

Original Article

Implementation of the Resource-Based View Approach to Create the Competitive Advantages of Exporting for Micro, Small, and Medium Enterprises (MSMEs) in Magelang City

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Received Date: 26 December 2024

Revised Date: 11 January 2025

Accepted Date: 13 January 2025

Published Date: 21 January 2025

Abstract: The research is motivated by the still unstable economic conditions in Indonesia. One of the components that can be improved to boost the Gross Domestic Product (GDP) is promoting Indonesia's export activities. The contribution of MSMEs to GDP has only been around 60.34% over the past five years. Exporters must pay attention to the products to be exported, and these products must be competitive with similar ones from other countries. To create export competitiveness, it is necessary to empower strategic resources to produce products with a competitive advantage and international standards. The Resource-Based View (RBV) approach is considered one effective method for producing such products. Differences in resources and capabilities between companies and their competitors will provide competitive advantages for the company. This research focuses on MSMEs in Magelang City. Generally, many MSME products in Magelang City are being developed or expanded for international marketing. Several major events are regularly held in the Borobudur area, such as the Dekranasda Expo and ASEAN Economic Ministers (AEM), where MSMEs can showcase, sell their products, and expand their marketing networks. This research is planned for MSMEs in Magelang City in the commodity and export sectors over a sustainable period from 2020 to 2022. Another aspect that the researcher aims to examine is the economic growth of MSMEs during that period, which is a result of export activities. This aspect constitutes the novelty of this research. The variables to be used in this study are Valuable, Rare, Imitate to Cost, and Organized (VRIO) with a Resource-Based View (RBV) approach, supported by the Analytic Hierarchy Process (AHP).

Keywords: Economic Conditions, MSME Contribution, Export Competitiveness, Resource-Based View (RBV), International Marketing.

I. INTRODUCTION

The economic condition of a country can be reflected in its Gross Domestic Product (GDP) over several periods. According to data from the Central Statistics Agency (BPS), it has experienced fluctuations over the past five years. In 2018, the GDP increased by 9.19%. However, in 2019, it decreased to 6.7%, and in 2020, it fell to minus 2.46%. This can be summarized in Table 1.

Table 1. GDP Data for 2018-2022

Year	PDB (Billion)	Percentage Change (%)
2018	14,838,756.00	9,19
2019	15,832,657.20	6,7
2020	15,443,353.20	-2,46
2021	16,976,690.80	9,93
2022	19,588,445.60	15,38

Source: Central Bureau of Statistics Data

The fluctuations indicate that the country's economic conditions are still unstable. One component that can be improved to increase the Gross Domestic Product is by promoting Indonesia's export activities. The contribution of MSMEs to Indonesia's Gross Domestic Product has only reached around 60.34% over the past five years, which has resulted in a slowdown in the country's economic development (BPS). One important aspect for exporters to consider is the product itself. Goods should be well-packaged, properly labeled, and insured against risks such as damage, loss, theft, and delays. Additionally, the exported goods must be competitive with similar products from other countries. To create export competitiveness, the company needs to empower its strategic resources to produce products with competitive advantages and meet international standards. Competitive advantage is defined as the ability that a company acquires through its characteristics and resources to achieve better performance compared to other companies in the same industry and market.



Meanwhile, products with international standards can lead local companies to sustainability, having a positive impact on both micro-scale businesses and macroeconomic growth. The Resource-Based View (RBV) approach is considered an effective method for product development. RBV is a theoretical concept that emerged from research by economists worldwide, believed to provide answers to creating competitive advantages for a company. The Resource-Based View sees a company as a collection of resources and strengths. It focuses on the company's ability to maintain a combination of resources that cannot be possessed or replicated in the same way by competitors. The differences in resources and capabilities between companies will provide a competitive edge. This research focuses on MSMEs in Magelang City. Generally, many MSME products in Magelang have the potential for development and expansion of their marketing reach to the international level. According to data from the Department of Trade, Cooperatives, and Small and Medium Enterprises in Magelang City, export activities are substantial and fluctuate each year.

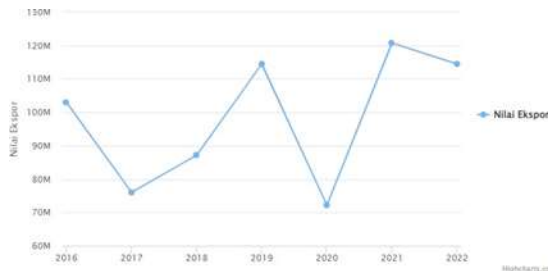


Figure 1. Export Statistics in Magelang City

From the above image, we can see the fluctuations in export activities in Magelang City from 2016 to 2022. A sharp decline occurred from 2019 to 2020, dropping from 114,474,113,000 to 72,209,830,000. Between 2021 and 2022, there was also a decrease in export value from 120,796,110,800 to 114,489,310,460. These ups and downs in export activities highlight the urgency of the issues that need to be addressed in this research, as export activities can serve as a measure to assess the overall economic condition. Fluctuating exports may indicate that the economy is still unstable, both in that region specifically and in the broader context. The variations in export volume suggest there are obstacles present. According to Agung and Nyoman, the barriers to export activities include Knowledge, Resources, and Procedure. One major obstacle is Resources, which refers to the assets that can be maximized by exporters to ensure that their products meet market quality standards, ultimately aimed at increasing export volume. Companies are urged to optimize their resources as a strength when entering international markets. An approach to maximizing resources is to utilize the Resource-Based View concept through Valuable, Rare, Imitate to Cost, and Organized (VRIO) analysis.

