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Analysis of the Financial Performance of Micro Enterprises "Lalampa Toboli" Based on Resource-Based View (RBV)

HUSNAH HUSNAH[1] (*Corresponding author*), DJAYANI NURDIN[2], MUHAMAD YUNUS KASIM[3], MOHAMAD NOFAL[4], and MUNAWARAH MUNAWARAH[5]

[1] Associate Professor at Faculty of Economics and Business, Universitas Tadulako, Indonesia
[2] Associate Professor at Faculty of Economics and Business, Universitas Tadulako, Indonesia
[3] Professor at Faculty of Economics and Business, Universitas Tadulako, Indonesia
[4] Associate Professor at Faculty of Economics and Business, Universitas Tadulako, Indonesia
[5] Associate Professor at Faculty of Economics and Business, Universitas Tadulako, Indonesia

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ABSTRACT

Regional core competencies are a source of local excellence which triggers economic growth, especially in micro businesses. This study aims to identify and analyze the financial performance of micro-enterprises that can be influenced by tangible resources, intangible resources, environmental dynamics, and competitive strategies using the Resource-Based View (RBV) theory. In accordance with these objectives, the research method used is an explanatory survey, which explains the influence between variables by testing the hypothesis. The population of this study were micro business actors producing Lalampa Toboli in Parigi Moutong Regency, Indonesia. The research sample is 45 Lalampa micro enterprises. Data analysis used descriptive statistics and PLS (Partial Least Square) analysis. The results of the "Lalampa" Micro Enterprise Research in Toboli have the majority of tangible resources (X1) shown by an average X1 ownership of 3.44, meaning that most claim to have tangible resources consisting of financial assets and physical assets. The intangible resource variable (X2) which consists of human resources, organizational resources and relational resources has been owned by micro businesses with an average value of respondents' answers of 3.50). The environmental dynamics variable (X3), which consists of environmental uncertainty and competition intensity, illustrates that micro-enterprises understand and anticipate environmental dynamics in their business, showing an average value of 3.40. The competitive strategy variable (Y1) shows an average value of 3.56, meaning that micro-enterprises have made strategic choices related to cost leadership strategies, differentiation strategies and focus strategies. Furthermore, with regard to the achievement of the financial performance of micro businesses, an average of 3.42 is obtained, meaning that financial performance can be obtained from sales, profits from investment and business growth. The R-square produces tangible resource variables (X1), intangible resources (X2) and environmental dynamics (X3) which have an impact on the ability to determine and design a competitive strategy (Y1) of 82.4%. Meanwhile, if all of these variables

together with the variables X1, X2 and X3 and Y1, it will be able to create the financial performance (Y2) of the Lalampa micro business with a percentage of 83.5%. This means that higher financial performance can be achieved if it has tangible resources (X1), intangible resources (X2), Environmental Dynamics (X3) and is mediated by a competitive strategy (Y1). The rest is influenced by other factors not analyzed in the model at 16.5%. The results of research on tangible resource variables (X1), intangible resources (X2) and environmental dynamics (X3) have a positive influence on competitive strategy and financial performance variables. Except for the effect of the intangible resource variable (X2) on competitive strategy (Y1) is non-significant. The biggest positive coefficient is the influence of environmental dynamics (X3) on competitive strategy (Y1). These findings provide a broad meaning in various perspectives on the resources-based view (RBV) concept of strengthening SMEs.

INTRODUCTION

Micro-enterprises who become new entrepreneurs or old entrepreneurs have a strategic role in national economic development, because apart from playing a role in economic growth and employment, they also play a role in the distribution of development results. Development in the development of Micro Enterprises now and in the future, faces several problems. Generally related to internal problems, for example related to the low quality of human resources, both technical and managerial skills; the low ability of Micro Enterprises in mastering production, especially capital, technology and limited access to productive resources, especially financing resources from bank credit. One solution to overcome the problems of Micro Enterprises is through resource-based business management, because with this management companies are able to create special competencies (Barney, 1991). This is inseparable from the majority of Micro Enterprises located in rural areas (local).

Optimizing the use of local resources as a competitive advantage has become an issue that has attracted the attention of both academics and practitioners (Barney, 2001; Yasemin et al., 2006). Several previous researchers argued that competitive advantage built on resources is the most important source, and Barney (2001) argues that resources that are more valuable, scarce, imperfectly imitable and non-substitutable than competitors are an important source of increasing competitive advantage. The critical question that remains unanswered is how local resources which are imperfectly imitable and non-substitutable can contribute to improving the community's economy.

