

Business Performance of MSMES in Traditional Market: an Analysis of Strategic Management Aspect

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Abstract

This study aims to analyze the performance of MSME businesses in the Bahulak Market, Karungan Plupuh, Sragen, from a strategic management perspective. This research uses quantitative methods. Primary data sources were obtained by distributing questionnaires to business actors and MSME owners in Karungan Village, Plupuh, Sragen. The population that was the target of this study were SMEs registered in Karungan Village with a total of 74 businesses. The sampling technique used is simple random sampling. Data analysis used the Structural Equation Modeling (SEM) approach. This study succeeded in concluding that the production strategy, HR strategy, and development research strategy have a positive effect on business performance. In addition, business actors in the Bahulak Plupuh Market in Sragen still need assistance from various related parties to further develop the business they are running. This research is important to be carried out to encourage the Pasar Bahulak Tourism Village, including that the products produced are absorbed by the market.

Kinerja Bisnis UMKM Pasar Tradisional: Suatu Analisis Aspek Manajemen Strategis

Abstrak

Penelitian ini bertujuan untuk menganalisis kinerja usaha UMKM di Pasar Bahulak, Karungan Plupuh, Sragen, dari perspektif manajemen strategis. Penelitian ini menggunakan metode kuantitatif. Sumber data primer diperoleh dengan menyebarkan kuesioner kepada para pelaku usaha dan pemilik UMKM di Desa Karungan, Plupuh, Sragen. Populasi yang menjadi sasaran penelitian ini adalah UMKM yang terdaftar di Desa Karungan dengan total 74 usaha. Teknik pengambilan sampel yang digunakan adalah simple random sampling. Analisis data menggunakan pendekatan Structural Equation Modeling (SEM). Studi ini berhasil menyimpulkan bahwa strategi produksi, strategi SDM, dan strategi riset pengembangan berpengaruh positif terhadap kinerja bisnis. Selain itu, pelaku usaha di Pasar Bahulak Plupuh Sragen masih membutuhkan pendampingan dari berbagai pihak terkait untuk lebih mengembangkan usaha yang dijalankan. Penelitian ini penting dilakukan untuk mendorong Desa Wisata Pasar Bahulak, termasuk produk yang dihasilkan terserap oleh pasar. Hasil penelitian ini juga diharapkan dapat menjadi masukan bagi berbagai pihak terkait yang akan membantu UMKM dalam memaksimalkan kinerja usahanya.

JEL Classification: L25, L26, M21, M31

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INTRODUCTION

The COVID-19 pandemic has dragged the national and global economy into recession. It is marked by negative national and global economic growth or recession according to the data from Ministry of Finance. The national economy itself only experienced a contraction in the second quarter of 2020, with economic growth of -5.3%. This decrease was mainly due to a decrease in household consumption due to social restrictions to stem COVID-19, a decrease in capital expenditures, including the construction and procurement of fixed assets, and a decrease in the implementation of state expenditures, including state spending on goods. In addition, there was a sharp decline in foreign trade. The lowest point in the decline in economic growth passed in the second quarter, but COVID-19 would still restrain economic growth in the third and fourth quarters. Therefore, the government attempted to improve the performance of the national economy in the third quarter and economic growth in 2020, expected to range from -0.4% to 1%. The economic crisis due to the COVID-19 pandemic has also had an impact on the sustainability of micro, small, and medium enterprises (MSMEs). The impact of overexertion has then caused many workers to be laid off. Based on information from the Ministry of Cooperatives and SMEs in the Kompas newsletter dated March 27, 2020, there were at least 949 reports from cooperatives and MSMEs affected by the COVID-19 virus pandemic.

On the other side, the pandemic has pushed businesses in the micro sector to survive. In line with the government's efforts to issue various policies in the context of recovering the national economy from the impact of the COVID-19 pandemic, interest in micro businesses continues to dominate during the pandemic and grows positively. Even though the Indonesian economy is experiencing ups and downs during this pandemic, the data collected at Ministry of Investment revealed that there has been a significant increase in the submission of Business Identification Numbers in the micro sector.

