

Competitiveness and Performance Reconstruction of MSMEs in Religious Tourism Region in East Java

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ABSTRACT

Purpose: This study examined the effect of local wisdom value and management orientation on competitiveness and performance of MSMEs and the effect of competitiveness on MSMEs' performance.

Design/methodology/approach: Path analysis was employed to analysis data. The population criteria of this research were active MSME actors in December 2017, who actively engaged in the business for 15 years. There were 63 business actors as the sample of this study. The path analysis showed that both local wisdom and management orientation variables had a direct, positive and significant influence on the level of competitiveness and performance of the MSMEs. The competitiveness level had a direct and significant influence on the performance level of MSMEs.

Findings: The research found that (1) the better the local wisdom value was carried out on a structured and periodic basis for MSME business actors, the stronger the level of competitiveness and performance of the MSMEs, and (2) the better the management orientation level, the better the competitiveness and performance level of the MSMEs. Further the competitiveness level was considered as a fundamental key-issue. This study suggests that local wisdoms value shall be considered to enhance the performance for MSMEs business in tourism of East Java.

Paper type: Research paper

Keyword: *Local-Wisdom, Value, Performance, Msmes, Tourism.*

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I. INTRODUCTION

Religious tourism region is one type of tourism region in East Java which has been visited by around 6,998,558 year the potential development of religious tourism should be prospective however the reality story a remedied sluggish (East Java Culture and Tourism Office, 2016). This tourism potential has encouraged the growth and development of micro, small and medium enterprise (MSME) centers, but this condition has not been followed by optimum MSME competitiveness and performance level. Human resources, financing, management, information and business partnership are aspects that become weak points for the management of these MSMEs. In this case, management knowledge is suggested to play an important role in attempt to build a competitive advantage and improve organizational performance (Krishnan & Scullion, 2017). Therefore, management knowledge is needed by the MSME actors to produce competent human resources that are pivotal in building competitive advantage, which results in an optimum level of performance.

Policies which are oriented towards a learning process of an organization may improve the competencies of human resources for MSME actors (Mulolli, Islami, & Skenderi, 2017), while company characteristics also take part in determining the conditions of the workforce and improve human resources in MSME sector (Krishnan & Scullion, 2017). This shows the need for a process to produce competencies in human resources as a source of competitive advantage for MSMEs in order to produce optimum performance level despite being in the midst of global competition which keeps growing overtime. Support for R&D, product design, and capital investment altogether contribute to innovation behavior in improving skills and renewing MSME capabilities (Xiang, Chen,

Tripe, & Zhang, 2019). Meanwhile, the decision to innovate by R&D through the use of information and communication technology (ICT) remains necessary to ensure best service and customer satisfaction (Choi, Thangamani, & Kissock, 2019). Innovation is a strategic step to build competitive advantage, so MSME actors must utilize the availability of advances in ICT to support their business performance. Again, this can be achieved through the use of ICT, R&D and service improvements for customer satisfaction. This effort is certainly able to respond to changes in consumer tastes, anticipate global businesses, and lead to export-oriented businesses so as to increase the business capacity in achieving better performance.

Local wisdom value is potential community resource to encourage the competitiveness level of MSMEs (Cantonnet, Aldasoro, & Iradi, 2019), so there is a need to explore the value of local wisdom that is rooted from local culture ((Felício et al., 2019) that grows and lives in the society. Local wisdom value must be utilized to increase the added economic value of community resources to be better and provide any added value in every business activity of the community, especially in relation to MSME businesses (Trianni, Cagno, Neri, & Howard, 2019). Management orientation is needed to accelerate the transformation process of knowledge ((Choi et al., 2019), but the training program cannot stand alone because it has been proved ineffective in creating an adequate MSME management center model. This can be seen from the managerial role that is still low in the MSME business management.

A management orientation, which leads to the process of acceleration of applicable management implementation, and the optimization of local wisdom value, which leads to the formation of uniqueness points in the MSME sector, can certainly be tools to improve the level of business competitiveness and effective and efficient management of MSMEs. However, the current conditions have not yet reflected any strong and independent level of MSMEs or provided any real contributions to the creation of economic value for the MSME businesses. Therefore, the competitiveness and performance of MSMEs have not yet achieved any optimal results. The design of an integrated and sustainable management training program is suggested to be able to encourage the development of effective MSME governance, so that it is ready to face competition from the ASEAN Economic Community. An attempt of reconstructing is an effort to build and identify the relationship of relevant variables in improving the competitiveness and performance level of MSMEs. Meanwhile, both management orientation and local wisdom value are factors which are expected to be able to reconstruct the competitiveness and performance level of MSMEs to be better and provide sustainable profit.