The research results are expected to become knowledge that can be recommended as a growth strategy for micro-enterprises in Indonesia, especially micro-enterprises with local resources in improving their business performance. In addition, this research helps the government develop a Micro Business growth program in order to reduce poverty and assist the banking sector in order to improve the Indonesian economy. This research is consistent with the literature on financial management and strategic management. Financial management focuses on investment and financial behavior, while strategic management deals with performance improvement strategies. In addition, identification of financial performance, tangible resources, intangible resources, environmental dynamics, and competitive strategies in the Lalampa Toboli micro business. A model for achieving micro business financial performance that can be influenced by tangible resources, intangible resources, environmental dynamics, and competitive strategy using the Resource-Based View (RBV) theory.

1. LITERATURE REVIEW

1.1 Resources Based View Theory (RBV)

RBV assumes that each organization/company is a set of unique resources and capabilities that form the basis of strategy and are the main source of corporate returns. According to the RBV perspective, differences in firm performance are caused mainly by the uniqueness of the company's resources and

capabilities, not because of the characteristics of the industry structure (Barney, 1991). In the context of the RBV, resources are inputs to the production process. Resources in the singular alone will not generate a competitive advantage. In general, competitive advantage is obtained through the combination and integration of a set of resources it has.

1.2 Resources and Core Competencies

The RBV emerged as a way for the concept of core competencies to become more focused and measurable to conduct more meaningful internal analysis. The key to the RBV model is based on the identification of three basic resources which are the main foundation in discovering and developing core competencies. Core competence is considered as a capability or skill that is in a company's business, which, having been identified, developed, and used throughout the company, will be the basis of long-lasting competitive advantage. The core of the RBV's ability to do this is the separation of three types of core resources, some of which can become the basis for specific competencies (Robinson, 2011), namely: Tangible assets, Intangible assets, and Organizational capabilities are not specific “inputs” such as tangible or intangible assets, but rather capabilities and ways to combine assets, people, and processes used by a firm to transform inputs into outputs.

1.3 Business Environment and Environmental Dynamics

The concept of environmental dynamics is seen as relevant in studying entrepreneurial behavior of small and medium enterprises in determining business strategies to produce superior performance (Covin & Slevin, 1989; Arief et al., 2001). The dynamic environment is a business environment that identifies the uncertainty of the environment and the intensity of competition (Arief et al., 2001).

1.4 Competitive strategy

The RBV model states that the company's unique resources and capabilities are the basis for forming a strategy. The strategy chosen must enable the company to use its core competencies against opportunities in its external environment. Integration of competitive environmental resources is a condition of corporate strategy. Corporate strategy and performance have an inverse effect on the competitive environment and resources. All of these changes generate new information that will generate new resource development opportunities.

1.5 Business strategy

Business strategy is also known as competitive strategy. This business strategy focuses on improving the competitive position of the company's products and services in certain industries or market segments served by the company (Hunger & Wheelen, 2001). If corporate strategy addresses the problem of what businesses and industries the company should serve, business strategy addresses how the company and its units can compete in these businesses and industries. Porter offers three 'generic' competitive strategies to outperform other companies in a particular industry: low-cost and differentiation and focus (Porter, 1993).

1.6 Financial Performance Concept

Carton & Hofer (2006:57) emphasized that the central concept of entrepreneurship and strategic management literature is the idea of a multidimensional performance construct. Especially for the dimensions of financial performance (financial performance) using the constructs of profitability, growth, efficiency, financial structure, survivability, cash flow and resource accumulation.

Financial performance measurement based on the manager/owner perspective has been widely used in research. These reasons identify that the financial performance that is usually used in the SME sector consists of profitability, sales, and growth. This is in accordance with the results of a survey from Parera & Baker (2005) on SMEs in Australia. The results of the survey rank the use of financial performance measurements used by SMEs in Australia, sales revenue, profit, and sales growth, respectively first, second and third. In general, the measurement of the success of SME businesses is based on an assessment of financial performance (Fairoz et al., 2010; Camisón & Villar-López, 2010).

1.7 Relations Between Variables

1.7.1 Tangible Resources have an effect on Competitive Strategy

Internal factors, one of which is tangible variables, play an important role in helping companies determine business strategies (Nurhajati, 2004). Tangible resources as one of the company's strategic resources will be more capable for SMEs in the village to build their competitive position in the market, which will ultimately have an impact on their business performance (Suardika, 2011).

1.7.2 Intangible Resources influence Competitive Strategy

There is a strong and positive relationship with the management of intellectual capital (human capital, structural capital, and relational capital) as part of intangible assets, which in turn affects business performance (Sharabati et al., 2010). Relevant to the concept of financial performance is part of the financial statements that show the position of the company's resources during one period and the financial statements describe the financial performance with the company's ability to generate income from its resources (Darsono, 2005).

1.7.3 The Effect of Environmental Dynamics on Competitive Strategy

Environmental dynamics are a challenge for business, so that business actors' unpreparedness for environmental changes will kill the business itself. A fast-moving business environment, especially one that is stimulated by technological changes that impact rapidly changing consumer tastes, is the main challenge for an SME business. Changes in the environment faced by the company will always move quickly. To survive, the company must be able to adapt itself to the changing environment. (Covin & Slevin, 1989; Dess & Keats, 1987).