II. LITERATURE REVIEW

A) *Micro, Small, and Medium Enterprises (MSMEs)*

Micro, Small, and Medium Enterprises, commonly abbreviated as MSMEs, are defined according to Law No. 20 of 2008 as follows: Micro Enterprises are productive businesses owned by individuals or sole proprietorships that meet the criteria for micro-businesses, which are as follows: having a net worth of no more than IDR 50,000,000 (fifty million rupiah), excluding land and buildings used for the business; having annual sales of no more than IDR 300,000,000 (three hundred million rupiah). Small Enterprises are productive economic activities that stand independently, conducted by individuals or businesses that are neither subsidiaries nor branches owned, controlled, or directly or indirectly part of medium or large enterprises. They meet the criteria for small businesses, which include having a net worth of more than IDR 50,000,000 (fifty million rupiah) and up to a maximum of IDR 300,000,000 (three hundred million rupiah), excluding land and buildings; having sales of more than IDR 300,000,000 (three hundred million rupiah) and up to a maximum of IDR 2,500,000,000 (two billion five hundred million rupiah). Medium Enterprises are productive economic activities that operate independently, conducted by individuals or businesses that are neither subsidiaries nor branches owned, controlled, or directly or indirectly part of Small or Large Enterprises. They meet the following criteria: having a net worth of more than IDR 500,000,000 (five hundred million rupiah) and up to a maximum of IDR 10,000,000,000 (ten billion rupiah), excluding land and buildings; having sales of more than IDR 2,500,000,000 (two billion five hundred million rupiah) and up to a maximum of IDR 50,000,000,000 (fifty billion rupiah).

The important role of MSMEs can be seen in their increasing contribution to Gross Domestic Product (GDP) in Indonesia. According to data from the Coordinating Ministry for Economic Affairs (2022), the number of MSMEs in Indonesia has reached 99% of all business units, contributing 60.5% to GDP and absorbing 96.9% of total national employment. The United Nations Conference on Trade and Development (UNCTAD), in its report, ASEAN Investment Report 2022, published in October 2022, stated that there are 65.46 million MSME actors, contributing 60.5% to GDP and capable of absorbing 97% of the workforce in Indonesia.

B) Resource Based View (RBV)

According to Rahardian (2017), the Resource Based View is a classical approach in strategic management related to competition and company resources. Additionally, the Resource Based View can be considered a reference for analyzing the strengths and weaknesses of a business by studying its internal conditions that are owned and controlled by the enterprise (Wardrial, 2011).

C) Metode Analytic Hierarchy Process (AHP)

The Analytic Hierarchy Process (AHP) is a general theory of measurement. The four types of measurement scales typically used in sequence are nominal, ordinal, interval, and ratio scales. Higher scales can be categorized into lower scales, but not the other way around. Monthly income measured on a ratio scale can be categorized into income levels on an ordinal scale or into categories (high, medium, low) on a nominal scale. Conversely, if the data collected during measurement is categorical or ordinal, higher-level data cannot be obtained. AHP addresses some of these issues. (Supriadi, 2018).

According to Supriadi (2018), AHP is often used as a problem-solving method compared to other methods for the following reasons: a. A hierarchical structure, as a consequence of the selected criteria, down to the deepest sub-criteria. b. It considers the validity up to the tolerance limits of inconsistency among various criteria and alternatives chosen by the decision-maker. c. It takes into account the robustness of the sensitivity analysis output in decision-making. The steps involved in the AHP method are as follows (Supriadi, 2018):

- a. Define the problem and determine the desired solution.
- b. Create a hierarchical structure starting with the main objective.
- c. Develop a pairwise comparison matrix that reflects the relative contribution or influence of each element toward the higher-level objectives or criteria.
- d. Define the pairwise comparisons to obtain a total of $n \times [(n-1)/2]$ evaluations, where n is the number of elements being compared.
- e. Calculate the eigenvalues and test their consistency.
- f. Repeat steps 3, 4, and 5 for all levels of the hierarchy.
- g. Check the consistency of the hierarchy, where AHP measures the consistency ratio by examining the consistency index, aiming for a consistency that is close to perfect to ensure that the decisions are as valid as possible.

D) Development of Hypotheses

The most effective competitive advantage is achieved through the competencies or capabilities of a company. It is not enough to have a competitive edge; companies must strive for sustainable competitive advantage by (1) continuously adapting (dynamically) to external trends, events, and internal capabilities, competencies, and resources; (2) effectively formulating, implementing, and evaluating strategies while leveraging these indicator factors (David, 2016:11). SMEs can effectively compete in export competitive advantages, allowing them to sustain their operations. This research utilizes a qualitative method. The data sources for this study consist of primary and secondary data. Primary data is obtained directly from the research subjects using a questionnaire that will be distributed to them. Secondary data is collected from articles and books that discuss the Resource-Based View approach, which can be used to maximize the internal resources of SMEs. The research subjects are SMEs in the city of Magelang. The sample is selected using purposive sampling with the following criteria:

1. SMEs in Magelang engaged in export activities producing finished goods and commodities.
2. SMEs that have consecutively conducted export activities from 2020 to 2022.

