

Strategic Alliances and Marketing Orientation: to Improve SME's Performance

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Abstract

The objectives of this study is to develop a basic conceptual model for predicting the best relationship between management resources, management process, strategic alliance, market orientation, and performance. This study would like to outline the strategy for enhancing performance of SMEs through alliances. The study of strategic alliances is a business strategy that has been adopted by various large organizations for improving the company performance. However, the application of strategic alliances in small and medium enterprises (SMEs) has not been examined comprehensively. Primary data were collected from 105 SME managers in Jepara, Central Java, Indonesia. The study employed structural equation model (SEM) to set up the relationship among variable. The results indicated that strategic alliance did not influence directly to the company's performance. In addition, indirect effect of market orientation as a mediating variable might increase the company performance as compared to the direct effect of strategic alliance. The contributions of the theory support the strengthening of Resource Based View that proved the influences of an exchange of management resources as a perspective of strategic alliance to motivate the company for improving its performance. This research provides managerial implications to improve performance of SMEs, whereby company must not only simply form strategic alliance, but also must also have access vital resources so that market orientations can be strengthened.

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INTRODUCTION

The significant influence of SMEs to the creation of the prosperity, innovation and manpower absorption has been proven by the previous research (Birley and Westhead, 1990; Acs et al, 1997). Although, SMEs have had their capability tested to overcome the economic crisis in 1997 in South East Asia, SMEs are still facing problems such as the limitation of tangible and intangible resources such as technology, technical skills, market knowledge, and financial capabilities. One of the main challenges of SME companies is to be able to have a clear market positioning thus enabling them to compete efficiently in the local and global market.

The furniture industry in Indonesia is one of the industry sectors that are vulnerable to the availability of sources of raw materials. This is because most of these industries still use natural raw materials such as wood and rattan, which are limited in number. Nevertheless this industry cannot be underestimated, the Indonesian Statistics Indonesia-BPS has noted that the furniture industry sector has contributed Gross Domestic Product (GDP) on the basis of Current Prices of 24.930,6 billion rupiah (2013), 28.117,7 billion rupiah (2014), 31.339,7 billion rupiah (2015), 32.124,2 billion rupiah (2016) 33.868,6 billion rupiah (2017). This industrial furniture sector is also a labor intensive industry, recorded in 2017, on a scale of 630,795 people work in this industry (Indonesia-BPS, 2018).

One of the most popular and largest furniture industry locations in Indonesia, located in Jepara. The furniture industry in Jepara, Indonesia also has significant resource limitations. This fact is enough to prevent furniture artisans in Jepara from increasing their business to take advantage of global markets and respond to opportunities. Some researchers have found that competitive SMEs in Indonesia have adopted strategies to build partnerships in the form of alliances by building social networks and trust enabling companies to gain price capabilities and sales capabilities, which have a positive impact on company performance. The aliation strategy enables SMEs in the world, especially in Indonesia not only to have the opportunity to sell products outside their country, but also have the opportunity to obtain supply sources from outside their country. To achieve this success, they can form strategic alliances with other companies or companies, such as suppliers, distributors, or even competing companies. No need competitors must always be seen as a threat, because in the current conditions it is possible to achieve business success through collaboration with competitors (Marino, T. Lohrke, Hill, Mark Weaver, & Tambunan, 2007; Pratono, 2018).

The concept of strategic alliances has been recognized as a global strategy to increase the growth of SMEs (Prabhudesai & Prasad, 2017; Zhao, 2014)). In the past decade, an increasing number of SMEs have formed strategic alliances to increase their company's potential by gaining access to important resources to maintain competitive advantage Through the establishment of strategic alliances, organizations can obtain key competitiveness by combining assets and capabilities through sharing resources (C.McDowell, L.Harris, & R.Geho, 2016; Harris, Gibson, & McDowell, 2014; Veilleux, Haskell, & Pons, 2012). Partnerships developed are expected to be able to access "complementary resources and skills" potential can strengthen market presence and at the same time improve organizational performance. Therefore, the importance of alliance strategies in SMEs is needed to form an understanding of the important factors that influence these strategies to achieve increased organizational performance.

Previous research indicated that most SMEs consider the essence of alliance as the important strategy to improve the performance, contribute the export growth, increase the competitive advantage and international expansion (Prabhudesai & Prasad, 2017; Pratono, 2018; Veilleux et al., 2012; Wiklund & Shepherd, 2009; Yasa Kerti, Abdullah, Sukaatmadja, Kembar, & Marhaeni, 2013; Zhao, 2014). However, some research found the conflicting results such as only 50% of company can increase its performance (Das & Teng, 2000; Suliyanto & Rahab, 2012). This is due to: (1) inability to stabilize and inherent collaboration (Barkema et al, 1997; (2) inability to manage their capability and the length of the business (Brouthers, Nakos, & Dimitratos, 2015; C.McDowell et al., 2016), (3) poor alliance management (Holmberg, S.R. and Cummings,J.L. 2009), (4) low commitment of the top management in optimizing the resources or less caring of the process of efficient internalisation cost (Uzzi,1997). According to Ernst

and Bamford (2003), if the partner does not commit with the duty, as in the agreement, the alliance and partnership will fail. Thus the purpose of this study is to develop a framework of strategic alliance factors towards improving the performance of SMEs.