Efforts to monitor the dynamically changing environment continuously are a necessity for companies to capture perfect information for the design of the right strategy. (Suardika, 2011). The positive and significant relationship between environmental dynamics and competitive strategy provides information that every change in the business environment faced by SMEs encourages SMEs to make adjustments to the strategy used. This finding is in line with the findings of Suardika (2011), that every environmental change will be responded to by the company in the form of choosing and determining the right strategy.

Each company will design and use a strategy based on the degree of environmental uncertainty it faces (Von Gelderen et al., 2000). Every change in the environment is the basic information for making strategic decisions for SMEs. On the other hand, businesses must still be able to cope with these changes, to be able to generate competitive advantages in the long term. Business networks that involve suppliers as inbound logistics and customers as outbound logistics must be maintained with various strategies and tactics designed by business people.

At that level, the strength of the SME business is the extent to which they build collaboration between their suppliers and the target market. Strategies related to inbound logistics, which ensure the availability of raw materials in the long term will be the strength of SMEs to produce goods with good quality at competitive prices. The importance of the bargaining power of SMEs to their suppliers will guarantee business

continuity in the long term. The adaptability and bargaining power of SMEs to suppliers is a determining force for how SMEs build the right business strategy, whether it is low cost, differentiation or focus.

1.7.4 Effect of Tangible Variables on Financial Performance

Research results from Suardika (2011) that among strategic resources, human resources are the most important factor in shaping business performance. For this reason, strong asset management must be directed not only at controlling physical assets alone, but must be focused on key strategic resources, namely organizational resources and human resources to produce superior SME performance in a sustainable manner (Suardika, 2011). This provides important information that identifying resources is very important in building an SME development model on an RBV basis for SMEs, bearing in mind that not all resources are key strategic resources for the successful development of SME performance.

1.7.5 The Influence of Intangible Variables on Financial Performance

Human resources in organizations/companies with a set of skills, knowledge and capabilities as a representation of human capital are very difficult for competitors to imitate (Fletcher, 2005). This is based on the company's RBV theory which explains differences in company performance due to variations in differences in resources and capabilities. Human capital with VRIN criteria (Valuable, Rare, Inimitable, Non-substituable) is the basis for achieving a company's competitive advantage which will have an impact on financial performance (Barney, 1991; Volberda et al., 2001; Choo & Bontis, 2002; O'Regan & Ghobadian, 2004; Ordóñez de Pablos & Lytras, 2008; Kong & Thomson, 2009).

High investment in human capital can improve the financial performance of SMEs (Volberda, et al., 2001; Coleman, 2007; Leitão & Franco, 2008; Sharabati et al., 2010). The research results have a fairly strong relationship with who conducted research on small business owners (male/female) in the US retail sector, which concluded that in general there is an influence between intangible assets, especially human capital, on financial performance Findings of Sharabati et al. (2010) who conducted research on pharmaceutical manufacturing companies in Jordan, also shows the same results that intangible assets (human capital) affect business performance.

1.7.6 The Effect of Environmental Dynamics Variables on Financial Performance

Changes in the business environment which are dynamics that are constantly moving make every company always have to adapt. The dynamics of the business environment, which can be seen from the intensity of business competition and environmental uncertainty, makes the company always “wait and see” on what policies to take.

Suci (2008) and Hakim (2010) that the variations faced by companies do not have a direct impact on business performance. This finding is in contrast to the findings of Rivard et al (2006) that an increase in environmental hospitality will hinder the achievement of a company's marketing performance. This finding means that existing SMEs generally have weak managerial skills, and tend to be weak in controlling the impact of environmental changes on their business performance (Suardika, 2011).
Environmental change on the one hand is an opportunity, but on the other hand it will pose a threat. The extent to which the meaning of changes in the business environment becomes opportunities or threats depends on the extent to which the company is able to adapt through specific and strategic decisions in the short and long term.

1.7.7 The Effect of Competitive Strategy on Financial Performance

Studies from Slater et al. (2006); Sulastri (2006) and Muafi (2008), that there is a direct effect of Porter's competitive strategy on financial performance. The results of this study indicate that the most

dominant strategy affecting financial performance is the differentiation strategy. This finding is also in accordance with the results of research by Ardiana & Brahmayanti (2010) who conducted research on SMEs in Surabaya. However, these findings are different from the results of research by that competitive strategy has no effect on company performance.

