

THE EFFECT OF INNOVATION, TQM IMPLEMENTATION AND ENTREPRENEURSHIP ORIENTATION ON COMPETITIVE ADVANTAGE STRATEGIES IN BUILDING MSME PERFORMANCE

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ABSTRACT

The number of MSMEs engaged in timber requires companies to determine strategies that can make MSMEs seek and retain consumers. A model of MSME business continuity has been developed by placing the dependent variable on company performance as a proxy for MSME business continuity. In this model there are three antecedents of business continuity which include innovation, entrepreneurial orientation and TQM. In this study, the total population of wood processing MSMEs was 189 MSMEs spread across Banyumas which were recorded at the Banyumas Cooperatives and MSMEs Service. The data was collected by using a questionnaire and using measurements with a Likert scale. This research concluded that innovation and entrepreneurial orientation play an important role in creating a competitive advantage strategy for MSMEs in Banyumas Regency

KEYWORDS

Organizational Politics, Commitment, Satisfaction, OCB



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INTRODUCTION

One of the business entities that contribute to economic growth is Micro, Small and Medium Enterprises (MSMEs). The development of micro, small and medium enterprises (MSMEs) is strived to be able to reach and evenly reach rural areas. Data from the Ministry of Cooperatives and Small and Medium Enterprises in 2014 stated that there were around

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57.8 million MSME actors in Indonesia with a labor absorption rate of around 97 percent of the entire national workforce. The profile of MSMEs in Banyumas Regency is 128,133 units and is divided into nine business sectors. If detailed, the MSMEs in Banyumas Regency can be seen in the following table:

Table 1. MSME Sector in Banyumas Regency

Sector MSMEs	Total (unit)	Percentage
Agriculture, animal husbandry, forestry and timber	51.460	40,16
Mining and excavation	2.797	2,18
Processing industry	24.714	19,29
Electricity, gas and clean water	237	0,18
Building	1.253	0,98
Trade, hotel and restaurant	28.002	21,85
Transportation and communication	9.068	7,78
Finance, leasing and services	1.519	1,18
Private services	9.083	7,08
Total	128.133	100,00

Source: Department of Industry, Trade and Cooperatives, Banyumas Regency, 2020

Table 1 shows that MSMEs in Banyumas Regency are engaged in agriculture, animal husbandry, forestry and timber for 40.16 percent of the total MSME businesses. The number of timber companies that have sprung up, requires companies to compete competitively in finding or retaining consumers. The emergence of intense competition between companies, makes companies need a good marketing strategy so that consumers do not switch to other products. Marketing strategy is a way for companies to market products as something that is offered in order to achieve the company's long-term targets. Strategy is also defined as a pattern or activity plan regarding how businesses compete, the goals to be achieved and what policies are needed to achieve the goals.

A model of MSME business continuity has been developed by (Al-Dhaafri et al., 2016) by placing the dependent variable on company performance as a proxy for MSME business continuity. In this model, there are two antecedents of business continuity which include entrepreneurial orientation and total quality management. The findings of the model show that the determination of entrepreneurial orientation and Total Quality Management (TQM) simultaneously on business continuity is 71%, so it is recommended for further researchers to complete several variables. That TQM is a variable about people and processes so that the resulting results can be trusted to be generalized to each type of company. Therefore, the future model should place business continuity as a separate variable from the company's performance. The last recommendation of Dhaafari (2016) is the importance of a research approach to detect dynamic changes in the relationship between variables through the process. As a development of this model, this research includes innovation as a new antecedent variable.

(Valeria, 2017) concludes that companies need technological innovation, market product variations, fast processes to keep up with business developments. Especially for SMEs, the determination and selection of new strategies is needed to continue to survive. MSMEs need to make strategies that are right on target to face today's competition. MSMEs need to innovate or create new products that keep up with the times so that consumers are interested in the market. Innovation assessment is carried out as a company mechanism to adapt to changes in the business environment (Setiawan, 2012). Companies that are able to innovate and be sustainable in business will be able to increase the value of a company, which allows a company to gain a competitive advantage as a market leader (Schroeder et al., 2018).

MSMEs in addition to innovating, also need other strategies by implementing TQM which is a management management system and MSME services for customer satisfaction. TQM is used to increase sales, profit and competitiveness of the company (Tjiptono & Diana, 2003). TQM provides direction on the quality standards of the performance of MSME companies with a philosophy of tools to improve existing quality (Sallis, 2006). The quality of MSMEs is the main thing, so the important role of TQM in improving the quality of MSMEs occurs in every company development, this is because many MSME business actors are only concerned with profit without looking at the continuation of the business which will have an impact on MSME products, and ultimately have an impact on consumer satisfaction itself.

