A Model of Mixed Strategic Orientations Based on Environment in Achieving A Tough Performance of MSMEs

[1]Darmanto, [1]Sri Wardaya, [2]Lilis Setyarini, [2]Basuki Sri Rahayu and [3]M. Gunawan Setyadi
[1]Institute of Economic Science, St. Pignatelli Surakarta, Indonesia
[2]Institute of Economic Science, AUB Surakarta, Indonesia
[3]Institute of Economic Science, AAS Surakarta, Indonesia

Corresponding Author:
Darmanto
Institute of Economic Science, St. Pignatelli Surakarta, Indonesia

Abstract: This study aims to design a model in achieving superior performance of MSMEs. The mixed strategic orientations of demography, economy and cultural values are used to design this model. The population of this study consists of food MSMEs in Central Java. The 750 samples are chosen with convenient sampling technique. Data analysis method used the Crosstab Analysis and Structural Equation Model (SEM). The result of this research is a model explaining that demography, economy and cultural values influence antecedent variables of customer orientation, dimension of strategic orientations and organizational performance. The antecedent variables affect customer orientation; the dimension of strategic orientations affects performance; variable of change of capacity unmoderated customer and competitor orientations on innovation orientation. Variable of competitive advantage unmediated customer and competitor orientations on performance.

INTRODUCTION

The development success in Indonesia is dominated more by material and quantitative measures. As a result, the development even creates inequality among community groups and regions. The progress that occurs is not rooted in culture, so, that in turn, this can fade away the identity of the nation. Any advances which are based on technologies and economies generally exploit natural resources. This will, inevitably, cause worries in the future. The development of the Indonesian nation has low resilience to anticipate various changes. Some Indonesians tend have individualistic behavior and like to use natural resources unwisely. This, then generates an exclusive economy. Indonesia cannot get out of the political-economic traps that makeit become a consumer nation. Overcoming this problem needs a strategic development that directly touches the lower and middle class societies that are developing micro, small and medium enterprises that are often termed MSMEs. This research is trying to formulate a comprehensive model that can be applied to solve the economic problems of MSMEs in Indonesia. In searching the national and international scientific journals the researchers find there are six models that can be used to improve the quality of MSMEs but these are in fact not comprehensive. On this occasion the researchers try to formulate a comprehensive model. Model 1 is performance improvement with

strategic orientation of customer. This model states that improving the quality of MSMEs can be done by applying the customer orientation. The antecedent variable of customer orientation consists of entrepreneurial orientation, marketing-based reward system and learning orientation[1]. Model 2 is performance improvement with market and innovation orientations. Competitor orientation influences the innovation orientation. A strong market orientation has links to incremental innovation and the strong market orientation affects innovation. Model 3 is performance enhancement with mixed strategic orientations. Strong customer and competitor orientations have a positive effect on incremental performance and a strong customer orientation has impact on performance. Relevently, the research of Jhonson, etc., states that innovation orientation influences the performance of the manufacturing industry. Jhonson, etc. state that integrated innovation orientation influences the performance of manufacturing companies. Model 4 is performance improvement with mixed strategic orientations is mediated by competitive advantage and is moderated by change orientation; Model 4 is a combination of Model 1-3. Model 5, performance improvement with mixed strategic orientations based on demography. This model is the improvement of model 4 by adding demographic variable which consists of gender, age, education and experience. Model 6 is performance improvement with mixed strategic orientations based on economy and culture. This model is an improvement of Model 4 by adding economic and cultural value variables. Economic variables consist of government, price and growth. Cultural value variables consist of cultural values of Java, China and Padang. The model created in this study is a model accommodating all existing models. As far as their investigations on the previous studies, the researchers have not found such a comprehensive model. This model includes variables of demography, economy, cultural values and mixed orientations. These four variables affect performance. Demographic variables consist of education, age and experience. Economic variables consist of government, price and growth. Cultural variables consist of Javanese, Chinese and Padang cultures. The orientation mix consists of customer, competitor, innovation, change and competitive advantage orientations. This model is named "A Model of Performance Improvement Acceleration of MSMEs in Indonesia".

