

Sustainable Competitive Decline Analysis of Small Medium Wood Crafts Industry in Bali

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Abstract

The development of production and export of wood crafts in Bali yearly tends to remain the same. This phenomenon shows a decline in the sustainable competitiveness of woodcraft SMEs in Bali. This study analyzes the variables that affect the competitiveness of woodcraft SMEs in Bali, including the role of the Government, HR competence, marketing performance, social environment, digitalization technology, and production performance. Data were collected by observation and interview methods and then analyzed with the subject of the study being SME actors in Bali Province by determining the sample using probability sampling—data analysis using Partial Least Square Path Modeling (PLS-PM). The study results indicate that the role of government, implementation of corporate social responsibility, contextual factors, and business competence affect the competitiveness of the wood craft industry in Bali.

Keywords: Competitiveness, Government, Human Resource Competence, Marketing Performance, Wood Craft SMEs.

1. Introduction

The industrial sector has a wide variety of products compared to other sectors. The industrial sector is more promising than other sectors, mainly since the industrial sector does not depend on natural conditions such as weather. The development of the handicraft industry in Bali is proliferating due to the demand for handicraft products as part of the development of the tourism industry. The development of wood handicraft exports in Bali is increasing yearly, according to the Bali Province Industry and Trade Agency (2019); from 2013 to 2016, it has become a leading export. This condition causes the wood industry to have made a very significant contribution to the provision of labor. The production of wood crafts in Bali from 2013 to 2017 showed increasing and decreasing growth.

The province of Bali should have a competitive advantage compared to other areas due to its proximity to the country's center. However, in research (Tan & Amri, 2013), it turns out that the SMI competitiveness index in Bali is in the ninth position nationally; this isn't very pleasant considering that based on the potential of Bali, it is the main strength in a group of six provinces that perform well in an environment located somewhere towards the geographic center of the country.

The phenomenon of SMI performance in Bali Province can also be seen from the performance of SMI in the form of export trade of handicraft products,

which have been exported to various destination countries, including ASEAN countries, Pacific countries, European Union, Middle East, Eastern Europe, Africa, Central America, South America., South Asia and other countries. The realization of Bali Province exports per destination country in 2010–2017 for European Union destination countries experienced a very high decline with an average of 5.27 percent. Likewise, other country destinations decreased by 1.56 percent. The existence of SMEs cannot be separated from the factors that affect the performance of SMEs (Lovely et al., 2021).

Much research related to SMEs' competitiveness in Indonesia has been carried out. The results of a study on the performance of Small and Medium Industries were reported by Rudy (2012) and Sriyana (2010). Jesika (2012) found a positive role in increasing export-oriented competitiveness in the DKI Jakarta area from several variables. A more specific study was reported by (Jamaluddin, 2005) about the competitiveness of local products and Rahayu (2010) about the importance of partnerships to increase competitiveness, which was taken from the profile of small industrial villages in East Jakarta. Research results generally provide an overview of capital constraints, limited marketing networks, and problems of unskilled resources.

The government's policy to develop SMI, although from year to year, continues to be refined, but it still needs to be entirely conducive. It can be seen, among others, in unhealthy competition between small and

large entrepreneurs. The government's role was primarily directed at empowerment and mentoring efforts to improve SMEs (Jane & Chandra, 2012; Lovely et al., 2021). Another part of the government is to provide funding facilities (Sujadi, 2008), Laing (2009). The government also plays a role in assisting in business partnership cooperation. McFarland & McConnell (2011), and Afiah (2009). Morgan (2009), also in line with Vargas-Hernández & Noruzi (2010), states that the development and empowerment of the government in the long term can play a role in increasing competitiveness in a sustainable manner. Chowdhury et al. (2013) and Mishra (2013) emphasize government assistance in business partnerships so that they become the foundation for developing competitive businesses in the long term.