Clearly, the Ministry of Investment stated that this increase was continuous, having occurred since August 2020. The Ministry of Investment also announced that there was a record for NIB submissions through Online Single Submission (OSS) throughout 2020; in October 2020, reaching 377,540 applications received by Ministry of Investment. Of course, it is proof that interest in micro businesses will continue to dominate during a pandemic, considering that 93.6% of the number of NIB applications came from the micro business sector, or to be more precise, as many as 353,478 applications. The record recorded in October 2020 experienced an increase of 91.3% more than the number of NIB applications in the previous month, i.e., 197,322 requests through OSS.

To build a people's economy, the President of the Republic of Indonesia has issued guidelines for implementing top-class MSME development and cooperative modernization. The role of MSMEs greatly determines Indonesia's economic growth, which accounts for 99% of all business units. The contribution of MSMEs to GDP also reaches 60.5% and 96.9% to job creation of the total national employment. Previously, the health of domestic MSMEs declined during the first two years of the COVID-19 pandemic, in 2020-2021 to be precise. Based on a survey conducted by UNDP with the participation of 1,180 MSMEs surveyed, it was found that at that time, more than 48% of MSMEs faced raw material problems, 77% had reduced income, 88% of MSMEs experienced a decrease in product demand, and even 97% of MSMEs underwent a decrease in the value of its assets. According to data from the Joint Fintech Finance Association of Indonesia (AFPI), in 2020, around 46.6 million out of 64 million MSMEs in Indonesia did not have access to capital from banks or non-bank financial institutions. The financial difficulties faced by MSMEs are the basis for government support for other financial mechanisms, including the Partnership and Community Development Program (PKBL), PNM Mekar, Micro Waqaf Banks, Ultra Micro Financing (UMi), and People's Corpo-

rate Credit (KUR). This government assistance mechanism is through non-bank financial institutions, so the conditions given are much easier. This is intended to help MSME capital. The criteria that must be met to obtain a facility like this are: registered, have an official business license, have an e-KTP to prove Indonesian citizenship, and are not currently receiving other financial assistance facilities from the government. However, assistance from this non-bank scheme is very limited to a small amount of rupiah, so it may not be able to help SMEs much in developing their business capital. The future challenges of MSMES need to be addressed jointly by all stakeholders, including innovation and technology, digital literacy, productivity, legality or licensing, financial keys, brand image and marketing, human resources, standardization and certification, equitable development, training and facilitation, and a single database.

Moreover, the emergence of various MSMEs in various sectors has helped boost the country's economy. Where many creative people try to sell their goods and services, so they will be more able to move the economy when compared to those who are lonely without them trying (Syahbudi & Ma, 2021; Syaifudin et al., 2022). However, it is not easy for MSME entrepreneurs to run their businesses amidst unstable economic conditions and problems that threaten the stability of other companies. Some problems often faced by MSME actors include minimal business capital, not having extensive business knowledge, not using digital marketing, not knowing how to develop a business, not doing branding, ineffective business communication, and lack of product innovation. This weakness will lead MSMEs to stagnate, unable to find solutions to the problems they face, or overcome problems due to the times. In this case what is needed is strengthening the capacity of its human resources, so that they can be more creative and innovative in dealing with the problems faced by MSMEs. Always improving the quality of human resources is an absolute necessity (Budianto et al., 2018).

In this case, Karungan Village is located in the north of Plupuh Sub-district, with a distance of +- 5 Km and +- 15 Km from Sragen Regency with an area of 305.4225 ha and has a strategic geographical location as it is located on the route between the Sub-district city and Regency City. Since 2017, the Karungan Village Government has established a Village-Owned Enterprise (BUMDes) with the name BUMDes Sinar Karungan Mandiri. Specifically, the Bahulak Market, which is located in the Karungan Village area, Plupuh Sub-district, Sragen, has some uniqueness that attracts visitors to witness the activities and goods being sold. The tourism market, which was just established in 2019, is indeed very different from other markets. Starting from the goods sold by traders to the way of buying and selling is unique. No wonder this market attracts visitors, not only from the Sragen area but also from many other areas outside Sragen. In fact, in its first year, Pasar Bahulak managed to record a turnover of IDR 1 billion. In addition, this unique market is currently also used as a location for weddings. Based on information obtained from the Karungan Village Government, the following are eight characteristics of the Bahulak Market, which are rarely found in ordinary markets, so that visitors flock to the Bahulak Market.

