

Structural Model of Business Performance in Small and Medium Enterprises (SMEs) in Malang Regency

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Abstract: Small and Medium Enterprises (SMEs) are one of the main pillars of the national economy with an independent perspective and have great potential to improve people's welfare. SMEs have limitations in various ways, including limitations in accessing technology, capital, information and markets. Empowerment of SMEs based on regional potential and market-oriented needs to be done. The research objectives are: (1) Analyzing the effect of entrepreneurial orientation, product innovation, e-commerce utilization, and market orientation on competitive advantage. (2) Analyzing the effect of entrepreneurial orientation, product innovation, e-commerce utilization, market orientation, and competitive advantage on business performance. (3) Analyzing the effect of entrepreneurial orientation, product innovation, e-commerce utilization, market orientation on business performance through competitive advantage. The research method uses a quantitative descriptive approach. The population in this study were 232 SMEs and a sample of 115 SMEs who were SMEs fostered by the Malang Regency Cooperative and SMEs Office. The sampling technique is purposive sampling. Data analysis techniques using Structural Equation Modeling (SEM). The results of the study are (1) Entrepreneurial orientation, product innovation, e-commerce utilization, and market orientation have a significant effect on competitive advantage. (2) Entrepreneurial orientation, product innovation, e-commerce utilization, market orientation, and competitive advantage have a significant effect on business performance. (3) Entrepreneurial orientation, product innovation, e-commerce utilization, market orientation have a significant effect on business performance and competitive advantage as an intervening variable.

Keywords: Empowerment, small and medium businesses, based on regional potential, market oriented.

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I. Introduction

Empowerment of Small and Medium Enterprises (SMEs) is an important issue as a driving force for economic growth and improvement in several countries in the world. SMEs in Indonesia are a stimulus or driver for the economy and its existence not only contributes significantly to GDP but can also absorb labor, equitable distribution of development results. SMEs also play a role as one of the important sources for economic growth and non-oil and gas exports which directly have a significant influence on increasing people's income so that they can overcome poverty in Indonesia. The number of SMEs in Indonesia reaches 56.5 million, the total number of workers in Indonesia reaches 110 million people, 107 million are included in the SMEs structure (BPS, 2017).

In its development SMEs experience various obstacles in general, including: limited capital, difficulties in marketing, distribution and procurement of raw materials, limited access to information about market opportunities, low quality human resources and lack of technological capabilities. Very fast business competition makes the competition among SMEs higher, SMEs competitors in Indonesia are the rampant products from abroad and these foreign products get a better response from the public because they have good quality, affordable prices and good product designs. interested in Indonesian society. The dominant factor that provides a large portion of the role of SMEs as the largest contributor to GDP is the empowerment of SMEs (Hapsari *et al.*, 2014: 94).

Business performance is how well the company is managed and has a value that can be channeled by the company to customers and other stakeholders (Moullin, 2009). The important thing to improve the performance of SMEs is that SMEs must pay attention to competitive advantages of having unique products, quality products and competitive prices in order to improve the performance of SMEs businesses. Competitive advantage has a significant effect on business performance (Davicik & Sharma, 2016). Entrepreneurial orientation is the key to organizational success and achieving profitability. The SMEs must be entrepreneurial oriented, meaning that they have the ability to innovate, be proactive and be able to take risks, because

entrepreneurial orientation has a significant effect on competitive advantage (Poudel *et al.*, 2012) and also significantly influences business performance (Hassim *et al.*, 2011). In addition to competitive advantage and entrepreneurial orientation, product innovation is also important to be carried out by SMEs including always implementing a culture of innovation, technical innovation and service innovation, because product innovation has a significant effect on competitive advantage (Hasnatika, 2018: 7) and product innovation also influences significantly on business performance (Ting *et al.*, 2012). E-commerce is an activity for conducting business transactions online through internet media and devices that are integrated with the internet (Laudon, 2012). The SMEs are important to take advantage of e-commerce because it can support a variety of business activities and business activities carried out online, including marketing, promotion, public relations, transactions, payment and scheduling delivery of goods. SMEs must have internet access, provide information convenience, human resource capabilities and have managerial responsibilities. The use of e-commerce has a significant effect on competitive advantage (Maryama, 2013) and has a significant effect on business performance (Yulimar, 2008).