The quality of SMI resources that are consistently and sustainably empowered will increase competitiveness in getting a wider market segment, Elnaga & Imran (2013). The same thing was also stated by Okereke & Igboke (2011), Onuka & Ajayi (2012), and Oyitso & Olomukoro (2012). Mishra (2013), Sunje & Civi (2000), and Morgan (2009) also state the same thing as previous researchers, namely that more skilled resource management will increase their competence in building production performance and market expansion. Stimson et al. (2003) stated the need to consider the social environment. Paldam & Svendsen (1999) stated the role of traditional customs and community culture as dynamics that live and develop and provide the impetus for increasing achievement in production. Stable production increases can create sustainable business competitiveness (Stephenson et al., 2004). Woolcock & Naraya (2000) state the importance of product performance to encourage market expansion.

Human resources (human capital) refers to the knowledge, attitudes, and skills developed and assessed as potentially economically productive (Hitt, 1995). Human resources are also a core resource for obtaining a competitive advantage in organizations (Lepak & Snell, 1999). Human resources have a very large contribution and become a powerful asset in achieving the desired goals, so to utilize them, proper management and development of human resources are needed. Human resources cover two aspects: (1) quantity, which involves the number or many people, which will only burden development if it does not have good quality. (2) quality, concerning the quality of human resources, both physical and non-physical abilities (intelligence and mental).

Vargas-Hernández & Noruzi (2010), State that government guidance and empowerment in the long term can play a role in sustainably increasing the competitiveness of SMEs. (Mishra, 2013) places

more emphasis on government assistance in the context of business partnerships so that it becomes the foundation for developing competitive businesses in the long term. If CSR is seen from a strategic perspective, the source is the vision and values of top management. It is not considered a cost but a strategic initiative that an organization readily adopts to differentiate itself from its competitors (Fatima & Elbanna, 2023).

Meanwhile, CSR can make companies no longer focus on maximizing profits and increasing shareholders' welfare (Carroll, 2016; Ronald & Samuel, 2022). Several studies prove that contextual factors influence business competitiveness, including research conducted by (Choi & Lim, 2017), but different research results were revealed by (Ofoegbu et al., 2013). Research proving that business competence affects competitiveness includes (Ahmedova, 2015), and (Vala et al., 2015) stated that empowerment and entrepreneurial ability are the main factors that most influence competitiveness.

The above argument indicates that there is a contradictive and incosistence result between various studies. This finding encourages more studies to verifies the previous result. This study analyzes the variables that affect the competitiveness of woodcraft SMEs in Bali, including the role of the Government, HR competence, marketing performance, social environment, digitalization technology, and production performance.

2. Literature Review

SMI has been legally regulated through Minister of Industry Regulation No. 6 of 2016 concerning Small and Medium Industries (SMI). Based on the Minister of Industry Regulation No. 6 of 2016, Small and Medium Industries (SMI) have small and medium-scale industries. According to the Ministry of Industry Regulation No. 6 of 2016, a small industry is an industry that has a maximum of 19 employees and has a value of less than 1 billion rupiahs, excluding land and buildings for business premises. Meanwhile, what is meant by medium industry is an industry with a maximum of 19 employees and a minimum investment value of 1 billion rupiahs or a minimum of 20 employees and a maximum investment value of 15 billion rupiahs. In addition, SMEs that dominate the industrial population in the country play an important role and contribution to national economic development. It is due to the relatively stable growth of SMI. There are several characteristics of Indonesian SMEs that export. The first characteristic is that most do not export directly but through partnerships with large exporting

companies or sell locally to foreign tourists (Urata & Kawai, 2000); secondly, not all Indonesian SMIs involved in export activities are fully export-oriented, as only export a small part of their total output. However, SMEs contributed no small amount to the growth of manufacturing exports even during the New Order grew quite large by finding market opportunities and their ability to make adjustments to costs and product quality to changes in market demand in the world (Tambunan, 2019); third, generally SMIs involved in export activities are concentrated in the same location for the same product which is one of the characteristics of SMIs in Indonesia that form clusters; fourth, exports of SMEs are mostly from the category of lower-middle-tech goods; and fifth, exports of SMEs are concentrated where wages are the main determinant of global competitiveness.