1. Local wisdom value

Lokal wisdom is a resource that is available in the community and environment where this value is always maintained and provides a unique color in the practice of organizational management or business activities of the community. In essence, management is the process of transforming vision into productive activities that are of real value (Foghani, Mahadi, & Omar, 2017). To achieve the best results, there is a need of MSME actors being knowledgeable about effective and efficient management. MSME actors also need a concept of effective management that is in accordance with their characteristics, but many MSME management teams have not yet optimized the local wisdom value as an added value to their services or products which later influences the performance level to be not optimal.

Developing wisdom values into management aspects is a strategic effort to increase the economic value of community resources into better selling value of products or services than those of the competitors who do not do so. Local wisdom value contains moral and cultural values (Choi, Thangamani, & Kissock, 2019), and if this is able to be packaged into an economic value, it will definitely strengthen the unique competitiveness and function as a differentiating value with other parties. Therefore, local wisdom value that has a dynamic nature must be explored and innovated to be able to provide a differentiating value and unique power for the consumers. Management knowledge has an important meaning to develop any local wisdom value that has the potential to support competitiveness and improve organizational performance (Krishnan & Scullion, 2017), also policies which are oriented towards organizational learning can improve human resource competencies of the MSME actors (Mulolli, Islami, & Skenderi, 2017). Meanwhile, the company characteristics also take part in determining the workforce conditions and improving human resources especially in the MSME sector (Sanchez Badini, Hajjar, & Kozak, 2018).

Human resources as an important pillar in management must be able to implement various policies and strategies in their business as making improvements to the facilities of MSMEs may also result in the improvement of performance achievement (Ndiaye, Abdul Razak, Nagayev, & Ng, 2018). In addition, the success of competitor companies turns out to encourage MSME actors to explore and develop cultural values that grow in the community as a motivational tool to achieve success through a unique niche market (Trianni, Cagno, Neri, & Howard, 2019). Improving the quality of human resources means optimizing management functions for the better (Sanchez Badini, Hajjar, & Kozak, 2018), so that the benefits are reflected on the achievement of good performance, for that reason various strategic steps must be carried out through training, mentoring, motivation, and facility

improvements. This will lead to an increased level of competence so as to encourage optimal performance level of the MSMEs.

2. Management Orientation

Management orientation is the sensitivity level of managers in responding to changes that can affect the use of management tools implemented in the management of their business. Management is a tool to develop the art of managing business to be better prepared to deal with any possible changes (Chang & Cheng, 2019), either due to internal or external factors. The utilization of the management model is no longer negotiable but must have become a necessity as a tool for managing its business activities. A right management orientation will provide a strategic impact for MSME actors; this is precisely the problem for MSMEs (Verdolini, Bak, Ruet, & Venkatachalam, 2018; (Mohamad Radzi et al., 2017). Next, stakeholders who have responsibility for the future sustainability of their business must plan a development strategy that is integrated to the management aspect (Yoshino & Taghizadeh-Hesary, 2019) both in its implementation and other related to management training programs such that the stages of implementing the management model must be integrated in accordance with the objectives planned. This is as an effort to cater customer needs by providing the best value. Innovation and creativity must be continuously carried out in accordance with the management's needs to produce high quality products that meet the consumers' desires that are constantly changing (Mulolli, Islami, & Skenderi, 2017; Lin & Ho, 2019).

Orientation is not the goal but it deals with how to provide management tools (Janasová, Bobáňová, & Strelcová, 2017), so that all business activities that cover all various business functions can be managed in an effective and efficient way (Henriques & Catarino, 2016). Consequently, the management orientation must be in line with the selection of the desired target market so that it can deliver product quality services through presenting the best value and something new for the consumers in an effective and efficient way (Choi, Thangamani, & Kissock, 2019). The quality of a product is the result of an integrated implementation of various strategies, namely the production process, the selection of technology and the use of quality human resources as well. Mohamad Radzi, Mohd Nor, & Mohezar Ali, (2017) develop a measure of product performance into seven criteria that can be used as a basis for strategic planning for manufacturing companies which consist of: performance, features, reliability, durability, conformance, aesthetics and perceived quality, so as to better improve competitiveness and product performance.

