Micro, Small and Medium Enterprises Strategies of Getuk Nyimut in Market Challenges

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ABSTRACT

MSMEs of Getuk Nyimut contributed to the economy of the society around Kajar village, Kudus Regency. Competition of MSMEs grew along with the number of new businesses. Entrepreneurs Getuk Nyimut attracted consumers with the products and services. MSMEs give some facilities to the outlets such as wifi and music. It could be innovation strategies to improving business. Getuk Nyimut's Entrepreneur need to increase their ability to innovate and create marketing performance. This capability could be built through increasing social capital and human capital. This study aimed to solve the inconsistencies of previous research. The research data source was primary data from questionnaires filled out by respondents. The research sample was 31 Getuk Nyimut's entrepreneurs located in Kajar Village. This study used the Structural Equation Modeling analysis technique with the Partial Least Square (PLS) program. The result of this research showed that Social Capital has a positive and significant effect on Innovation Capability, Human Capital has a positive and significant effect on Innovation Capability, Social Capital has no effect on Marketing Performance, Human Capital has insignificant effect on Marketing Performance, Innovation Capability has insignificant effect on Marketing Performance.

Keywords: financial distress, number of commissioners, CEO gender, CEO education, leverage

ABSTRAK


Kata kunci: financial distress, jumlah dewan komisaris, CEO gender, CEO education, leverage
PENDAHULUAN

MSMEs increasing so fast and it can be a supporting system in the national economy. MSMEs contribute to society through income distribution by opening up broad employment opportunities (Setyowati, 2016). The number of MSMEs in Kudus Regency in 2022 was 17,184 (Department of Labor Industry Cooperatives and MSMEs of Kudus Regency, 2022). This number continues to increase from the previous year. This condition has a positive impact on the decline in the unemployment rate in Kudus. In 2021 the unemployment rate in Kudus was 3.77 percent, this number decreased compared to 2020, which was 5.35 percent. Labor absorption also experienced a significant increase in 2020, from 483.983 to 501.443 in 2021 (kuduskab.bps.go.id, 2022).

Kudus Regency is growing in diversity in the MSMEs sector. One of the special foods of Kudus Regency is Getuk Nyimut MSMEs. Located in Kajar Village, this MSMEs has high potential to be developed. This is indicated by the increasing number of Getuk Nyimut MSMEs along the road to Muria Mountain. The Mount Muria area is a religious tourism destination that is the destination for domestic and foreign tourists. Based on information from the Kajar Village government in 2022, at least 31 entrepreneurs of Getuk Nyimut business developed their businesses. This number continues to grow along with the increase in the tourism sector developed in the area along Muria Mountain’s road.

Getuk Nyimut MSMEs are currently experiencing significant developments starting from the location of the business, the facilities provided to consumers and special menu. Getuk Nyimut outlets are not only established in the form of simple stalls or shops, but are also give some facilities such as comfortable table chairs, wifi and music. Getuk Nyimut, which is made from cassava and sugar, is served with coffee or other menu. They are pecel pakis, bakwan, etc. The high competition of Getuk Nyimut in Kajar Village means that entrepreneur of Getuk Nyimut must have strategies to survive in the market.

Due to the positive contribution of MSMEs to the development of a country's economy, MSMEs need to receive great attention from the government and society so that they can develop more competitively with external. However, the development of MSMEs still encounters various obstacles. Some obstacles in the development of MSMEs are related to product innovation and development, mastery of technology and information, high levels of competition, managerial capabilities and the impact of economic policies set by the government (Sulistyawati et al., 2018; Amalia et al., 2021). Goal of the company is achieving their purposes so marketing performance can measure it. The success of a product will create marketing performance. One of the important elements of company performance are marketing performance. The performance of a company can be seen from its marketing performance all along (Khotimah, 2017; Maulana et al., 2021).