Spatially, the constellation of SMI development in Indonesia, which is increasing and spreading throughout Indonesia, both formal and informal, directly contributes to people's economic growth. One region that contributes to the development of SMEs in Indonesia is the Province of Bali. As one of the famous tourist areas in Indonesia and even the world, Bali Province is the epicenter of tourism and economic business. Therefore, this condition can directly or indirectly provide a multiplier effect for regional economic growth. In the end, the community economy could grow to a higher level in terms of regional gross domestic product.

The government could contribute a role (X_1) that is strategic in empowering SMIs, which includes various policies directed at empowerment efforts, providing facilities for convenience and funding, and playing a role in increasing competence in socialization and training. In research, the measurement of the government's role and the determination of its indicators refer to research: (Diener et al., 2018), (Mishra, 2013), (Onuoha & Barendrecht, 2012); (Sunje & Civi, 2000), (Akhmad et al., 2018), (Kirby, 2004), (Obaji & Olugu, 2014), (Morgan, 2009), (Vargas-Hernández & Noruzi, 2010). Based on this research, the research variables consist of (four) indicators, namely: (1) provision of regulations, (2) technical support for production, (3) technical, financial support, and (4) access to funding. Based on this description, the first hypothesis is determined.

H₁: The role of the government affects the competitiveness of woodcraft SMEs in Bali Province.

Implementing Corporate Social Responsibility (X_2) is a form of the company's concern for the environment, which in this case is a form of concern

for SMI. In the initial concept of CSR, the main component of CSR is economic responsibility, namely how the company is responsible for the surrounding community's economy (Howard, 1953; Ronald & Samuel, 2022). In this study, the measurement of CSR implementation refers to the research: (Battaglia et al., 2014), (Turyakira et al., 2014), (Murillo & Lozano, 2006). Employee commitment is a variable that can strengthen the relationship between CSR and competitive advantage (Wedysiage et al., 2021). Based on this research, the research variables consist of 3 (three) indicators: (1) community assistance, (2) workforce assistance, and (3) marketing assistance. Based on the above argument, the second hypothesis is determined as follows.

H₂: The implementation of CSR influences the competitiveness of woodcraft SMEs in Bali Province.

Contextual factors (X_3) are already available from parties or the external environment of SMEs. Still, they are not intentionally provided by other parties for SMEs. In addition, the existence of these factors can be directly related to the competitiveness of SMEs. In the contextual factor measurement, research refers to research (Ofogebu et al., 2013), (Choi & Lim, 2017), (Sila, 2007), and (Razali & Hakim, 2017). Based on this research, the research variables consist of three indicators: (1) access to raw materials, (2) market access, and (3) environmental support. The above description proposes the third hypothesis as follows.

H₃: Contextual factors affect the competitiveness of woodcraft SMEs in Bali Province

Business Competence (X_4) is an SMI's ability to perform a job or function as well as productive behavior characterized by professionalism so that it excels in its field of business and it can sustain itself in the longer term horizon. Competence is a basic character that comes from internal SMIs based on knowledge, skills, experience, and attitudes in a particular field so that they can do work and perform superior or effectively in a job. Measurement of business competence refers to research by: (Ahmedova, 2015), (Ibrahim et al., 2016), (Atuahene-Gima & Wei, 2010), (Tehseen & Ramayah, 2015). Based on this research, the research variables consist of 4 (four) indicators: (1) HR competency, (2) technology utilization for production, (3) ICT utilization and (4) entrepreneur skills. Based on the above description, the following hypothesis is formulated.

