Model Of Increasing Sme’s Performance Through Advantages Competition And Competence Of Craftsman’s Convection Industries In Bekasi

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ABSTRACT

The purpose of this study is to analyze the SMEs performance improvement model by identifying and analyzing product innovations, adaptability environment, competitive advantage that includes the capabilities of human resources, capabilities new product development, production and operating capabilities, level of competence which consists of Knowledge, Skills and Abilities that are owned by convection craftsman in the city of Bekasi. In addition, it examines the effect of product innovation, adaptability HR environment and competence towards competitive advantage and performance SME’s in Bekasi City. The results showed that the overall results Respondents’ answers indicate that environmental adaptability at MSE convection has good judgment. This is proven by the answers some respondents who answered strongly agreed. Means that everything is perceived, perceived by respondents about environmental adaptability in Convection MSE is optimal. There is a good HR competency at SME’s convection can be shown by the presence of several things perceived, experienced, felt and thought by craftsmen. Influential product innovation positive towards the competitive advantage of SME’s. Environmental adaptability positive effect on the competitive advantage of SME’s. Competency factor HR had a positive effect on the competitive advantage of SME’s. Adaptability the environment had a positive effect on performance. Environmental adaptability positive effect on the performance of SME’s. HR competency factors positive effect on the performance of SME’s. Competitive advantage influences positive on the performance of SME’s

Keywords

Product innovation, environmental adaptability, competitive advantage and the performance.

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Introduction

Indonesia has many creative economic potentials such as Indonesia has many international class designers, artists, architects, stage artists, musicians, to producers / directors who already worldwide. On the other hand, typical Indonesian products such as convection, Palembang songket, Balinese sculpture, the uniqueness of Papua, various West Javanese creations, to Jepara furniture, have also been recognized abroad. The impact of the creative industry on the economy, it is the right step of the government to pay special attention and advance the Indonesian creative industry. Indonesia has a huge creative industry potential. The potential of the Indonesian creative industry has great opportunities to be developed, cultural diversity, the uniqueness of natural resources, creative people and the vast domestic market are the capital for the existence of the industry.

This research was conducted at the SME in Bekasi, especially the convection industry. Bekasi City is geographically located in the constellation of national growth centers. The city is located in the Greater Jakarta Metropolitan area and is one of the major cities in Indonesia. The development of SME’s in this city is quite high as shown in Figure 1.

Source: Bekasi City Statistics Agency (data processed).

Based on the data in Figure 1 it is said that the annual production growth in the industrial sub-sector in several regions in Bekasi City varies from year to year. However, there was a decline in production in 2014, this could result in a decline in business performance that could lead to bankruptcy if no solution was found for the problem the. Low productivity can be an obstacle for SME’s to develop and achieve large economies of scale, this condition can affect the extent to which SME’s can participate in global production and marketing networks.

Bekasi City is an area of interest by business people to open businesses here, especially when it is approaching night and holidays, many business people from outside the area come and take advantage here. There are 15 SME’s with different types of businesses namely convection sector businesses spread in the area. The results of observations and short interviews with SME’s can be said that entrepreneurs still have problems in operating their businesses, among others:
low business productivity due to difficulties in financing or capital, entrepreneurial skills that are still low and marketing that is not optimal, if left unchecked can cause low business performance and even lead to business closure. SME's competition for the market and the increasing number of SME's causes SME’s to determine the right strategy in marketing their business products. Marketing is a social and managerial process that makes individuals or groups to get what they need and want, by creating and offering and exchanging products of value with others (Kotler, 2018). In order to maintain its market share, several companies have implemented various strategies planned and directed to win the competition and produce good marketing performance. SME performance is a factor that is often used to measure the impact of strategies implemented by companies. Every company has an interest in knowing its achievements as a mirror of the success of its business in market competition.

Efforts to improve the creative industries are also developed with the performance of craftsmen who are the spearhead of industrial progress. The development of the SME sector cannot be done partially, but requires approach workable simultaneous from all elements. Development of SME’s is still constrained by traditional business management, inadequate quality of human resources, scale and production techniques, low competitive advantage and limited access to financial institutions, especially banks. In addition to competitive advantage, environmental adaptability makes SME performance not optimal. Another factor influencing competitive advantage is environmental adaptability. The environment is the overall conditions from outside which will affect the organization. The environment consists of the internal environment and external environment. The internal environment is related to the overall conditions originating from SME’s that include resources, capabilities and core competencies owned by the company (Hitt et al., 2001). While the external environment is the general environment, industry and competitor environment. According to Hitt et al. (2001), the general environment is an environment related to demography, economics, politics, law, sociocultural, technology and global. The industrial environment is a set of factors originating from the threat of new business people, suppliers, buyers, substitute products and the intensity of competition that directly affects the company while the competitor environment is an environment in which the company learns about any future goals and capabilities of its competitors.

