

Improving the Business Performance of Lumpia Micro Business Entities

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Abstract—This research was conducted on small and medium business. This research takes an object on the typical food Lumpia in Semarang. Lumpia is a snack like rolled food, made from shrimp, eggs and chicken meat. This research is a continuation of our previous research on Semarang's specialty foods, specifically more specifically researching the lumpia and want to increase the competitive advantage of the product in Semarang, so that the product can continue to exist and develop as Semarang's special food. The purpose of this research is to identify the problems that arise related to competitive advantage, the performance of UMKM (Small and Medium-Sized Enterprises) lumpia business in Semarang, and to know whether competitive advantage can be a bridge between product innovation and business performance. The population of this research is lumpia industry in Semarang city which amounted to 30, with the method of collecting data in the form of questionnaire obtained from businessman lumpia as respondent. Stages in this research are as follows: identification of research problems, data collection and tabulation, data quality test and data analysis. The results of this study are Product innovation has a significant positive influence on competitive advantage. Product innovation has a positive effect on business performance. Competitive advantage has no significant influence on business performance.

Keywords—*business performance; innovation; competitive advantage*

I. INTRODUCTION

Micro / small businesses or commonly called UMKM are very interesting topics to discuss, because if we look at this business like a business that is just to meet the food needs of the owner. This means that if we compare it to a large / large business, this small business looks like a 'perfunctory' business. But actually SMEs have a very important role in the economy of a country.

"It was proven that during the 1998 economic crisis, only the SME sector survived from economic collapse" [1]. The contribution of the SME sector in determining the Gross Domestic Product (GDP) and the country's foreign exchange-producing sector also need not be doubted. BPS data in 2012 stated that the number of SMEs was 56.5 million units or grew by 15.3 percent from the year 2006 of 49 million units. The contribution of SMEs to the formation of GDP in 2012

increased by 46% or to Rp1,505 trillion compared to Rp1,032 trillion in 2006 [2].

Based on the results of the survey on lumpia entrepreneurs, they stated that their income had experienced ups and downs due to the large number of competitors and the entry of large entrepreneurs with large capital

The increasingly lively food industry competition requires businesses in the food sector to always use competitive strategies that are relevant to the development of their business environment conditions in order to maintain a sustainable competitive advantage for similar companies and continue to exist in their business environment. Likewise, the business competition in Semarang is felt to be very strong and fighting. Likewise, the business competition in Semarang is felt to be very strong and fighting for the same market segment. This situation requires lumpia businesses in Semarang to create a good manufacturing strategy in order to improve their business performance. Like statement from Nurul Nadia and Sarminah Samad 2016 [3], facts that prove the success factors and factors of SMEs to gain a competitive advantage. Some Researchers suggest that the main determinant of SMEs to gain competitive advantage is the ability of SMEs developing unique products, and flexibility in adopting new technologies [4].

This research took the object of typical food in Semarang, Lumpia. Lumpia Semarang was created and pioneered by a Chinese-Javanese couple about a century ago. The husband and wife before marriage is indeed a lumpia seller with a distinctive cultural flavor from each region. Chinese young man named Choa Taiyu who came from Fuking presented spring rolls with Hokiang recipe, while Mbok Warsih as a native had a typical Semarang concoction. From this blend of Hokiang and Semarang flavors, lumpia food became the pride of Semarang citizens and has now been inherited by all four generations.

In general, the price of spring rolls in the city of Semarang is quite competitive. Along with a growing tourism program, the processed food business in the city of Semarang is also increasingly competitive. The results of pra survey on the businessmen of the lumpia show that the income of entrepreneurs in lumpia is experiencing ups and downs because more and more competitors are emerging & entrepreneurs who have big capital.

A. Research Question

The purpose of this study is how can product innovation build business performance in increasing competitive advantage and how to build the performance of a typical food business in the city of Semarang to improve competitive advantage. What things are needed by lumpia entrepreneurs to win increasingly fierce trade competition, so that these snacks can continue to exist. Nuryakin said on his paper, product innovation significantly affects competitive advantage [5]. Darroch in his research on industry in New Zeland found that innovation has no effect on performance both as measured by financial performance and non-financial performance, namely market share and sales growth [6].

