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Analysis of Company Performances through Competitive Strategies of SMES Managers

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This study aims to determine the influence of a Company's revenue and resources regarding competitive strategies and their implications for company performance in SMEs in Depok, West Java. This study uses descriptive and explanatory survey methods. The unit of analysis is 170 SMEs in Depok using a probability sampling method. Data analysis uses descriptive and quantitative research methods. Hypothesis testing is conducted by using PLS. The research findings indicate that SME managers do not have sufficient resources, and have not managed revenue well, so competitive strategy is not suitable to be implemented to improve company performance. The results of the study show that the company's revenue and resources simultaneously affected the company's performance both directly and indirectly through competitive strategies. However, in part , revenue has no influence on a Company's performance either directly or indirectly through a competitive strategy. Competitive strategy has a significant effect on company performance with a greater value of influence when compared to the direct effect of revenue and company resources on company performance.

Key words: *Revenue, Company Resources, Competitive Strategy, and Company performance.*

Introduction

It cannot be denied that MSMEs in the monetary crisis period between 1997 and 2002 played a vital role in the national economic recovery. The role of the MSME sector has become resilient towards the crisis so it has become an important asset for the sustainability of the country's economy both during the crisis and at the present time. Besides playing a role as a driving force for the economy, this sector is able to absorb labour and open up opportunities for MSMEs to develop and compete with companies that tend to use large amounts of capital (capital intensive). In 2011, MSMEs contributed significantly to state revenue by ranting 61.9 percent of gross domestic product (GDP) revenue through tax payments, which are described as follows: the micro business sector contributed 36.28 percent of GDP, the small business sector 10.9 percent, and the medium business sector 14.7 percent through tax payments. Meanwhile, the large business sector only contributed 38.1 percent of GDP through tax payments (BPS, 2011).

This indication shows that financial institutions still lacked commitment to the limited access of MSME capital by the end of 2006, the amount of bank loans disbursed to MSME was still less than 20%, only Rp. 123 trillion of the total bank loans disbursed to the business which is estimated to reach Rp. 976 trillion. The only Institution that gave 84.87% of its loans to fund the MSME was the Pegadaian. However, the credit provided by banks to MSME entrepreneurs is very small (0.73%), as is the availability of Pegadaian (5.68%), because micro entrepreneurs generally do not have collateral (Saudin Sijabat, 2011). The era of economic globalization and free trade is increasing economic growth and competition. In the era of open markets , competition will increase so that MSMEs must be able to face global challenges such as revenue management, innovation in goods and services, human resources and technology development as well as competitive strategies (Sudaryanto, 2011).

A survey conducted by the Ministry of Cooperatives and SMEs Indonesia proved that the competitive ability of MSMEs in Indonesia was quite good, however the survey conducted by the Indonesian Financial Service Industry Authority (OJK) gave a result which indicated that financial literacy in Indonesia was only 22% (OJK, 2013). Similar results were also revealed by the Indonesian Central Bank (Bank Indonesia) (2012), outlining that MSMEs in Indonesia have a lack of knowledge about the ability to manage business, especially regarding the financial aspects. In addition, problems faced by MSMEs include: limited working capital, lack of human resources and comprehension about science and technology (Sudaryanto and Hanim, 2002).

In the current global market flow, it is not only strategic capabilities related to competition that need to be improved, however revenue, hr development and financial performance also need to be considered. According to a research conducted by Fatoki (2014), financial literacy

has a positive effect on the ability to make financial decisions and the welfare of the company household as well as company sustainability . Fatoki's statement indicated that financial literacy was indispensable for every business organisation, especially MSMEs in Indonesia in order to increase their ability to compete in global competition.

The SMEs Cooperative and market office in Depok, West Java, Indonesia have conducted surveys and studies of the potential of Micro, Small and Medium Enterprises (MSMEs) within three districts, Bojongsari, Sawangan and Limo Districts, in order to map the potential of MSMEs based on business characteristics consisting of business scale, type of business, duration of business and business status. Moreover, mapping is also created based on managerial aspects, which include human resource, finance, production, marketing and the use of information technology. Based on the mapping survey results, there were 789 MSMEs consisting of 501 MSMEs in the Bojongsari district, 256 MSMEs in Sawangan and 32 MSMEs in Limo. The business scale of the three districts is dominated by micro (72.62%), small (27%) and medium scale (0.38%), while the types of businesses varied, dominated by trading (50.77%), services (21.17%), agriculture (4.06%), animal husbandry (2.15%), industry (0.89%) and manufacturing (0,76%). Furthermore, the results of the mapping survey also indicate that in terms of business characteristics in general, MSMEs are still limited to meeting business targets in order to fulfil the economic needs of the family, so they remain conventional or unprofessional. There are still many weaknesses within MSMEs in terms of finance, they still lack marketing networks and human resources, especially in the field of entrepreneurship, innovation and creativity as well as the use of information technology.

This condition encourages MSME managers to be able to think creatively in order to provide innovation at all times, as well as excellence for their companies compared to competitors. MSME managers are not only required to develop good products, offer attractive prices, and make them easily available to customers who need them, but MSMEs need to strive to continue to improve their high competitiveness. They must have the ability to manage the organisation in order to increase efficiency in all aspects of company operations. Efficient use of energy and production costs can produce higher quality and competitive products. The positive ability of financial management is to minimise the amount of costs used in the production process, so that the corporate incentives become greater. Successful management of information systems can also enable the Company to have better specialisation . Increasing specialisation will later increase production efficiency.

To overcome the problem based on the reality of MSMEs in Depok, it is interesting to conduct a study on the influence of revenue management and company resource on competitive strategies and the impact on MSMEs business performance in Depok.

Research Objectives

1. The direct impact of company revenue and resources on competitive strategy at SMEs in Depok.
2. The direct impact of company revenue and resources on company performance in MSMEs in Depok.
3. The indirect impact of company revenue and resources on company performance through a competitive strategy at MSMEs in Depok.

