



## The Impact of Supply Chain Management on Competitive Advantage of Handicraft SMEs in Bandar Lampung

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### ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in economic growth, particularly in the era of the ASEAN Economic Community (AEC), which demands higher global competitiveness. This study evaluates the impact of Supply Chain Management (SCM) practices on competitive advantage and organizational performance among handicraft MSMEs in Bandar Lampung City. Data were obtained from 55 MSME members registered with the Bandar Lampung Cooperative and MSME Office through a closed-ended questionnaire using a Likert scale of 1-5. The data were then analyzed using Structural Equation Modeling-Partial Least Square (SEM-PLS) with SmartPLS 3. The results indicate a significant positive impact of SCM practices on organizational performance, SCM practices on competitive advantage, and competitive advantage on organizational performance. Thus, effective supply chain management practices can enhance the competitive advantage and organizational performance of MSMEs, strengthening their position in global competition.

**Keywords:** *Supply Chain Management Practices, Competitive Advantage, Organizational Performance, Micro Small and Medium Enterprises.*



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## INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a leading driving force in economic development (World Bank, 2005). MSMEs play a significant role in the economy due to their substantial contribution to employment. In 2005, MSMEs in Indonesia employed 77,678,498 people, accounting for 96.77% of the total workforce employed by small, medium, and large enterprises (Susilo, 2007). Considering the number of business units and the workforce they absorb, MSMEs can be seen as having a greater impact compared to larger enterprises (Susilo, 2010).

In the year 2018, to win the competition between companies or business units globally, it is essential to possess a strong competitive advantage. This enables companies to achieve high competitiveness and superiority over other firms or business units. With a robust competitive advantage, companies are expected to sustain and grow in the global competitive market. Moreover, as Indonesia participates in the ASEAN Economic Community (AEC), commonly known as the ASEAN Economic Community (MEA), it joins the efforts of ASEAN countries to create an open market and a production-based community. This program aims to facilitate the free movement of goods, services, investments, capital, and labor among ASEAN members. Such an initiative is anticipated to enhance economic stability, prosperity, and competitiveness within the ASEAN region.

To harness these opportunities, the greatest challenge facing MSMEs in confronting the ASEAN Economic Community (MEA) is determining strategies to secure competitive advantage. Certainly, to prevail in the global economic competition, each MSME must devise its optimal strategy to outperform other companies within the ASEAN region. Various strategies can be implemented by a company to achieve superior competitiveness in global competition. Since 1990, competitive strategy has been recognized as obtaining the right products and services, at the right time and place, at the lowest cost possible. However, companies are now increasingly aware that this alone is insufficient to enhance efficiency within a company; rather, their entire supply chain system must be made more competitive.

However, considering the economic growth conditions in Lampung Province, MSMEs in Bandar Lampung city are still not performing as well compared to other regions. This is evident from data showing that the economic growth rate in Bandar Lampung city remains relatively less competitive compared to other areas, even within the same province. The competitiveness of Semarang city compared to several other regions is also somewhat lacking, as indicated by its Gross Regional Domestic Product (GRDP) and its performance in the wholesale and retail trade sector, which still lags behind other cities. This serves as an indication that MSMEs in Bandar Lampung city exhibit relatively lower competitiveness.

The Council of Logistics Management (CLM) has defined Supply Chain Management (SCM) as the system and strategic coordination of traditional business functions, encompassing tactics across an entire organization and all businesses within the supply chain to enhance long-term organizational performance and the overall supply chain (CLM, 2000). SCM, or supply chain management, has been explicitly defined to



recognize the strategic nature of partner or trading partner coordination and to elucidate the dual objectives of SCM: enhancing organizational or company performance and improving overall supply chain performance (Li et al., 2006).