B. Product Innovation

Robbin and Coulter stated that innovation is the ability to convert creative ideas into useful products or work methods [7]. In addition Kasali explains that innovation is the ability to see things in a new and out of the ordinary way [8]. As with Anshori, he argues that innovation is the accumulation of the question of why and how [9].

C. Competitive Advantage

Competitive advantage is the result of strategy implementation that utilizes various resources owned by the company Bharadwaj et al [10]. Porter reveals that competitive advantage develops from a value that can be created by the company for its customers [11]. Day and Wensley stated that competitive advantage is a form of strategy to help companies maintain their survival [12]. Kotler said that competitive advantage is the superior power possessed by the company beyond what is owned by its competitors, which is obtained from offering greater value to its customers than what is offered by its competitors [13].

D. Business Performance

Venkatraman and Ramanujam show that corporate performance is a multidimensional construct [14]. In this case, the company's performance consists of financial performance, business performance and organizational performance. Financial performance is at the center of the area of organizational effectiveness. This measure of performance is considered very important, but not enough to define overall effectiveness. Accounting-based standards such as revenue on assets (return on assets), revenue on sales (return on sales), and return on equity to measure financial success. These indicators illustrate current profitability. A measure of business performance related to markets such as market share, growth, diversification and product development. There are two dimensions in this performance, namely (i) indicators related to growth in the existing business and (ii) indicators related to the company's position in the future (new product development and diversification). A measure of organizational effectiveness is closely related to stakeholders. Examples of these measures are customer satisfaction, quality and social responsibility. There are two dimensions, namely (i) indicators related to quality (product quality, employee satisfaction), and (ii) indicators relating to social responsibility (environment and society).

The reason for doing this research was because we wanted to deepen our previous research on typical foods in Semarang, specifically to specifically examine lumpia and to improve the competitive advantage of these products in Semarang, so that these products could continue to exist and develop as typical foods of Semarang.

E. Limitation

Our research only focuses on spring rolls / snacks only, so we don't know how the consumer dynamics of other snacks are.

II. METHOD

The population in this study is the lumpia industry in the city of Semarang, Indonesia. The data used are primary data, carried out by questionnaire method to obtain data about the dimensions of the construct being developed in this study.

The variables used in this study are market orientation, competitive advantage and business performance. Market Orientation Variables and Competitive Advantages have 3 indicators, while Business Performance Variables have 4 indicators.

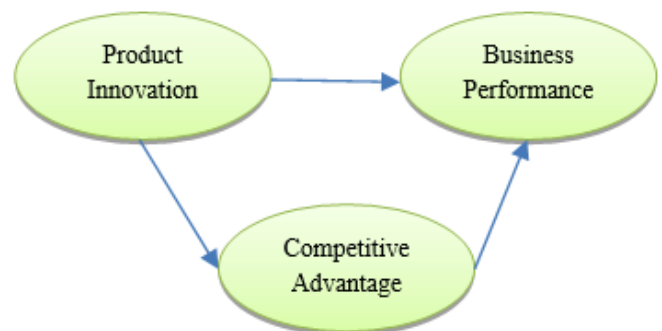


Fig. 1. Research models.

The hypothesis we proposed in this study is:

- H1: Product Innovation has a positive effect on Competitive Advantage
- H2: Product Innovation has a positive effect on Business Performance
- H3: Competitive Advantage has a positive effect on Business Performance

The analysis technique in this study uses multiple linear regression analysis with SMART PLS 3 software.

III. RESULTS AND DISCUSSION

First evaluation of the outer model is construct validity. Convergent validity of the measurement model with reflective indicators was assessed based on the correlation between item scores with a construct score calculated by PLS.