3. Competitiveness

Competitiveness is a community and economic resource that can create differentiating values for the organization (Chang & Cheng, 2019). The management is then strongly suggested to explore existing potential sources or create such differentiating values in a sustainable manner so that the competitive advantage can be used to improve the organizational performance (Xiang, Chen, Tripe, & Zhang, 2019). Also, policies which are oriented towards organizational learning can improve the competency of human resources for MSME actors so as to contribute to the development of the competitiveness level (Xiang, Chen, Tripe, & Zhang, 2019). Meanwhile, the company characteristics also determine the workforce conditions (North and Varvakis, 2016) and improve the human resources in the MSME sector (Chang & Cheng, 2019).

Management knowledge can be an inspiration to encourage the availability of competent human resources in constructing competitiveness advantages (North and Varvakis, 2016), so as to leverage the achievement of optimal organizational performance even in the midst of global competition and continue to grow over time. Support for R&D, framework design, and capital investment will encourage innovation behavior in improving skills and renewing MSME competencies (Xiang, Chen, Tripe, & Zhang, 2019). Meanwhile, the decision to innovate R&D through the use of ICT is needed to provide services to customer satisfaction (Foghani, Mahadi, & Omar, 2017; Cantonnet, Aldasoro, & Iradi, 2019). Innovation is a strategic step to create a competitive advantage (Klimczak, Machowiak, Staniec, & Shachmurove, 2017; Felício, Caldeirinha, & Dutra, 2019), thus MSME organizations must take advantage of the advances in ICT to support their performance achievements, through the implementation of ICT, R&D and service improvements for customer satisfaction. Efforts are needed to respond to changes in consumer tastes and preferences, anticipate global business, even to lead to export-oriented businesses so as to increase business capacity in achieving improved performance.

A business that is well managed always regulates its management rhythm by solving the isolation of one management aspect with the others and encourages a strong spirit of independence to stand still in the midst of dynamic business competition. Commitment to management requires the owners' concern to prepare adequate and harmonized resources in an effort to adopt the management functions in attempt to produce quality products that are in compliance with the expectations of the customers. The higher the commitment to the implementation of management functions, the greater the opportunities for innovation and business creativity while, in the same time, supporting the manufacture of quality products. Referring to the opinion stated in Chang & Cheng, 2019; Xiang, Chen, Tripe, & Zhang, 2019; Cantonnet, Aldasoro, & Iradi, 2019; Felício, Caldeirinha, & Dutra, 2019;

Klimczak, Machowiak, Staniec, & Shachmurove, 2017; it can be explained that commitment in adopting a management model requires support of large resources, but is still able to provide strong support for innovation and business creativity, so that it can produce quality products and services in accordance with the ever changing tastes and preferences of the consumers.

4. Performance of MSMEs

Performance of MSMEs is the end result of the management process, is reflected in the various functions of activities that exist within the organization (Ndiaye, Abdul Razak, Nagayev, & Ng, 2018). Performance is not a single result of a process, but an integrated result of all functions within the organization (Trianni, Cagno, Neri, & Howard, 2019). In relation to that, synchronizing functions and building synergies between functions is a wise step to build a superior performance in the organization (Olejnik, 2014). Competitiveness, local wisdom value, and implementation of various management tools are potential sources to make the performance of an organization to be superior, therefore the management must develop and maintain the value of these resources as a lever of the added value on the products or services as well as innovate to maintain the sustainability of various organizational values provide superior value that exceeds what the competitors offer (Lin & Ho, 2019).

