



# Inclusive Development Strategy Based on Regional Excellent Potential Mapping through Business Clusters in Supporting MSME Marketing Development: Penta Helix Approach

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## Abstract

The MSME sector has become a pillar of the Magelang City economy with a contribution to the economy of 60%. The MSME sector in Magelang City is currently experiencing a decline due to two factors including the Covid-19 pandemic and the characteristics of the MSME business itself. Thus, it is necessary to map the potential of MSMEs based on business cluster-based superior potential so as to support the accelerated development of MSMEs in Magelang City, as well as encourage the creation of strategic policies in responding to shocks that occur in the economy quickly and purposefully. This study uses the Geographic Information System (GIS) model. This analysis discusses the characteristics of MSMEs in Magelang City. Structural Equation Modeling (SEM) is a multivariate technique that combines aspects of multiple regression (testing dependency relationships) and factor analysis (describing concepts that cannot be measured factors with multiple variables), and the Analytical Hierarchy Process (AHP) method arranges a priority as well as the purpose of the various options using several criteria. Based on the analysis result of marketing capabilities through social media and marketing performance directly have a significant influence on competitive advantage. Based on AHP analysis, the most prioritized criterion in developing the MSME marketing network in Magelang City is government policy.

**Keywords:** MSME; Penta-Helix; Business Cluster; Analytical Hierarchy Process; Geographic Information System

## INTRODUCTION

The MSME sector is an economic pillar of Magelang City with a contribution of 60% to the economy. Based on the data from the Ministry of Industry and Trade (2020), the number of micro, small, and medium enterprises (MSMEs) in Magelang City has reached 8,663 industry actors, with employment reaching 13,395 workers and monthly turnover reaching 48.60 billion. In terms of business scale, MSME actors in Magelang City are dominated by micro-businesses with the number of business actors reaching 93.27% of the total industry actors. Micro and small enterprises in the informal sector are generally characterized by low productivity and wages. As a business unit, the domination of micro and small businesses in Magelang City is generally synonymous with limited capital availability, minimal access to technology and skilled labor, and dominated by family businesses.

The dominance of micro-scale businesses in Magelang City, in dealing with the COVID-19 pandemic, gives its own challenges. The practice of limiting physical interaction has caused community groups whose economic activities depend on their daily income, such as workers in the informal sector and MSMEs, to be the groups most affected by the pandemic (LPEM UI, 2020). The Covid-19 pandemic has reduced MSME turnover. This condition is in line with Eddyono et al., (2020) which found that the crisis due to Covid-19 that occurred simultaneously had a major impact on vulnerable groups, including the MSME group, freelance daily workers, street vendors, laborers, and farmers. SMEs sectors in Magelang City itself, in 2019 decreased by 12% compared to the previous year. To encourage the normalization of MSMEs and increase business opportunities in the era of the Covid-19 pandemic, the government and related development partners need to formulate an appropriate and innovative hands-on strategy.

Based on the urgency of developing MSMEs as a pillar of the economy of Magelang City, and the potential for large cooperative institutions and their locations that are evenly distributed throughout all villages, this research will discuss how an Inclusive Development Strategy is based on regional excellent potential mapping through Business Clusters in Supporting MSME Marketing Development: Penta Helix Approach.

The rate of the MSME sector in Magelang City is currently experiencing a decline due to two factors including the Covid-19 pandemic and the characteristics of the MSME business itself. The MSME sector in Magelang City, in 2019 experienced a decrease of 12% compared to the previous year. In the era of the Covid-19 pandemic, restrictions on physical interaction caused groups of people whose economic activities depended on their daily income to experience a significant decrease in their income. This condition is exacerbated by the low ability of MSME actors to access digital technology in their marketing, making it difficult to find other marketing alternatives if the government imposes restrictions on physical interaction. Therefore, synergy is needed between the government and business actors in increasing the function of MSME centers in Magelang City, which tend not to be functionally optimal. On the other hand, the government as a policy framework maker is considered to be still difficult to map affected MSMEs, due to the characteristics of MSME actors who have high business flexibility. The government is faced with

Inclusive Development Strategy Based on Regional Excellent Potential Mapping through Business Clusters in Supporting MSME Marketing Development: Penta Helix Approach  
its own challenges since MSME actors tend to spread so that it will hamper the monitoring process and formulate well-defined policies.

