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Analysis of Supply Chain Institutions to the Performance and Competitiveness of Tempeh Chips SMEs Cluster in Sanan, Malang

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Abstract: Tempe Chips SMEs in Sanan is one of featured culinary destination in Malang. Currently performance of Tempe Chips SMEs in Sanan has not been optimized. The first obstacle is the absence of proper raw material control and limited market access that causes SMEs have low performance and competitiveness. Therefore, there needs to be an active role of supply chain institutions to improve the performance and competitiveness of SMEs. The purposes of this study are to determine the linkage (influence) of supply chain institutions on the performance and competitiveness of SMEs and the linkage (influence) of performance on the competitiveness of SMEs. The approach used to analyze is GSCA (Generalized Structured Component Analysis) by purposive sampling method for 34 respondents. The variables object are supply chain institutions, business performance and competitiveness. The result shows that there is significance influence of supply chain institutions to performance of SMEs, the relationship between supply chain institutions to the competitiveness of SMEs, business performance with competitiveness of SMEs. There's partial influence of performance on mediating relationship between supply chains institutions and competitiveness. The improvement of innovation is needed for SMEs to high competitiveness.

Keywords: Supply Chain Institution, Performance, Competitiveness

1. Introduction

Micro, Small and Medium Enterprises (SMEs) have a key role as a safeguard for the national economy, this can be seen from the contribution of SMEs to the national Gross Domestic Product (GDP) of 60.34% while the rest is contributed by large business sectors. The data from the Ministry of Cooperatives and SMEs also shows that growth of SMEs in 2013 increased by 2.41% while large-scale businesses only experienced an increase of 1.97% [1]. About 70% of the concentration of SMEs in Java is in the provinces of Central Java, West Java and East Java. Based on the data from [2], Central Java has the highest number of SMEs around 33.76%, followed by West Java having around 20.62%, then East Java with 17.55% of SMEs. The high number of SMEs is in line with the economic growth in these regions [3].

Malang is one of the cities in East Java which has the potential to become a broad market share, based on the data from [4] of Malang City showing a figure of 38.05% in the sector of purchasing goods and services by households. Malang City is an area in the East Java region having several agroindustry products, among of which the one which is superior is tempeh(bean cake) chips. One of the SMEs known as tempehchips producer is located in the center of Sanan tempeh industry. Based on the data from the Department of Industry [5] of Malang City, there are 72 SMEs which produce tempeh chips in Sanan, but currently there are 18 SMEs actively operating. When viewed from the business scale, tempeh industry center in Sanan is dominated by micro-scale businesses, productive businesses owned by individuals and operated individually. This causes in SMEs performance to be less optimal;

therefore, in the previous research the cluster formation was formed to develop strategies which match the characteristics of each cluster based on several indicator considerations: production capacity per month, length of operation, average monthly sales, investment value and the number of workers [6].

Cluster formation alone is not enough to optimize the potential of SMEs if they are not supported by good supply chain management. At present, the performance of Sanan tempeh chips producers is not optimal due to several constraints. One of the obstacles challenged by SME chips producers in Sanan is the absence of good control of raw materials; hence, when raw materials are difficult to obtain, the owners of SMEs must pay more to meet production needs. This condition causes decreasing turnover of tempeh chips SMEs in Sanan by an average of 40% [7]. Limited market access becomes another problem causing tempeh chips SMEs in Sanan to only be able to distribute the final product with the same distribution area from year to year. This condition shows that supply chain management, especially for SMEs, is very necessary for business survival because of the increasingly competitive demands of competition [8]. These problems can be overcome, by activating the role of supply chain institutionalization as one of the solutions.

Supply chain institutions are a form of continuous existing interaction in a supply chain management. Supply chain institutions essentially analyze the relationship of vertical interactions between actors in the supply chain [9]. Supply chain institutions consist of governments, suppliers and retailers. The form of institutional support which can be provided can be in the form of providing loan assistance programs, training and trade shows. If supply chain institutions work optimally, the performance of SME is also expected to increase [10]. Increased performance will increase the business capability of a company in the industry to deal with various conditions in its environment. This ability is called competitiveness which is very important for MSMEs in order to strengthen market share [11].

