



## IMPROVING MSEs PERFORMANCE THROUGH COMPETITIVE ADVANTAGE: A STUDY ON SUKABUMI CITY MSEs

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### ABSTRACT

*The competitive advantage obtained by Sukabumi's typical mochi MSMEs has an impact on improving the performance of MSMEs. This research aims to analyze what factors can improve the performance of MSMEs. The research sample was 121, but the data collected was only 105 samples. So, the data was analyzed with 105 final respondents. Respondents in the research were Sukabumi typical mochi MSME entrepreneurs. The analysis tool uses AMOS assistance with the Structural Equation Modeling (SEM) method. The research results show that the 5 proposed hypotheses can be accepted as a whole. There is a significant influence of market orientation on competitive advantage with a p-value of  $0.040 < 0.05$ . There is a significant influence of innovation on competitive advantage with a p-value of  $0.007 < 0.05$ . There is a significant influence of market orientation on the performance of MSMEs, with a p-value of  $0.015 < 0.05$ . There is a significant influence of innovation on the performance of MSMEs with a p-value of  $0.025 < 0.05$ . There is a significant influence of competitive advantage on the performance of MSMEs with a p-value of  $0.012 < 0.05$ .*

**Keywords:** Market Orientation, Innovation, Competitive Advantage, MSME Performance

### INTRODUCTION

In the midst of the ongoing pandemic, many businesspeople feel affected so that their respective abilities to achieve their turnover targets are never achieved. On the other hand, there are several parties who are also able to persist in achieving the target, one of which is the producer of moci, a typical food from Sukabumi. His ability to achieve targets is important, to be used as a general idea in making policies for every businessman. Moreover, people are often looking for forms of business that can survive when a pandemic occurs. In fact, the main factor does not lie in the type of business, but rather the ability of individual companies who allocate most of their abilities to one aspect rather than another. So that the findings in this research can become a Decision Supporting System that needs to be developed in the future, so that it can have a good impact on the

business world which is ready to face various conditions.

MSMEs in Indonesia are the biggest support for society, with the hope that they will continue to grow and develop for the better. However, in its development it is certainly not free from problems, for example; (a) low market reach for selling the products produced, (b) poor service, (c) human resource capacity is still limited in its management, (d) input goods and technology are inadequate or even lagging behind, finally limited capital in operations.

In order to excel in business competition, it is necessary to implement a strategic orientation. Strategic orientation is defined as a strategic direction implemented by a company to create appropriate behavior for continuous business performance. An important aspect of strategic orientation is the creation of new values and joint action within the organization. The strategic orientation that



is often used in companies and business entities is how to create innovation to improve superior business performance.

This research activity focuses on the MSME field of typical food from the Sukabumi region, which is a sub-topic related to local wisdom in the field of study of strengthening social capital. It is hoped that

this research can also be widely used in society, especially the Business and Industrial World (DUDI). It is our hope that the results of our research can help improve MSME businesses, especially Sukabumi's typical Moci. The following is data on the number of MSMEs in Sukabumi Regency/City non-Pertania.

**Table 1**  
**Non-Agricultural SMEs in Sukabumi Regency/City in 2019-2021**

District/City	Year-Unit		
	2019	2020	2021
Total number of SMEs in Sukabumi City	65,018	67,200	69,368
Total number of SMEs in Sukabumi Regency	266,729	288,729	297,729
<b>Amount</b>	<b>331,747</b>	<b>355,929</b>	<b>367,097</b>

Data source: City Cooperatives and UMKM Service & West Java BPS

**Table 2**  
**Mochi UKM in Sukabumi Regency/City in 2019-2021**

District/City	Year-Unit		
	2019	2020	2021
Number of UKM Mochi Sukabumi City	22	27	33
Number of UKM Mochi Sukabumi Regency	66	77	88
<b>Amount</b>	<b>88</b>	<b>104</b>	<b>121</b>

Data source: City Cooperatives and UMKM Service & West Java BPS

From table 1 above, the number of non-agricultural SMEs (Small and Medium Enterprises) in Sukabumi Regency/City in 2019-2021 has increased. In 2019 it was 331,747, in 2020 it increased by 355,929 and in 2021 it increased again by 367,097.

