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Determinants of corporate performance: empirical study on fashion smes in depok city

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ABSTRACT

The Depok City government provides full support to MSMEs in Depok City in order to expand their reach with the expansion of market access. The success of a business can be seen through the performance of the business. This study aims to determine the effect of human competence and supply chain management on competitive advantage and its impact on corporate performance in Fashion SMEs in Depok City. The sample used in this study was 150 respondents of micro, small and medium business owners in the Depok City area with purposive sampling technique. This study uses data analysis with the SEM-Partial Least Square (PLS) approach in the form of the Smart-PLS version 3.0 application. The results of this study indicate human competence and supply chain management on corporate performance mediated by competitive advantage. This research is limited to MSME players in Depok City, so it cannot represent the performance of MSMEs as a whole. By effectively managing and utilizing these advantages, MSMEs can achieve sustainable growth and success. Thus human resource competencies and supply chain management will be able to improve the competitiveness of the company.



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Introduction

Small and Medium Enterprises (SMEs) have an important role in the economic and industrial growth of a country (Purnomo, Karneli, & Febrian, 2017; Sudaryanto & Wijayanti, 2013). Micro, small and medium enterprises engaged in fashion currently have a role in the economy. The selection of fashion is based on the consideration that the fashion business is a small business category that is most in demand by the community along with culinary (Qosasi & Permana, 2017). Especially in the city of Depok, which serves as a buffer city for Jakarta. The dense population in Depok city naturally correlates with the need for food and clothing.

The number of MSMEs in Depok City is currently increasing every year. The increase in MSMEs in Depok City is getting more attention from the government because according to the government, the increase is still not enough. The Depok City government provides full support to MSMEs in Depok City in order to expand their reach with the expansion of market access (Citradewi, Siska, & Indra, 2023). It is known that the development of MSMEs experiences challenges that are not easy according to the dynamics of the existing economic, social and cultural conditions (Farida, Wahyudi, & Jamain, 2022).

Table 1. Number of MSMEs in Depok City in 2022

Sub-district	Number of MSMEs
Beji	269
Bojongsari	125
Cilodong	337
Cimanggis	274
Cinere	54
Cipayung	187
Limo	140
Pancoran mas	441
Sawangan	166
Sukmajaya	455
Tapos	298
Total	2746

Source : Dinas Koperasi dan Usaha Mikro, 2023

The success of a business can be seen through the performance of the business. Performance refers to the level of achievement or accomplishment of the company in a certain period (Suci in Saragih, Pasaribu, Simanjuntak, Pasaribu, & Matondang, 2022). Entrepreneurial skills are identified as one of the factors that influence business performance. Entrepreneurial skills are activities or knowledge to build and operate a business successfully in a creative manner (Linan & Cgen in Shabbir, Mohd Shariff, & Shahzad, 2016). In addition, market orientation is a review to determine the right and correct attitude, direction, place, and so on as well as the views that underlie thoughts, attention or tendencies (Sujatmiko, 2012). Market-oriented companies perform better than companies that are not market-oriented. One of the other determinants of success in entrepreneurship is access to social networks (Zampetakis & Kanelakis in Abdelwahid & Kaoud, 2022). Networks are ties that connect entrepreneurs with various businesses with various businesses, such as business partners, friends, agents or mentors to get the resources needed, such as information, money and moral support from network actors (George & Wood in Badaruddin, Nasir, Sofyan, & Basri, 2019).

There are many factors that determine the performance and competitive advantage of the company, including human resource competence (Tampubolon, 2016). In the face of this intense competition, companies are required to develop the right competitive strategy in the face of changing market situations (Yeni, Erwin, & Ali, 2019). The need for strategy evaluation as a correction of whether the strategy that has been implemented has reached the level of competitive advantage. Identifying the weaknesses and strengths of an organization is basically trying to explore a competitive advantage of the organization, the identification process will display the strengths of the company to take advantage of competitors' weaknesses (Giri & Nova, 2021). Human resource (HR) competence has a very important role in achieving competitive advantage and improving company performance. Quality human resources are very important and must be owned in an effort to achieve organizational or company goals (Hayati & Yulianto, 2021). Human resources are the main element of the organization compared to other resource elements such as capital, technology, because humans themselves control other factors. Human resources are one of the most important factors that must be managed properly to increase the effectiveness and efficiency of the organization or company. Therefore, human resource management is a program of activities to obtain human resources, develop, maintain and utilize them to support the organization to achieve its goals (Almasri, 2016).