TQM in SMEs plays an important role in providing customer satisfaction through prevention and reducing the causes of errors. MSMEs that implement TQM will treat personnel to work properly from the start and continuously, so that MSMEs that have implemented the concept well will have an impact on increasing sales and company profits. Based on research by (Mulyani & Wijayani, 2017), it states that the implementation of TQM that is carried out optimally affects management performance with improvements from each stage of management carried out so as to increase sales from the company.

Micro, Small and Medium Enterprises (MSME) in running their business also require an entrepreneurial orientation because this is the main capital for Micro, Small and Medium Enterprises (MSME) to go through a period of doing business. The influence of entrepreneurial orientation with the company's own performance is the main capital for Micro, Small and Medium Enterprises (MSME) to develop. Because without an entrepreneurial orientation, Micro, Small and Medium Enterprises (MSME) will be easily shaken because they are not based on the main capital, namely entrepreneurial orientation. Entrepreneurship orientation is a way for Micro, Small and Medium Enterprises (MSME) to form and maintain their business by prioritizing creativity, courage to take risks and innovation by working hard.

Moving from the phenomenon of business competition, researchers want to do research in the field of wood processing SMEs. This study will take samples from the owners or entrepreneurs of wood processing in Banyumas. Researchers want to review how MSME actors engaged in the wood processing industry are able to maintain competitive advantage, business continuity and review the performance of their company's performance, through several research variables that researchers try to examine through questionnaire questions.

In this study, the researchers took the key variable, namely Competitive Advantage, which will examine how much the values of Competitive Advantage in this wood-processed MSME are in increasing the value of the Company's Performance. The basic variables that the researcher wants to take are Innovation, Total Quality Management (TQM) and Entrepreneurship Orientation from these business people. In the academic field, there have actually been many studies that have been researched on Total Quality Management (TQM), innovation, and entrepreneurial orientation on the business performance of a company through the core variable, namely competitive advantage. This study was conducted to find out whether Total Quality Management (TQM), entrepreneurial orientation, and innovation have an effect on competitive advantage so as to improve company performance

RESEARCH METHOD

In this study, the total population of wood processing MSMEs was 189 MSMEs spread across Banyumas which were recorded at the Banyumas Cooperatives and MSMEs Service. The data was collected by using a questionnaire and using measurements with a Likert scale where the questions in the questionnaire were made in the form of statements using a scale of 1-5. Then it was analyzed using PLS (partial least square) quantitative analysis tool.

There are four indicators used to measure innovation (Ebrahimi et al., 2016; Lee & Hsieh, 2010). TQM is measured by four indicators adapted from Sallis (2006). Entrepreneurship orientation is measured by four indicators adapted from (Alhinity et al., 2016; Buli, 2017; Hacıoglu et al., 2012; Jajja et al., 2017; Lee & Hsieh, 2010; Sáiz-Manzanares et al., 2019). The indicators used to measure competitive advantage are five and adapted from research by (Audretsch et al., n.d.; Chen et al., 2007; Longenecker, 2001) Company performance is measured by four indicators from (Ambler et al., 2001; Best, 2013; Falshaw et al., 2006; Iscan, 2015; Richard et al., 2009).

