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THE INFLUENCE OF INTERNAL FACTORS ON BUSINESS PERFORMANCE: A RESOURCES BASED VIEW OF MUSHROOM SME IN INDONESIA

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ABSTRACT

Mushrooms are one of the leading agroindustry products. This is not separated from the fact that people will be more aware of consuming mushrooms for health purposes. The high demand causes the flourishing of the mushroom processing industry, including in the Malang area. Because of improving the quality of mushroom products, MSME mushroom processors need to improve business performance. Superior business performance can be achieved with successful competitive advantage. Competitive advantage are factors that a company must have in order to succeed in business. The basic source of competition Competitive advantage is resource. There is a theory from Barney (1991) that is used in determining strategic resources to achieve competitive competitiveness called Resource-Based View (RBV). Therefore, the purpose of this study is to determine (1) the influence of tangibles resources on competitive strategies, (2) intangibles resources on competitive strategies, (3) the influence of capabilities on competitive strategies, and (4) competitive strategy strategies on support company. The research method used is quantitative and inferential descriptive analysis (SEM) based on Partial Least Square (PLS). The results showed that based on the validity and reliability test, each variable met the valid criteria (loading factor value ≥ 0.3) and reliable (Cronbach alpha value ≥ 0.60).

KEY WORDS

Capabilities, business performance, competitive strategies, strategic resources.

Today, the market demand for mushrooms is increasing, both domestically and abroad. The high demand makes the mushroom processing business has good prospects. For example, demand for oyster mushrooms in the Bandung area and its surroundings, currently reaches 7-10 tons / day. While the production of oyster mushrooms has only reached 2.5-3 tons / day. The skyrocketing mushroom trend is also supported by public awareness of the importance of consuming mushrooms for health purposes. Mushrooms have high fiber and vitamin content and are free of cholesterol. In contrast to meat in general, which contains fat and cholesterol is relatively higher. Therefore, mushrooms are often consumed as a substitute for animal protein sources. Mushroom agro-industry is growing and able to produce various processed products that are increasingly popular both in the local market and in the global market. Currently mushroom products are not only marketed in a fresh condition, but also began to be processed into various kinds of processed mushroom products. Soft texture, attractive appearance, and neutral taste, making mushrooms easily combined with various herbs. The mushroom processed food franchise business is also increasingly popular and easy to find. This condition makes the consumption mushroom business opportunities in the country still wide open (Writer Team, 2016).

One of the processed mushroom businesses that develop in Greater Malang is the

mushroom processing industry group in the form of Micro, Small and Medium Enterprises (MSMEs). Mushroom Processing MSME, a business unit that focuses on processing mushroom cultivation. From the various experiences that have been had, Mushroom Processing SMEs continue to innovate to create other innovative products. However, this is also constrained by limited human resources, so that careful preparation is needed to develop business, especially in dealing with the free market of the Asian Economic Community (AEC). The existence of the AEC free market increasingly requires business units to improve product quality. MEA demands SMEs that Processed Mushrooms have high competitiveness because they will compete with the same products and substitute products (substitutions). In facing challenges and obstacles, Mushroom Processing SMEs need to improve their business performance. Superior business performance can be achieved with sustainable competitive advantage. Competitive advantage is factors that a company must have in order to be successful in business (Abiodun and Harry, 2014).

LITERATURE REVIEW

According to the Office of Cooperatives and MSMEs in Malang City (2018) In 2016 to 2017 the number of small and medium industrial production in Malang City has decreased. This is consistent with the statements of Handayani et.al (2012), Marimin et.al (2010), and Djohanputro (2008) which states that the higher the risk level of an industry will have an effect on decreasing the added value of its products and the decline in production can affect competitiveness from the business unit.

Richard (2010) states that increasing competitiveness needs to be done by improving a strategy. Strategy is a plan that explains the allocation of resources and various activities that need to be done in dealing with the environment to gain a competitive advantage. Meanwhile, according to Porter (1993) competitive advantage is a thing that is characteristic of a company that distinguishes these companies with competitors in meeting market needs.

One of the business units engaged in agro-industry is SMEs that produce mushroom products. Based on previous research, according to Syibil (2013), mushroom is one of the horticultural products that has the same characteristics as other commodities that have a risk in increasing production. Anggiadinta (2012) added that in the development of mushroom products, even though the product potential has been recognized, but in the development process it is still said to be lacking, this is due to the lack of government support related to the development of mushroom businesses and also the competitive strategy in developing mushroom processed products is still not maximal even though the industry can said to be interesting.

One method that can be used in sustainable competitive advantage is to implement strategies that maximize internal strength through the exploitation of opportunities in the external environment, neutralize threats from the external environment and minimize internal weaknesses in business units (Barney, 1991). The concept emphasizes that the work unit environment has an influence on company performance (Porter, 1980). The method used because it focuses more on the concept of company aribut is the method of Resources Based View (RBV). 017). According to Mulyono (2013), the core of the RBV theory is competitive advantage, when a company has unique resources and is difficult to emulate by its competitors or is superior resources which is then processed through good company capabilities, the company will be able to achieve competitive advantage which will then lead to superior performance.