Research conducted by Ardiana, Brahmayanti, and Subaedi (2010) entitled "SME HR Competence and Its Influence on SME Performance in Surabaya". This research was conducted on SMEs in Surabaya. The researcher determines two variables, namely HR competency and SME performance. The result of this study is HR competencies positively and significantly affect the performance of SMEs, meaning that an increase in HR competence will improve the performance of SMEs.

Research conducted by Munizu, (2010) entitled "The Influence of External and Internal Factors on the Performance of Micro and Small Enterprises (MSE) in South Sulawesi". In this study, the third hypothesis states that internal factors have a significant and positive influence on the performance of Micro Small Enterprises (MSE). Internal factors in this study include aspects of human resources, financial aspects, technical aspects of production and operations, as well as market and marketing aspects. The result of this study explains that internal factors have a positive and significant influence on the performance of micro and small businesses.

Research conducted by Hermawan & Damai, (2012) entitled "Factors Influencing the Performance of Micro, Small, and Medium Enterprises (MSMEs) in Madiun City". This research was conducted at SMEs in Madiun City. In this study, the first hypothesis states that finance has a significant effect on the performance of MSMEs in Madiun City, while the second hypothesis states that HR has a significant effect on the performance of MSMEs in Madiun City. From the results of testing the first hypothesis explains that financial variables have a significant effect on MSME performance is accepted, while the second hypothesis states that HR variables have a significant effect on MSME performance is accepted.

Research conducted by Kristanto et al., (2021) entitled "The Influence of HR Competence, Quality of Financial Information, and Locus of Control on MSME Performance". This research was conducted on MSME assisted by the Cooperative Service in Kertek District, Wonosobo Regency. The result of this study indicates that there is a significant influence between HR competency, information quality, and locus of control on MSME performance. This proves that the more precise and accurate the decisions taken by MSME actors, the better the performance will be, which is by looking at the increase in profits and assets.

This research is research that focuses on efforts to identify related factors which have the most dominant contribution to improving marketing performance so as to increase the competitive advantage of MSMEs in Magelang City. The difference between this research and the first previous research is the selection of variables in this study that includes marketing elements through social media as one of the contemporary issues that can contribute to marketing performance. The next novelty in this research is the concept of mapping MSMEs in Magelang City based on the characteristics and superior products of each which can provide a source of information related to the distribution of potential MSMEs. Then another novelty offered is the

marketing concept through the establishment of a Business Cluster as an effort to distribute justice for all MSMEs in Magelang City so that they have broad market access and there is no imbalance in competition. Through this Business Cluster, MSME actors who have low capital are no longer worried about losing in marketing because MSMEs that are already established will become partners for MSME actors who are not yet established. The principle of *gotong royong* will be implemented by forming cooperatives in each MSME cluster according to the characteristics and superior products of each. The business cluster concept offered in this study is as follows:

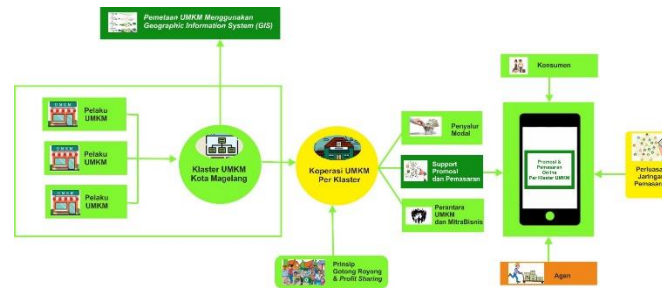


Figure 1. The concept of Business Clusters in MSMEs

## METHODS

### Geographic Information System (GIS)

An analysis of the characteristics of MSMEs in Magelang City uses the spatial data analysis method. This analysis uses descriptive quantitative analysis assisted by Geographic Information System (GIS). The discussion regarding the characteristics of MSMEs includes types of MSMEs, the number of MSMEs, the number of workers in each MSME group, the amount of investment value for each MSME group, and the amount of production value for each MSME group.

### Structural Equation Modeling (SEM)

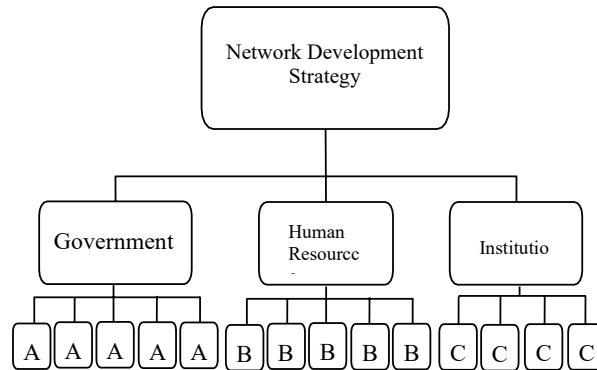
To answer the second research objective, Structural Equation Modeling (SEM) analysis was used with the help of the Smart PLS program. SEM is a multivariate technique that combines aspects of multiple regression (testing dependency relationships) and factor analysis (describing concepts that cannot be measured factors with multiple variables) to estimate interdependence simultaneously with latent variables and their indicators as proposed by Hair et al. (2010).

