The Implication of Competitive Strategy towards the Business Performance of Garment Industries in Indonesia

Yanto Ramli[1], Swamilah Hariani[2]

Universitas Mercu Buana

Abstract:

Background: *The objective of this research is to analyze the influence of market attractiveness, market orientation and competitive strategy against the business performance of the garment industries in DKI Jakarta. This is a descriptive and verificative research, and the construct of the research is based on the concept and the relationship between the variables in order to form the research paradigm.*

Materials and Methods: *This study conducted a distribution of questionnaires and observations on the garment industries in Jakarta. The research method used in this study is descriptive method by using scoring analysis and verification method by using quantitative analysis. The sample determination was done through Simple Random Sampling as the garment industries has the same character, and the tool of analysis is using Partial Least Square (PLS).*

Results: *The results indicated that market orientation has a greater significant influence compare to market attractiveness on the business performance. Competitive strategy also provides a significant influence on business performance, because either market attractiveness and market orientation have no value if they do not implement competitive strategy to obtain competitives advantage.*

Conclusion: *Understanding the customer's needs and wants and continue with developing the company resources can obtain competitive advantage to improve the garment business performance.*

Keywords: *Market attractiveness, market orientation, competitive strategy, business performance*

I.   Introduction

The economic development of a country is strongly influenced by the progress and development of the industrial technology, especially in the area of government industries. The economic growth of a country is also influenced by several factors such as industries, which is not only as an indicator of the economic growth but also as a supportive factor of the country's economy.

Development of industrial resources, carried out through the development of industrial human resources, utilization, supply and distribution of natural resources, development and utilization of industrial technology, development and utilization of creativity and innovation and the provision of industrial financing sources. Development of industrial facilities and infrastructure is carried out through Industrial Standardization, Industrial Infrastructure and National Industrial Information Systems and Industrial Empowerment through Green Industries, Strategic Industries, Increased Use of Domestic Products, International Cooperation and Industrial Safeguards and Savings.

The industries in Indonesia is developing continuously and rapidly due to the technological development and globalization era, and one of the developed industries in Indonesia is the garment industries. Industries is classified as a business or activity that process the raw materials into finished goods that have added value to gain profit. Garment industries process raw material such as textiles or fabrics into apparels, this process include cutting, making and trimming or often known as CMT, Cutting, Making and Trimming.

Garment industries are also classified as the fashion industries where the products from the industries can be either fashion apparel or basic apparel. Fashion apparel is the product that follow the up-to-date model and changes according to the fashion design, where basic apparel is the normal and basic model which do not continuously change based on design.

The progress of garment industries in Indonesia is growing rapidly due to the high consumption of clothing as the basic needs because Indonesia has a huge population of 250 million population spread out throughout the island. The growth of garment industries is quite successful and reach up to 21 percent of GDP in 2015. Even though the garment industries in Indonesia is growing rapidly, still many of them cannot survive or even close down the business. This issue become the objective of research and further investigating on the phenomenon issue and the result of this finding.

The challenges that often occur in the garment industries are the raw materials for making garments, known as textiles. Although Indonesia has abundant natural resources, but not all materials can be obtained from within the country, especially for quality materials, which must be imported from overseas. Another challenge is the production results that are not optimal because they are often not in accordance with the market demand, perhaps because they cannot understand the market demand or because they have never do research on the market demand of goods.