Based on information obtained from the Government of Karungan Village, the following are eight characteristics of the Bahulak Market which are rarely found in ordinary markets, so that visitors flock to the Bahulak Market, including sale and purchase transactions at the Bahulak Market in Sragen use coin shells that are provided by a curator where visitors must first exchange rupiah for coins provided by the manager of the exchange office, communication must use the Javanese language, the snacks sold are old school, there are about seven menus of old school snacks sold by traders at the Bahulak Market in Sragen between including bread, tiwul, cereal, galok, wedang gemblung, ketingan, and Cekitet. There are lots of old selfie spots, so visitors can also take pictures and selfies with old views. Visitors can also find traditional toys, in-

cluding seesaws seesaw, stilts, wooden bicycles, love rickshaws, etc. There is an Archaeological Dance Performance Center through performances of ancient Indonesian dances from Aceh to Papua. There is the Sragenan Karawitan Art by Sarwo Gathuk and the performance invites visitors to sing and dance together and last visitors

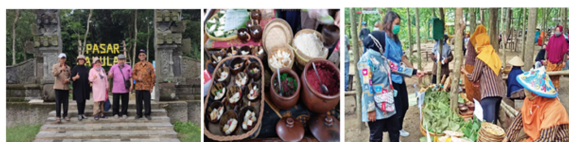


Figure 1. An overview of the atmosphere at the Bahulak Market, Karungan, Plupuh, Sragen

can take part in practicing playing the gamelan.

Nevertheless, since the COVID-19 pandemic hit the world at the end of 2019, the Bahulak Market Tourism Village in Karungan Village, which is located in Plupuh Sub-district, has also been affected. The decline in consumption and people's purchasing power greatly affected the demand for the Bahulak Market in Karungan Village, Plupuh Sub-district, Sragen Regency. Meanwhile, many people in Karungan Village depend on the Bahulak Market for their livelihood. Then, through the BUMDes Sinar Karungan Mandiri, the Karungan Village Government worked together to find solutions so that the business actors of the Bahulak Market Tourism Village in Karungan Village could survive and get through the conditions during this pandemic well.

Some of the things that were carried out by the Karungan Village Government and the Sinar Karungan Mandiri BUMDes manager in order to make the Bahulak Market remain a mainstay of the economy of its residents were: expanding the market area with the policy of converting the function of 'bengkong village land' into a social function. BUMDes also organizes the market in such a way as to attract more people to visit, such as wearing old clothes when selling, using a unique medium of exchange for transactions, providing a play area for children, and providing life 'traditional gendhing' during the market's opening. In

addition, the Karungan Village Government and BUMDes work together to increase promotions outside the area and organize interesting events when the market opens.

This study, therefore, aims to analyze the business performance of MSMEs in the Bahulak Market, Karungan, Plupuh, Sragen, from the aspect of strategic management. This research is vital to do to encourage the Bahulak Market Tourist Village, including the products produced, to be absorbed by the market. The results of this study are also expected to provide an evaluation of strategic management practices carried out by business actors who are members of BUMDES Sinar Karungan Mandiri and motivate them to develop according to market demands.

The importance of conducting this research is as a form of effort to find solutions to the problems faced by the community, especially MSME actors in the Bahulak Market, in terms of the economic aspect. This research is also an important consideration for maintaining and even increasing the function of the Bahulak Market in the future. This research has an interesting novelty to study, namely assessing aspects of management at an economic scale in remote environments where they are not familiar with the term management strategy, so it needs more effort so they can understand before filling out the questionnaire. Transfer of knowledge like this will be very beneficial for respondents in developing business capacity in the future. So, in the future it is very possible to be followed up with other academic programs such as community service.

Hypothesis Development

Selig (2014) outlined several determinants of entrepreneurial success, including taking business work seriously, developing pragmatic business plans, developing flexible sales and marketing plans, understanding costs, developing customer service, and developing contingency plans. In addition, in business, the following things must be avoided, such as overly financial calculations, considering business trivial, being Penny-Wise and Pound-Foolish, and getting discouraged when the business feels

difficult to run. Penny-Wise and Pound-Foolish mean that they save coins but end up being more wasteful, which may be due to a lack of entrepreneurs' knowledge and experience. Furthermore, Selig (2014) mentioned some keys to business success: customer focus, gambling mentality, persistence, focus (limiting distractions), entrepreneurial and intrapreneurial spirit, organized, confident, enthusiastic, out of box and innovative thinking, pragmatic and realistic, and become agents of change and innovators.