MATERIALS AND METHODS

This study is conducted on food MSMEs in Central Java, consisting of 29 regencies and 6 cities. Central Java is chosen because MSMEs in this province have the same characteristics as ones in other parts of Indonesia. The research uses cross section time because it is done nowadays and not directly related to the past or the future researches. This type of research belongs to an applied research because its result is a model that can be applied by business actors. The unit of analysis in this study includes individuals. The population of this research is MSMEs of food sector in Central Java.The number of MSMEs always increases but no institution has complete and appropriate data about this. The number of sample is 750 units of selected food MSMEs. This study applies convenient sampling method in 4 cities, namely Salatiga, Semarang, Surakarta, Tegal and 8 regencies, namely Boyolali, Brebes, Kendal, Klaten, Kudus, Sragen, Sukoharjo, Semarang. This research uses analysis technique of crosstab and Structural Equation Modeling (SEM). The results the crosstab analysis is used to know the influence of demographic environment, economic and cultural values variables on antecedent variables of customer orientation, independent variable and dependent variable. Analysis of Structural Equation Modeling (SEM) indicate the effect degree of independent variable on dependent variable, the role of change orientation variable as a mediation variable and competitiveness variable as a mediation variable.

RESULTS AND DISCUSSION

The result of Crosstab analysis between demographic, economic, cultural value variables and orientation variables of entrepreneur, reward and learning is presented in Table 1. Based on the analysis results presented in Table 1 can be said demographic, economi, cultural values have positive and significant influence on variable orientation intreprenour, variable orientation reward, learning. Crosstab analysis result between demographic, economic, cultural values variables and orientaton variables of customer, competitor and innovation is presented in Table 2 based on the results of the analysis presented in Table 2 it can be said that demographic, economy, cultural values have significant positive effect on customer variable orientation, competitor variable orientation and innovation. The result of crosstab analysis between demographic, economic, cultural values variables and orientation variables of change, competitive excellence, performance is presented in Table 3.

Based on the results of the analysis presented in Table 3 it can be said that the variables demographic, economy, cultural values have positively and significantly affect the change of capasity organizational, competitive advantage and performance.

Structural Equation Modeling (SEM) analysis: The result of feasibility test of SEM model shows that the model in this research is fit. The most important things in this feasibility test are Chi-square and probability. Chi-square should be small and this result proves, so,

Table 1: The result of crosstab analysis between demographic, economic, cultural values variables and orientation variables of entrepreneur, reward and learning

Demography	Entrepreneur			Reward			Learning		
	Chi-square	Significance	Information	Chi-square	Significance	Information	Chi-square	Significance	Information
Education	113.86	0.000	Sig.	119.11	0.000	Sig.	119.09	0.000	Sig.
Experience	11.169	0.025	Sig.	31.559	0.000	Sig.	13.389	0.010	Sig.
Age	11.144	0.025	Sig.	34.249	0.000	Sig.	15.996	0.003	Sig.
Economy:									
Government	10.499	0.001	Sig.	12.895	0.000	Sig.	19.92	0.000	Sig.
Price.	7.252	0.007	Sig.	9.272[a]	0.003	Sig.	15.275	0.000	Sig.
Revenue	3.581[a]	0.023	Sig.	9.587[a]	0.002	Sig.	8.907[a]	0.003	Sig.
Growth	8.610[a]	0.003	Sig.	11.212	0.001	Sig.	16.753	0.000	Sig.
Culture:									
Javanese	17.234	0.000	Sig.	30.317	0.000	Sig.	28.561	0.000	Sig.
Chinese	16.032	0.000	Sig.	24.868	0.000	Sig.	26.805	0.000	Sig.
Padang	18.109	0.000	Sig.	27.366	0.000	Sig.	29.625	0.000	Sig.

Table 2: The result of crosstab analysis between the influence of demographic, economy, cultural values variables and orientation variables of customer, competitor, innovation

Demography	Customer orientation			Competitor orientation			Innovation orientation		
	Chi-square	Significance	Information	Chi-square	Significance	Information	Chi-square	Significance	Information
Education	104.85	0.000	Sig.	97.770	0.000	Sig.	130.98	0.000	Sig.
Experience	25.017	0.000	Sig.	24.814	0.000	Sig.	17.628	0.001	Sig.
Age	42.842	0.000	Sig.	23.523	0.000	Sig.	22.283	0.000	Sig.
Economy:									
Government	9.031[a]	0.003	Sig.	3.769[a]	0.000	Sig.	45.381	0.000	Sig.
Price,	6,056[a]	0.014	Sig.	3.974[a]	0.000	Sig.	38.009	0.000	Sig.
Revenue	8,404[a]	0.004	Sig.	5.343[a]	0.000	Sig.	25.116	0.000	Sig.
Growth	8.666[a]	0.003	Sig.	5.337[a]	0.024	Sig.	39.005	0.000	Sig.
Culture:									
Javanese	14.094	0.000	Sig.	57.176	0.000	Sig.	42.634	0.000	Sig.
Chinese	21.267	0.000	Sig.	11.979	0.001	Sig.	54.142	0.000	Sig.
Padang	23.277	0.000	Sig.	12.141	0.000	Sig.	58.519	0.000	Sig.