A chosen method which can be used to analyze the factors influencing the performance and competitiveness of tempeh chips producers in Sanan is Generalized Structured Component Analysis (GSCA) method. GSCA is one analysis of component-based structural equation models using the least squares method. GSCA is a powerful analytical method because it is not based on many assumptions, the data does not have to be normally distributed, the sample does not have to be in large quantities, and can be used to explain the relationship between latent variables [12]. The advantage of the GSCA method compared to the Partial Least Square (PLS) method suggests this method equipped with the overall least square optimization criteria and still maintains local optimization procedures [13]. The purpose of this study is to analyze the influence of supply chain institutions on business performance and competitiveness, the effect of performance on business competitiveness and the effect of performance in mediating the relationship between supply chain institutions and business competitiveness.

2. Materials and Methods

This research was carried out at tempeh SMEs center in Sanan, Malang City. The sample in this study consists of 9 SMEs with a total of 34 respondents consisting of SMEs owners and employees who were selected by purposive sampling method. The criteria for selecting respondents are a minimum of 2 years of service. The variables used in this study are exogenous variables namely supply chain institutions (X) and endogenous variables namely performance (Y_1) and the competitiveness of SMEs (Y_2).

The indicators of supply chain institutions include trust, commitment, communication and partnership. The indicators of performance cover production capacity, production sales and profits. The indicators of competitiveness comprise of human resources, product innovation and market access.

Data analysis in this study consists of descriptive analysis namely validity test, reliability test, and linearity test. The data which has been collected will be analyzed utilizing of GSCA software.

3. Results and Discussion

3.1. General Description of Sanan Tempeh Chips MSME sCluster

Malang City is one of the cities in East Java province with the relatively good development of business units. Business units in Malang City are dominated by micro, small and medium enterprises (SMEs) [14]. Based on the data obtained from the Department of Industry of Malang City, the number of SMEs in Malang City in 2014 was 249 SMEs. One of the biggest SMEs centers in Malang City is Sanan Center for tempeh chips SMEs. Until 2013, there were 46 tempeh chips craftsmen involving 210 workers, but currently there are only 18 tempeh chips producers.

Table 1. Profile of Sanan for SMEs Tempeh Chips

SMEs	Capacity of production (Kg/month)	Time of production (year)	Amount of Labor
Purnama	3500	28	6
Deny	2700	19	9
Amangtiwi	1000	11	3
Amel	3000	13	11
Sri Bawon	2500	32	6
Arin	3000	6	7
Karina	3000	20	5
Putra	3900	17	12
Ridho			
Delima	900	17	4

Source : Analysis Data (2017)

In the study conducted by [6], a grouping of 9 tempeh chips SMEs in Sanan, Malang was conducted using the K-means clustering method into 2 SMEs clusters based on the variable production capacity, the duration of establishment of SMEs, average sales, initial investment and the number of workers. Cluster 1 is a tempeh chips SMEs which belong to the classification of micro businesses with members from Amangtiwi and Delima SMEs. Cluster 2 is a tempeh chips SMEs which belong to the classification of small businesses consisting members of Purnama, Deny, Amel, Sri Bawon, Arin, Karina and Putra Ridho SMEs. After clustering based on production capacity, duration of operation, the number of workers and initial investment, 9 SMEs have been utilized as objects of research presented in Table 1. The production process in the Sanan SMEs tempeh chips center is still considered as conventional by relying on manual production tools. The production capacity of most tempeh chips SMEs in Sanan is fluctuating by relying on customer driven sales, showing dependency on consumer demand. The micro-scale business can be seen from capital funding sources, most of which come from personal funds and the number of human resources which are not more than 20 people per SMEs.

3.2. Testing Results of Research Instruments

An item is declared as valid if meeting the criteria for testing validity, having Pearson correlation coefficient value $> r_{table}$. The test results show that the correlation of the indicators of each variable has a value above the r_{table} value of 0.339 so that all indicators examined can be affirmed as valid. The instrument has good reliability if the value of Cronbach's Alpha > 0.6 . The test results show the value of Cronbach's Alpha > 0.6 , it can be said that the research instrument has good reliability. Two variables have a linearity relationship if the value of deviation from linearity is > 0.05 . Linearity test results show that the deviation from linearity value has met the requirements; hence, it can be said that all variables have a linear relationship.

