



(MUDIMA)



## The Role of Competitive Strategy and Green Supply Chain Management in MSME Performance

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### ABSTRACT

This study investigates the role of competitive strategy and green supply chain management (GSCM) in the performance of Micro, Small and Medium Enterprises (MSMEs) in West Java. Using a sample of 87 MSMEs, data was collected through questionnaires distributed to various MSMEs in the West Java region, using a Likert scale for response evaluation. Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) through the Smart PLS program. The results of this study indicate that both competitive strategy and GSCM have a significant influence on MSME performance. Competitive strategy, which includes product differentiation, cost leadership, and market focus, has improved the operational efficiency, market responsiveness, and competitive advantage of MSMEs. Meanwhile, the implementation of GSCM, which emphasizes environmentally friendly operations and sustainable resource management, not only improves compliance with environmental regulations but also strengthens the reputation and legitimacy of MSMEs in the eyes of stakeholders and consumers. These findings confirm the importance of adopting and integrating innovative and sustainable business practices to improve MSME performance. Consequently, this study suggests the need for more strategic policy interventions and support for MSMEs to develop their capacity in competitive strategy and GSCM, thereby strengthening their position in the market and their contribution to the regional economy and environmental sustainability

## **INTRODUCTION**

Increased awareness of environmental and sustainability issues has driven a change in the global business paradigm. Organizations, including Micro, Small, and Medium Enterprises (MSMEs), are increasingly realizing the importance of integrating sustainable business practices. The existence of traditional markets as social institutions has a strategic role in the development process of a nation. West Java, as one of the largest provinces in Indonesia with diverse MSMEs, provides an interesting backdrop to examine the role of competitive strategy and green supply chain management (GSCM) in improving MSME performance. Çankaya (2019) state that Green Supply Chain Management affects firm performance and Bayraktar et al. (2017) added that competitive strategy affects company performance. On the other hand, one of the biggest weaknesses that traditional markets have compared to modern markets lies in supply chain management (Hassan et al., 2017). The background of this research will discuss the context, relevance, and importance of this research within the framework of business and sustainability. West Java, as one of Indonesia's economic centers, has around 2 million MSMEs that play an important role in the region's economic growth. MSMEs in West Java are engaged in a variety of sectors, ranging from the food industry, textiles, crafts, to services. They create jobs, contribute to regional GDP, and form the backbone of the region's economy.

Environmental issues such as climate change, environmental degradation, and natural resource shortages are of increasing concern. Sustainability is no longer just a trend, but a business imperative. A sustainable business can provide long-term benefits, including cost savings, a good reputation, and meeting the demands of increasingly environmentally conscious customers. Competitive strategy is an important tool in achieving excellence in a competitive market. MSMEs in West Java need to develop the right competitive strategy to compete with their competitors, both in local and global markets. The correct choice of strategy can have a positive impact on business performance and growth.

Green supply chain management (GSCM) is a rapidly growing approach to integrating business practices with sustainability aspects. GSCM involves optimizing the entire supply chain to reduce environmental impact, improve efficiency, and meet sustainability standards. For MSMEs, adopting GSCM can result in cost efficiencies and a reduced environmental footprint. While issues of sustainability and competitive strategy have been widely researched in the context of large businesses, research examining the relationship between competitive strategy and GSCM in the context of MSMEs in West Java is limited. Therefore, this study aims to fill this knowledge gap and provide deeper insights into how MSMEs in West Java can improve their performance through the integration of competitive strategy and GSCM.

This study aims to identify the role of competitive strategy and GSCM in improving the performance of MSMEs in West Java. Competitive strategy indicates the orientation of business strategy in the company towards external environmental conditions that include consumers and competitors (Abdullah et al., 2009; Dadzie et al., 2012; Hitt et al., 2014). Thus, this research will provide deeper insights into how MSMEs can achieve higher sustainability and competitiveness in an increasingly complex business context. With this comprehensive background, this research is expected to contribute significantly to the understanding of competitive strategy, GSCM, and MSME performance in West Java, as well as its practical relevance in a sustainable and competitive business context.

## **METHODS**

This research utilizes a quantitative approach. This approach provides a more complete understanding of the role of competitive strategy and GSCM in MSME performance. The population in this study were MSMEs operating in West Java. With a sample of 87 respondents. Data collection instruments through questionnaires distributed through the whatsapp group of the MSME community in West Java with a Likert scale. The analysis tool uses Smart PLS. To determine the effect

of competitive startegu on MSME performance, and the effect of green supply chain management on MSME performance.