Research Gap

Based on several discussion of the previous research, which according to Ruchkina et al (2017) explained that the current state of economic development and innovations' support often brings small and medium enterprises at the forefront of government fiscal policy. Taiwo et al (2012) investigate small and medium enterprises as veritable tool in economic growth and development in Nigeria. Pham (2017) expressed that small and medium-sized enterprises play a very important role in the Vietnamese economy. Utami & Lantu (2013) stated that small-medium enterprises have a major role in term of generating employment which contributing to gross domestic product, and being safety value in national economic recovery. Levushkina et al (2016) indicate the development of small and medium enterprise system as a cyclic process with basic principle of the continuity between development cycles and their development programs that provides potential stability of development of SME system. Tambunan (2015) explained the impact of implementing the ASEAN Economic Community by the end of 2015 that will affect the local small and medium enterprises. Mansour et al (2018) expressed that small and medium enterprises play an important role in the modern economy development in the Arab Republic of Egypt and identify the most important problems and obstacles facing these projects. Verdolini et al (2018) examined the implementing of G20 target innovative green-technology on small and medium enterprises as an opportunity to promote financial de-risking while addressing Paris Agreement commitments and UN Sustainable Development Goals. Discuss more about the potential and development of small and medium industries and enterprises, while this research seeks to find out the problems encountered and provide solutions in overcoming the issues and recommending solutions to be taken to solve the issues based on the constructed variables.

II. Literature Review

Market Attractiveness

Cravens and Piercy (2013:54) asserted that the most important thing in the attractiveness of a market is an assessment of the size and potential of the market. Then perform an assessment of sales in a market for a certain time. The three main keys in determining market size are: Market Potential, Sales Forecast and Market Share. Through these three main keys, the attractiveness of a market will be easily measured.

According to Walker, Jr. And Mullins, (2014:151), that the steps involved in developing a market position/competitive position matrix for analyzing current markets and potential target markets. The basis of the matrix is that managers can have an opinion to assess market attractiveness (potential profits) by examining the market, competitive, and environmental factors that can affect profitability.

Meanwhile, according to Best (2013:410) in his book explained that what makes one segment attractive and another not attractive? Although every business in a particular market might answer this question somewhat differently, when we step back and look more broadly at the factors that make a segment attractive, we find that the level of attractiveness is based primarily on three important considerations. Common to most assessments of segment attractiveness are the assessment categorized into three dimensions as follows:
-   **Market Forces** : cover market size, growth rate and buyer power.
-   **Competitive Environment** : includes number of Competitors, ease of competitors entry and price rivalry.
-   **Market Access** : includes customer familiarity, channel access and sales requirement.

Market Orientation

Market orientation is the measure of behavior and activity that reflects the implementation of marketing concept. Market orientation is a process and activity that related to customer creation and satisfaction by assessing customer needs and wants. The application of market orientation normally improve the organization performance, and it is very effective in gaining and maintaining competitive advantage that begins with planning and coordinating with every departments of an organization to analyze efficiently and effectively in order to enter the market comparing to the competitors.

Kotabe & Helsen (2013:12) explain that market orientation is a fundamental philosphy of marketing. It is an organizational culture that puts customers' interests first in order to develop a long-term profitable enterprise. In essense, market orientation symbolizes the market-driven firm that is willing to constantly update its strategies using signals from the marketplace. Thus, marketing managers take market cues from the expressed needs and wants of customers. Consequently, the dominant orientation is that of a firm reacting to

forces in the marketplace in order to differentiate itself from its competitors. This reactive "outside-in" perspective is reflected in the typical marketing managers' reliance on marketing intelligence, forecasting, and market research.

Kotabe & Helsen also explained that market orientation approach has three behavioral components in determining the long-term profit, organization need to focus on the three components explained in detail as follows:

- **Customer Orientation** is the review and understanding of the needs and wants of the customers.
- **Competitor Orientation** is the review and understanding of the competitors.
- **Interfunctional Coordination** is the coordination and utilization of resources owned by the organization to understand the customers' needs and wants and also the activities of competitors.

Competitive Strategy

According to Ireland, Hoskisson and Hitt (2015:4) that strategic competitiveness is achieved when a firm successfully formulates and implements a value-creating strategy. A strategy is an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage. When choosing a strategy, firms make choices among competing alternatives as the pathway for deciding how they will pursue strategic competitiveness. In this sense, the chosen strategy indicates what the firm will do as well as what the firm will not do.