Continuing with the data obtained from Mochi MSMEs in Sukabumi Regency/City which can be seen in table 2 above, it is known that the number of Mochi MSMEs in 2019 was 88, then experienced an increase in 2020 by 104, and in 2021 by 121. This shows MSMEs in



Sukabumi Regency/City experience an increase every year, although it is not very significant, this could be from business actors opening new branches or other actors having new businesses. However, this is not in line

with the average turnover obtained by UKM Mochi District/Sukabumi City, there was a decrease in turnover in 2019-2021. As follows.

**Table 3**  
**Mochi SME turnover in districts/cities in Sukabumi 2020-2022**

No	Year	Average Turnover Per Year in Millions
1	2019	600,000,000
2	2020	450,000,000
3	2021	420,000,000

Source: Kompas/food.

In table 3 above, the average turnover of mochi MSMEs in Sukabumi Regency and City every year from 2019-2021 has decreased by around 25% because this happened during the Covid-19 pandemic season. In 2019 the average turnover of mochi MSMEs was 600,000,000, in 2020 it decreased by 450,000,000 and decreased again in 2021 by 420,000,000. This indicates that during the pandemic season, business actors experienced difficulties in selling their products.

## LITERATURE REVIEW

### MSME performance

Business performance has a very important role in the small business sector for the economic progress of companies in the SME sector. Measuring a company's performance is the result of multidimensional development within the organization. The performance of each business can be linked to a measure of company performance that has been combined with manufacturing, finance and marketing (Cleveland et al. 2015). Business performance is the level of

achievement of the business itself (Rue & Byard, 2014).

### Competitive Advantage

Competitive advantage is thought to produce superior market performance and business performance (in profit growth to create prosperous investments for shareholders or dividends (Cravens, 2018). Skills that have been obtained from superiors enable an organization to have and to implement competitors' strategies within the organization. include have skills and operational capabilities in carrying out technical or managerial matters, for example to be able to know more about the demands and desires of consumers to be able to help satisfy consumers for company development.

### Market Orientation

Market orientation can be seen as a model of marketing management behavior that emphasizes customer satisfaction, coordination of functional marketing activities, sensitivity to competition and intelligence, and mutual satisfaction of performance measures. It should guide



marketing management actions, lies in the ability to satisfy customers or clients to achieve efficiency and marketing activities (Varela and Rio, 2003). According to Nerver and Slater, market orientation is based on these dimensions: consumer orientation shows the understanding or desires and needs of customers to carry out incoming monitoring. From these dimensions it can be concluded that empowering company resources to process and create values for consumers.

### **Innovation**

In the opinion of Damanpour et al., (2009) innovation can be measured by the extent to which a business entity or organization produces, accepts and implements new ideas, such as from its processes, from its products, and from its services. A very common reason why an organization innovates is because of pressure from the external environment, such as increasingly competitive market conditions, deregulation, scarcity of resources, requests from most customers, or because of internal choices of the organization itself, by wanting to obtain distinctive competencies, wanting to gain superior aspiration levels, and increasing the level of service quality (Damanpour et al., 2009).

### **HYPOTHESIS DEVELOPMENT**

#### **Market Orientation Influences Competitive Advantage**

Market orientation is a business perspective to maintain competitive advantage in determining the interests of an organization to satisfy consumers and their needs in company activities. Therefore, market orientation must determine the target market that must be achieved for the progress

of businesses operating in the pottery sector (Cravens and Piercy, 2006).

H1: Market orientation has a positive effect on competitive advantage

#### **Market Orientation Influences Business Performance**

According to Kolter and Keller (2012) the market is based on the views of economic experts which is often described as a group of sellers and buyers who have made transactions for a particular product or group of products. In Best's (2009) opinion, a strong market orientation is needed to achieve a business that adopts a market management philosophy (market-based management). Business competition is getting tighter for companies that have good market orientation in the competitive pottery industry in Bantul Regency. This is shown by the rise of the pottery business which is growing and developing in Bantul Regency.

H2: Market orientation has a positive effect on business performance

#### **The Influence of Innovation on Competitive Advantage**

Innovation is the ability of business actors to come up with new ideas which can then differentiate them from others. Business actors who can survive in any condition in the business world need to have continuous innovation. The results of research from Jimenez et al (2008) & Mahmoud Abdulai Mahmoud et al., (2016) show that there is a positive relationship between innovation and competitive advantage.

