

Strategy for Increasing Competitive Advantages Based on Human Resources Competence and Organizational Culture in Umkm Islamic Food in East Java

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Abstract: *Improving the quality of food produced by MSMEs in East Java is urgently needed. Improving food quality is closely related to the competitive advantage of MSMEs. If the quality of food produced by MSMEs is good, the competitive advantage of MSMEs will increase. Competitive advantage is one of the factors that influence the sustainability of an organization. MSMEs are one organization that has a very high level of competition because this food sector is a sector that has many interested parties. The research objective in the first year was to find out to develop a competitive advantage model based on HR competency and the application of a good organizational culture. The research population is all MSME leaders in East Java, covering 6 districts. The districts that were the object of the study were Jember Regency, Bondowoso, Situbondo, Banyuwangi and Lumajang Regency. Sampling was carried out using the Stratified Random Sampling method for each district. The research sample was determined using the Slovin formula and obtained as many as 133 MSMEs who became respondents. This study was analyzed using SEM analysis. The results showed that HR competencies had a significant influence on the competitive advantage of Food MSMEs in East Java and organizational culture had a significant influence on the competitive advantage of Food MSMEs in East Java.*

Key Words: *competetive advantage, human resources competence, organizational culture, UMKM, performance*

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I. Introduction

MSMEs are a mainstay for the government in increasing national economic growth. When the economic crisis hit Indonesia in 1997, it turned out that MSMEs were able to survive and become the foundation of the Indonesian economy. This crisis turned out to motivate the growth of the small business sector which increasingly absorbed workers and increasingly strengthened innovation in small business development innovations. This can be seen through the development of MSMEs throughout 2011 proven to be able to contribute to the formation of GDP of 57.60%. The details are as follows, as many as 32.02% by Micro Enterprises, a number of 10.99% by Small Businesses, and a total of 14.59% by Medium Enterprises. The average value of GDP formation by MSMEs is Rp. 24.8 million per business unit. MSMEs are able to recruit a new workforce of 2.32 million people, equivalent to 97.8% of new employment created by MSMEs and large businesses in 2011. The absorption of new labor is mostly done by Micro Enterprises, the number of which is 1.94 million people, including hiring himself. Small businesses are able to absorb 292,000 new workers (Biaro and Ardianti, 2013).

The Micro, Small and Medium Enterprises (MSME) sector is the key to economic growth in East Java. This is evidenced by the contribution of MSMEs to Gross Regional Domestic Product (GRDP) reaching 54.98% or Rp. 1.1689.88 trillion. That number is around 50 percent more than the number of MSMEs based on a survey until 2006 which was also conducted by BPS East Java, which reached 4.2 million MSMEs. This fact was raised in a seminar on the results of the 2012 East Java Province MSME survey held at the Regional Development Planning Agency (Bappeda) office in East Java in 2013. Until the end of 2012 the number of MSMEs in East Java reached 6,825,931 businesses. (Bappeda Jatim, 2013). The composition of MSMEs, among others, engaged in the agricultural sector by 60.25 percent with a total business unit of 4,112,443 businesses, and the non-agricultural sector by 39.75 percent with a total business unit of 2,713,488 businesses. Based on the number of MSMEs in each district and city, the largest number is in Jember regency, which is 424,151 businesses. After Jember, the highest number of MSMEs will be in Malang Regency and Banyuwangi Regency. Each contributed 6.07 percent and 4.35 percent to the total number of MSMEs. The problems faced by food MSMEs in East Java are from around 6 million MSMEs in East Java, which have only about 15% halal certification. This condition occurs because the cost of halal

certification is still expensive and small entrepreneurs have not been able to do so. Even though the market in Indonesia is now more aware of halal products, for this reason our products must be certified halal so that they are not defeated by foreign products, even by certifying halal will be able to expand the export market, especially in Islamic countries such as the Middle East. Therefore as a micro business unit that plays a role in improving the Indonesian economy, the MSMEs in the food sector are required to continue to improve their performance. Increasing competition is increasingly sharp, forcing organizations both large companies and small companies such as MSMEs to focus on increasing competitive advantage, human resource competencies and organizational culture.

For this reason the problem was immediately solved, one of which was by building a model for increasing the competitive advantage of MSMEs as an effort to improve the performance of MSMEs in the food sector in East Java based on HR competencies and organizational culture. This model has an advantage in increasing the competitive advantage of MSMEs engaged in food processing, and can reduce horizontal conflicts in the community related to the certification of food halal products produced by MSMEs. The purpose of this study is to improve the excellence of MSMEs in the food processing sector in East Java based on resource competencies and organizational culture.