Hypothesis Development

The theoretical basis of the alliance formation has been discussed by the previous research, which is based on the theories of transaction cost, social network and resource based view (Uddin and Akhter, 2011; Ireland, et.al, 2002). In the beginning, the companies enter the alliance to obtain access to resources from partners, and then it is continued by the desire to accelerate the time for developing and marketing the product. The focal point of the strategic alliance on the beginning of formation is related to cost reduction. However, for a company that requires high technology, the RBV is considered to have the higher level above the transaction cost theory (Yasuda, 2005; Gray.D.M, 2005, Lambe et.al, 2002).

A resource-based view (RBV) provides a strategic orientation on how SMEs pay attention to resources to increase profitability. Based on resource-based views, combinations or network resources, capabilities, and competencies which are unique and difficult to duplicate resources can increase competitiveness, which in turn can increase profits (Barney, 1991; Amit and Soemaker, 1993; Jin & Cho, 2018; Prabhudesai & Prasad, 2017; Pratono, 2018). In an organizational environment, managing or using efficient and effective organizational resources when needed is known as resource management. These resources can include financial resources, human skills, production/ technology resources, information technology (IT) and natural resources.

The characteristics of corporate SMEs, in general, have limited resources, especially human, technological and financial skills, so they become less competitive. SMEs are described as small companies managed by the owner, usually without complex management structure that only have a small portion of the market segment. To be able to survive in a competitive environment SMEs need good resource management. Business owners need to ensure that the right amount of resources is available at the right time in the right organization department.

Through resource management business owners can adapt quickly to markets that are fast and competitive with available resources. The results of the research by (Brouthers et al. (2015)) show that SMEs that have good resource management capabilities will have a better ability to make alliances with their business partners. Alliance strategies can be considered by SMEs as important resources that can improve capabilities. The concept of alliances generally focuses on the desire to build partnerships for lateral relations between SMEs so that they can obtain resources from partners to develop the company's business quickly (Brouthers et al., 2015; Gulati, 1995; Hitt, Dacin, Levitas, Arregle, & Borza, 2000).

Although, management resources determine the achievement of strategic alliances, if the management process is ignored, the effectiveness of cooperation between partners will not be carried out properly. The process management referred to here is a series of activities to plan and monitor the performance of a process, especially business processes. Process management applies knowledge, skills, tools, techniques, and systems to define, visualize, measure, control, report, and improve processes with the aim of increasing profits or profits. Therefore, the criteria used to measure the success of strategic alliances differ depending on the objectives of the company. The success of the alliance depends on the perception of company measurement. Indicators that are usually used to measure alliance success are financial measurements, market-based, network and new competencies (Brouthers et al., 2015; Gulati, 1995; Zhao, 2014)

The advantages of strategic alliances related to financial access have been proven by C.McDowell et al. (2016), Brouthers et al. (2015) and Uddin and Akhter (2011). Strategic alliances will succeed if driven by the quality of company resources. Companies must carry out internal analysis from the start to formulate a formulation strategy plan (C.McDowell et al., 2016; Hamel, 1991; Nahapiet & Ghoshal, 1998; Veilleux et al., 2012). The management process is an important process for creating alliance functions and regulating important processes for implementing effective strategic alliances. The supporting management process consists of activities of coordination, commitment, communication, and mutual trust related to the

success of the partnership (Kausar & Shaw, 2004). To increase the effectiveness of strategic alliances, coordination mechanisms are needed among partners with market planning, products and services that are currently trending and attractive to consumers, high commitment from all staff and management and other resources (Bugnar et al., 2002; Coder et al., 2017; Cooper et al., 2016; Felicio et al., 2012; Porfirio et al., 2018).

Based on the relationship between management resources, management processes and strategic alliances, the following hypotheses can be arranged:

H 1: Management Resources have a positive effect on the Strategic Alliances formed by the organization.

H 2: Management Process having a positive effect on the Strategic Alliances formed by the organization.

Resource theory states that market position resulting from comparative advantages of company resources will determine competitive advantage (Lado, maydeu-Olivares and Rivera 1998; Mohamad et al., 2015; Soosay et al., 2016). Market access that is an obstacle for SMEs often slows down the company's growth potential and causes company failure. To develop the market, companies must adopt a market orientation philosophy in meeting the needs and desires of their customers. Strategic alliances facilitate SMEs to enter new markets that are difficult to access if done independently. The conceptualization of market orientation is measured by competitor's orientation, customer orientation and inter-functional coordination (Jaworski & Kohli, 1993; Cadogan et al, 2002; Pelham, 1999; (Masa'deh, Al-Henzab, Tarhini, & Obeidat, 2018).