H3: Innovation has a positive effect on business performance

#### **The Effect of Innovation on Business Performance**



In a study conducted by (Georgellis et al., 2000) entitled "Entrepreneurial action, innovation and business performance: The small independent business" research found results on the importance of innovation capacity as a strong predictor of small business performance. Or research finds a positive relationship between innovation and performance.

The above results are also strengthened by the results of research conducted by Haryanto (2017) & David et al., (2007) & Jimenez et al (2008) & Mahmoud Abdulai Mahmoud et al., (2016), there is a positive relationship between innovation and business performance.

H4: Innovation has a positive effect on business performance

influences competitive advantage and business performance to increase competition between businesses and between prices that have been set for consumers, therefore business performance encourages increasing the growth of small and medium businesses through Competitive advantage strategy to advance consumer sales growth and increase customers.

The research above is strengthened by the results of research conducted by Rosa Eidizadeh (2016) & Reza Salehzadeh (2016) & Ali Chitsaz Esfahani (2016), there is a positive relationship between competitive advantage and business performance to improve the company.

H5: Competitive advantage has a positive influence on business performance

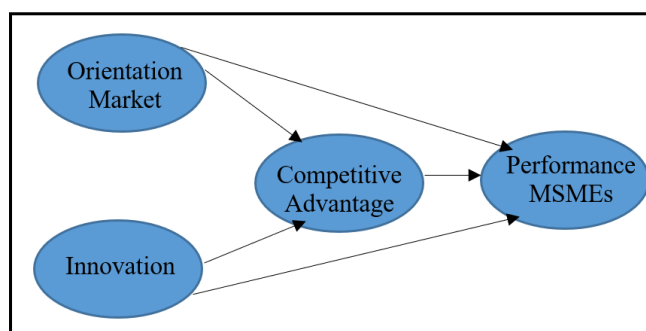
### Competitive Advantage Affects Business Performance

In a study conducted by (Meihami 2014 and Hana 2013), Huang et al. (2014) the results of this research show that various knowledge has a positive meaning and

### THEORETICAL FRAMEWORK

Below is a continuation of making a hypothesis, namely preparing a framework of thought which aims to analyze directly and indirectly the influence of the independent variable on the dependent variable.

**Figure 1**  
**Theoretical Thinking Framework**



Source: Various journals, developed for research.

### Variable Dimensionalization

The following is the operational definition of research variables:



**Table 4. Research Variable Indicators**

Variable Name	Variable Definition	Indicator
Market Orientation	It is a very important process for companies to create customer value in the business environment.	<ul style="list-style-type: none"> <li>• Customer Orientation</li> <li>• Competitor Orientation</li> <li>• Market Information</li> <li>• Sales Turnover</li> </ul>
	Refers to previous knowledge for the future in generating, accepting and implementing new ideas.	<ul style="list-style-type: none"> <li>• Innovation Products</li> <li>• Innovation Process</li> <li>• Innovation in Product Marketing Activities</li> <li>• Innovation in Organizations</li> </ul>
Competitive Advantage	The ability to maintain its position and dominate the market	<ul style="list-style-type: none"> <li>• Product uniqueness</li> <li>• Product quality</li> <li>• Competitive prices</li> <li>• Advantages of Market Segmentation</li> </ul>
Business Performance	Examining business performance over the previous three-year period, the value seen from the growth of a business	<ul style="list-style-type: none"> <li>• Sales growth</li> <li>• Market growth</li> <li>• Profit Growth</li> <li>• Asset Growth</li> </ul>

## METHOD

### Population and Sample

The population in this study is typical Sukabumi mochi MSMEs. In 2021, the number of MSMEs in Sukabumi Regency and City will be 121 data sources from the Sukabumi Regency/City Cooperative and UMKM Service.

The research sample is a representation of the population. The research sample used a census technique where the entire population was used as a research sample, namely 121 samples of Sukabumi typical mochi MSME actors.

### Method of collecting data

The data collection method in this research uses Google Form. This research uses primary data obtained directly from respondents, namely Sukabumi mochi

MSMEs. The distribution of the questionnaire was carried out on June 1 2022 to July 15 2022, data was collected for 105 samples because 16 samples were not willing to fill out the questionnaire.