H₄: Business competence affects the competitiveness of woodcraft SMEs in Bali Province

The research model framework that shows the relationship between the research constructs is shown in Figure 1. This research model illustrates the relationship between constructs and the type on each variable. This research model, also indicates the hypothesis as developed earlier in this section.

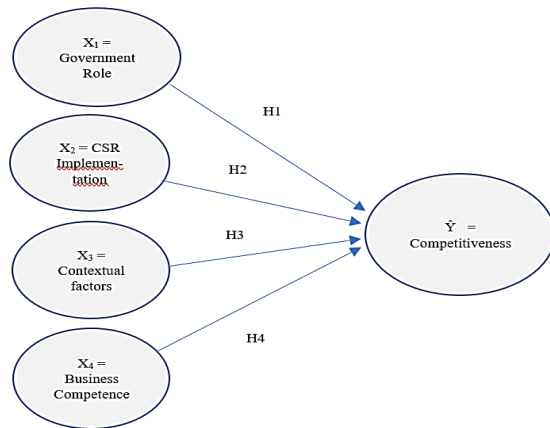


Figure 1. The research model framework

3. Methods

This study analyzes the variables that affect the competitiveness of woodcraft SMEs in Bali. These variables include the role of Government, HR competence, marketing performance, social environment, digitalization technology, and production performance. By testing these variables, it will be possible to analyze the causes of the decline in the competitiveness of woodcraft SMEs in Bali. An in-depth analysis of the research variables thoroughly on the indicators is expected to provide a comprehensive analysis regarding the causes of the decline in the competitiveness of the woodcraft SMEs in Bali so that different policies can be taken to improve the sustainable competitiveness of the woodcraft SMEs.

By the Undiksha research roadmap, specifically related to the theme of human development and national competitiveness, this study aims to produce findings in the form of new theories related to the role of Government, HR competence, marketing performance, social environment, digitalization technology, and product performance to increase competitiveness. SMI wood crafts in Bali. Hopefully, these findings will contribute to the framework as one of the basic considerations for the government's new policy in advancing wood craft SMEs in Bali.

This study has seven variables, including six independent and one dependent variable. The independent variables consist of (1) the government role, (2) The implementation of CSR, (3) Contextual

factors, and (4) Business competence. At the same time, the dependent variables are SMEs' competitiveness. The study will simultaneously analyze the six independent variables to prove their effect on competitiveness. The research instrument used was a questionnaire. The researcher used a questionnaire that measured each construct using a Likert scale of 1 to 5, which had the following meanings (1) Strongly Disagree/STS, (2) Disagree/TS, (3) Moderately Agree/CS, (4) Agree /S, and (5) Strongly Agree/SS.

The research was conducted in 2021 with the research location in the wood craft SMI in Bali Province. Small and Medium Enterprises (SMEs) were chosen as the object of research because they can absorb a relatively large number of workers and become one of the mainstay sectors of the community in Bali Province. The population in this study were all woodworking SMEs in Bali Province. To determine the number of samples selected by using probability sampling, namely proportionate cluster random sampling, that is if a sample of size n is drawn from a population of size N so that each unit in the sample has an equal chance of being selected in each cluster. The data collection method used in this study combines several methods: (1) Observation method, namely the non-behavioral observation method, to collect secondary data from related agencies; (2) The interview method is the interview conducted both structured and in-depth. Structured interviews were used to collect primary data, which was conducted through interviews with respondents using a list of questions prepared in advance. In-depth interviews are used to obtain primary data from representatives of relevant government officials and are competent to provide information in accordance with the objectives of this study.

To achieve the research objectives, the data obtained were analyzed by: (1) Descriptive analysis, especially for qualitative dimensions/indicators; (2) Quantitative analysis, in the form of hypothesis testing using statistical tests. Quantitative analysis is used to reveal the behavior of research variables. A comprehensive generalization can be obtained using the two analytical methods above. Quantitative data were analyzed using Partial Least Square Path Modeling (PLS-PM). PLS-PM is a component-based structural equation modeling (SEM) method. In component-based SEM, the estimation of model parameters is done iteratively using certain algorithms. For example, in PLS, the estimation of model parameters is carried out in 2 stages, namely: (1) the scores of the construct/latent variables are calculated using the Heuristic Algorithm, and (2) the OLS method is applied to the scores formed to estimate the equation parameters. The last step is an in-depth

analysis involving all the variables and indicators of the research variables.