TABLE I. CONVERGENT VALIDITY

	Product Innovation (IP)	Competitive Advantage (KB)	Business Performance (KiB)
Product Innovation (IP)	0,840		
Competitive Advantage (KB)	0,762	0,845	
Business Performance (KiB)	0,794	0,718	0,868

The following is the output of the correlation between the research indicators and their construct. Output correlations between research indicators ranging from product innovation (Ip1) to Market Orientation 3 Op3 with the constructs of Product Innovation (IP), Competitive Advantage (KB), Business Performance (KiB), have fulfilled the convergent validity because all factor loading is above 0.70. The test results of AVE values indicate that for the KB, KIB, IP constructs greater than 0.50. So that it can be concluded that the construct in this study is good, because it is greater than 0.50. Discriminant validity can be concluded that the AVE root of the KIB construct is 0.868 higher than the correlation between the KIB construct and KB which is only 0.722. The root AVE construct is IP 0.840 higher than the correlation between construct IP and KIB of 0.793. The AVE root of the KB construct is 0.845 higher than the correlation between the KB construct and KIB of 0.722.

The result of statistical output in the Latent Variables table shows that the magnitude of the correlation between the independent variables is still below 95%, so it can be said that there is no multicollinearity. The construct reliability test is measured by two criteria, namely composite reliability and cronbach alpha from the indicator block that measures the construct. The research construct is said to be reliable if the construct value is declared reliable if the composite reliability value is more than 0.70. The results show the construct composite reliability values of KB, KIB, IK more than 0.70. Cronbach alpha value above 0.70 means reliable. The results of both Cronbach alpha output composite reliability for both IP, KiB and KB constructs are all above 0.70. So it can be concluded that the construct has good reliability.

Product innovation has a significant positive influence on competitive advantage. These results show that the higher the creativity of a person in creating a product, the better it will be in the competition in this competitive era. Product innovation has a positive effect on business performance. This result shows that if an entrepreneur has a good ability in developing products / in innovating to create products, then an entrepreneur will know what steps must be done to realize that innovation which means that its performance in managing its business will also be directly proportional. Competitive advantage has no significant influence on business performance. This can be concluded that not all businesses that excel in competition have good business performance.

TABLE II. PATH COEFFICIENTS

Variabel	Original Sample	Sample Mean	T Statistics	P Values
IP -> KB	0,316	0,344	2,805	0,005
IP -> KiB	0,524	0,538	2,881	0,004
KB -> KiB	0,163	0,173	0,731	0,465

The results showed that IP had a positive effect on competitive advantage (KB), 2,805, this was in accordance with the research conducted by Cooper that the advantages of new products are very important in the circle of highly competitive global markets [15]. These advantages are the result of the development of innovative products that are produced so that later the product has an advantage in the market which then wins the competition.

The results of the study showed that IP had a positive effect on KiB, amounting to 2,881 in accordance with the research conducted by Salim and Sulaiman 2011 [16], Innovations that are developed based on customer needs and needs will differentiate with competitors and improve SME financial performance [17].

Competitive advantage can result in superior market performance and financial performance (profit on investment, shareholder wealth creation / dividends) [12]. Sources of competitive advantage analysis of competitive advantage shows differences and uniqueness among competitors. The source of competitive advantage is superior skills, resources and control. Superior skills allow organizations to choose and implement strategies that will differentiate with other organizations and competition with competitors. Skills include technical, managerial and operational skills. For example, knowledge about what is desired and requested by consumers can help companies use their capabilities for customer satisfaction. Likewise, this study shows that competitive advantage can influence Business Performance by 0.731 positively, but it cannot be said to be significant in its influence.

IV. CONCLUSION

From the results of the study it can be concluded that one of the important things of the business unit (UKM) is the ability to innovate. the ability of entrepreneurs to innovate their products can have an impact on the managerial / manager to take strategic steps, so that the performance in running a business will be better. In addition, product innovation will make business units can excel in increasingly fierce competition. If someone is not observant in seeing opportunities to innovate, then his performance will not develop and cannot compete. And Last, innovation is needed because the world is constantly changing.

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