

Business Strategy Sustainability of Local Product in Facing Provincial Expansion in Central Kalimantan

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ABSTRACT

Research in the expansion of the Greater Kotawaringin Province was identified as meeting the administrative requirements of the number of districts, namely 5 districts consisting of East Kotawaringin, West Kotawaringin, Seruyan, Lamandau and Sukamara districts. However, the Regional Original Income in the proposed area for the expansion of Kotawaringin Raya Province is deemed unable to support sustainable regional development, especially Lamandau and Sukamara Regencies, which are the smallest contributors of all the regencies in Central Kalimantan Province, so there is a need for more monitoring and evaluation. comprehensive. The proposed expansion of the Greater Barito Province, which consists of South Barito, East Barito, North Barito and Murung Raya Regencies, is considered to still not meet administrative requirements. The proposed expansion of Barito Raya Province still consists of 4 (four) districts or one more district has not been fulfilled, so the initial recommendation that can be given is that the regional government of the Greater Barito region can add one more district or can expand the districts first. The sustainability of the business strategy is built with a vision, mission and positive influence to improve the welfare of the SMes business. The effect of entrepreneurship on innovation has an impact on SMes business performance

INTRODUCTION

In an era of increasingly fierce business competition, especially in the same industry, every company is required to have uniqueness that can attract and entice consumers. To achieve this, companies need to optimize the use of their resources (Chaniago, 2021). One way to increase customer attractiveness is through entrepreneurship, in which business people have courage, take risks, and generate new ideas in offering products that meet consumer needs. In addition, the orientation of business actors in developing business strategies by conducting thorough business analysis is also very important to achieve optimal results in various business aspects that need improvement. In uncertain business conditions, it is important to have a clear action plan with business strategies that can improve business performance.

Central Kalimantan Province proposes 3 (three) regions to be expanded, namely Kapuas Ngaju Regency, Kotawaringin Raya Province, and Barito Raya Province. Studies in provincial expansion are very important to ensure that the process is carried out effectively, sustainably, and provides maximum benefits for all parties involved. The legal basis and regulations for the expansion of Provinces and Regencies refer to Government Regulation of the Republic of Indonesia Number 78 of 2007 concerning Procedures for the Formation, Abolition and Merger of Regions, as well as Law Number 23 of 2014 concerning Regional Government.

Business strategy plays an important role in maintaining business continuity in the midst of uncertainty. By managing resources well and optimally, companies can increase product excellence and business strategy which in turn will improve business performance (Azura Diva et al., 2021). Some of the problems faced by business actors are increasing the number of customers, revenue, and product sales. Therefore, to improve business performance, an increase in entrepreneurship and ability to innovate in business is needed.

The link between business actors who are willing to take risks in carrying out product innovation has a relationship with their creativity in creating an attractive, clear and easy system for consumers to obtain product information and conduct product searches. Therefore, product innovation is very important in improving business performance. Entrepreneurship is the ability for business actors to compete superiorly in the product market by meeting needs that are in accordance with the business environment (Dubihlela & Van Schaikwyk, 2014).

Research in the field of marketing using the RBV theory aims to effectively and efficiently apply the capabilities of business actors in business (Filho & Moori, 2020). The RBV theory states that in today's business world, many business actors manage resources (both raw materials and human resources) with synergy in the business environment, including product innovation that is easy, fast, and with integrity (Drewniak & Drewniak, 2022). This research was conducted on 1). Analyze the feasibility of the proposed expansion of Provinces and Regencies consisting of: a. Sufficiency of Area; b. Population Sufficiency; c. Regional Coverage; d. Regional Original Income; e. Economic Potential. 2). Analyze the impact of the expansion of Provinces and Regencies in Central Kalimantan which consists of: a. Positive and Negative Impact Analysis; b.

Analyze strengths, weaknesses, opportunities and threats. The implication of this research is to provide input to business people to build business strategies with an entrepreneurial approach and link product innovation with business performance.