SMEs need to encourage a better understanding of the importance of market orientation by paying attention to customer orientation, competitor orientation and coordination between functions, because market orientation has a significant effect on competitive advantage (Kumar *et al.*, 2011) and can increase competitive and superior performance (Coulthard, 2009). Empowering SMEs by carrying out business development through entrepreneurial orientation, product innovation and the use of market-oriented e-commerce can increase the competitive advantage and performance of SMEs businesses. The potential possessed in several regions in Indonesia makes the attraction for local and international tourists, thus creating a better business climate for SMEs and this condition can support the growth of SMEs.

Based on this background, this research is important to answer the following problems: (1) How is the influence of entrepreneurial orientation, product innovation, e-commerce utilization, and market orientation on the competitive advantage of SMEs in Malang Regency? (2) How does the influence of entrepreneurial orientation, product innovation, e-commerce utilization, market orientation, and competitive advantage to SMEs business performance in Malang Regency? (3) What is the effect of entrepreneurial orientation, product innovation, e-commerce utilization, market orientation on business performance through the competitive advantage of SMEs in Malang Regency?

Based on the above problems, the objectives of this study are as follows: (1) Analyzing the effect of entrepreneurial orientation, product innovation, e-commerce utilization, and market orientation on the competitive advantage of SMEs in Malang Regency. (2) Analyzing the effect of entrepreneurial orientation, product innovation, e-commerce utilization, market orientation, and competitive advantage on the performance of SMEs businesses in Malang Regency. (3) Analyzing the effect of entrepreneurial orientation, product innovation, e-commerce utilization, market orientation on business performance through the competitive advantage of SMEs in Malang Regency.

II. Literature Review

Empowerment of SMEs

Empowerment of SMEs is an effort made by the Government, Regional Government, Business World, and the community in synergy in the form of business climate growth, business development and financing of SMEs so that they are able to grow and develop into a strong and independent business (number 8 UURI No.20Th. 2008). The principle of empowering SMEs according to UURI No. 20 of 2008 concerning MSMEs are: (1) Growth of independence, togetherness, and entrepreneurship in Micro, Small and Medium Enterprises to work on their own initiative; (2) The realization of public policies that are transparent, accountable and fair; (3) Development of regional-based and market-oriented businesses in accordance with the competencies of Micro, Small and Medium Enterprises; (4) Increasing the competitiveness of Micro, Small and Medium Enterprises; and (5) Implementation of integrated planning, implementation and control. The aim of empowering MSMEs is to increase the role of Micro, Small and Medium Enterprises in regional development, job creation, income distribution, economic growth, and alleviation of people from poverty.

Criteria for scale of Small and Medium Enterprises in Indonesia based on assets and turnover: Micro businesses, assets with a maximum of 50 million and a maximum turnover of 300 million; Small businesses, assets greater than 50 million to 500 million and turnover greater than 300 million to 2.5 billion; Medium-sized businesses, assets are greater than 500 million to 10 billion and turnover is greater than 2.5 billion to 50 billion. Through resources owned by SMEs can increase the capabilities of the company through the selection of core competition, so that competition can be an obstacle for competitors because it is difficult to imitate. Existing resources affect competitive advantage (Putra, 2013:397) and human resources, financial, production, marketing factors have a significant effect on business performance (Munizu, 2010).

Regional Potential

Regional Potential is the ability that has the possibility to be developed, strength, ability, power and territory in this case means the local environment (province, district, sub-district). Sriyana (2010), states that SMEs have an important role in the local economy of the region. The cooperation between the regional government, the private sector and the community will determine the success and sustainability of the local economic development program in an area and the impact of the development of a local economy can open new jobs and improve the economy for the community in the local area (Susanti, 2013:38). The economic impact of local economic development actors can improve business performance / sales turnover (Prasetiari, 2012:90).

