PERFORMANCE IMPROVEMENT STRATEGY THROUGH THE BUSINESS ENVIRONMENT, PRODUCT INNOVATION AND COMPETITIVE ADVANTAGE

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Abstrak

In an an increasing number of competitive surroundings and clients who are increasingly critical in choosing merchandise, corporations are required to be more progressive in generating a product. there are many competitive strategies to turn out to be market winners, consisting of product innovation techniques. Product development or product innovation is very crucial in cutting-edge market competition. All efforts, the energy possessed via the organization, is directed to produce value as anticipated, because higher effects imply having introduced fee as compared to competition. what is the relationship between commercial enterprise surroundings on SME overall performance thru variables product innovation and competitive benefit? There are nonetheless few researchers who find out this query. research to study the have an effect on of the commercial enterprise surroundings, product innovation and aggressive gain at the performance of SMEs. This kind of studies is a survey. The populace on this look at is all SMEs in Makassar town. The sampling method is easy random sampling with a complete of 300 respondents. The statistical technique used is path analysis. The effects of the studies show that: (1) there's a effective have an impact on of the enterprise surroundings on product innovation., (2) there may be a effective have an effect on of the business environment on competitive advantage., (three) there may be a wonderful impact of product innovation on SME overall performance., (five) there is a high quality effect of competitive gain on SME performance. The practical implications are; (1) SMEs should continue to improve their business orientation by making clearer visions and business goals by preparing longer-term business plans and clearer., (2) Increasing business learning and sustainable competitive advantage by continuously seeking new information, especially from sources of formal activities.

A. INTRODUCTION

In an more and more competitive surroundings and consumers who're an increasing number of essential in choosing products, businesses are required to be extra progressive in generating a product (Ahmadi-Gh & Bello-Pintado, 2022; Hutahayan & Yufra, 2019a; Sulaiman, 2018). there are many competitive techniques to become market winners, which include product innovation techniques (Buccieri et al., 2020; Maupa et al., 2019; Silva et al., 2020; Sulaiman et al., 2021). Product development or product innovation is very essential in modern-day marketplace opposition. All efforts, the power possessed with the aid of the organization, is directed to produce price as expected, because higher outcomes imply having brought price compared to competitors. however to produce extra cost or superior value obtained thru various progressive trends (Maupa et al., 2023; Sher & Yang, 2005; Sulaiman, Maupa, et al., 2017). accordingly, the goal that need to be achieved in growing its strategy is to provide superior fee or service this is a ways higher than that of competitors (Sulaiman, 2022; Sulaiman, Pahlevi, et al., 2017; Sulaiman & Maupa, 2020; Sulaiman & Soenanto, 2019).

With the right product innovation for the marketplace, a company's performance will boom (Coskun-Setirek & Tanrikulu, 2021), this could be visible from the growth in present income, a far broader market share and increased business enterprise income (Hameed et al., 2021; Moradi et al., 2021; Yi et al., 2020). for that reason, a organisation can be stated to be successful in a aggressive approach that ends in aggressive victory in going through the marketplace and competitors in product innovation. In a changing commercial enterprise surroundings, product innovation is wanted to manual organization competitiveness and typical overall performance (Hutahayan & Yufra, 2019b, 2019a; Le & Ikram, 2022; Rusydi et al., 2019; Sulaiman et al., 2021).

The innovation strategy will become the primary driving force for the overall performance of small and medium institutions (SMEs) with the useful resource of enforcing a life-style of innovation in a strategic and set up manner (Bouwman et al., 2019; Chiappini et al., 2022; Gaganis et al., 2019; Lavoie & Abdulnour, 2015; Surya et al., 2021). The carried out innovation strategies can permit SMEs to compete and live to tell the tale in a aggressive worldwide surroundings. Small and Medium businesses (SMEs) as a issue of the country wide organisation, have an critical feature in the national monetary machine, employment, equitable distribution of improvement consequences and poverty consolation. therefore, in case you want to assist its improvement and empowerment, the government has strategic coverage pillars that have been carried out thru annual applications and sports activities. based totally on facts from the essential Bureau of statistics and the Ministry of Cooperatives and SMEs, the range of SMEs changed into recorded at 42.39 million gadgets or 99.9% of all business business enterprise devices. 2d, its awesome ability in absorbing hard work. every investment unit can create more project possibilities whilst in comparison to the equal investment in large groups.