This study aims to:

a. analyze models and improve SME performance by identifying and analyzing product innovation, environmental adaptability, competitive advantage that includes Human Resources (HR) capabilities, new product development capabilities, production capabilities and operations;

b. examining the level of competence consisting of Knowledge, Skills and Abilities that are owned by the convection craftsmen HR in Bekasi City;

c. to test the influence of product innovation, environmental adaptability and human resource competence on competitive advantage and the performance of SME convection craftsmen in Bekasi City.

### Literature Review

#### Product Innovation

Ahmed and Shepherd (2010) explain innovation is the process of realizing new ideas, which is different from the past by producing or by making it real, where innovation is a generation of evaluations, new concepts and implementation with the use of new and different methods. and technology to improve the quality of costs or lower, to meet or exceed company targets. Innovation means an idea, product, information technology, institutional, behavior, values and new practices that are not widely known, accepted and used or applied by most citizens in a certain locality, which can be used to encourage change changes in all aspects of people's lives for the sake of realizing improvements in the quality of each individual and all members of the community concerned.

#### Environmental Adaptability

Environment business consists of from the internal environment and external environment. Factor environment internal affairs are generally under the authority of company management. While the company's external environment is outside power company management. For Corporate management The external business environment is a fact that companies must make every effort to adapt to the environment ektern business namely how to adjust management strategies marketing product with development business environment. (Kleinsteuber, 2002)

The business environment is always changing, changes in the business environment can occur due to changes in regulations, technology, consumer demand (given the many factors that influence consumer demand, then the next indicator of consumer demand is produced with changes in consumer tastes because in reality changes in consumer tastes this is what is quite dominant influences consumer demand), and or competitive strategy (Calantone, 1994). Changes in the competitive environment result in unpredictable changes for companies (Dollinger, 1992). The greater the degree of environmental change, managers increasingly face unclear alternatives-alternatives and fewer environmental evaluation criteria.

#### Competency

Competence is a skill required by someone who is demonstrated by his ability to consistently provide an adequate or high level of performance in a specific job function. According Sofo (1999), in (Praninigum, 2002) states that competence consists of skills(skills), knowledge(knowledge) and attitudes(attitude) but in particular the application of skills, knowledge and attitudes should be in conformity with the standards of performance required in employment. McClelland in Rival and Sagala (2009) defines competence (competency) as the fundamental characteristics of a person that is striving langsung gtherhadap, or can predict, a very good performance. In other words, competence is what outstanding performers do more often in
more situations with better results, than what average performers do. Competence is closely related to performance, both individual performance and organizational (company) performance. According to Armstrong (1994) a person's performance is based on an understanding of science, skills, expertise and behavior needed to do a good job. While the performance of the organization (company) is based on how the company's management responds to the conditions of environmental and internal adaptability, which with certain benchmarks will be able to find out what level of turbidity and what level of ability to anticipate it.

**Competitive Advantage**

According to Kotler and Armstrong (2014), competitive advantage is: "An advantage over competitors gained by offering consumers greater value". (An advantage over competitors gained by offering consumers more value). Dessler as quoted by Pakaya (2011) states that "Competitive advantage is any factor that allows an organization to differentiate its products or services from those of its competitors to increase market share". (Competitive advantage is a factor that allows organizations to differentiate products or services from competitors to increase market share).

Kroll in Pakaya (2011) defines "Competitive advantage is a strategic strategic firm that cannot be fully duplicated by competitors and that results in high financial returns over a long period of time". (Competitive advantage is a valuable strategy of a company that cannot be fully duplicated by competitors, and generates high returns during a long period). Competitive advantage develops from the value that companies can create for customers or buyers. In other words competitive advantage regarding how a company actually implement generic strategies into practical activities by some understanding of the above, it can be said that competitive advantage is a profit obtained by a company due to the added value obtained by customers compared to competing companies.

**SME’s Performance**

Bernardin states that, performance is a record of the results generated for a particular job function or activities over a certain period of time. Business performance is the result of work that can be achieved by a person or group of people in the organization, in accordance with the authority and responsibilities of each in order to achieve organizational goals. The performance is declared good and successful if the desired goals can be achieved properly.

Aribawa (2016) states that the performance of SME’s is the result of work achieved by an individual and can be completed with individual tasks within the company and at a certain period, and will be related to the value or standard size of the company the individual works for. The performance here itself is the achievement to be obtained by a person or company that will achieve a certain goal. Based on some of the studies above this research tries to see and examine the constraints associated with the performance of small businesses and medium (UKM), which is related to the management and quality of human resources owned by the UKM concerned.