Research Method

This research focuses on variable income, company resources, competitive strategy and company performance. The objective of this study is to obtain a description of the variables studied and reveal the interrelationships between these variables, so that the research contains descriptive and verification characteristics. The type of investigation that will be used in this study is causal and conducts relationship testing about the influence between independent and dependent variables. The explanatory method is used in this study, which aims to test the hypothesis about the causal relationship between variables based on data obtained in order to obtain the meaning and implication of the issues which need to be solved systematically, and accurately (Sekaran, 2006: 30)

Observation using time horizon tend to be cross section / one shot, which means that information or data obtained is the result of a study conducted at one particular time, that is 2018. Creswell, J. W. (2002) conveys that exploratory research can be conducted to test the hypothesis by drawing a random sample from a population. The unit of analysis in this study was 265 SMEs in Depok and the unit studied was the management of the company or the management of the SMEs. The analytical approach and solution technique that will be used as a tool of analysis in this study is Partial Least Square (PLS). PLS is a method of alternative analysis with Structural Equation Modelling (SEM) which is based on variance. The benefit of this method is its ability to measure constructs indirectly. It measures through its indicators and analyses indicator and latent variables, and their measurement errors within small-sized samples.

Operationalisation of Variables

Table 1: Operationalisation of Variables and Measurement of Variables

Variable	Dimension	Indicator	Scale
Revenue	Working Capital Management	1. Cash management 2. Debt management 3. Management of supply 4. Smooth debt management 5. Clean working capital management	Ordinal
	Profit improvement	5. Productivity Ability 6. Efficient use of assets 7.Results from the company's operations 8. Use of profits	Ordinal
Company resources	Physical resources	1. Production technology 2. Company supporting infrastructure 3. Production facilities	Ordinal
	Organizational capability	1. Financial Resources 2. Ability in operating services 3. Marketing ability 4. Information systems 5. Research and development 6. Control system 7. Efficiency of production and ability to control the supply of raw materials	Ordinal
Competitive strategy	Leadership Cost	1. Efficient operational costs 2. Low price	Ordinal
	Differentiation	1. Product uniqueness 2. Creation of product variations 3. Ease of transactions	Ordinal
	Acceleration (Speed based strategy)	1. The speed of the company in anticipating changes in consumer behaviour 2. The speed of the company in anticipating the latest technological trends	Ordinal
Company Performance	Financial Performance	1. Achieving sales targets (turnover) 2. Achieving sales growth targets 3. Achieving profit targets 4. Achievement of Profit Margin 5. Asset growth	Ordinal

Variable	Dimension	Indicator	Scale
	Customer Growth	1. The ability to maintain old customers 2. The ability to get new customers 3. Ability to overcome customer complaints 4. Ability to send messages on time 5. The ability to reduce sales returns	Ordinal
	Internal Business Perspective	1. Ability to increase the number of business transactions 2. The ability to increase the number of products	Ordinal

Data Collection Techniques

The data colection technique can be obtained by using the following techniques:

Questionnaire, is a list of questions that is created as a result of the operationalisation of variables and used to collect data and information directly from the object studied. **Interviews** were conducted to investigate in-depth information from the respondents.

a. Validity test

In this study, the validity test is used to determine validity by correlating the scores obtained for each question item with their total scores. This total score is the value obtained from the sum of all item scores. The correlation between item scores and their total scores must be significant based on statistical measures. If the scores of all items arranged according to the dimensions of the concept correlate with the total score, then it can be said that the measuring instrument is valid.

The correlation formula used in this research is the Product-Moment Pearson correlation formula which is described as follows:

$$r_{yx_i} = \frac{n\sum_{i=1}^{n} x_i y_i - \sum_{i=1}^{n} x_i \sum_{i=1}^{n} y_i}{\sqrt{n\sum_{i=1}^{n} x_i^2 - \left(\sum_{i=1}^{n} x_i\right)^2}\sqrt{n\sum_{i=1}^{n} y_i^2 - \left(\sum_{i=1}^{n} y_i\right)^2}}$$

Remarks:

r_{yxi} = Pearson correlation coefficient between instrument items to be used with the related variables
x_i = score of the instrument item to be used
y_i = the score of all instrument items in the variable
n = number of respondents in the instrument test

The significance testing of the correlation coefficient (r_{yxi}) is conducted with a significance level $\alpha = 5\ \%$. The t test formula used is described as follows:

$$t = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}}; db = n-2$$

The criteria for testing the validity of the instrument by using a significance level of $\alpha = 5\%$ are as follows:

1) Item of question / statement of research instrument are stated to be valid if the t count is bigger or similar than the t table
2) Item of question / statement of research instrument are stated as invalid if the t count is smaller than the t table.

b. Reliability Test

The implementation of the reliability test is intended to find out whether the measuring instrument used indicates the level of accuracy, stability, or consistency although the measurements were conducted at different times. Reliability tests are carried out by using questions that are already valid to determine the extent to which the measurement results remain consistent when there are repeated measurements conducted towards similar indications. The reliability test is carried out by using a split half technique, the steps of which are described as follows:

1) Divide the questions into two parts
2) Scores for each question in each part are added together so that it will result in two total scores for each respondent
3) Correlate the total score of the first half with the total score of the second half by using the product moment correlation
4) Look for reliability for the whole question with the following Spearman Brown formula

$$r_i = \frac{2r_b}{1+r}$$

Remarks:

r_i = internal reliability of all items
r_b = product moment correlation between first half (odd) and second half (even)

The reliability value is indicated by alpha, from the reliability test the alpha value for each variable is higher than Cronbach 0.7 alpha which is the lowest limit of reliability, which means that the measurement used is reliable or the measuring tool used is consistent.

Population and Samples

According to Sekaran (2010; 132) the "unit of analysis refers to the level of aggregation of the data collected during the subsequent data analysis stage". The unit of analysis in this study is SME in Depok, West Java where the observation unit is the management or owner of the SME which possesses 789 SME. In order to allow the sample taken in this study to represent the sample population , the number of samples calculated can be determined by using the Slovin formula:

$$n = \frac{N}{1 + N(e)^2}$$

Remarks:
n = number of samples
N= total population

e= error (the percentage that can be borne against the inaccurate use of samples as a replacement for population). In this study, researchers used a percentage error of 5% (0.05).

Based on the results of the Slovin formula, 265 SMEs spread in the study area will be taken as the sample described below:

Table2: Sampldistribution

Sub-district	**Population**	**Sample**
Bojongsari	501	168
Sawangan	256	86
Limo	32	11
Total	789	265

Data Analysis Techniques

a. Quantitative Data Analysis

This analysis is used to measure a study with quantitative data. The testing of hypotheses 2, 3, 4, and 5 were conducted by using the PLS (Partial Least Square) model, which is one of the multivariate techniques that examines the series of dependency relationships between variables that do not require the number of samples. PPLS can also be used if there is one dependent variable that becomes an independent variable in the next dependency relationship.