A mathematical measurement model presenting the relationship between the variables and indicators studied is as follows:

50) Structural Model Equation:

$$Y_1 = 0,824X$$

$$Y_2 = 0,382X + 0,634Y_1$$

51) Variable of Supply Chain Institution (X)

- Indicator of Trust (X_1)

$$X_{11} = 0,526X_1 + 0,247$$

$$X_{12} = 0,344X_1 + 0,265$$

- Indicator of Comitment (X_2)

$$X_{21} = 0,046X_1 + 0,150$$

$$X_{22} = 0,368X_1 + 0,227$$

- Indicator of Communication (X_3)

$$X_{31} = 0,294X_1 + 0,197$$

$$X_{32} = 0,180X_1 + 0,293$$

- Indicator of Relationship (X_4)

$$X_{41} = 0,296X_1 + 0,235$$

$$X_{42} = 0,194X_1 + 0,179$$

52) Variable of Business Perfomance (Y_1)

- Indicator of production capacity (Y_{11})

$$Y_{111} = 0,745Y_1 + 0,107$$

$$Y_{112} = 0,802Y_1 + 0,080$$

- Indicator of product sales (Y_{12})

$$Y_{121} = 0,674Y_1 + 0,137$$

$$Y_{122} = 0,800Y_1 + 0,066$$

- Indicator of profit (Y_{13})

$$Y_{131} = 0,833Y_1 + 0,103$$

$$Y_{132} = 0,729Y_1 + 0,125$$

53) Variable of Competitiveness (Y_2)

- Indicator of labor (Y_{21})

$$Y_{21} = 0,780Y_2 + 0,097$$

- Indicator of product inovation (Y_{22})

$$Y_{221} = 0,834Y_2 + 0,074$$

$$Y_{222} = 0,855Y_2 + 0,089$$

- Indicator of market share (Y_{23})

$$Y_{23} = 0,668Y_2 + 0,139$$

54) Variable of business perfomance (Y_1) as mediator variable

$$Y_2 = 0,382X + 0,884Y_1.$$

In mathematical model, the estimation value shows the relationship between variables. Estimation value with a positive sign states that the relationship is directly proportional (Ristiano, 2016), which means that the higher the X variable, the higher the Y variable and vice versa for the value with a negative sign. In the mathematical model, it can be seen that the supply chain institution variable (X) has a positive value on performance (Y_1) and competitiveness (Y_2) as well as the performance variable (Y_1) on competitiveness (Y_2).

This study employs a measurement model which is reflective and formative. Measure of Fit in the reflective indicator model is based on the value of loading estimate, while the formative indicator model is based on the value of weight estimate. Formative indicators are said to be valid if significant at 5% [12]. Therefore, if the formative construct indicator has a CR value of > 1.96 , then the indicator is valid.

1) Supply Chain Institution (X)

Supply chain institutional variables are formative variables. Formative variables are based on the value of weight estimate. The results of output measurement model of institution variables are presented in Table 2.

Table 2. Measurement Results of Supply Chain Institution Variable Models

Symbol	Weight Estimate	Average
X	AVE = 0.000, Alpha =0.838	
X ₁₁	0,526	4
X ₁₂	0,344	4.03
X ₂₁	0,046	3.65
X ₂₂	0,368	3.12
X ₃₁	0,294	3,24
X ₃₂	0,180	3.18
X ₄₁	0,296	3.24
X ₄₂	0,194	4.06

Source : Analysis Data (2017)

Based on Table 2 that X₁₁ is most described for support supply chain institutions with value 0,526. The responden assesment that X₄₂ is suitable for explain and influence in supply chain institution. it must integration to optimize and effectivity supply chain intitutions. Real conditions in SMEs show that in certain seasons SMEs still need to find other suppliers because the partner suppliers are unable to meet their production needs. This condition often occurs during the rainy season because tempe suppliers experience problems in producing tempeh due to humidity in the rainy season. Problems faced by tempe suppliers caused constrained supply of raw materials, so that MSMEs were forced to look for other tempe suppliers. The trust of SMEs towards retailers has been established well because all this time retailers have been very helpful to MSMEs in marketing tempe chips. According to Marimin and Maghfiroh (2010)[35] trust building built in the supply chain can create a strong supply chain. Kwon and Taewon (2004)[36] also mentioned that success in supply chain comes from the high value of strong trust between partners in the supply chain.