Design an appropriate company strategy only if it is based on the resources controlled by the company. This is because the strategic resources owned by the company are the basis of the formula and implementation of a competitive strategy (Wernerfelt (1984), and Grant (2010). Thus, the sustainability or superiority of the company depends on the resources it has, and what strategy is chosen to empower these resources, so that they are able to respond to opportunities and challenges from the external environment (Barney, 1991). Conceptually, RBV is based on the assumption that each organization/company is a set of unique resources and capabilities that form the basis of strategy and is the main source of corporate returns. It can also be interpreted that Strategy Integration is important to provide compatibility between the Strategy and several contingency variables so that it can help to set a Strategy in an effort to achieve business performance (Husnah, 2013a).

2. RESEARCH METHODS

The research was conducted with the aim of describing and testing hypotheses. In accordance with these objectives, the research method that will be used is the explanatory survey method. It is hoped that survey research can be used to explain the influence between variables by testing hypotheses. The research population was all Lalampa small business actors in Toboli Village, North PARIGI District, Parigi Moutong Regency.

The operational variables in this study are tangible resources (X1) concerning indicators of financial assets (business capital) and physical assets (buildings/buildings, production equipment, and raw materials). While intangible resources (X2), the measurement indicators are from human capital, organizational capital and relational capital. Environmental dynamics (X3) is measured from indicators of uncertainty of environment and intensity of competition. Competitive strategy (Y1), using 3 indicators, namely: cost leadership strategy; differentiation strategy; and focus strategy). SME Financial Performance (Y2), using 3 indicators, namely: revenue sales; Profitability ROI; growth. Respondents were asked to respond to each question, each item's value was based on a Likers scale with rating intervals ranging from a score of 1 to a score of 5. The methods used were Descriptive Statistical Methods and Inferential Statistical Methods. Data analysis in this study used PLS (Partial Least Square) descriptive and inferential statistics.

3. RESEARCH RESULTS AND DISCUSSION

3.1 Variable Overview

Respondents in this study amounted to 45 people, who came from 45 Lalampa businesses (Micro Enterprises). This study examines 5 variables which consist of tangible resources, intangible resources, environmental dynamics, competitive strategy and financial performance. Based on the results of the tabulation of data originating from the respondents' answers, the following results are obtained (Table 1).

Table 1. Descriptive Variables

Variables - Indicators	5		4		3		2		1		Sum	Mean
	F	%	F	%	F	%	F	%	F	%		
Tangible Resources (X.1)												
Financial Assets (X1.1)	5	11.11	12	26.67	28	62.22	0	0.00	0	0.00	157	3.49
Physical Assets (X1.2)	5	11.11	8	17.78	32	71.11	0	0.00	0	0.00	153	3.40
Average (X1)												3.44
Intangible Resources (X.2)												

Human Resources (X2.1)	4	8.89	27	60.00	14	31.11	0	0.00	0	0.00	170	3.78
Organizational Resources (X2.2)	4	8.89	28	62.22	13	28.89	0	0.00	0	0.00	171	3.80
Relationship Resources (X2.3)	3	6.67	4	8.89	38	84.44	0	0.00	0	0.00	145	3.22
Average (X2)												3.60
Environmental Dynamics (X.3)												
Environmental Uncertainty (X3.1)	4	8.89	6	13.33	35	77.78	0	0.00	0	0.00	149	3.31
Competition Intensity (X3.2)	6	13.33	10	22.22	29	64.44	0	0.00	0	0.00	157	3.49
Average (X3)												3.40
Competitive Strategy (Y.1)												
Cost Leadership Strategy (Y1.1)	6	13.33	25	55.56	14	31.11	0	0.00	0	0.00	172	3.82
Differentiation Strategy (Y1.2)	6	13.33	12	26.67	27	60.00	0	0.00	0	0.00	159	3.53
Focus Strategy (Y1.3)	5	11.11	5	11.11	35	77.78	0	0.00	0	0.00	150	3.33
Average (Y1)												3.56
Financial Performance (Y.2)												
Sales (Y2.1)	5	11.11	14	31.11	26	57.78	0	0.00	0	0.00	159	3.53
Gain from Return on Investment (Y2.2)	6	13.33	5	11.11	34	75.56	0	0.00	0	0.00	152	3.38
Growth (Y2.3)	4	8.89	8	17.78	33	73.33	0	0.00	0	0.00	151	3.36
Average (Y2)												3.42

Source: Processed data (November, 2022)

Based on Table 1, it can be explained that the majority of Milalampa businesses in Toboli already have tangible resources (X1) indicated by an average X1 ownership of 3.44, meaning that most claim to have tangible resources consisting of financial assets and physical assets. The intangible resource variable (X2) which consists of human resources, organizational resources and relational resources has been owned by micro businesses with an average value of respondents' answers of 3.50). The environmental dynamics variable (X3), which consists of environmental uncertainty and competition intensity, illustrates that micro-enterprises understand and anticipate environmental dynamics in their business, showing an average value of 3.40. The competitive strategy variable (Y1) shows an average value of 3.56, meaning that micro-enterprises have made strategic choices related to cost leadership strategies, differentiation strategies and focus strategies. Furthermore, with regard to the achievement of the financial performance of micro businesses, an average of 3.42 is obtained, meaning that financial performance can be obtained from sales, profits from investment and business growth.