METHODS OF RESEARCH

The method used in this study is a qualitative method, namely research in which data and statements are obtained from the results of direct interaction between the researcher and the object under study (Walidin et al, 2016). The research location was determined purposively, namely the SME Processing Mushroom spread in Malang City and Malang Regency because this industry is one form of agro-industry in the food sector. The study was

conducted during April - December 2019. The selected respondents are business owners, because it is assumed that the owner is the person who knows best about the performance of his own business. The selection of respondents used the purposive sampling method. Purposive sampling is a technique of deliberate sampling of data sources based on certain considerations (Winarni, 2018). The basic consideration of this research is the development of mushroom agro-industry, especially in the City and Regency of Malang. Respondents are mushroom processing businesses around the City and Regency of Malang.

RESULTS AND DISCUSSION

Description of Mushroom SME. Mushroom is one of the commodities that is currently growing rapidly, including in East Java. According to the Central Statistics Agency (2018), mushroom production in Malang as of 2017 will reach 4,702 tons. It also supports the development of industrial sector activities and mushroom processing business with products in the form of mushroom chips, crispy mushrooms, and other mushroom preparations in the City and Regency of Malang. Micro, Small and Medium Enterprises (MSMEs) processing oyster mushrooms in Malang have been around since 2002, but only underwent significant development in 2010. Malang City and Malang Regency are one of the productive cities in producing commodity products in the form of vegetables and fruits, so that there are many businesses that process these commodity products, including mushroom processing MSMEs. The mushroom processing business is dominated by men, the last education is dominated by Bachelor, and the average turnover obtained is Rp 10,742,105.26. Total respondents used in the study were 19 business people (SMEs) processing mushrooms consisting of 12 men and 7 women. The last education from business people is 12 graduates, 3 diplomas, and 4 high school students. The average turnover of 19 SMEs in mushroom processing in Malang is Rp10,742,105.26. The SMEs who process mushroom in Malang come from different educational backgrounds. This shows that the establishment of MSMEs does not always depend on the educational background of MSME actors.

Validity and Reliability. Discriminant validity or can be called discriminant validity is the result of a comparison between the roots of the Average Variance Extracted (AVE) for each construct with the correlation between constructs with other constructs in a model (Thaib et al, 2017). The model is said to have adequate discrimination if the root of AVE for each construct is greater than the correlation value between constructs (Hartono, 2011 in Thaib et al, 2017). Validity can be seen in Table 1.

Table 1 – Cross-Loadings

Item	X1	X2	X3	Y1	Y2
X1	0.691	-0.185	-0.021	0.072	-0.254
X2	-0.185	0.743	0.333	0.060	0.196
X3	-0.021	0.333	0.734	0.631	0.498
Y1	0.072	0.060	0.631	0.731	0.606
Y2	-0.254	0.196	0.498	0.606	0.762

The results of the AVE roots in Table 5.9 are seen diagonally. AVE root for tangibles resources (X1) is 0.691, intangibles resources (X2) is 0.743, capability (X3) is 0.734, competitive strategy (Y1) is 0.731, and business performance (Y2) is 0.762. Based on the results it can be seen that the AVE root of each variable is greater than the AVE root between indicators (correlation value). Judging from the discriminant validity, it can be concluded that the variables used are valid, thus indicating that the five variables have met and represented the use of resource-based models in order to improve business competitiveness through the application of business competitive strategies. The AVE value of each latent variable that is greater than the correlation between the respective latent variables is said to have good discriminant validity (Solimun et al, 2017).

Composite reliability testing is performed to determine the reliability of a questionnaire. Composite reliability testing is seen from the value of composite reliability coefficients. The

questionnaire is said to have good composite reliability if the composite reliability value is 70 0.70. In addition, the measurement of the reliability of the questionnaire was also seen from the value of Cronbach's alpha coefficients. According to Malhotra (1996) in Solimun et al (2017), the questionnaire is said to be reliable if it has a Cronbach's alpha value of 60 0.60. Following are the results of the composite reliability and Cronbach's alpha values of each variable. Reliability can be seen from Table 2.