Building the performance of MSMEs is not just to achieve high sales results. It is more than just achieving sales targets, namely by continuing to build and maintain the trust value of its customers (Trianni, Cagno, Neri, & Howard, 2019). Building a creative culture within an organization is a big investment, especially in providing conceptual resources that can later be used to manage other physical resources. Creative culture is a source of innovation for organizations hence innovation (Sanchez Badini, Hajjar, & Kozak, 2018) should not stop at one point of success, but to be continued on an ongoing basis. This is because innovation is the key answer to changes in consumer tastes (Xiang, Chen, Tripe, & Zhang, 2019), so that the performance of MSMEs can be maintained and even improved. Nevertheless, this is a big task in developing MSME management in East Java. Therefore, the competitiveness and performance reconstruction of MSMEs must be completed through a strategy to optimize various local wisdom value and a response to management orientation, namely the utilization of changes in management models for dynamic and innovative business management.

Referring to the theoretical and empirical studies above, the following hypotheses are formulated:

- H1: Local wisdom value has a direct and significant effect on the competitiveness of MSMEs
- H2: Local wisdom value has a direct and significant effect on the performance of MSMEs
- H3: Management orientation has a direct and significant effect on the competitiveness of MSMEs
- H4: Management orientation has a direct and significant effect on the performance of MSMEs
- H5: Competitiveness has a direct and significant effect on the performance of MSMEs

II. METHODS

The population of the study included all MSME actors who joined in the business community of MSME center in religious tourism regions in East Java, and had been recorded to be active at least 15 consecutive years until April 2017, and whose businesses were managed with a simple management pattern. The population in this study was finite, because the number of members who met the criteria of the population was relatively small (63 MSMEs). Consequently, this study included all the members of the population as the research sample; therefore this study used the census (complete enumeration).

A. Model of Analysis

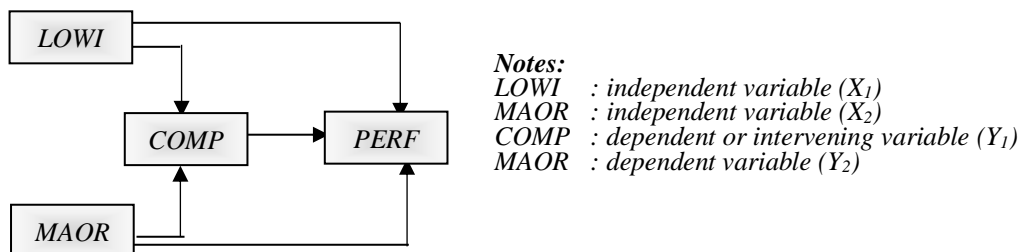


Figure 1: Model Analysis

B. The Operasional Variables

Table 1. The Operasional Variables

<i>No</i>	<i>Variable</i>	<i>Definition</i>	<i>Indicators</i>
1	<i>Local wisdom values</i> <i>(LOWI)</i>	<i>ethical norms and values derived from culture, habits, and behaviors in society</i>	<i>religious values</i> <i>cultural values</i> <i>behavioral values</i> <i>natural and social values</i>
2	<i>Management orientation</i> <i>(MAOR)</i>	<i>the readiness level of MSME actors in the implementation process of management aspects to manage their business activities</i>	<i>commitment to change</i> <i>swiftness in acquiring management aspects</i> <i>swiftness in implementing management aspects</i> <i>readiness to accept mentoring programs</i> <i>ability to develop management models</i>
3	<i>Competitiveness</i> <i>(COMP)</i>	<i>represents the community and economic resources that are able to provide added economic value to the community in producing optimal products or services to the buyers and become differentiating values compared to others</i>	<i>differentiating value</i> <i>scarcity</i> <i>difficulty to imitate</i> <i>sustainability.</i>
4	<i>MSMEs performance</i> <i>(PERF)</i>	<i>the level of development of MSME business activities in a certain period of time</i>	<i>sales growth</i> <i>sales growth compared to the previous period</i> <i>sales growth compared to other business actors</i> <i>sales growth trend within the last three years</i> <i>profit growth within the last three years</i>

The four variables were measured according to the concept developed by Choi, Thangamani, & Kissock, 2019; Xiang, Chen, Tripe, & Zhang, 2019; Sanchez Badini, Hajar, & Kozak, 2018; Trianni, Cagno, Neri, & Howard, 2019; Ndiaye, Abdul Razak, Nagayev, & Ng, 2018; Chang & Cheng, 2019; Cantonnet, Aldasoro, & Iradi, 2019; Felício, Caldeirinha, & Dutra, 2019; Lin & Ho, 2019.