LITERATURE REVIEW

Entrepreneurship

Entrepreneurship has a very important role in the development and growth of Small and Medium Enterprises (SMEs). SMEs are a vital sector in a country's economy because they play a major role in driving economic growth, creating jobs, and increasing people's income (Kristinae et al., 2020). Entrepreneurship in SMEs can have a significant positive impact in the following aspects (Adawiah et al., 2020):

1. **Job Creation:** Entrepreneurship in SMEs contributes to creating new jobs. SMEs are often a major source of employment in many countries, especially developing ones. Through entrepreneurship, individuals can start their own business and open opportunities for others to work in their company. Thus, entrepreneurship in SMEs helps reduce the unemployment rate and promotes economic growth.
2. **Innovation and Creativity:** Entrepreneurship encourages innovation and creativity within SMEs. Entrepreneurs often create new products or services that did not exist before or develop new ideas to meet the needs of a growing market. This innovation encourages competition and enriches the variety of products available in the market. In addition, entrepreneurship also encourages creativity in business management and marketing strategies that can help SMEs to remain competitive in an increasingly fierce market.
3. **Economic Growth:** Entrepreneurship in SMEs plays an important role in the economic growth of a country. SMEs that are actively developing can make a significant contribution to a country's Gross Domestic Product (GDP). The growth of SMEs also helps reduce dependence on certain economic sectors and creates overall economic stability. By developing SMEs, the government can create a stronger and more sustainable economic base.
4. **Skills and Capacity Development:** Entrepreneurship in SMEs plays an important role in the development of individual skills and capacities. Through entrepreneurship, individuals can develop management, leadership, and functional skills useful for building and managing their own businesses. This creates opportunities for lifelong learning and individual empowerment in the face of challenges and opportunities in the business world.
5. **Equitable Economic Development:** SMEs and entrepreneurship also play a role in equitable economic development. SMEs often arise in rural areas or areas with lower levels of economic development. Through entrepreneurship, local entrepreneurs can develop SMEs in these areas, providing employment opportunities and access to markets for local residents (Catulli et al., 2017). This helps reduce the economic disparity

between urban and rural areas, as well as increasing the overall welfare of society.

Entrepreneurship has a very important role in the development and growth of SMEs. Entrepreneurship in SMEs not only creates jobs and economic growth, but also encourages innovation, creativity, skills development and equitable economic development (Mujanah et al., 2022). Therefore, it is important for the government, educational institutions and the community to support and encourage entrepreneurship within SMEs in order to create a conducive environment for the growth and success of small and medium businesses.

Sustainability Business Performance

Small and Medium Enterprises (SMEs) are an indicator of the economic success of a region (Hasanov et al., 2019). In many areas, SMEs not only contribute to increasing the income of business actors, but also assist the government in promoting regional product characteristics. Marketing activities are one of the core activities carried out by the company to maintain the continuity and growth of its business, as well as achieve optimal profit (Eunike & Utama, 2021). SMEs can direct marketing policies in an effort to meet consumer expectations and needs through policies that cover product, price, promotion and distribution.

Business performance is the direct result of all trading or business activities that involve various types of facilities, including the use of the internet to reach consumers, especially to benefit from these trading activities (Ighomereho et al., 2022). SME business performance can be done both online and offline, with significant advantages in the digital era (Curiel Jiménez et al., 2022). In this study, business performance is measured through product innovation with the help of digitization, which facilitates transactions and interactions between sellers and customers. According to Wahirayasa & Kusuma (2018), business performance involves measures of profitability, sales levels, and demand levels obtained through overall business activities.

Improving business performance in online business is not difficult because there are many references and support systems, such as promotions as a means to convey benefits to consumers (Syafuruddin et al, 2021). To attract consumer interest, business performance with online promotion must be able to present advantages in the marketing system, such as short videos, attractive photos, and words that can attract consumer interest in products. Improved business performance can be achieved through entrepreneurship and innovation in order to survive in the midst of business uncertainty (Fauzi et al., 2023).

In today's business development, many companies are taking advantage of business digitization programs because many consumers choose to shop online. The shift from conventional trading (face to face) to online trading (via social media) requires creativity, proactivity and innovation in seeing market opportunities and identifying good market orientation (Made et al., 2017). Therefore, in the current digital era, SMEs need assistance in developing business strategies based on innovation, such as building a flexible transaction system and minimizing costs such as a place of business (Yanputro, 2021). Thus, SMEs can reach more consumers and become business people who are responsible and

dare to take risks. Business performance with online promotions makes it easy for sellers and buyers to transact.