**Research Methods**

This research is included in the type of explanatory research that explains the influence of variables in this case innovation, environmental adaptability to competitive advantage and SME performance. The state of the population or empirical facts that will be described in this study is about the effect of competence of HR (Human Resources) SME’s which includes competitive advantages of HR, Knowledge (Knowledge), Skills (Skill), and Ability (Ability) on performance SME’s are a convective industry in Bekasi City. The primary information base in this study is focused in Bekasi City. This research was conducted at the Convection industry center in the city of Bekasi. Primary and secondary data are analyzed proportionally. Data collection at the level of small and medium industry craftsmen, in the Convection industry center in Bekasi City. The population of this study included all the actors or craftsmen of SME’s (Small and Medium Enterprises) of the convection creative industry in the Convection Development Center in Bekasi City as many as 58 people. Determination of the sample in this study was carried out by census in which the population of the sample was as many as 40 craftsmen from the owner and employee convection. The variables used in this study include the HR Competency variable which is an independent variable, which consists of product innovation (X1), environmental adaptability (X2), Skill (X3) and Ability (X4). While the dependent variable used is the competitive advantage variable (Z) and SME performance (Y). Analysis of the data used is descriptive and path analysis is used to see the effect of product innovation and environmental adaptability on SME performance.

**Results**

The effect of product innovation, environmental adaptability and HR competence against competitive advantage and performance of SME’s convection craftsmen in Bekasi City was explained path path analysis. Based on the results of the regression coefficients can be used modeling as follows.

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Z = 0.138X1 + 0.231X2 + 0.132X3 \\
Y = 0.156X1 + 0.250X2 + 0.198X3 + 0.101Z
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Based on the results of hypothesis testing it is explained that product innovation (X1) had a positive effect on the competitive advantage of craftsmen with a beta coefficient (β) of 0.138, with a value of p-value 0.034. Environmental adaptability had a positive effect on the competitive advantage of SME’s. The H1 is explained by the beta coefficient (β) of 0.231, with a value of p-value 0.012. HR competency factors have a positive effect on the competitive advantage of SME’s. With a beta coefficient (β) of 0.132, with a value of p-value of 0.34. Product innovation had a positive effect on the competitive advantage of craftsmen with a beta coefficient (β) of 0.156, with a value of p-value 0.042. Because the value of p-value < 0.050, then H5 is accepted. Thus the hypothesis which states that environmental adaptability had a positive effect on SME performance is accepted. Environmental adaptability had a
positive effect on the performance (Y) of the craftsman of the beta coefficient (β) of 0.250, with a value of p-value of 0.0008. Because the value of p-value < 0.05 or 0.008 <0.050, HR competency factor (X3) had a positive effect on the performance (Y) of craftsmen with a beta coefficient (β) of 0.198 with a p-value of 0.026. The competitive advantage of SME had a positive effect on SME performance with a value (β) of 0.101, with a value of p-value of 0.047.

Based on the results of the calculation of the cross-path coefficient it appears that the total effect of product innovation on SME competitive advantage is 13.8% which is a direct influence. Furthermore, the effect of variable residual (ε1, or residual variables (variables that are not explained in addition to this model by 92.8%. Adaptibilititas environment) on competitive advantage of SME’s is 23.1% which is a direct influence. Furthermore, the effect of variable residual (ε1, or residual variable which is not explained by the model is 87.6%. HR competency towards SME competitive advantage is 13.2% which is a direct influence. Furthermore, the effect of variable residual (ε1, or residual variables (variables other than X1) which is not described this model) amounted to 93.1%. The competitive advantage of SME has a total direct effect on SME performance of 10.1%. While the product innovation variable on the performance of SME’s is 16.9%. For the rest of the variables (ε2, are variables other than X1 and Z on the performance of 91.1%. The variable of environmental adaptability to the performance of SME’s is 27.3%. The HR competency variable on SME performance is 21.1%. For the rest of the variables (ε2, are variables other than X3 and Z on the performance of 88.8%. Thus the hypothesis stating that product innovation, environmental adaptability, and HR competency positively influences the performance of Bekasi City's convection SME’s proven or accepted.

Discussion

a. Product Innovation Influences Competitive Advantage and SME Performance

The results of this study support the first hypothesis which states that there is a significant and positive influence of product innovation on competitive advantage and the fourth hypothesis namely product innovation has a significant effect on performance. This research product innovation factors include the existence of a research and development division, the compatibility between the abilities and expertise of employees with their duties, training programs and human resource development, and the use of machines with new technology. All of the factors mentioned above are proven to be factors that play a role in building competitive advantage in small scale companies. The development of new products has a dominant role in increasing competitiveness in small scale industries. The selection of research and development as a product innovation determinants of competitive advantage is based on the beliefs of many researchers as a factor that plays a major role in increasing the ability of competitive advantage. The results of this study indicate that the SME’s consider the increasingly important existence of the research and development division. This was followed by their efforts in increasing competitive advantage which included increasingly routine product promotion efforts, constantly doing new things related to product development, and with increasing ability to produce standardized products.