3.2 Research result

Testing of the structural model (Inner model) analyzed in this study includes R square and parameter coefficients.

3.3 R Square (R2)

R square is a coefficient that describes the proportion of the contribution of the independent variable to the dependent variable. The results of the analysis with PLS can be stated as in Table 2.

Table 2. R-square

Variables	*R-square*	*Percentage*
Financial Performance (Y2)	0,835	83,5%
Competitive Strategy (Y1)	0,824	82,4%

Source: Processed data (November, 2022)

From the R-square table above it can be seen that tangible resources (X1), intangible resources (X2) and environmental dynamics (X3) have an impact on the ability to determine and design a competitive strategy (Y1) of 82.4%. Meanwhile, if all of these variables together with the variables X1, X2 and X3 and Y1, it will be able to create the financial performance (Y2) of the Lalampa micro business with a percentage of 83.5%. This means that higher financial performance can be achieved if it has tangible resources (X1), intangible resources (X2), Environmental Dynamics (X3) and is mediated by a competitive strategy (Y1). The rest is influenced by other factors not analyzed in the model at 16.5%. The results of the tests and explanations above, accumulate the research model (Figure 1).

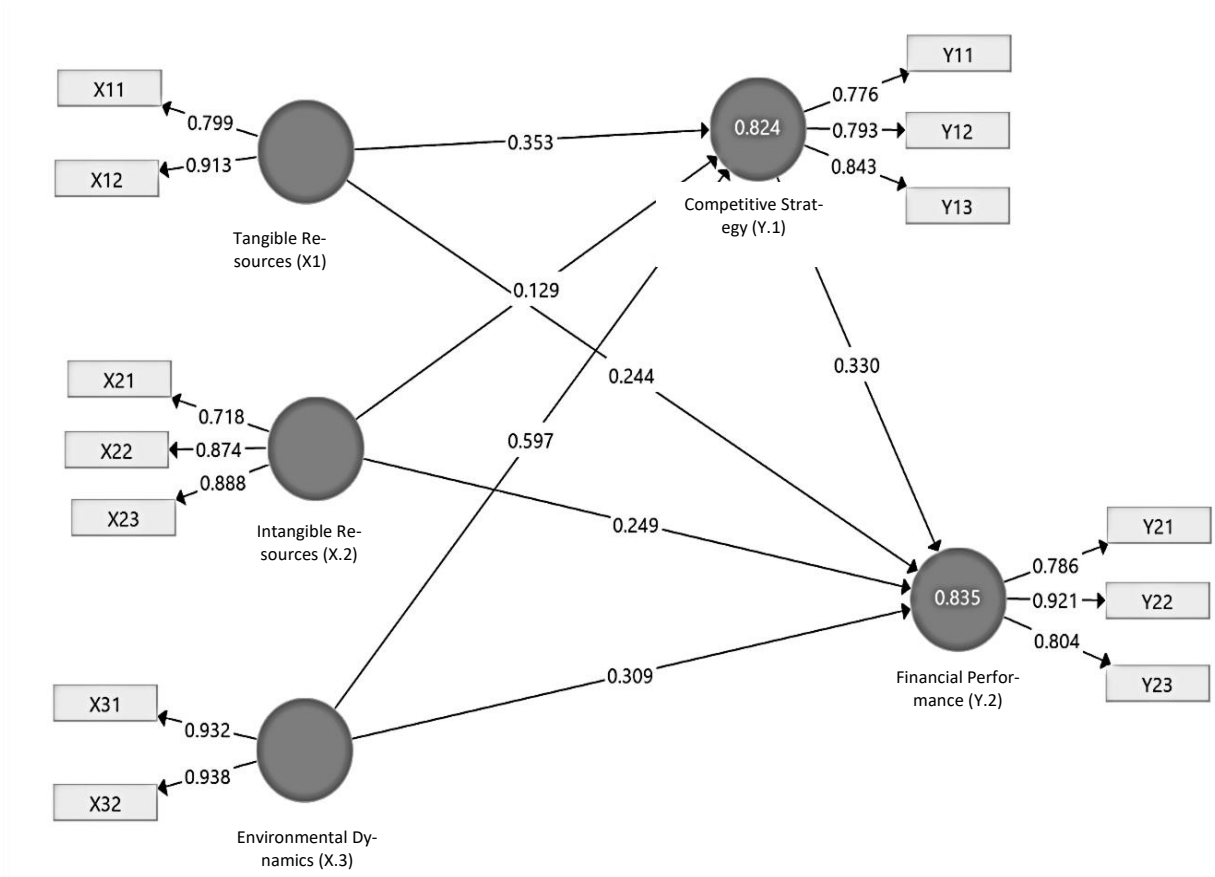

Figure 1. Results Research model

Source: Processed data results (November, 2022)

3.4 Parameter coefficient

The parameter coefficients describe the effect of each exogenous variable on the endogenous variables.