In the result of outer model for the commitment indicator (X₂), the statement X₂₂ item obtains the largest weigh estimate value of 0.368, so that X₂₂ item becomes the most influential item on the commitment indicator. The respondents' responses showed a mismatch, X₂₁ item obtained a greater average of 3.65. The actual conditions in the field indicate that the tempeh supplier has made a commitment to do so by making timely deliveries, providing inter-service delivery and procuring a return policy. The higher the commitment which can be built by both suppliers and distributors will strengthen the cooperative relationship built [15].

In the communication indicator (X₃), X₃₁ item obtained the largest weight estimate value of 0.294 so that X₃₁ item becomes the most contributing item to X₃ indicator. This has been in accordance with the responses of respondents seen from the mean value of 3.24. The real conditions in the field, the communication between SMEs and suppliers is connected directly or indirectly (short messages and telephone). Direct communication is carried out every day because tempeh purchaseactivity is carried outin daily basis. The existence of good communication indicates the smooth flow of information between SMEs and tempeh suppliers. According to [16], partners in the supply chain can maintain sustainable relationships and reduce uncertainty in a collaboration system.

2) Business Performance (Y₁)

Business performance variables are reflective variables. Formative variables are based on the value of loading estimate. The results of output measurement model of institution variables are presented in Table 3.

Table 3. Measurement Results of Variable Model of SMEs Performance

Symbol	Loading Estimate	Average
Y ₁	AVE = 0,586 Alpha = 0,857	
Y ₁₁₁	0,745	3,38
Y ₁₁₂	0,802	3,47
Y ₁₂₁	0,674	3,56
Y ₁₂₂	0,800	3,79
Y ₁₃₁	0,833	3,50
Y ₁₃₂	0,729	3,56

Source : Analysis Data (2017)

Based on the outer model in Table 3, the largest loading estimate value in the production capacity indicator (Y₁₁) obtained by Y₁₁₂ item is 0.802. These results indicate that Y₁₁₂ item becomes the most describing item to production capacity indicator; thus, the production capacity is able to describe the business performance of 0.802. This value is in accordance with the respondent's response when viewed from the mean gain of 3.47. Based on the respondents' responses, the monthly production capacity increased due to good retailer performance. This result is supported by Avery's research [17] stating that institutional relations have a significant effect on improving the company's operating performance both as a provider of physical and information goods.

In the product sales indicator (Y₁₂) the largest loading estimate value is obtained by Y₁₂ item of 0.800. therefore, Y₁₂ item is the most describing item to product sales indicator. These results indicate that product sales are able to describe the business performance of 0.800. This value is supported by the respondent's response of 3.79. The respondents' responses stated that product sales increased due to the performance of retailers. Kotler [18] stated that sales performance depends on good relations among various parties including retailers in providing the best values for the target customers. This is common because retailers function as marketing tools owned by SMEs, so product sales depend on the performance of retailers as market access holders.

Table 3 presents the highest acquisition of loading estimate value obtained by Y₁₃₁ item. Y₁₃₁ item illustrates the effect of raw material supplier performance on increasing profits. The estimate item value is the biggest of all items, accounted by 0.833. These results indicate that item Y₁₃₁ is the most appropriate descriptor to business performance variables, according to the opinion of [19] which states profit growth becoming one of indicators of performance measurement. Profit growth is the end result of increasing sales value, sales growth and market share [20]. The mean value that is owned by Y₁₃₁ item based on the results of the questionnaire is 3.5. The acquisition of the mean value of Y₁₃₁ indicates that the increase in profitability is adequate but needs improvement. SMEs stated that the constraints faced by suppliers today are the instability of raw material supply both in terms of quantity and quality. If one supplier still cannot meet the production needs of SMEs, it is necessary to add suppliers to ensure the stability of raw material supply.