Table 2 – Composite Reliability and Cronbach's Alpha

No.	Variable	Composite Reliability	Cronbach's Alpha
1.	Tangibles Resources (X1)	0.778	0.615
2.	Intangibles Resources (X2)	0.826	0.715
3.	Capability (X3)	0.937	0.926
4.	Competitiveness Strategy(Y1)	0.870	0.819
5.	Business Performances (Y2)	0.840	0.737

Figure 1 – Structural Equation Modelling of RBV to Business Performance

Table 3 – Hypothesis testing

No.	Relationship between variables (Explanatory Variable → Response Variable)		Path Coefficients	p-value	
1.	Intangible Resources (X1)	Y1	0.283	0.079	Weakly significant
2.	Tangible Resources (X2)	Y1	-0.309	0.060	Weakly significant
3.	Capability (X3)	Y1	0.678	< 0.001	Highly significant
4.	Competitive Strategy (Y1)	Y2	0.757	< 0.001	Highly significant

Based on the results of the analysis in Table 5.14 it can be concluded that, the tangibles resource variable (X1) has a positive and significant effect because it has a path coefficient of 0.283 (positive) and is significantly weak ($0.079 < 0.10$ or alpha value of 10%). This shows that variable X1 has a positive contribution to the competitive strategy of 28.3%. The intangibles resource variable (X2) has a significant negative effect. This is because the value of the path coefficients of X2 is negative (-0.309) and significantly weak effect because the p-value of X2 $0.060 < 0.1$. Capability variable (X3) has a positive and significant effect. The positive effect of X3 on the competitive strategy (Y1) is 67.8%, obtained from the path coefficients of 0.678. The X3 variable is also significantly strong because the p-value of the X3 variable < 0.001 (alpha 1%). The dependent variable of the competitive strategy (Y1) has a positive and significant effect, because it has a path coefficient value of 0.757 and a p-value < 0.001 (alpha 1%). This shows that, variable Y1 has a positive effect on business performance variables (Y2) of 75.7%.

Based on these data it can be concluded that, variables X1 and X3 positively contribute to variable Y1, variable Y1 positively contributes to variable Y2, and variable X2 contributes negatively to variable Y1. This is supported by the statement of Sarstedt et al. (2017) that is, the value of the path coefficients ranges from -1 to +1. The more the value approaches +1, the relationship between the two constructs is getting stronger and a value close to -1

indicates that the relationship is negative. According to Solimun et al (2017), the path coefficients of the predictor variables to the response variables that are significant and positive value can be interpreted, the greater the value of the path coefficients, the stronger the effect.

Tangibles resources have a positive and significant effect on competitive strategies because the productivity of mushroom processing MSMEs is influenced by tangible resources. Tangibles resources used by mushroom processing MSMEs are financial and physical resources. Both of these resources greatly affect the course of production operations. According to SMEs processing mushroom, tangibles resources they have are relatively easy to obtain and have met production needs. Economic (financial) resources include formal and informal financial sources that are relatively easy to obtain, rely on local raw materials, and serve market segments (Wardhani and Agustina, 2012). This is also in line with Winarko (2014) in Wardiningsih and Susanti (2017), assets, own capital, and the number of members have a significant effect on the remaining operating results.

Intangibles resources, which in this case consist of technology and innovation, have a negative and significant influence on competitive strategies. Negative and significant influence means intangibles resources do not affect or weakly influence the competitive strategy. Owned technology and innovations have not been able to make MSMEs implement competitive strategies and deal with competitors well. The problems that are owned by MSMEs include the lack of human resource capabilities in innovating and the limitations of the technology they have (Ananda and Susilowati, 2017). This is supported by the statement of Fauzi et al (2016) that, intangible assets (intangibles) are difficult to understand, measured, not reported in accounting, must be developed at any time, not easily obtained and imitated instantly.

Capability has a strong positive and significant effect on competitive strategy because mushroom processing MSMEs are able to process their resources into a quality product. The measured capability is the capability of human resources, marketing, production, accounting and finance, organization, and cooperation. The capability of MSME has been able to do the processing and utilization of its resources to create a value that can meet the needs of consumers. This is in line with Budiastuti and Versia (2011) which states, the capability of a well-developed company can be a source of sustainable competitive advantage. These advantages allow the company to utilize the same input factors as its competitors to convert these inputs into products (goods or services) through more efficient processes or with quality output or both.

The competitive strategy has a strong positive and significant effect on business performance because the company has been able to manage its resources and face its competitors. Mushroom processing MSMEs have created different product values (variations in taste and packaging), realize product availability in the market, and meet consumer needs. This means that the company's resources and capabilities have supported the competitive strategy in order to improve MSME business performance. Wibowo et al (2017) states, competitive strategy (competition) in terms of differentiation strategies affect company performance.

CONCLUSION

The conclusion of the study is that tangibles resources have a strong influence and positively contribute to competitive strategies with path coefficients of 0.283; intangibles resources have a weak influence and contribute negatively to competitive strategies with path coefficients of -0.309; Capability has a strong influence and positively contributes to competitive strategies with path coefficients of 0.678; and The competitive strategy has a strong influence and positively contributes to business performance with a path coefficient of 0.757.

Suggestions obtained based on the results of the study are, the mushroom processing SMEs are expected to develop their business through optimal utilization of resources, especially to improve and increase the use of tangibles (machinery and equipment) and

intangibles (variations in size and packaging) in order to improve measurement resource-based models, and increase the value of loading factors. The development and innovation at all times of technology and intangibles resources will help MSMEs maintain product value, quality, and be able to deal with competitors.

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