II. Literature Review

Competitive Advantage

The concept of organizational competitive advantage has been developed from generic strategies. According to Dirgantoro (2001: 159) that, "competitive advantage is the development of the value that the company can create for its buyers". Things that can indicate the competitive advantage variable are imitability, durability, and ease of matching. Competitive advantage is the heart of organizational performance in competitive markets. Organizational excellence basically grows from the values or benefits that the organization can create for its buyers. If then the organization is able to create excellence through one of the three generic strategies, then there will be a competitive advantage. In order to improve organizational performance, competitive advantage is seen as something that can be used in or as an organizational strategy. Competitive advantage can be understood by looking at the organization as a whole, derived from many different activities carried out by the organization in designing, producing, marketing, delivering and supporting sales. So that competitive advantage is a position that organizations are still working on as an effort to defeat competitors (Porter, 1993).

Human Resource Competence

Resource-based theory states that organizations can create and maintain their competitive advantage through a process of creating value that is rare and difficult to replicate by competitors (Malayu, 2007). The indications can be judged by the organization's ability to create HRM policies and practices that are unique and difficult to emulate competitors. This will encourage interactions between individuals that produce knowledge and social capital and differentiate organizations or companies from competitors who are then able to provide positive economic benefits and are not easily replicated (Mathis and Jackson, 2002).

Organizational Culture

Pabundu (2006) suggests that organizational culture is a system of shared meanings shared by members that distinguishes an organization from other organizations. Organizational culture is a pattern of basic assumptions that are created, found or developed by a particular group as a foundation in behaving within the organization. Where will be revealed to new members as a way of seeing, thinking and feeling in the organization. The high level of competition between organizations makes decision makers need to conduct in-depth studies of organizational culture on 4 (four) interrelated elements, namely managerial factors, environmental factors, organizational culture, strategic planning and competitive advantage. Organizational culture includes values, rules, beliefs in it that shape behavior, a favorable attitude.

Organizational Performance

Performance has become a very interesting popular word in public management talks. The concept of performance can basically be seen from two aspects, namely employee performance and organizational performance. Performance is a description of the level of achievement of the task in an organization, in an effort to realize the goals, objectives, mission, and vision of the organization. Organizational performance is the totality of the work achieved by an organization achieving organizational goals means that, the performance of an organization can be seen from the extent to which the organization can achieve goals based on predetermined goals (Malayu, 2007).

III. Research Methods

Research Design

The research design carried out in this study is survey research because in general the unit of analysis in a survey study is an individual. In survey research, the required information is collected from respondents using a questionnaire (Ghozali, 2006).

Population Research, Samples and Sampling Techniques

Population as a generalization region consisting of objects / subjects that have certain quantities and characteristics (Ghozali, 2006). Population is all objects or individuals that have certain characteristics, clear and complete to be studied. The population of this research is all food UMKM leaders in East Java. With the number of MSMEs taken 133 MSMEs. The UMKM centers that were used as research objects included the areas of Jember Regency, Probolinggo Regency, Lumajang Regency, Banyuwangi Regency, Situbondo Regency and Bondowoso Regency. The number of MSMEs in East Java is based on 6 six districts which include Jember Regency, Probolinggo Regency, Lumajang Regency, Banyuwangi Regency, Situbondo Regency and Bondowoso Regency totaling 85,500. From the total population of 85,550 respondents included in the Slovin Formula it is known that the number of samples is 133 MSMEs.

Data analysis

This study uses qualitative data analysis techniques with procedures for data reduction, data presentation, conclusion drawing or verification. Some steps taken in data analysis include:

1. Arrange polling data

Arrange raw data as input data, then the raw data is processed and worked using SPSS software.

2. Construction of path diagrams

Presentation of a path diagram to make it easier to see the causality relationship to be tested. Through path diagrams, the causality relationship between endogenous variables and exogenous variables is shown, so that it can be estimated through the Amos program.

IV. Results And Discussion

Research result

Description of Research Variables

Descriptive analysis is done by observing trends and data deviations for each research variable (tendency central) through the mode of their respective indicators.

Based on Table 3, it can be seen that the HR competency variable (X1) has an overall mode value = 4. This means that HR competency variables are perceived well by MSME leaders Food in East Java shown through MSME leaders establish good relations with all stakeholders (employees, suppliers, and the government) in order to improve business performance, MSME leaders understand the importance of mastering knowledge related to the business being carried out, MSME leaders always pay attention and continue to encourage employees, MSME leaders continue to master competencies about market research and business development strategies, feeling the need to master competencies in the financial sector to support business, MSME leaders always strive to improve competencies regarding product and business development, and MSME leaders believe that commitment to work time can support business success.