The construct defined in this study is based on the theory in previous studies. As previously stated, this research has 4 main variables: Social Media Marketing Capability, Innovation Capability, Marketing Performance, and. Competitive Advantage of SMEs.

### Analytical Hierarchy Process (AHP)

The Analytical Hierarchy Process (AHP) method is a comprehensive decision-making model by considering qualitative and quantitative matters. The AHP method can help set priorities and objectives from various options using several criteria. Through the Analytical Hierarchy Process

Inclusive Development Strategy Based on Regional Excellent Potential Mapping through Business Clusters in Supporting MSME Marketing Development: Penta Helix Approach (AHP) method, several strategies will be produced that can be used in order to develop MSME marketing development strategy in Magelang City. The AHP model used in this study is explained in the chart below:



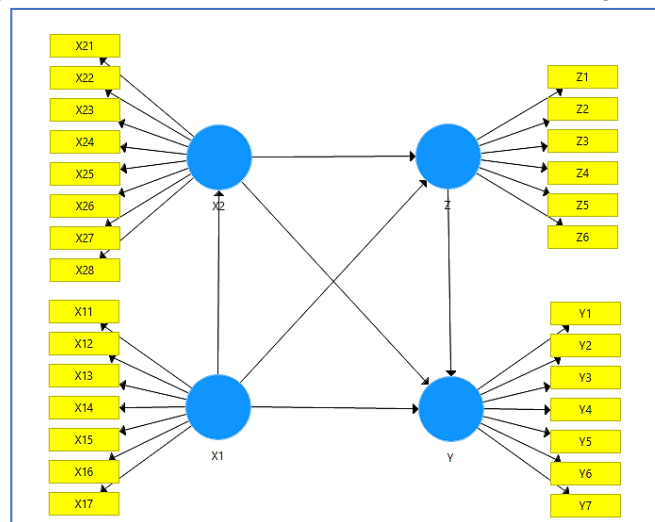
**Figure.1 AHP Hierarchy Framework.**

## RESULTS AND DISCUSSION

### The Analysis Result of the Factors Influencing the Competitive Advantage of MSMEs in Magelang City

#### 1. Structural Model Design Results (Inner Model)

Based on the elaboration of the manifest variables (indicators) of each exogenous variable and endogenous variable, a structural model can be designed as follows:



**Figure 2. Structural Model Design**

**Source: Processed primary data output, 2021**

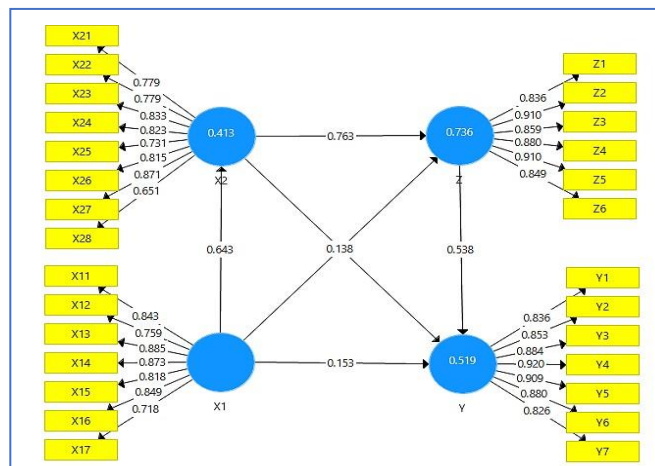
#### 2. Evaluation of the Measurement Model (Outer Model)

Evaluation of the measurement model is carried out to measure the specification of the relationship between latent variables and their indicators. Evaluation of the measurement

model consists of four stages, namely convergent validity test, discriminant validity test, Cronbach's Alpha reliability test, and composite reliability test.

a. Convergent Validity Test.