The efforts to innovate a product are believed to be able to improve marketing performance (Killa, 2014). An increase in marketing performance is characterized by an increase in company profits, increasing in sales, an expansion of the company's product marketing area, and the number of customers. Currently, consumers' wants and needs for various food products. When the company is able to innovate the products, the number of food industries increasing because the food business is considered quite promising. The food is a daily need that is often consumed by customers. Managing the business of food entrepreneur can develop their business with low investment (Ryia & Yasa, 2016). To face competition in the food industry sector, business owners must have uniqueness and advantages over similar competing products by innovating their products. an entrepreneur has ideas and ideas for products so as to create innovation or product renewal for the market, this attitude is called innovative (Wardoyo et al., 2015).

Company goals can be achieved through the ability to create innovative products. MSMEs are required to always be dynamic, in attracting markets. If the companies do not innovate will be left behind by their competitors because the customers can switch to competing companies
Innovation of a product has the potential to increase the value of the company in the consumers's mind and product innovation is the key to success of a company in surviving the intense competition in a market (Irawan, 2015). Innovations made in companies are believed to be able to improve company performance.

Many factors can affect marketing performance. One of the factors that affect performance is social capital (Felicio et al., 2014). Social capital is all the resources of a company that are collected through a network of relationships with other companies. Social capital must be owned by an entrepreneur in developing his business. Social capital has an important role in improving company performance (Djayadiningrat et al., 2017). Social capital is a necessary condition for the success of a society. Social capital has more influence on the development and progress of various economic sectors (Heliawaty, 2016).

Another factor that can build marketing performance and innovation capability is human capital. Indicators of human capital are the knowledge, training and skills possessed by business owners and are related to educational background (Islam et al, 2016). Furthermore, with quality human capital, and based on strong social capital, marketing performance can be improved.

Research gap in this study is the research from Khoirrini et al., (2014); Astuti, et.al (2019); Khoirrini & Saskara (2017); Akintimehin et al. (2019); Amalia et al. (2021); and Maulana et al. (2021) which states that social capital has a significant positive effect on marketing performance. Meanwhile, the results of Widjajanti, et al. (2016) and Imrie (2013) found that social capital has no influence on marketing performance. Wulandari (2012); Pardi (2014); Djayadiningrat, et al. (2017) state that innovation capability has a positive and significant effect on marketing performance.

The research results of Muda et al. (2016) stated that human capital has a significant effect on improving the performance of MSMEs. Meanwhile, Wulandari et al. (2020) stated from their study that human capital has a direct negative and significant impact on performance. Research results from Wulandari et al. (2020) human capital does not directly have a significant effect on innovation strategy.

**LITERATURE REVIEW**

**Human Capital.** Companies can increase competitive advantage, their advantages that are difficult for competitors to imitate through human capital, while the financial structure can easily be implemented by competing companies (Ali & Chaudhry, 2017). Human are an important resource for the company. Human resource asset management plays an important role by increasing the knowledge possessed (Sukoco & Prameswar, 2017). Human Capital management that is well managed will be able to improve employee performance, as revealed by Latief (2018) factors that can improve performance come from human capital, namely human resource competence, knowledge, and leadership abilities.

**Innovation Capability.** Innovation is a way, the result of development, exploitation, activation of insight, expertise, experience to produce, improve products or services, current systems, providing meaningful value, a very important way (economic and social) (Kartika 2021). Innovation can also be defined by a skillful way of selling in interacting with customers that provides more value which can transform the output, so that there is economic and social success (Yusuf, 2021; Prasetyo & Pertiwi, 2021). Innovation capabilities can be created through products with new packaging, production processes using technology and creativity in producing new products on the market (Odoom & Mensah, 2018).

**Marketing Performance.** All activities that have been implemented by companies related to marketing can be measured through marketing performance (Merakati et al., 2017; Maulana et al., 2021). The marketing strategy that has been carried out can be well identified through its marketing performance (Bakhri & Futia, 2020). Companies are always directed to have a good
strategy to support the improvement of marketing performance related to sales volume, market share, and sales growth rates. Indicators that affect marketing performance are sales growth, customer growth, and profit growth (Silalahi & Simanjuntak, 2021).