Organizational culture variable (X2) has an overall mode value = 4. This means that organizational culture variables are perceived well by Food MSME leaders in East Java as indicated by always creating innovative ideas in work, always paying attention to all provisions, analysis, and pay more attention to things around work, always focus on work results rather than techniques and processes used, taking into account the effect of results on employees in the organization, having the ability to cooperate in teams, as members of organizations always challenged to work competitively, and as a member of the organization is always required to continue to grow and develop.

The variable of competitive advantage (Z) has an overall mode value = 4. This means that the Competitive Advantage variable is perceived well by the MSME leadership of Food in East Java which is shown through cheaper product prices than competitors will increase competitive advantage, the product has a special characteristic difficult to emulate competitors, the use of modern technology can increase competitive advantage, companies and employees work well and responsibly, companies are sensitive to changes in consumer demand, companies offer high-quality products than their competitors, and companies move quickly in developing new products compared to competitors.

Test Validity and Reliability

The validity of the instrument shows that a measuring instrument is able to reveal data correctly and provide a careful picture of the data. Validity of a data if the loading factor of the variable indicator has a value

above 0.50, it can be said that the question item as the compiler of the unobserved variable in path analysis is valid (Ghozali, 2005). Based on the results of the calculation, it can be seen that each indicator used both in the research variable has a loading factor value greater than 0.50. This means that the indicators used in this research variable are feasible or valid to be used as data collectors.

Reliability shows the extent to which a measuring instrument is reliable or reliable. In this study in calculating reliability using composite reliability with a cut-off value is a minimum of 0.70 (Solimun, 2002). Based on the calculation results, it can be seen that each latent variable used in the study gives a CR value above the cut-off value of 0.7. So that it can be said that each latent variable is reliable.

Assumption Test for Structural Equation Modeling (SEM)

After testing the validity and reliability of each latent variable, the assumption test is carried out to see whether the prerequisites needed in SEM modeling can be fulfilled. The prerequisites that must be fulfilled are the assumption of normal multivariate, the absence of multicollinearity or singularity and outliers.

The normality test needs to be done both for normality of univariate data and multivariate normality where several variables are used simultaneously in the final analysis. To test the presence or absence of normality assumptions, it can be done with the statistical value of z for its skewness and kurtosis empirically. It can be seen in the Critical Ratio (CR) used 5% significance level, then the CR value is between -2.58 to 2,58 ($-2,58 \leq CR \leq 2,58$) said data are normally distributed, both univariate and multivariate (Ghozali, 2005).

The results of normality testing (Attachment 4) obtained a CR value of 1.552, which means that CR is between -2.58 to 2.58. So that it can be stated that multivariate data is normal. Besides that, normal univariate data is shown by all critical ratio values of all indicators located between $-2.58 \leq CR \leq 2.58$.

Multicollinearity can be seen through the determinant of the covariance matrix. Very small or near zero determinant values indicate indications of multicollinearity or singularity problems, so that the data cannot be used for research (Tabachnick and Fidell, 1998, in Ghozali, 2005). The results of multicollinearity test (Appendix 4) give the value of the covariance matrix determinant of 77.273. This value is far above the zero, so it can be concluded that there are no multicollinearity and singularity problems in the analyzed data.

Outliers are observations that appear with extreme values both univariate and multivariate, which arise because of the combination of unique characteristics possessed and appear very different from other observations. If an outliers occur, special treatment can be done on the outliers as long as it is known how the outliers appear. Detections of the multivariate outliers are carried out by taking into account the value of the Mahalanobis Distance. The criteria used are based on the value of Chi Square on the degree of freedom equal to the number of indicator variables at the significance level $p < 0.01$ (Ghozali, 2005).

The results of the outliers test in this study show that the Mahalanobis d-squared value is smaller than the Chi Square value at (27; 0.01) which is equal to 46,963. This means that in this study all cases did not experience outliers or it could be said there was no significant difference between the data and the data group.

Results of Analysis of Structural Equation Modeling (SEM)

At this stage, we will discuss the suitability test model and test the significance of causality. The results of testing with the AMOS version 16.0 program gave the results of the SEM model as shown in the following figure which shows the influence of HR Competence and Organizational Culture on Competitive Advantages in MSMEs in East Java.

a. Model Suitability Test (Goodness of Fit Test)

Testing on the SEM model aims to see the suitability of the model, the results of testing the suitability of the model in this study are presented in Table 6. Based on the table it can be seen that of the eight criteria used to assess the suitability of a model, six of them have been fulfilled. So that it can be stated that the model is acceptable which means there is a suitability of the model with the data.