4. Results

Respondents' appreciation of the latent variable of the government's role is good/high, with an appreciation index of 70.8. The government's role in providing regulations ranks the highest with an index of 87.63 which means good/high appreciation; appreciation of the government's role in financial and technical support ranks second with an appreciation index of 87.37 percent which is classified as good, appreciation of the government's role In terms of technical support, production ranks third with an appreciation index of 86.32 percent, which is classified as good, while the appreciation of the role of the government in supporting access to funding ranks last with an appreciation index of 86.05 percent, which is classified as good. Overall the average appreciation of the government's role of 86.84 percent is classified as good.

Respondents' appreciation of CSR implementation from respondents to Woodcraft SMI in Bali, respondents have an appreciation with a good/high tendency as indicated by an appreciation index of 89.17 percent for the latent variable of CSR implementation. Data analysis shows respondents' perceptions of the latent variable indicator of community assistance have an appreciation index of 93.03 percent, classified as high/good. Respondent's perception of the latent variable indicator of labour assistance is with an appreciation index of 85.53 percent, which is classified as high/good. Respondent's perception of the latent variable indicator of marketing assistance is an appreciation index of 88.95 percent, which is classified as high/good.

Respondents' appreciation of contextual factors from respondents to woodcraft SMEs in Bali, respondents have an appreciation with a good/high tendency as indicated by an appreciation index of 90.22 percent for the latent variable of contextual factors. Based on the data analysis, the respondents' perception of the latent variable indicator of raw material access is an appreciation index of 86.05 percent, classified as high/good. Respondent's perception of the latent variable indicator of market access is an appreciation index of 89.74 percent, classified as high/good. Respondent's perception of the latent variable indicators of environmental support is an appreciation index of 94.87 percent, classified as high/good.

Data analysis shows respondents' perceptions of the latent variable indicators of business competency access are with an appreciation index of 96.32 percent, classified as high/good. Respondent's

perception of the latent variable indicator of the use of technology for production is an appreciation index of 87.89 percent, which is classified as high/good. Respondent's perception of the latent variable indicators of ICT use is an appreciation index of 91.32 percent, classified as high/good. Finally, respondent's perception of the latent variable indicator of entrepreneur skills is an appreciation index of 93.29 percent, classified as high/good.

Respondents' appreciation of the competitiveness of respondents in woodcraft SMEs in Bali, respondents have a preference with a good/high tendency as indicated by an appreciation index of 90.57 percent of the latent variable of business competence. The respondents' perception of the latent variable indicator of product innovation is an appreciation index of 89.87 percent, classified as high / good. Respondent's perception of the latent variable indicator of competitive prices is an appreciation index of 86.18 percent, classified as high / good. Respondent's perception of the latent variable indicator of productivity is an appreciation index of 94.61 percent, classified as high / good. Respondent's perception of the latent variable indicator of marketing performance is an appreciation index of 90.26 percent, which is classified as high / good. Respondent's perception of the latent variable efficiency indicator is an appreciation index of 88.95 percent, classified as high / good. Finally, the respondents' perception of the latent

Role of thumb The value of Cronbach's Alpha or Composite Reliability must be greater than 0.70, but if the results obtained are close to 0.70, for example, 0.60, as stated by Hair et al. (2010). Cronbach's Alpha, composite reliability, and AVE results from the processed data of this study are presented in Table 1.