In this study, the variables to be used are Valuable, Rare, Inimitable, and Organized (VRIO), which are tools from the Resource- Based View approach. The VRIO variables are utilized to assess whether SMEs have maximized their resources in international trade or competition, ensuring that their exported products possess competitiveness and can create Competitive Advantages. In this study, the Resource-Based View is supported by the Analytic Hierarchy Process (AHP), which utilizes a hierarchical structure for decision-making problems consisting of an overall goal, a set of alternatives, and a set of criteria linking alternatives to the goal. The Analytic Hierarchy Process (AHP) is based on pairwise comparisons, leading to the derivation of ratio scales. The procedure in AHP includes six steps, as follows:

- a. Define the unstructured problem and clearly articulate the objectives and desired outcomes for the sub-district office.
- b. Break down the complex problem into a hierarchical structure with decision elements (criteria, sub-criteria, and alternatives).
- c. Use pairwise comparisons among decision elements and construct a comparison matrix.
- d. Calculate and estimate the relative weights of the decision elements.
- e. Check the consistency of the matrix to ensure that the judgments of the decision-maker are consistent.
- f. Aggregate the relative weights of the decision elements to obtain an overall ranking for the alternatives.

The data analysis used in this qualitative research employing the Resource-Based View approach is as follows:

1. The researcher assesses the resources owned by SMEs using a pre-prepared questionnaire based on a semantic differential scale, utilizing Resource- Based View assessment indicators with an analysis of Valuable, Rare, Inimitable, and Organized (VRIO).
2. Identify and determine the strategic resources of the company that can be maximized in export activities using the Analytical Hierarchy Process, which is part of the Resource-Based View approach.
3. Describe the steps taken by SMEs in Magelang to achieve Competitive Advantages in their export activities.
4. Draw conclusions regarding the use of the Resource-Based View approach, supported by the Analytical Hierarchy Process, in maximizing the strategic resources of SMEs to achieve export Competitive Advantages.

E) VRIO Analysis

Table 2. VRIO Analysis

Yes	Ye s	-		Tempo rary competitive advent	Yes
age	Above Normal				age
Yes	Ye s	Yes		Unused competitive advent	Yes
age	Below Normal				age
Yes	Ye s	Yes		Sustained competitive advent	Yes
age	Above Normal				age

Source: Barney (2002) Description:

1 = If the resource is assessed to meet VRIO criteria

0 = If the resource is assessed not to meet VRIO criteria

Total = 1 means the resource is at the level of Competitive Parity (equivalent to or no worse than competitors). Total = 2 means the resource is at the level of Temporary Competitive Advantage (a temporary competitive edge, as other companies will attempt to imitate it soon, leading to the loss of competitive advantage). Total = 3 means the resource is at the level of Unused Competitive Advantage (the resource becomes costly for the company, or in other words, expenses incurred are wasted). Total = 4 means the resource is at the level of Sustainable Competitive Advantage (the company possesses a permanent/sustainable competitive edge). Table 1 explains: Valuable. The valuable section describes whether resources and capabilities are valuable to the company.

Resources are considered valuable if they help the organization enhance its perceived value to customers. If the resources are valuable, then they represent a competitive advantage.

Rare. Resources that can only be used by two or three organizations can be classified as rare resources. Rare resources can generate a competitive advantage.

Inimitable. Suppose a company possesses resources or capabilities that are difficult to imitate. In that case, this constitutes a competitive advantage, as competing companies will not be able to replicate, purchase, or replace them or implement the same strategies, at least in the short term, especially over a longer period. Organized. Well-organized resources and capabilities will enhance the value of those resources and capabilities themselves, thereby creating opportunities for competitive advantage for the company. No matter how valuable, rare, and inimitable, resources and capabilities will not provide an advantage to the company if they are not well organized to capture the value that those resources possess.

Sustainable Competitive Advantage: A sustained competitive advantage can be achieved if a company's resources or capabilities meet the four VRIO attributes. If they do not meet all four variables of the VRIO analysis, the company can only achieve a temporary advantage or may not have any competitive advantage at all.

III. RESULTS AND DISCUSSION

A) Respondent Identity

a. Type of Business



Based on data collected from 26 respondents involved in MSMEs in Magelang Regency, it was found that 42% of the surveyed MSMEs operate in the culinary sector. This type of culinary business includes a range of activities, from restaurants to small food and beverage enterprises. The culinary sector appears to be one of the dominant fields in Magelang Regency, given the large market potential of both local residents and tourists. Additionally, 30% of MSME participants fall into the creative industry category. This creative industry encompasses various sectors, such as handicrafts, fashion, design, and other artistic products. The presence of the creative industry indicates that MSMEs in Magelang are not only focused on conventional products but also on value-added products with aesthetic and innovative appeal. Meanwhile, 28% of the remaining participants are engaged in other MSME activities that may include service, trade, and small-scale manufacturing. It is, therefore, a reflection of the business sectors with diverse economies in Magelang Regency where entrepreneurs address the various income-generating opportunities circulating in the market.