Table 1: SEM Compatibility Index

Criteria	Cut Off Value	Test result	Add
Chi Square	It is expected to be smaller than χ^2 at $df = 294$ which is 341,395	318,272	Good
Sig. Probability	$\geq 0,05$	0,158	Good
RMSEA	$\leq 0,08$	0,027	Good
GFI	$\geq 0,90$	0,863	Marginal
AGFI	$\geq 0,90$	0,823	Marginal
CMIN/DF	≤ 2 atau 3	1,083	Good
TLI	$\geq 0,95$	0,984	Good
CFI	$\geq 0,95$	0,987	Good

Source: Data processed

b. Causality Test

After testing the suitability of research capital, the next step is to test the causality developed in the study. From the appropriate model, each path coefficient can be interpreted.

Table 2 : Causality Test Results

Effect		Estimate	S.E.	C.R.	P	Lable
Z	<--- X1	0,246	0,086	2,845	0,004	Significant
Z	<--- X2	0,539	0,160	3,375	0,000	Significant

Source: Data processed

Based on Table 2 it can be stated that the results of testing the path coefficient for the influence of HR Competence (X1) on Competitive Advantage (Z) has a positive path of 0.246 with a CR of 2.845 and probability (p) of 0.004 which means that HR Competence (X1) has a significant effect on Competitive Advantage (Z). So that it can be stated that HR Competence has an effect on Competitive Advantages of Food MSMEs in East Java. This means that if HR competencies are getting better or increasing, it will increase competitive advantage.

The path coefficient test results for the influence of Organizational Culture (X2) on Competitive Advantage (Z) have a positive path of 0.539 with C.R of 3.375 and the probability (p) of 0.000 which means that Organizational Culture (X2) has a significant effect on Competitive Advantage (Z). So that it can be stated that Organizational Culture influences Competitive Advantages of Food MSMEs in East Java. This means that if the organizational culture gets better, it will increase competitive advantage.

V. Discussion

Effect of HR Competency on Competitive Advantages

The results of the study show that HR competencies have a significant influence on the competitive advantage of Food SMEs in East Java. This means that if HR competencies are getting better or increasing, it will increase competitive advantage. Resource-based theory states that organizations can create and maintain their competitive advantage through a process of creating value that is rare and difficult to replicate by competitors (Malayu, 2007). The indications can be judged by the organization's ability to create HRM policies and practices that are unique and difficult to emulate competitors. This will encourage interactions between individuals that produce knowledge and social capital and differentiate organizations or companies from competitors who are then able to provide positive economic benefits and are not easily replicated (Mathis and Jackson, 2002). Sahyar (2006) states that lecturer competencies can improve the competitive advantage of study programs.

Effect of Organizational Culture on Competitive Advantages

The results of the study show that organizational culture has a significant influence on the competitive advantage of food SMEs in East Java. This means that if the organizational culture gets better, it will increase competitive advantage. Pabundu (2006) suggests that organizational culture is a system of shared meanings shared by members that distinguishes an organization from other organizations. Organizational culture is a pattern of basic assumptions that are created, found or developed by a particular group as a foundation in behaving within the organization. Where will be revealed to new members as a way of seeing, thinking and feeling in the organization. The high level of competition between organizations makes decision makers need to conduct in-depth studies of organizational culture on 4 (four) interrelated elements, namely managerial factors, environmental factors, organizational culture, strategic planning and competitive advantage. Organizational culture includes values, rules, beliefs in it that shape behavior, a favorable attitude. Yuwaliatin (2003) states that organizational culture has an impact on lecturers' competitive advantage. Lukito and Devie (2015) state that corporate culture significantly influences direct and indirect competitive advantage through intervening variables of employee satisfaction.

VI. Conclusions And Recommendations

Conclusion

Based on the descriptions that have been disclosed in the discussion, some conclusions can be taken as answers to the main issues raised in this study, namely:

1. HR Competence affects the Competitive Advantages of Food MSMEs in East Java.
2. Organizational Culture influences Competitive Advantages of Food MSMEs in East Java.

Suggestion

From the results of this study, researchers may be able to provide suggestions, including:

1. The results of the study prove that HR competencies and organizational culture influence the competitive advantage. Therefore, food MSMEs in East Java should always pay attention to HR competencies and develop and instill a strong organizational culture which in turn can drive competitive advantage.
2. For further research it is recommended to add other variables such as professionalism, creativity and innovation, and others. So that it can obtain better findings in explaining organizational performance and is useful for the development of science, especially management.

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