Table 1. Reliability test result

Construct	Cronbch's Alpha	Composite Reliability	Average Variance Extracted (AVE)
X1 (Government Role)	0.738	0.876	0.639
X2 (CSRI)	0.812	0.854	0.661
X3 (Contextual Factor)	0.807	0.811	0.589
X4 (Business Competence)	0.798	0.846	0.579
Y (Competitiveness)	0.849	0.889	0.573

Source: Data processed, 2021

The structural model of PLS processing results needs to be evaluated using R-square for each dependent variable and R-square Adjusted predictive

relevance. The structural goodness is shown in Table 2, which contains the R-square coefficient for each endogenous variable.

Table 2. R-Square value

Latent Variable	R-Square	R-Square Adjusted	Information
Y (Competitiveness)	0.853	0.850	Strong

Based on Table 2 shows the R-square value for each endogenous variable according to Ghozali (2012), the R-square value between 0.670-1.000 indicates that the model is good, while the R-Square range between 0.340-0.660 indicates the structural model is moderate. The model is weak if the R-square is between 0.330 and below.

The Q² value of 0.960 means that 96 percent of the variation of the competitiveness of woodcraft SMEs in Bali can be explained by variations in the role of Government, CSR implementation, contextual factors, and business competence, and approximately the remaining 4 percent is explained by other variables outside the study. The relationship between constructs can be seen from the results of the path coefficients accompanied by T-statistics and P-values, as presented in Table 3.

Table 3. Path coefficient of direct influence

Variable Relations	Original sample	Deviation Standard	t-Statistic	P-Value
X1 → Y	0.317	0.082	5.390	0.000
X2 → Y	0.438	0.107	3.373	0.001
X3 → Y	0.270	0.126	5.541	0.000
X4 → Y	0.365	0.022	2.309	0.022

Source: Data processed, 2021

Table 3 shows that all exogenous variables or constructs directly affect endogenous variables with P. Value less than 0.050 or a t count greater than ± 1.960 and with a positive relationship or sign. Thus statistically, the research hypothesis has been proven as follows, 1) The role of the government has a positive and significant impact on competitiveness. It means that the increasing intensity and quality of the government's role causes the competitiveness of woodcraft SMEs to increase, 2) CSR implementation has a positive and significant impact on competitiveness. That is, the increasing intensity and quality of CSR implementation cause the competitiveness of woodcraft SMEs to increase, 3) Contextual factors have a positive and significant effect on competitiveness. That is, the increasing intensity and quality of contextual factors cause the competitiveness of woodcraft SMEs to increase, 4)

Business competence has a positive and significant impact on competitiveness. That is, the increasing intensity and quality of business competence causes the competitiveness of woodcraft SMEs to increase

The results of the research and data analysis show that the role of the government directly has a positive and significant impact on the competitiveness of woodcraft SMEs in Bali Province. The path coefficient shows that the government's role has a positive and significant impact on the competitiveness of wood SMIs in Bali Province, meaning that the better the government's role, the better the business competence of woodcraft SMEs in Bali Province.

Certainly, the government as the regulator through various government regulations can lead to a conducive business climate (Akhmad et al., 2018), including for wood craft SMEs in Bali. Existing government regulations can facilitate or at least not hinder the acquisition of raw materials, production processes, and marketing and support business processes (Obaji & Olugu, 2014). The provision of this regulation increases business competitiveness, including improving marketing performance, especially related to marketing reach, and increasing sales each year. The provision of government regulations to increase competitiveness aligns with the research (Akhmad et al., 2018).

5. Discussion

The government plays a role in supporting the survival of SMEs through technical production and financial support, such as training to improve competence in managerial, production techniques, and financial and technical capabilities (Mishra, 2013). The training activities carried out have increased competitiveness, especially in increasing the ability to realize competitive prices (Sipa, 2017). Technical support in the form of training in the field of production also increases competitiveness in product innovation, production, and timely order completion (Kadocsa & Borbás, 2010). In addition, technical support in the form of managerial and technical financial training can increase competitiveness, especially in realizing business efficiency. Some managerial and technical support training is also in the form of training on the use of ICT in business operations; this condition is sure to increase competitiveness, especially in terms of improving marketing performance in expanding market reach and increasing customers (Kevin, 2008) as well as increasing consumer loyalty and marketing networks (Ramandhilla, 2008). 2013) Production technical and financial technical support to increase business competence in

line with research conducted by (Mishra, 2013) (Sipa, 2017).