The Council of Logistics Management (CLM) defines Supply Chain Management (SCM) as the strategic coordination of traditional business functions within an organization and across the entire supply chain to improve the long-term performance of individual organizations and the overall supply chain (CLM, 2000). SCM explicitly acknowledges the strategic nature of coordinating between partners or trading counterparts and aims to achieve two-fold objectives: enhancing the performance of an organization or company and improving the overall performance of the supply chain (Li et al., 2006).

Numerous previous studies have examined organizational or corporate strategies aimed at continually developing and enhancing their competitiveness to excel in the global market competition. Competitive advantage entails an organization's ability to establish a distinctive foundation that sets it apart from its competitors. Research by Nordin (2008) suggests that competitive advantage hinges on competitive pricing, offering diverse and extensive product lines, and fostering strong customer relationships. Similarly, Sakas et al. (2014) argue that enhancing competitive advantage requires effective support for both internal functions and information exchange with supply chain partners. Furthermore, findings from Handoko et al. (2015) indicate that SCM practices positively impact competitive advantage. Moreover, Jones (1998) supports the notion that many organizations now recognize SCM as pivotal in building sustainable competitive advantage for their products and/or services in increasingly crowded and competitive markets. Collectively, these studies illustrate a relationship between supply chain management practices and the competitive advantage of an organization or company.

However, despite numerous studies focusing on supply chain management, many have predominantly examined either the upstream or downstream aspects of the supply chain, or solely from a supply chain management perspective. Various topics such as supplier selection, supplier involvement (Hartley et al., 1996), supplier management orientation, and buyer performance (Shin et al., 2000), among others, have been explored primarily from the supplier's standpoint. However, recent studies have begun to address both upstream and downstream sides of the supply chain simultaneously. Tan et al. (1998) explored the relationship between supply chain management practices and customer relationship practices on organizational performance. Additionally, Frohlich and Westbrook (2001) investigated the effects of supplier-customer integration on organizational performance. Another study by R. Alfalla-Luque et al. (2012) examined the direct and mediated impacts of employee commitment and supply chain integration on organizational performance. Furthermore, P. Lii and Fang-I Kuo (2015) researched innovation-oriented supply chain integration to combine excellence with company performance.



From all these studies, it is evident that there is a relationship between supply chain management practices, competitive advantage, and organizational performance, where enhancing competitive advantage can positively impact organizational performance. This principle can also be applied by MSMEs in facing the economic upheavals brought by the ASEAN Economic Community (MEA). Several MSMEs have integrated supply chain management practices into their operational development, such as engaging suppliers as working partners in raw material procurement, maintaining good relationships with consumers to ensure satisfaction, managing information related to product development for both suppliers and consumers, and adopting competitive strategies to meet operational quality standards and provide product quality assurance that aligns with market demands (Prasetyo, 2016).

In this study, SCM practices are proposed as a multi-dimensional concept, encompassing both upstream and downstream aspects of the supply chain, and empirically tested using data collected from questionnaire respondents through direct surveys. Structural Equation Modeling (SEM) was employed to test hypotheses regarding the relationships between SCM practices, Competitive Advantage, and Organizational Performance. The aim of this research is to enhance understanding of the scope and activities related to SCM by concurrently considering practices from both upstream and downstream sides of the supply chain. This approach enables researchers to validate previous studies and the implications of SCM practices. Furthermore, the study provides recommendations for MSMEs in facing the ASEAN Economic Community (MEA) to improve their competitiveness through effective supply chain management practices.

Many previous studies have examined the influence of supply chain management practices on competitive advantage and organizational performance. There is a substantial body of research exploring the impact of supply chain management practices on competitive advantage and organizational performance separately, as well as their mutual relationship. This indicates a clear association between supply chain management practices, competitive advantage, and organizational performance, where enhancing competitiveness can positively impact organizational performance. This principle is applicable to MSMEs facing economic disruptions such as those brought by the ASEAN Economic Community (MEA). Therefore, this study aims to investigate how the implementation of supply chain management practices in MSMEs influences competitive advantage and organizational performance when examined simultaneously. The research focuses specifically on Handicraft MSMEs in Bandar Lampung City, chosen due to their relatively longer supply chains compared to other MSME categories.