Partial Least Square (PLS) is used in this study because it has a small sample and model of causality between variables. PLS also does not require a classic assumption test (whether the distribution is normal or heterogeneous) because it is not based on the Ordinary Least Square (OLS) as in multiple linear regressions. Testing classic assumptions is a statistical requirement that must be fulfilled in an analysis based on the OLS, because the PLS is recognized as free distribution. The steps for using the Structural-Based formula or its Components called Partial Least Square are outlined below (PLS) (Vinziet al., 2010, p.50):

Structural Model Specifications with PLS

(Vinziet al., 2010, p.50) explains that the analysis model of all variant lines in PLS consists of triangle sets of relationships, which include (1) the outer model that specifies the relationship between latent variables with the indicator or with its variable manifestations (measurement models), (2) inner models that specify the relationships between latent variables (structural model) and (3) weight relation in which the value of the case from variable values can be estimated.

Outer Model

An outer model is also called an outer relation or measurement model, defining how each block of indicator relates to its latent variable. The outer model of the block with a reflexive indicator can be indicated by the formula as follows:

$$x = \Lambda_x \xi + \varepsilon_x \quad \text{.....(4.1)}$$

$$y = \Lambda_y \eta + \varepsilon_y \quad \text{.....(4.2)}$$

Where x and y are indicators or manifest variables for exogenous latent variables X and endogenous Y, while Λx and Λy are loading matrices that describe simple regression coefficients that connect latent variables with their indicators. Residuals measured by εx and εy can be interpreted as errors of measurement or noise.

Inner Model

The inner model which can also be called the inner relation and substantive theory illustrates the relationship between latent variables based on its substance. The formula is described as follows:

$$\eta = \beta_0 + \beta\eta + \Gamma\xi + \zeta \text{.....(4.3)}$$

Where Y describes endogenous (dependent) latent variables, X is variable endogenous variables, and ζ is residual variables (unexplained variance). Because PLS is designed for the recursive model, the relationship between latent variable, each latent variable with Y dependent, or as often called the causal chain system of the latent variable can be specified as follows:

$$\eta_j = \sum_i \beta_{ji}\eta_i + \sum_i \gamma_{jb}\xi_b + \zeta_i \text{.....(4.4)}$$

Where βji and γ are the path coefficients connecting endogenous predictors and varietal X and ε variants throughout the range of indexation and b, and ζ_j is the inner residual of the variables.

Weight Relations

The Inner and Outer models provide the specifications that are used in the PLS algorithm estimation. We need to define weight loss with weight relations. Case values for each variant variable are estimated in PLS as follows:

$$\xi_b = \sum_{kb} w_{kb} x_{kb} \text{.....(4.5)}$$
$$\eta_i = \sum_{ki} w_{ki} y_{ki} \text{.....(4.6)}$$

Where w_{kb} and w_{ki} are weight k used to estimate the latent variable Xb and Yi. Latent variable estimation is the linear aggregate of indicators whose weight values are obtained from PLS estimation procedures as specified by the inner and outer model in which Y is a vector of endogenous latent variable (dependent), and X is a vector of exogenous latent variable (independent), ζ is a residual vector, β and Γ are the path coefficient matrix.

Model Evaluation

PLS does not assume a certain distribution for the estimation of parameter, so that the parameter technique to test its significance is not required (Vinziet al., 2010). The evaluation of PLS models is based on the predictions that have non-parametric characteristics. Measurement models or outer models with reflexive indicators are evaluated with convergent and discriminant validity of the indicators and composite reliability or the block of indicators. Structural models or inner models are evaluated by looking at the percentage of variance that is explained by looking at the R-square value for the construct latent dependent by using the Stone-Geisser Q Square test (Stone, 1974; Geisser, 1975) and also by reviewing the magnitude of the structural path coefficient. The stability of the estimation is evaluated by using the t-statistic test obtained from the pre-bootstrapping procedure.

a) Measurement Model or Outer Model

The validity of the convergence of the measurement model with a reflexive index value is based on the correlation of the items or the components score with the construct score that is calculated from PLS. The individual reflexive measure was stated to be high if the correlation was more than 0.70 with a measured construct. However, for the initial phase of the scaling development, the measurement value of loading from 0.50 to 0.60 is considered sufficient (Chin, 1998). The discriminant validity of the measurement model with reflective indicator can be evaluated based on the cross loading measurement with construct. If the correlation between the construct and the measurement item is bigger than the measurement of the other constructs, then this indicates that the latent construct predicts the measure of the block better than the measure of other blocks. Another method for evaluating discriminant validity is to compare the value of the average variance extracted (AVE) of each construct with the correlation of the construct with other constructs in the model. If the square root value of AVE of each construct is bigger than the value of the correlation between the construct and the other constructs in the model, then it can be stated that it has good discriminant value validity (Fornel and Larcker, 1981).

$$AVE = \frac{\sum \lambda_i^{\,2}}{\sum \lambda_i^{\,2} + \sum_i \mathrm{var}(\varepsilon_i)} \quad \text{.....(4.7)}$$

λi is loading the component to the indicator. If all indicators are standardized, then this measure is similar to the average communalities in the block. It is recommended that AVE value> 0.5.

Composite reliability indicator blocks that measure a construct can be evaluated with two kinds of measurements which include internal consistency developed by Werts, Linn and Joreskog (1974) and Cronbach's Alpha. By using the output generated by PLS, composite reliability can be calculated with the following formula:

$$\rho c = \frac{\left(\sum \lambda_i\right)}{\left(\sum \lambda_i\right)^2 + \sum_i \mathrm{var}(\varepsilon_i)} \quad \text{.....(4.8)}$$

λi is the loading component to the indicator, and $\mathrm{var}(\varepsilon_i) = 1 - \lambda_i^2$ compared to Cronbach Alpha, this measurement does not assume or know the equivalance between measurements with the assumption that all indicators are given the same weight. Pc as an internal measure of consistency can only be used for constructs with reflective indicators.

b) Structural Model or Inner Model

The structural model is evaluated by using the R-square for dependent constructs, the Stone-Geisser Q-square test for the predictive relevance and the t-test as well as the significance of the coefficient of structural path parameters. Evaluating the model with PLS starts by looking at the R-square for each dependent variable. The interpretation is similar to the clarification of regression. The changes in the value of the R-squared can be used to assess the influence of certain latent independent variables towards dependent variables, whether they have a substantive effect or not. The great effect of magnitude of f^2 can be calculated by using the formula as follows:

$$f^2 = \frac{R^2 included - R^2 excluded}{1 - R^2 included} \quad \text{.....(4.9)}$$

R2 included and R2 excluded are the R-square of the latent dependent variable when the latent variable predictor is used in structural formula. The value of f2 is equal to 0.02; 0.15; and 0.35 can be interpreted as the latent predictor variable having small, medium, and large effect at the structural level.