As a task to the development of an more and more dynamic and global economic environment, in 2008, the authorities issued regulation no. 20 of 2008 concerning Micro, Small and Medium companies. regulation No. 9 of 1995 concerning Small businesses which best regulates Small companies is replaced so that it's far hoped that Small and Medium establishments in Indonesia will obtain guarantees of enterprise actuality and equity. (Lavoie & Abdulnour, 2015) said that there are three conditions for the development of

SME/IKM businesses, specifically: (1) situations related to marketers, especially abilities and attitudes, (2) conditions associated with agencies, specially capital form and company lifestyle, and (three) situations related to the surroundings, particularly the selection of method.

(Horvat et al., 2019) stated that the characteristics of the proprietors of the enterprise's managers are the simple determinants of company performance, organization characteristics affect the commercial enterprise or marketplace surroundings, employer goals, control talents which in flip will have an effect on the business enterprise's boom performance. The human factor consists of strong motivation, exertions deliver, work productivity and exertions high-quality. financial (commercial enterprise) factors which consist of raw substances, access to monetary resources, monetary cost and marketplace segments served. those factors need to be able to be dealt with by SME marketers to boost their enterprise performance. corporations and Medium corporations (SMEs) in Makassar town also have an vital function within the economic system and employment. The traditional hassle for SMEs in Makassar town is their declining performance. that is because of limited capital, advertising and marketing difficulties, production aspects, restrained sources and the use of conventional technology. therefore, for business improvement and development, the ideal method is wanted, particularly a method to supply progressive merchandise that are capable of compete in an surroundings of intense opposition to enhance the overall performance of SMEs in Makassar metropolis.

The achievement of an industry relies upon on how the industry pertains to its environment. The competitive environment affects the number and kind of competition marketing management ought to face and the way they'll behave. The aggressive environment has always been appeared as a limiting issue within the enterprise's growth charge. elements of the aggressive surroundings ought to be studied more deeply due to the fact the enterprise's failure to gain sales boom stems from control's incapability to research adjustments that occur within the enterprise's aggressive surroundings.

The aggressive scenario inside the enterprise relies upon on five forces. There are 5 forces that shape competition in an industry, particularly inter-enterprise opposition, risk of new entrants, hazard of substitutes, bargaining electricity of consumers and bargaining energy of suppliers. This competitive environmental state of affairs can be used to formulate the right strategy. The aggressive surroundings can encourage creativity, as information of the aggressive surroundings highlights possibilities that may be highlighted and weaknesses that have to be taken under consideration. The addition of the surroundings to the resources that help the organization's method emphasizes the importance of the enterprise's inner capacity to perform and the way a long way the have an impact on of the socio-monetary surroundings is.

Product innovation is one of the maximum critical competitive factors to achieve success where lately the commercial enterprise surroundings is constantly changing rapidly (Petereit et al., 2022). The innovation strategy of a production employer can function a manual and guide for executives in four ways, specifically by using determining whether or not product or technique innovation is a method used as a priority for competition, thereby linking production sports with the business enterprise's aggressive method; Innovation strategies in manufacturing businesses assist executives in allocating restricted sources by means of deciding on tasks that can growth the skills and competitiveness of manufacturing organizations; This strategy forces executives to provide an explanation for the focal point

and sources of future manufacturing innovation by means of considering agency strategy, industry situations, internal capabilities, sources, strengths and weaknesses; production innovation method also can help organizations to clarify their competitive benefit thru specific merchandise and create fee for clients (Chaudhuri et al., 2022; Supriyanto et al., 2021).