**METHOD**

Method of this research is quantitative and the data source is primary data obtained from questionnaires that have been filled out by respondents, Getuk Nyimut MSMEs. The sample of this study is 31 MSMEs of Getuk Nyimut in Kajar Village, Kudus Regency. This research was processed using Structural Equation Modeling with the SmartPLS 3.0 application. The research model developed through the variable social capital, human capital, innovation capability and marketing performance is shown in the Figure 1.

![Research Model](image)

**Figure 1. Research Model**

From conceptual framework and previous research, the hypothesis of this study are:
- **H1**: Social Capital has a positive and significant effect on Innovation Capability.
- **H2**: Human Capital has a positive and significant effect on Innovation Capability.
- **H3**: Social Capital has a positive and significant effect on Marketing Performance.
- **H4**: Human Capital has a positive and significant effect on Marketing Performance.
- **H5**: Innovation Capability has a positive and significant effect on Marketing Performance.

**RESULT AND DISCUSSION**

In this research, the resulting convergent validity test resulted that all the variable is valid because the factor loading value is ≥ 0.7, which means that all indicators are valid and ideal. Discriminant validity test by paying attention to the AVE value. Because the resulting AVE value is > 0.5, it can be said that the variable is good. Based on the research results, the CR value ranges from 0.7-0.9 so it is considered to have a satisfactory composite reliability value. The following is the result of the AVE value on each variable can be seen in Table 1.

**Structural Model Evaluation (Inner Model).** The inner model is interpreted as a model that tests causality between variable constructs. According to Hair et al. (2016) states that the tests carried out on the inner model. Adjusted r square is the most commonly used measure to evaluate the inner model coefficient of determination (R-square). R-square is a predictive power model which is calculated as a correlation the square between the actual value and the predicted construct at a certain endogenous. R-square represents the effect combination of exogenous latent variables on endogenous latent variables. R-square represents the amount of variance in the
endogenous construct explained by all associated exogenous constructs with him. The R square values include 0.75 (strong), 0.50 (moderate), and 0.25 (weak). Based on the R-square value, innovation capability is effect by 0.264 (26.4 percent) by social capital and human capital variables and marketing performance is influenced by 0.068 (6.8 percent) by social capital and human capital variables.

Table 1. Validity and Reliability Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>Outer Loading</th>
<th>DV</th>
<th>AVE</th>
<th>Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>SC</td>
<td>X1.1</td>
<td>0.492</td>
<td>1.000</td>
<td>1.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X1.2</td>
<td>0.636</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X1.3</td>
<td>0.797</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HC</td>
<td>X2.1</td>
<td>0.535</td>
<td>1.000</td>
<td>1.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X2.2</td>
<td>0.873</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X2.3</td>
<td>-0.449</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X2.4</td>
<td>0.536</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IC</td>
<td>X3.1</td>
<td>-0.489</td>
<td>0.862</td>
<td>0.743</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X3.2</td>
<td>0.070</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X3.3</td>
<td>0.811</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>X3.4</td>
<td>0.768</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MP</td>
<td>Y1.1</td>
<td>0.987</td>
<td>0.988</td>
<td>0.976</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Y1.2</td>
<td>0.995</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Y1.3</td>
<td>0.984</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Structural Model of Construct Variable. In this study, 4 variables are 2 exogenous construct variables (X1, X2), 1 intervening variable (X3) and 1 endogenous construct variable (Y1). The structural model of the research construct variables is shown in Figure 2.

Hypothesis Test. Hypothesis test using PLS by examining the p value or t value for each hypothesis. The results of Hypothesis Test using PLS can be seen in the table. This analysis is used to test the effect exogenous variables to endogenous variables directly. Decision taken if the t-statistic value > t-table is 1.960 and the p-value < sig. 0.05, then there is positive and significant influence of exogenous variables on endogenous variables, otherwise there is no effect. Based on table 2, it can be concluded that H1 and H2 have significant effect because they have a statistical T-value > 1.96 and P-value < 0.05, while H3, H4 and H5 have insignificant because they have a statistical T-value <1.96 and P-value > 0.05. so only H1 and H2 are accepted.