The policy of easy access to funding by the government makes it easy to obtain financing at low-interest rates. A cheap budget will also increase efficiency (Man et al., 2002). But, of course, it can only be met through regulations produced by the government regarding funding. The government's role in accessing funding can be in the form of a policy of providing loans in the form of fairly low-interest rates, ease of loan terms, and the absence of difficulties in obtaining loans (Obaji & Olugu, 2014) (Sonhaji et al., 2017). Ease of access to funding certainly increases productivity and leads to producing products at competitive prices. The government's role is in the form of easy access to funding to increase business competence in line with the research carried out by (Man et al., 2002).

CSR implementation is a business commitment to contribute to sustainable economic development through collaboration with employees and their representatives, their families, local communities, and the general public to improve the quality of life in ways that benefit business and development. Targeted activities can provide maximum benefits for the surrounding environment, including for SMEs that are the object of CSR implementation.

The implementation of CSR carried out in the form of community assistance is an incentive and directed assistance activity carried out to create a similar community useful in business discussions, production techniques, market expansion, and resource sharing (Massimo, 2014). The community assistance is directed at coordinating community formation activities, discussion forums, and other activities involving more than one business unit (Turyakira et al., 2014), the Woodcraft SMI in Bali Province. Business discussion activities, discussions on production techniques, expansion of market access, and resource sharing can increase competitiveness by increasing business productivity (Sipa, 2017). Implementing CSR in the form of community assistance to increase competitiveness is in line with research that Massimo carried out; in 2014.

The implementation of CSR carried out in the form of workforce assistance is an activity in the form of training and mentoring to improve workforce skills (Murillo & Lozano, 2006). Mentoring activities for the workforce are carried out in an incentive manner; in addition to improving skills, they are also carried out to ensure social and health security (Mousiolisa et al., 2014). Activities in the form of workforce assistance can increase competitiveness in terms of product innovation, increase production, and timely completion of orders. In

addition, the assistance of the workforce, especially in terms of the use of ICT in business operations, can increase competitiveness, especially in terms of improving marketing performance in expanding market reach and increasing customers. CSR implementation activities in the form of workforce assistance to increase competitiveness align with the research conducted (Mousiolis & Bourletidis, 2015).

The implementation of CSR in marketing assistance is an activity carried out to assist the company's product marketing efforts, including expanding market access and increasing marketing networks (Morsing & Perrini, 2009). Various activities in marketing assistance to increase business competitiveness include improving marketing performance, especially related to marketing reach, including increasing the number of sales each year. In addition, targeted marketing assistance activities can increase consumer loyalty and marketing networks. CSR implementation activities in the form of marketing assistance in the context of increasing competitiveness align with research carried out by (Morsing & Perrini, 2009).

Contextual factors are already available from parties or the external environment for SMEs but are not intentionally provided by other parties. In contextual factor measurement, research refers to research (Razali & Hakim, 2017) (Shemi & Procter, 2013). Based on this research, the research variables consist of 3 (three) indicators: (1) access to raw materials, (2) market access and (3) support for the surrounding environment.

The production process in woodcraft SMEs is processing raw materials from wood into finished goods in the form of handicraft products. It shows that raw materials are essential in the production process. Ease of access to raw materials increases business competitiveness due to production efficiency while also increasing competitiveness in increasing production and completing orders on time.