One important aspect of business success is local personality (Zhou et al, 2019). In other words, certain personality traits of entrepreneurs might exert their influence on entrepreneurial success as a sort of reference effect, where the local macro-psychological climate represents preferences that shape the likelihood that specific entrepreneurial traits make entrepreneurial success more or less. Mersha & Sriram (2019) conducted research based on gender and entrepreneurship in Ethiopia, explaining that women are more influenced by family factors. Concerning personality traits, male entrepreneurs are generally more confident in their ability to succeed, whereas women display a higher fear of failure and an external locus of control. Women entrepreneurs also reported lower business and entrepreneurial skills and relied more on government funding. Meanwhile, male entrepreneurs are outperforming women in terms of sales, job growth, and profitability.

Entrepreneurs with postgraduate education had lower cost outputs; entrepreneurs with business goals to complete an idea showed a lower cost output; companies with their human resource departments displayed minimal output costs; companies with an annual training plan exhibited a lower output cost. Offered four main propositions in entrepreneurship: purpose, accountability, control, and business success. In their research, Sudrajat et al. (2022) found that the venture capital variable had a mean score of 371.7 with the criteria for agreeing; the marketing strategy variable had a mean score of 306.85 with the criteria quite agree; the business development variable had a mean score of 311.1 with

quite agree criteria. Besides, the effect of business capital on business development was 12%, while the simultaneous effect of business capital and marketing strategy variables on business development variables was 38.4%.

Financial Strategy

Financial strategy is a core element of any venture and, ultimately, forms the backbone of the business. Managing finances and securing income is critical to the success of any business. Financial strategy is basically related to the collection and use of funds. The fundamental objective is to ensure an adequate and regular supply of funds for the current and future business needs of the venture. Financial strategy is also related to financial resources, cost structure analysis, profit potential evaluation, accounting, and others. In short, a financial strategy is concerned with the availability of sources and the use and management of funds. This strategy focuses on aligning financial management with the organization's business and business objectives to achieve strategic advantage.

Further, Qureshi et al. (2022) showed that in terms of sustainability in manufacturing MSMEs, financial capability and employee involvement play an essential role in implementing lean in manufacturing MSMEs. Practicing managers may benefit from re-analyzing their lean implementation plans and the respective aligned strategies. They will also be in a position to identify and focus on the scarce resources needed for the next lean implementation. Lean manufacturing is a production practice that takes into account all expenditures of existing resources to obtain economic value for customers without any waste, and this waste is the target to reduce. Lean manufacturing is also a management method and strategy to improve efficiency in manufacturing or production. Lean always look at product value from the customer's point of view, where the value of a product is defined as something that the customer is willing to pay for. The main goal of lean is to eliminate waste and increase the value added to products (goods or services) to provide value to customers.

Simultaneously, entrepreneurial resilience was found to have a sizeable impact on sustainable performance while mediating the effect of financial literacy and competency on sustainable performance across Saudi MSMEs (Seraj et al., 2022). It aligns with Saudi Vision 2030, with a deep focus on entrepreneurship and developing a financially independent community of entrepreneurs. For this reason, in addition to expanding knowledge, this research can support policymakers in formulating relevant strategies to encourage MSMEs that have been hit hardest by the COVID-19 pandemic to work sustainably. Venture capital and business donations also significantly affect the profit growth of technology-based MSMEs. Technology-based companies can increase their access to finance through capacity building in entrepreneurial competencies, such as acquiring the right skills and attitudes (Ibidunni et al., 2018). Furthermore, the hypothesis developed is:

H1: Financial Strategy (FS) has a positive effect on business performance in the Bahulak Market.

Production Strategy

Raimo et al. (2021) revealed that Italian MSMEs have an average level of digitization. Digitalization is an important opportunity for MSMEs or, in other words, a fundamental factor to help them implement competitive strategies aimed at innovation, cost reduction, and internationalization. The empirical findings uncover that company size, company profitability, and financial leverage are the drivers that positively influence the digitization of Italian MSMEs. In Indonesia, in the East Java region, MSMEs are the backbone of the economy since most people are involved in this sector (Hamdana et al., 2022). Moreover, financial literacy, technology literacy, and supply chain practices make a positive and significant contribution to MSME sustainability. If MSME owners realize and understand the importance of financial literacy and are supported by technology literacy, strengthened by supply chain practices, the opportunities for them to run their businesses sustainably are even greater.