The objectives of this study are as follows: (1) to examine the relationship between supply chain management practices and organizational performance in Handicraft MSMEs, (2) to analyze the relationship between supply chain management practices and competitive advantage in Handicraft MSMEs, (3) to investigate the relationship between competitive advantage and organizational performance in Handicraft MSMEs, and (4) to provide recommendations and advice to Handicraft



MSMEs in Bandar Lampung City on enhancing competitiveness in facing the 2017 ASEAN Economic Community (MEA) based on supply chain management practices.

## LITERATURE REVIEW

### ASEAN Economic Community (MEA)

In their work titled "Enhancing MSMEs' Viability through Comparative Advantage in Preparing for the 2015 ASEAN Economic Community in Temanggung" (Ana and Imam, 2013), the authors discuss the ASEAN Economic Community (AEC), which was initiated during the 9th ASEAN Summit in Bali in 2003, known as the Bali Concord II. This community was formed in response to the Southeast Asian economic crisis of 1997 by ASEAN Heads of State. The AEC aims to establish a stable and prosperous region with high competitiveness, balanced economic growth, and reduced poverty and socioeconomic disparities. Additionally, Bali Concord II also established ASEAN communities in Political-Security and Socio-Cultural domains.

To achieve the ASEAN Economic Community (AEC) by 2015, as agreed upon in the Bali Concord II, the ASEAN Economic Community Blueprint (AEC Blueprint) was designed as a guideline for ASEAN member states. The AEC Blueprint sets out four main pillars: (1) ASEAN as a single market and production base supported by free flow of goods, services, investment, skilled labor, and freer flow of capital; (2) ASEAN as a region of high competitiveness, including competition policy, consumer protection, intellectual property rights, infrastructure development, taxation, and e-commerce; (3) ASEAN as a region with equitable economic development, including the development of small and medium enterprises and ASEAN integration for CLMV countries (Cambodia, Laos, Myanmar, and Vietnam); and (4) ASEAN as a region fully integrated into the global economy, with a coherent approach to external economic relations and increased participation in global production networks.

Following the drafting of the AEC Blueprint, the Roadmap for an ASEAN Community (2009-2015) was ratified at the 14th ASEAN Summit in Hua Hin, Thailand. The forthcoming implementation of the MEA or AEC in 2015 will create a new framework for the distribution of production outputs and economic factors within ASEAN.

### Definition of MSMEs

Small and medium enterprises (SMEs) encompass distinct definitions. Small enterprises are economic activities of the people that operate on a small scale and meet criteria for net worth or annual sales, as well as ownership as regulated under Law No. 9 of 1995. Meanwhile, medium and large enterprises are economic activities with net worth or annual sales exceeding those of small enterprises. According to Presidential Decree No. 99 of 1998, small enterprises are defined as: "Economic activities of the people operating on a small scale, predominantly engaged in small-scale enterprises, and requiring protection against unfair business competition." Experience in developed countries shows that SMEs are sources of production and technological innovation, fostering creative entrepreneurship, skilled labor creation, and production process flexibility to adapt to rapid market demand changes. Small industries are more efficient



than large industries in meeting fast-paced market demands. The capabilities of these small industries are heavily influenced by factors such as human resources, technological mastery, access to information, and input and output markets (Tambunan, 2002).