Cahyanto & Hilal (2013) expressed in their research that according to Michael Porter's Five Forces, the tool that is used to analyze how a competitive environment will affect the marketing of a product. This tool is simple but very powerful in order to understand the situation of the current business. It also helps to understand the advantages of the current competition position and what will be faced later. So, the companies can increase their strengths and anticipate their weaknesses to avoid making wrong decisions. Conventionally, this tool can be used to identify whether a new product, service or business generate profit to the company. Besides, this tool is also very helpful to understand the balance of forces that are influential in the business situation being faced.

Wheelen and Hunger (2018:207) mentioned that Michael Porter proposed three "generic" competitive strategies for outperforming other organizations in a particular industry: overall cost leadership, differentiation, and focus. These strategies are called generic because they can be pursued by any type or size of business firm, even by not-for-profit organizations. Porter also proposed that a firm's competitive advantage in an industry is determined by its competitive scope—that is, the breadth of the company's or business unit's target market. Simply put, a company or business unit can choose a broad target (aim at the middle of the mass market) or a narrow target (aim at a market niche). Combining these two types of target market with the three competitive strategies results in four variations of generic strategies, as mentioned follows:

- **Cost Leadership** is the ability of a company or a business unit to design, produce, and market a comparable product or service more efficiently than its competitors.
- **Differentiation** is the ability of a company to provide unique and superior value to the buyer. This may include areas such as product quality, special features, or after sale service.
- **Cost Focus** is the ability of a company to provide low-cost competitive strategy to a particular buyer group or geographic market and attempts to serve only this niche.
- **Differentiation Focus** is the ability of a company to provide unique and superior value to a particular buyer group or geographical market and attempt to serve the special needs of a narrow strategic target more effectively than can its competition.

Business Performance

David (2015:378) asserted that another important strategy-evaluation activity is measuring organizational performance. This activity includes comparing expected results to actual results, investigating deviations from plans, evaluating individual performance, and examining progress being made toward meeting stated objectives. Both long-term and annual objectives are commonly used in this process. Criteria for evaluating strategies should be measurable and easily verifiable. Criteria that predict results may be more important than those that reveal what already has happened.

Malhota and Miller (1998) explain that business performance as "a consequence of the interaction between actions taken in relation to competitive forces that allow the firm to adapt to the external environment, thereby integrating competence and usefulness". Therefore, measure business performance variously and differently to include service quality, customer satisfaction, gross profit margin, employee satisfaction, increase market share, and return on investment.

According to Best (2013:416) that on the basis of a portfolio analysis and performance objectives, a business selects either an offensive or defensive strategic market plan. Offensive strategic market plans are geared to deliver above-average performance in the areas of sales growth, share position, and long-run profit performance. Defensive strategic market plans, in contrast, are intended to protect important share positions and

produce short-run profit performance, while also contributing to long-run profit. Best added that a company's business performance can be measured based on share performance, sales growth and profit performance. The three dimensions of company performance can be explained in more detail below:
- **Share Performance** is the assessment of the number of transactions and the growth of shares in a company.
- **Sales Growth** is the volume or number and sales growth achieved by the company.
- **Profit Performance** is the ability of a company to get benefit or profit within a certain period of time.
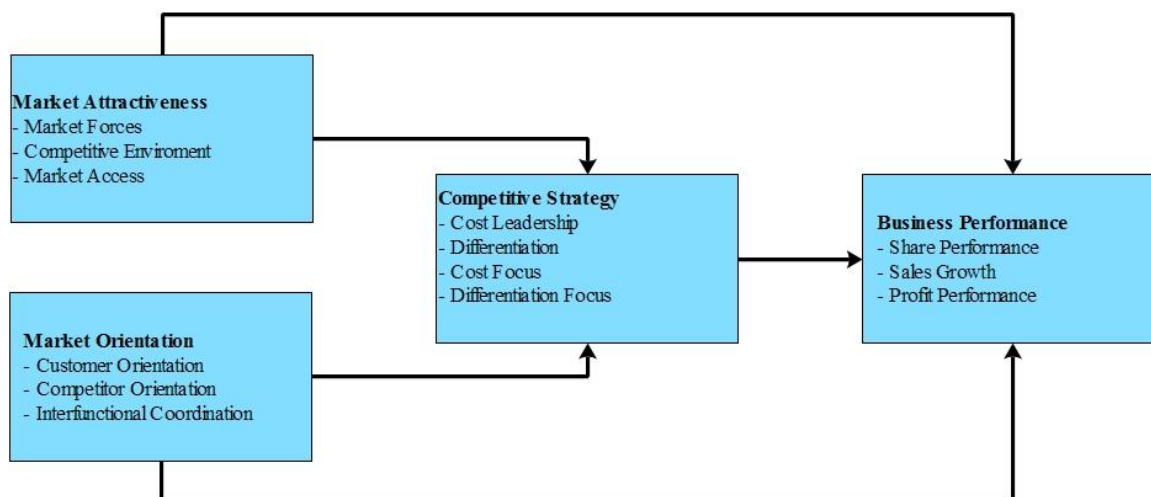