3.5 Direct Effect Testing

Based on the path coefficient and p-value, the significance value of each variable is as in Table 3.

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Table 3. Parameter Coefficient (Direct)

Direct	*Coefficient*	*P Values*	*Information*
Tangible → Competitive Strategy	3, 806	0,000	Significant
Intangible → Competitive Strategy	1,219	0,223	Non-significant
Environmental Dynamics → Competitive Strategy	6,239	0,000	Significant
Tangible → Financial Performance	2,246	0,025	Significant
Intangible → Financial Performance	2,178	0,030	Significant
Environmental Dynamics → Financial Performance	1,984	0,048	Significant
Competitive Strategy → Financial Performance	2,646	0,008	Significant

Source: Processed data (November, 2022)

In Table 4.3. it can be explained that all coefficients have a positive relationship to the competitive strategy and financial performance variables. However, the effect of the intangible resource variable (X2) on competitive strategy (Y1) is non-significant. The biggest positive coefficient is the influence of environmental dynamics (X3) on competitive strategy (Y1). These findings provide a broad meaning in various perspectives on the resources-based view (RBV) concept of strengthening SMEs.

3.6 Indirect Influence Testing

The indirect test aims to determine the position of the results of the intervention examination of the mediating variable, whether it is proven to be a complete mediation or partial mediation variable. The results of examining the indirect effect (with mediating variables) are used to justify whether the model based on the RBV theory is acceptable or not. The test results are as in Table 4.

Table 4. Parameter Coefficient (Indirect)

Indirect	*Coefficient*	*P Values*	*Information*
Tangible Resources → Competitive Strategy → Financial Performance	2,210	0,028	Significant
Intangible Resources → Competitive Strategy → Financial Performance	1,052	0,293	Non-significant
Environmental Dynamics → Competitive Strategy → Financial Performance	2,368	0,018	Significant

Source: Processed data (November, 2022)

Based on Table 4.4, it shows that partial testing with competitive strategy as a mediating variable results that financial performance can be influenced by tangible resources and environmental dynamics when mediated by competitive strategy (significant), but financial performance has an effect on intangible resources when mediated by competitive strategy (non-significant). This is different from previous research studies. The application of RBV from the implementation of intangible resources when mediated by a competitive strategy cannot optimize the financial performance of Lalampa micro businesses.

4. DISCUSSION

4.1 Effect of Tangible Resources on Competitive Strategy

Tangible variables are measured by 2 main indicators, namely financial resources and physical resources. The results of the data analysis show that tangible variables have a significant influence on the ability of micro-enterprises to design the right strategy for their business. Adequate financial resources coupled with good physical facilities will make it easier for micro-entrepreneurs to modify their chosen

competitive strategy. This means that the internal condition of the company in terms of financial capacity and physical resources owned is the main force that determines that micro-enterprises are able to have the right strategy.

Weaknesses inherent in financial funding sources, especially weak access to funding sources, are still covered by the ability of micro-enterprises to manage their finances properly. The difficulties faced by micro business actors make them aware of being able to survive in competition, because the availability of limited financial resources must be utilized optimally through managing resources and monitoring the funds they have. At this point, the internal strength created by the support of physical resources is sufficient to provide strength for business actors to choose and design their competitive strategy in the market.

This finding means that the company's internal strength reflected in its tangible resources is able to provide strength and valuable input to determine how companies should determine their competitive strategy. This strength is part of the core competencies of micro businesses, especially local products “Lalampa” in areas that may differ between micro businesses in other areas.

This finding is in line with the findings of Nurhajati (2004) that internal factors, one of which is tangible variables, play an important role in assisting companies in determining business strategies. This also means that controlling tangible resources as one of the company's strategic resources will be more capable for MSMEs to build their competitive position in the market, which will ultimately have an impact on their business performance. (Suardika, 2011)

4.2 The Effect of Intangible Variables on Competitive Strategy

Intangible resources in this study consist of the dimensions of human capital, organizational resources, and relational resources. As a relatively small business entity, if micro-enterprises are managed with the support of adequate intangible resources, they will strengthen the competitiveness of the Micro-enterprises business. The effect of intangible resources on competitive strategy is not significant. This means that it is not yet optimal to manage human resources, organization and relationships. The reality on the ground is that human capital (HR) is still managed traditionally, often taking turns with HR (high employee turnover). Intangible resources which consist of the dimensions of human resources, organizational resources and relational resources have not been able to determine their competitive strategy.