### **Supply Chain Management (SCM)**

Supply Chain Management is a set of approaches aimed at efficiently integrating suppliers, manufacturing, warehouses, and storage facilities to produce and distribute goods in the right quantity, at the right location, and at the right time, thereby minimizing costs and ensuring customer satisfaction (Simchi-Levi, as cited in Denitha, 2016). Supply Chain Management (SCM) involves integrating procurement activities for materials and services, transforming them into semi-finished and finished products, and delivering them to customers (Heizer & Render, 2008). Simchi-Levi et al. (2003) describe supply chain management as an approach applied to efficiently unite suppliers, manufacturers, warehouses, and other storage locations (distributors, retailers, and wholesalers), ensuring products are produced and distributed with the right quantity, location, and timing to reduce costs and meet customer needs. This definition is based on several factors: (1) SCM must consider that all activities from suppliers, manufacturers, warehouses, distributors, retailers, to wholesalers impact the cost of products produced to meet customer needs. (2) The goal of SCM is to make the total cost of all parts, from transportation and distribution of raw materials, work-in-progress, and finished goods, more effective and efficient, thereby reducing costs. (3) SCM revolves around the efficient integration of suppliers, manufacturers, warehouses, distributors, retailers, and wholesalers, covering all company activities from strategic to operational tactical levels. In the supply chain, there are usually three types of flows that need to be managed: (a) Material flow, flowing from upstream to downstream. (b) Financial flow, flowing from downstream to upstream. (c) Information flow, flowing from upstream to downstream or vice versa.

According to Cahyono (2010), the competitive advantage of supply chain management lies in how it manages the flow of goods or products within a supply chain, or in other words, how the production and distribution network of a company can collaborate to meet consumer demands. The main objective of SCM is timely delivery or shipment of products to satisfy customers, reduce costs, enhance overall supply chain performance, and streamline planning and distribution activities.

According to Pujawan (2005), strategic objectives of supply chain management must be achieved to make the supply chain competitive or at least sustainable in the market competition. To win in the market competition, the supply chain must be able to provide products that are: (1) Affordable, (2) High quality, (3) Timely, and (4) Diverse.

### **Competitive Advantage**

Porter (2006) states that "competition is at the heart of success or failure for a company. This means that failure depends on the company's willingness to compete, and success cannot be achieved without it." Competition determines the effectiveness of company activities that can support its performance, such as innovation, cohesive



culture, or effective implementation. Competitive strategy is the pursuit of a favorable competitive position within an industry, which are the fundamental areas where competition occurs. The goal of competitive strategy is to establish a sustainable and advantageous position that can be maintained against competitive forces in the industry (Denitha, 2016).

According to Goyal (2001), competitive advantage is the ability of a company to achieve economic profits above those achievable by competitors in the same industry market. Companies with competitive advantage consistently possess the ability to understand changes in market structure and select effective marketing strategies. Competitive strategies are intended to sustain profit levels and enduring positions in the face of competition.

Competitive advantage is defined as "an organization's ability to create a defensive position against competitors" (Li et al., 2006). It involves capabilities that enable an organization to differentiate itself from competitors and results from critical management decisions (Li et al., 2006). Competitive advantage stems from the value a company can create for customers or buyers. Li et al. (2006) use dimensions such as delivery dependability, product innovation, and time to market in their research to measure competitive advantage.

a. Delivery dependability

The interdependence among partners in the supply chain network enhances the reliability of delivering products and services from upstream to downstream. Interdependency in delivery also strengthens long-term mutually beneficial relationships, ensuring product availability and timely delivery.

b. Product innovation

According to Amabile (1996), innovation is a broader concept that involves the application of new ideas, products, or processes. Innovation results from creative ideas within a company. Therefore, companies are expected to generate new thoughts to address competition and meet various customer demands. Effective strategies for new product development or product innovation often determine the success and sustainability of a company. Developing new products requires effort, time, and capability, alongside significant risks and costs of failure. However, successful product innovation that penetrates new market segments represents a significant advantage for the company.

c. Time to market

Time to market is the extent to which an organization can introduce or launch new products faster than its competitors (Vessey, 1991). This dimension is considered critical in achieving competitive advantage (Holweg, 2005). When a company can launch its new products faster than its competitors, it enables them to capture market share ahead of others and lead the market, ultimately resulting in higher profits.