3) Competitiveness (Y₂)

Competitiveness variables are reflective variables. Formative variables are based on the loading estimate value. The results of output measurement model of competitiveness variables can be seen in Table 4.

Table 4. Measurement Results of Variable Models of SMEs Competitiveness

Symbol	Loading Estimate	Average
Y ₂	AVE = 0,628 Alpha = 0,800	
Y ₂₁	0,780	3,09
Y ₂₂₁	0,834	3,53
Y ₂₂₂	0,855	3,50
Y ₂₃	0,668	3,56

Source : Analysis Data (2017)

Table 4 suggests that Y_{222} item is the best descriptor to business competitiveness variable, this is proven by the loading estimate value of Y_{222} being equal to 0.855. Based on these values, it can be interpreted that innovation in the production process is an item in improving business competitiveness. In actual conditions, Y_{222} item has an average value of 3.5, this value is low compared to the average value of other items. tempeh chips SMEs in Sanando not maximize in conducting innovating especially in the production process. This is in line with Tambunan's [21] statement which states that almost all factors of production in Indonesia's SMEs are currently saturated, so there is a need for innovation for the development of SMEs centers in the future. MSMEs can increase innovation in terms of production with the help of public-private partnerships. Based on the publication by Bank Indonesia [22], public-private partnership (private and public - government cooperation) is needed to encourage and assist the development of SMEs competitiveness.

The goodness of fit value of the model is examined through the FIT and AFIT values. Fit describes the diversity of the total variables which can be explained by all variables in the overall model. The results of the fit model test are presented in Table 5.

Table 5. Structural Fit Models

Criteria	Model of Structural
FIT	0,589
AFIT	0,567
NPAR	31

Based on these outputs, the FIT value obtained is equal to 0.589. FIT and AFIT values range from 0 to 1, the closer to 1 then the value is considered to be good [23]. This value means that the model formed can explain 58.9% variation of data, so that it can be said that this research has a good model accuracy. This study employs only one model so that the AFIT value functions identical with FIT value. The AFIT value in this study is 0.567. This value means that the model formed can explain 56.7% variation of data. NPAR (Number of Free Parameters Estimate) shows the number of load parameters used in this study. In this model, there are 31 estimated parameters.

3.3. Results of Hypothesis Testing

Hypothesis testing is completed with examining the value in the path coefficients in the structural model. Hypothesis testing is based on the measure of fit model by looking at the significance of the Critical Ratio (CR) value. The completed results are presented in Table 6.

Table 6. Structural Model of Measure of Fit

Path Coefficient	Estimate	SE	CR
	Supply Chain Institution -> Business Performance	0,824	0,04
Supply Chain Institution -> Competitiveness	0,382	0,114	3,36*
Business Performance -> Competitiveness	0,634	0,116	5,46*

Source : Analysis Data (2017)

Table 7. Hypothesis Table of Indirect Influence

Indirect Influence	Patch Coefficient			Amount
	X->Y ₁ (a)	Y ₁ ->Y ₂ (b)	X->Y ₂ (c)	c + (axb)
H4 X->Y ₁ ->Y ₂	0,824	0,634	0,362	0,884

The test results prove that the direct influence of supply chain (X) on competitiveness (Y₂) is significant with a path coefficient value of 0.362, while the influence of supply chain (X) on competitiveness (Y₂) through performance (Y₁) is also significant with the path coefficient of 0.884. The supply chain institutional path coefficient (X) on competitiveness (Y₂) through performance (Y₁) has a greater value than the direct influence, so hypothesis 4 is accepted. The results of this greater total value indicate that performance mediates partially (partial mediation) (Hwang and Takane, 2004).