In addition to easy access to raw materials, good and smooth market access is needed after the production process. The availability of the market, including the demand for the products produced, will increase competitiveness, especially in improving marketing performance, expanding market reach, and increasing customers. In addition, if market access can be managed properly, it can increase consumer loyalty and marketing networks.

The existence of woodcraft SMI in the community certainly impacts the surrounding environment. Therefore, the presence of woodcraft SMEs around the community must have support from the surrounding environment. Support from the surrounding environment

can be in the form of no objections from the community about the existence of SMIs in their environment and no obstacles from the government in business development (Choi & Lim, 2017). the presence of support from the surrounding environment increased competitiveness in various ways, including expanding business productivity and marketing networks.

Competence shows skills or knowledge characterized by professionalism in a particular field as the most important thing, as the superior of that field (Wibowo, 2007). Competence is a basic characteristic of people who identify ways of behaving or thinking, which apply in various situations and play a role for a long time (Palan, 2007). HR competencies are the most prominent of business competencies. A minimum level of education characterizes HR competencies, adequate work experience, and regular employee participation in skills training (Ismaila et al., 2013). Good quality related to HR competencies can increase the competitiveness of SMEs in terms of product innovation, production and timely order completion, and the ability to realize competitive prices.

Utilization of ICT in business operations can be used to obtain raw materials, coordinate the production process and also in terms of supporting marketing (Ahmedova, 2015), which in turn increases competitiveness, especially in terms of improving marketing performance in expanding market reach and increasing customers and also increase consumer loyalty and network marketing. Competence is a fundamental characteristic of each individual associated with criteria referenced to superior or effective performance in a job or situation. The utilization of technology for production is a reflection of business competence. Utilizing the latest technology in the early stages of production, production processes, and product finishing processes increases competitiveness through increased productivity. It leads to producing products at competitive prices, which ultimately results in efficiency.

Competence is a person's basic character based on knowledge, skills, and attitudes in a particular field so that a person can carry out a job and achieve extraordinary results. Entrepreneur skills are basic competencies in managing small and medium industries (Kadocsa & Borbás, 2010). The ability to manage human resources well, work enthusiasm in dealing with business obstacles, skills in introducing products to prospective buyers, discipline in financial management, and the ability to calculate the cheapest funding sources are characteristics of good entrepreneurial skills (Vala et al., 2015). Entrepreneur skills, as one of the characteristics of business

competence, include improving marketing performance, especially related to marketing reach, and increasing sales each year. On the other hand, it is also certain to increase competitiveness in the form of increased productivity which leads to producing products at competitive prices and realizing business efficiency.

Incentive assistance through CSR implementation programs carried out by the private sector has proven to significantly impact business competence and the competitiveness of SMEs, as well as technical support carried out by the government in the form of training in a very positive response by SMI actors. However, on the other hand, we can see that most SMI actors have a high school education level and below. Therefore it is vital to increase the business competence and competitiveness of SMI actors through structured and well-coordinated mentoring and training programs so that they can be useful for improving their competence.

6. Conclusions

This study analyzes the variables that affect the competitiveness, including the role of the Government, HR competence, marketing performance, social environment, digitalization technology, and production performance. The results indicated that contextual factors have the least influence on business competence and competitiveness compared to other variables in the study. This condition is also supported by the statement of SME actors that there are fundamental problems related to access to raw materials and market access. Various policy breakthroughs are needed by the government that can help resolve issues related to market access and raw materials. The government should be able to provide policies that ease the burden on SMI actors regarding the supply of raw materials, including convenience in terms of legality and raw material costs, besides that the government is expected to provide an indirect market for woodcraft SMEs through policies to prioritize the use of products from local industries in meeting their needs. Various parties, including the government, are expected to develop policies to realize the regeneration of skilled workers, especially those related to the wood industry producing Balinese products. Future research can include woodcraft SMEs that do not receive the CSR program as comparison respondents. Further research is suggested to explore the government's role, CSR implementation, contextual factors, business competence, and competitiveness indicators.

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