progressive merchandise determine the employer's response to notably competitive environmental pressures (Coroş et al., 2017; Mancha & Shankaranarayanan, 2021; Upadhyay et al., 2022). The characteristics of the industry that offers the innovation have an effect on the velocity of diffusion and the achievement of the general market potential. by innovating, a enterprise can differentiate itself and its products from its competitors (Bresciani et al., 2021; Jiang et al., 2019; Melander, 2019), as a result innovation can offer a manner for agencies to create competitive gain. in addition, a way of life of innovation also encourages exploration and experimentation to broaden new groups inside existing businesses and ongoing business renewals (Loock, 2020).

competitive advantage has exceptional but related meanings. the primary definition emphasizes superiority or superiority in phrases of property and know-how possessed via manner of the company (Farida & Setiawan, 2022; Hassani & Mosconi, 2022; Rahman et al., 2020). businesses which have competence inside the fields of marketing, manufacturing, and innovation can use them as resources to collect competitive advantage (Aziz & Samad, 2016; Hermawati, 2020; Jatmiko, 2022; Kato et al., 2016). thru those three competency areas, organizations can increase techniques so one can produce marketable merchandise. whilst the second know-how emphasizes excellence in achieving performance to this point. This experience is related to the region of the organization compared to what its opposition are. organizations that hold to be aware of the improvement in their overall performance and attempt to beautify this performance have the possibility to obtain a top notch competitive function, so the enterprise without a doubt has strong capital to maintain to compete with unique groups.

(Hong & Nguyen, 2020; Kukkamalla et al., 2021; Varadarajan, 2020) explains that aggressive benefit is the cease result of enforcing a method that makes use of numerous resources owned through using the business enterprise. unique abilties and assets are seen as a supply of aggressive gain. precise expertise is a business organization's capacity to make its employees an important part of conducting aggressive advantage. The company's capability to increase the capabilities of its personnel properly will make the enterprise superior and the implementation of human beneficial resource-based completely strategies can be hard for competition to imitate. whilst particular belongings or resources are actual property wanted by the enterprise employer to perform its aggressive method. every of these sources need to be directed to help the appearance of low-price business company usual overall performance and function a distinction with distinctive companies.

B. METHOD

This studies turned into carried out in Makassar city. This location changed into chosen due to the fact it's far an industrial middle in South Sulawesi, and is a representative of industrial and alternate towns in South Sulawesi. The population on this have a look at have been all Small and Medium firms (UKM) inside the city of Makassar (statistics from the branch of industry and trade and UKM). This place changed into selected with the

consideration that the city of Makassar is an business/SME middle in South Sulawesi. determination of pattern length and withdrawal technique changed into executed the use of easy random sampling. primarily based on this, the number of samples turned into set at three hundred respondents. Sampling is performed by way of the owner of the organisation or can be represented in another segment (manufacturing department, advertising department) in Small and Medium enterprises (UKM).

opposition environment, are elements which can threaten the organization. The signs of the aggressive surroundings encompass marketplace adjustments, opposition depth and technological modifications. Product Innovation is the organization's capacity to create new ideas, products or techniques. Product innovation signs are technical innovation, layout modifications, creativity, and distribution gadget changes. competitive advantage is the organisation's ability to add value to its products to outperform different companies. indicators of competitive benefit are product superiority, product uniqueness and fee efficiency. The overall performance of SMEs is a degree of the achievement of small and medium organizations (SMEs) in coping with their commercial enterprise. this may be seen in the indicators of increase in capital, hard work, and operating profit. The analytical method used to discover and look at the connection between variables in this observe is the direction evaluation approach

C. RESULT AND DISCUSSION
1. *Research Instrument Test*

Validity shows the diploma to which the device gadgets represent the idea being measured. If the tool being measured has described the size and signs applicable to the idea, then the device has good validity. In determining whether or not or now not an item is appropriate, a correlation coefficient significance test is accomplished at a importance level of 0.05, this means that that an object is considered legitimate if it has a great correlation with the full score. the following is a recapitulation of the effects of the research device validity test.

