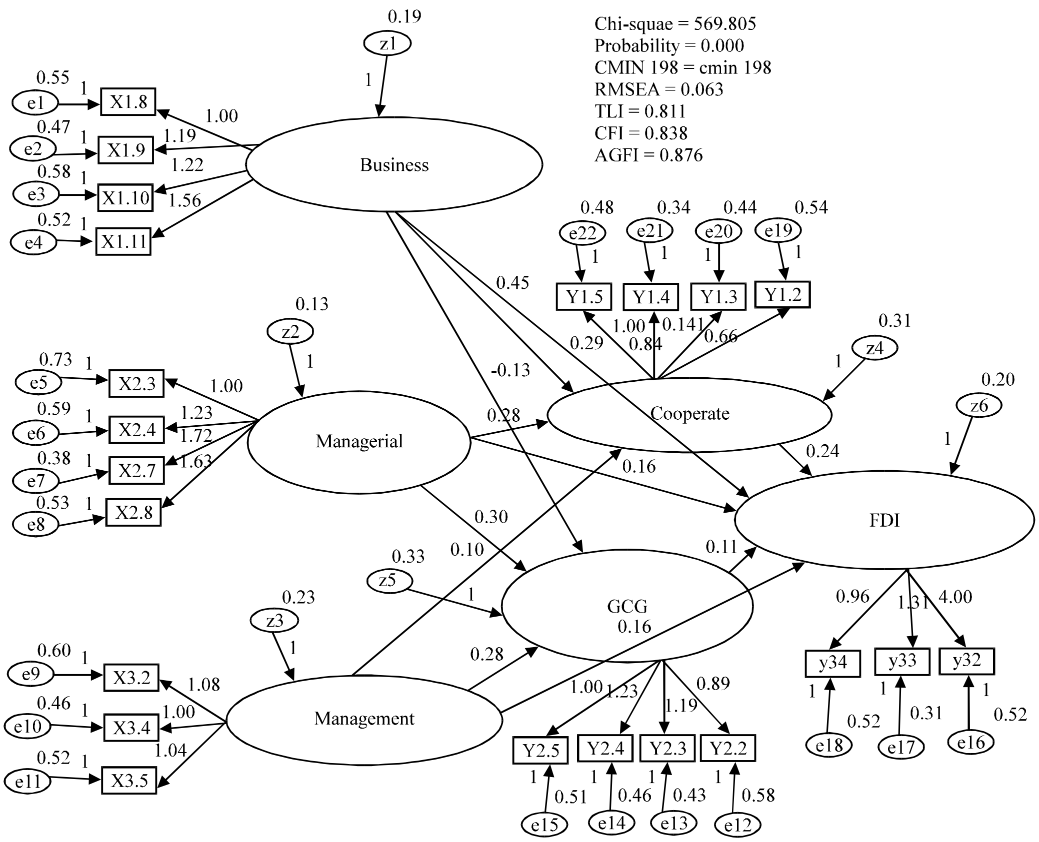

Fig. 1: Response to foreign direct investment abdul

Table 4: Varible relations in foreign direct investment research

Dependents	Independent	Estimate	SE	CR	P
GCG	Business	-0.130	0.086	-1.515	0.130
GCG	Managerial	0.298	0.109	2.737	0.006
GCG	Management	0.283	0.089	3.176	0.001
Cooperate	Business	0.448	0.096	4.653	***
Cooperate	Managerial	0.281	0.106	2.658	0.008
Cooperate	Management	0.103	0.081	1.269	0.204
FDI	GCG	0.106	0.054	1.964	0.050
FDI	Managerial	0.163	0.093	1.760	0.078
FDI	Management	0.160	0.076	2.103	0.035
FDI	Business	0.289	0.087	3.321	***
FDI	Cooperate	0.241	0.061	3.977	***

Developed for this research

DISCUSSION

Relations business environment to response to good corporate governance: Table 4 shows relation business environment to response to GCG indicates in significant effect even the regression weight found to be in negative value. Therefore, hypothesis 2 is rejected. This result concist of the result found by Rogmans and Ebbers (2013). Contributes to knowledge that energy endowments have a negative impact on FDI flow to MENA region. However GDP per capita, openness to trade and oil prices have a positive impact of FDI inflows. Moreover, environment risks are not differentiating factors among countries in the region. This result supports the fact that business condition in Makassar in specific, even Indonesia as a whole did not able to encourage the local firms implementing good corporate governance. Respondents beleive that good corporate governance only for public company or national owned enterprises.

Relation business environment to intent to cooperate: Table 4 shows that business environment affects significantly to intent to cooperate with regression weight of 0.448 and level of significant of 0.00 which means if the response to variable in business environment increases, it would make response to variable intent to cooperate also increase. Therefore, hypothesis 1 is accepted. This result concists to the result found by Evrensel and Kutan (2007) in which inflow FDI to South Sulawesi did not afraid of social violence except for ethnic violence and industrial relation violence. Inward FDI in other hand become firms which can create new job to local people, transfer management skills to local firms through partnership program. This result seems to support findings on Ardichvili *et al.* (2012) that vocational and technical education program, demographic shifts, level of poverty and social stratification could develop human capital in order to cooperate with multinational firms.