### **Company Performance**

Company performance is a comprehensive reflection of the company's state over a specific period, indicating achievements influenced by operational activities leveraging



available resources (Denitha, 2016). The term performance generally refers to all or some actions or activities of an organization within a period, referencing standards such as past or projected costs, focusing on efficiency, management accountability, and other aspects (Srimindarti, 2004).

Performance encompasses the demonstrated capability through work results. Goyal (2001) defines performance as "Performance is: (1) the process or manner of performing, (2) a notable action or achievement, (3) the performing of a play or other entertainment." Company performance is the result achieved by a company within a specified period, referring to established standards. Company performance should be measurable and reflect the empirical condition of the company across agreed dimensions. Business performance refers to how well the company is oriented towards the market and achieves financial objectives.

According to Simanjuntak (2005), performance is the level of achievement of results from the execution of specific tasks towards achieving the goals, objectives, mission, and vision of an organization, as well as the level of achievement of results in achieving company goals. Based on the above explanation, performance describes the achievement of specific work to achieve company goals measured by standards, with company performance evaluation aimed at assessing operational effectiveness.

#### **Partial Least Square**

Partial Least Squares (PLS) is a regression-based method introduced by Herman O.A. Wold for constructing and developing models and methodologies in the social sciences with a focus on predictive capabilities. PLS operates under the assumption that research data are distribution-free, meaning they are not bound to specific distributions (such as the normal distribution). PLS serves as an alternative to Structural Equation Modeling (SEM) and is particularly useful for addressing complex relationships among variables when sample sizes are small (30 to 100), compared to SEM, which typically requires a minimum sample size of 100 (Hair et al., 2010).

PLS is utilized to analyze the intricate relationships between constructs and their respective indicators. It is characterized by two models: the inner model, which defines inter-construct relationships, and the outer model, which specifies relationships between constructs and their indicators. Constructs are categorized into exogenous and endogenous types. Exogenous constructs are causal factors independent of other constructs, influencing other constructs, while endogenous constructs are influenced by exogenous ones.

PLS accommodates reflective and formative models of relationships between constructs and indicators, whereas SEM exclusively handles reflective relationship models (Ghozali, 2006). Evaluation of the PLS model is divided into two evaluations as follows:

- a. Evaluation of the outer model (measurement model) involves assessing outer loading values (considered valid when outer loading  $> 0.5$ , ideally  $> 0.7$ ), average variance extracted (AVE) which is considered valid when  $> 0.5$ , and composite reliability (CR) which is considered reliable when  $> 0.8$ .



- b. Evaluation of the inner model (structural model) involves assessing latent variable correlations (considered valid when  $r > 0.5$ ), path coefficients (path coefficients are significant if  $r$  is valid), and R-Square ( $R^2$  signifies the variability of endogenous constructs explained by exogenous constructs collectively).

**METHODS**

The study begins with problem identification, formulation of the problem, and setting research objectives to analyze the influence of SCM practices on competitive advantage and organizational performance, as well as the impact of competitive advantage on organizational performance among handicraft SMEs in Bandar Lampung City. The research was conducted by distributing a Likert scale questionnaire to 55 SMEs registered with the Cooperative and SME Office of Bandar Lampung City, consisting of 33 statements.

Here is the initial procedure of this research, where an initial questionnaire was piloted with 40 respondents to test validity and reliability using SPSS software. Data validity is deemed sufficient if the correlation coefficient ( $r$ ) exceeds the critical value from the t-distribution table for the relevant sample size (Palilati, 2007), while reliability is considered achieved if the Cronbach's alpha reliability coefficient exceeds 0.6 (Ghozali, 2007). Subsequently, data from 10 respondents were analyzed using the Structural Equation Modeling - Partial Least Squares (SEM-PLS) method employing SmartPLS software. The research model diagram is presented below:



**Figure 1. Research Concept**

Hipotesis 1 : Praktek manajemen rantai pasok berpengaruh positif terhadap keunggulan kompetitif pada UMKM.