Providing values on each of the variables is completed using Likert scale measurement in determining the score; regarding this, the measurement results are then in the form of interval scale. The size of all these variables is based on the respondents' responses to a series of items that use a five-point scale.

C. Research Instrumen

The main research instrument used in this study was a questionnaire sent to the MSME actors in different MSME centers across various religious tourism areas in East Java. The questionnaire was first tested to ensure the validity and reliability level, because the questionnaire was developed from a theoretical concept called a variable. The validity test used in this study was the Pearson Product-Moment correlation coefficient with the correlated item value was greater than 0,3, while the reliability test used was Cronbach's Alpha with value was greater than 0,60.

III. RESULTS AND DISCUSSION

A. Results

1. Validity and Reliability

Table 2: Validity and Reliability Test Results of the Research Instruments

<i>Variable</i>	<i>Coorelation Coefficien</i>	<i>Cronbach,s Alpha</i>	<i>Description</i>
<i>Management orientation</i>	<i>0.4632 - 0.7843</i>	<i>0.8156</i>	<i>valid & reliable</i>
<i>Competitiveness</i>	<i>0.4214 - 0.6642</i>	<i>0.8336</i>	<i>valid & reliable</i>
<i>MSMEs performance</i>	<i>0.4724 – 08174</i>	<i>0.8383</i>	<i>valid & reliable</i>

As can be seen in Table 1, it is shown that the correlation coefficient for all the variables has a r-count value between 0.3723 and 0.8174, where all the four variables have positive r-count values greater than 0.30. The table above also shows that the value of Cronbach's Alpha for the four variables has a value greater than 0.60. Thus, the results of the correlation coefficient and Cronbach's Alpha show that the research instruments used for collecting the research data were valid and reliable.

2. Path Analysis

The test results of linearity assumptions refer to the parsimony concept, that is, if all the models used as the basis of testing are proved to be significant or non-significant, the model is said to be linear or the linear function is said to be significant. The main analysis of this study is show in the following tables.

Table 3: Test of Linearity Assumptions

<i>Independent variable</i>	<i>Dependent variabel</i>	<i>Test result (α = 0.05)</i>
<i>Local wisdom values</i>	<i>Competitiveness</i>	<i>the model was significantly linier</i>
<i>Management orientation</i>	<i>Competitiveness</i>	<i>the model was significantly linier</i>
<i>Local wisdom value</i>	<i>MSMEs performance</i>	<i>the model was significantly linier</i>
<i>Management orientation</i>	<i>MSMEs performance</i>	<i>the model was significantly linier</i>
<i>Competitiveness</i>	<i>MSMEs performance</i>	<i>the model was significantly linier</i>

From Table 3, it is shown that all of the influence relationships between each of the variables in the structural model are linear. Thus, the assumption of linearity in the path analysis is said to be fulfilled and, therefore the model can be continued in order to explain a relationship between the variables built into the model.

3. Structural Model

The path analysis was completed using a standardized model. The results of the direct path coefficient testing results are presented in Table 4.

Table 4: The Summary Of Regression

<i>Independent variable</i>	<i>Dependent variabel</i>	<i>Standardized coefficient</i>	<i>Sig. (0.05)</i>
<i>Local wisdom values</i>	<i>Competitiveness</i>	<i>0.415</i>	<i>0.021</i>
<i>Management orientation</i>	<i>Competitiveness</i>	<i>0.273</i>	<i>0.043</i>
<i>Local wisdom value</i>	<i>MSMEs performance</i>	<i>0.383</i>	<i>0.026</i>
<i>Management orientation</i>	<i>MSMEs performance</i>	<i>0.376</i>	<i>0.033</i>
<i>Competitiveness</i>	<i>MSMEs performance</i>	<i>0.386</i>	<i>0.045</i>

Table 5: Indirect Effect Path Coefficient

<i>Independent variable</i>	<i>Intervening variable</i>	<i>Dependent variabel</i>	<i>Standardized coefficient</i>
<i>Local wisdom values</i>	<i>Competitiveness</i>	<i>MSMEs performance</i>	<i>0.160 (sig. $\alpha = 0.05$)</i>
<i>Management orientation</i>	<i>Competitiveness</i>	<i>MSMEs performance</i>	<i>0,105 (sig. $\alpha = 0.05$)</i>

