

**SUPPLY CHAIN MANAGEMENT PRACTICES, AND INNOVATION ON
MSME BUSINESS PERFORMANCE
(Study on Craft MSMEs in the District Purworejo)**

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Abstract : Current era MSMEs are one of them business to be opportunity in increase rotation wheel economy in Indonesia. Various problem often influence performance MSME business among other advantages competitive, practical *supply chain management* and innovation. MSME actors not yet realize will importance superiority competitive For win the market. Things that haven't maximized that is practice *supply chain management* that has not applied in performance MSME business, apart from that's also a drawback do innovation that causes low performance MSME business. Objective from study This is For test influence superiority competitive to performance MSME business, test influence practice *supply chain management* towards performance MSME business, test influence innovation to performance MSME business. Population in study This is MSME owners in the Regency Purworejo . Taking sample use technique *purposive sampling* as many as 100 craft MSME owners in the Regency Purworejo. Instrument data collection uses questionnaire with use scale *likert* which was answered complet, appropriate criteria and meet condition validity and reliability . Analysis This use multiple linear regression with use SPSS 20.0 *for Windows* tools. Research result show that Superiority Competitive influential to Performance MSME Business, Practice *Supply Chain Management* has an influence To Performance MSME Business, and Innovation influential to Performance MSME Business.

Keywords: *Superiority Competitive, Practice Supply Chain Management, Innovation, Performance MSME Business*

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1. Introduction

In the era of globalization This has reach various aspect life, along with increasing increasing competition strict added with change appetite consumers, developments technology, as well change social economics that can bring up challenges and opportunities business. Intense competition force company for to be the best in the era of globalization This. One that should do company for be the best with apply strategy to be able to compete, so adapt with prevailing trends moment This. A capable company compete and adapt trend can own superiority competitive. However, the advantage competitive it's not objective end, but means For reach objective end that is increase performance business (Prayhoego & Devie, 2013).

According to Darmanto in (Nurhayati et al., 2021), performance MSME (Micro, Small and Medium Enterprises) businesses are level achievement objective based on goals that have been set before, in evaluate performance organization must returned to destination or reason organization formed. Performance MSME business involves various aspect like growth sales, profitability, efficiency operational, satisfaction customers, innovation and sustainability business. MSMEs are a unit that carries out business activity economic, purposeful produce goods or services, lies in something building or location certain, have notes administration separately about production and structure cost as well as There is a or more responsible answer on business (www.bps.go.id). Based on number of people inside an MSME is divided become a number of group including industry currently or intermediate is company that has workers 20-99 people, industry small is company powerful industry it works between 5-19 people, meanwhile industry micro is company powerful industry it works between 1-4 people (www.bps.go.id). According to Sugiono in (Mahzuni et al., 2017) crafts is goods produced through Skills hands (like mats, mats, statues and so on) items simple, usually contain element art.

According to Barney in(Warinangin, 2022:129) various aspects involved For performance MSME business goals For develop sources superiority competitive. Source superiority competitive can found from ability management in dig competence fields functional company. Superiority competitive by nature develop from capable value created by a company in created it. Superiority competitive is ability company For reach profit economical on capable profit achieved by competitors in the internal market the same industry (Porter, 1992).

According to Pujawan in (Hasan & Karuntu, 2023) stated that *supply chain management* is something method integrative or approach For manage Genre products, information, and money in a way integrated involving party start from upstream until downstream consisting of from suppliers, factories, networks distribution, and service logistics. Objective from *supply chain management* is maximizing competition and profit company and overall its members, incl customers (Miranda in Nur Hayati et al., 2015). On the side another, the goal For minimize cost total (cost ordering, fees storage, costs transportation, costs material standards and others) (Chopra & Meindl, 2007).