This finding contradicts the results of research by Sharabati et al. (2010) which states that there is a strong and positive relationship between management of intellectual capital (human capital, structural capital, and relational capital) as part of intangible assets, which in turn affects business performance. This is not yet relevant to the concept of financial performance, which is part of the financial statements that show the position of the company's resources during one period and the financial statements describe the financial performance of the company's ability to generate income from its resources.

4.3 The Effect of Environmental Dynamics Variables on Competitive Strategy

Environmental dynamics are a challenge for business, so that business actors' unpreparedness for environmental changes will kill the business itself. A fast-moving business environment, especially one that is stimulated by technological changes which impact on rapidly changing consumer tastes, is the main challenge for a micro business. Changes in the environment faced by the company will always move quickly. To survive, companies must be able to adapt themselves to the changing environment (Covin & Slevin, 1989; Dess & Keats, 1987).

Efforts to monitor the environment that changes dynamically continuously is a company need to capture perfect information for designing the right strategy (Suardika, 2011). The positive and significant relationship between environmental dynamics and competitive strategy provides information that every change in the business environment faced by micro/SMEs, encourages micro/SMEs to make adjustments to the strategy used. This finding is in line with the findings of Suardika 2011, that every environmental change will be responded to by the company in the form of choosing and determining the right strategy.

This finding also has a strong connection with the research of Gelderen et al (1998) that every company will design and use a strategy based on the degree of environmental uncertainty it faces. Every change in the environment is the basic information for making strategic decisions for SMEs. On the other hand, businesses must still be able to cope with these changes, to be able to generate competitive advantages in the long term. Business networks that involve suppliers as inbound logistics and customers as outbound logistics must be maintained with various strategies and tactics designed by business people.

At that level, the strength of the SME business is the extent to which they build collaboration between their suppliers and the target market. Strategies related to inbound logistics, which ensure the availability of raw materials in the long term will be the strength of SMEs to produce goods with good quality at competitive prices. The importance of the bargaining power of SMEs to their suppliers will guarantee business continuity in the long term. The adaptability and bargaining power of SMEs to suppliers is a determining force for how SMEs build the right business strategy, whether it is low cost, differentiation or focus.

4.4 Effect of Tangible Resources on Financial Performance

The results of this study indicate that the influence of tangible assets on financial performance is significant. Better investment and management of tangible assets will provide the company's ability to create efficiency and then have an impact on the company's ability to position itself in the market in the form of the chosen strategy. This makes tangible assets an internal strength for micro/SMEs to be able to choose the right strategy. This strategy can only be implemented if SMEs have adequate tangible assets that support the company's operating performance. Without it, the company's ability to determine the best strategy will clash with the internal capabilities of SMEs as its carrying capacity.

This finding is consistent with the findings of Suardika (2011) that among strategic resources, human resources are the most important factor in shaping business performance. For this reason, strong asset management must be directed not only at controlling physical assets, but must be focused on key strategic resources, namely organizational resources and human resources to produce superior performance of micro/SMEs in a sustainable manner (Suardika, 2011). This provides important information that identifying resources is very important in building an SME development model on a RBV basis for micro/UKM Enterprises, bearing in mind that not all resources are key strategic resources for the successful development of micro/SMEs performance

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4.5 The Influence of Intangible Variables on Financial Performance

The intangible variable in this study is the only variable that has a positive and significant influence on both strategy selection and financial performance. Intangible assets in the form of human resources, relational resources and organizational resources, are an important strength and are the core strength of a business. The strength of human resources as a resource that determines the success of a business proves the significance of this variable in determining and choosing a company's competitive strategy, as well as in establishing good financial performance.

Human resources in an organization/company with a set of skills, knowledge and capabilities as a representation of human capital are very difficult for competitors to imitate. This is based on the company's RBV theory which explains differences in company performance due to variations in differences in resources and capabilities. Human capital with VRIN criteria (Valuable, Rare, Inimitable, Nonsubstituable) is the basis for achieving a company's competitive advantage which will have an impact on financial performance (Barney, 1991; Volberda et al. 2001; Husnah, 2013a).

The results of this study also show that high investment in human capital can improve the financial performance of SMEs. The results of this study are consistent with research from Volberda, et al. (2001) and Sharabati et al. (2010). This study also has a fairly strong relationship with research that conducted research on small business owners (male/female) in the US retail sector, which concluded that in general there is an influence between intangible assets, especially human capital, on financial performance. The

findings from conducting research on pharmaceutical manufacturing companies in Jordan also show the same result that intangible assets (human capital) affect business performance.

4.6 The Effect of Environmental Dynamics Variables on Financial Performance

Changes in the business environment which are dynamics that are constantly moving make every company always have to adapt. The dynamics of the business environment, which can be seen from the intensity of business competition and environmental uncertainty, makes the company always “wait and see” on what policies to take. This study reveals information that the influence of environmental dynamics has a significant impact on financial performance as measured by the level of inventory turnover, profit growth and returns. Changes in the business environment that occur, if exposed and able to adapt, immediately trigger the achievement of significant financial performance.