b. Gender



Data has been collected from 26 respondents: it is known that MSME participants in Magelang Regency are predominantly female, making up 73% of participants. Meanwhile, male participants of MSMEs take up 27%. The dominance of women in MSMEs shows how important the role of females play in the local economy, particularly within the micro, small, and medium-scale enterprise sector. Women who participate in MSMEs in Magelang may utilize their abilities and imagination in developing diverse enterprises, for instance in the food, handicrafts, fashion, and other creative fields. In fact, being able to manage and operate businesses through the dynamics of economic and social pressures exemplifies their entrepreneurial capacities. That more women engage in MSMEs can be a positive indicator of women's growing capacity to help drive family and community economies. This involvement helps the women increase their household income, as well as support the local economy. The other side of the coin is the 27% of male MSME participants who are important in specific sectors that may require technical expertise or more labor. The involvement of both women and men in MSMEs creates a positive synergy for the growth of this sector in Magelang Regency.

c. Age of MSME Participants



With data gathered from 26 participants, the participants in Magelang Regency were primarily of ages ranging from 30 to 50 years with 76%, and these age brackets were seen at the peak population and experienced and mature age in the ability to operate any business. This reflects that the majority of MSME participants in Magelang are those who are more

seasoned in business and have stability in managing their enterprises. Meanwhile, 19% of MSME participants are under the age of 30. This age group typically consists of young entrepreneurs who start businesses with a spirit of innovation and adaptability to technology. Although they are fewer in number compared to the 30-50 age group, these young entrepreneurs bring dynamism and new ideas that can drive the growth of MSMEs in the future. On the other hand, only 5% of MSME participants are over the age of 50. While this group is relatively small, they still play an important role, especially in sustaining businesses that may have been established for a considerable time and have a strong customer base.

B) RBV (Research Based View)

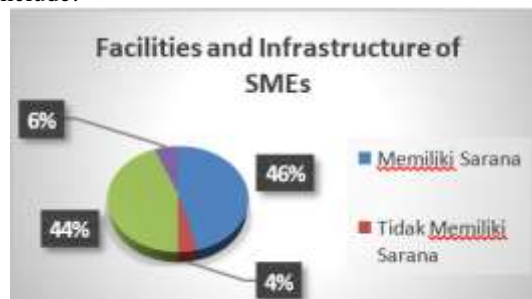
Do MSMEs have strong capital strength to carry out their activities?



Based on the results of the questionnaire distributed to 26 respondents, it was found that the majority of MSMEs, approximately 92%, have initial capital ranging from 1 to 50 million rupiah. Meanwhile, only 8% of MSMEs have larger capital, between 50 to 500 million rupiah. Although this difference in capital is quite significant, the data shows that most MSME participants (96%) are able to generate annual revenue of 50 to 100 million rupiah. This indicates that even with limited capital, the majority of MSMEs can operate their businesses quite successfully and achieve relatively high incomes. This emphasizes that initial capital is significantly influential, but it is not the sole determining factor for business success. Good financial management, creativity in marketing, and the utilization of digital technology likely play important roles in operational activities and can enhance MSME participants' income. However, for MSMEs with larger capital, the potential for business expansion and increased operational scale may be more accessible, which could ultimately enhance competitiveness and production capacity.

Do MSME companies have adequate facilities and infrastructure to operate their businesses?

Forms of facilities and infrastructure include:



Based on the data obtained, it is known that 92% of MSMEs have adequate facilities to operate their businesses, such as vehicles and production machinery. These facilities are critical in supporting daily operations, from transporting raw materials to distributing finished products to consumers. Moreover, 88% of MSMEs also have infrastructure that includes business premises and other necessary support for business activities. This data indicates that the majority of MSMEs in the region

possess sufficient basic facilities to run their operations. A facility like Vehicles and production machines also gives competition based on more efficient operation. Its cost-related competitiveness, along with good facility, allows MSME to manage its stock inventory, arrange the raw materials' stockyard and produce as regularly and systematically as possible. As this facility makes production more intensive the possibility of good products in large production capacity increases considerably. Accordingly, MSME is able to make a place for itself both inside and outside of the current market. However, the quality and maintenance of such facilities and infrastructures determine the sustainability of the business in the long term. Therefore, the existence of facilities and infrastructures in most of the MSMEs is an indicator of their preparedness to compete in the expanded market and facilitate sustainable business growth.

Do MSMEs utilize technology in their business activities, both in sourcing and selling their products?



Based on the data gathered, 84% of MSME participants have utilized technology in their business activities. The technology in question encompasses various aspects, from the use of software for digital marketing through social media and e-commerce platforms to digital payment applications. The use of technology indicates that the majority of MSMEs are aware of the importance of technological adaptation to enhance efficiency and competitiveness. Through technology, MSMEs are able to automate their operations and increase market coverage and quality services to customers. More importantly, MSME participants will be able to access real-time market information and analyze data that will help optimize business strategies. However, there are still 16% of MSMEs that have yet to embrace technology in their operations. This can be challenging regarding competitiveness, especially in today's computerized world, where technology drives success in businesses. Therefore, MSMEs that have yet to penetrate the digital world need to adopt the use of digital tools at a relatively fast pace to prevent them from being replaced in the marketplace competition. Overall, the high level of technology usage by MSMEs represents a step toward digital transformation that will likely accelerate local and national economic growth. In the future, MSMEs can grow faster and more efficiently through the continued development of technology usage.