Figure 1: Research Paradigm

III. Methodology

The research designed in this study is using strategic management approach that includes the operationalization variables, data collection method and information collection, defining the population, calculating the sample size and sampling techniques and the design of the analysis conducted in testing the research hypothesis, by conducting the study of garment industries located around DKI Jakarta. This research begins with the observation of several garment industries as the preliminary research, and follow by formulating strategies to examine the performance of the garment industries.

Based on the analysis done earlier, the formulation and the purpose of this study is to describe and reveal the interrelationship between the variables explained above. This research is using descriptive and verification method with the type of causal investigation on the relationship and influence between the exogenous and endogenous variables.

The process of observation in this research is using time horizon with cross section/one shot, the collective data is obtained through research done in 2017, the unit of analysis are the garment industries in DKI Jakarta and the observation unit is the management of the industries. The design of analysis used to test the hypothesis and to examine the relationship between research variables by using Partial Least Square (PLS) analysis method, which is one the alternative method of structural analysis from Structural Equation Modeling (SEM) based on Variance concept.

The validity testing was done by using the sample of 58 respondents randomly in the garment industries. The attempt of this validity testing is to find out the eligible of the selected items including the overall data collection process. The results of the validity test are as follows:

Table 1: Validity Test Results

Variable	Dimension	Item	Correlation	Description
Market Attractiveness	Market Forces	X11	0.825	Valid
		X12	0.567	Valid
		X13	0.688	Valid
	Competitive Environment	X21	0.536	Valid
		X22	0.567	Valid
		X23	0.688	Valid
	Market Access	X31	0.688	Valid
		X32	0.661	Valid
		X33	0.823	Valid
Market Orientation	Customer Orientation	X41	0.825	Valid
		X42	0.567	Valid
		X43	0.688	Valid

	Competitor Orientation	X51	0.536	Valid
		X52	0.567	Valid
		X53	0.688	Valid
	Interfunctional Coordination	X61	0.688	Valid
		X62	0.661	Valid
		X63	0.823	Valid
Competitive Strategy	**Cost Leadership**	Y11	0.567	Valid
		Y12	0.873	Valid
		Y13	0.825	Valid
		Y14	0.688	Valid
		Y15	0.567	Valid
		Y16	0.500	Valid
	Differentiation	Y21	0.627	Valid
		Y22	0.542	Valid
		Y23	0.538	Valid
	Cost Focus	Y31	0.546	Valid
		Y32	0.754	Valid
		Y33	0.556	Valid
	Differentiation Focus	Y41	0.553	Valid
		Y42	0.786	Valid
		Y43	0.612	Valid
Business Performance	**Share Performance**	Z11	0.735	Valid
		Z12	0.560	Valid
	Sales Growth	Z21	0.612	Valid
		Z22	0.600	Valid
	Profit Performance	Z31	0.612	Valid
		Z32	0.553	Valid
		Z33	0.612	Valid

Source: From Data Processing (2018)

Reliability test of this research data is using Cronbach's Alpha coefficient method. The Cronbach's Alpha coefficient is the reliability coefficient most commonly used because this coefficient will describes the variance of items with either right/wrong format such as Likert scale format. The Cronbach's Alpha coefficient is mostly used coefficient to evaluate internal consistency.