Besides looking at R-square, the PLS model is also evaluated by looking at Q-square (Q2) predictive relevance for the construct model. Q-square (Q2) measures how good the observational values that generated by the model are and also its parameter estimation. A Q-square value bigger than 0 (zero) indicates that the model has predictive relevance.

Research Findings & Discussion

The Validity and Reliability test of the Instrument

This validity test is used to determine to what extent the instruments can be used to measure research accuracy, while reliability is used to find out the extent to which measuring instruments can be reliable (Kerlinger, 2000; Sekaran, 2006; Cooper, 2006 et al). This can be reliable if the value of α approaches 1. Calculation of the validity and reliability of each question item is carried out with the SPSS 17.0 program.

The criteria used to determine valid items and having acceptable reliability values are based on the following table 3:

Table 3: Standard Criteria for Validity and Reliability of Research Instruments

Category	**Reliability**	**Validity**
Good	0.8	0.5
Acceptable	0.7	0.3
Marginal	0.6	0.2
Poor	0.5	0.1

Source: *Barker, Pistrang, Elliot*. (2002)

Validity test is conducted on the instrument to select valid items for data processing. Following are the results of validity and reliability tests of the indicators of each research variable:

Table 4: The Validity Test of Revenues

Indicator	**Correlation**	**p value**	**Remarks**
PMK1	0,621	0,000	Valid
PMK2	0,487	0,000	Valid
PMK3	0,543	0,000	Valid
PMK4	0,618	0,000	Valid
PMK5	0,686	0,000	Valid
PP1	0,672	0,000	Valid
PP2	0,677	0,000	Valid
PP3	0,649	0,000	Valid
PP4	0,677	0,000	Valid

By referring to table 4, it is known that each indicator has a correlation coefficient> 0.3 so that the indicator on the income variable can be said to be valid.

Table 5: Validity Test of Company Resources

Indicator	Correlation	p value	Remarks
SDM1	0,661	0,000	Valid
SDM2	0,659	0,000	Valid
SDM3	0,715	0,000	Valid
SDM4	0,610	0,000	Valid
SDM5	0,602	0,000	Valid
SDF1	0,697	0,000	Valid
SDF2	0,565	0,000	Valid
SDF3	0,619	0,000	Valid
KO1	0,666	0,000	Valid
KO2	0,658	0,000	Valid
KO3	0,714	0,000	Valid
KO4	0,713	0,000	Valid
KO5	0,759	0,000	Valid
KO6	0,719	0,000	Valid
KO7	0,675	0,000	Valid
KO8	0,695	0,000	Valid
KO9	0,670	0,000	Valid
KO10	0,726	0,000	Valid
KO11	0,667	0,000	Valid

By referring to table 5 it is clear that each indicator has a correlation coefficient> 0.3 (p value> 0.05) so that the indicator on the resource variable can be stated as valid.

Table 6: The Validity Test of Competitive Strategies

Indicator	Correlation	p value	Remarks
KP1	0,765	0,000	Valid
KP2	0,799	0,000	Valid
DIFF1	0,748	0,000	Valid
DIFF2	0,753	0,000	Valid
DIFF3	0,781	0,000	Valid
LC1	0,847	0,000	Valid
LC2	0,802	0,000	Valid

Table 6 shows that each indicator has a correlation coefficient> 0.3 (p value> 0.05) so that the indicators on competitive strategy variable can be stated to be valid.

Table 7: The validity test of Company's performance

Indicator	Correlation	p value	Remarks
KPP1	0,770	0,000	Valid
KPP2	0,636	0,000	Valid
KPP3	0,670	0,000	Valid
KPP4	0,775	0,000	Valid
KPP5	0,755	0,000	Valid
KPP6	0,760	0,000	Valid
KPP7	0,771	0,000	Valid
KPP8	0,810	0,000	Valid
KPP9	0,699	0,000	Valid
KPP10	0,745	0,000	Valid
KPP11	0,741	0,000	Valid
KPP12	0,718	0,000	Valid

table 7 highlights that each indicator has a correlation coefficient> 0.3 (p value> 0.05) so that the indicators on the company's performance variables can be said to be valid.

Table 8: Reliability test

Variable	Split Half	Remarks
Revenue	0,961	Reliable
Company resources	0,802	Reliable
Competitive strategy	0,867	Reliable
Company's performance	0,843	Reliable

The result of the reliability test shows the Split Half coefficient value> 0.7 (Barker, Pistrang, Elliot; 2002: 70) and that all research variables have consistent measurement tools.

Model Suitability Test

a. Model Match Test - Measurement Model Analysis (Outer Model)

Analysis of the measurement model aims to test the validity and reliability of the dimensions and indicators used in measuring each construct research variable. Analysis of the measurement model can be explained clearly with discriminant validity, loading factor, construct validity and composite reliability.

- Discriminant validity is conducted by looking at the square root of average variance extracted (AVE) value. The recommended AVE value is above 0.5.
- The construct validity is explained by the value of the loading factor. Chin (2000) maintains that loading factors from the measurement model were more than 0.50 or the t-

value calculated from the loading factor is more than the t table at the 5% significance, so that the dimension can be declared as valid in measuring variables.

- Composite Reliability and Cronbach's Alpha are used to find out the reliability or the level of reliability of the dimension in measuring the variability of research. If the value of Construct Reliability and Cronebach Alpha is more than 0.70 (Nunnaly, 1994), the dimensions and indicators are actually declared reliable in measuring the variable of research.

