

**THE ROLE OF MARKET ORIENTATION AND PRODUCT QUALITY ON THE PERFORMANCE OF SMALL-MEDIUM ENTERPRISES WITH SUPPLY CHAIN MANAGEMENT STRATEGIES AS MEDIATION VARIABLES
(Case Study on Songket SMEs in Palembang City)**

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Abstract

The purpose of this research was to analyze and measure the role of market orientation, product quality, supply chain management strategies as mediating variables on the performance of small and medium enterprises (SMEs) in Palembang. This study explains how the influence of market orientation and understanding of product quality by the owner or leader of the Songket UKM in Palembang City on the company's performance. The research sample amounted to 50 people consisting of elements of the owners and leaders of the Palembang songket UKM and that is from 25 Palembang UKM business units. Survey method with quantitative management data through statistical analysis test of the SPss IBM 25 application to measure the level of market orientation, product quality, supply chain management strategy on the performance of SMEs in Palembang. These results show that the Market orientation has a significant positive role on the performance of SME companies in the city of Palembang and it can provide an alternative solution in the form of information on awareness of the influence of the variables studied as owners or leaders of SMEs on market orientation, product quality, supply chain management strategies to improve the performance of songket SMEs in Palembang.

Keywords: *Market orientation; product quality; supply chain management and SMEs performance*

Abstrak

Tujuan penelitian ini adalah untuk menganalisis dan mengukur peran orientasi pasar, kualitas produk, strategi supply chain management sebagai variabel mediasi terhadap kinerja usaha kecil menengah (UKM) di Palembang. Penelitian ini menjelaskan bagaimana pengaruh orientasi pasar dan pemahaman kualitas produk oleh pemilik atau pimpinan UKM Songket Kota Palembang terhadap kinerja perusahaan. Sampel penelitian berjumlah 50 orang yang terdiri dari unsur pemilik dan pimpinan UKM songket Palembang yaitu dari 25 unit usaha UKM

Palembang. Metode survey dengan manajemen data kuantitatif melalui uji analisis statistik aplikasi SPss IBM 25 untuk mengukur tingkat orientasi pasar, kualitas produk, strategi supply chain management terhadap kinerja UKM di Palembang. Hasil ini menunjukkan bahwa Orientasi pasar memiliki peran positif yang signifikan terhadap kinerja perusahaan UKM di kota Palembang dan dapat memberikan alternatif solusi berupa informasi tentang kesadaran akan pengaruh variabel yang diteliti sebagai pemilik atau pimpinan UKM. tentang orientasi pasar, kualitas produk, strategi supply chain management untuk meningkatkan kinerja UKM songket di Palembang.

Kata kunci: *Orientasi Pasar; Kualitas Produk; Manajemen Rantai Pasokan Dan Kinerja UKM*

Introduction

Increasing Small and Medium Enterprises (SMEs) in Indonesia is one of the main priorities in the development of the national economy and alleviating the poverty chain of society. The development of SMEs will become the driving force of the people's economy which will increase the level of welfare in order to release the poverty level that occurs. Poverty in the community occurs a lot around us, the main factor is the unequal employment opportunities obtained by the community. The difficulty of getting jobs is due to the large number of people and the level of employment that is not as much as the community, if the people do not get the jobs they need then how can the community meet their needs.(Ananda & Jallil, 2016). Thus, the importance of entrepreneurship is increasingly felt. The economic development of a region will be better if it is supported by the private sector because the government's capacity is limited. The government is not able to mobilize all parties in filling the development because it requires a lot of funds and personnel as well as supervision. Small and medium-sized enterprises can drive business activities that are in great demand after the economic crisis that has resulted in massive unemployment.