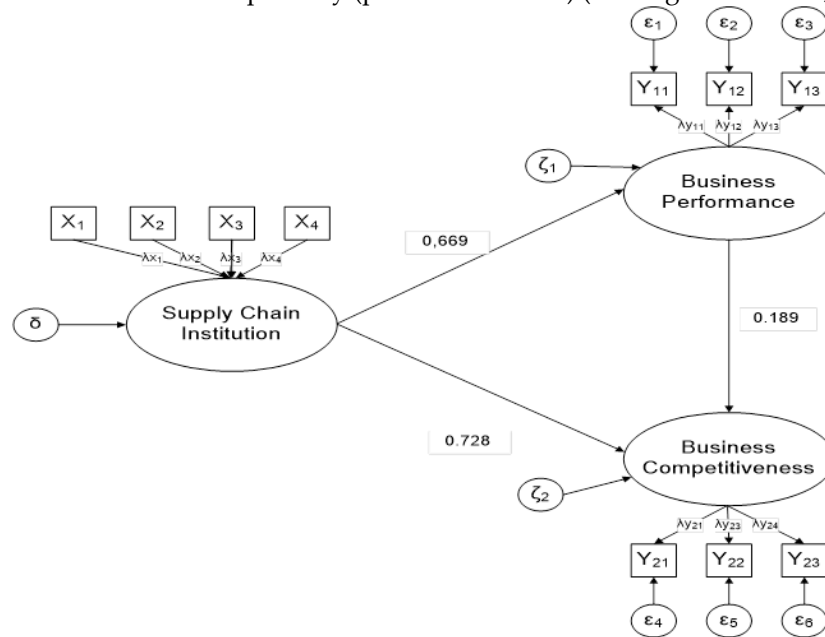


Figure 1. Path Coefficient Value of Structural Model

1) Effect of Supply Chain Institutionalization on SME Performance

Based on the results of data processing, the supply chain institutional path coefficient value for business performance is 0.824 and the CR (Critical Ratio) value is 19.1. This value is stated to be significant at 0.05. Rejection of H₀ causes acceptance of alternative hypotheses which means that supply chain institutions have a significant influence on business performance. This result is supported by Avery's research [17] which states that institutional relations have a significant effect on improving the company's operating performance both as a provider of physical and information goods. Pradabwong et al. [24] also stated that supply chain institutions have an influence on the company's performance with partnership mediation. Tempeh chips SMEs in Sanan have a good relationship of trust to their raw material suppliers, tempeh suppliers; however, based on the observations in the field, tempeh suppliers have not worked optimally hampering the performance of MSMEs. The MSMEs stated that one of the obstacles faced was uncertainty in raw material acquisition during rainy season. Tempeh suppliers claimed that it was difficult to meet the needs of SMEs during rainy season driven by low quality of tempeh produced, even the weather may force tempeh producers to stop production temporarily. Yusniaji and Erni [25] argue that the constraints in raw material inventory would disrupt production activities and would have an impact on the decline in company performance; therefore, decisions regarding the supply of raw materials are very important to do.

Good raw material planning requires sufficient managerial skills. SMEs can obtain managerial skills by participating in programs held by the government. Examples of existing recent programs are financial bookkeeping training programs, collaborative programs between government agencies and educational institutions in order to improve the quality of human resources in SMEs. Research by Abdullahi et al., [26] also said that there was a positive and significant influence of training on SMEs business performance. Through training, SMEs owners and SMEs employees can add knowledge, skills and experience to improve the overall performance of SMEs.

2) Effect of Supply Chain Institutionalization on SMEs Competitiveness

The path coefficient value of the supply chain institutions on business competitiveness is 0.382. Moreover, the CR value of 3.36 indicates a significant influence on the 95% significance level. Based on these results, it can be interpreted that supply chain institutions have a significant influence on business competitiveness. The results of testing these hypotheses are in accordance with research conducted by Jakfar et al [27] stating that cooperation activities between institutions in the supply chain will be a sustainable competitive advantage for all organizations in the supply chain. Institutions in the supply chain system determine the volume of supply, profits and added value formed. The results of testing hypotheses are also strengthened by [28] research stating that there is a clear relationship between companies and suppliers as part of the supply chain in determining the position of companies in market competition. Based on the results of field observations and previous data processing, it is known that tempeh chips SMEs in Sanan have good trust in their raw material suppliers, tempeh suppliers. This is a good indication because according to Sumarwan et al. [29] trust between supply chain institutions are two dominant aspects underlying the emergence of cooperation, competitiveness and guarantee of financial benefits. Although the results of field observations show a good relationship between tempeh suppliers and tempeh chips, there were still several other aspects that could be optimized to improve the competitiveness of tempeh chips.