The first data validity test is carried out using the Convergent Validity approach, where indicators are assessed based on the correlation between the item score/component score. Validity testing for reflective indicators can be done by using the correlation between the indicator score and the construct score. The measurements with reflective indicators show that there is a change in an indicator in a construct when other indicators in the same construct change. Convergent validity can be accepted or data is declared valid if it has a loading factor value  $\geq 0.5$  (F. Hair Jr et al., 2014). The result of convergent validity test uses SmartPLS 3.3 software.



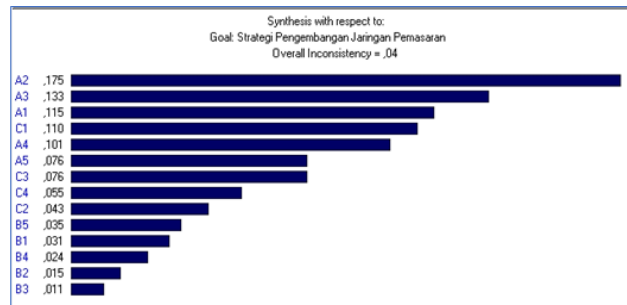
**Figure 3. Output Loading Factor in Research Modeling**  
**Source: Primary data output processed, 2021**

Based on the estimation result of SEM PLS, the t statistical value of the influence of social media marketing ability (X2) on competitive advantage (Y) through marketing performance (Z) is  $3.510 > 1.984$  (t count) and a p value of  $0.000 < 0.05$  (alpha 5%) so it can be concluded that H7 is accepted, which means marketing skills through social media have a significant influence on the competitive advantage of MSMEs in Magelang City through marketing performance. The original sample estimate value shows a number of 0.410 which shows that the relationship between the variable of marketing ability through social media with competitive advantage through marketing performance has a positive direction.

**The Calculation Result of AHP Analysis of All Alternatives in the MSME Marketing Network Development Strategy in Magelang City**

## Inclusive Development Strategy Based on Regional Excellent Potential Mapping through Business Clusters in Supporting MSME Marketing Development: Penta Helix Approach

Based on the calculations from the analytical hierarchy process for all alternative strategies for developing the MSME marketing network in Magelang City with the expert choice 11 program, the following results are obtained:



**Figure 5 AHP Output on All Alternatives**  
**Source: Primary data processed, 2021**

Information:

A1: Provision of business capital needs with alternative financing models and with soft interest

A2: Provision of information, promotion, and market guarantee facilities for MSME actors

A3: Providing assistance with vital means of production

A4: Provision of easy access to information and communication technology for MSMEs

A5: Providing training and facilitating business licensing and IPR procurement

B1: Providing motivation to MSME actors to improve their abilities and skills in running their business

B2: Increasing managerial capability and business management

B3: Continuous coaching and training for MSME actors in creating innovation

B4: Increasing the capacity of MSME actors in utilizing renewable technology-based production equipment

B5: Promotion and marketing training using information and communication technology

C1: Increasing the capacity and quality of special MSME assistance agencies

C2: Formation of an organization/association forum to establish cooperation between MSME actors

C3: Training on management of cooperatives and MSME actors

C4: Increasing business partnerships between MSME cooperatives and entrepreneurs/investors

### **The Influence of the Ability to Innovate on Marketing Ability through Social Media in MSMEs in Magelang City**

The estimation result of the SEM PLS analysis shows that the ability to innovate has a positive and significant influence on marketing skills through social media for MSMEs in Magelang City. The coefficient value of 0.640 indicates that if the ability to innovate increases by 1 unit, the marketing ability through social media will increase by 0.640. The result of this study is in line with the research of (Syaifullah et al., 2021). The research explained that the Covid-19 pandemic era

required companies to innovate in marketing their products. Social media is a marketing medium that is suitable for use during a pandemic. However, companies must have innovation in marketing their products through social media.

MSME in Magelang City basically have diverse innovation capabilities. On the one hand, MSME actors, who are technologically literate are more proficient at innovating. They are on average millennial MSME actors who are in the age range of 18-40 years. Their ability to innovate is demonstrated by innovation in various aspects ranging from product, packaging, branding, promotion, and marketing. In terms of products, many MSMEs have started to create innovative products in accordance with the times, such as MSMEs in the fields of fashion, crafts, and culinary. From the aspect of branding and packaging, they have also realized how to make recognizable branding and attractive packaging.

The ability of MSME actors to innovate has been able to have a positive impact on marketing capabilities through social media. In the era of the industrial revolution 4.0, advances in information and communication technology provide great benefits for business people, especially MSMEs. Many MSMEs take advantage of social media such as Facebook, Instagram, Twitter, WhatsApp, YouTube, and others to support their promotion and marketing.