Hypothesis 2 : Supply chain management practices positively influence organizational performance in SMEs.

Hypothesis 3 : Competitive advantage positively influences organizational performance in SMEs.

**Table 1. Questionnaire indicators**

Variable	Indicator	Question
<b>Customer Reallionship</b>	Customer satisfaction	We focus on efforts to meet customer needs and

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		expectations as our top priority.
	Accuracy and speed	Our efforts prioritize precision and speed in delivering products to customers.
	Demand suitability	Our efforts consistently seek to understand future market demands.
	Complaint handling	Our efforts involve addressing customer complaints and feedback diligently.
<b>Information Sharing</b>	Information Sharing	We consistently share information with business partners to advance SMEs.
	Planning Information	We regularly exchange information with business partners for business planning purposes.
	Transparency	We maintain openness in providing information to business partners.
<b>Competitive Advantages</b>	Competitive Pricing	We offer competitive prices compared to competitors.
	Low Cost	We offer relatively lower prices compared to competitors.
	Quality	We consistently offer high-quality products.
	Delivery Dependability (Time)	We are reliable in delivering products on time compared to competitors.
	Delivery Dependability (Amount)	We deliver orders according to the requested quantity, compared to competitors.
	Customization	We provide products tailored to the needs and preferences of customers compared to competitors.

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	Product Innovation	We continuously innovate products to adapt to changing customer needs compared to competitors.
	New Advantages	We consistently provide products with new advantages compared to competitors.
	Time to Market	We are the first to introduce products to customers compared to competitors.
	Product Development Speed	We move quickly in developing new products compared to competitors.
<b>Company Performance</b>	Sales Targets	Our company successfully meets the established sales targets.
	Profitability	Our company achieves the targeted profitability.
	Sales Growth Rate	Our company attains the expected sales growth rate.
	Productivity	Our company meets the targeted productivity levels.
	Production Cost Efficiency	Our company achieves the targeted efficiency in production costs.
<b>Operational Performance</b>	Market Share	Our company successfully reaches the targeted market share.
	New Products	Our company consistently introduces new products.
	Perception Alignment	Our company offers products and services that align with customer perceptions.
	Market Coverage	Our company is capable of covering the entire market scope.



	Needs Fulfillment	Our company effectively meets customer needs.
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**Figure 2. Path Chart**

## RESULTS AND DISCUSSION

### Results of the Initial Questionnaire Validity and Reliability Test

All data are considered reliable as they have values greater than 0.6. However, in the validity test, there are two questionnaire statements that are invalid and must be discarded.

#### a. Convergent Validity

The convergent validity of the measurement model with reflective indicators is assessed based on the correlation between item scores estimated using SmartPLS software. An individual reflective indicator is considered to have a high measure if the outer loading value is  $\geq 0.7$  with the construct being measured. However, according to Ghozali (2011), for initial research in the development of measurement scales, an outer loading value between 0.5 and 0.6 is considered adequate. In this study, a threshold of 0.5 is used. Thus, in this study, items with an outer loading value  $< 0.5$  will be excluded and recalculated. In the first calculation, no indicators were excluded because all factor loading values met the minimum value of 0.5.

#### b. Average Variance Extracted Test (AVE)



In confirmatory factor analysis, the average AVE (Average Variance Extracted) value across items or indicators of a latent construct serves as a summary of the convergent indicators. A construct is considered good if the AVE value is  $\geq 0.5$  (Ghozali, 2011). Initially, the AVE values for all variables were less than 0.5. Therefore, an iteration was performed where the smallest outer loading values were dropped to achieve a minimum AVE value of 0.5. After all AVE values reached more than 0.5, a total of eight indicator items were discarded.