Table 9: Analysis of Measurement Models (OuterModel)

Variable-Dimension	AVE	Composite Reliability	Cronbachs Alpha
Revenue	0,598	0,853	0,806
- **Working capital**	0,543	0,799	0,788
- **Profit**	0,600	0,857	0,778
COMPANY RESOURCES	0,557	0,941	0,933
- **Physical resource**	0,653	0,849	0,735
- **Human Resource**	0,601	0,882	0,832
- **Organization**	0,555	0,932	0,919
COMPETITIVE STRATEGY	0,620	0,919	0,897
- **Cost leadership**	0,779	0,876	0,716
- **Differentiation**	0,673	0,860	0,754
- **Faster**	0,857	0,923	0,834
COMPANY PERFORMANCE	0,547	0,935	0,924
- **Financial performance**	0,633	0,896	0,855
- **- Internal Business Perspective**	0,711	0,908	0,864
- **Customer growth**	0,723	0,887	0,809

From table 9 we can see the values of AVE> 0.5, both at the dimension and variable levels. This shows that there are dimensions and variables in the estimated model that meet the criteria of discriminant validity. Composite reliability from each variable is> 0.70 and Cronbach's Alpha is more than 0.70, so that it can be concluded that there are dimensions and variables that have good reliability.

The use of Second Order in the research model causes the loading factor obtained which can explain the relationship between latent variable-dimension and dimension-indicator dimensions. Table 10 presents the analysis of measurement models for each dimension of indicators:

Table 10: Loading Factors Between Dimensions-Indicators (1st order)

Dimension-Indicator	λ	SE(λ)	t count
PMK1 <- Working Capital	0,686	0,070	9,752
PMK2 <- Working Capital	0,593	0,140	4,227
PMK3 <- Working Capital	0,646	0,103	6,259
PMK4 <- Working Capital	0,671	0,069	9,666
PMK5 <- Working Capital	0,727	0,065	11,243
PP1 <- Profit	0,736	0,056	13,101
PP2 <- Profit	0,795	0,040	19,696
PP3 <- Profit	0,774	0,060	12,847
PP4 <- Profit	0,793	0,044	18,112
SDF1 <- Physical resources	0,831	0,035	23,723
SDF2 <- Physical resources	0,794	0,057	13,945
SDF3 <- Physical resources	0,798	0,041	19,530
SDM1 <- Human resources	0,791	0,044	17,866
SDM2 <- Human resources	0,809	0,041	19,863
SDM3 <- Human resources	0,853	0,028	30,497
SDM4 <- Human resources	0,695	0,058	11,984
SDM5 <- Human resources	0,715	0,068	10,448
KO1 <- Organisation	0,633	0,078	8,092
KO2 <- Organisation	0,652	0,063	10,280
KO3 <- Organisation	0,746	0,052	14,343
KO4 <- Organisation	0,766	0,047	16,240
KO5 <- Organisation	0,805	0,038	21,370
KO6 <- Organisation	0,776	0,049	15,869
KO7 <- Organisation	0,748	0,066	11,316
KO8 <- Organisation	0,768	0,059	13,106
KO9 <- Organisation	0,734	0,056	13,099
KO10 <- Organisation	0,808	0,044	18,496
KO11 <- Organisation	0,742	0,043	17,382
DIFF1 <- Differentiation	0,840	0,043	19,466
DIFF2 <- Differentiation	0,869	0,031	27,742
DIFF3 <- Differentiation	0,748	0,041	18,183
KP1 <- Cost Leadership	0,878	0,031	28,354

KP2 <- Cost Leadership	0,887	0,023	38,442
LC1 <- Faster	0,929	0,015	61,994
LC2 <- Faster	0,923	0,023	40,230
KPP1 <- Financial performance	0,792	0,048	16,422
KPP2 <- Financial performance	0,724	0,055	13,074
KPP3 <- Financial performance	0,794	0,048	16,564
KPP4 <- Financial performance	0,840	0,031	27,026
KPP5 <- Financial performance	0,822	0,037	22,236
KPP6 <- Internal Business Perspective	0,831	0,034	24,190
KPP7 <- Internal Business Perspective	0,860	0,029	29,738
KPP8 <- Internal Business Perspective	0,860	0,031	27,928
KPP9 <- Internal Business Perspective	0,851	0,038	22,667
KPP10 <- Internal Business Perspective	0,847	0,033	25,658
KPP11 <- Internal Business Perspective	0,846	0,039	21,812
KPP12 <- Internal Business Perspective	0,828	0,033	24,724

Table 10 explains the analysis of the measurement models of the dimensions through indicators. These results show that the mentioned criteria are valid in measuring their dimensions, where the loading factor is more than 0.70 and the t-value is more than one compared to the t-table value (1.98).

The next measurement model is conducted between latent variables of the dimensions. It explains the validity of the dimensions in measuring latent variables.

Table 11: Loading Factors of Latent Variable-Dimension (2nd order)

Variable-Dimension	λ	SE(λ)	t count
INCOME -> Working Capital	0,871	0,027	31,772
REVENUE -> Profit	0,892	0,026	34,589
COMPANY RESOURCES -> Physical Resources	0,771	0,048	16,133
COMPANY RESOURCES -> Human Resources	0,823	0,046	18,049
COMPANY RESOURCES -> OrganizStional Cap	0,949	0,010	93,988
COMPETITIVE STRATEGY -> Cost Leadership	0,890	0,032	27,755
COMPETITIVE STRATEGY -> Differentiation	0,925	0,019	47,957
COMPETITIVE STRATEGY -> Faster	0,900	0,024	36,777
COMPANY PERFORMANCE -> Financial Performance	0,902	0,024	36,942
COMPANY PERFORMANCE -> Internal Business Perspective	0,869	0,038	22,575
COMPANY PERFORMANCE -> Customer Growth	0,925	0,017	53,533

Table 11 shows the analysis of the measurement model for research variables in their dimensions. The results show that all dimensions are valid with a t count value that is bigger compared to a t table value (1.98) and a value of **λ**> 0.50.

b. Model Match Test - Structural Model Analysis (Inner Model)

Structural model analysis (inner model) shows the interrelationships between variables and latent variables. The inner model is evaluated by using the Goodness of Fit Model (GoF), which shows the differences between the values of the observations and the values estimated by the model. There are several tests for structural models including:

1) R Square in endogenous constructs. The value of R Square is the determining coefficient in endogenous constructs. According to Chin (1998), the value of R square is 0.67 (strong), 0.33 (moderate) and 0.19 (weak)
2) Prediction relevance (Q square) also known as Stone-Geisser's. This test is carried out to determine the predictive capability with the blindfolding procedure, if the values obtained are 0.02 (small), 0.15 (moderate) and 0.35 (big). This method can only be conducted for endogenous constructs with reflective indicators.