The criteria for determining a valid item and having a reliable value that can be accepted are based on the table describe below:

Table 2: Standard Criteria of Validity and Reliability Research

Description	Reliability	Validity
Good	0.8	0.5
Acceptable	0.7	0.3
Marginal	0.6	0.2
Poor	0.5	0.1

Source: Barker, Pistrang and, Elliot (2002:70)

Table 3: Reliable Test Result

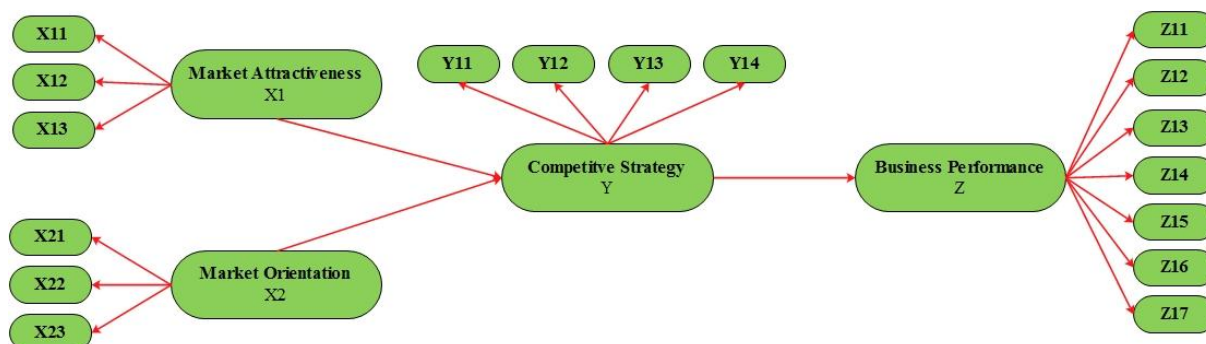| Variable	*Cronbach's Alpha*	Description
Market Attractiveness	0,835	Reliable
Market Orientation	0,885	Reliable
Competitive Strategy	0,892	Reliable
Business Performance	0,888	Reliable

Source: From Data Processing (2018)

Figure 2: The Relation between Variables
Source: From Data Processing (2018)

III. Result and Discussion

The results of the descriptive analysis of the market attractiveness of the market owned by the company and which are not owned by its competitors in the industries. The market attractiveness owned by the company are relatively better compared to existing competitors or potential competitors. Conversely, the market attractiveness is classified as the weakness of the company if the resources owned by the company are not innovatively improved to those of the competitors.

The measurement model of analysis show above are the link between manifest variables (indicators) and each of the latent variables. Analysis of the measurement model in this case aim to test the validity and reliability of each of the dimensions and the indicators utilized to measure each of the variables that were constructed earlier. The analysis of the measurement model can be explained by the describing the value of discriminant validity by looking at the value of square root of Average Variance Extracted (AVE) with a suggested value above 0.5, loading factor (>0.5), constructed Composite Validity and Reliability (Cranbachs Alpha >0.70 (Nunnaly, 1994), can be concluded that the dimensions and indicators stated are classified as reliable in the measurement of the research variables. As showed in the table below.

Table 4: Goodness of Fit Model (GoF)

Variables	AVE	*Composite Reliability*	*Cronbach's Alpha*	*R Square*	*Q Square*
Market Attractiveness	0,534	0,872	0,835	-	0.238
Market Orientation	0,586	0,903	0,885	-	0.279
Competitive Strategy	0,569	0,902	0,884	0.342	0.276
Business Performance	0,602	0,913	0,888	0.554	0.602

Source: From Data Processing (2018)

The value of R^2 shows that the criterion is strong, with large Q value, this can be concluded that the propose model is supported by the empirical research where the model is classified as fit. Similarly, the values of AVE is >0.5, which indicate that all the variables in the model were estimated to meet the criteria of discriminant validity. The value of both Composite Reliabitily and Cronbach's Alpha for each of the variables is >0.70 (above 0.70) which means that all the researched variable are classified as reliable.