The support of the SME sector provides job opportunities for those who are not accommodated in the world of government work and medium and large companies. SMEs in Indonesia cannot immediately develop and become an "occurring" business because most of those who are involved in SMEs are those who have graduated from elementary school. With a low level of education, it is difficult to manage and develop a business into an "occurring" business. SMEs in Indonesia are mostly done at home and rarely develop like neighboring countries, such as Singapore in Asia and England in

Europe.(Siti Fithoriah1), 2019),. The Indonesian government views the importance of developing SME businesses because ASEAN countries still depend on this business for their economy, including Indonesia. Moreover, we are currently in the spirit of drive the ASEAN Economic Community (MEA) and ACFTA. SMEs must be able to survive and be strong in their respective regions, and have the ability to compete in the global market. Improving the performance of SMEs is very strategic, especially in expanding job opportunities. Apart from the strengths of SMEs, SMEs also face many problems in their development, namely limited working capital, low human resources, and lack of working capital. knowledge and technology(Ying et al., 2019)

Small and medium enterprises, including handicraft and home industries, are developed to expand employment and business opportunities. Increasing income that is more equitable and in the long term can serve as a basis for achieving economic independence(Ananda & Jallil, 2016). Judging from the distribution of SMEs in the city of Palembang in 2018 the largest number was in Ilir Timur 1 while the smallest number was spread in the Kertapati sub-district, the center of the small and medium-sized business industry, Palembang's typical eye senses are centered in the Palembang stump stairs area, especially the eyes made of songket cloth, wallets, key chains, bags, wall hangings, and more. According to the cooperative and SME office of Palembang, the souvenir industry is divided into 3 groups, namely souvenirs made of cloth, made of wood and bamboo and made of metal (*Road map SMES Palembang City | Bappeda Litbang Kota Palembang*, n.d.).

With the increasing number of SMEs, it will encourage business competition. Existing competition can extend beyond business actors but also between suppliers. SMEs try their best to attract consumers to create loyal customers, including competing for suppliers that provide the best service. Good cooperation and service between customers and suppliers can create satisfaction and create loyalty. For competition, in marketing today's products, manufacturers are not only based on product quality, but also depend on the strategy implemented by the company. Related to that, there are two

strategies that are generally used by companies, namely market orientation and supply chain management.(Bouwman et al., 2019)

From several studies on the influence of market and product quality as conducted. (Ciptaningrum, 2019) Stating that there is an influence of market orientation and product quality on company performance. According to D T Setiawan et alThe progress of the Batik product business has a major effect on increasing opportunities for better market orientation in the future for achieving company performance (Setiawan & Wirjodirdjo, 2020) However, it is different from the research conducted by Mardelisa Elfandini which states that there is no positive influence of market orientation on company performance (Mardelisa Elfandini, 2018). According to Octavia, market orientation is a culture to collect consumer value and a continuous process to create the highest value for consumers(ade octavia, 2016). Octavia defines market orientation is manifested to realize the behavior needed to create superior value for buyers and have an impact on increasing company performance, especially in competition. In a highly competitive environment, only companies with added value will survive. Octavia (2016) Organizations that have made a cultural market orientation will concentrate on what customers need. Market wants and demands become strong considerations to formulate future steps by each business unit in the organization, and ultimately become the direction towards the company's success. the achievement of market orientation in improving the performance of manufacturing organizations is greatly influenced by its supply chain management strategy.

The results of other studies show that the SCM (Supply Chin Management) manufacturing companies build relationships that have a strong impact between market orientation and company performance levels. (BIJAKWANI, 2018) reducing the level of supply chain risk needs to be carried out continuously and consistently to overcome problems that may occur in the future(Ulfah & Syamsul, 2016). the supply chain management (MRP) model has an influence on the management of various unit functions between relationships in the organization so as to create a connected and mutually reinforcing system. (Prayoga et al., 2018). According to Prayoga, supply chain management is a series of approaches implemented to efficiently integrate suppliers,

entrepreneurs, warehouses and other storage areas. The resulting product can be distributed in the right quantity, place and time to minimize costs and satisfy consumers. The supply chain strategy must be well structured within one organization according to each member of the supply chain that is focused within the organization through organizational design, HR, information technology and organizational performance. (Peinkofer & Esper, 2016).