In real condition, most SMEs stated that they only work with one retailer, even some SMEs said they do not use the services of retailers and only rely on orders from end consumers. Moreover, their awareness to cooperate with government agencies is still relatively low. This is very unfortunate, because by cooperating with the right institutions such as government, SMEs can participate in coaching and exhibition programs as provisions to access a wider market. The participation of SMEs in coaching and training programs can also improve the overall performance of SMEs. According to [30], if the performance of SMEs including technical and operational capabilities has reached multinational standards, SMEs can be involved in Global Value Chain (GVC). GVC is basically a system facilitating collaboration between SMEs actors and multinational companies which generally have much better market access, technology and information networks. The lack of SMEs production scale, high transaction costs and limited information and technology networks as obstacles to the growth of SMEs competitiveness can be eliminated by involving SMEs [31].

3) Effect of Relationship between Business Performance on Competitiveness

Based on the results of hypothesis testing, it can be seen that the path coefficient of business performance on competitiveness is 0.634, having CR value of $5.46 > 1.96$ meaning that the value is significantly positive at 0.05. This value indicates that business performance has a significant influence on business competitiveness. The results of testing this hypothesis are similar to the results of Handriani's [32] study stating that there is a positive influence on the performance variables on the competitiveness of SMEs in Semarang Regency, so that increased competitiveness of SMEs depends on how well performance in SMEs.

In real conditions, tempeh chips SMEs in Sanan said that they still encounter several obstacles hampering overall business performance. These obstacles include limited access to capital and access to information. Limited access to capital hinders SMEs to invest in innovations in both products and production processes. The innovations which can be carried out are only limited to the form of packaging and concoction, there is no innovation in terms of the production process. The innovation for truly new products is considered to be expensive and high risk, so that in general micro-scale businesses cannot perform major innovation. The form of the program which is currently running in the city of Malang is credit assistance for MSME owners.

4) Effect of Mediating Performance on the Relationship between Supply Chain Institutions and Competitiveness

The test results show that direct influence of supply chain (X) on competitiveness (Y₂) is significant with a path coefficient of 0.362, while the influence of supply chain (X) on competitiveness (Y₂) through performance (Y₁) is also significant with the path coefficient of 0.884. The path coefficient (X) of supply chain institutions on competitiveness (Y₂) through performance (Y₁) has a greater value than the direct influence, so hypothesis 4 is accepted. The result of this greater total value indicates its partial

mediation. These results indicate that supply chain institutions can improve business competitiveness better if considering business performance. This statement is reinforced by [33] which states that companies with high competitiveness tend to have good business performance, resulted from integration between supply chain actors.

The stronger the relationship between supply chain actors, the higher overall performance of members in a supply chain network. Improved business performance according to [34] has a positive influence on increasing business competitiveness. This causes supply chain institutions to indirectly influence the competitiveness of SMEs by mediating business performance variables. Yuhua and Bayhaqi [30] also argue that the higher the value possessed by a business, the greater the opportunity for the business to be involved in a larger scale supply chain. Based on this statement, it can be said that with the help of supply chain institutions, the value of the company will increase implying an increase in the ability of businesses to compete in the market.

4. Conclusions

- Supply chain institutions have a significant influence on SMEs performance of 0.824. Tempeh suppliers are the most influential component in increasing the benefits of SMEs.
- Supply chain institutions have an influence on the competitiveness of SMEs businesses by 0.382. Process innovation is an important component to improve the competitiveness of SMEs. Government become one of the parties in supply chain institutions which can support SMEs in improving process through the provision of training and information regarding access to capital and markets.
- Business performance has a significant influence on the business competitiveness of SMEs by 0.634. The performance of SMEs, especially in process innovation, is an important component to improve the competitiveness of SMEs.
- Business performance has a partial influence in mediating the relationship between supply chain institutions and business capacity statistically at 0.884.

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