Table 5: Latent-Dimensional Inter-Variable Loading Factor

Latent-Dimension Variable	*Loading Factor* (λ)	*Standard Error* (SE)	T *Statistics* (|λ /SE|)	Conclusion
Market Forces → X11	0.748	0.050	14.790	Valid
Market Forces → X12	0.844	0.114	5.212	Valid
Market Forces → X13	0.717	0.059	13.749	Valid
Competitive Environment → X21	0.526	0.033	25.311	Valid
Competitive Environment → X22	0.466	0.061	12.183	Valid
Competitive Environment → X23	0.846	0.044	17.122	Valid
Market Access → X31	0.822	0.053	14.567	Valid
Market Access → X32	0.846	0.065	10.000	Valid
Market Access → X33	0.771	0.074	8.384	Valid
Customer Orientation → X41	0.778	0.046	17.268	Valid
Customer Orientation → X42	0.869	0.041	16.708	Valid
Customer Orientation → X43	0.806	0.044	16.207	Valid
Competitor Orientation → X51	0.038	0.041	19.493	Valid
Competitor Orientation → X52	0.002	0.046	15.279	Valid
Competitor Orientation → X53	0.907	0.064	10.175	Valid

Latent-Dimension Variable	Loading Factor (λ)	Standard Error (SE)	T Statistics (|λ /SE|)	Conclusion
Interfunctional Coordination → X61	0.861	0.031	26.824	Valid
Interfunctional Coordination → X62	0.886	0.050	15.284	Valid
Interfunctional Coordination → X63	0.812	0.041	18.487	Valid
Cost Leadership → Y11	0.640	0.051	12.598	Valid
Cost Leadership → Y12	0.654	0.074	8.783	Valid
Cost Leadership → Y13	0.768	0.040	19.241	Valid
Cost Leadership → Y14	0.769	0.047	16.504	Valid
Cost Leadership → Y15	0.730	0.047	15.448	Valid
Cost Leadership → Y16	0.580	0.092	6.281	Valid
Differentiation → Y21	0.846	0.041	20.616	Valid
Differentiation → Y22	0.752	0.040	18.907	Valid
Differentiation → Y23	0.673	0.085	7.898	Valid
Cost Focus → Y31	0.707	0.092	7.684	Valid
Cost Focus → Y32	0.789	0.067	11.742	Valid
Cost Focus → Y31	0.807	0.047	17.197	Valid
Differentiation Focus → Y41	0.814	0.057	14.258	Valid
Differentiation Focus → Y42	0.762	0.061	12.571	Valid
Differentiation Focus → Y43	0.801	0.098	8.162	Valid
Share Performance → Z11	0.834	0.031	27.594	Valid
Share Performance → Z12	0.867	0.030	38.919	Valid
Sales Growth → Z21	0.843	0.023	37.562	Valid
Sales Growth → Z22	0.868	0.018	47.687	Valid
Profit Performance → Z31	0.856	0.012	31.923	Valid
Profit Performance → Z32	0.896	0.043	24.645	Valid
Profit Performance → Z33	0.872	0.026	34.765	Valid

Source: From Data Processing (2018)

The result of measurement based on the data processing of model analysis on the dimensions based on the indicators indicates that the overall indicator processed above are classified as valid where most of the value of loading factors is greater than >0.70 (above 0.70).

The measurement model of latent variables on the dimensions explains that the extent of the validity concerning the dimensions in measuring the latent research variables. The following table presents the results of the measurement model analysis of each latent variable on the dimensions.