Business Performance

Company Performance is a complete view of the state of the company for a certain period of time, is a result or achievement that is influenced by the company's operational activities in utilizing the resources owned. Moullin (2009) defines business performance as how well the company is managed and the value that can be channeled by the company to customers and other stakeholders. Sanchez and Marin (2008) measure the performance of SMEs by referring to three aspects, namely profitability, productivity, and market. Business performance is based on market aspects in terms of achieving product sales, market position and market share. From the above definition, it can be concluded that business performance is an achievement that has been achieved by the company by taking into account various influencing indicators namely sales growth; Capital growth; Increasing the workforce; Market growth; Earnings growth and Munizu (2010).

Competitive Advantage

Basically every company that competes in an industrial environment has a desire to be superior to its competitors. Competitive advantage is defined as a different competition in the excellence of expertise and resources (Yuni Istanto, 2010:125). The basic thinking of creating a competitive strategy starts with developing a general formula on how the business will be developed, what exactly is the goal and what policies will be needed to achieve that goal.

Some indicators used to measure competitive advantage are product uniqueness, product quality and competitive prices (Hasan, 2013). Product uniqueness (the product produced combines the value of art with customer tastes; Product quality (product quality and design); Competitive prices (the company's ability to adjust the price of its products with general prices on the market). Product purchases will occur if the customer considers the price of the product to be in accordance with the value it offers. Competitive advantage significantly influences company performance (Davicik & Sharma, 2016)

Entrepreneurship Orientation

Entrepreneurial orientation is the creative and innovative ability on which to base, and the resources to find opportunities for success. Companies that adopt an entrepreneurial orientation will have better performance than those who do not adopt (Taylor, 2013). The entrepreneurial orientation reflects the extent to which the organization is able to identify and exploit untapped opportunities. A company is said to have a spirit of entrepreneurial orientation if it can be the first to innovate new products in the market, have the courage to take risks, and is always proactive towards changing demands for new products (Fairoz *et al.*, 2010). Poudel *et al.*, (2012), entrepreneurial orientation is a strategic resource of an organization with the potential to produce competitive advantage Entrepreneurial orientation has a significant effect on the performance of SMEs (Hassim *et al.*, 2011).

Product Innovation

Continuous innovation in a company is a basic requirement which in turn will lead to the creation of competitive advantage. Product innovation is new product knowledge, which is often combined with new things to form unknown production methods (Hubies, 2012:75). Kotler (2016:454), states that product innovation is a combination of various kinds of processes that influence one another. To measure product innovation, several indicators are used, namely the culture of innovation is the culture of the organization that exists in the company to always create new products; Technical innovation is the company's process in producing new products; Service innovation is a process given by a company in serving its customers or customers (Freeman, 2004). Kalay& Lynn (2015) produced empirical evidence that innovation is the main key for the industry to achieve a dominant position and high industrial performance. Product innovation has a significant effect on competitive advantage (Hasnatika, 2018:7). To improve industrial performance, each SME actor is required to always make rapid changes in terms of innovation strategies (Ting *et al.*, 2012).

Utilization of E-commerce.

E-Commerce as a process of carrying out business transactions such as: distribution, purchasing, sales, and services conducted electronically through computer networks, especially the internet and also external networks (I Gede, 2014). According to Nuray Terzi (2011) there are several indicators of e-commerce utilization that are believed to increase competitiveness, namely: (1) Internet access (internet access speed provides more value to the company in increasing competitiveness and fast access, consumers will be interested in the services provided and try to buy the product produced). (2) Ease of information (with advances in technology, information will also be given more and more so that human resources can use the information to understand e-commerce and provide more interesting innovations). (3) Human Resources Capability (developments that focus on technology make human resources not only required to operate but also utilize a large amount of information technology about consumer demand and the production process). (4) Managerial responsibilities (in building competitiveness, managerial responsibilities are needed to maintain and make decisions related to business processes that will be run). The application of e-commerce has a significant effect on competitive advantage (Maryama, 2013). The adoption of e-commerce has a positive and significant influence on company performance (Yulimar, 2008).