3) The match size of Goodness of fit (GoF) is used to evaluate PLS models. GoF is the square root of the multiplication result between average communality (outer model) and the average R 2 (inner model). GoF is valued between 0 to 1 and is formulated as:

4)

$$GoF = \sqrt{\overline{communality}.\overline{R^2}}$$ (Tenenhaus et al. (2004)

Table 12: Structural Models Test (Inner Model)

Variable	R Square	Communality	GOF	Q Square
REVENUE	-	0,698	0,625	0,387
COMPANY RESOURCES	-	0,657		0,450
COMPETITIVE STRATEGY	0,650	0,620		0,588
COMPANY PERFORMANCE	0,541	0,647		0,537

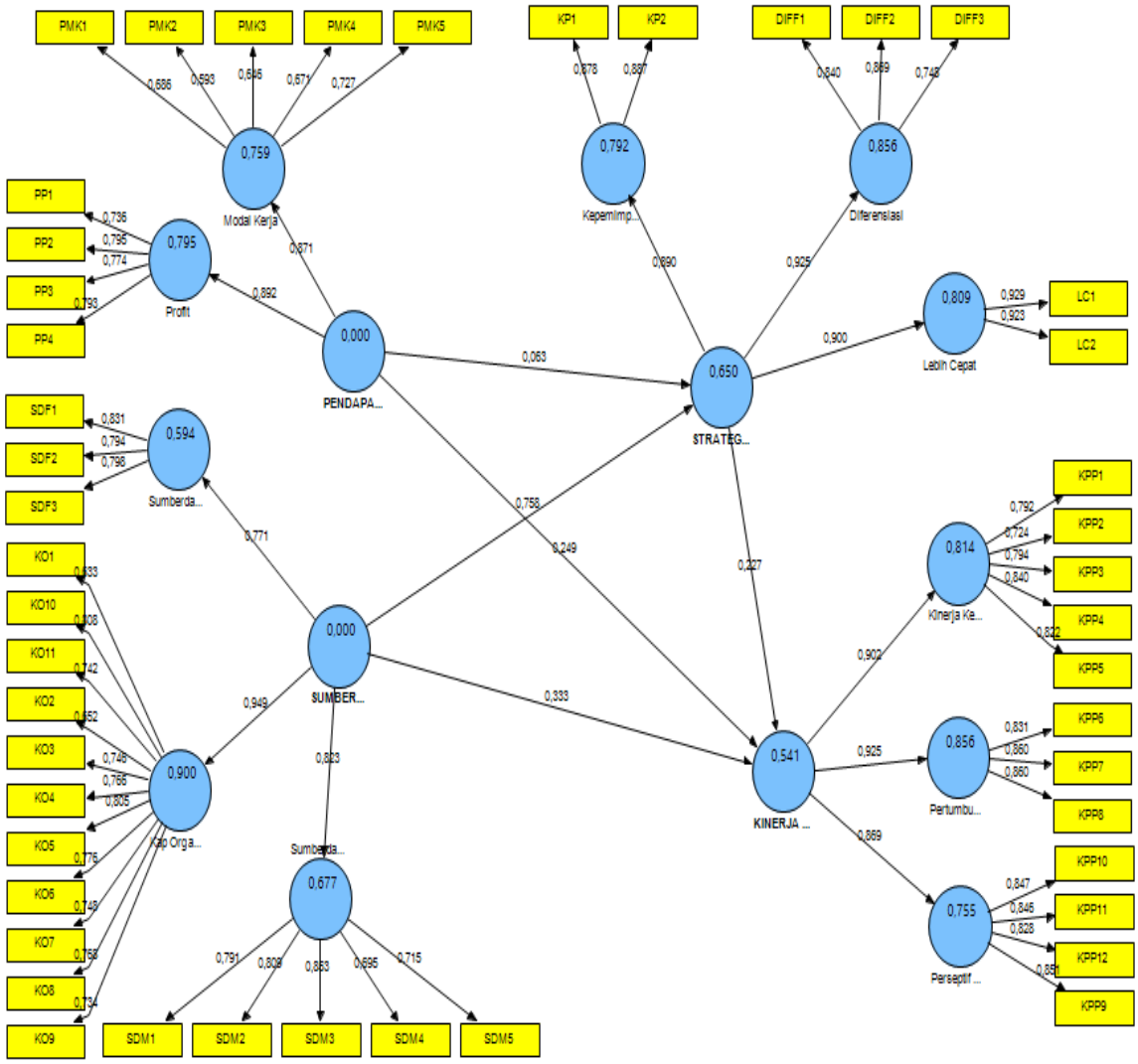
Source: Primary data processed by smart PLS (2018)

Based on Tenenhaus (2004), GoF value is considered small if = 0.1, Medium> 0.25 and big> 0.38. The test results show the values of R2, Q2 and GoF are consistent with the conclusion of the fit model.