Product quality is an important thing that is one of the considerations for consumers to meet customer needs. Good quality products and services will realize customer satisfaction (Maghfiroh et al., 2016). The supply chain strategy is effective in the end the activities will be in accordance with the management philosophy (Mychaleckyj et al., 2018) The activities among the members in question include integrated behavior, information sharing, risk sharing and reward collaboration, common goals and focus on customers, process integration and long term relationship partners. Although supply strategy efforts sometimes fail to achieve the desired results, it is now a strategic goal to improve competitive position and a key focus for top-level leadership. Specialized journals on supply-to-bid strategy began to emerge in the late 1980s as a focus on opportunities for competitive value that started from within the factory to supplier relationships, and continued to the customer. In the mid 90's, manufacturers adopted the philosophy and implemented in the supply chain strategy to achieve cost efficiency and time efficiency, the impact of increasing the purchasing and logistics functions to the manufacturing and organizational levels.

The level of competition for SMEs in the city of Palembang, South Sumatra, is not only at the level of upper class entrepreneurs but also middle and lower class entrepreneurs such as the Palembang songket small business. Songket small business competition that occurs in the city of Palembang makes entrepreneurs think strongly in order to improve the latest product innovations and maintain market prices so as not to exceed the maximum marketed limits.. So entrepreneurs in the city of Palembang must also try to maintain their position by increasing the sales volume of their products. In addition, the level of competition that occurs in SMEs occurs due to reduced domestic

market share, thus demanding entrepreneurs to implement strategies that are relevant to the company's conditions and the constantly changing environment.

Based on the empirical phenomena and previous research data described above, the researchers are interested in conducting research with the title "The Role of Market Orientation and Product Quality on the Performance of Small and Medium Enterprises with Supply Chain Management Strategy as a Mediation variable (case study of SMEs in Palembang city). With the hope of providing a benefit that can later provide input for business owners in carrying out market orientation activities and product quality to get good company performance.

Literature

This research uses market orientation, product quality, supply chain management strategy and company performance variables. This study refers to previous research The Role of Market Orientation on Company Performance With Supply Chain Management Strategy as a Mediation Variable by Iman Agung Bijakwani in 2018. In his research, the results found that 1) there was a significant positive role of market orientation on market performance, 2) there was a significant role. positive market performance on product quality, 3) there is a significant positive Role of market orientation on SCM strategy, 4) there is a significant positive Role of SCM strategy on market performance, and 5) there is a positive and significant Role of market orientation on company marketing performance through SCM practices in SMEs in the city of Palembang, south Sumatra.

1. Market Orientation (X1)

Market orientation is something that is important for companies in line with increasing global competition and changes in customer needs where companies realize that they must always be close to their markets. (Ade Octavia, 2016) defines Market orientation will be effective and efficient if it becomes an organized culture to create behaviors that create superior value for customers and will ultimately result in good performance for the company, especially in a highly competitive environment (Ade Octavia, 2016) In a highly competitive environment, only companies with added value will survive. Meanwhile, Uncles (2018) defines market orientation as a process and

activity related to customer creation and satisfaction by continuously assessing customer needs and desires (Scott, Rebecca O. and Uncles, 2018).

From several studies on the Role of market orientation on company performance, (Ciptaningrum, 2019) states that there is a significant positive Role on market orientation on company performance.(bijakwani, 2018) also stated that the research he researched found that there was a significant positive Role of market orientation on company performance. The two researchers revealed the results of their research which stated that there was a significant positive influence on market orientation on company performance. The application of market orientation will bring increased performance for the company perusahaan.

The operational dimensions in market orientation are as follows

- 1: Business objectives are carried out to achieve customer satisfaction.
- 2: Often measure customer satisfaction systematically.
- 3: customer oriented rather than competitors

The success of a market-oriented company is largely determined by its ability to coordinate marketing, activities between functions within the organization, respond quickly to changes in the competitive environment and anticipate any changes in its strategy. Companies that have a high level of market orientation will have high marketing performance, because companies that have a high degree of market orientation will have a competitive advantage in terms of; product quality, service quality, product innovation and costs, Sittimalakorn and Hart (2016). Wulandari (2019) states that companies that have implemented market orientation will be able to provide better services so that they can satisfy their customers and can obtain higher business profits.

