

## STRATEGIES TO IMPROVE MSME PERFORMANCE WITH COLLABORATION

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### ABSTRACT

The purpose of this study is to know and explain the strategy to improve MSME performance with collaboration. The data of this study is MSMEs in Sukabumi City with a population of this study is food MSMEs in Sukabumi City, as many as 14,128 businesses so sampling was carried out using [web.raosoft.com](http://web.raosoft.com) sample size, with an error rate of 10% so that a sample of 100 respondents was obtained. This study employed a quantitative, descriptive methodology. The dissemination of questionnaires to respondents in the form of questions is the strategy used in this study to collect data. In this investigation, the analysis method employed was simple linear regression analysis. The study's findings clarified why the collaborative method improved MSMEs' performance; of these, 61.2% had a positive and substantial effect, with the remaining 38.8% being influenced by other factors.

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### 1. Introduction

MSMEs (Micro, Small, and Medium Enterprises) have an important role in a country's economy. However, in the face of increasingly fierce challenges and competition, MSMEs need to develop effective strategies to improve their performance (Ama & Okurut, 2017). One strategy that can be used is collaboration between MSMEs. This collaboration can involve cooperation in various aspects, such as marketing, production, distribution, and product development (Zahrah, 2024). Collaboration between MSMEs has several benefits that can improve business performance (Sultan et al., 2021). By collaborating, MSMEs can expand their market reach, such as working together in product marketing and distribution, so that they can reach more and more diverse consumers (Maulana, 2023).

MSME collaboration can fill each other's shortcomings and take advantage of each other's advantages, such as expertise in marketing to create more competitive products (Jatmiko et al., 2021). In addition, MSMEs also make it possible to collaborate in resources, capital, labor, and infrastructure, so that the creation of MSMEs that have competitiveness and their business continues with increasing results (Hurdawaty & Tukiran, 2024). In improving the performance of MSMEs, of course, there are special strategies that must be done. This strategy includes building collaboration networks with other MSMEs, either through business associations, online communities, or other events (Kadarisman, 2019). With this strategy, MSMEs can support each other for mutual progress. MSMEs need to identify their needs and expertise, to create mutually beneficial opportunities (Firmansyah, 2023). The following is data on MSMEs in the City of Sukabumi:

**Table 1.** Sukabumi City MSME data

Categories	Quantity	Information
Accessories	126	Unit
Batik	126	Unit
Embroidery	18	Unit
Craft	4488	Unit
Fashion	4380	Unit
Convection	2675	Unit
Cullinary	19315	Unit
Food	14128	Unit
Drink	2621	Unit
Services/Others	6103	Unit
Total MSMEs	31926	

Source: [opendatasukabumi](https://opendatasukabumi.com), 2023

In the era of digitalization, digital technology can be an effective tool in supporting MSME collaboration, such as the use of digital platforms to share information, communicate, and conduct business transactions with other MSMEs (Soegoto, et al., 2020). Although collaboration between MSMEs can be an effective strategy to improve business performance, several problems may be faced in its implementation, namely lack of awareness and understanding of collaboration, mismatch of vision and goals, trust and confidentiality problems, difficulties in managing roles and responsibilities, challenges in coordination and communication (Budiman, 2023). With this problem, collaboration does not run smoothly which will certainly have an impact on the performance of MSMEs. So this study aims to know and explain strategies to improve MSME performance with collaboration.

## 2. Literature Review

### 2.1. MSME Performance

The performance of MSMEs, or Micro, Small, and Medium Enterprises, is a measure of how well MSMEs perform in running operations and achieving their business goals (Purwanto et al., 2022). The performance of MSMEs can be measured by various metrics, including revenue, sales growth, profitability, market share, and sustainability level (Jena, et al., 2018). The performance of MSMEs can be influenced by the quality of management which includes planning, organizing, directing, and controlling business (Subagyo & Ernestivita, 2020). Effective management can