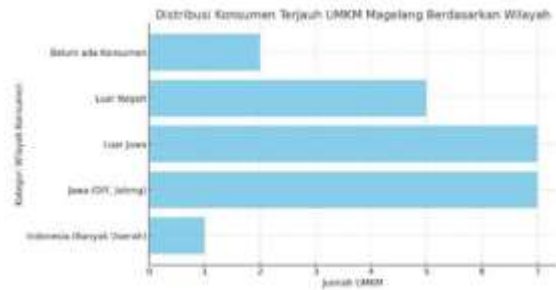
Do MSMEs have creative and innovative employees in their operations, such as developing or sourcing unique products and implementing creative marketing strategies?



MSMEs in Magelang Regency tend to be highly creative and innovative in their operations. In fact, data indicate that 76% of MSME participants in this area have unique products. Such uniqueness may come from unique designs, unusual materials, or seldom-found products. The difference between such products is their competitive edge in attracting attention, broad market exploration, and distinguishing such MSMEs from their competitors. Moreover, innovation in marketing also inspired 73% of MSME participants in the Magelang Regency. Marketing innovation refers to the diverse creativity that encompasses its effective social media use, engaging promotion, and personalized communication with customers. These innovative marketing strategies help MSMEs reach a wider audience and establish stronger relationships with customers. Data shows that most MSMEs in Magelang Regency are after production with the full realization of the significance of innovation in marketing towards business success. The creativity and innovation demonstrated by the employees of MSME in the creation of unique products and their creative marketing strategies are the core drivers of business growth. However, still, there exist challenges for the MSMEs that have not fully leveraged their innovation potential in both product development and marketing.

For those MSMEs, investing in creativity training and developing more modern marketing strategies would be important steps to enhance competitiveness in an increasingly competitive market.

Do MSMEs have a good reputation, and are they well-known in and around Magelang or even beyond? Where do the furthest consumers come from?



According to the data collected, MSMEs in Magelang generally have a good reputation and are popular in many places around the world, nationally and internationally. Seven MSMEs reported that they have foreign consumers from Japan, the Netherlands, the United States, and Argentina, which means their products or services are in demand worldwide. Other regions, aside from Java, are also significant consumers of the seven MSMEs in Kalimantan, Sumatra, and Papua. This implies that the market coverage of the seven MSMEs has exceeded the island of Java. Important markets for the MSMEs in Magelang are DIY (Yogyakarta Special Region) and Central Java, and seven MSMEs reported consumers from these regions. However, three of the MSMEs have indicated that they have not yet obtained customers from outside Magelang. This could indicate that they are still in the early stages of market expansion. Overall, the data presented suggests that MSMEs in Magelang have vast potential for continuing to expand their market share nationally and internationally.

MSMEs in Magelang often possess a great reputation and are recognized in different areas, not only in the region but also outside the country. This can be used as a very promising base for further development, even through more aggressive marketing strategies or wider market reach to attract more consumers outside of the region and foreign markets. MSMEs provide better services compared to other MSMEs in Magelang.



Following is a description of the data and a pie chart indicating the flagship services provided by MSMEs in Magelang. A big portion, at 46.2%, is a discount offered for customers in consideration of some terms or conditions set that vary, which might be by order quantity or meeting a particular amount. Another significant competitive advantage from the companies is through the provision of efficient customer services, including fast turnaround responses and decision review coupled with after sales service at 15.4%. Some MSMEs (15.4%) provide special offers such as gifts for potential customers, vouchers for first-time buyers, and rewards for referrals. Affordable pricing strategies are another option used by 7.7% of MSMEs to remain competitive in the market.

On the other hand, some MSMEs provide free shipping or souvenirs (7.7%) as part of their strategy. A small portion of MSMEs (3.8%) focuses on training and support for their resellers. However, there are also MSMEs (3.8%) that do not yet offer the mentioned services or are still in the process of developing them. This pie chart provides a visualization of the proportion of each flagship service offered by MSMEs in Magelang, indicating that discounts are the most commonly used strategy.

C) VRIO Analysis

Why do MSMEs consider employees and company assets to be important?

This study reveals that employees and assets are critical elements for the sustainability of MSMEs in Magelang. Based on the data collected, respondents emphasized that without adequate employee support and appropriate company assets, businesses would not be able to grow rapidly. Employees and assets are viewed as the main pillars that ensure smooth and sustainable business operations. Respondents mentioned that "employees and company assets are the pillars of business

continuity" and "employees and assets are the spearheads in production," highlighting the importance of these two elements in maintaining business sustainability. These findings are in line with previous research by Suryanto (2019), which stated that competent employees and adequate assets can enhance production efficiency and product quality.