Table 3: The result of crosstab analysis between the influence of demographic, economic, cultural values and orientationvariables of change, competitive advantage, perforrmance

Demography:	Change of capacity			Competitive advantage			Performance		
	Chi-square	Significance	Information	Chi-square	Significance	Information	Chi-square	Significance	Information
Education	139.51	0.000	Sig.	133.24	0.000	Sig.	132.30	0.000	Sig.
Experience	16.187	0.003	Sig.	20.003	0.000	Sig.	16.821	0.002	Sig.
Age	19.828	0.003	Sig.	19.087	0.000	Sig.	21.180	0.000	Sig.
Economy:									
Government	34.442	0.000	Sig.	36.241	0.000	Sig.	43.372	0.000	Sig.
Price,	28.131	0.000	Sig.	31.841	0.000	Sig.	36.185	0.000	Sig.
Revenue	16.552	0.000	Sig.	16.552	0.000	Sig.	23.786	0.000	Sig.
Growth	27.497	0.000	Sig.	31.033	0.000	Sig.	37.241	0.000	Sig.
Culture:									
Javanese	42.634	0.000	Sig.	44.584	0.000	Sig.	54.971	0.000	Sig.
Chinese	40.234	0.000	Sig.	42.098	0.000	Sig.	52.032	0.000	Sig.
Padang	43.857	0.000	Sig.	45.826	0.000	Sig.	56.299	0.000	Sig.

Table 4: CR and p-values of the effect of entrepreneurship, marketing-based reward and learning orientation on customer orientation

Independent variables	Dependent variables	CR	p-values	Information
Strategy orientation of entrepreneurship	Strategy orientation of customer	3.083	0.011	Supported
Strategic orientation of reward	Strategic orientation of customer	2.992	0.023	Supported
Strategic orientation of learning	Strategic orientation of customer	2.879	0.024	Supported

that is 1362.72. Probability should be ≥ 0.05 and the result in this research is 0.184. Consequently, the model of this research is fit.

The result of SEM analysis of the effect of entrepreneurship, marketing-based reward and learning orientations on Customer Orientation is presented with CR and p-values in Table 4.

The SEM analysis result of the influence of customer, competitor and learning on orientation. The SEM analysis result of the Influence of customer and competitor orientation on innovation orientation is presented with CR and p-values in Table 5.

The SEM analysis result on the influence of strategic orientation customer, strategic orientation competitor on

Table 5: CR and p-values of strategic orientation of customer and competitor variables on innovation strategic orientation

Independent variables	Dependent variables	CR	p-values	Information
Strategic orientation of customer	Strategic orientation of innovation	5.865	***	Supported
Strategic orientation of competitor	Strategic orientation of innovation	3.281	0,004	Supported

Table 6: CR and p-values organizational change capabilities moderate the effect of customer and competitor orientation on innovation orientation

Independent variables	Dependent variables	CR	p-values	Information
Innovation orientation strategy	Custome orientation strategy	5.865	***	Supported
Innovation orientation strategy	Competitor orientation strategy_custome orientation	3.055	0.014	Supported
The magnitude of the effect of customer orientation without the ability of organizational change > from the influence after the existing organizational change capasity means the ability of organizational change does not moderate customer orientation strategy on innovation orientation strategy				
Innovation orientation strategy	Competitor orientation strategy	2.831	0.035	Supported
Innovation orientation strategy	Competitor orientation strategy _competitor orientation strategy	2.759	0.049	Supported
The magnitude of the influence of competitor orientation without the ability of organizational change > from the influence after the existing organizational change capability means that the ability of organizational change does not moderate. The strategy of competitor orientation in the orientation of innovation				

Table 7: The influence of customer and competitor orientation on competitive advantage

Dependent variables	Variable independent	CR	p-values	Information
Competitive advantage	Customer orientation strategy	3,357	0,002	Supported
Competitive advantage	Competitor orientation Strategy	2,796	0,045	Supported

Table 8: The influence of competitive advantage computes on performance

Dependen variable	.Independen variable	CR	p-values	Keteragan
Performance	Competitive advantage	2,767	0,046	Supported

Table 9: CR and P Values of the influence of customer and competitor orientation on performance mediated by competitive advantage