The result found this research reveals that local entrepreneurs believe that foreign direct investment can give benefit to local firms, therefore, they want to cooperate in business thrrough supplier relations or even become FDI partnrs. This response tends to similarly with response in other part of Indonesia. Therefore, it can be said that Indonesian intent to cooperate with multinational firm.

Relation business environment to response to foreign direct investment: Table 4 indicates business environment affects significantly to response to foreign direct investment with regression weight of 0.289 and the significant level 0.000 which means if response in variable business environment increase, would make response in foreign direct investment also increase. This results shows that business environment affects significantly to response to foreign direct investment. Therefore, hypothesis 3 is accepted. This result concists to result found by Schotter and Bontis (2009) in Canada that environmental heterogeneity is positively related to the development of new capabilities. A high level of decision making autonomy is necessary but not sufficient for local product and service development. Managerial initiative at the subsidiary level is positively related to local product and service development.

This results indicates that business environment in Makassar, seems to support the existent of foreign direct investment because the FDI could create transparency and good economic life The existent of foreign direct investment could also create good experience which benefit to train local traders deal with international businesses (Rakhman, 2013).

Relation variable managerial skill and good corporate governance: The result in Table 4 shows that variable managerial skill affects significantly to response in good corporate governance with regression weight of 0.298 and significant level of 0.006 which indicates that the increase in rsponse of variable managerial skills would make the increase in response to good corporate governance. Therefore, hypothesis 5 is accepted. Finding in this research consists to result by Kuhlmann and Hutchings (2010) in China who found that expatriate German and Australian companies overwhelming intention to assign local manager to their Chinese business operation and reduce the use of expatriates. Despite cultural and associated local knowledge held by local Chinese manager, though, it was also identified they lack Western businees expertise, organizational commitment and foreign language skills which companies may address through training and development. Even though local businesses owner need to learn managerial skill from multinational firm, it is important for local to have managerial skill which can support good corporate governance in order to have experience with foreign direct investment.

Relation variable managerial skill and intent to cooperate: Statistical equation modelling result in Table 4 reveals relation between managerial skill and intent to cooperate shows regression weight of 0.281 and significant level of 0.008. The result indicates that managerial skill affects significantly to intent to cooperate which means those entrepreneurs in Makassar who have good managerial skills will intent to cooperate with mutltinational firms. Supplier relations or trader relations between local and foreign company seem to become common in Makassar. As the result of trader and supplier relation, local entrepreneur gains knowledge, capacity building and learn technology and development of human capital. Therefore, hypothesis 4 is accepted.

This result concists of finding by Schotter and Bontis (2009) that managerial initiative at the subsidiary level is positively related to local product and service development. Subsidiary autonomy, environmental heterogeneity, managerial initiative and person to person communication are indeed pertinent antecedents of intra-MNC knowledge and capability transfer. Result finding of this research also consists with result found by Martins and Antonio (2010) for Mosambique that the success of knowledge transfer depends on whether thre is a compatibility of priorities between the MNE and its subsidiary. It is necessary to create condition which allow the receiver to understand that the transfered knowledge is not being imposed by the transmitter.

Relation variable managerial skills and variable response to foreign direct investment: Table 4 reveals managerials skills did not affect significantly to response to foreign direct investment with regression weight of 0.163 and significant level of 0.078 which means that the increase response to managerial skills did not make the increase response to foreign direct investment. In other words, variable managerial skills did affect to response to foreign direct investment. Therefore, hypothesis 6 is rejected. This result consists to Manjumdar (2014) in India indicates that for 26 companies in hardware electronic industry, all sample were fail to achieve improvement in process efficiency in comparison to progress in production technology. Most of firms in developing countries spent high cost research and development for achieving efficiency program. Due to lacking in managerial skills, the companies in developing countries beleive the FDI do not soo helpful to local.This research also similarly to result found by Forlani *et al*. (2008) in Japan that ownership provided control interact with capability to influence managerial risk perceptions. Managers in lower capability firms see the least risk in the non-ownership entry mode while those in higher-capability firms see the least risk in the equal-partnership entry mode. Managers believe that for a new venture in a foreign market to be successful, control should be retained over the R&D function, regardless of entry mode.

Relation variable knowledge management and good corporate governance: Table 4 presents relation between knowledge management and good corporate governance with regression weight of 0.283 with significant level of 0.01. The result indicates that variable knowledge management affected significantly to response of good corporate governance. Therefore, hypothesis 8 is accepted. This result concists with result by Chandra *et al*. (2009) who found that the existing theories of internationalization by providing explanation of the process of recognizing initial information opportunities, the condition under which firms deliberately search for vs. discover opportunities in international markets and how the two are connected. These scholars conclude network, relation and referral are necessary but insufficient to account for the discovery process. Through their networks and referral firms encounter new information but this is only the first part of the process. It is followed by the process of interpreting and recombining of new and prior knowledge in new ways that suggest international market opportunities including new means, new ends and new means-end combination. This research also support result by Lattemann (2014) found that with practical and specific insight for investors, managers and policy makers in the importance of national government regimes and international institutions on corporate governance practices. The researcher suggests corporate governance should be studied by considering multilevel antecedents on a country, industry and firm-level.