Furthermore, several respondents also highlighted the role of employees in various aspects of production, with statements such as "employees assist in the production process" and "the workforce helps run the business," supporting research by Nugroho (2018), which shows that the active involvement of employees in the production process increases productivity and company output. The respondents recognize machinery and equipment as very important assets to the company. They said that "without employees and assets, the business will not run well," and "assets and employees are the heart of the business," which stressed that without these assets, MSMEs would not be able to operate effectively. This supports Wibowo, "Investments made in both fixed assets as well as working capital is believed to be integral toward supporting business survival and thus sustain the livelihoods of such business ventures" 2020. One of the primary concerns was about the balance between assets and the employee. They reported that "employees are the major source, and the balance between employees and assets is vital to business continuity." Raharjo's research findings by 2021 support this by claiming that a combination of quality human resources and proper amounts of assets create the synergy required to be accomplished in business. Product quality can also be maintained and enhanced through skilled employees. According to the responses, "a good team is the most crucial capital for business development" and "the success of the business and quality of the product relies on the employees," in line with studies by Wahyuni (2022), who demonstrated that changes in product quality are often related to employee training and skill acquisition. Therefore, this research work has created insight for investment in employee training and asset renewal for improved production efficiency and long-term business sustainability. This conclusion supports and expands previous findings, emphasizing that human resources and assets are key factors in achieving the sustainability and success of small and medium enterprises.

What are the special qualities of MSMEs' employees and assets that other businesses in Magelang do not have?

The table above captures the general qualities of employees and assets in MSMEs. Employees have a multitude of unique attributes, including their multitalent abilities, being creative in product development as well as being fashionable, strong working ethics, skill in processing as well as packaging products, skills that are found in few employees, and strong management capabilities. These include loyalty, creativity, and strong prowess in marketing through channels like TikTok. Other notable unique assets of the employees are as follows: On the other hand, the assets owned by MSMEs have their own distinctiveness. Assets that are described as very agile in keeping up with the trends in crafts tend to be found, but others are stated to be traditional and still deliver high-quality products. This asset is also unique because of the use of tools that many do not own, and humans handle them, yet they still prove to be effective for production. Some assets used by MSMEs are said to come from known Japanese companies, meaning good, high-quality equipment has been invested in.

The uniqueness of the employees and the assets is therefore essential in establishing the competitiveness of MSMEs in a highly competitive setting. The preceding studies indicate that the combination of employees' skills with the right assets enhances productivity and innovation in MSMEs. As Sutrisno (2019) observed, employees' ability to innovate and manage the production process enhances the competitiveness of small and medium enterprises. On the other hand, Wulandari (2020) emphasizes that investing in assets that not only support production but also improve the quality of the product will strengthen the MSME's position in the market. Other studies by Setiawan (2021) further argue that the proper use of technology, whether simple or traditional, will add value to the products of MSMEs, especially if combined with creative and skilled employees' expertise. On the other hand, Hidayat (2022) discovered that employee loyalty and skills in digital marketing, such as social media skills, have a large impact on achieving a larger target market and higher sales. In this regard, it may, therefore, be concluded that the uniqueness of employees and assets in MSMEs is valuable capital for facing challenges within a business and increasing competitiveness. Such success in creating innovative and high-quality products results from the combination of superior employee skills and effective asset utilization.

Why are the employees and assets of MSMEs so hard to imitate for competitors?

Employees have specialized skills and expertise that are very difficult for competitors to imitate. This is especially true since many MSMEs still abide by the principle of "one-man show", where the owner or a few employees handle almost every aspect of the business. The distinctiveness of such skills is the experience gained over several years and adjusting to the requirements of the business that require time and dedication to establish. For instance, in making different dolls, many workers must have long hours of work to master the manufacturing process. Such experience and special training often are not easily duplicated due to the period within which the practitioner acquires such abilities. Most of the employees in MSMEs have an ability to perform unique and efficient ways of various duties hence making them even more difficult to imitate. According to a study by De Winne & Sels (2020), employees in MSMEs have a higher emotional attachment to the companies they work for. They often feel a sense of ownership over the business, which drives them to work with greater dedication compared to

employees in larger companies. This makes their skills and work behaviors unique assets that are difficult for competitors to replicate.

Why are assets challenging for competitors to imitate?

The SME's assets also have features that make them hard for the other competitors to imitate. One is that often, these assets are difficult to handle in order to produce quality products. For instance, SMEs, to produce some products, for example handicrafts, apply traditional tools requires a certain skill and knowledge possessed from generation to generation. For instance, in batik production, the canting to be used for dyeing must be treated very carefully so as to have a fine outcome. Such assets are not only physical but also carry cultural value and experience built over the years. Additionally, these are usually traditional and manual, and modern competitors do not frequently use them as they rely more on technology, which makes them even more difficult to replicate. An asset-based view study by Bouncken et al. (2021) shows that assets owned by SMEs, such as traditional machines and strategically located facilities, have unique features that make them difficult to imitate. In addition, the value of products produced can relate to local values and cultural heritage. Therefore, there is uniqueness and value in the employees and assets of SMEs that prove difficult for competition to imitate, even though technology continues to improve. The blend of unique skills of employees with high-value traditional assets provides an SME with an advantage in terms of competitiveness.

How do SMEs organize their employees and assets efficiently?