### **The Influence of the Ability to Innovate on Marketing Performance in MSMEs in Magelang City**

The estimation result of the PLS SEM analysis shows that the ability to innovate variable has a positive but insignificant effect on the marketing performance of MSMEs in Magelang City. The coefficient value of 0.140 indicates that if the ability to innovate increases by 1 unit, marketing performance will increase by 0.140. The result of this study is in line with the research of Rajapathirana & Hui, (2018) which explains that a company's ability to innovate can support the company's marketing performance.

The marketing performance of MSMEs in Magelang City can be reflected in various aspects, which include the number of sales, achievement of sales targets, number of customers, market share, business turnover, and profitability. MSME actors admit that the efforts they make to improve marketing performance are indeed driven by their ability to innovate. However, this ability to innovate also needs to be supported by the ability to analyze the market, especially market conditions during the uncertain and unpredictable Covid-19 Pandemic. Even though during a pandemic, they are still working hard to rack their brains to innovate, especially in marketing so that the business they have continues. Even so, their marketing performance continued to decline due to the Covid-19 pandemic.

### **The Effect of the Ability to Innovate on Competitive Advantage in MSMEs in Magelang City**

The estimation result of the SEM PLS analysis shows that the ability to innovate has a positive but insignificant effect on the competitive advantage of MSMEs in Magelang City. The coefficient



Inclusive Development Strategy Based on Regional Excellent Potential Mapping through Business Clusters in Supporting MSME Marketing Development: Penta Helix Approach value of 0.150 indicates that if the ability to innovate increases by 1 unit, then competitive advantage will increase by 0.150. The result of this study is in line with the research of Rhee & Stephens, (2020), which explains that a company's ability to innovate will encourage the company to be able to increase its competitive advantage.

Competitive advantage in this study is reflected in various aspects, which include product uniqueness, product quality, the company's ability to respond to market demand, and the company's speed in developing products. MSMEs that are always sensitive to market changes tend to have a high competitive advantage. This sensitivity can be seen from the innovations carried out by MSMEs in accordance with developments and market demands. As we know that the majority of SMEs in Magelang City are in a perfectly competitive market so they are required to always be innovative in creating products to be able to compete. The ability to innovate will help MSMEs to dominate the market so that they will have a high competitive advantage.

### **The Effect of Marketing Ability through Social Media on Marketing Performance in MSMEs in Magelang City**

The estimation result of the PLS SEM analysis shows that the marketing ability variable through social media has a positive and significant influence on the marketing performance of MSMEs in Magelang City. The coefficient value of 0.760 indicates that if marketing skills through social media increase by 1 unit, marketing performance will increase by 0.760. The result of this study is in line with the research of (Tarsakoo & Charoensukmongkol, 2020). The research explains that the very rapid advancement of internet technology can be utilized by companies in marketing their products through social media in order to be able to improve marketing performance.

Marketing performance is very dependent on the strategy carried out by MSME actors in marketing their products. In the industrial era 4.0, which is accompanied by developments in information and communication technology, it requires MSME actors to change conventional marketing patterns to online marketing. The growing social media can be used for the promotion and marketing of business products. In addition to having advantages in more practical techniques, marketing through social media is also able to reach a wider market. Moreover, it is supported by the spread of the goods delivery service business, which certainly supports the online marketing system. In addition, the condition of the Covid-19 pandemic, which demands a reduction in community activity and mobility is certainly a priority for MSME actors to carry out promotions and marketing online. MSMEs that are able to utilize social media to promote and market their products will certainly be able to improve their business marketing performance.

### **The Effect of Marketing Ability through Social Media on Competitive Advantage in MSMEs in Magelang City**

The estimation result of the PLS-SEM analysis shows that the marketing ability variable through social media has a positive and significant influence on the competitive advantage of

MSMEs in Magelang City. The coefficient value of 0.480 indicates that if the marketing ability through social media increases by 1 unit, then competitive advantage will increase by 0.480. The result of this study is in line with the research of Irbo & Mohammed, (2020) which explains that a company's competitive advantage is very dependent on how the company is able to seize market opportunities to attract consumers. One of these strategies can be done by utilizing social media to attract consumers to buy the products offered.