help MSMEs optimize available resources and make the right strategic decisions. The availability and management of financial resources are important factors in determining the performance of MSMEs (Ratnawati, 2020). The ability of MSMEs to manage cash flow, obtain sufficient funds, and manage debt can affect their ability to develop their business. MSMEs that can innovate have greater opportunities to grow and develop (Salim, et al., 2020). Innovation can include the development of new products, the improvement of production processes, or the application of new technologies. Innovation can also help MSMEs differentiate themselves from competitors and meet evolving market needs (Farida & Setiawan, 2022). An effective marketing strategy can help MSMEs attract customers and increase sales (Adiningrat, et al., 2023). Marketing includes activities such as branding, promotion, distribution, and pricing. MSMEs need to understand their target market and develop appropriate strategies to achieve sales goals. It is important to note that the performance of MSMEs can vary significantly depending on the industry, location, company size, and other factors (Junaidi, et al., 2023). Successful MSMEs usually have good management, sound finances, innovation capabilities, and effective marketing strategies, and can adapt to the ever-changing business environment (Suparlinah, 2019).

## **2.2. MSME Collaboration Strategy**

MSME performance strategies can include a variety of approaches and actions aimed at improving operational results and achieving business goals (Gangata et al., 2024). MSMEs need to have a clear and structured business plan (Sudrajat, et al., 2023). This includes setting short-term and long-term goals, as well as formulating strategies to achieve these goals. Good planning helps MSMEs identify opportunities, overcome challenges, and prioritize their resources (Vedhathiri, 2020). Effective financial management is very important for the performance of MSMEs. MSMEs need to budget well, manage cash flow, monitor costs, and manage debt wisely (Pahlevi & Safitri, 2023). A good understanding of business finance helps MSMEs make informed decisions and optimize the use of financial resources. MSMEs need to continuously develop their products or services in order to remain relevant and competitive in the market (Farida & Setiawan, 2022). They can conduct market research to understand customer needs and industry trends, as well as innovate in production processes, product design, or customer experience (Endang Purwaningsih, 2022). Innovation can help MSMEs differentiate themselves from competitors and attract new customers. A good marketing strategy helps MSMEs expand market reach and increase sales (Kirom, et al., 2022). MSMEs can use various marketing methods, such as online marketing, social media, promotion, and partnerships with other parties (Hendra & Hermawan, 2022). MSMEs need to understand their target market and develop relevant and interesting messages for potential customers. MSMEs need to focus on operational efficiency to improve their performance (Cuevas-Vargas et al., 2022). This includes improvement of production processes, effective stock management, use of appropriate technology, and employee training. By optimizing their operations, MSMEs can reduce costs,

## **3. Method, Data, and Analysis**

### **3.1. Types and Objects of Research**

This study uses a quantitative approach with a type of causality associative relationship, which is research that aims to reveal problems that are causal relationships between two or

more variables (Sugiyono, 2019). Research to decipher or explain something as it is is called descriptive research. The purpose of this study is to give a condition or description (Arikunto, 2013). The object of this research is MSME Collaboration (Y) and MSME performance (Y), with the location of the research being on MSMEs in Sukabumi City.

### 3.2. Data Types and Sources

The Strategy to Improve MSME Performance with Collaboration-related questions and questionnaires was distributed, and the results of those efforts served as the major data source for this study. Respondents, specifically MSMEs in the Sukabumi City Area, received the study's primary data.

### 3.3. Population and Sample

The population of this study is food MSMEs in Sukabumi City, as many as 14,128 business actors obtained from web.opendata West Java. Samples were taken using a web raosoft.com sample size calculator with a data accuracy rate of 90% and a margin of error of 10%. So that respondents will be sampled as many as 100 people.

### 3.4. Data Analysis Techniques

Statistical data analysis is carried out in stages, namely first carried out data feasibility tests (validity and reliability tests). The analysis techniques used are simple linear regression and determination coefficient tests.

$$Y = \alpha + bX + e$$

## 4. Result and Discussion

### 4.1. Characteristics of Respondents

The respondents in this study amounted to 100 MSME actors in Sukabumi City. The characteristics of these respondents are based on gender and education, where business actors with the female gender dominate. Education level, and characteristics of MSMEs based on product.

**Table 1.** Characteristics of Respondents

No	Information	Frequency	Percentage
1.	<b>Gender</b>		
	Man	40	40%
	Woman	60	60%
2.	<b>Education Level</b>		
	Junior high school	30	30%
	Senior high school	35	35%
	Diploma III	15	15%
	S1	13	13%
	S2	7	7%
	Sum	100	100%

### 4.2. Validity and Reliability Test Results

To perform the validity test of all variable instruments, strategies, collaborations, and MSME performance. An instrument's validity can be determined by comparison rcount with rcritical. Where if r is calculated above r critical (0.3) then it is declared valid, and if r count is below r critical then it is declared invalid (Sugiyono, 2019).