In SMEs, there are often strategies for managing employees and assets that focus on work discipline, rewards, and sanctions. This effective organization intends to promote efficiency, keep up the standard quality of the product or service being provided, and offer a positive work environment to workers. For example, to arrange their workforce, SMEs will enforce work discipline. To that end, all employees need to follow standardized operating procedures in a strict discipline of work. Company targets are achievable in this context when all employees become productive and effective workers. SMEs often have more privileges and rewards for employees who exceed the set targets. However, there are sanctions made for those who are undisciplined. For example, employees who fail to meet the expected standards of work may be given a warning or even cut incentives. In addition to discipline, SMEs also offer further protection for the employee in the way of health insurance and retirement funds. This is a form of reward and protection that not only enhances employee well-being but also fosters their loyalty and commitment to the company. Such protections can provide employees with a sense of security and encourage them to perform better. In addition, SMEs use different types of rewards, including annual bonuses, holiday allowances (THR), and even team-building activities like gatherings or group vacations to strengthen team relationships. There are also special awards given when significant revenue milestones are achieved in the form of tips or gifts. All these efforts aim to motivate employees to continue contributing at their fullest capacity. However, the organization is not solely about rewards. Disciplinary and performance punishments need to be fair to maintain the professionalism and performance of SMEs. If employees fail to meet set targets, no salary increase or bonus is granted, or even direct reprimands are administered to the poor performers. This is aimed at motivating employees to always improve and endeavor to meet companies' goals. According to a study by Paais and Pattiruhu (2020), the application of an equitable system of punishment and rewards can improve motivation and performance for employees working in SMEs. This study further reveals that a regular combination of awards and punishments helps in developing a work environment that is productive and harmonious in nature, which will be positive for achieving organizational goals. With effective organization, including the enforcement of work discipline, rewards, and sanctions, SMEs can maximize the potential of their employees and assets. This is key to achieving long-term success and maintaining competitiveness in an increasingly challenging market.

How do SMEs maintain and develop the assets they possess?

According to the data, SMEs can maintain and develop their assets through various effective and sustainable strategies. One of the main practices is to instill a responsibility among employees to care for and maintain assets both during and after use to make them durable over long periods for effective use. More modern tools and adequate workspaces are also invested in by SMEs. Besides, more efficient systems need to be designed by SMEs to increase productivity. Such efforts are closely complemented by business expansion initiatives like opening branches at potential locations to optimally leverage existing assets. Product innovation is also one of the main priorities of SMEs as a way of staying relevant in the market and raising asset value. Seizing new opportunities for asset development can be done through collaboration with other SMEs and networking with various parties. Moreover, maintaining good relationships with existing customers and continuously seeking opportunities to attract new customers through excellent service contributes to strengthening the value of intangible assets, such as brand equity and customer loyalty. Research shows that innovative and effective asset management, whether physical or intangible, is key to creating sustainable competitive advantages. Therefore, SMEs that can manage their assets well can enhance their competitiveness and business growth in the market.

D) Competitive Advantage

Does the MSME have unique products and engage in continuous innovation to release different products? What innovations are being implemented?

The majority of the surveyed MSMEs indicated that they possess unique products and strive for continuous innovation. This innovation encompasses various aspects, such as the creation of new products and the addition of variants, as they continuously develop products to meet the dynamic needs of consumers. Additionally, redesigning packaging has become an important focus for MSMEs in making their products more attractive and in line with market trends. The use of modern technology, such as larger-capacity production machines and drying tools like food dehydrators, also demonstrates a significant step forward in improving efficiency and product quality. MSMEs are also innovating in the utilization of raw materials, for example, processing cassava leaves into nori or using local batik as a distinctive feature of their products. To maintain good relationships with consumers, some MSMEs issue free vouchers or discounts on certain occasions, helping to strengthen customer loyalty. Some MSMEs are also working to add value to their products by offering lower prices with more content. In fact, some have diversified their businesses while still related to their main operations. However, there are also MSMEs that have not fully engaged in innovation or remain limited in their initiatives. Overall, innovation and product uniqueness are crucial elements for most MSMEs to remain competitive and relevant in the market.

What are some examples of how MSMEs monitor their employees and engage in dialogue with customers?

MSMEs implement various forms of oversight on their employees and products to ensure optimal quality and engage in dialogue with customers to enhance service. This oversight includes actions such as quality control on the produced goods, checking production codes and expiration dates, and enforcing strict SOPs in the production process. Additionally, monitoring is carried out through the installation of CCTV and periodic performance evaluations of employees. To maintain quality, some MSMEs also ensure oversight of packaging and product conditions before shipping to customers. Dialogue with consumers is an essential part of efforts to maintain service quality. Common examples of such dialogue include requesting testimonials and direct feedback from customers regarding the received products, inquiring about the service provided, and allowing customers to report any products that are nearing or past their expiration dates. Some MSMEs also actively communicate with consumers to inquire about complaints and difficulties experienced or provide product care tutorials. This effort to establish two-way communication aims not only to ensure customer satisfaction but also to build a closer relationship with them, such as by wishing them a happy birthday or discussing their hobbies and interests. All of this highlights the importance of internal oversight and external communication in maintaining and improving the quality of MSME products and services.

How do MSMEs implement service quality improvements to create a strong bond with customers?