B. Discussion

1. Influence of Local Wisdom Values on Competitiveness

The results show that the local wisdom value has not been properly implemented by the MSME actors to manage their business activities. This is due to the low level of management commitment, so that the management model selected by the MSME actors still does not have any standard pattern, even the management pattern tends to be unclear. So far, the administration of various trainings has not been able to attract the interest of the MSME actors to consider the aspect of management in managing their business activities. Ideally, this should have received serious attention from all the stakeholders through integrated preparation and applicable programs which are in compliance with the characteristics of their MSME businesses. Management orientation is a manifestation of interest from MSME actors to be actively committed to adopt management patterns and implement them to manage their business. Therefore, the future trainings addressing this issue must be able to encourage the management orientation of the MSME actors to be better, with the kind of training models that are in line with their needs.

This study finds that (1) there is a direct, positive and significant influence of local wisdom value on MSME competitiveness; (2) there is an indirect, positive and significant influence of local wisdom value on the performance of MSMEs through competitiveness.

2. Influence of Wisdom Values on MSME Performance

The results of the study show that local wisdom value for the MSME actors to achieve a better level of livelihood is a motivation to achieve the best business results. This can affect the MSME actors to manage their businesses more effectively and efficiently by using available managerial models. A stronger impetus certainly

affects the management orientation to be implemented in managing the business, because there is a linear relationship between strong entrepreneurial spirit and management orientation desired by the MSME actors. Thus far, the high level of entrepreneurial value of the MSME actors has indeed arisen. This is because some of the actors' enthusiasm to continue to exist in maintaining their family life after experiencing layoffs during the economic crisis in 1998 and this continues until now. Entrepreneurship is prerequisite to be a successful business person, but relying solely on business instincts also carries big risks. This refers to the phenomenon that business is always in an ever-changing environment and only those who are ready to face changes that will persist. Therefore, a better and more directed management orientation of MSME actors will guide them to identify good solutions in the face of any changes that occur.

This study finds that: (1) there is a direct and significant influence of local wisdom value on the performance of MSMEs; (2) there is an indirect, positive and significant effect of local wisdom value on the performance of MSMEs through competitiveness.

3. Influence of Management Orientation on Competitiveness

The results of the study indicate that management orientation implemented in all aspects of management has not been used to manage its business activities in a comprehensive and consistent manner, but the results of the training have had a positive impact on the growth of MSME business. The business growth that occurs is inseparable from the natural capabilities possessed by the MSME actors. Therefore, it is necessary to develop a type of management that meets each of the MSME actors' needs. The implementation of the training results in all aspects of management greatly helps all the MSME actors to manage their business activities for the better because all of the business activities can run effectively and efficiently. Training will be effective if the management aspect training is followed up with a two-year mentoring program; this includes mentoring for the implementation of the training materials, mentoring in training monitoring and mentoring on the training results. The results of training on management aspects that have a positive impact on the business performance of MSMEs must be followed up with management development programs, so that the MSME actors are able to adapt to a single development that occurs in the future and provide the best management solutions.

This study finds that: (1) there is a direct, positive and significant influence of management orientation on competitiveness; and (2) there is an indirect, positive and significant influence of management orientation on the performance of MSMEs through competitiveness.

4. Influence of Management Orientation on MSME Performance

The results of this study indicate that strong management orientation will have an impact on better business growth. This is influenced by the independent spirit of MSME actors to be able to identify their own identity as reliable business actors who are ready to face all kinds of risks that might occur. Therefore, the desire to grow to achieve success in business is able to deliver the MSME actors to be more enthusiastic in realizing their dreams. The business growth currently achieved has not shown optimal results, because what is currently achieved has not yet implemented any management aspects in a proper and right way. There are still opportunities to achieve better growth in the future when this strong entrepreneurial spirit is supported by an effective use of management for their business. Entrepreneurship is able to encourage MSME players to improve their management orientation by adopting a management model and trying to implement it in all management aspects in managing their business. Later, this gives a positive value to a better business performance and will encourage business growth to be even greater.

This study finds that: (1) there is a direct, positive and significant influence of management orientation on the performance of MSMEs; (2) there is an indirect, positive and significant influence of management orientation on the performance of MSMEs through competitiveness.