Independent variable	Directly	Indirectly	Information
Strategy of customer orientation	CR 3,094, p = 0,008	CR 2,767 P 0,046	Un mediating
Strategy of competitor orientation	R 2,831 P 0,035	CR 2,767 P 0,046	Un Mediating

Table10: CR and p-values of strategic orientation variables of customer, competitor and competitive advantage on performance

Independent variables	Dependent variables	CR	p-values	Information
Strategy of customer orientation	Performance	2.767	0.046	Supported
Strategy of competitor orientation	Performance	2.796	0.045	Supported
Strategy of competitive advantage orientation	Performance	3.094	0.008	Supported

strategic orientation of innovation. The SEM analysis result of organizational change of capabilities moderate the effect of customer orientation and customer orientation on innovation is presented with CR and P value in Table 6.

Based on Table 7 it can be argued that customer and competitive orientation strategies have a positive and significant effect on competitive advantage. Competitive advantage strategy influences performance of MSMEs. Based on Table 8 it can be said that competitive advantage positively and significantly influence on performance

The SEM analysis result of the Influence of customer and competitor orientations on performance mediated by competitive advantage with CR and P value is presented in Table 9.

Based on Table 10 can be said customer orientation strategy and competitor orientation strategy have a significant positive effect on performance.

The SEM analysis result of the influence of customer, competitor, competitive advantage orientations on performance is presented with cr and p-values in Table 10.

The environmental demography, economy and cultural values have impacts on entrepreneurship, reward and learning orientations.

The result of research on the influence of demographic, economic, cultural variables on entrepreneurship, reward and learning orientations shows a positive and significant influence. This result is in line with the research of Luca, etc. This result is not contrary

to the research of Demirci1[2]. The results of their researches indicate that demographic, economic and cultural variables have a positive effect on entrepreneurship, reward and learning orientation. Demographic, economic and cultural environments have effects on the vaviables of mixed strategic orientations.

The result of the research on strategic orientation variables of demography, economy and culture shows a positive and significant impact. This resultis consistent to the research of Lestari *et al*.[3] and Wahid *et al*.[4]. While the research of Christian, etc. indicates that women are more active and younger performance are more innovative. Demographic, economic and cultural environments have effects on the performance of MSMEs.

The result of research onthe influence of demography, economy and culture on the performance of MSMEs shows a positive and significant influence. This result is in accordance with ones of Schiliro[5] which state that demographic, economic and cultural variables have positive and significant influence on performance.

The entrepreneurship, reward and learning variables influence the strategic orientation of customer. The research result on the influence of the orientation variables of entrepreneurship, reward and learningon customer orientation shows a positive and significant effect. This result is in line with the research of Cristina[6] and Basile[1] stating that entrepreneurial behavior enhances the orientations of customer, market and customer values for companies operating in a dynamic environment. Meanwhile, Schindehutte, etc. state that entrepreneurship, reward system and learning have effects on customer orientation.

Strategic orientation variables of customer and competitor influence thestrategic orientation of innovation.

The result of SEM analysis on the effect of customer orientation on innovation shows a positive and significant influence. This result is not contrary to the research result of Lisboa *et al*.[7] stating that customer and competitor-oriented companies will enhance exploration and exploitation innovations. The competitor orientation has a significant effect on the ability of innovation of exploitation. The innovation ability of exploitation affects the performance of the present period while the ability of exploration innovation influences the future performance.

The strategic change of capacity moderates the influence of customer and competitor strategic orientations on innovation strategic orientation.

The result states that the orientation of change unmoderate the influence of customer and competitor strategic orientations on innovation strategic orientation. This result does not deviate from the results of researches by Oppen, etc. which state that organizational change ability influences innovation orientation, the stronger the organizational change ability is the higher the orientation of innovation will be and the weaker the organizational change ability is the lower the orientation of innovation will be. The change of strategic orientation immoderate the influence of customer and competitor strategic orientations on innovation strategic orientation. The capability of organizational change is an independent variable of innovation orientation variables.

Customer and competitor strategic orientations affect the competitive advantage. The results of this study indicate that the strategy of customer and competitor orientation positively and significantly influence on competitive advantage. The higher level of customer and competitor orientation will lead to higher competitive advantage. These results are in line with the research, suggesting market orientation influences competitive advantage.

The results of this study are in line with research by Jhonson, etc. the results of his research stated that customer orientation influences the competitive advantage of manufacturing companies. These results are indeed logical, businesses that have many customers, can satisfy customers, paying close attention to customers, considering competitors, out perform competitors will have competitive advantage. So, competitive advantage can be improved by improving customer and competitor orientation strategy.