Market Orientation

Market orientation is a process and activity related to the creation and satisfaction of customers by continuously assessing the needs and desires of customers (Uncles, 2000). Hisrich and Kearney (2014), market orientation reflects the philosophy of an organization to identify and fulfill the desires of consumers by being more adaptive in responding to market conditions. According to Law *et al.*(2017), market orientation variables are measured using three indicators, namely: (1) Customer orientation, through the process of finding information about customers, with the existence of customer information, the company will understand who its potential customers are, both at present and at the future and what customers want now and in the future. (2) Competitor orientation, obtaining information about competitors, how to respond to competitors' actions and also how top management responds to competitors' strategies). (3) Coordination between functions, gathering competitor information and sharing information to other functions in the company's research and product development division, discussing with leaders about competitor strengths and strategies developed). Market orientation is important, because market orientation has a significant effect on competitive advantage (Kumar *et al.*, 2011). Empirical evidence shows that market orientation has a direct impact on SMEs business performance (Felgueira & Rodrigues, 2015). Market orientation applied in a company increases sales performance results, growth, market share and profit (Shehu & Mahmood, 2014).

Hypothesis

- (1) Entrepreneurship orientation, product innovation, e-commerce utilization, and market orientation have a significant effect on the competitive advantage of SMEs in Malang Regency.
- (2) Entrepreneurship orientation, product innovation, e-commerce utilization, market orientation, and competitive advantage have a significant effect on SMEs business performance in Malang Regency.
- (3) Entrepreneurship orientation, product innovation, e-commerce utilization, market orientation have a significant effect on business performance through the competitive advantage of SMEs in Malang Regency.

III. Research methods

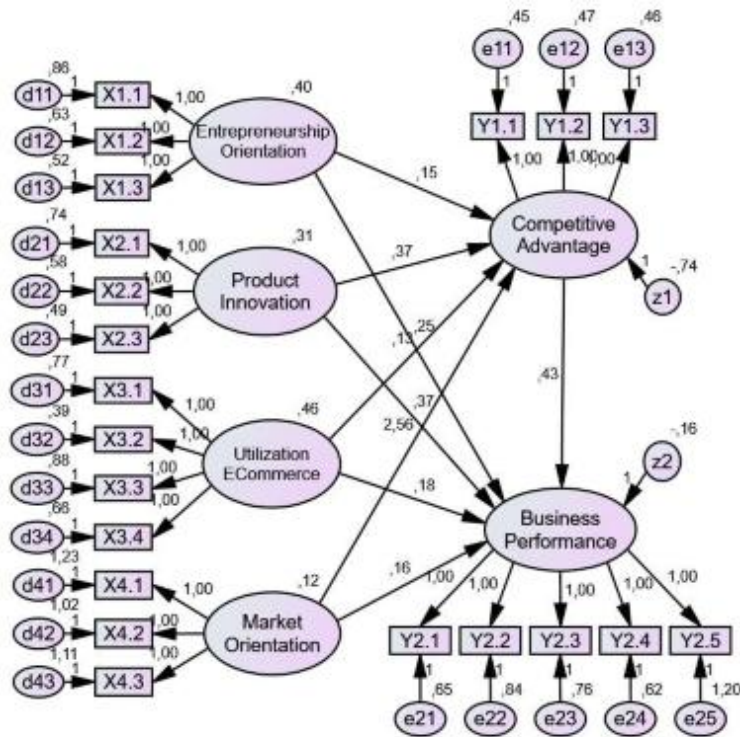
This research method uses a quantitative descriptive approach. The population in this study were 232 SME entrepreneurs and a sample of 115 SME entrepreneurs who were assisted by the Malang Regency Cooperative and UKM Office and a superior product in Malang Regency. Consideration of only 115 SMEs as research samples because based on some of these criteria, so it can be seen that the strategic factors that influence the success of SMEs. Research using primary data sources was obtained by distributing questionnaires / questionnaires to the owners / entrepreneurs. The questionnaire used was designed in the form of a closed questionnaire with a Likert Scale, used to measure the indicators of the variables forming the empowerment of SMEs in an effort to improve competitive advantage and business performance of SMEs. The sampling technique is purposive sampling. Data analysis techniques using Structural Equation Modeling (SEM).