METHODOLOGY

This study's research, which used a quantitative methodology, is categorized as explanatory research. The goal of explanatory research is to clarify the connections between variables and how one variable affects another. Customers who have made purchases at SMes were given surveys to complete in order to gather primary data. The distribution-free Smart Partial Least Square (PLS) method was used, which makes no assumptions regarding the kind of data (nominal, categorical, ordinal, interval, or ratio). Partial Least Square (PLS) is a statistical technique that is employed to generate hypotheses and establish correlations between constructs. It also yields latent variable values to assist researchers in formulating predictions for their studies.

The hypothesis is a temporary answer to the research problem formulation. Because it is still temporary, it needs to be verified through empirical data collected. The conceptual framework shows the relationship between variables and hypotheses which will be explained below:

H1: Positive and Significant Effect of Entrepreneurship on Product Innovation

H2: Positive and Significant Effect of Entrepreneurship on Sustainability Business Performance

H3: Positive and Significant Effect of Product Innovation on Sustainability Business Performance.

H4: Positive and Significant Effect of Entrepreneurship on Sustainability Business Performance mediated Product Innovation

RESULTS AND DISCUSSION

The study was carried out from January 26 2024 to May 29 2024. The location of the activity was the proposed area for the expansion of Central Kalimantan province, namely Kapuas Regency, East Kotawaringin Regency, West Kotawaringin Regency, Seruyan Regency, Lamandau Regency, Sukamara Regency, South Barito Regency, East Barito Regency, Regency North Barito, and Murung Raya Regency. The review process is carried out through several stages starting from problem observation, literature review, problem analysis, drafting a policy study and public testing of the policy study.

The findings of the descriptive analysis revealed that the majority of respondents who completed the questionnaire, with 40 individuals accounting for 27% of the total respondents, while male respondents accounted for 60 individuals or 73%. A measurement model was developed to depict the relationships between the indicators and their corresponding latent variables. The outer model analysis was conducted to ensure the validity and reliability of the measurement used. The analysis of the questionnaire data yielded the following results: [provide specific details of the measurement model results].

Indicators are considered valid when their outer loading values are at least 0.7. However, the results of the outer model test in this study showed that some of the outer loading values were below 0.70. Therefore, in this study, the

relationship between variables will be explained based on the path coefficient values. The evaluation of path coefficients is used to determine the strength of the effect or influence of the independent variable on the dependent variable, as well as the strength of the effect of the independent variable on the intervening variable and the dependent variable through the intervening variable (Omar et al., 2018).

Based on the inner model depicted in Figure 2 above, it can be observed that the largest path coefficient value is found in the effect of product innovation on Sustainability Business Performance, which is 0.932 or 93%. Furthermore, the R-square value will be examined to assess the level of variance explained by the model.

Table 1. R-Square

Variable	R-Square	R-Square Adjusted
product innovation	0.793	0.647
Sustainability Business Performance	0.932	0.833

Source: Authors, 2024

Results on the GoF value for the product innovation variable is 0.793 or 79,3 %, the results show that the GoF value is large. So the results of this study are included in the large GoF category and show that the magnitude of the influence of diversity from the results of research data on the Sustainability Business Performance can be explained by research of 64.7% while the remaining 26.8% is explained by other factors that are outside this research model. Based on the results of processed PLS data to test the influence between variables by looking at the direct and indirect effects, the results are as follows:

Table 2. Results T-Statistic and P-Value

Hypothesis	Influence	Original Sample	Standard Deviasi	T-Statistic	P-Value	Results
H1	Entrepreneurship → Product Innovation	0.735	0.051	21.954	0.000	Accepted
H2	Entrepreneurship → Sustainability	0.513	0.069	19.792	0.000	Accepted
H3	Product Innovation → Sustainability	0.799	0.049	22.746	0.000	Accepted
H4	Entrepreneurship → Product Innovation → Sustainability	0.871	0.051	25.688	0.000	Accepted

Sumber: Authors, 2024

Based on the research findings, it is evident that entrepreneurship plays a crucial role in improving business performance. Business strategies that focus on SMes orientation, competitor, and product innovation. Furthermore, direct improvements in business performance can also be achieved through value

innovation. Therefore, it is necessary to employ strategies that enable broader customer reach through product innovation.