### Data analysis technique

The data analysis technique in this research uses the AMOS tool with the Structural Equation Modeling method (Hair et al (1998, in Ferdinand 2006) there are seven steps (1) Developing a theoretical model, (2) Creating a path diagram, (3) ) Converting path diagrams into structural equations, (4) Selecting input matrices for data analysis, (5) Assessing model identification, (6) Evaluating model estimates, (7) Model interpretation.

## RESULT AND DISCUSSION





The discussion will describe the results of each variable's influence. In the research there were 5 hypotheses proposed and overall they were accepted. Each hypothesis is as follows:

### **Market Orientation Has a Positive Influence on Competitive Advantage**

It is proven that there is a significant influence of market orientation on competitive advantage by observing the p-value of  $0.040 < 0.05$ . The first hypothesis can be accepted. The market orientation carried out by Mochi Sukabumi MSMEs is customer oriented, competitor orientation, market information orientation and sales turnover orientation. The most dominant factor loading value is the customer orientation indicator with a value of 0.889, which means that customer orientation carried out by MSME mochi players is to meet consumer needs in terms of taste and variety which really determines whether the product sells on the market. The results are in line with research conducted by David Di Zhang and Edward Bruning (2011), John O. Okpara (2009), market orientation has a significant positive effect on competitive advantage.

### **Market Orientation Has a Positive Influence on MSME Performance**

It is proven that there is a significant influence of market orientation on the performance of MSMEs by observing the p-value of  $0.007 < 0.05$ . The second hypothesis can be accepted. The market orientation carried out by Sukabumi mochi MSME players can significantly improve the performance of MSMEs. Market orientation is the attitude of business people in running their business by paying attention to consumer desires. The results of this research support

the findings of previous research conducted by Luu Trong Tuan et al (2015) and Stanley Wong Kam Sing (2012) that market orientation is significant in improving business performance.

### **Innovation Has a Positive Influence on Competitive Advantage**

It is proven that there is a significant influence of innovation on competitive advantage by considering the p-value of  $0.015 < 0.05$ . The third hypothesis can be accepted. Innovations that are continuously carried out by business people by creating products that have added value and are different from others can become pioneers in the market because the products being sold are considered to be very different from others. The innovations carried out are product innovation, process innovation, product marketing activity innovation and innovation within the organization. The most dominant factor loading value is the innovation process indicator with a factor loading value of 0.785, which means process innovation carried out by mochi MSME actors in the production process until the product is sold to fulfill customer desires. The results are in line with research from Jimenez et al (2008) & Mahmoud Abdulai Mahmoud et al., (2016).

### **Innovation Has a Positive Influence on MSME Performance**

It is proven that there is a significant influence of innovation on the performance of MSMEs by paying attention to the p-value of  $0.025 < 0.05$ . The fourth hypothesis can be accepted. Innovation also shows a positive impact on the long-term success of mochi Sukabumi MSMEs, because it is believed to increase the desire to grow and change, and the introduction of new products. Innovation



can be observed from the extent to which a business accepts input and implements new ideas, such as from its processes, from its products, and from services to consumers. The results are in line with research from Haryanto et al, (2007), that innovation influences business performance.

### **Competitive Advantage Has a Positive Influence on MSME Performance**

It is proven that there is a significant influence of business excellence on the performance of MSMEs by paying attention to the p-value of  $0.012 < 0.05$ . The competitive advantages gained by mochi MSME players in terms of product uniqueness (taste), product quality, competitive prices and market segmentation advantages can certainly improve business performance. The dominant value of factor loading on competitive advantage is the indicator of product uniqueness (taste) with a value of 0.828. This means that the taste or uniqueness of the mochi product is a requirement that is considered to be liked by consumers, because mochi that has many variants will certainly be preferred by customers.

### **CONCLUSION**

1. The research results cannot be generalized to all MSMEs in Sukabumi City because the focus of the research is only on MSMEs for the typical Sukabumi mochi food.
2. There are two model feasibility tests that have not been fulfilled, namely the GFI test and the AGFI test, the value of which is still less than the specified threshold of  $>0.90$ .

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