The competitive advantage strategy influences MSMEs' performance. This study shows the result that competitive advantage positively and significantly affects Performance. This result is consistent with the results of researches by Lisboa *et al*.[7] stating that competitive advantage consists of product and market advantages, both of which affect performance. Thus, competitive advantage strategy influences MSME's performance. The higher the level of competitive advantage then the performance of MSME's will be higher. These results are very logical, MSME's that have a high competitive advantage level has a high level of performance. Performance levels can be improved by increasing the competitive advantage. MSME's that have a high competitive advantage will have a good performance.

The strategy of competitive advantage unmediates the strategic orientations ofcustomerand competitor on the performance of MSMEs. The result of this study indicates the competitive advantage unmediates customer and competitor strategic orientation on performance. This result contradict the research of Luke and Ferrell which states that customer and competitor orientations have no effect on new product development but improve performance. Cost competitive advantages in the process and the use of machines affect performance[7]. Competitive advantage does not mediate the effect of customer orientation on organizational performance but only as an inherent variable of organizational performance.

Competitive advantage strategy unmediates customer and competitor orientations on performance. Customer and competitor orientations should increase Kinerja UMKM. Customer and competitor orientations that do not increase competitive advantage will not improve performance. The orientations of customer and competitor that do not increase competitive advantage may not be in accordance with the customer's will or the competitor's actions, so that, the implementation needs to be reviewed. Competitive advantage positively and significantly impact on performance. The higher Keunggula estranged the higher performance of SMEs. This is logical, SMEs that have a high competitiveness will have a good performance. The results of this study can be accepted common sense.

The mixed strategic orientations influence the performance of MSMEs. The result of SEM test states that strategic orientations have significant and positive effects on MSMEs' performance. This result is in line with the research by Lin, etc. that finds a positive relationship between market orientation on innovation and the company's performance. The competitive advantage has positive and significant effects on performance. This result is also in line with the researches of Li and Zhou, etc., stating that the competitive advantage strategy influences the performance of MSMEs. Mix strategy of orientation variable that affect the performance of customer orientation strategy, competitors, innovation, organizational change ability and competitive advantage.

CONCLUSION

The model of mixed strategic orientations based on environment in achieving tough performance of MSMEs is designed based on: demographic environment consists of gender, age, education and experience; Economic environment consists of impact, price, income and government; cultural value environment consists of Javanese, Chinese and Padang cultural values; antecedent variable oriented on customer consists of entrepreneurship, reward and learning orientations.

The mixed strategic orientations consist of customer, competitor, innovation, change and competitive advantage orientations. Environmental variables affect the antecedent variables of customer orientation, mixed strategic orientations and performance. The mixed strategic orientations influence positively and significantly on performance. Change orientation variable

moderates the effects of customer and competitor orientations on innovation orientation. Variable of competitive advantage mediates the orientations of customer, competitor and innovation on performance.

LIMITATIONS

This research is conducted with population and sample of food MSMEs in Central Java, so, the use of the model is still limited in the case of food SMEs. This model is not suitable for MSMEs clothing or other business sectors.

RECOMMENDATIONS

The future researchers can use different populations, samples or sampling methods for example the research including samples of clothing business and using purposive sampling method.

REFERENCES

01. Basile, A., 2012. Entrepreneurial orientation in SMEs: Risk-taking to entering international markets. Far East J. Psychol. Bus., 7: 1-17.

02. Demirci1, E., 2013. Strategic representation of an abstract reality: Spiraling relations between organizational culture and innovativeness. J. Manag. Strategy, 4: 39-55.

03. Lestari, P., H. Retno and P. Prayudi, 2012. Cross-cultural business communication competencies (In Indonesian)]. J. Accredited Commun. Sci., 9: 139-249.

04. Wahid, N.A., E. Rahbar, T.S. Shyan and T. Ramayah, 2011. Relationship between environmental volunteers demographic characteristics and their green purchase behaviour: Evidence from Penang (Malaysia). Intl. J. Global Environ. Issues, 11: 299-309.

05. Schiliro, D., 2012. Italian medium-sized enterprises and the fourth capitalism. J. Appl. Econ. Sci., 4: 437-446.

06. Cristina, S., 2011. The marketing entrepreneurship and the SMEs competitiveness. J. Knowl. Manag. Econ. Inf. Technol., 1: 84-91.

07. Lisboa, A., D. Skarmeas and C. Lages, 2011. Innovative capabilities: Their drivers and effects on current and future performance. J. Bus. Res., 64: 1157-1161.