The expansion of Greater Kotawaringin Province was identified as meeting the administrative requirements of the number of districts, namely 5 districts consisting of East Kotawaringin, West Kotawaringin, Seruyan, Lamandau and Sukamara regencies. However, the Regional Original Income (PAD) in the proposed area for the expansion of Kotawaringin Raya Province is deemed unable to support the sustainability of regional development, especially Lamandau and Sukamara Regencies, which are the smallest PAD contributors of all districts in Central Kalimantan Province (DJPB Ministry of Finance, 2024), so it is necessary there is more comprehensive monitoring and evaluation.

The proposed expansion of the Greater Barito Province, which consists of South Barito, East Barito, North Barito and Murung Raya Regencies, is considered to still not meet administrative requirements. Based on article 8 of the Republic of Indonesia Government Regulation Number 78 of 2007 concerning Procedures for the Formation, Abolition and Merger of Regions, as well as article 35 of the Republic of Indonesia Law Number 23 of 2014 concerning Regional Government which states that the area coverage for the formation of a province must contain at least 5 (five) districts/cities. The proposed expansion of Barito Raya Province still consists of 4 (four) districts or 1 (one) more district has not been fulfilled, so the initial recommendation that can be given is that the regional government of the Greater Barito region can add 1 (one) more district or can expand the districts first

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

In conclusion, product innovation serves as a mediating variable for many SME products within the field of marketing management for sustainable local product. The positive impact of entrepreneurship on business performance is greatly facilitated by product innovation. The RBV research theory emphasizes the importance of effectively and efficiently managing resources to enhance sustainability business performance, which aligns well with the findings of this study. Another indicator in measuring a region's ability to separate independently or form a new region (expansion) is the Developing Village Index and data because if all villages in the area are free from underdeveloped villages or are independent then it can be considered that the area is capable of standing independently. The following is the IDM data for the expansion area below:

Table 3. Report results

Analysis	Proposed Expansion	Regional Data	Assessment Standards *	Results
Minimum Area	Regency Kapuas Ngaju	7.604 km ²	7.991,66 km ²	Not Eligible
	Province Kotawaringin Raya	55.418 km ²	72.619,23 km ²	Not Eligible
	Province Barito Raya	44.706 km ²		Not Eligible
Minimum Population	Regency Kapuas Ngaju	61.349 people	128.141 people	Not Eligible
	Province Kotawaringin Raya	1.063.136 people	2.072.378 people	Not Eligible
	Province Barito Raya	529.236 people		Not Eligible
Minimum Area Coverage	Regency Kapuas Ngaju	5 subdistrict	5 subdistrict	Eligible
	Province Kotawaringin Raya	5 regency	5 regency	Eligible
	Province Barito Raya	4 regency		Not Eligible
Regional Original Income	Regency Kapuas Ngaju	realization is still small		Not Eligible
	Province Kotawaringin Raya	The largest are in Kotim and Kobar		Eligible
	Province Barito Raya	The average is still below 100B		Not Eligible
Economic Potential	Regency Kapuas Ngaju	Mining and palm oil plantation sectors		Eligible
	Province Kotawaringin Raya	Taman Nasional Tanjung Putting and beaches		Eligible
	Province Barito Raya	Featured commodities and tourist attractions		Eligible

Source: Authors, 2024

Recommendations

Recommendations were given to the Community and Village Empowerment Service of Central Kalimantan Province in the form of additional program recommendations, namely the program free from disadvantaged villages. In an effort to improve regional welfare and to support regions to become more advanced, it is necessary to have a village welfare improvement program. Based on data, there are still 142 underdeveloped villages in Central Kalimantan Province. 46 underdeveloped villages from Kapuas Regency, 8 underdeveloped villages from Seruyan Regency, 1 underdeveloped village from South Barito Regency, 1 from East Barito Regency, 3 underdeveloped villages from North Barito Regency, 25 from Murung Raya Regency, 31 underdeveloped villages from Katingan Regency, 25 villages left behind from Gunung Mas Regency, and 2 villages left behind from Pulang Pisau Regency. The Central Kalimantan Province Village Community Empowerment Service can then consider a program to improve village welfare in order to increase regional development in Central Kalimantan Province.

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