Hypothesis Testing

Figure 1 illustrates the results of model testing using Smart PLS 2.0

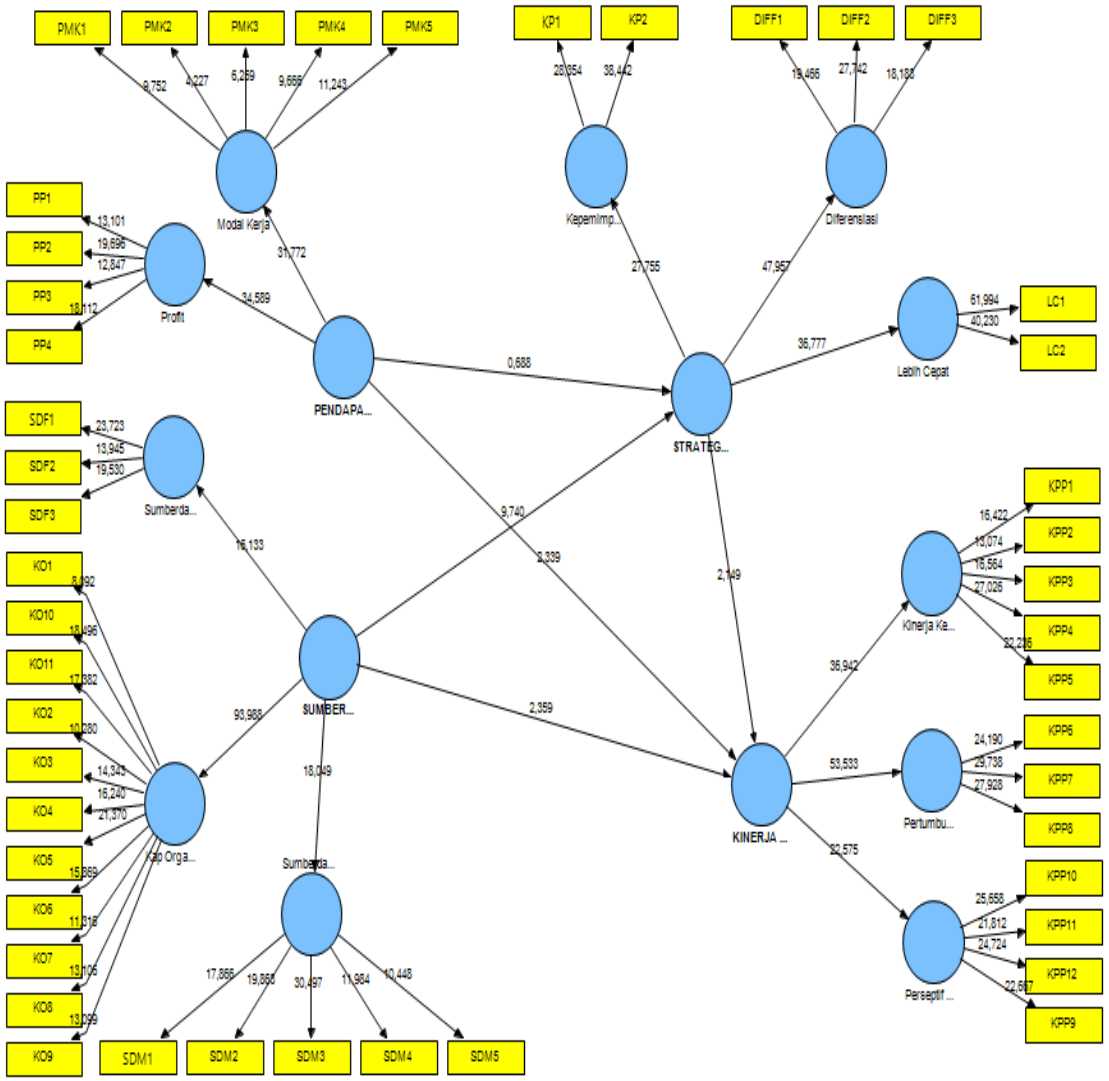
Figure 1. Research Model Test Results (coefficient p)



Hypothesis testing

The following describes the path coefficients of the research model:

Figure 2. Research Model Testing Results (t statistics)



Revenue and company resources directly affect the competitive strategy of SMEs

The following table shows the results of hypothesis testing on the simultaneous effect of hypothesis 1:

Table 13: Testing Hypotheses Effects on Simultaneous Hypotheses1

Hypotheses	**R^2**	**F count**	**Remarks**
Company Revenue and Resources → Competitive Strategy	**0,649**	**151.058***	Significant

*significant on α=0,05 (F table = 3.05)

The results of the hypothesis test of simultaneous influence show that the Income and Resources of Company Resources simultaneously influence the Competitive Strategy with an influence of 64.9%

The result shows that the revenue and resources of the company simultaneously have an influence on competitive strategies. So it can be said that the management of income and the development of company resources will have an impact on the competing strategies of SMEs in Depok.

Table 14: Hypothesis Testing Partial Hypothesis 1

Structural Model	γij	SE	t-count	R2	Remarks
Revenue -> Competitive Strategy	0,063	0,091	0,688	0.040	significant
Company Resources -> Competitive Strategies	0,758	0,078	9,740*	0.609	significant

*significant on α=0,05 (t table = 1.98)

Partial test results in table 14 show that only the variable of company resources affects the competitive strategy with the magnitude of influence (R2) of 60.9% while the income has no effect, as evidenced by the fact that R2 only receives 4%.

SME resources have internal strength value which are possessed and controlled by the company and spread over company activities in order to utilise existing market opportunities and create superior value for the customer.

Ultimate value for customers is the goal to be achieved from the development of company resources in SMEs in Depok. The concept of superior value is generally used by a company in carrying out its business to achieve competitive advantage by creating something that is not owned by competitors, doing something better than other companies, or by conducting an activity that cannot be completed by another company. Superior value is conducted by companies offering a better product for purchasing at a lower price than a competitive price, and by offering a better and unique product than a competitor, so that the customer will purchase it for a premium price. To create superior value for its customers, creativity and the capability to organise creative people are necessary in order to transform innovative ideas into quality products and services. Therefore, a high organisational capability from management is needed to be able to manage human and physical resources. Wong, Kuek, and Ong (2011: 6592) state that *"organisational resources include firm structures, planning processes, information systems, patents, trademarks, copyrights, and databases."*

Organisational capability in managing human and physical resources has an important role ub supporting the achievement of superior value and creating competitive advantage. This view was supported by the results of hypothesis testing which showed the highest organisational dimension in reflecting the variable of company resources with the value of 0,949, followed by the dimension of human (0,823) and physical resources (0,771).

The next dimension of company resource that has an influence on the company's capacity to influence competing strategies is human resources. Human resource dimensions include: number of employees, employee qualifications, human resource planning, employee resignations and development and compensation systems.

Efforts to develop innovation and creativity become the motivation for competitiveness through the ability to develop creative products that will provide satisfaction to customers. Using an effective product will create a good impression for customers so that it can encourage the creation of an increasingly well-known brand that will become a competitive edge for the company. Creating good quality products with competitive prices are important supporting production. Physical resources rank third following organisational capabilities and human resources in reflecting corporate resource variables. Physical resources include use of production technology, supporting infrastructure and production facilities. The fulfilment of these elements supports the development of organisational capabilities and human resources to create high quality products with competitive prices and providing superior value to customers.