Table 1. Validity Test

Variable	Item	Correlation coefficient	P-Value	Decisions
Business Environment	X1.1	0,810	0,000	
	X1.2	0,810	0,000	Valid
	X1.3	0,780	0,000	
Product Innovation	Y1.1	0,629	0,000	
	Y1.2	0,629	0,000	Valid
	Y1.3	0,713	0,000	
Competitive Advantage	Y2.1	0,805	0,000	
	Y2.2	0,805	0,000	Valid
	Y2.3	0,781	0,000	

SME Performance	Y3.1	0,807	0,000	
	Y3.2	0,763	0,000	Valid
	Y3.3	0,807	0,000	

The instrument is said to be reliable if it is used several times to measure the same object so that it will produce the same data. The technique used to carry out the reliability test is to use Cronbach's alpha, namely grouping items into two or several parts. The reliability test was carried out using the standard r-count > 0.60, so the research data was considered reliable enough to be used as input in the next data analysis process to test the research hypothesis. Based on the results of data analysis, the reliability values of all research constructs are obtained as follows.

Table 2. Reliability Test

Construct	Alpha Cronbach	Decisions
Business Environment	0,916	Realiabel
- X1.1		
- X1.2		
- X1.3		
Product Innovation	0,842	Realiabel
- Y1.1		
- Y1.2		
- Y1.3		
Competitive Advantage	0,920	Realiabel
- Y2.1		
- Y2.2		
- Y2.3		
SME Performance	0,907	Realiabel
- Y3.1		
- Y3.2		
- Y3.3		

Table 2 shows that all variables in this study have met the standard of instrument reliability, therefore this data can be analyzed in the next process.

2. *Examination of hypothesis test*

2.1. Sub Structure 1

Based on data processing with the AMOS and SPSS programs on sub-structure 1, the results are shown in the appendix. Path testing uses the t test because there is one independent variable, namely X which affects variable Y1. The results of processing AMOS in testing significance are indicated by Regression Weights (path coefficients) indicated by the calculated P-value (probability level). The P value = *** indicates the P-count value is less than 0.001 (significant). Test individually shown in the following table.

Table 3. *Regression Weights*

			Estimate	**S.E.**	**C.R.**	**P**
Product Innovation	<---	Business Environment	0,57	0,040	14,006	0,000

To find out the significance of path analysis is to compare the probability value (0.05) with the probability value in the Regression Weights table and compare the C.R value with the t-table value which is used as the basis for decision making. The P column value (Table of Regression Weights) is 0.000 <0.05 and the CR value is 14.006 > 1.660 (t-table value), so H1 is regularly occurring and H0 is rejected, this means that that the path analysis coefficient is giant. So there may be an immediate tremendous impact among environmental elements on product innovation.

2.2. Sub structure 2

Based on data processing with the AMOS and SPSS programs on sub-structure 2, the results are shown in the appendix. Path testing uses the t test because there is one independent variable, namely X1 which affects the variable Y2. The results of processing AMOS in testing significance are indicated by Regression Weights (path coefficients) indicated by the calculated P-value (probability level). The P value = 0.000 indicates the P-count value is less than 0.001 (significant). Test individually shown in the following table.

Table 4. *Regression Weights*

			Estimate	**S.E.**	**C.R.**	**P**
Competitive Advantage	<---	Business Environment	0,223	0,046	4,807	0,007

To find out the significance of path analysis is to compare the probability value (0.05) with the probability value in the Regression Weights table and compare the CR value with the t-table value which is used as the basis for decision making. The P column value (Table of Regression Weights) is 0.000 <0.05 and the CR value is 4.807 > 1.660 (t-table value), so H1 is widely wide-spread and H0 is rejected, which means that that the direction evaluation coefficient is great. So there's a right away substantial influence among environmental factors on aggressive benefit.