Business competition in the era of the industrial revolution 4.0 is getting tougher. This requires MSME actors to continue to adapt to changes in the existing market. Marketing that exists today tends to lead to online marketing. MSME actors certainly have to master internet technology in order to be able to do online marketing. Existing online marketing, apart from through the marketplace platform, is also through social media. Marketing through social media is more practical and flexible in its management. In marketing through social media, MSME actors must be able to provide information on the products they sell as attractively as possible in order to attract customers. In addition, they must also be able to relate and communicate well and provide friendly service. The response given to customers must also be fast to give a positive image of the business they are running. If MSME actors are able to make customers feel comfortable shopping for the products they sell, it is clear that these businesses will have a high competitive advantage.

### **The Effect of Marketing Performance on Competitive Advantage in MSMEs in Magelang City**

The estimation result of the PLS SEM analysis shows that the marketing performance variable has a positive and significant influence on the competitive advantage of MSMEs in Magelang City. The coefficient value of 0.540 indicates that if the marketing ability through social media increases by 1 unit, then competitive advantage will increase by 0.540. The result of this study is in line with research conducted by Chadwick & Flinchbaugh, (2021) which explains that marketing performance has a positive relationship. When a company is able to improve its marketing performance, the company must be able to compete in the market.

Business actors, especially MSMEs, certainly have good performance targets. These targets are none other than marketing performance targets. When viewed based on the indicators, there are several indicators that reflect marketing performance, such as the number of sales, market share, number of customers, profitability, and others. Achieving all of these targets requires a high effort in order to achieve it. The company's desire to achieve marketing performance targets is none other than for the business being run to be able to compete in the market. Companies that are able to dominate the market and have a wide market share will clearly have a high competitive advantage. And conversely, when a company is unable to dominate the market, the company will lose competitiveness with other companies.

Inclusive Development Strategy Based on Regional Excellent Potential Mapping through Business Clusters in Supporting MSME Marketing Development: Penta Helix Approach

### **The Role of Marketing Ability through Social Media in Mediating the Effect of the Ability to Innovate on Marketing Performance in MSMEs in Magelang City**

The estimation result of the PLS-SEM analysis shows that the variable of ability to innovate indirectly has a positive and significant influence on the marketing performance of MSMEs in Magelang City through marketing ability through social media. This shows that the marketing ability variable through social media has a mediating role, since beforehand; the influence of the ability to innovate on marketing performance is insignificant. A coefficient value of 0.490 indicates that if the ability to innovate is 1 unit, then marketing performance will increase by 0.490 mediated by marketing skills through social media. The result of this study is in line with the research conducted by Wang & Kim, (2017) which explains that companies that want to improve their marketing performance must first think about how to create innovations in marketing their products and one of them is through social media.

MSMEs' marketing performance is very dependent on their marketing strategy and innovation. Innovation is needed so that MSME actors have sensitivity to developments and changes in existing markets. Besides that, innovation also helps business actors to attract consumers' interest in buying the products offered. However, innovation alone is not enough to dominate the existing market. An appropriate marketing strategy and in accordance with market development is needed namely marketing through social media. Changes in consumer behavior that tend to be active on social media make marketing through social media grow rapidly and can reach a wider market. Thus, the marketing performance of MSMEs can increase.

### **The Role of Marketing Ability through Social Media in Mediating the Effect of the Ability to Innovate on Competitive Advantage in MSMEs in Magelang City**

The estimation result of the PLS-SEM analysis shows that the variable of ability to innovate indirectly has a positive but insignificant effect on competitive advantage in MSMEs in Magelang City through marketing performance. The coefficient value of 0.060 indicates that if the ability to innovate is 1 unit, then the competitive advantage will increase by 0.060 mediated by marketing performance. The result of this study is not in line with the research conducted by Wali & Andy-Wali, (2018) which explains that when a company wants to increase its competitive advantage, the company must have the innovative ability to design strategies for marketing its products.

The result of the study indicates that marketing performance is not able to mediate the effect of the ability to innovate on the competitive advantage of MSMEs in Magelang City. The competitive advantage of MSMEs in the current era depends on the innovation they have. The more innovative the product offered, the product will certainly have a uniqueness that is not owned by its competitors. Innovation is not only applied to products but also to services provided to customers. The more innovative the services provided, the more interested customers will be in buying the products offered. Thus, it can be concluded that a company that is more innovative than its competitors will have a higher competitive advantage.

### **The Role of Marketing Performance in Mediating the Effect of the Ability to Innovate on Competitive Advantage in MSMEs in Magelang City**

The estimation result of the PLS-SEM analysis shows that the variable of the ability to innovate indirectly has a positive and significant influence on the competitive advantage of MSMEs in Magelang City through marketing performance. This shows that the marketing performance variable has a mediating role because beforehand, the effect of the ability to innovate on competitive advantage is insignificant. The coefficient value of 0.370 indicates that if the ability to innovate is 1 unit, then the competitive advantage will increase by 0.370 mediated by marketing performance. The result of this study is in line with the research conducted by Ferreira et al., (2020) which explains that companies must have the ability to innovate in order to improve their performance so that these companies have a high competitive advantage.

