

## Business Strategy on Marketing Entrepreneurial Performance with Competitive Advantage as Intervening Case Study of UKM Ulos Fabric Craftsmen at the Department of SMEs and Cooperatives of North Sumatra Province

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### ABSTRACT

The benchmark for the success of SMEs to be able to win in the competition is through marketing performance, especially because SMEs are currently becoming something important in supporting Indonesia's economic growth and the quantity of SMEs (the number of SMEs) is a big potential in the economy. Indonesia as a cultural country has the opportunity to develop products based on local wisdom. This research is a quantitative study, the population in this study is Ulos cloth SMEs assisted by the UKM and Cooperatives Service in North Sumatra Province. The population is 221 and the samples are spread over the area. Structural equation modeling (SEM) was used to analyze the data from this study.

**Keywords:** Business Strategy,  
Competitive Advantage, Marketing  
Entrepreneurial Performance, UKM, Ulos

**JEL Classification:** L26, M30, M39

## **INTRODUCTION**

Environment business have effect big to needs people so that can give change big to request people and offer which given by SMEs. similar case law economy increases level demand for a product or service level more offers the higher it is. Change condition economy could become reality appearance something strategy business in maintain competitive advantage

SMEs as well as cooperative on time this Becomes something which important in support the pillars of the economy. SME Sector becomes wrong one segment business vital in encourage Indonesia's economic growth. SME Quantity is a potential great on economy. for can encourage the growth of the number of SMEs on Indonesia, SMEs must start fixing yourself in all aspects which owned so that no just competitive but could maintain as well as increase entrepreneurial marketing performance. Company sued for always understand as well as understand what which happen in market and what which Becomes desire consumer, and a lot change which there is on business environment so that capable compete use other companies. has the company should try for minimize its weaknesses and maximizing power which it has.

The development of competitive advantage has a crucial meaning, because it can be a superior strategy that has high competitiveness in national and international markets. Meanwhile, according to Porter (2010), business strategy is the ability of entrepreneurs/companies to analyze the company's external and internal environment, formulate management arts, apply (implementation) plans designed to achieve company goals, and conduct assessments to receive feedback. back in formulating upcoming tactics.

A good strategy is a strategy that can adapt to various changes in the business environment that occurs to achieve excellence. natural phenomena that occurred in 2020 until now after the covid 19 pandemic, changes that occurred in the SME environment have caused existing ulos cloth craftsmen to try to adapt their strategies to current changes. The art of management that is able to keep up with the various changes in the business environment that occurs in order to gain competitive advantage.

The phenomenon found in the field through the interview process, the production value of ulos fabric craftsmen for the past five years, not only the annual production value has decreased, even the number of SMEs has decreased from 2016 to 2020. The products obtained, this is a reflection that the SMEs of Ulos cloth craftsmen assisted by the SME and Cooperatives Office of North Sumatra Province have not been able to compete using other types of products under the guidance of the SME Cooperatives Service and the North Sumatra Provincial Cooperative Service.

## **LITERATURE REVIEW**

### **Marketing Performance**

Performance is all systems related to activities and results obtained. Almost all performance measurement methods consider aspects such as quantity of work, quality of work, punctuality, cooperation and personal qualities. Craftsman performance is the result or level of success achieved by craftsmen in accordance with their duties and responsibilities (Sitohang, 2010). Saunila (2012) defines measurement as "the process of measuring the efficiency and effectiveness of actions". Performance measurement can also be defined as a measurement of the input, output, or activity level of an event or process (Radnor, 2010).

### **Business Strategy**

According to Wheelen and David (2010), strategy is a goal, which is taken before action is taken, and shows a common understanding of the company's vision and mission. Strategy begins with the concept of how to use and apply company resources effectively in the company's external and internal environment, which is constantly changing. A company is usually an organizational unit with a different business strategy and a manager with sales and profit responsibilities, Aaker (2005). A company's business strategy is a deliberate choice of how the company performs its core activities and supports the value chain to create unique value. Therefore, companies can determine which business strategies can be integrated into their business activities (Aaker, 2005); (Wheelen and David, 2010).