This finding is in line with the findings of Rivard et al (2006) that an increase in environmental hospitality will support the achievement of a company's marketing performance. This finding contradicts the findings of Suci (2008) and Hakim (2010) that the variations faced by companies do not have a direct impact on business performance. Environmental change on the one hand is an opportunity, but on the other hand it will pose a threat. The extent to which the meaning of changes in the business environment becomes opportunities or threats depends on the extent to which the company is able to adapt through specific and strategic decisions in the short and long term.

4.7 The Effect of Competitive Strategy on Financial Performance.

The results of this study show that competitive strategy is a perfect mediator variable for achieving strong SME financial performance. The influence of competitive strategy variables is positive and significant on financial performance. These results provide justification that the independent variables studied, namely tangible assets, intangible assets and environmental dynamics, are predictors of how Persian is able to make the right business decisions.

The results of this study are consistent with studies from Slater et al. (2006) and Sulastri (2006) and Muafi (2008), that there is a direct effect of Porter's competitive strategy on financial performance. The results of this study indicate that the most dominant strategy affecting financial performance is the differentiation strategy. This finding is also in accordance with the results of research by Ardiana & Brahmayanti (2010) who conducted research on SMEs in Surabaya. However, these findings are different from the results of research by Amoako & Acquoah (2008) that competitive strategy has no effect on company performance.

Design an appropriate company strategy only if it is based on the resources controlled by the company. This is because the strategic resources owned by the company are the basis of the formula and implementation of a competitive strategy (Wernerfelt, 1984; Grant,2010). Thus, the sustainability or superiority of the company depends on the resources it has, and what strategy is chosen to empower these resources, so as to be able to respond to opportunities and challenges from the external environment (Barney, 1991).

Conceptually, RBV is based on the assumption that every organization/company is a set of unique resources and capabilities that form the basis of strategy and are the main source of corporate returns. Thus the results of this study have relevance to the concept above, where the company's (micro business) unique resources and capabilities as well as mastery of environmental dynamics are the basis for forming a strategy. It can also be interpreted that Strategy Integration is important to provide compatibility between the Strategy and several contingency variables so that it can help to establish a Strategy in an effort to achieve business performance (Husnah, 2013b).

CONCLUSION

The majority of "Lalampa" Micro Enterprises in Toboli already have tangible resources (X1) shown by an average X1 ownership of 3.44, meaning that most say they have tangible resources consisting of financial assets and physical assets. The intangible resource variable (X2) which consists of human resources, organizational resources and relational resources has been owned by micro businesses with an average value of respondents' answers of 3.50). The environmental dynamics variable (X3), which consists of environmental uncertainty and competition intensity, illustrates that micro-enterprises understand and anticipate environmental dynamics in their business, showing an average value of 3.40. The competitive strategy variable (Y1) shows an average value of 3.56, meaning that micro-enterprises have made strategic choices related to cost leadership strategies, differentiation strategies and focus strategies. Furthermore, with regard to the achievement of the financial performance of micro businesses, an average of 3.42 is obtained, meaning that financial performance can be obtained from sales, profits from investment and business growth.

R quare produces tangible resource variables (X1), intangible resources (X2) and environmental dynamics (X3) which have an impact on the ability to determine and design a competitive strategy (Y1) of 82.4%. Meanwhile, if all of these variables together with the variables X1, X2 and X3 and Y1, it will be able to create the financial performance (Y2) of the Lalampa micro business with a percentage of 83.5%. This means that higher financial performance can be achieved if it has tangible resources (X1), intangible resources (X2), Environmental Dynamics (X3) and is mediated by a competitive strategy (Y1). The rest is influenced by other factors not analyzed in the model at 16.5%.

The results of research on tangible resource variables (X1), intangible resources (X2) and environmental dynamics (X3) have a positive influence on competitive strategy and financial performance variables. Except for the effect of the intangible resource variable (X2) on competitive strategy (Y1) is non-significant. The biggest positive coefficient is the influence of environmental dynamics (X3) on competitive strategy (Y1). These findings provide a broad meaning in various perspectives of the SMEs strengthening model based on the resources-based view (RBV) concept.

SUGGESTION

The weakness of this study lies in the data collection period which is cross sectional. Research that is cross sectional is not able to cover all information on changes in the business environment that are faced by respondents in real terms. While changes in the business environment move over a long period of time. Future studies can use multiple measures, namely perceptions and real measures in measuring business performance, in order to minimize the bias arising from respondents' perceptions. Further research needs to be developed not only in the manufacturing sector, but also includes SMEs engaged in the service sector.

Longitudinal research needs to be developed so that the information covered truly describes the real business environment turmoil and how SMEs are able to adapt to these changes.

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