According to (Wulandari et al., 2016) stated that activity *supply chain management* and innovation product have connection with performance business. According to (Freeman, C., & Soete, 2004) innovation is effort from company through use technology and information For developing, producing and marketing new product For industry. Customers in general want innovative products in accordance desire they. This matter demand cleverness company in recognize appetite his customers so that innovation that is carried out in the end in accordance with desire his customers.

Are many economies in Indonesia depends on MSMEs, but what happens moment This competition the more strict. Lots of it business small, medium moment this is what causes it continuity business experience level High competition, especially producing industry product similar (Halim, 2020). Like case industries others, one of them that is industry crafts in the Regency Purworejo.

Based on data from The KUKMP Service is available as many as 266 businesses listed crafts. Craft business the covers craft bamboo, crafts wood, crafts flower plastic, and crafts land see. Based on results observations and interviews researcher on craft MSMEs in the Regency Purworejo, the background problem researcher is craft MSME players in Purworejo Still not enough develop. In matter superiority seen competitiveness from lack of

characteristic typical or matter unique from craft MSME products. Products produced by craft MSMEs the same with product from craft MSMEs kind so that buyer not enough interested to product from craft MSMEs. Besides That, MSME actors also haven't maximizing practice *supply chain management*, though maximizing practice *supply chain management* very influential to performance MSME business. Frequent problem experienced for practice *supply chain management* that is lack of management in matter cost storage Because No utilise *just in time*, a lot material standard which is not used and wasted vain because it 's wrong matter analyze the market.

Besides problem superiority competitive and practical *supply chain management* in craft MSMEs there is one frequent problem found that is innovation. Craft MSME players Still not enough in maximizing effort, because MSME actors still reluctant in take risk. MSMEs also still play not enough in utilise opportunities and doubts for compete in the market. Craft MSME players Still Afraid in matter innovate product Because Afraid will experience loss cost in make innovation product.

Based on description background back on top, then researcher mean for do study with title “Influence Superiority Competitive, Practice *Supply Chain Management*, and Innovation to Performance MSME Business (Study of Craft MSMEs in the Regency Purworejo)”.

2. Research Methods

Study This is study quantitative with use method survey , where method survey used For get data from place certain natural (without artificial), but researcher do treatment in data collection, for example with distribute questionnaires, tests, interviews structured and so on (treatment No like experiment) which aims For collect primary data from respondents (Sugiyono, 2017). Instruments used in method survey This use questionnaire containing statement or question written for answered respondents. Variables studied in study This that is Superiority Competitive (X_1). Indicator of superiority competitive is differentiation, cost leadership and focus, Supply Chain Management Practices (X_2). Indicator of supply chain management is strategic supplier partnership, level of information sharing, quality of information sharing, customer relationship management, and total quality management, Innovation (X_3). Indicator of innovation is innovation product, marketing new product, innovation process, add new equipment and innovation management, Performance MSME Business (Y). Indicator of performance MSME business is finance, market, process, people development and future. Data used in study This is a Likert Scale. Population in study This that is all MSMEs in the Regency Purworejo. Study This use technique *purposive sampling*. Study This use sample as many as 100 people own craft MSMEs in the Regency Purworejo. Analysis techniques the data use Analysis Multiple Linear Regression.

3. Results and Discussion

3.1. Results

Table 1. Validity Test Results

Variable	Statement Items	Coefficient Correlation	r min
Superiority competitive (X_1)	X1.1	0.886	0.3
	X1.2	0.904	
	X1.3	0.922	
Practice <i>Supply Chain Management</i> (X_2)	X2.1	0.645	0.3
	X2.2	0.800	
	X2.3	0.793	

Variable	Statement Items	Coefficient Correlation	r min
Innovation (X ₃)	X2.4	0.779	0.3
	X2.5	0.829	
	X3.1	0.867	
	X3.2	0.886	
	X3.3	0.853	
Performance MSME Business (Y)	X3.4	0.881	0.3
	X3.5	0.754	
	Y1	0.844	
	Y2	0.864	
	Y3	0.706	
	Y4	0.863	0.3
	Y5	0.813	

Source: Primary data processed, 2023

Based on validity test results, using *Pearson correlation* show all indicator from superiority competitive (X1), practice *supply chain management* (X2), Innovation (X3), and Performance MSME Business (Y) have coefficient correlation above 0.3 and all worth positive, so can concluded that indicator the statement being tested is valid, meaning that all item statement (instrument) in questionnaire the can measure study.