5. The Effect of Competitiveness on the Performance of MSMEs

The results showed that true competitiveness can guide the MSME actors to manage their business well. This represents an idea that management orientation will direct MSME actors to have a professional attitude in choosing their business strategies, because the phenomenon of change that can be present at any time which will certainly threaten business sustainability. Commitment to change shows that MSME actors are ready to anticipate it by developing an effective management model for their business activities. Change is something certain, but MSME actors must have prepared a strategy to deal with any changes that can affect their business activities. The selection of a management model will determine how to do business for these MSME actors and will definitely also affect the results achieved. Therefore, management orientation is a factor that greatly determines the future of the MSME actors themselves. An important thing in the management model is how MSME actors are able to innovate and create ideas in mastering the training material that will be implemented in managing their business. This deals with various aspects related to their activities. A mentoring program is an important element in management orientation. In its efforts, the training results are expected to provide optimal value. Then, all the

training materials obtained must be developed according to the business characteristics and actually implemented to manage the business. Therefore, the mentoring program will provide benefits during the development process of training materials. Then, good corporate governance will be created and will have an impact on the business performance and will further affect business growth better. The competitiveness and the performance MSMEs of this study is show in the following figure.

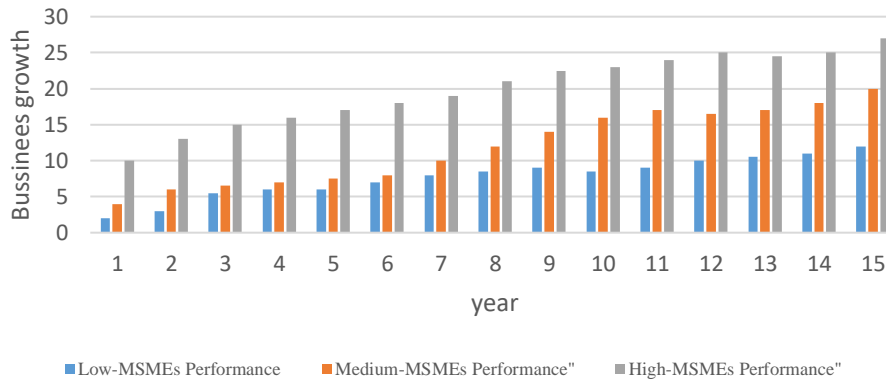


Figure 3: The Performance MSME.s

IV. CONCLUSION

Local wisdom value has a direct, positive and significant influence on the competitiveness of MSMEs. Hypothesis 1 which states that local wisdom value has a significant effect on competitiveness is then accepted. Therefore, the better the business adopts local wisdom value is considered by MSME actors, the more effective the competitiveness level.

Local wisdom value has a direct, positive and significant influence on the performance of MSMEs. Hypothesis 2 which states that local wisdom value has a significant effect on the performance of MSMEs is then accepted. Therefore, the better the business adopts local wisdom value is considered by MSME actors, the higher the MSMEs' performance.

Management orientation has a direct, positive and significant effect on the competitiveness level of MSMEs. Hypothesis 3 which states that management orientation has a significant effect on competitiveness is then accepted. Therefore, the more management orientation responses are followed by the MSME actors, the more effective competitiveness will be.

Management orientation has a direct, positive and significant influence on the performance of MSMEs. Hypothesis 4 which states that management orientation has a significant effect on the performance of MSMEs is then accepted. Therefore, the more management orientation responses are followed by the MSME actors, the better the performance of the MSMEs.

Competitiveness has a direct, positive and significant effect on the performance of MSMEs. Hypothesis 5 which states that competitiveness has a significant effect on the performance of MSMEs is then accepted. The stronger the competitiveness levels of the MSME actors, the better the performance of the MSMEs

A. Implications

Based on the above conclusions of the research results, the implications can be stated as follows: Equipping local wisdom value to MSME business is an effort to develop the identity of MSMEs. MSME actors must carefully select any local wisdom value that is in line with the needs of management aspects, so that competitiveness management becomes better and business performance develops greater.

Management orientation is the behavior of MSME actors related to their responsiveness towards anticipating changes in the business environment. The changes include those in the management model that will be used to manage their business and face dynamic business competitions.

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