Table 6: Loading Factor Between Latent Variables and Dimensions

Latent-Dimensional Variables	Loading factor (λ)	Standard Error (SE)	T Statistics (|λ /SE|)
Market Attractiveness → Market Forces	0.497	0.032	27.077
Market Attractiveness → Competitive Environment	0.531	0,028	30.760
Market Attractiveness → Market Access	0.435	0,037	22.164
Market Orientation → Customer Orientation	0.566	0.023	38.820
Market Orientation → Competitor Orientation	0.107	0.027	33.539
Market Orientation → Interfuctional Coordination	0.601	0.023	37.709
Competitive Strategy → Cost Leadership	0.686	0.014	66.840
Competitive Strategy → Differentiation	0.864	0.026	32.122
Competitive Strategy → Cost Focus	0.915	0.024	35.923
Competitive Strategy → Differentiation Focus	0.860	0.047	16.876
Business Performance → Share Performance	0.866	0.031	27.052
Business Performance → Sales Growth	0.912	0.026	34.396
Business Performance → Profit Performance	0.857	0.014	66.120

Source: From Data Processing (2018)

The results of the measurement model analysis of the research variables on the dimensions shows that almost all dimensions are valid with the value of t count >t table (2.01).

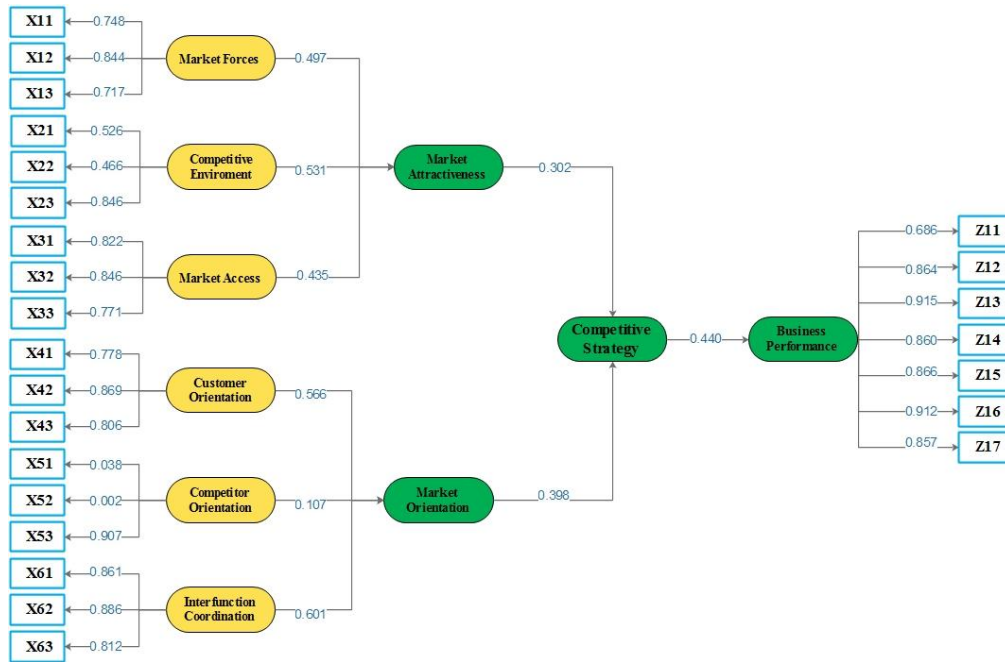Based on the varificative analysis, the concerning testing variables is shown as follow:

Figure 3: Hipotesis Testing
Source: From Data Processing (2018)