The competitive advantage of MSMEs can be achieved when the actors have innovations that are in line with market demand. MSME actors must be able to see the gaps and market opportunities that exist. When these opportunities can be mastered, the products offered will be more easily demanded by customers. Thus, the number of customers and the targeted market share will be easily achieved. When the market is controlled and the products sold have unique characteristics and are not owned by competitors, then the company clearly has a high competitive advantage.

### **The Role of Marketing Performance in Mediating the Effect of Marketing Capability through Social Media on Competitive Advantage in MSMEs in Magelang City**

The estimation result of the PLS-SEM analysis shows that the marketing ability variable through social media indirectly has a positive and significant influence on the competitive advantage of MSMEs in Magelang City through marketing performance. This shows that the marketing performance variable has a mediating role. The coefficient value of 0.410 indicates that if marketing skills through social media increase by 1 unit, then the competitive advantage will increase by 0.410 mediated by marketing performance. The result of this study is in line with research conducted by Capatina et al., (2020) which explains that a company's competitive advantage can be achieved if it has good marketing performance. However, to achieve good marketing performance, it is necessary to carry out a marketing strategy that is in accordance with market developments, namely marketing through social media. Thus, companies that are able to market their products through social media tend to be faster in increasing their competitive advantage.

Companies that want to have a high competitive advantage must have the ability to market products according to customer demand. One of them is marketing through social media. When marketing is carried out by MSME actors through social media according to customer wishes, it will not be difficult for MSME actors to reach a wider market considering that almost all people

Inclusive Development Strategy Based on Regional Excellent Potential Mapping through Business Clusters in Supporting MSME Marketing Development: Penta Helix Approach currently use social media. Thus, it will be easy for the company to reach its target market. When the target market can be achieved and the company is able to dominate the market, of course, its competitive advantage will be high.

### **Strategies for Developing MSME Marketing Network in Magelang City**

Based on the estimation of the Analytical Hierarchy Process (AHP) that has been carried out, it shows that three criteria are strategic aspects in the development of the MSMEs marketing network in Magelang City, that are government policies, human resources, and institutions. From the analysis result, government policy is the most prioritized criterion because it has the highest weight, which is equal to 0.547. The government is an organization that has the authority and power in formulating a policy within its administrative area. The government can act as a regulator or facilitator in developing MSMEs. As a regulator, the City Government of Magelang needs to compile regulations that support MSME actors to develop. These regulations may include permits, assistance, or others. Meanwhile, as a facilitator, government assistance is needed from upstream to downstream, starting from the production process to marketing.

The second priority criterion in the development of the MSME marketing network is institutional development with a weight of 0.345. Institutions are an important element in efforts to develop SMEs. The institutional role is very central considering that collaboration between institutions can help MSME actors in developing their business. Existing institutions need to collaborate as much as possible. Meanwhile, institutions that have not yet been formed must be formed immediately as a forum for MSMEs to share and exchange ideas in developing businesses.

Meanwhile, the third priority criterion in the effort to develop the MSME marketing network in Magelang City is human resources with a weight of 0.109. One of the important inputs in business development is human resources. The quality and quantity of human resources will greatly influence business development. The more qualified existing resources, the faster the business development. Efforts to improve the quality of human resources in MSMEs in Magelang City can be started by providing various training, coaching, and mentoring. The training provided may include business management training, technology mastery as well as promotion and marketing training.

Based on the results of the AHP analysis, a model for developing the MSME marketing network can be developed as follows:

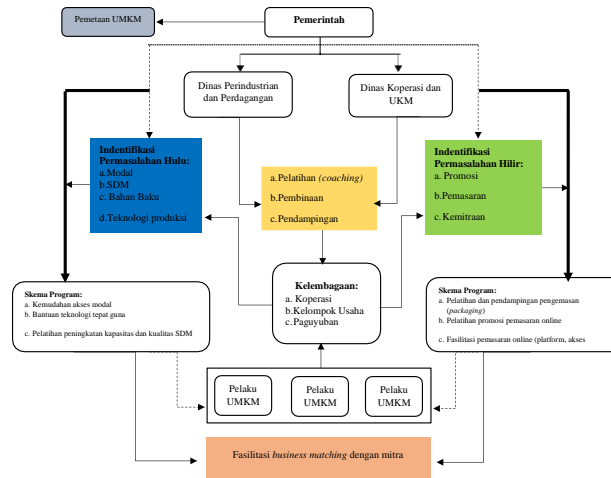


Figure 6

**MSMEs Marketing Network Development Strategy Model in Magelang City**

Source: Primary data processed, 2021

Based on Figure 6 it can be explained that efforts to develop the MSMEs marketing network in Magelang City do not necessarily focus directly on the marketing problems faced. But first, it is also necessary to map MSMEs based on the type of business, business status, and business scale. The type of business can be classified based on the product produced. Business scale can be classified based on turnover and investment value.

Meanwhile, the business status is the classification of the business whether it is still growing, developing, or already advanced. After mapping, the upstream problems faced by MSME actors can be identified. This is because the source of the problem to be solved must be seen from its roots. The identification of upstream problems may include aspects of capital, raw materials, human resources, processes, and production technology. After identifying upstream, then proceed with identifying downstream problems which begin to focus on marketing aspects.

Marketing is an important aspect that is influenced by many factors. Before the product is marketed, the product must be attractively packaged to attract consumers. Packaging techniques must be innovative and attractive. Therefore, there is a need for training to be provided to business actors to carry out innovative and attractive product packaging. Furthermore, there is a need for training for MSME actors to market their products online. The online marketing strategy is intended not only to reach a wider market but also to adapt to the conditions of the Covid-19 pandemic, which are still developing today. Not all MSMEs are technologically literate, so they need to be given online promotion and marketing training.

Apart from that, to support online marketing for MSME actors, it is also necessary to have supporting facilities such as a marketplace platform that specifically serves as a forum for MSME marketing in Magelang City. The platform can be in the form of a website, social media, application, or something else. In addition, supporting facilities such as a set of computers or

Inclusive Development Strategy Based on Regional Excellent Potential Mapping through Business Clusters in Supporting MSME Marketing Development: Penta Helix Approach smartphones are also needed. Procurement of these facilities does not have to be given individually but can be given to business groups which can later be used collectively. After the training is carried out, it is necessary to have regular assistance to ensure that the program provided can run as intended.

In an effort to develop the MSME marketing network in Magelang City, the first actor playing a role here is the Magelang City Government. The Government of Magelang City through the Industry and Trade Office as well as the Cooperative and MSME Office can collaborate to run MSME marketing network development programs. In order for coordination and programs to run effectively and efficiently, it is necessary to form business organizations in the form of cooperatives, business groups, and associations based on the type of business to facilitate program delivery. The government also needs to conduct matchmaking for MSME actors with potential partners, both financing partners, such as banks, angel investors, venture capital, and others, as well as marketing partners.

## **CONCLUSION**

Based on the results and discussion that has been described, the following conclusions can be drawn. The total number of MSMEs in Magelang City as a whole is 8663 business units spread over three sub-districts, namely North Magelang District, Central Magelang District, and South Magelang District. The largest number of SMEs is in the South Magelang District with 3,417 business units. Based on the business scale, the majority of MSMEs in Magelang City are micro businesses with a total of 8,445 business units. Then small businesses have as many as 208 units and medium businesses only as many as 10 business units. If it is classified based on the business sector, then the largest number of MSMEs are engaged in trading, with a total of 5,564. The area that is the center of trading MSMEs is the Central Magelang District area. Then, there are 1,478 MSMEs in the industrial sector in the South Magelang and Central Magelang Districts. Meanwhile, the majority of 1,421 MSMEs in the service sector are in the South Magelang District area.

Based on the results of SEM PLS analysis, marketing ability through social media and marketing performance directly have a significant influence on competitive advantage. Meanwhile, innovation ability does not directly influence competitive advantage. Marketing Performance has a role in mediating the effect of innovation ability and marketing ability through social media on competitive advantage.

Based on the AHP analysis, the most prioritized criterion in the development of the MSME marketing network in Magelang City is government policies with a weight value of 0.547. Then, the second priority criterion is institutional development with a weight value of 0.345 and the third priority criterion is human resource development with a weight value of 0.109. Meanwhile, the most prioritized alternative in the MSME marketing network development strategy in Magelang City is the provision of information, promotion, and market guarantee facilities for MSME actors

with a weight value of 0.175. Then, the second priority alternative is the provision of vital means of production assistance with a weight value of 0.133.

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