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Business Strategy in the Sustainability of Rattan Handicraft SMEs in Central Kalimantan

Jelita Bintang Srikandi, Vivy Kristinae, Kembara Sophater & Normand Armando Lampe

Universitas Palangka Raya, Palangka Raya

Email: jelitabintangsrkandi21@gmail.com

Abstract

Research in marketing management to improve MSME business performance. The sustainability of the business strategy is built with a vision, mission and positive influence to improve the welfare of the SMEs business. The effect of entrepreneurship on innovation has an impact on SMEs business performance. The innovation mediation variable in improving business performance is focused on the RBV theory with its application to SMEs resource activities. This research was conducted quantitatively on 75 SMEs engaged in the rattan sector in Central Kalimantan. The results of the study stated that entrepreneurship significantly increases product innovation and product innovation can improve business performance. These results can be used as a reference in building business sustainability with entrepreneurial and innovative variables in improving business performance. The implications of this research can be a business strategy in improving business performance with a business strategy. The results of this study can be developed by considering digital marketing in further research.

Keywords business strategy, entrepreneurship, product innovation, business performance.

1. Introduction

In an era of increasingly fierce business competition, especially in the same industry, every company is required to have uniqueness that can attract and entice consumers. To achieve this, companies need to optimize the use of their resources (Chaniago, 2021). One way to increase customer attractiveness is through entrepreneurship, in which business people have courage, take risks, and generate new ideas in offering products that meet consumer needs. In addition, the orientation of business actors in developing business strategies by conducting thorough business analysis is also very important to achieve optimal results in various business aspects that need improvement. In uncertain business conditions, it is important to have a clear action plan with business strategies that can improve business performance.

Business strategy plays an important role in maintaining business continuity in the midst of uncertainty. By managing resources well and optimally, companies can increase product excellence and business strategy which in turn will improve business performance (Azura Diva et al., 2021). Some of the problems faced by business actors are increasing the number of customers, revenue, and product sales. Therefore, to improve business performance, an increase in entrepreneurship and ability to innovate in business is needed.

The link between business actors who are willing to take risks in carrying out product innovation has a relationship with their creativity in creating an attractive, clear and easy system

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for consumers to obtain product information and conduct product searches. Therefore, product innovation is very important in improving business performance. Entrepreneurship is the ability for business actors to compete superiorly in the product market by meeting needs that are in accordance with the business environment (Dubihlela & Van Schaikwyk, 2014).

Research in the field of marketing using the RBV theory aims to effectively and efficiently apply the capabilities of business actors in business (Filho & Moori, 2020). Marketing has several advantages which are reflected in various standard variables. After the COVID-19 pandemic, as many as 100 handicraft SMEs have used technology-based business methods. The RBV theory states that in today's business world, many business actors manage resources (both raw materials and human resources) with synergy in the business environment, including product innovation that is easy, fast, and with integrity (Drewniak & Drewniak, 2022). This research was conducted on rattan craft SMEs in Central Kalimantan with the aim of preserving culture through the use of motives and good resource management. The implication of this research is to provide input to business people to build business strategies with an entrepreneurial approach and link product innovation with business performance.

2. Literature Review

Entrepreneurship. Entrepreneurship has a very important role in the development and growth of Small and Medium Enterprises (SMEs). SMEs are a vital sector in a country's economy because they play a major role in driving economic growth, creating jobs, and increasing people's income (Kristinae et al., 2020). Entrepreneurship in SMEs can have a significant positive impact in the following aspects (Adawiah et al., 2020) : (1) Job Creation: Entrepreneurship in SMEs contributes to creating new jobs. SMEs are often a major source of employment in many countries, especially developing ones. Through entrepreneurship, individuals can start their own business and open opportunities for others to work in their company. Thus, entrepreneurship in SMEs helps reduce the unemployment rate and promotes economic growth. (2) Innovation and Creativity: Entrepreneurship encourages innovation and creativity within SMEs. Entrepreneurs often create new products or services that did not exist before or develop new ideas to meet the needs of a growing market. This innovation encourages competition and enriches the variety of products available in the market. In addition, entrepreneurship also encourages creativity in business management and marketing strategies that can help SMEs to remain competitive in an increasingly fierce market. (3) Economic Growth: Entrepreneurship in SMEs plays an important role in the economic growth of a country. SMEs that are actively developing can make a significant contribution to a country's Gross Domestic Product (GDP). The growth of SMEs also helps reduce dependence on certain economic sectors and creates overall economic stability. By developing SMEs, the government can create a stronger and more sustainable economic base. Skills and Capacity Development: Entrepreneurship in SMEs plays an important role in the development of individual skills and capacities. Through entrepreneurship, individuals can develop management, leadership, and functional skills useful for building and managing their own businesses. This creates opportunities for lifelong learning and individual empowerment in the face of challenges and opportunities in the business world.