From the testing of the hypothesis, it was revealed that market orientation has a greater influence than the uniqueness of resources in influencing competitive strategy. Competitive strategy also has a dominant influence on business performance. In order to improve the business performance, it is necessary to conduct market orientation to further understand the needs and wants of the customers' desires and also aware of the competitors' movement, and finally to coordinate with all functional resources in the organization. After conducting market observations, the next step is to develop the company's resources to implement competitive strategy to obtain competitive advantage and also to fulfil the market requirement and finally improve the business performance of the garment industries in DKI Jakarta.
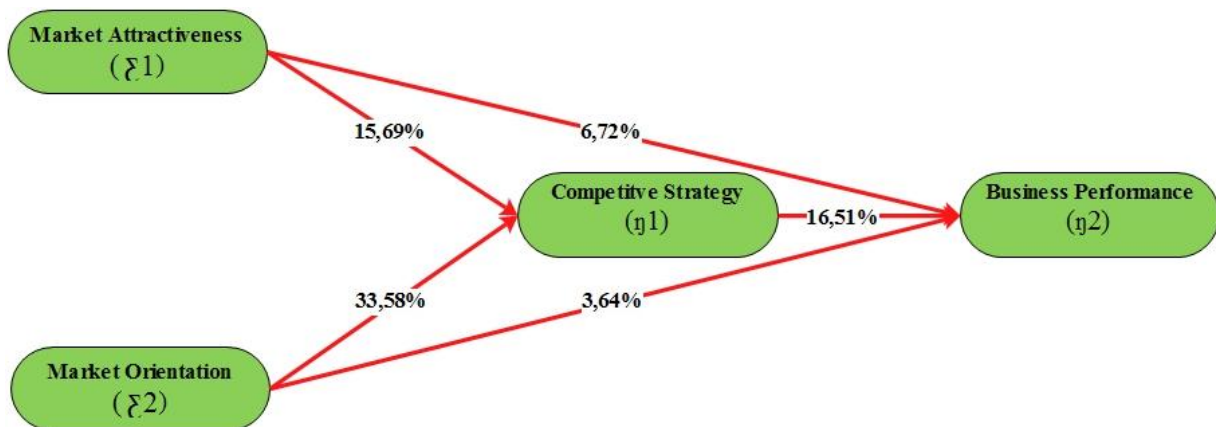

Figure 4: Testing Result
Source: From Data Processing (2018)

The explanation of figure 4 above shows that the test results on the research variables which indicate that market orientation variable provide significant influence on the competitive strategy with the percentage of 33,58%, compared to the influence of the market attractiveness on competitive strategy with the percentage of 15,69, thus giving a significant influence on business performance. However, both market attractiveness and market orientation will provide less significant influence if do not implement competitive strategy, where market attractiveness only provide 6,72% and market orientation only provide 3,64%.

IV. Conclusion and Recommendation

Conclusion

The result of the hypothesis testing concluded that the garment industry must be able to perform market orientation in order to obtain the market attractiveness based on the innovatif resources. As the current garment business are mostly based on their experiences to obtain the market attractiveness which is not appropriate on the current growing and challenging market, thus the garment industries must take into consideration of using the market orientation to better understand the market.

The objectives of this research is to find out the basic problem encounter by the garment industries in Jakarta, Indonesia. This research has constructed four research variables in order to find out the main cause of the problem. The result on the hypothesis testing has concluded several findings as follows:

1 The research done on the garment industries has detected that the production of garments do not based on customer orientation and are not clear with the needs and wants of the customer.
2 Most of the garment industries do not pay attention to the market attractiveness of the industries and just simply produce their products based on the saleable items from their competitors.
3 The research finding also shows that most of the garment industries do not implement competitive strategy to innovate their products to gain competitive advantage.
4 The producer of garments are mostly using the same textiles or resources from same sources where there is no specific differences.
5 The garment industries do not frequently perform market analysis on the competitor and customer's orientation in order to be able to compete in the market.

Based on the above findings, it can be concluded that market orientation must be implemented in the industries on product bases as the orientation towards customer and competitors have a big influence on the production line. Competitive strategy is also very important to coordinate the resources at all level and create the uniqueness as the competitive advantage of the organization.

Recommendation

Based on the conclusion above, the results of this study has recommended that the garment industries in Jakarta, Indonesia must pay more attention and perform research on the market attractiveness and customer orientation in order to achieve the customer preference. The industries also need to innovate their common resources of textiles in order to able to produce specific and innovated products and at the same time in search of the different type of textiles so that the customer will have new varieties of garments. The industries must alo implement the competitive strategic on the production line in order to be able to understand the customer favor of consumption and also keep up with the competition in the market. The industries must coordinate thoroughly with all level of resources in the organization in order to create the specific strategy to compete in the market to gain competitive advantage and enhance the comprehensive performance for the organization.

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