2.3. Sub structure 3

Based on data processing with the AMOS and SPSS programs on sub-structure 3, the results are shown in the appendix. Path testing uses the t test because there is one independent variable, namely Y1, which influences the Y2 variable. The results of processing AMOS in testing significance are indicated by Regression Weights (path coefficients) indicated by the calculated P-value (probability level). The P value = 0.000 indicates the P-count value is less than 0.001 (significant). Test individually shown in the following table.

Table 5. *Regression Weights*

			Estimate	S.E.	C.R.	P
Competitive Advantage	<---	Product Innovation	0,584	0,052	11,151	0,000

To find out the significance of path analysis is to compare the probability value (0.05) with the probability value in the Regression Weights table and compare the CR value with the t-table value which is used as the basis for decision making. The P column value (Table of Regression Weights) is 0.000 <0.05 and the CR value is 11.151 > 1.660 (t-table value), so H1 is conventional and H0 is rejected, which means that that the direction analysis coefficient is significant. So there's an immediate massive impact among product innovation and competitive benefit.

2.4. Sub structure 4

Based on data processing with the AMOS and SPSS programs on sub-structure 4, the results are shown in the appendix. Path testing uses the t test because there is one independent variable, namely Y1, which affects variable Y3. The results of processing AMOS in testing significance are indicated by Regression Weights (path coefficients) indicated by the calculated P-value (probability level). The P value = 0.000 indicates the P-count value is less than 0.001 (significant). Test individually shown in the following table.

Table 6. *Regression Weights*

			Estimate	S.E.	C.R.	P
SME Performance	<---	Product Innovation	0,542	0,057	9,456	0,000

To find out the significance of path analysis is to compare the probability value (0.05) with the probability value in the Regression Weights table and compare the C.R value with the t-table value which is used as the basis for decision making. The P column value (Table of Regression Weights) is 0.000 <0.05 and the CR value is 9.456 > 1.660 (t-table value), so H1 is regular and H0 is rejected, this means that that the route analysis coefficient is giant. So there's a right away huge have an effect on between product innovation on SME performance.

2.5. Sub structure 5

Based on data processing with the AMOS and SPSS programs on sub-structure 5, the results are shown in the appendix. Path testing uses the t test because there is one independent variable, namely Y2 which affects the variable Y3. The results of processing AMOS in testing significance are indicated by Regression Weights (path coefficients) indicated by the calculated P-value (probability level). The P value = 0.000 indicates the P-count value is less than 0.001 (significant). Test individually shown in the following table.

Table 7. *Regression Weights*

			Estimate	S.E.	C.R.	P
SME Performance	<---	Competitive Advantage	0,537	0,055	9,752	0,000

To find out the significance of path analysis is to compare the probability value (0.05) with the probability value in the Regression Weights table and compare the CR value with the t-table value which is used as the basis for decision making. The P column value (Table of Regression Weights) is 0.000 <0.05 and the CR value is 9.752 > 1.660 (t-table value), so H1 is everyday and H0 is rejected, which means that that the direction analysis coefficient is huge. So, there may be a direct vast affect among competitive benefit on the performance of SMEs.

D. CONCLUSION

The business environment has a fantastic and remarkable affect on product innovation in SMEs in Makassar city, this indicates that the number one hypothesis is often happening. the economic company surroundings has a nice and big have an impact on on aggressive advantage in SMEs in Makassar metropolis, this suggests that the second speculation is ordinary. Product innovation has a outstanding and enormous influence on competitive gain in SMEs in Makassar metropolis, this indicates that the second hypothesis is normal. Product innovation has a splendid and first rate impact on the overall performance of SMEs in Makassar city, this indicates that the second speculation is popular. aggressive gain has a incredible and massive have an effect on at the overall performance of SMEs in Makassar city, this suggests that the second hypothesis is widespread.