2. Product quality (X2)

According to Prawirosentono (2016) product quality Product quality can be in the form of appearance, benefits and impacts arising from the product (Scott, Rebecca O. and Uncles, 2018). According to Goetdch and Davis (2017) Product quality is a

dynamic condition associated with goods, services, people, products, and the environment that meet or exceed expectations. If the company wants to maintain its competitive advantage in the market, the company must understand what dimensions are used by consumers to distinguish the products sold by the company from competitors' products. From several studies on product quality on company performance, such as that conducted by Imam Agung Bijakwani (2018), he stated that from his research he found that there was an Role of product quality on company performance. However, it is different from the research conducted by Mardelisa Elfandini (2018) which states that there is no significant Role of product quality on company performance.

According to Kotler and Keller (2002) there are nine operational dimensions of product quality in the research of Ismail Razak (2016)(Razak et al., 2016)) as follows:

1. Form includes physical quantities
2. Features, product characteristics include the basic benefits of the product
3. Performance quality, is the optimal function of the product achieved by the work operation of the product.
4. Perception of quality results from indirect estimates because consumers do not understand the product function.
5. Durability, product, is a valuable feature for the product in question.
6. Reliability is the main value that provides resistance to the usefulness of the product
7. Ease of repair (repairability), is a measure of the ease with which a product can be repaired when the product malfunctions or fails.
8. Style, describes the appearance and feel of the product to the buyer.
9. Design is the totality of features that affect the look, feel, and function of the product based on customer needs.
10. Based on these dimensions, it can be concluded that a quality dimension is a requirement for the value of the product to be able to satisfy customers as expected

Based on these dimensions, it can be concluded that a quality dimension is a requirement for the value of the product to be able to satisfy customers as expected.

3. Supply Chain Management (z)

According to . (Kalakota, 2000) in the study of Wandy Zulkarnaen et al. Supply Chain Management (SCM), or Supply Chain Management (MRP) is a set of approaches applied to efficiently integrate suppliers, entrepreneurs, warehouses and other storage places (Zulkarnaen et al., 2020). Existing products can be distributed with the right amount and target including a good time to be introduced to customers in order to optimize the results to be achieved. SCM aims to streamline costs and make targets effective. the main actors with an interest in SCM, namely suppliers, manufacturers, distributors, retailers, and customers. SCM can generally be said to be a series of processes or series coordinated by many parties, including those who are involved in the organization's activities, it can be said that the supply chain is used in company activities where each process is related to other companies that are sustainable at the point of processing, namely end consumers, for example in company activities whose activity processes include the production of raw materials which will later be distributed to related companies in their distribution such as sending raw materials to companies that need these raw materials which will later be distributed to the distributor and essentially until the final destination to consumers, In the supply chain, there is a coordination or merger between companies, so the relationship between one company and another company is mutually beneficial, often called a sustainable linkage between companies, this does not only include two only companies, even more than that and also SCM actors usually cover the entire coordinated series of goods distribution activities from start to finish.

From several studies on supply chain management strategies, such as that conducted by Yunita Adi Ciptaningrum (2019), states that there is a significant positive influence on supply chain management on company performance. SCM is a process of activities that are interconnected to help process activities and distribution of goods and

services to end customers. Render and Heizer, (2018). What this means here is how a supply chain concept depends on its management or processing properly or not, in other words, that the role of management is very important for supply chain activities which will later form a sustainable chain strategy value where the processing and indirectly will have an impact. at the end of each - each of which is to reap high profits or performance that has been planned in advance. Supply chain can be translated "supply chain" is a series of relationships between companies or activities that carry out the distribution of supplies of goods or services from the place of origin to the customer's buyer, supply chain involves continuous relationships regarding goods, money and information.