Company's revenue and resources affect the company's performance in SMEs

Table 15 shows the results of hypothesis testing of the simultaneous influence of hypothesis 2:

Table 15: Testing Hypotheses Effects of Simultaneous Hypotheses 2

Hypothesis	**R^2**	**F count**	**Remarks**
Revenue and company resources → Company Performance	**0,297**	**34.379***	Significant

*significant on α=0,05 (F table = 3.05)

The result of simultaneous influence hypothesis testing indicates that the company's revenue and resources simultaneously influence the company's performance with the effect of 29.7%

Table 16: Partial Hypothesis Testing Hypothesis 2

Structural Model	γij	SE	t-count	R2	Remarks
Income -> Company Performance	0,249	0,106	2,339*	0.124	Significant
Company Resources -> Company Performance	0,333	0,141	2,359*	0.173	Significant

*significant on α=0,05 (t table = 1.98)

Partial test results indicate that the two variables affect company performance where company resources have a dominant influence on (R2) of 17.3%. The results of testing the hypotheses of both company resources are more significant than revenue in influencing company performance.

As a result, it is known that SMEs have a vital role in national economic recovery. The existence of SMEs reflects the realisation of the social and economic life of most Indonesian people . The role of the SME sector has become the centre of crisis until becoming an important asset for the survival of the country's economy in this time of crisis. In addition, to be an economic activator, the sector is able to absorb labours and open up opportunities for SMEs to develop and compete with other companies that tend to use large capital (capital intensive). The decline in the quality of company resources is not likely to affect company performance. In addition, Fang Yi Lo's study (2013: 217) conveys that companies that engage in collaborative strategies and have more resources will achieve better performance levels.

The company's revenue and resources have an indirect impact on company performance through a competitive strategy for SMEs

The third hypothesis examines the indirect impact of the company's revenue and company resources towards the company's performance through a competitive strategy

Table 17: Hypothesis testing Effects of Simultaneous Hypotheses 3

Hypothesis	R^2	F count	Remarks
Company revenue and resources have an indirect effect on company performance through a competitive strategy	0,186	18.631*	**Receive H0**

*significant on α=0,05 (F table = 2.61)

The test results show the multi-layered impact which can have an indirect impact on company revenue and resources, in turn affecting company performance through a competitive strategy with an influence of 18.6%

Below is the result of testing the partial hypothesis of the indirect effect of company revenue and resources on company performance through a competitive strategy

Table 18: Partial Hypothesis Testing Hypothesis 3

Structural Model	**$\gamma\beta_{ij}$**	**SE**	**t-count**	**R^2**	**Keterangan**
Revenue -> Competitive Strategy -> Company Performance	0,014	0.022	0.656	0.014	Not significant
Company Resources -> Competitive Strategy -> Company Performance	0,172	0.082	2.107**	0.172	Significant

**significant on α=0,05 on Sobel Test (t table = 2.045)

The results of partial testing indicate that the variable of resource indirectly affects the company's performance through competitive strategies with an effect of 17.2%, while income has no effect (R2 = 1.4%). Results show that the dimensions of competitive strategy which had the greatest influence on influencing competitive strategy and affecting company performance are differentiation strategy and cost leadership followed by accelerating strategy.

Differentiation strategy is manifested through the creation of the uniqueness of products that are not owned by other companies, the development of a variety of better products than possessed by competitors, and the provision of convenience to the customer through the transaction process in the entire market . Meanwhile, the dimension of accelerating strategy is reflected in the efficiency of the company in anticipating the changes in consumer behaviour and anticipating the latest technological trends, especially in the industrial era 4.0. SMEs must utilise the Internet to gain a wider market share. Leadership cost strategy shows the level of company ability in setting more efficient operational costs than the competitor's, and the level of capacity in setting prices under those of the competitors. This will highlight that the decline in company performance is due to the company's inability to set more efficient operational costs than its competitor and setting prices under the prices of the competition.

The results of the study indicate that the significant influence of competing strategic standards on company performance is supported by the earlier research of Monsur and Yoshi (2012: 687) who conducted a survey of 180 clothing companies in Bangladesh by taking the competitive strategy of Porter generators. They found that industries which conduct an upgrade of t values had a positive effect on competitive advantage and a

significantly positive effect on company performance. Moreover, Gong et al (2014) conducted an independent research on competitive strategies and the use of financial and non-financial measures in PMS (performance measurement systems) in three selected industries, including electronics, machinery and textiles.

Conclusions and Recommendations

1. Revenue and company resources simultaneously influence competitive strategy. Meanwhile, company resources make the highest contribution to competitive strategies but revenue does not provide contributions. Organisational capability is the dimension that makes the highest contribution in reflecting the resources of the company by influencing competitive strategy. Organisational capability indicates the capabilities of the company regarding financial resources, the ability to operate services, the ability in marketing, information systems, research and development, control systems, production efficiency, and the ability to control the supply of raw materials. The second dimension that gives impact to company resources is human resources which include: number of employees, employee qualifications, human resource planning, resignations, employee development and compensation systems. Physical resources include production technology , plant supporting infrastructure and production facilities. Thus, in order to improve competitive strategies, it is necessary to increase the resources of organisational capability supported by human and physical resources.
2. Revenue and company resources simultaneously and partially affect company performance . In part, company resources make the highest contribution to business performance followed by revenue. They deliver the most significant contribution to company performance through competitive strategies compared to revenue. Thus, to improve company performance , it is necessary to increase the competitive strategy that is supported by the improvement of company resources and revenue.
3. Competitive strategies affect the performance of companies in SMEs in Depok. The dimension of differentiation strategy followed by a faster strategy dimension and leadership strategy have a great influence in reflecting competitive strategy and affecting company performance Differentiating strategy manifests in the creation of unique products that are not owned by other companies, the development of better product variations compared to competitors, and providing convenience for customers in the transaction process in the market . The dimension of strategy is immediately reflected in the company's ability to respond faster in anticipating changes in consumer behaviour and in the latest technological trends. Finally, cost leadership strategy shows the degree of the company's ability to set more efficient operational costs than its competitors.

Based on the description in the discussion and conclusions above, the below academic and practical suggestions are recommended :

1. The research findings in this paper are expected to be used as a reference for academics in conducting research development. These research findings are part of the premise in developing a framework for reflection.
2. It is expected that in the future there will be more academics who are interested in conducting research on SMEs with different perspectives such as specialising in the fields of marketing management or human resource management.

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