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Equitable Economic Development: SMEs and entrepreneurship also play a role in equitable economic development. SMEs often arise in rural areas or areas with lower levels of economic development. Through entrepreneurship, local entrepreneurs can develop SMEs in these areas, providing employment opportunities and access to markets for local residents (Catulli et al., 2017). This helps reduce the economic disparity between urban and rural areas, as well as increasing the overall welfare of society. Entrepreneurship has a very important role in the development and growth of SMEs. Entrepreneurship in SMEs not only creates jobs and economic growth, but also encourages innovation, creativity, skills development and equitable economic development (Mujanah et al., 2022). Therefore, it is important for the government, educational institutions and the community to support and encourage entrepreneurship within SMEs in order to create a conducive environment for the growth and success of small and medium businesses.

Sustainability Business Performance. Small and Medium Enterprises (SMEs) are an indicator of the economic success of a region (Hasanov et al., 2019). In many areas, SMEs not only contribute to increasing the income of business actors, but also assist the government in promoting regional product characteristics. Marketing activities are one of the core activities carried out by the company to maintain the continuity and growth of its business, as well as achieve optimal profit (Eunike & Utama, 2021). SMEs can direct marketing policies in an effort to meet consumer expectations and needs through policies that cover product, price, promotion and distribution. Business performance is the direct result of all trading or business activities that involve various types of facilities, including the use of the internet to reach consumers, especially to benefit from these trading activities (Ighomereho et al., 2022). SME business performance can be done both online and offline, with significant advantages in the digital era (Curiel Jiménez et al., 2022). In this study, business performance is measured through product innovation with the help of digitization, which facilitates transactions and interactions between sellers and customers. According to Wahirayasa & Kusuma (2018), business performance involves measures of profitability, sales levels, and demand levels obtained through overall business activities. Improving business performance in online business is not difficult because there are many references and support systems, such as promotions as a means to convey benefits to consumers (Syafuruddin et al., 2021). To attract consumer interest, business performance with online promotion must be able to present advantages in the marketing system, such as short videos, attractive photos, and words that can attract consumer interest in products. Improved business performance can be achieved through entrepreneurship and innovation in order to survive in the midst of business uncertainty (Fauzi et al., 2023). In today's business development, many companies are taking advantage of business digitization programs because many consumers choose to shop online. The shift from conventional trading (face to face) to online trading (via social media) requires creativity, proactivity and innovation in seeing market opportunities and identifying good market orientation (Made et al., 2017). Therefore, in the current digital era, SMEs need assistance in developing business strategies based on innovation, such as building a flexible transaction system and minimizing costs such as a place of business (Yanputro, 2021). Thus, SMEs can reach more consumers and become business people who are

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responsible and dare to take risks. Business performance with online promotions makes it easy for sellers and buyers to transact.

3. Research Method

The research conducted in this study is classified as explanatory research, utilizing a quantitative approach. Explanatory research aims to elucidate the relationships between variables and the influence of one variable on another. Primary data was collected through the distribution of questionnaires to consumers who have made purchases at SMes. The Smart Partial Least Square (PLS) approach was employed, which is distribution-free and does not make assumptions about the data type (nominal, categorical, ordinal, interval, or ratio). The utilization of Partial Least Square (PLS) is aimed at making predictions and establishing relationships between constructs, providing researchers with latent variable values to facilitate predictions in their research. The hypothesis is a temporary answer to the research problem formulation. Because it is still temporary, it needs to be verified through empirical data collected. The conceptual framework shows the relationship between variables and hypotheses which will be explained below:

H1: Positive and Significant Effect of Entrepreneurship on Product Innovation

H2: Positive and Significant Effect of Entrepreneurship on Sustainability Business Performance

H3: Positive and Significant Effect of Product Innovation on Sustainability Business Performance.

H4: Positive and Significant Effect of Entrepreneurship on Sustainability Business Performance mediated Product Innovation

4. Finding and Discussion

The findings of the descriptive analysis revealed that the majority of respondents who completed the questionnaire were female, with 40 individuals accounting for 27% of the total respondents, while male respondents accounted for 60 individuals or 73%. A measurement model was developed to depict the relationships between the indicators and their corresponding latent variables. The outer model analysis was conducted to ensure the validity and reliability of the measurement used. The analysis of the questionnaire data yielded the following results:

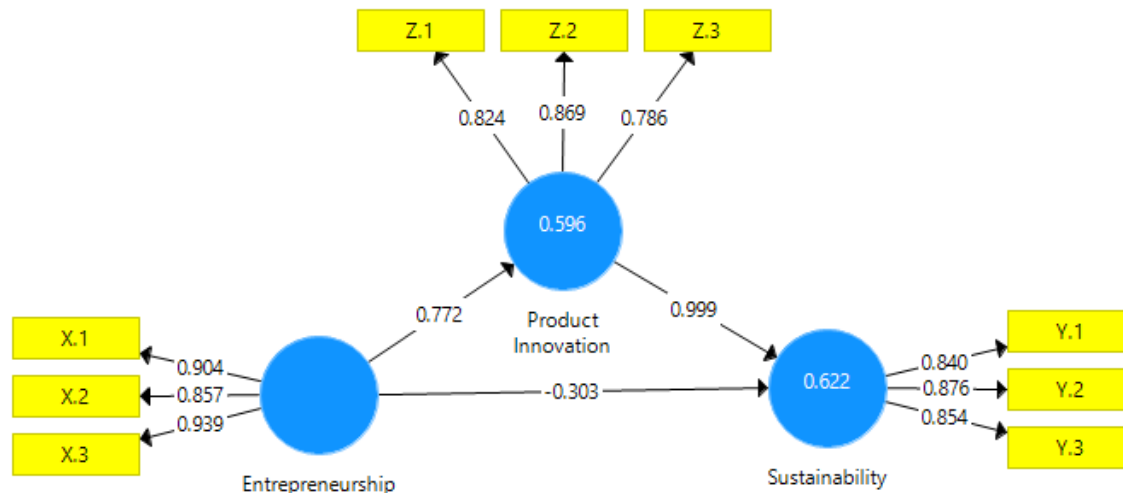
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Figure 1. Research Methods



Indicators are considered valid when their outer loading values are at least 0.7. However, the results of the outer model test in this study showed that some of the outer loading values were below 0.70. Therefore, in this study, the relationship between variables will be explained based on the path coefficient values. The evaluation of path coefficients is used to determine the strength of the effect or influence of the independent variable on the dependent variable, as well as the strength of the effect of the independent variable on the intervening variable and the dependent variable through the intervening variable (Omar et al., 2018).

Based on the inner model depicted in Figure 2 above, it can be observed that the largest path coefficient value is found in the effect of product innovation on Sustainability Business Performance, which is 0.999 or 99%. On the other hand, the smallest effect is observed in the direct effect of entrepreneurship on Sustainability Business Performance, which is -0.303 or -33%. Furthermore, the R-square value will be examined to assess the level of variance explained by the model.

Table 1. R-Square

Variable	R-Square	R-Square Adjusted
product innovation	0.596	0.587
Sustainability Business Performance	0.6222	0.606

Results on the GoF value for the Sustainability Business Performance variable is 0.606 or 60,6 %, the results show that the GoF value is large. So the results of this study are included in the large GoF category and show that the magnitude of the influence of diversity from the results of research data on the Sustainability Business Performance can be explained by research of 61.4% while the remaining 38.6% is explained by other factors that are outside this research model. Based on the results of processed PLS data to test the influence between

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variables by looking at the direct and indirect effects, the results are as follows:

Table 2. results t-statistic and p-value

Hypothesis	Influence	Original Sample	Standard Deviasi	T-Statistic	P-Value	Results
H1	Entrepreneurship → Product Innovation	0.772	0.048	15.998	0.000	Accepted
H2	Entrepreneurship → Sustainability	-0.303	0.169	1.792	0.074	Not Accepted
H3	Product Innovation → Sustainability	0.999	0.129	7.746	0.000	Accepted
H4	Entrepreneurship → Product Innovation → Sustainability	0.771	0.136	5.688	0.000	Accepted

Based on the research findings, it is evident that entrepreneurship plays a crucial role in improving business performance. Business strategies that focus on SMEs orientation, competitor, and product innovation. Furthermore, direct improvements in business performance can also be achieved through value innovation. These findings highlight the significance of mediation in enhancing the welfare of SMEs, specifically in the context of rattan handicraft SMEs in Central Kalimantan. It is important to note that market analysis alone cannot directly enhance business performance in the aftermath of the COVID-19 pandemic. Therefore, it is necessary to employ strategies that enable broader customer reach through product innovation.

5. Conclusion

In conclusion, product innovation serves as a mediating variable for many SME products within the field of marketing management. The positive impact of entrepreneurship on business performance is greatly facilitated by product innovation. The RBV research theory emphasizes the importance of effectively and efficiently managing resources to enhance sustainability business performance, which aligns well with the findings of this study. The results demonstrate that UKM entrepreneurs in Central Kalimantan's rattan-based handicraft sector have effectively applied product innovation by focusing on the attractiveness of their products, ease of obtaining product information, and clear product utilization, as seen through videos. These findings have practical implications, as they highlight the significance of entrepreneurship as a business strategy that encourages relevant product innovations, thereby reducing the risk of income and meeting demand in the SME business performance in Central Kalimantan.

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