Relation knowledge management to intent to cooperate: SEM result shows that relation knowledge management to intent to cooperate has regression weight of 0.103 and probability of 0.204. This result indicates that knowledge management did not affect significantly to intent to cooperate with foreign direct investment. Therefore, hypothesis 7 is rejected. This result seems to concists of result found by Okpara (2011) that developing nation weak or non-existent law enforcement mechanism, abuse of share holders rights and lack of commitment to cooperate with foreigner.

This result contradict to results found by Bojnec (2011) the existing institutional environment and economic practices in defence supply-in return FDI and technical cooperation with the set legal environment and expected tranparent practices for enterprises and social responsibility. Know transfer in Makassar did not encourage business people to cooperate with foreign direct investment.

Relation knowledge management and response foreign direct investment: Table 4 reveals that relation knowledge management to response to good corporate governance has regression weight of 0.160 and probability of 0.035. This result means knowledge management affects significantly to response to response to foreign direct investment. In other words, the increase in response to knowledge management would increase in response to foreign direct investment. Therefore, hypothesis 9 is accepted. This research concists of result by Chandra *et al*. (2009) that the existing theories of internationalization by providing explanation of the process of recognizing initial information opportunities, the condition under which firms deliberately search for vs. discover opportunities in international markets and how the two are connected. They conclude network, relation and referral are necessary but insufficient to account for the discovery process. Through their networks and referral firms encounter new information but this is only the first part of the process.

Relation intent to cooperate and response to foreign direct investment: Table 4 indicates the relation intent to cooperate and response to FDI has regression weight of 0.241 and probability of 0.000. This result indicates intent to cooperate affects significantly to response to FDI which means that the increase in response to intent to cooperate would increase in response to FDI. Therefore hypothesis 10 is accepted. The result finding in this research concists of finding by Tseng and Chen (2014) that local linkage contributes to the development of the subsidiary's technological capability in which asset specific investment of local supplier and the relational capital cultivated in the subsidiary-local supplier linkage both improve the subsidiary's technological capability. This result also concist to result found by Soberg (2011) that India and China are benefited by Scandinavian MNCs in innovation related knowledge in creating competencies in codification of knowledge. Other research by Ardichvili *et al*. (2012) found that local government have to create national program to enhance human capital development through regulation in primary and secondary education vocational education and training and higher education, especially in science and technology fields. The result in Makassar, seems to approve the facts that the wish to cooperate with foreigners would create good response to foreign direct investment, therefore, local entrepreneurs intent to cooperate.

Relation good corporate governance and response to foreign direct investment: The result in Table 4 indicates that relation good corporate governance to response to FDI has regression weight of 0.106 and probability of 0.050 which means good corporate governance affects significantly to response to FDI. In other words, the increase in response in good corporate governance would increase in response to FDI. Therefore hypothesis 11 is accepted. This result concists of result found by Dercon (2007) that good corporate governance has been popular in Indonesia since the country implement law enforcement to let the firm raise capital in the stock exchange with perfect financial report system, transparency and disclosure. The result support the thought that it is important for the firms to have independent audit committee, independent commissioner and making financial report in the regular basis (Ika and Ghazali, 2012).

This result also consist to result by Seyoum and Manyak (2009) that foreign investors require extensive information in matters ranging from cost of input to reliability of suppliers in host countries. However, public information in developing countries, even when available is often compromised due to corruption or the lack of competence of the public officials. Multinational firms in host country, seem to play important role to local firm in exchanging knowledge or dissiminate international experience through supplier relationship.

CONCLUSION

The finding of this research indicates that business environment affected significantly to intent to cooperate and response to foreign direct investment but it did not affect to response to good corporate governance. Managerial skill affected significantly to intent to cooperate and good corporate governance but it did not affect to responce in foreign direct investment. Knowledge management affected significantly to good corporate governance and response to foreign direct investment but it did not affect intent to cooperate. In terms of intervening variables, intent to cooperate affected significantly to response to foreign direct investment, furthermore response to good corporate governance affected significantly to response in foreign direct investment. The entrepreneur in Makassar wishes to cooperate with foreign direct investment and committed to implement good corporate governance but they lacking managerial skills. In terms of knowledge management, the entrepreneur did not want to cooperate but they recognized good corporate governance and respect to foreign direct investment.

Implication of the research to existing theory that the entrepreneur believe that business environment did not to implement good crporate governance and those entrepreneurs with well developed managerial skills did not want to support foreign direct investment. Those entrepreneurs with having knowledge management did not want cooperate with foreign direct investment. It is important for FDI to transfer knowledge, technology and know to local firms in order to let the FDI sustainable in Indonesia. However, results the survey contributes new insight in response to FDI research. Weaknesses of this research might be address in the wide range of number of employee and a variety product were observed in this survey, this make difficult to generalize what type of local business wants to cooperate with the existing FDI. Several respondents also answering questionnaires as self confidence feeling which seem to be subjective.

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