Several directions of innovation and entrepreneurship policy guidelines are given by Shkabatur et al. (2022), comprising, adoption and adaptation, impact innovation, demand-oriented innovation, spatial innovation and government coordination. Therefore, to support innovation, particularly in low-income countries, there is a need for a government coordination platform that will set development priorities, strengthen coordination and collaboration among ecosystem factors, and provide appropriate regulatory, infrastructure, and financial and legal services. Furthermore, the hypothesis developed is:

H2: Production Strategy (SP) has a positive effect on business performance in the Bahulak Market.

Marketing Strategy

Cardona et al. (2022) uncover the positive influence exerted by e-commerce on financial variables (revenue, administration costs, and sales), i.e., increased sales and reduced operating costs felt from implementing digital trading strategies, such as e-commerce. On the other hand, traditional marketing wastes money, especially in terms of promotion, advertising, and other costs, compared to modern methods (Saleh, 2019). Nowadays, people prefer e-marketing because of the ease and success of doing business from huge markets around the world, and at the same time, it can reduce trade transaction costs. By using e-marketing, MSME family businesses in Malaysia can be improved and require e-marketing methods to improve their business, especially in terms of profits and increasing sales revenue.

Home industries must also be able to develop marketing networks, improve product design and quality, promote and control costs, and product diversification, and it can only be done with intensive training in managing business and investment (Pangemanan & Walukow, 2018). MSMEs that implement innovation, are proactive, and dare to take risks can take advantage of social media technology. In addition, the rationality of business-to-business (B2B) marketing metrics has a tremendous impact on

business success (Rakshit et al., 2022). Further, knowledge about customers through text mining and knowledge from customers with the Kano model reveal critical requirements that will be used for the development of a social media marketing strategy framework, referred to as knowledge for customers. The strategic framework consists of five general components for MSMEs to carry out social media marketing: context, channel, content, communication, and sustainability (Chen et al., 2022). Furthermore, the hypothesis developed is:

H3: Marketing Strategy (SPM) has a positive effect on business performance in the Bahulak Market.

Research and Development Strategy

Research and development activities are influenced by human resource factors, financial resources, and cooperation (Nikolova et al., 2022). In addition, achieving a positive effect on the management of eco-innovation influences the innovation activities of industrial companies, their ability to carry out research and development activities, and their ability to effectively manage their technical and technological resources. Innovation activities aimed at carrying out scientific research and development activities, products and processes obtained as a result of eco-innovation activities, and adequate information management directly impact the efficiency of business processes and financial results.

Among the most important recommendations to increase the competitiveness of MSMEs in the agricultural industry are utilizing all appropriate agricultural subsidies, utilizing accredited agricultural advisers, ensuring that legal requirements of government bodies are met, increasing income for arable agriculture, establishing cooperatives/sales associations to balance power competing buyers, rejuvenating the workforce, strengthening the ownership structure in businesses, diversifying entrepreneurship, and improving the quality of livestock (Chladkova & Formankova, 2016). Engagement in collaborative R&D vis-à-vis non-collaborative research strategies is also associated with higher return rates for

key research and innovation indicators of firms, such as R&D and patent intensity. Furthermore, the hypothesis developed is:

H4: The Research Development Strategy (SPP) has a positive effect on business performance in the Bahulak Market.

Human Resources Strategy

A relationship exists between taking actions related to sustainable business in companies and managers' beliefs (awareness) regarding the concept of sustainable business development and managers' influence on employees and the stimulation of their behavior, including their development, appropriate treatment, communication with managers, and reward and promotion systems, where managers take several actions aimed at developing their employees. Qualified human resources are also an integral part of the company's strategy. Human resource development is, therefore, an important step toward business success in the marketplace. Thus, managers must motivate employees in different ways that result in human resource management related to achieving company goals. Hence, the issue of individual motivational programs created for individual employees tailored to the needs of employees should be discussed (Lorincová et al., 2018).