IV. Results and Discussion

4.1 Results

4.1.1 Evaluation of the Goodness of Fit Model.

Use Structural Equation Modeling (SEM) to test various relationships in a model. To analyze, evaluate the validity, and causality between variables of this model, AMOS 19 software is used.



Model Feasibility Test Results
 Chi Square = 70,585
 Free Degrees = 19
 Probability = ,060
 CMIN/DF = 1,620
 AGFI = ,828
 GFI = ,902
 CFI = ,926
 TLI = ,897
 RMSEA= ,052

Figure 1: Structural Model Results

The results of the model feasibility test on the evaluation model are presented in Table 1.

Table 1. Evaluation of the Criteria for Conformance Index of Structural Models

Criteria	Results	Critical Value	Model Evaluation
<i>Absolute fit</i>			
Chi-square (χ^2)	70,585	$\leq 159,814$	Good
Probability	0,060	$\geq 0,05$	Good
DegreesFree	19	-	-
GFI	0,902	$\geq 0,80$	Good
RMSEA	0,052	$\leq 0,08$	Good
<i>Parsimony fit</i>			
CMIN/DF	1,620	$\leq 2,00$	Good
AGFI	0,828	$\geq 0,80$	Good
<i>Incremental fit</i>			
CFI	0,926	$\geq 0,80$	Good
TLI	0,897	$\geq 0,80$	Good

Table 1 shows a summary of the results obtained in the analysis and recommended values for measuring the feasibility of the model. The results of the analysis related to the model feasibility index explained that the evaluation of the model produced a good feasibility value. The feasibility of the model has fulfilled all the eligibility requirements including the Chi Square test results, p-chi-square value greater than 0.05 at a significant level of 0.05, so that the evaluation model in this study can be accepted as the final model for interpretation and hypothesis testing.

4.1.1 Structural Equations

The causality relationship developed in the hypothesis in this model is tested with the null hypothesis which states that the regression coefficient between the relations of the two constructs is no different from zero through the t-test as in the regression analysis. Hypothesis testing in the structural model is related to the results of the regression coefficient tests on each path produced which are described in table 2.

Table 2. Regression Coefficient Test Results Influence Between Variables

Influence	Standard Coefficient	C.R.	Value of p	Information
Market Orientation → Competitive Advantage	2,560	2,024	,043	Significant
Product Innovation → Competitive Advantage	,366	3,365	***	Significant
Utilization of E-Commerce → Competitive Advantage	,130	2,065	,039	Significant
Entrepreneurship Orientation → Competitive Advantage	,147	2,053	,040	Significant
Competitive Advantage → Business Performance	,433	5,561	***	Significant
Market Orientation → Business Performance	,155	2,529	,011	Significant
Product Innovation → Business Performance	,178	2,518	,012	Significant
Utilization of E-Commerce → Business Performance	,372	2,857	,004	Significant
Entrepreneurship Orientation → Business Performance	,250	3,044	,002	Significant

The structural model results (structural models) of each research variable are as follows:

$$Y_1 = 0,147 X_1 + 0,366 X_2 + 0,130 X_3 + 2,560 X_4 \dots\dots\dots(1)$$

$$Y_2 = 0,250X_1 + 0,178 X_2 + 0,372 X_3 + 0,155X_4 + 0,433 Y_1 \dots\dots\dots(2)$$

The first equation (1), there are four determinants of Competitive Advantage namely Entrepreneurship Orientation, Product Innovation, Utilization of E-Commerce, and Market Orientation. These four determinants are positive, which means a good Entrepreneurial Orientation, Good Product Innovation, Good E-Commerce Utilization, and a Good Market Orientation will encourage high Competitive Advantage.