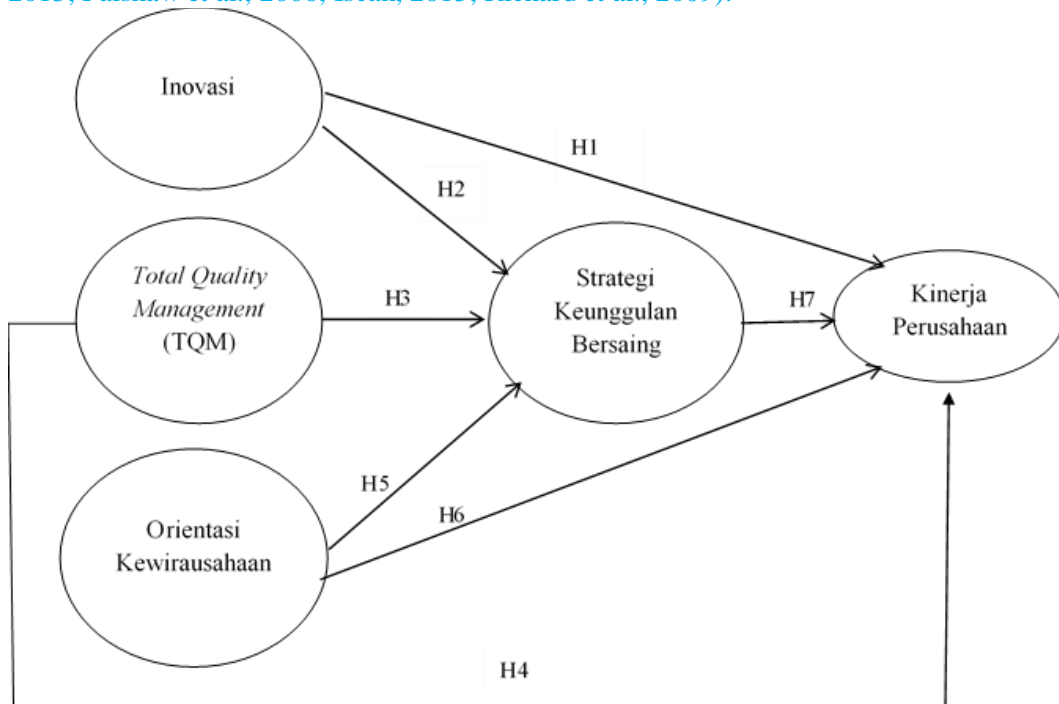


Figure 1. Research Model

RESULT AND DISCUSSION

Results

Table 2. Path Coefficient

Hypotesis	Original Sample (O)	P Values
Hypotesis H1 (X1 → Z)	0,163	0,024
Hypotesis H2 (X2 → Z)	0,283	0,064
Hypotesis H3 (X3 → Z)	0,329	0,078
Hypotesis H4 (X1 → Y)	0,137	0,028

Hypotesis	Original Sample (O)	P Values
Hypotesis H5 (X2 → Y)	0,009	0,512
Hypotesis H6 (X3 → Y)	0,331	0,024
Hypotesis H7 (Z → Y)	0,300	0,038
Hypotesis H8 (X1.Z → Y)	0,088	0,004
Hypotesis H9 (X2.Z → Y)	0,015	0,888
Hypotesis H10 (X3.Z → Y)	0,129	0,564

Based on table 2, it can be seen that H1, H4, H6, H7, and H8 are accepted, ha; this is because the p-value is less than 0.05. Meanwhile, H2, H3, H5, H9 and H10 were rejected because they had a p-value of more than 0.05.

Discussion

The results of hypothesis testing show that innovation has an effect on competitive advantage ($p < 0.05$). From 50% of MSMEs in Banyumas that have been established for more than 5 years, it turns out that they are making product innovations. (Antunes et al., 2017) research proves that companies that adopt innovative strategic processes can achieve higher business performance in both operational and financial aspects, while product innovation can only improve organizational financial performance. TQM practices drive product and process innovation strategies.

The test results prove that innovation in addition to affecting the sustainability of MSMEs also affects the company's performance ($p < 0.05$). Companies that are able to innovate can dominate the market and develop new markets, which play a role in the company's survival in future competition (Datta et al., 2013). However, not all innovations can increase business. In some cases, innovation actually jeopardizes the uniqueness of MSME products.

However, there are differences in the implementation of innovations carried out by small, medium and large companies. Samuel's research (2017) shows that innovation implemented in a company has a positive influence on the performance of the company. This means that failure in an organization in achieving superior performance is the result of the inability to realize innovation. As many as 35.2% of MSMEs in Banyumas feel that changes in products and services are not significant in income. Especially because there is a habit of the Banyumas people who tend to be interested in emerging businesses.

The results of hypothesis testing show that MSMEs lack good managerial skills ($p > 0.05$). This means that MSME management is carried out conventionally. Whereas according to Antunes (2016) TQM practices should encourage product and process innovation strategies. As many as 64.8% of MSMEs in Banyumas adopt process strategy innovations that can implement TQM practices. The important role of quality management practices for manufacturing SMEs is that SMEs must know the concepts and objectives of TQM. In contrast, 35.2% of MSMEs in Banyumas do not implement Total Quality Management so that the company is not comprehensive enough to achieve sustainable innovation to achieve productivity, improve quality and reduce business financing. This group of MSMEs has not led to a focus on processes or systems in achieving organizational goals that are oriented towards excellence in all dimensions of the products and services developed by the company (Tunggal, 1993).

The results of the study do not show enough evidence that MSMEs in Banyumas implement TQM well even though they are able to advance the company and there is an increase in company performance according to the targeted goals. The practice of TQM is carried out by some MSMEs in Banyumas because there are improvements in the vision,

mission, teamwork, focus on customer satisfaction. In addition, there is a change in the culture of the company which is oriented towards good quality, so that the various elements of TQM are able to make the company's performance both financially and marketing increase.

As many as 55.6% of MSMEs in Banyumas have a workforce of less than 5 people. Compared to large organizations, MSMEs have the advantage of an organizational structure with minimal bureaucracy and this has a positive impact on flexibility, adaptation and speed in responding to changes in the TQM environment (Sahoo & Yadav, 2017). The relationship between quality management practices, entrepreneurial strategies and performance may change and evolve over time, especially if the setting is dynamic and involves many people with various behavioral, organizational and environmental factors.