Another factor that affects a company's competitive advantage and performance is managing SCM (Supply Chain Management) to increase competition and company success. This is where a company needs more ways of competing and cost-effectiveness. SCM (Supply Chain Management) is a way that can succeed in such competitiveness. SCM (Supply Chain Management) is the management of activities, resources, and relationships between suppliers and consumers from upstream to downstream, in terms of construction services. If this theory is implemented correctly, it will be able to further improve the competitiveness of the company. Some researchers recognize the effectiveness of SCM (Supply Chain Management) in reducing costs (Boyson in Vencataya, Seebaluck, & Doorga, 2016). For this reason, it needs to be convinced that SCM (Supply Chain Management) can make companies competitive and competitive, so it is necessary to study the factors that determine the success of SCM (Supply Chain Management) in terms of increasing company competitiveness. Then these factors must be identified so that the company will really know the effectiveness of SCM (Supply Chain Management). Research conducted by Maddeppungeng, Abdullah, & Kaswan (2015) The results show that a higher level of Supply Chain Management can lead to an increase in company performance by 68% and increase company competitiveness by 28% and also, company performance has a direct positive impact on company competitiveness by 32%. This study aims to determine the effect of human

competence and supply chain management on competitive advantage and its impact on corporate performance in Fashion SMEs in Depok City.

Method

The research conducted is included in the category of causality quantitative research. The result of the purpose of this research is to analyze the possibility of a causal relationship and the influence of the research variables through the hypothesis that is built, so it can be concluded that this research is comparative causal research. The population of this research is fashion MSMEs in Depok City. The sample selection technique used in this study was a non-probability sampling method, namely purposive sampling. The sample used in this study were owners of fashion MSMEs in Depok City. The number of samples selected was 150 respondents. This study collected primary data using a questionnaire. The data analysis used in this research is the Partial Least Square (PLS) approach using the Smart-PLS version 3.0 software application.

Results and Discussions

The profile of MSME Fashion business actors in Depok City based on gender shows that women are more dominant (61.15%) than men (22.75%) out of a total of 150 respondents. The distribution of respondents based on the latest education is divided into 4 (four) categories, namely junior high school as many as 27 people, high school as many as 81 people, Diploma (D3) as many as 22 people, Bachelor as many as 20 people. This research was conducted on managers of Fashion MSMEs in Depok City, with a total sample of 150 respondents. The results of distributing questionnaires consisting of 8 statements on human competence variables, 8 statements on supply chain management variables, 8 statements on competitive advantage variables and 10 statements on corporate performance variables.

Based on the outer model evaluation, the results of convergent validity data analysis in the form of outer loadings of all indicators are declared valid. The outer loadings value of each indicator has a value greater than 0.7 so that it is declared to have high validity and the average variance extracted (AVE) value is above 0.5, so all variables have evaluation feasibility. While the results of data analysis of discriminant validity can be seen from the Fornell-Larcker criterion value where all variables have an AVE root value greater than the correlation between constructs in a model so that it is concluded that they have met the feasibility of evaluation. Cross loadings analysis has concluded that all variable indicators successfully reflect each variable. Furthermore, the reliability test results in this study used composite reliability and Cronbach's alpha. The composite reliability test results on each variable show a value above 0.7 and the Cronbach's alpha test results on each variable have a value above 0.6 so that this research data is reliable. Based on the inner model evaluation, data that is valid and reliable will be processed using the R square test.