The second equation (2), there are five determinants of Business Performance, namely Entrepreneurship Orientation, Product Innovation, Utilization of E-Commerce, Market Orientation, and Competitive Advantage. These five determinants are positive, meaning good entrepreneurial orientation, good product innovation, good e-commerce utilization, good market orientation, and good competitive advantage will drive high business performance.

4.1.2 Hypothesis Testing

4.1.3.1 Hypothesis Testing 1

The value of the pathway of Entrepreneurship Orientation (X1) → Competitive Advantage (Y1) is 0.147, meaning that the influence of Entrepreneurial Orientation (X1) on Competitive Advantage (Y1) is 0,147. Probability value = 0,040 <significance level (α) 0,05, it can be concluded that there is a significant influence of Entrepreneurship Orientation (X1) on Competitive Advantage (Y1).

The value of the product innovation path coefficient (X2) → Competitive Advantage (Y1) is 0,366, meaning that the influence of Product Innovation (X2) on Competitive Advantage (Y1) is 0,366. Probability value = 0,000 <significance level (α) 0,05, it can be concluded that there is an influence of Product Innovation (X2) on Competitive Advantage (Y1).

The path coefficient value of E-Commerce Utilization (X3) → Competitive Advantage (Y1) is 0,130, meaning that Utilization of E-Commerce (X3) against Competitive Advantage (Y1) is 0,130. Probability value = 0,039 <significance level (α) 0,05, it can be concluded that there is an influence of perceptions of E-Commerce Utilization (X3) on Competitive Advantage (Y1).

Value of the Market Orientation path coefficient (X4) → Competitive Advantage (Y1) is 2,560, meaning that the influence of Market Orientation (X4) on Competitive Advantage (Y1) is 2,560. Probability value = 0,043 <significance level (α) 0,05, it can be concluded that there is an influence of Market Orientation (X4) on Competitive Advantage (Y1).

So: Entrepreneurship Orientation, Product Innovation, E-Commerce Utilization, and Market Orientation have a significant effect on Competitive Advantage in SMEs in Malang Regency.

4.1.3.2 Hypothesis Testing 2

The value of the pathway of Entrepreneurship Orientation (X1) Business Performance (Y2) is 0,250, meaning that the influence of Entrepreneurship Orientation (X1) on Business Performance (Y2) is 0,250.

Probability value = 0.002 <significance level (α) 0.05, it can be concluded that there is a significant influence of Entrepreneurship Orientation (X1) on Business Performance (Y2).

The value of the product innovation path coefficient (X2) Business Performance (Y2) is 0.178, meaning that the influence of Product Innovation (X2) on Business Performance (Y2) is 0.178. Probability value = 0.012 <significance level (α) 0.05, it can be concluded that there is an influence of Product Innovation (X2) on Business Performance (Y2).

The path coefficient value of E-Commerce Utilization (X3) Business Performance (Y2) is 0.372, meaning that Utilization of E-Commerce (X3) to Business Performance (Y2) is 0.372. Probability value = 0.004 <significance level (α) 0.05, it can be concluded that there is an influence of perceptions of E-Commerce Utilization (X3) on Business Performance (Y2).

Value of the Market Orientation path coefficient (X4) Business Performance (Y2) of 0.155, meaning that the influence of Market Orientation (X4) on Business Performance (Y2) of 0.155. Probability value = 0.011 <significance level (α) 0.05, it can be concluded that there is an influence of Market Orientation (X4) on Business Performance (Y2).

The coefficient of competitive advantage Y1) Business Performance (Y2) of 0.433, meaning that the effect of competitive advantage Y1) on Business Performance (Y2) of 0.433. Probability value = 0,000 <significance level (α) 0.05, it can be concluded that there is an effect of competitive advantage Y1) on Business Performance (Y2).