MSMEs implement various renewal and service quality improvement strategies to create a strong bond with customers. One common approach is offering discounts, vouchers, or direct gifts to customers, which not only encourages repeat orders but also enhances customer loyalty. For instance, some MSMEs offer special coupons to loyal clients or offer selective rates and discounts during special events like Independence Day celebrations or customer birthdays. Other MSMEs also provide holiday bonuses, product bonuses, or special promotions as one way of showing appreciation for the different customers. Moreover, MSMEs usually maintain customer relations by maintaining constant and prompt interaction. For example, they respond to a customer's question immediately, or they will find out if the customer has issues that have not yet been solved or even have discussions on market conditions, pricing, packaging, and flavors. This way, MSMEs gain insight into customers' needs and preferences and the customers are considered important and appreciated. In addition, some of the MSMEs give complimentary gifts or some bonuses when orders reach a specific minimum, while they also update clients both online and offline to connect with their customers. All these are efforts that show the ways MSMEs try hard to build long-term relationships through quality service that is personalized.

What are the various ways MSMEs develop continuous products to satisfy customer needs?

MSMEs continuously undertake sustainable product development to meet and exceed customer expectations, ensuring their satisfaction is achieved. The most common strategy adopted is introducing new products that are currently in demand by consumers, often as a response to ever-changing market trends. MSMEs also continually innovate in product creation, whether by introducing new variants, using the latest materials or technologies, or updating packaging to make it more attractive and functional, such as portable pouches. Additionally, MSMEs maintain active communication with customers to understand their specific desires or requests, which are considered valuable input for product development. They are receptive to feedback and always try to stay up-to-date so that the products brought into the market remain relevant to the needs and desires of the market. Sometimes, MSMEs also diversify into new kinds of productions or attempt novel innovations, like creating new varieties of seeds for horticulture or coming up with viral products in the market. There is also an adjustment in prices that maintains the costs and affordability level by remaining competitive for consumers. This further ensures MSMEs follow current trends with a focus on best-selling goods or introducing something with new information. Such action gives MSMEs an

added responsibility of providing something that could match the market but also continually upgrade as the business becomes more relevant to the evolving business environment.

IV. CONCLUSION

A) Conclusion

The Resource-Based View or RBV, is the classic framework in strategic management related to competition and the resources owned by the firms. The RBV approach of this study shows that the capabilities or resources owned by MSMEs are sufficient based on their scale of operations. Some of the resources developed by MSME actors are as follows: capital strength, infrastructure, technology, product uniqueness, business reputation, and customer service. From the perspective of capital strength, most MSME actors have diverse capital ranging from IDR 1 million to IDR 500 million but can bring in annual revenues of IDR 50 million to IDR 100 million. On the aspect of infrastructure availability, 92% of MSME actors have sufficient infrastructure, such as vehicles and production machines, and 88% have business premises and other infrastructure. For technology, 84% of the MSME actors applied technological advancement in terms of tools for operation by using e-commerce, social media, and digital applications. On product uniqueness, 76% of the MSME actors have unique products and continue to innovate and develop new products. On reputation and service, the MSME actors have marketed their products to both nations within the country and outside the country in such countries as Japan, the Netherlands, the United States, and Argentina. Besides, MSMEs typically improve customer service by offering lower-priced products, free shipping, and responses. Therefore, it would be safe to conclude that the RBV approach is favourable, but some MSME actors still have to work extra hard and even improve on others, such as applying technology in product innovation to create a uniqueness of the product from the competition.

The Valuable, Rare, Imitate to Cost, and Organized is an analytical tool from the Resource-Based View approach. The VRIO variables help determine the capability of micro, small, and medium enterprises to obtain high returns through the usage of their organizational resources. Resources owned by MSME actors include assets and employees. MSME actors view their assets and employees as playing a crucial role in the development of their business activities. The assets owned are often difficult for competitors to imitate due to the specialized techniques required for their use. MSME actors strive to enhance their assets by fostering awareness about the importance of maintaining and caring for the resources they possess. Additional essential skills from the employees in order to enhance output quality that matches market needs and competitiveness of company products will include multitasking capabilities, creativity, and higher innovations. Therefore, MSME actors need to improve employee discipline to maintain product quality while also recognizing employees' efforts through rewards as motivation. Thus, MSME actors have come to understand the importance of assets and employees in a company through the VRIO variable analysis.

Competitive advantage refers to the strengths or unique qualities that MSME actors can demonstrate, enabling them to compete with rivals at regional, national, and even international levels in export activities. Sustainable competitive advantage can be achieved when the company's resources or capabilities meet the four VRIO attributes. The previously conducted VRIO variable analysis using the RBV approach concludes that MSME actors possess competitive advantages that enable them to penetrate foreign export markets, although there is still room for improvement and maximization in managing their resources. Competitive advantage is evidenced by the uniqueness of the products and the ongoing innovations that make these products appealing to consumers and competitive against rival offerings. Additionally, customer satisfaction with the products and services provided by MSMEs adds further value, contributing to their competitive advantage.

B) Recommendations

After reviewing the results of this research, several recommendations can be made as follows:

1. MSME actors should enhance their skills and knowledge in utilizing technology to assist in product marketing through digital marketing and product sales via e-commerce.
2. MSME actors should strive to maintain and improve the consistency of the competitive advantages they possess, enabling them to expand their business reach to the international level.
3. Future researchers should consider conducting studies on optimizing the use of digital marketing and e-commerce to increase the revenue of MSME actors in Magelang City.

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