Goods generally flow from upstream to downstream, money flows from upstream to downstream, while information flows both from upstream to downstream and from downstream to upstream. (Indrajit & Djokopranoto, 2017): Creates a greater level of trust throughout the troop chain.; 2. Identify in participating in additional supply chains.; 3. Establish more frequent contact with all members of the supply chain.; 4. Creating compatible communication with all supply chain members ; 5. Involve all supply chain members in the company in the product marketing plan. Five components horizontally to the main actors in the supply chain, namely suppliers (suppliers), manufacturers (goods manufacturers), distributors (wholesale), rerailers (retailers) and customers (customers); Vertically, namely the buyer (buyer), carrier (transporter), warehouse (storage), seller (seller), and so on. Render and Heizer, (2018).

4. Company performance (Y)

Performance is the final achievement that is the target in an organization, in order to realize the goals, objectives, mission, and vision of the organization (Hidayati & Bastian, 2019). Company performance is the result of management activities. Parameters that are often used to assess the performance of a company are carried out using an approach where financial information is taken from financial statements or other financial reports (Tiolina Evi Nausta Pardede, 2016) Operational Dimensions of Company Performance Several experts reveal that the company's performance measures

that are most often used in empirical research are market-based performance, financial performance, and operational performance. Market-Based Performance, as a whole will be affected when the market finds out information about the company's operations that is not included in the results of financial performance, and operational performance (Jahanshahi, Rezaie, Nawaser, Ranjbar & Pitamber, 2017). ; Financial Performance, This performance is usually assessed using measurements based on accounting data or financial data; Operational Performance, In addition to measuring company performance based on financial performance, it is also important to measure based on non-financial performance.

5. Other Variables That Are Related To Research.

In addition to the market orientation that is very influential, another that is related to this research is customer orientation and competitor orientation including all activities involved in obtaining information about buyers and competitors in the target market and disseminating it through the business, while interfunctional coordination is based on customer and competitor information and consists of coordinated business ventures.

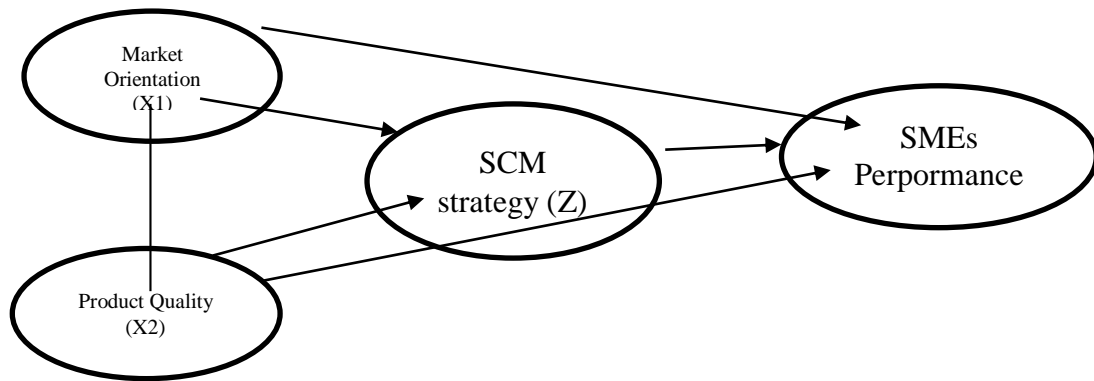
6. Previous research

Green et al (2016) This study looks at the influence of supply chain management strategies that mediate the relationship between market orientation and organizational performance. The purpose of testing the influence between supply chain management (SCM), market orientation, organizational success in order to develop a model that describes the relationship between the three. This research was conducted in a survey approach to sales managers in order to see data on market orientation, SCM strategy, and organizational performance. While the data analysis technique used SPSS 26 and the results found that the SCM strategy of manufacturing companies mediates the relationship between market orientation and organizational performance. The findings of this study reinforce the importance of market orientation for companies in the MSME sector and thus the importance of a SCM strategy.