The results of this study are consistent with Handoyo's (2015) research which explains that marketing innovation has a significant effect on competitive advantage. These results also support the research of Herman et al. (2017) states that market orientation influences the performance of SME’s, product innovation influences the performance of SME’s, competitive advantage influences the performance of SME’s. In addition, these results are consistent with Salindeho and Mandey (2018) conducting research aimed at product innovation and promotion variables that significantly influence marketing performance. This research in accordance with Khongmalai (2018) shows that innovation increases excellence in competition through external factors. These external factors are divided into two groups: micro-oriented factors and macro-oriented factors. This shows that SME entrepreneurs need to adapt and prepare themselves to face future economic changes, which will occur not only at the global level but also at the regional and country levels.

b. Environmental Adaptability Influences Competitive Advantage and SME Performance

The results of this study indicate that environmental adaptability affects the competitive advantage and SME performance. The results of this study support the second and fifth hypotheses, which means that Baldwin et al. (2000) state that environmental factors such as financial support and research-development support from outside parties, the use of intellectual property rights, and interactions with outside parties, are factors that play a role in increasing competitive advantage and performance activities. In this study, the SME’s view the support of the government and the banking sector as important in order to increase their competitive advantage. Competitive advantage will arise if there is intensive interaction and communication between the company and its environment. Organizations that are more open and willing to accept and even look for new ideas from the environment of their environmental adaptability, make the organization more innovative. Interaction and communication with the environment Adaptability of the environment is a form of company interaction and communication with consumers, suppliers and competitors. The nature of the relationship between a company and a supplier is the most influential factor on the success or failure of implementation of a system of competitive advantage. In addition to building good relationships with suppliers (suppliers) and with consumers, interaction with competitors in the form of healthy competition between competitors will increase the company's competitive advantage activities).

c. Competitive Advantage Affects SME Performance

The results of this study indicate that competitive advantage has an effect on SME performance. The results of this study support the seventh hypothesis, which supports the opinion
of Baldwin et al. (2000) which states that competitive advantage are factors that play a role in increasing activity on performance. Rahmani and Siyamatinah (2009) state that the diversity of patterns of building competitive advantage has no impact on SME performance. This study provides different results, because it turns out competitive advantage had a positive effect on the performance of SME’s. Lawless and Anderson, in Rahmani (2004) argued that competitive advantage affects company performance, but depends on the complexity of the market at hand. The more complex the market conditions, the stronger the effect of competitive advantage on company performance. The results of this study are in accordance with Zahra and Das (1993) and Sharma and Fisher (1997) shows that competitive advantage has an influence on company performance. There is a difference in perspective between research and previous research. This study looks at competitive advantage in terms of the ability of SME’s to perform competitive advantage, or in other words its competitive advantage. Whereas research by Rahmani and Siyamatinah (2009) looks at competitive advantage from differences / diversity of patterns to build competitive advantage.

Conclusion And Suggestions

Based on the results of the study it can be concluded the following things 1) Based on the overall results of respondents’ answers indicate that the environmental adaptability at the convection MSE has a good rating. This is evidenced by the answers of some respondents who answered strongly agree. Means that everything felt, perceived by respondents about innovation and environmental adaptability at the convection MSE is optimal; 2) The existence of good HR competence in convection SME’s can be demonstrated by the existence of a number of things that are perceived, experienced, felt and thought by craftsmen. The existence of training and coaching for craftsmen to improve the ability of SME’s craftsmen in the City of Bekasi; The test results show that 1) Product innovation had a positive effect on the competitive advantage of SME’s; 2) environmental adaptability had a positive effect on the competitive advantage of SME’s; 3) HR competence had a positive effect on the competitive advantage of SME’s; 4) Product innovation had a positive effect on performance; 5) Environmental adaptability had a positive effect on the performance of SME’s; 6) HR competence had a positive effect on SME performance and 7) SME competitiveness had a positive effect on SME performance. Suggestions that can be proposed include SME’s that they should make efforts to manage internal factors and environmental adaptability properly, because it is proven to be able to improve excellence compete against them; increasing competitive advantage and the performance of SME’s, it should be addressed by the SME’s as a whip to further improve the performance of SME’s. This phenomenon can be interpreted that Bekasi Convection MSE has proven to be able to develop well in its business.

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