Table 2. Reliability Test Results

Variable	Statement Items	Cronbach alpha if item deleted	Cronbach alpha	Criteria
Superiority competitive (X1)	X1.1	0.864	0.888	0.7
	X1.2	0.848		
	X1.3	0.810		
Practice <i>Supply Chain Management</i> (X2)	X2.1	0.866	0.858	0.7
	X2.2	0.829		
	X2.3	0.804		
	X2.4	0.820		
	X2.5	0.815		
Innovation (X3)	X3.1	0.876	0.902	0.7
	X3.2	0.867		
	X3.3	0.884		
	X3.4	0.869		
	X3.5	0.903		
Performance MSME business (Y)	Y.1	0.850	0.874	0.7
	Y.2	0.829		
	Y.3	0.875		
	Y.4	0.829		
	Y.5	0.850		

Source: Primary data processed, 2023

Based on reliability test results, that all variable produce mark *Cronbach Alpha* > 0.7 and *Cronbach Alpha If Item Deleted* > 0.7, so can concluded that statement used in testing reliability from superiority competitive (X1), practice *supply chain management* (X2), Innovation (X3), and Performance All MSME businesses (Y). reliable, which means

questionnaire used in study capable give consistent results if used in a way repeatedly from time to time with exists similarity answer between respondents involved in charging questionnaire the.

Table 3. Multiple Linear Regression Test Results

Model	Standardized Coefficient Beta	p-value (sig)	Information
Superiority competitive (X1)	0.330	0,000	Positive and significant
Practice <i>Supply Chain Management</i> (X2)	0.251	0.001	Positive and significant
Innovation (X3)	0.391	0,000	Positive and significant

Source: Processed Primary Data, 2023

Based on table 3, model equation multiple linear regression that can seen from testing the is:

$$Y = 0.330 \text{ Competitive Advantage} + 0.251 \text{ Supply Chain Management Practices} + 0.391 \text{ Innovation}$$

With interpretation as following:

b1 = 0.330 meaning variable superiority competitive (X_1) has mark coefficient positive regression. This result show variable superiority competitive influential positive to variable performance MSME business (Y), meaning the taller superiority competitive, then will the more increase performance MSME business.

b2 = 0.251 meaning variable practice *supply chain management* (X_2) has mark coefficient positive regression. This result showing variable practice *supply chain management* (X_2) has an effect positive to performance MSME business (Y), meaning the more appropriate application practice *supply chain management*, then the more increase performance MSME business.

b3 = 0.391 meaning variable innovation (X_3) has mark coefficient positive regression. This result showing variable innovation influential positive to performance MSME business, meaning the more appropriate for MSMEs to implement innovation, then the more increase performance MSME business.

Significance test results each each variable independent consists from superiority competitiveness, supply chain management practices, innovation, and performance MSME business as variable dependent. Condition variable said have influence significant if *p-value* < 0.05. Based on table 3 can explained as following:

- Influence superiority competitive (X_1) against performance MSME business (Y) value significance of 0.000 (< 0.05), then can concluded that superiority competitive influential significant to performance MSME business. This matter shows that hypothesis First in study This that is superiority competitive to performance MSME business.
- Influence practice *supply chain management* (X_2) against performance MSME business (Y) value significance of 0.001 (< 0.05), then can concluded that practice *supply chain management* influential significant to performance MSME business. This matter shows that hypothesis First in study This that is practice *supply chain management* to performance MSME business.
- Influence innovation (X_3) against performance MSME business (Y) value significance of 0.000 (< 0.05), then can concluded that innovation influential significant to performance

MSME business. This matter shows that hypothesis First in study This that is innovation to performance MSME business.