Basically all MSMEs in Banyumas Regency have a good business orientation, but the results of statistical tests show insufficient evidence ($p > 0.05$). MSME activity in Banyumas Regency by itself, is entrepreneurial behavior which consists in identifying and exploring new ones. Business opportunities in a new environment require an innovative attitude, as well as consider the additional risks involved in acting in a competitive environment (Zhou et al., 2005). This orientation is only owned by 64.8% of MSMEs in Banyumas Regency.

MSMEs in Banyumas Regency that are newly established or even less than 5 years old (there are as many as 35.2%) have a low entrepreneurial orientation. Therefore, Entrepreneurial Orientation is an important concept in competitive business (Mehrabani et al., 2019). MSMEs in Banyumas Regency tend to feel comfortable with the market segmentation that has been achieved so they are not interested in an entrepreneurial orientation that supports innovation. Tendency MSMEs in Banyumas Regency are not involved and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes.

Statistical testing shows that there is sufficient evidence to test the effect of entrepreneurial orientation on company performance ($p < 0.05$). This finding is interesting because entrepreneurial orientation only has a low correlation with competitive advantage but is significant on company performance. An indication that the TQM implemented by MSMEs in Banyumas Regency is still conventional without implementing planning, forecasting, directing and evaluating.

Business opportunities in new environments require an innovative and proactive attitude, as well as acknowledging additional risks. This concept is rarely adopted by SMEs in Banyumas Regency. Therefore, the importance of Entrepreneurial Orientation in developing MSME businesses in Banyumas Regency is important

The results of this study empirically prove that there is a close correlation between competitive advantage strategy and company performance ($p < 0.05$). The relationships formed develop and maintain competitive advantage in order to improve superior performance. Although several studies have suggested that competitive advantage may not lead to firm performance, most studies conclude competitive advantage as a value-creating strategy that contributes to firm performance. This fact can be seen from the cross section between the length of time MSMEs in Banyumas Regency have been established and the number of workers they have. MSMEs in Banyumas Regency that are able to survive for a long time have a workforce of more than 5 people.

Competitive advantage is the benefit that exists when MSMEs in Banyumas Regency have a product or service that the target market believes is better than its competitors.

Competitive advantage is the ability of an organization or institution to create products or processes that have added value compared to competitors.

Innovation and competitive advantage can affect the company's competitiveness. It is necessary to take into account the company's ability to innovate which causes a competitive advantage for the company. Considering innovation requires resources to turn a company into a competitive one. In addition, company resources are needed to innovate. Another important factor is that consumer behavior can be considered as a force that can completely influence the innovation behavior of the company.

Competition is getting tougher and customers are increasingly critical in determining product choices, which forces companies to be more innovative in generating demand for their products. Therefore, TQM plays an important role in forming MSMEs in Banyumas Regency which have a competitive advantage. The success of this product will lead to its market performance. Compared to other competing products, this is where consumers consider the product, whether the product is different and has a competitive advantage.

An entrepreneurial orientation is needed to gain a competitive advantage that differentiates SMEs from their competitors and enhances their market position. More importantly, the findings of this study suggest that SMEs should always consider that before planning to implement a new strategy or practice, must develop a supportive culture.

Competitive advantage can be achieved through entrepreneurial orientation, environmental adaptability and innovative creativity, where the competitive advantage generated by the company can improve business performance. In addition to competitive advantage, entrepreneurial orientation as well as innovation and creativity can improve business performance.

CONCLUSION

Innovation and entrepreneurial orientation play an important role in creating a competitive advantage strategy for MSMEs in Banyumas Regency. Most MSMEs in Banyumas Regency still carry out traditional management so they are less able to compete with similar companies. MSMEs in Banyumas Regency that run a competitive business strategy that is ultimately able to survive in the long term. The basic problem lies in the low quality of human resources. Competitive advantage strategy has not been fully supported by reliable management quality. Therefore, MSMEs in Banyumas Regency should rely on innovation and sharpen their entrepreneurial orientation.

Most of the MSMEs in Banyumas Regency run their business with conventional management. Planning to innovate mostly states unscheduled. One of the limitations in this research is that it does not include a dummy variable for the Covid-19 pandemic case because it turns out that MSMEs in Banyumas Regency feel less confident that their business will continue to be sustainable. Therefore, only some of them still stick to the brand name that has been accepted by the community, not because of the incessant innovation.

In relation to the constraints and business prospects, they were asked about the state of the business a year ago, as well as the obstacles experienced by entrepreneurs in controlling the company/business. Some MSME owners in Banyumas Regency feel less confident about the economic climate, especially as a result of the Covid-19 pandemic. Regarding assistance for business development through agencies/institutions, as well as the form of such assistance whether capital, raw materials, machinery and equipment assistance and others. Those who do not have access to additional capital because they do

not know the procedure, the proposal is rejected, is not interested, does not know or other reasons.

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