Shehu and Mahmood (2018) The research research entitled The Relationship between Market Orientation and Business Performance of SMEs in Nigeria: and the Role of Organizational Culture in This study aims to examine the relationship between market orientation variables and business performance of Nigerian small and medium enterprises (SMEs). and this study also aims to examine the mediating role of organizational culture on the relationship between market orientation and business performance. SMEs have an important role in Nigeria's economic growth, and the growth of these SMEs has become the power of the people's economy in Nigeria to reduce poverty and have a significant impact on gross domestic product. Based on the theory of considerations, this research framework is to investigate the relationship between variables. This model was tested on a sample of 640 companies in Nigeria through a self-administration survey questionnaire. The results of the study found a strong relationship between market orientation, organizational culture and business performance. However, the regression results found that there was no significant relationship between market orientation and SME performance, and the mediation test was not supported..

Tukamuhabwa (2019) The research related to the above discussion aims to examine the phenomenal relationship between market orientation and supply chain performance. Her research establishes a conceptual model in which supply chain management strategy, organizational learning, supply chain innovation, trust, commitment and collaboration have a relationship with market orientation and supply chain performance. theoretically found that market orientation increases organizational learning, supply chain management strategy, supply chain innovation, trust and commitment. Increased trust and commitment to cooperation and ultimately the variables combined can drive supply chain performance.

7. Thinking Framework



8. Hypothesis

H1: Market orientation has a significant Role on SMEs Performance.

H2: The quality of the company's products has a significant Role on SMEs Performance.

H3 : Market orientation has a positive Role on SCM strategy

H4: SCM strategy has a significant role on SMEs Performance.

H5: Supply chain management strategy significantly mediates the relationship between market orientation and company marketing performance.

Methods

In this study, the research was conducted by surveying through distributing questionnaires to managers or owners or management leaders of Songket SMEs in Palembang City, South Sumatra. All participants were contacted through Whatsapp and as a resource person prepared in the form of a printed copy of questionnaire. The population is a generalization area consisting of objects or subjects that have certain quantities and characteristics that are applied by researchers to study and then seek conclusions (Sugiyono, 2016). The population in this study was the SMEs of songket and jumputan handicrafts in the city of Palembang, the stump ladder area. The sampling technique used is purposive sampling with the sample criteria being owners or leaders who work at UKM songket and jumputan crafts in the city of Palembang, the Stair

Buntung area. With limited time and research conditions carried out in the conditions of the covid 19 period, the number of selected samples was 50 people taken from 25 songket and juputan business units in the Palembang city, South Sumatra

Results

Test Analysis

A. Validity test

Based on the results of processing for testing the level of validity of the indicator variables X1, X2, Z and Y, it shows that all statements are valid with numbers above 0.279 and a significant level below 0.05

		Correlations				
		P1	P2	P3	P4	Totalx1
P1	Pearson Correlation	1	.510**	.449**	.402**	.800**
	Sig. (2-tailed)		.000	.001	.004	.000
P2	Pearson Correlation	.510**	1	.506**	.408**	.822**
	Sig. (2-tailed)	.000		.000	.003	.000
P3	Pearson Correlation	.449**	.506**	1	.200	.674**
	Sig. (2-tailed)	.001	.000		.163	.000
P4	Pearson Correlation	.402**	.408**	.200	1	.689**
	Sig. (2-tailed)	.004	.003	.163		.000
Totalx1	Pearson Correlation	.800**	.822**	.674**	.689**	1

Validity Test (X2)

		Correlations			
		P21	P22	P23	total
P21	Pearson Correlation	1	.479**	.146	.768**
	Sig. (2-tailed)		.000	.311	.000
P22	Pearson Correlation	.479**	1	.506**	.831**
	Sig. (2-tailed)	.000		.000	.000
P23	Pearson Correlation	.146	.506**	1	.684**
	Sig. (2-tailed)	.311	.000		.000
total	Pearson Correlation	.768**	.831**	.684**	1
	Sig. (2-tailed)	.000	.000	.000	

Validity Test (Z)