So: Entrepreneurship Orientation, Product Innovation, E-Commerce Utilization, Market Orientation, and Competitive Advantage have a significant effect on Business Performance in SMEs in Malang Regency.

4.1.3.3 Hypothesis Testing 3

Table 3. Testing of Direct Effects, Indirect Effects and Total Influence

Effects	Direct	Indirect	Total
Entrepreneurship Orientation → Competitive Advantage	,250	-	,250
Product Innovation → Competitive Advantage	,548	-	,548
Utilization of E-Commerce → Competitive Advantage	,237	-	,237
Market Orientation → Competitive Advantage	,433	-	,433
Competitive Advantage → Business Performance	,718	-	,718
Entrepreneurship Orientation → Business Performance	,704	,179	,884
Product Innovation → Business Performance	,924	,393	1,318
Utilization of E-Commerce → Business Performance	,538	,170	,707
Market Orientation → Business Performance	,245	1,746	1,991

The results of the analysis on the indirect influence section show that there is a fairly balanced proportion between direct and indirect influences. The indirect effect on Business Performance comes from Entrepreneurship Orientation of 0.179, Product Innovation of 0.393, E-Commerce Utilization of 0.170, and Market Orientation of 1.746. The comparison of the total effect of Entrepreneurship Orientation, Product Innovation, Utilization of E-Commerce, and Market Orientation on Business Performance is greater than the direct effect on Business Performance.

The final modeling can be explained that the endogenous construct of Competitive Advantage is proven to function as a mediation between Entrepreneurial Orientation, Product Innovation, Utilization of E-Commerce, and Market Orientation on Business Performance. The total influence that is classified as large comes from two channels, namely: (1) the influence of each Entrepreneurship Orientation, Product Innovation, Utilization of E-Commerce, and Market Orientation on Competitive Advantage, and (2) Competitive Advantage on Business Performance. Two relationships give the meaning that important pathways to business performance will start from the four exogenous variables.

So it can be concluded that Competitive Advantage can mediate the influence of Entrepreneurship Orientation, Product Innovation, Utilization of E-Commerce, and Market Orientation on Business Performance in SMEs in Malang Regency.

4.2 Discussion

4.2.1 Effect of Entrepreneurship Orientation, Product Innovation, Utilization of E-Commerce, and Market Orientation on Competitive Advantage in SMEs in Malang Regency.

Entrepreneurial orientation has a significant effect on competitive advantage. This means that if the SMEs are increasingly entrepreneurial oriented consisting of the ability to innovate (innovate, offer the latest model), be proactive (encourage increased sales, anticipate problems that occur), the ability to take risks (dare to take risks, find alternatives to overcome risks), it will cause increased competitive advantage (products produced are preferred by consumers, product quality is better with competing products, prices are able to compete with competitors). The results of this study support the research (Poudel, 2012).

Product innovation has a significant effect on competitive advantage. This means that if the SMEs always innovate products that consist of a culture of innovation (creating products with different designs, different raw materials), technical innovations (developing production processes, improving the quality of production processes), service innovation (providing guarantees, delivering products), it will be able to increase competitive advantage. The results of this study support research (Hasnatika, 2008).

The use of e-commerce has a significant effect on competitive advantage. This means that if the SMEs always use E-Commerce in their business activities consisting of internet access (accessing the internet every day, a quality provider), ease of information (providing a choice of several products, providing a means of criticism through istagram), human resource capabilities (skilled employees , employees who are able to review goods), managerial responsibilities (responsible for consumers who complain, are responsible for the products produced), then can increase competitive advantage. The results of this study support the research (Maryama, 2013).

Market orientation has a significant effect on competitive advantage. This means that if the SMEs are always doing market orientation consisting of customer orientation (meeting customer desires, understanding customer complaints), competitor orientation (having a strategy to face competitors, competitors as a reference for the better), coordination between functions (relationship between division, support the existence of innovation). it can increase competitive advantage. The results of this study support the research (Kumar et al, 2011).