Table 2. Result of test t equation

	Original Sample (O)	T Statistics (O/STDEV)	P Values
Competitive advantage -> Corporate performance	0,481	7,820	0,000
Human Competence -> Competitive advantage	0,267	4,050	0,000
Human Competence -> Corporate performance	0,191	3,197	0,001
Supply chain management -> Competitive advantage	0,394	6,913	0,000
Supply chain management -> Corporate performance	0,368	5,995	0,000

The results of the R square test in this study are the variables of human competence, supply chain management, and innovation capability have a moderate influence on competitive advantage, which is 0.303 or 30.3% and has a moderate influence on corporate performance, which is 0.703 or 70.3%. Based on the results of the f square test, it states that all variables have an impact on the R square value. After that, the Q square test with the blindfolding method explains the human competence variable, and supply chain management has a great influence on competitive advantage and corporate performance. Through the indirect effect test, the results of the human competence and supply chain management variables on corporate performance through competitive advantage as a mediating variable have a value of 0.129 and 0.190 respectively, which means they have positive predictors.

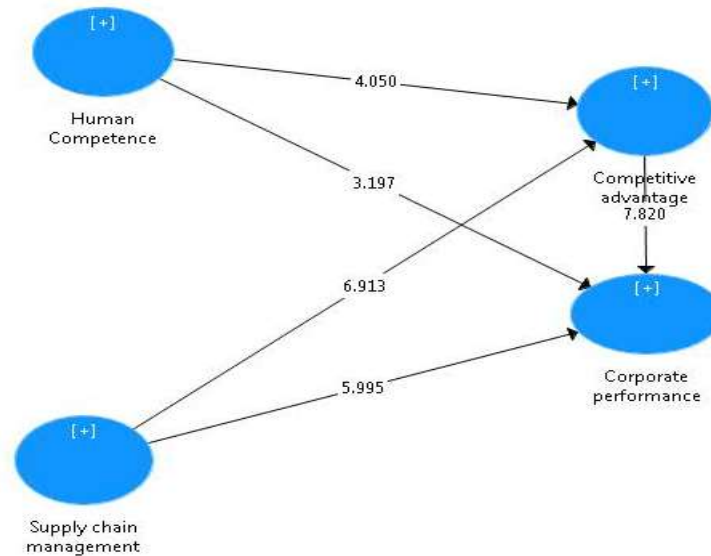


Figure 1. Conceptual Model

The Effect of HR Competence on Competitive Advantage

Based on the results of the study, it shows that Human Competence has a significant effect on competitive advantage in Fashion MSMEs in Depok City. The test results obtained a significant value of 0.000 smaller than 0.05. HR competence plays an important role in the recruitment and selection process of employees who have the skills and talents that match the needs of the company. By having a competent team, MSMEs can improve the design, production and marketing of their fashion products, which can increase their competitiveness in the market.

HR competence helps fashion MSMEs in employee development through training and development. Skilled employees who are continuously updated in fashion trends and production skills will help companies maintain competitiveness in a changing industry. A good performance management system implemented by HR competence can motivate employees to achieve better performance. This can result in increased productivity, product quality and operational efficiency, all of which can provide a competitive advantage. HR competence can help fashion MSMEs develop a corporate culture that supports innovation, collaboration, and adaptation to market changes. A strong and positive culture can be a valuable asset in creating a competitive advantage. Overall, HR competence has a significant impact on the competitive advantage of fashion MSMEs in Depok City. By managing human resources effectively, companies can maximize employee potential, increase productivity, and win the competition in a competitive market. Research by Wahyuningrum, Sukmawati, & Kartika (2014) and (Ratna Dewi Sari, Alawiyah, Iza, & Munandar, 2023) has proven that MSME performance is influenced by internal factors, including HR competence. In this context, good HR Competence can help fashion MSMEs in Depok City to improve their performance.

The Effect of Supply Chain Management on Competitive Advantage

Based on the results of the study, it shows that Supply Chain Management has a significant effect on competitive advantage in Fashion MSMEs in Depok City. The test results obtained a significant value of 0.000 smaller than 0.05. Supply chain management is a means of optimizing company activities in company operations to minimize costs and achieve customer satisfaction which is realized by creating good relationships with suppliers, good production and good customer relations. Failure in company operations when producing products/services or at any level can cause failure costs to increase which will then cause the company's profitability to decrease and cause purchasing power to decrease as well. Supply chain management can minimize the costs incurred by the company and increase the value of product quality in the eyes of customers so that company profitability will increase. This condition is expected to improve company performance.