In another study, Tam & Gray (2016) linked organizational learning practices in MSMEs to the organizational life cycle, contextualizing the differential aspects of the integrated relationship between them. There are three stages of the life cycle, the initial phase, high growth and maturity. Furthermore, Tam & Gray (2016) found that three out of four learning levels (individual, group, organizational, and inter-organizational) practiced in MSMEs varied in importance between life cycle stages. There is significant potential to be realized through the strategic management of HR practices to achieve a sustainable competitive advantage (Ahmad & Khan, 2022). Here, supervisory and management education and appropriate workforce skill levels along with continuous industry-leading training appear to be the most successful business strategies followed by MSMEs. For greater

efficiency, MSMEs need to have dedicated HR management and financial and audit services. Meanwhile, public sector entities and representative business entities need to provide training and practical technical and financial assistance targeted at strengthening MSMEs and increasing the reach of their outputs. Furthermore, the hypothesis developed is:

H5: The Human Resources Strategy (HRS) has a positive effect on business performance in the Bahulak Market.

From the explanation above, the research framework can be described as follows:

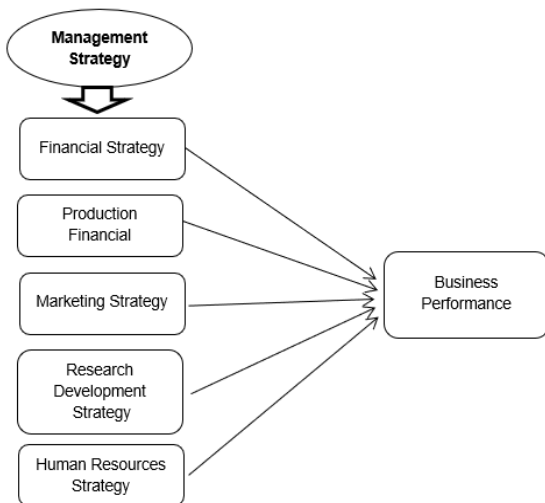


Figure 2. Research Framework

Figure 2 shows that strategic management in this study is translated into 5 variables consisting of: Financial Strategy, Production Strategy, Marketing Strategy, Research Development Strategy, and Human Resources Strategy. Each variable is then assessed for its effect on Business Performance.

METHOD

This study used a quantitative method. The data source was primary data obtained by distributing questionnaires to business people and MSME owners in Karungan Village, Plupuh, Sragen. In addition, secondary data was also employed through a literature study. The

population that became this study’s target were MSMEs registered in Karungan Village with a total of 74 businesses. The sampling technique applied was simple random sampling. The number of samples was calculated using the Roscoe reference, stating that a good sample size can range between larger than 30 and smaller than 500 samples (Sekaran & Bougie, 2016).

In this study, the independent variables consisted of management strategy, comprising financial strategy, production strategy, marketing strategy, research and development strategy, and human resource strategy. Meanwhile, the dependent variable used was business performance. The research questionnaire was developed referring to previous research. Data analysis utilized a structural equation modeling (SEM) approach. In the SEM approach, the outer model and inner model were tested, and the hypothesis test was carried out using the bootstrap function.

Questionnaires prepared to answer this research were delivered to respondents, namely business people in the Bahulak Market, Karungan Plupuh, Sragen. This questionnaire was developed from previous research and adapted to the conditions of the respondents in the In general, the questionnaire developed in this study contains: Financial Strategy (SK) includes four statements, Production Strategy (SP) includes five statements, Marketing Strategy (SPM) includes seven statements, Research Development Strategy (SPP) includes three statements, Sourcing Strategy Human Resources (HR) includes six statements, and Business Performance (KB) includes four statements. The Likert scale was used in this study to measure the attitudes and opinions of respondents by indicating their level of agreement with a series of questions in the questionnaire given.

RESULTS AND DISCUSSION

Questionnaire data were obtained from 59 respondents who were MSME actors in the Bahulak Market, Karungan Village, Plupuh Sub-district, Sragen Regency. Table 1 below describes the demographics of the study respondents.