Table 4. Data Analysis Results

Results of Data Analysis				
Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	,890 ^a	,792	,786	.22980

Source: Processed Primary Data, 2023

Coefficient results determination (R²) is obtained mark amounted to 0.792 (79.2%), meaning the contribution of the excellence variable competitive, supply chain management practices and innovation as independent variables are able to explain variations in changes in MSME business performance variables in craft MSMEs in the Regency Purworejo as the dependent variable is 79.2 %, while the remaining 20.8 % is explained by other variables outside the model.

3.2. Discussion

H1 = Advantage Competitive Influential positive and significant to Performance MSME Business

Based on table 3 is known that mark coefficient regression Superiority Competitive to Performance MSME business amounted to 0.330 with mark significance 0.000 (*p-value* <0.05), so obtained equality line regression as following, $Y = 0.000X$. This matter show that hypothesis first submitted _ in study This that is superiority competitive influential positive to performance MSME businesses can accepted .

Accepted hypothesis first (H1) in study This show that MSMEs own superiority competitive can increase performance MSME business in the Regency Purworejo . This means that MSMEs must own characteristic distinctive and differentiating Good That product, more price cheap with high quality and focus segmentation sale so that increase performance MSME business .

It's proven hypothesis first (H1) in the research This strengthen results study previously conducted by (Linda et al., 2022) and (Fadhillah et al., 2021), which concluded that superiority competitive influential positive and significant to performance MSME business.

H2 = Practice Supply Chain Management Influential positive and significant to Performance MSME Business

Based on table 3 is known that mark coefficient regression Practice *Supply Chain Management* to Performance MSME business amounted to 0.251 with mark significance 0.001 (*p-value* <0.05), so obtained equality line regression as following, $Y = 0.001X$. This matter show that hypothesis second proposed in study This that is practice *supply chain management* influential positive to performance MSME businesses can accepted.

Accepted hypothesis second (H2) in study This show that MSMEs own practice *supply chain management* can increase performance MSME business in the Regency Purworejo. This means that MSMEs must guard connection between suppliers and customers, share information related product with customers and interact with customer.

It's proven hypothesis second (H2) in the research This strengthen results study previously conducted by (Linda et al., 2022)and (Wulandari et al., 2016), which concluded that practice *supply chain management* influential positive and significant to performance MSME business.

H3 = Innovation Influential positive and significant to Performance MSME Business

Based on table 3 is known that mark coefficient regression Innovation to Performance MSME business amounted to 0.391 with mark significance 0.000 ($p\text{-value} < 0.05$), so obtained equality line regression as following, $Y = 0.000X$. This matter show that hypothesis first submitted in study This that is superiority competitive influential positive to performance MSME businesses can accepted.

Accepted hypothesis third (H3) in study This show that innovation become something must for MSME business actors in the Regency Purworejo. Through level high innovation , craft MSME players can increase performance business them in the area the. With do innovation in products, equipment, and management processes. MSME players can maximum in create innovation. This matter will possible they For fulfil needs and requests consumers, as well in a way whole increase performance MSME business in the Regency Purworejo.

It's proven hypothesis third (H3) in the research This strengthen results study previously conducted by (Linda et al., 2022) and (Fadhillah et al., 2021) which concluded that innovation influential positive and significant to performance MSME business.

4. Conclusion

Craft MSMEs has create superiority competitive like make product crafts that have characteristic typical and not easy imitated by competitors or make friendly product environment as well as own function , so capable reach broad market segment .

Besides that is Craft MSMEs has apply practice *supply chain management* like *just in time* with purpose For reduce supply with order and receive goods only moment required so reduce cost storage .

Craft MSMEs have also increase innovation product that is make craft with design local uplifting Culture in the district Purworejo and also use combination material standard like from wood and bamboo.

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