**d. Discriminant Validity Test**

Discriminant Validity testing is used to measure the extent to which a construct is truly distinct from other constructs. Higher Discriminant Validity values provide evidence that a construct is able to capture the phenomenon being measured, and that the latent construct predicts measures within its own block better than measures in other blocks (Ghozali, 2011). Using SmartPLS, discriminant validity is obtained by examining the Cross Factor Loadings values. The Cross Factor Loadings values of indicators for each construct are higher compared to the indicators of other constructs. Thus, each construct is unique and distinct from other constructs or variables.

**e. Construct Reliability Test**

Construct Reliability Testing is used to assess reliability, which can be determined by a composite reliability value greater than 0.7. Additionally, construct reliability can also be evaluated using the Cronbach's Alpha test, where the value must exceed 0.6. The results show that all variables in this study have a CR value greater than 0.7 and a Cronbach's Alpha value greater than 0.6. This indicates that each variable meets the requirements and possesses a high level of reliability.

**f. Structural Model Testing**

This stage is also referred to as the inner model measurement. The inner model or structural model testing is conducted to evaluate the relationships between constructs, the significance values, and the R-Square of the research model. Measurement is performed by examining the  $R^2$  value, where a value of 0.67 indicates a good model, 0.33 indicates a moderate model, and 0.19 indicates a weak model (Chin, 1998). The R-Square value indicates the extent to which the independent latent variables influence the dependent latent variables. The R-square value for the Competitive Advantage variable is 0.662, indicating that the Competitive Advantage variable can be explained by the SCM Practice variable by 66.2%. The Organizational Performance variable has an R-square value of 0.571, meaning that this variable can be explained by Competitive Advantage and SCM Practice by 57.1%.

**g. Hypothesis Test**

Hypothesis testing ( $\gamma$  and  $\lambda$ ) was conducted using the bootstrap resampling method, with a minimum of 500 bootstraps and the number of cases matching the number of observations in the original sample. Hypothesis testing was performed using the t-test. The hypothesis is tested by comparing the t-statistic value with the t-



table value. If the t-statistic is greater than the critical z value for a two-tailed test at a 5% significance level with a t-table value of 1,96, the path coefficient is considered significant (Hair et al., 2011).

The t-statistic value for the effect of Competitive Advantage on Organizational Performance is 2.068, which is greater than the t-table value of 1.96 at a 5% significance level, indicating that Competitive Advantage has a significant effect on Organizational Performance with a coefficient of 0.362. The coefficient value of the Competitive Advantage variable indicates a direct effect on Organizational Performance of 0.362 (H1 accepted).

The t-statistic value for the effect of SCM Practice on Competitive Advantage is 12.597, which is greater than the t-table value of 1.96 at a 5% significance level, indicating that SCM Practice has a significant effect on Competitive Advantage with a coefficient of 0.814. The coefficient value of the SCM Practice variable indicates a direct effect on Competitive Advantage of 0.814 (H2 accepted).

The t-statistic value for the effect of SCM Practice on Organizational Performance is 2.722, which is greater than the t-table value of 1.96 at a 5% significance level, indicating that SCM Practice has a significant effect on Organizational Performance with a coefficient of 0.431. The coefficient value of the SCM Practice variable indicates a direct effect on Organizational Performance of 0.431 (H3 accepted).

## CONCLUSION

Based on the research, the results can be summarized as follows. There is a significant and positive effect of the implementation of Supply Chain Management on MSMEs in Semarang, which enhances both financial and operational performance. There is a significant and positive relationship between Supply Chain Management and competitive advantage, with a T-statistic value of 2.722. Effective implementation of Supply Chain Management will improve the competitive advantage of the company. There is a significant and positive impact of competitive advantage on organizational performance in MSMEs, with a T-statistic value of 12.597. Competitive advantage serves as a means to achieve the company's ultimate goal, which is to enhance overall performance. The recommendation for the Bag and Handicraft MSMEs in Semarang is to prioritize quality in supplier selection and to boost competitive advantage by providing new products that meet the quantity and order requirements better than competitors.

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