Table 1. Respondent Demographics

Category	Number	Percentage
Age		
<21	0	0%
21-30	28	48%
31-40	6	10%
>40	25	42%
Status		
Married	59	100%
Last education		
Senior high school	43	73%
Junior high school	16	27%
Having previous business experience		
No	40	68%
Yes	19	32%
Length of business (Year)		
<5	38	64%
5-10	12	20%
11-15	0	0%
>15	9	16%
The number of employees (Number)		
0	13	22%
1-5	36	61%
>5	10	17%

Source: Data processed by the author, 2023

Table 1 reveals that the age of business actors in the Bahulak Market was the highest in the age range of 21-30 years. It was because many residents in Karungan Village married young, so they had to earn a living to meet family needs. It could be seen from the status of all respondents who were married. To meet the needs of their households and families, these respondents run and developed businesses in the Bahulak Market. Then, the last education of business actors was dominated by senior high school graduates, with the majority being relatively young, which means that their knowledge of business strategy was likely to be lacking. It is a challenge for the

local regional government and various related parties to play a role in increasing the capacity of business actors in the Bahulak Market. Coupled with the conditions showing that the majority of them have never had a business before and the majority of duration of the running business was still in the range of fewer than five years, the business they were developing at the Bahulak Market is a start-up in nature. The condition of the respondents as presented in Table 1 above illustrates that business actors in the Bahulak Market, Plupuh Sragen, still need assistance from various related parties so that the running business will grow in the future. It is hoped that the results of this research can be used as input for various related parties who will assist the respondents, especially related to business strategies with the potential to increase their capacity, the ultimate goal of which is for them to maximize the performance of their business results.

Based on the questionnaire results filled out by business people at the Bahulak Market, Karungan Plupuh, Sragen, the following results of the SEM analysis in this study are depicted.

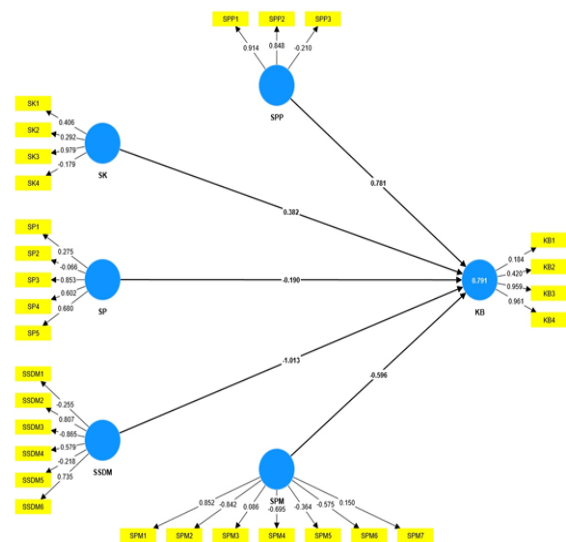


Figure 3. SEM Analysis Results

Figure 3 above is the SEM test results, showing the final result, where all statements in the research questionnaire were entirely used for further hypothesis testing. This study then employed a bootstrapping model simulation

to the sample to examine each relationship of endogenous latent variables. Based on Figure 2, it can be seen that the contribution of planning and strategy development has the greatest path coefficient or the greatest contribution to business performance. The next biggest contribution to financial strategy. While other variables show smaller path coefficient numbers, even in negative positions. The contribution of production strategy to business performance shows the largest number, this shows that the existence of this market is highly dependent on the real goods faced by buyers. the more there are and the more there are, the more it will greatly affect the performance of BUSINESS in the shoulder market. This is similar to research by Lestari et al. (2020) where product innovation variables support company performance. Table 5 below displays the hypothesis testing results based on the path coefficient and p-value.

role of managers is very important for strategy implementation due to a lack of internal resources and external funding constraints.

In a study, Maury (2022) focused on the relationship between CSR, business strategy, and future business performance and how strategies such as growth, exploration, and defense strategies influence the performance-CSR relationship. As a result, lead generation strategies were associated with high R&D and advertising costs but had low capital intensity, whereas overall growth strategies were measured by revenue growth. In addition, an increase in CSR was found to be positively related to the profitability and future growth of the company. Growth and management strategies also improved the performance of CSR activities.