### **Competitive Advantage**

Competitive advantage basically comes from the value or benefits that the company can create for its buyers, and these values or benefits exceed the company's costs to create them. If a company can create an advantage through one of the four general strategies, according to Tampi (2015) it is expected to gain a competitive advantage. Competitive advantage is the ability of business people to create a superior position compared to competitors and is highly dependent. Competitiveness is the ability of corporate actors to achieve economic benefits that are higher than the profits they can earn. Market competitors in the industry are eliminated.

## **RESEARCH METHOD**

This research is quantitative research. Sugiyono (2011) suggests that quantitative research methods are a type of research from the beginning of the research design to its formulation, and the specifications are systematic, well-planned, and clearly structured. Sugiyono (2011) suggests that associative explanatory research is research that aims to explain the location of the variables studied and the relationship between one variable and another. According to Sugiyono (2013), population is a general area consisting of objects or subjects with certain properties and characteristics, and the object or subject is determined by the researcher to be studied and conclusions drawn. The population in this study were SME actors in Urosbu assisted by the SME Service and the North Sumatra Province Cooperative Service. With a population of 221 people, the sample is spread throughout the region. The variable measurement technique uses a Likert scale using five scales. Generally, the scale used for measurement consists of five points. Structural equation modeling (SEM) was used to analyze the data of this study.

## **RESULTS**

Path analysis is used in this study to assess the influence of business strategy on marketing entrepreneurial performance and competitive advantage, a case study of ulos fabric craftsmen in the SME and cooperative services of the province of North Sumatra. is the comprehensive alpha value. This value is used to evaluate the reliability of the structure. Increase All reliability factors must exceed the lower limit of 0.70 (Hair et al., 1998). However, Nunnally (1967) showed a value of 0.50 to be acceptable for initial construction and development. Construct validity is to determine the reliability of construct items. Reliability is the level of consistency in a series of indicators Experiments repeatedly give the same result.

**Table 1.** Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
business strategy	0.951	0.951	0.958	0.696
Competitive Advantage	0.941	0.943	0.953	0.774
Marketing Entrepreneurial Performance	0.903	0.905	0.924	0.636

Based on Table 1, it can be seen that all the structures meet the convergence validity test, namely the AVE is greater than 0.5. The number of constructs in this study amounted to 7 units. From the analysis output, it can be seen that the load factor value generated by all constructs is > 0.70, which means that all construct indicators are valid. According to Ghozali and Latan (2015), there are several indicators that produce a loading factor greater than 0.60 which is still acceptable.

**Table 2.** R Square

	R Square	R Square Adjusted
Competitive Advantage	0.953	0.952
Marketing Entrepreneurial Performance	0.954	0.953

Based on Table 2, the following conclusions can be drawn:

1. The value of R Square for the competitive advantage variable is 95.3%, which means it is included in the Strong category. The remaining 4.7% is explained by variables other than the research model.
2. The value of R Square for the Marketing Entrepreneurial Performance variable is 95.4%, which means it is included in the Strong category. The remaining 4.6% is explained by variables other than the research model.

**Table 3.** Path analysis

	T Statistics ( O/STDEV )	P Values
Business Strategy -> Competitive Advantage	2,951	0.003
Business Strategy -> Marketing Entrepreneurial Performance	4,595	0.000
Business Strategy -> Competitive Advantage -> Marketing Entrepreneurial Performance	2,757	0.006

The following is a discussion of each hypothesis test based on the test results summarized in Table 3:

1. The result of the P value in the business strategy of 0.00 is smaller than the significance level of 0.05, indicating that the business strategy has a positive and significant effect on the Competitive Advantage.  
The business environment has a significant impact on people's needs, which can result in major changes in the supply and demand provided by businesses. Just like the law of economics, the higher the demand for a good or service, the higher the level of supply. Changes in economic conditions can be in the form of the emergence of business strategies to maintain competitive advantage (Mariyani & Chaniago., 2019). Business strategy is defined as a long-term plan of action taken by the organization to achieve the goals that have been set. A good business strategy will help create a sustainable competitive advantage for the organization (Covin et al., 2006). Consistent with this, according to (Mariyani & Chaniago., 2019) business strategy affects product competitive advantage.
2. The result of the P value in the business strategy of 0.00 is smaller than the significance level of 0.05, indicating that the business strategy has a positive and significant effect on Marketing Entrepreneurial Performance.  
Improved marketing performance will affect the effectiveness of the market business strategy organization, such as increasing sales, income, market and consumer effectiveness of small businesses (Ferdinand & Wahyuningsih, 2018). Local product business development with expandable resources (such as environmentally friendly products) can be aligned with dynamic capabilities to survive in an ever-changing business environment. Marketing performance is a structure or factor that is usually used to measure the impact of a business strategy. Business strategy always aims to produce better performance. Therefore, the metrics that must be used are metrics based on activity or market orientation (Qureshi, 2017). Marketing activities that produce marketing performance are also supported by the professional knowledge of business people who are proactive, innovative, and strong-willed who dare to take risks. Unique resource characteristics are guaranteed, and companies can strategically mobilize resources and capabilities to promote marketing capabilities to improve marketing performance (Kajalo & Lindblom, 2015). Marketing performance is the output of market-oriented business activities and innovative (quality) information. 2015). Marketing performance is the output of market-oriented business activities and innovative (quality) information. 2015). Marketing performance is the output of market-oriented business activities and innovative (quality) information.
3. The result of the P value of Business Strategy on Marketing Entrepreneurial Performance of 0.00 is smaller than the 0.05 significance level which indicates that there is a significant effect. This shows that Competitive Advantage is a mediating variable between Business Strategy and Marketing Entrepreneurial Performance.  
In other words, through a business strategy, knowledge sharing can be achieved as long as it fulfills the leader's willingness to take responsibility, the leader's and organization's willingness to provide training and capacity building for employees, and communication and feedback between leaders, (Akob, Arianty and Putra, 2020), award and recognition of performance evaluation (Haerani et al., 2020). If individuals in the organization trust and trust the organization, knowledge sharing and employee participation can take place. In running a company, especially digital-based SMEs such as this research, it is necessary to emphasize strategic issues in order to position the industry in competition. The source of the competitive advantage of SMEs will greatly affect the market strategy of their products. Marketing strategies and product marketing strategies implemented by SMEs will affect their marketing

performance. High-performing SMEs recognize the importance of marketing strategy in building competitive advantage. A higher level of marketing performance will certainly contribute to the success of SMEs.

### **DISCUSSION**

Improving the marketing performance of SMEs means that if SMEs can carry out processes and activities related to creating demand and customer satisfaction, the performance of SMEs will increase. Competitive advantage can mediate the effect of business strategy on the marketing performance of SMEs.

### **CONCLUSION**

These results can be explained that the SME business strategy promotes competitive advantage by creating unique products, high quality products and competitive prices, which in turn affects the performance of SMEs. This study has several limitations. First, the research sample only covers SMEs in a particular region, and the results cannot be generalized. Second, this study does not consider the role of technology in influencing competitiveness and marketing performance. Therefore, the results of this study indicate that SMEs need to develop marketing strategies, including focusing on market orientation, emphasizing customer orientation, competitor orientation, coordination between functions, and developing or innovating new products. Developing the right market orientation can give you a product and price advantage.

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### **DECLARATION OF CONFLICTING INTERESTS**

Ulos SMEs need to develop marketing strategies, including focusing on market orientation, emphasis on customer orientation, competitor orientation, coordination between functions and the development or innovation of new products. correct market orientation can provide a competitive advantage in improving entrepreneurial marketing performance

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