## RESULTS AND DISCUSSION

### Result

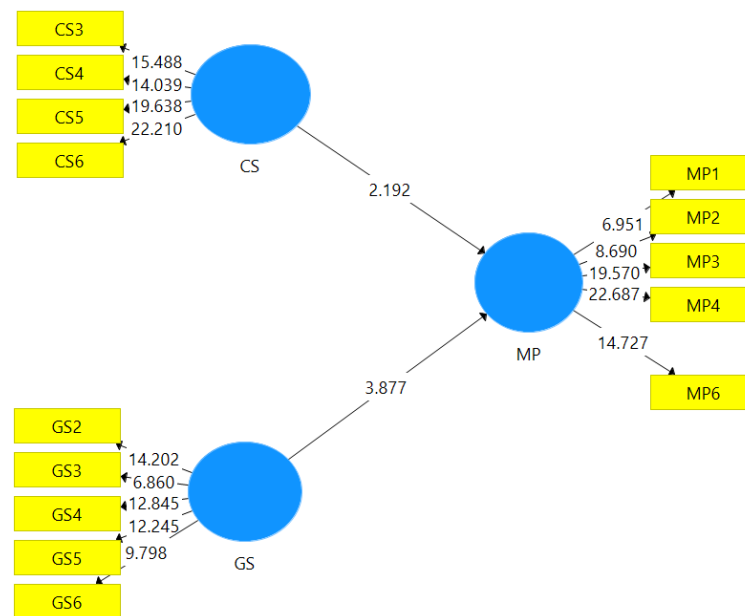


Figure 1. Bootstrapping

Table 1. Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
CS -> MP	0,198	0,211	0,090	2,192	<b>0,029</b>
GS -> MP	0,406	0,417	0,105	3,877	<b>0,000</b>

### Discussion

#### The Effect of Competitive Strategy on the Performance of Micro, Small and Medium Enterprises (MSMEs)

The results showed that the competitive strategy implemented by MSMEs in West Java has a positive impact on their performance. Laari et al (2018) in his research said that Competitive Strategy has a positive effect on Green Supply Chain Management. Effective competitive strategies, such as product differentiation, low cost, or focused strategies, have helped MSMEs to achieve a competitive advantage in the market. This is reflected in the achievement of business goals such as increased revenue, higher profits, and sustainable business growth. Larii et al. (2016) who suggested

marketing differentiation and operation differentiation are the most pursued competitive strategies to improve GSCM in manufacturing and trade. The discussion should end with a conclusion that highlights the main findings, practical implications, and the importance of competitive strategies in improving the performance of MSMEs in West Java. This conclusion should provide a brief summary of the research results and the key messages to be conveyed to the reader. With this comprehensive discussion, the results of research on the effect of the Role of Competitive Strategy on MSME Performance can be a strong foundation for the development of more effective and sustainable business strategies for MSMEs in West Java.

## **The Effect of GSCM Role on MSME Performance**

The results showed that the implementation of GSCM in the operations of MSMEs in West Java has a positive impact on their performance. Strategy in a business, especially competitive strategy, is said to be important in explaining variations in firm profitability and long-term performance (Kang et al., 2012; Teeratansirikool et al., 2013). Effective GSCM practices, such as environmentally friendly waste management, energy saving, and sustainable use of raw materials, have helped MSMEs to achieve competitive advantage in various aspects of business performance. Effective GSCM practices can result in significant cost savings for MSMEs. This could involve efficiency in resource use, reduction in production waste, or utilization of cheaper and sustainable raw materials. In another study by Geng et al. (2017) who conducted research using meta-analysis stated that GSCM has a positive and significant effect on company performance. Therefore, the discussion can include the economic impact of GSCM implementation. The discussion should end with a conclusion that highlights the main findings, practical implications, and the importance of GSCM in improving the performance of MSMEs in West Java. This conclusion should provide a brief summary of the research results and the key messages to be conveyed to the reader. With this comprehensive discussion, the research results on the influence of Green Supply Chain Management's role in MSME performance can be a strong basis for the development of more sustainable and high-performing supply chain practices for MSMEs in West Java.

## **CONCLUSION**

The results of this study significantly reveal that Competitive Strategy and Green Supply Chain Management (GSCM) have a positive impact on the performance of MSMEs in the West Java region. Through in-depth analysis, this study highlights how competitive strategies, which include product differentiation, cost leadership, and focus on specific markets, have become vital factors influencing the success of MSMEs. The implementation of these strategies helps MSMEs to maintain and improve their position in an increasingly competitive and globalized market. In addition, the adoption of Green Supply Chain Management, which includes environmentally friendly practices in raw material procurement, production, distribution, and waste management, has also proven to have a significant impact on performance. MSMEs that implement GSCM not only improve their operational efficiency and reduce costs, but also enhance their reputation and brand trust in the eyes of increasingly environmentally conscious consumers. This, in turn, has been shown to open up new market opportunities and maintain customer loyalty, providing a sustainable competitive advantage. This research confirms that, in an era of increased competition and environmental awareness, the ability of MSMEs to integrate competitive strategies with GSCM practices is key to sustainability and competitive advantage. Thus, for stakeholders, policy makers, and business practitioners, the findings suggest the need for further support, training, and resources for MSMEs in developing and implementing competitive strategies and GSCM practices, thereby spurring regional economic growth and sustainable development in West Java.

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