In this study, hypothesis 2 states that the production strategy influences the business performance of MSMEs in Karungan Village,

Table 2. Regression Test Results

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T statistics (O/STDEVI)	P-values
SK → KB	.303	.219	.193	1.571	.117
SP → KB	.203	.185	.103	1.972	.049
SPM → KB	.546	.259	.404	1.351	.177
SPP → KB	.408	.482	.225	1.812	.071
SSDM → KB	-.980	-.744	.446	2.198	.028

Source: Data processed by the author, 2023

Business actors in the Bahulak Market independently and simply planned, implemented, and maintained their business. Therefore, the characteristics and capacity of a business actor here are determining factors in the success of their business strategy. If the management capacity of business actors is good, it is easy for them to apply the right strategy for their business, which significantly affects business results. Business actors are also more motivated to work harder if they can get high results. Hence, business people will try to apply the right business strategy. It is consistent with research by Park & Byun (2022), asserting that in MSMEs, the

Plupuh, Sragen. Hypothesis 2 was supported, indicated by the p-value of 0.049. Furthermore, hypothesis 5 proposes that HR strategy influences the business performance of MSMEs in Karungan Village, Plupuh, Sragen. Hypothesis 5 was supported, shown by the HR strategy variable with a p-value of 0.028. Then, hypothesis 4 puts forward that the R&D strategy influences the business performance of MSMEs in Karungan Village, Plupuh, Sragen. From the results of testing this hypothesis, the R&D strategy variable obtained a p-value of 0.071, significant at an alpha of 10%. Therefore, it can be concluded that hypothesis 4 was supported.

Meanwhile, hypotheses 1 and 3 in this study were not supported. It denotes that the financial and marketing strategies carried out by business actors in the Bahulak Market did not affect business performance. It was because the scope of their business was still on a local scale so the financial and marketing aspects have not affected performance. Going forward, it is necessary to develop these two aspects so that the business performance of business actors in the Bahulak Market can be further optimized.

The following is a summary of the hypothesis testing results.

Table 3. Hypothesis Testing Results

Hypothesis	P-Values	Conclusion
Financial Strategy → Business Performance	.117	Not significant
Production Strategy → Business Performance	.049	Significant
Marketing Strategy → Business Performance	.177	Not significant
Development Research Strategy → Business Performance	.071	Significant at 10% alpha
HR Strategy → Business Performance	.028	Significant

Source: Data processed by the author, 2023

This study reinforces the studies of Raimo et al. (2021) and Shkabatur et al. (2022), where the product is the main element in business performance. The development of good product innovation will further improve the business results of MSMEs.

In running a business and making decisions, MSME owners in Karungan Village also involved other members in the business as part of developing resources. They also tended to prioritize welfare, in addition to prioritizing the productivity of their resources. The development of these resources continued to be performed to further improve business results.

Further, this study corroborates with Lorincová et al. (2018) and (2015), stating that development research in businesses affected the success of their businesses. So far, business actors in the Bahulak Market, Karungan Plupuh, Sragen, have tried to conduct trials in their product development as a form of R&D, but with modest capacity, and each one needs to be improved further.

The results of this study are expected to provide an evaluation of the strategic management practices that have been carried out and motivate them to develop according to market demands. The results of this study are also expected to be input for various related parties that will help MSMEs in maximizing their business performance.

Conclusion and Recommendation

This study assessed the factors in strategic management and how they influenced business performance. This study successfully conclu-

ded that the production and HR strategies had a positive effect on business performance at an alpha of 5%, while the development research strategy influenced business performance at an alpha of 10%. In general, the description of the respondents' demographic condition revealed that business actors in the Bahulak Market, Plupuh Sragen, still need assistance from various related parties to further develop their running business. This research's results are expected to be used as input for various related parties who will assist the respondents to maximize their business performance.

The practical implication of the results of this research is the need to improve strategic management aspects in the management of SMEs in the Bahulak Market. By paying attention to which aspects have a significant influence, in the future business development in the Bahulak Market will be carried out optimally. The theoretical implication of this research is that for markets in remote areas, certain management

strategies sometimes do not have a significant effect because the business scope is still very limited. So that scientifically it must be further developed which aspects of strategic management have a more significant effect.

The limitation in this study is that the sample used was only from traders at the Bahulak Market and the Sinar Karungan Mandiri BUMDes managers, and did not involve community leaders and the Karungan Village Government. By involving them, the discussion in this research should be richer in discussion and more representative of the interests of society in general. Suggestions for further research are developing a questionnaire instrument to be able to further explore internal potential, as well as developing samples as research objects so that the data obtained becomes more complete and detailed.

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