The Cronbach alpha formula approach is used to conduct reliability tests, and a test is

deemed reliable if its Cronbach alpha value is more than 0.600. According to the study's reliability test results, every variable was deemed reliable (>0.600). It is shown in the following table:

**Table 2.** Validity and Reliability Test

<i>Variables</i>	<i>Indicators</i>	<i>r</i> <i>Count</i>	<i>r Critical</i>	<i>Critical</i> <i>Point</i>	<i>Cronbach's</i> <i>Alpha</i>	<i>Result</i>
<b>Collaboration Strategic</b>	X <sub>1.1</sub>	0,976	0,3	0,600	0,676	<b>Valid &amp; Reliable</b>
	X <sub>1.2</sub>	0,876	0,3			
	X <sub>1.3</sub>	0,888	0,3			
	X <sub>1.4</sub>	0,724	0,3			
<b>MSME Performance</b>	Y1	0,721	0,3	0,600	0,922	<b>Valid &amp; Reliable</b>
	Y2	0,694	0,3			
	Y3	0,731	0,3			
	Y4	0,658	0,3			
	Y5	0,695	0,3			
	Y6	0,748	0,3			
	Y7	0,712	0,3			
	Y8	0,846	0,3			
	Y9	0,764	0,3			

The following is the notation for the outcomes of a basic regression test created for this study:

$$Y = 9.899 + 1.580 X + e$$

Explanation:

Y: MSME Performance X: Collaboration strategy e: epsilon/error

based on multiple linear regression findings, it can be explained that:

A constant value of 9.899 means that if the collaboration strategy (X) and MSME performance (Y) are 0, then the performance of MSMEs is 9.899. The regression coefficient value of the collaboration strategy is 1.580 and is marked positive, which means that the collaboration strategy and the performance of MSMEs are directly proportional, where if the collaboration strategy increases, it will increase the collaboration strategy by 1,580.

#### 4.3. Determination Test

To perform a determination test, a coefficient of determination (R-squared) is usually used which ranges from 0 to 1. R-squared measures the proportion of variation in the dependent variable that can be explained by within the regression model, the independent variable. The regression model's ability to explain variances in the data improves with a larger R-squared value. The following table displays the results of the determination test:

**Table 3.** Determination Test Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.782 <sup>a</sup>	.612	.608	3.50346

a. Predictors: (Constant), Strategic\_Collaboration

The above table explains why the value of the R square coefficient of 0.612 means that collaboration strategies can affect the performance of MSMEs by 61.2%. While 38.8% was influenced by other variables that were not studied such as brand, promotional strategy, and others.

#### 4.4. Discussion

##### Collaboration Strategy on MSME Performance

Considering the outcomes of the statistical test above, research revealed that the p-value of the collaboration strategy was  $0.000 < 0.05$ , this explains that the collaboration strategy has a significant influence on the performance of MSMEs. The value of the coefficient of determination of 0.612 means that the influence of the strength of the collaboration strategy on the performance of MSMEs is 61.2%, while the rest is influenced by other variables. The collaboration strategy is a way to improve the performance of MSMEs. The better the collaboration strategy carried out, the performance of MSMEs will increase.

#### 5. Conclusion and Suggestion

The statistical test analysis results indicate that the MSME Collaboration and Performance Strategy has a positive and significant influence on improving MSME performance. Where the influence of collaboration strategies is 61.2% on the performance of MSMEs, while 38.8% is impacted by additional factors that have not been researched. It is anticipated that the findings of this study will benefit academia, and business actors who are used as research sites and can help scholars contribute to and broaden their understanding. It is anticipated that the field of education will be impacted by this research, and the Office of Cooperatives, Micro Enterprises, Industry and Trade of Sukabumi City as recommendations in policy making and decisions to further improve the performance of MSMEs. It is intended that this study will serve as a resource for future studies on MSME Collaboration and Performance Strategies. As well as suggestions for future research to involve many business actors not only in Sukabumi City but also involving business actors in regencies and cities in West Java, to increase respondents, and incorporate other techniques to reinforce quantitative data obtained via questionnaire distribution.

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