Figure 2. Structural Model of Construct Variable
Table 2. Hypothesis Test Results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Correlation</th>
<th>Original Sample</th>
<th>t-Value</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Social Capital → Innovation Capability</td>
<td>0.430</td>
<td>2.305</td>
<td>0.022*</td>
<td></td>
</tr>
<tr>
<td>H2 Human Capital → Innovation Capability</td>
<td>-0.310</td>
<td>2.412</td>
<td>0.016*</td>
<td></td>
</tr>
<tr>
<td>H3 Social Capital → Marketing Performance</td>
<td>0.148</td>
<td>0.718</td>
<td>0.473</td>
<td></td>
</tr>
<tr>
<td>H4 Human Capital → Marketing Performance</td>
<td>0.160</td>
<td>1.058</td>
<td>0.291</td>
<td></td>
</tr>
<tr>
<td>H5 Innovation Capital → Marketing Performance</td>
<td>-1.08</td>
<td>0.450</td>
<td>0.653</td>
<td></td>
</tr>
</tbody>
</table>

Hypothesis test of indirect effect test is used to test the effect of exogenous variables on endogenous variables indirectly. The decision is taken, if the p-value < sig. 0.05, then the mediating variable is able to mediate the influence of exogenous variables to endogenous variables, otherwise unable to mediate. Based on that table 3, the innovation capability variable does not have an intervening influence because the P-value > 0.05.

Table 3. Results of Hypothesis Test Analysis of Indirect Influence

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Correlation</th>
<th>Original Sample</th>
<th>t-Value</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>H6 Social Capital → Innovation Capability → Marketing Performance</td>
<td>0.033</td>
<td>0.428</td>
<td>0.668*</td>
<td></td>
</tr>
<tr>
<td>H7 Human Capital → Innovation Capability → Marketing Performance</td>
<td>-0.046</td>
<td>0.354</td>
<td>0.723*</td>
<td></td>
</tr>
</tbody>
</table>

The Influence of Social Capital on Innovation Capability. Social capital possessed by MSMEs can affect the innovation capabilities of Getuk Nyimut entrepreneurs. Getuk Nyimut entrepreneurs build networking through the Getuk Nyimut association. Entrepreneurs can exchange information with each other from their forum. Entrepreneurs can get inspiration related to product development from association partners, such as innovations in the variants sauce and the facilities that provided to consumers when visiting that location. These facilities include providing wifi facilities, music and enough parking space. So that it can provide easy access and consumer comfort in enjoying Getuk Nyimut. The results of this study indicate that social capital has a significant effect on innovation capability. These results are in line with the research of Basri et al. (2021) which states that social capital has a significant effect on innovation capability.

The Influence of Human Capital on Innovation Capability. Entrepreneurs of Getuk Nyimut have different backgrounds, some are successors to family businesses and the others are self-taught in running a business. More than 50 percent the owner of Getuk Nyimut education background is elementary school. The owner of Getuk Nyimut get inspiration for business innovation from the experience they get. Moments of experience are obtained when entrepreneurs visit other cities, so they get some ideas in developing innovations. These innovations include products, production machine, and business locations. Based on the experience that has been gained, entrepreneurs get the idea to add grape, cappuccino, jackfruit, and strawberry flavors. In the production process, the entrepreneur has plans to carry out with production machines. The results of this study indicate that human capital has a significant effect on innovation capability. This result is in line with the research of Basri et al., (2021) which states that human capital has a significant effect on innovation capability.

The Influence of Social Capital on Marketing Performance. Social Capital has no influence on Marketing Performance, this can be caused by low social capital. Networking owned by MSMEs Getuk Nyimut is Getuk Nyimut association. Not all business owner are members of this forum. The Getuk Nyimut association is currently not maximally utilized and has not been able to become a foundation in establishing cooperation with external. Cooperation that is established within internal members occurs when activities are organized, but internal activities have not been
carried out periodically. This condition is an obstacle for MSMEs in improving marketing performance. The results of this study show that social capital has an insignificant effect on marketing performance. This result is in line with Walenta (2019) which states that social capital has an insignificant effect on marketing performance.