SCM can also help companies improve their responsiveness to market changes. Good SCM can help companies optimize supply chains, improve efficiency, and increase flexibility. This can help companies deal with rapid market changes and create a better competitive advantage. SCM can help companies improve their operational efficiency... Good SCM can help companies optimize supply chains, reduce costs, and increase efficiency. This can help companies increase productivity and reduce production cycle time. City research Islam & Qamari (2021) shows that SCM can increase the company's Competitive Advantage. Good SCM can

help companies optimize the supply chain, reduce costs, increase efficiency, and improve product or service quality. This can help companies create a better competitive advantage compared to their competitors.

Effect of HR Competence on Corporate Performance

The results of hypothesis testing prove that HR competence has a significant effect on corporate performance in Fashion MSMEs in the city of Depok with a significant value of 0.001 less than 0.05. This means that if the competence of employees (HR competence) increases, it will have an impact on increasing corporate performance. The results of this study support previous research from Fuad & Trang (2017) which states that HR competence has a significant effect on the performance of Anugrah Mega Mandiri Cooperative in Manado. Likewise, the results of this study support research from Hanum & Riswana (2014) which states that work competence has a significant positive effect on operational performance. The effect of HR competence on corporate performance is because employees are the basic capital of every company, with increasing employee competence in the form of both knowledge and skills, it will help the company in terms of improving its performance (corporate performance).

The influence of supply chain management on company performance

The statistical analysis in this study found that 0.000, which is smaller than 0.05, supports the conclusion that SCM affects corporate performance in Fashion MSMEs in Depok city. The results of the research conducted provide sufficient evidence to accept H4, so this hypothesis is now considered correct. Supply chain management (SCM) is an important strategy to lower environmental risks while increasing business competitiveness and market value. Corporate supply chain management has a direct impact on an organization's ability to achieve its strategic goals. Due to companies' increasing awareness of environmental issues, the current trend in supply chain development has evolved into green supply chain management.

The value of finished goods depends largely on the quality of the raw materials used, making supplier selection an important part of supply chain management. On the operational side of the company, supply chain management will help companies so that goods are produced and distributed in the right amount, the right location, and at the right time. From this statement, a conclusion can be drawn that supply chain management will be able to improve company performance. It is hoped that with supply chain management, companies can make continuous service improvements so that customer satisfaction and loyalty can be maintained. Research conducted by Ria Nelly Sari & Al Azhar (2016) concluded that supply chain management has an impact on improving company performance.

The effect of competitive advantage on company performance

The results showed that competitive advantage affects the performance of Fashion MSMEs in Depok City. Company performance is a measure of the success of a company that is measured every set period of time. Competitive advantage refers to any element that makes a business more competitive than its competitors. In the context of MSMEs in Depok, competitive advantage can have a direct impact on firm performance. Competitive advantage allows MSMEs to compete better in a busy market. This can include advantages in price, product or service quality, innovation, customer service, or business location. By having these advantages, MSMEs can attract more customers and increase revenue.

Competitive advantage according to Li, Ragu-Nathan, Ragu-Nathan, & Rao (2006) can be realized by focusing on price, quality, delivery dependability, product innovation, and time to market. Companies that focus on this will be superior to other companies. The company's superiority compared to competitors can attract many consumers which will then increase the company's sales level and market share. This result can be said to be the value of each activity that has been prepared and implemented to be able to identify whether the strategy that has been made and the implementation of the strategy is correct or vice versa (Prakosa, 2005). Day and Wensley state that competitive advantage is a form of strategy to help the survival of the company (Jamaludin, 2021). Excellence in competition is a means to achieve the company's ultimate goal of improving company performance.

Conclusions

From the result and discussion, it can be conclude that human resource competencies and supply chain management affect the competitive advantage and performance of Fashion MSMEs in Depok City. Competitive advantage is a mediator variable between human resource competencies and supply chain management on MSME performance. Competitive advantage plays a crucial role in the performance of MSMEs in Depok. To improve their performance, MSMEs need to identify and develop competitive advantages that suit their market and business objectives. By effectively managing and utilizing these advantages, MSMEs can achieve sustainable growth and success. Thus human resource competencies and supply chain management will be able to improve the competitiveness of the company.

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