4.1.3 Effects of Entrepreneurship Orientation, Product Innovation, Utilization of E-Commerce, Market Orientation, and Competitive Advantage on Business Performance in SMEs in Malang Regency.

Entrepreneurship orientation has a significant effect on business performance. This means that if the SMEs are increasingly entrepreneurial oriented consisting of the ability to innovate (innovate, offer the latest model), be proactive (encourage increased sales, anticipate problems that occur), the ability to take risks (dare to take risks, find alternatives to overcome risks), it will cause business performance improvement consisting of sales growth, capital growth, labor growth, market growth, profit growth. The results of this study support the research (Hassim et al., 2011).

Product innovation has a significant effect on business performance. This means that if the SMEs always innovate products that consist of a culture of innovation (creating products with different designs, different raw materials), technical innovations (developing production processes, improving the quality of production processes), service innovation (providing guarantees, delivering products) can improve business performance. The results of this study support the research (Ting et al., 2012).

The use of e-commerce has a significant effect on business performance. This means that if the SMEs always use E-Commerce which consists of internet access (accessing the internet every day, a quality provider), ease of information (providing a choice of several products, providing a means of criticism through istagram), human resource capabilities (skilled employees, employees capable of reviewing goods), managerial responsibility (responsible for consumers who complain, responsible for the products produced) in its business activities can improve business performance. The results of this study support the research (Yulimar, 2008).

Market orientation has a significant effect on business performance. This means that if the SMEs are always doing market orientation consisting of customer orientation (meeting customer desires, understanding customer complaints), competitor orientation (having a strategy to face competitors, competitors as a reference for the better), coordination between functions (relationship between divisions, support the existence of innovation) can improve business performance. The results of this study support the research (Coulthard, 2009).

Competitive advantage has a significant effect on business performance. This means that if the SMEs always make excellence consisting of product uniqueness, product quality, and competitive prices, it can improve business performance. The results of this study support the research (Davick & Sharma, 2016).

4.1.4 Effect of Entrepreneurship Orientation, Product Innovation, Utilization of E-Commerce, and Market Orientation on Business Performance in SMEs in Malang Regency and Competitive Advantage as variables between.

Entrepreneurship orientation, product innovation, e-commerce utilization, and market orientation are significant and positive towards business performance and competitive advantage as intermediate variables. This causality shows that competitive advantage related to product uniqueness, product quality, and competitive prices can improve business performance in SMEs in Malang Regency.

The findings of this study indicate that the role of competitive advantage is needed to increase the effect of entrepreneurial orientation, product innovation, e-commerce utilization, and market orientation indirectly on business performance.

V. Conclusions and Recommendations

5.1 Conclusions

(1) Commitment of entrepreneurial orientation, product innovation, e-commerce utilization, and market orientation plays an important role in providing competitive advantage to SMEs in Malang Regency. If SMEs always carry out an entrepreneurial orientation, product innovation, e-commerce utilization, and market orientation, then competitive advantage can increase.

(2) The contribution of commitment to entrepreneurial orientation, product innovation, e-commerce utilization, market orientation, and competitive advantage to business performance in SMEs in Malang is stated to be very adequate. This is reflected in an increase in business performance if the commitment of entrepreneurial orientation, product innovation, e-commerce utilization, market orientation, and excellence also increase.

(3) Competitive advantage plays an important role in mediating the effect of commitment to entrepreneurial orientation, product innovation, e-commerce utilization, and market orientation on business performance.

5.2 Recommendations

(1) SMEs in Malang Regency should concentrate on their commitment to entrepreneurial orientation, product innovation, e-commerce utilization, market orientation, and competitive advantage in improving business performance.

(2) Focus on competitive advantage is an action that must be taken by SMEs in Malang Regency, because it can enhance the role of entrepreneurial orientation, product innovation, e-commerce utilization, and market orientation towards business performance.

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