The Influence of Human Capital on Marketing Performance. The majority of Getuk Nyimut entrepreneurs' education is low, but they have future plans in developing their business based on their experience. Entrepreneurs have ideas for developing businesses through the addition of facilities such as great buildings, playground and machine. However, this has been an obstacle due to limited funds. Most entrepreneurs use their own capital in running the business. Human capital owned by entrepreneurs is not able to influence marketing performance. The results of this study indicate that human capital has no effect on marketing performance. This result is in line with the research of Rambe et al., (2021) which states that human capital has no effect on marketing performance.

The Influence of Innovation Capability on Marketing Performance. Entrepreneurs have tried to develop products through flavor variants such as avocado sauce, chocolate, and strawberry flavors. However, consumers are still interested in the original product, getuk with sugar. Consumers consider Getuk Nyimut products with original flavors to be local products that characterize the region. Some entrepreneurs have carried out the production process using machines, but the products produced are not as expected, the texture of the product is better with manual production. Entrepreneurs have the ability to innovate sufficiently, but are not able to improve marketing performance. The results of this study indicate that innovation capability has no effect on marketing performance. These results are in line with the research of Yafi (2021) which states that innovation capability has no effect on marketing performance.

The Influence of Social Capital on Marketing Performance Through Innovation Capability. Networking that can be developed through Getuk Nyimut association has not been optimally realized. Activities in the association cannot be carried out regularly, such as meetings and internal training. Lack of communication has led to low support for the desire to survive in the market through innovations. Post-pandemic sales that have not shown a significant increase have caused entrepreneurs to be reluctant to make planned innovations. The current capital is sufficient to produce original getuk which is preferred by consumers without product innovation. The results of this study show that the intervening effect of innovation capability has an insignificant effect. This result is in line with the research of Basri et al., (2021) which states that the indirect effect of social capital on marketing performance through innovation capability has an insignificant effect.

The Influence of Human Capital on Marketing Performance Through Innovation Capability. Getuk Nyimut entrepreneurs have a high level of experience, it does not necessarily improve marketing performance. The owners are less innovative in running a business. Entrepreneurs of Getuk Nyimut have not been able to properly utilize technology in product marketing. The minority of MSMEs cannot operate handphones in communicating with consumers. Human Capital does not have a big influence on low-tech businesses. Low marketing innovation, especially marketing methods, causes human capital to be unable to encourage innovation and improve marketing performance. Competence will affect creativity, then affecting marketing performance. Adequate competence in running a business without creativity and innovation cannot affect marketing performance.

CONCLUSION

The development of Getuk Nyimut MSMEs is not running according to the potential market due to the obstacles of the Covid-19 pandemic, which causes people to stay at home. Product innovation has yet to be able to increase sales targets due to people's preference for original
Getuk Nyimut products rather than innovative products. Online marketing has yet to be implemented perfectly by Getuk Nyimut entrepreneurs. The competencies that entrepreneurs have in making innovations are different. Entrepreneurs innovate products by adding flavour variants such as avocado sauce, strawberry, and grape flavours—another innovation in the production process with machine technology. Entrepreneurs also try to provide customer experience with a comfortable café, wifi, and music. The Getuk Nyimut association has been established to accommodate all MSMEs owners, but not all entrepreneurs have joined it. This association is a forum for discussion and exchange of ideas to improve products that consumers are interested in.

When the pandemic condition decreased, people started doing outdoor activities by cycling on weekends. During this period, the government has reopened access for tourist visits to the Muria area. It provides opportunities for MSMEs of Getuk Nyimut to improve marketing performance.

Getuk Nyimut entrepreneurs can join the association to update product and get some market information to improve their business. Getuk Nyimut MSMEs can use technology in marketing media in order to expand market share. Machine technology on production processes can be a right choice to improve efficiency. The government and external parties such as universities can be support through providing training needed in managing the Getuk Nyimut business such as online marketing training, finance and product packaging. Future research, the study can use other variables that support marketing performance such as Market Orientatio and Marketing Capability.

**REFERENCE**