		Correlations			
		P31	p32	p33	total
P31	Pearson Correlation	1	-.110	.287*	.738**
	Sig. (2-tailed)		.447	.043	.000

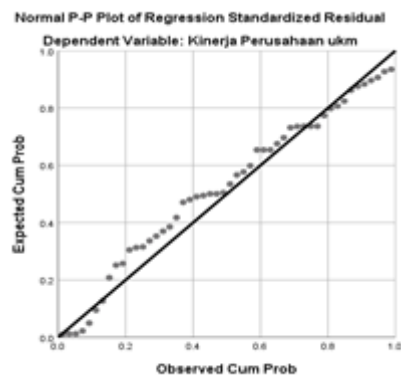
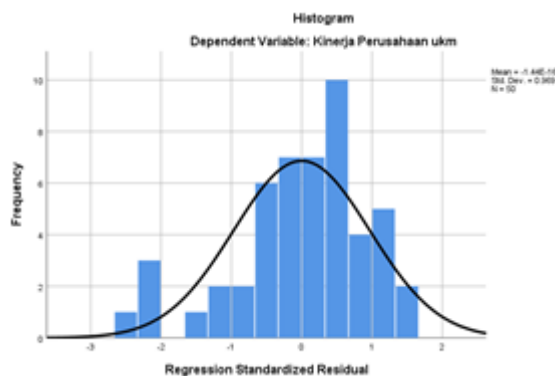
p32	Pearson Correlation	-.110	1	-.055	.263
	Sig. (2-tailed)	.447		.705	.065
p33	Pearson Correlation	.287*	-.055	1	.758**
	Sig. (2-tailed)	.043	.705		.000
total	Pearson Correlation	.738**	.263	.758**	1
	Sig. (2-tailed)	.000	.065	.000	

Validity Test (Y)

Correlations

		P1	P2	P3	TOTAL
P1	Pearson Correlation	1	.037	.125	.560**
	Sig. (2-tailed)		.799	.386	.000
P2	Pearson Correlation	.037	1	.493**	.762**
	Sig. (2-tailed)	.799		.000	.000
P3	Pearson Correlation	.125	.493**	1	.751**
	Sig. (2-tailed)	.386	.000		.000
TOTAL	Pearson Correlation	.560**	.762**	.751**	1
	Sig. (2-tailed)	.000	.000	.000	

B. Classical assumption test



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One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		50
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.78973808

Most Extreme Differences	Absolute	.110
	Positive	.061
	Negative	-.110
Test Statistic		.110
Asymp. Sig. (2-tailed)		.180 ^c

From the results of the SPss 25 statistical test, it shows the classic assumption test that the research data is normally distributed according to Singgih (2000) with a significant value above 0.05, with the statistical results above showing a value of 0.180

2. Multicollinearity Test

According to Ghozali (2007) a good regression model should not have a correlation between the independent variables. By showing the results of VIF (variance Inflation Factor) with a tolerance number > 0.1 or a VIF value <10. The results of the classical assumption test above in the multicollinearity test level show that there is no multicollinearity between variables with the following results:

Model	Tolerance	VIF
1 (Constant)		
Orientasi Pasar	.753	1.327
Kualitas Produk	.786	1.273
Strategi Manajemen Rantai Pasokan	.795	1.258

3. Multiple Linear Regression Test

B	Coefficients ^a	
	Unstandardized Coefficients	
	Std. Error	
-1.628		4.057
.297		.137
.498		.313

Dependent Variable: Z

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	68.573	2	34.286	6.064	.005 ^b
	Residual	265.747	47	5.654		
	Total	334.320	49			

a. Dependent Variable: Z

b. Predictors: (Constant), X2, X1

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.453 ^a	.205	.171	2.37786

a. Predictors: (Constant), X2, X1

The table above shows the constant value is -1.628 while the market orientation coefficient value is 0.309 with a significant level of 0.036; the product quality coefficient value is 0.227 with a significant level of 0.118. Then this multiple linear regression equation:

$$Z = a + b_1X_1 + b_2X_2$$

$$Z = 0.690 + 0.309X_1 + 0.227X_2.$$

This coefficient of determination is used to measure how big the contribution of market orientation and product quality together to the supply chain management strategy in SME business in Palembang. Based on the results of data analysis with multiple linear regression, it is known that the R-Square value is 0.205, this shows that the influence of market orientation and product quality simultaneously on supply chain management strategies in SME businesses in Palembang is 20.5% while the rest is 79, 5% is influenced by other factors not discussed in this study. The second equation is: $Y = Z + X_1 + X_2$; with the results of multiple linear regression as follows:

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.392	3.157		1.708	.094
	X1	.407	.112	.511	3.642	.001
	X2	-.061	.250	-.033	-.243	.809
	Z	.109	.113	.132	.966	.339

a. Dependent Variable: Y

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	72.825	3	24.275	7.114	.001 ^b
	Residual	156.955	46	3.412		
	Total	229.780	49			

a. Dependent Variable: Y

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.563 ^a	.317	.272	1.84718

a. Predictors: (Constant), Z, X2, X1

b. Predictors: (Constant), Z, X2, X1)

The table above shows that the constant value is 5.392 while the market orientation coefficient value is 0.511 with a significant level of 0.001 meaning that it partially has a positive and significant effect; the product quality coefficient value is - 0.033 with a significant level of 0.809, which means that partially this variable has no significant effect; the value of the supply chain management strategy coefficient is 0.132 with a significant level of 0.339 which means that partially it does not have a significant effect. Then this multiple linear regression equation:

$$Z = a + b_1X_1 + b_2X_2$$

$$Y = 0.94 + 0.511X_1 - 0.033X_2 + 0.132Z.$$

The coefficient of determination is used to measure how much the contribution of market orientation and product quality as well as supply chain management strategies simultaneously to the company's performance in SMEs in Palembang. Based on the results of data analysis with multiple linear regression, it is known that the R-Square value is 0.317, this shows that the influence of market orientation and product quality and supply chain management strategies simultaneously on company performance in SME business in Palembang is 31.7% while the rest of 68.3% is influenced by other factors not discussed in this study.

The third equation is a simple linear regression analysis to determine the effect of supply chain management strategy (Z) on the performance of SMEs in Palembang (Y).

We get a simple linear equation as follows:

$$Y = a + b_1$$

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.798	1.217		8.053	.000
	Z	.270	.113	.326	2.389	.021

a. Dependent Variable: Y

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.422	1	24.422	5.708	.021 ^b
	Residual	205.358	48	4.278		
	Total	229.780	49			

a. Dependent Variable: Y

b. Predictors: (Constant), Z

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.326 ^a	.106	.088	2.06840

a. Predictors: (Constant), Z

So the simple linear equation from the results of the regression test above is:

$$Y = a + b_1Z$$

$$Y = 9,798 + 0,270Z$$

These results can be interpreted that the value of the supply chain management strategy coefficient is 0.270 with a significant value of 0.021. The significant value is smaller than alpha 0.05, thus it can be interpreted that the supply chain management strategy variable has a significant effect on the performance of SME companies in the city of Palembang (Y). The value of R² (R-Square) was found to be .106 which means that the supply chain management strategy variable affects the performance of SME companies by 10.6 percent while the remaining 89.4 percent is influenced by other variables not included in this research model.

Conclusion

From the test results with IBM SPSS 25, it can be summarized with the results of the research hypothesis test:

1. Market orientation has a significant positive effect on the performance of SME companies in the city of Palembang.
2. Product quality has no significant effect on the performance of SME companies in the city of Palembang
3. The supply chain management strategy has no significant effect on the performance of SME companies in the city of Palembang.
4. Market orientation has a significant positive effect on supply chain management strategy.
5. Product quality has no significant effect on supply chain management strategy.
6. Supply chain management strategies mediate the relationship between market orientation and the performance of SME companies in the city of Palembang.
7. The supply chain management strategy has no effect on mediating the relationship between product quality and the performance of SME companies in the city of Palembang

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