Some studies state that a more comprehensive evaluation of company performance is to use financial and non-financial criteria (Clark, 1999; Haber & Reichel, 2005; Venkatraman & Ramanujam, 1986), which measure internal and external measures (Aggarwal & Gupta, 2006), the perspective of measuring output and input (Aggarwal & Gupta, 2006; Clark, 1999; Jin, 2018; Widjajanti, 2011), and indicators of market share, sales and probability growth (Johnson & Arunthanes, 1995, Kotabe, 2002). Non-financial measurements are often used indicators such as market segments, sales growth, customer satisfaction, loyalty and trademark equity (Clark, 1999; Haber & Reichel, 2005), while the use of financial measurements is used to assess company performance, cash flow, asset returns, return on equity (Haber & Reichel, 2005).

SMEs that are still young, to be able to improve their performance needs to develop external resources such as expanding network collaboration and forming alliances (Jabar et al., 2015; Widjajanti & Widodo, 2016; C.McDowell et al., 2016). Meanwhile, according to Pratono (2018), the use of technological resources by SMEs such as the use of social media in the management process, will not affect the improvement of SMEs' performance, unless the company builds trust in social networks. Social networking with trust allows companies to get price capabilities and sales capabilities, which have a positive impact on the company's performance. The results of the Prabhudesai and Prasad (2017) study also show that, strategic alliances such as measurement of network dimensions, partner opportunism, and partner reputation, have a special impact on the creation of SME performance.

Based on the consequences of the action of the alliance on market orientation and performance, the following hypotheses can be arranged:

H 3: Strategic Alliances have a positive effect towards the market orientation

H 4: Strategic Alliances formed by the organization have a positive effect towards performance

H 5: Market Orientation has a positive effect towards performance

METHOD

The design of this study uses a quantitative and qualitative approach. Data sources regarding quantitative studies are obtained from primary data sources. The aim of this approach is to better understand in depth about how SMEs understand about strategy alliances, and the importance of resource management systems, process management and market orientation to be applied. Then, data sources regarding qualitative studies is obtained from Focus Group Discussion (FGD) with the representative of furniture industry association in Jepara; officers of Regional Government; SMEs; traders on these regions

as well as academicians from qualified university was conducted to outline the strategy for enhancing performance of SME

The total sample 105 companies is chosen using accidental sampling technique after discussion with the furniture association in Jepara (ASMINDO). Total of 105 questionnaires were distributed among SME's business owners. All items were measured on Likert-type scales from 1 (strongly disagree) to 10 (strongly agree).

The variables of this study were: Strategic Alliances, Market Orientation, Management Process, Management Resource and SME's Performance. The Strategic Alliances variable is measured by using questionnaire adopted from Ireland et al. (2002), Gulati (1998), Lambe et al. (2002) including the accessibility of market, the accessibility of resources, the stability of finance. A sample item is "Our business have alliances with partners providing benefit beneficial in terms of access, sharing and complementary the resources".

Market Orientation was adopted from the measurement survey of Jaworski and Kohli (1993), Kandemir et al. (2006), including Customer Orientation, Competitor, Coordination. A sample item is "I have a good relationship with stakeholders, especially in the marketing section".

Management Process variable in this study adopted the measurement by Kauser&Shaw (2004) which includes planning, communication and commitment. A sample item is "I developed my business based on planning, which was considered to be strengths, weaknesses, threats, and opportunities (SWOT)"

Management Resource variable in this study adopted the measurement by Yasudha (2005) which includes financial resource, human skill and technology. A sample item is "My business has limited innovation & advanced technology for production techniques".

Meanwhile, SME's Performance variable adopted the measurement by Venkatraman & Ramanujam (1986), Clark (1996), Haber & Reichel (2005) related to efficiency, growth and profitability. A sample item is "Net profit margin and gross profit margin in my business have increased".

This study used descriptive analysis and frequency of the variables of concern in the study was conducted to provide a more complete descriptions. The average value generated based on the processing of descriptive statistics is the score that shows subjective perceptions of respondents' responses to the questionnaire items that they receive and interpret.

This study employed structural equation modeling (SEM) analysis by using Analysis of Moment Structure (AMOS) statistical package to test the hypothesis. This statistics analysis tool was selected as it has some advantages. Firstly, SEM-PLS is suitable with the research model with variables that cannot be measured directly (latent variables) and considers measurement error. Secondly, SEM analysis can simultaneously test multiple relationships such as in this research model. Thirdly, component-based SEM (PLS) can estimate a quite complex model.

Structural Equation Model was applied to analyse data in this study, can be represented with figure 1.

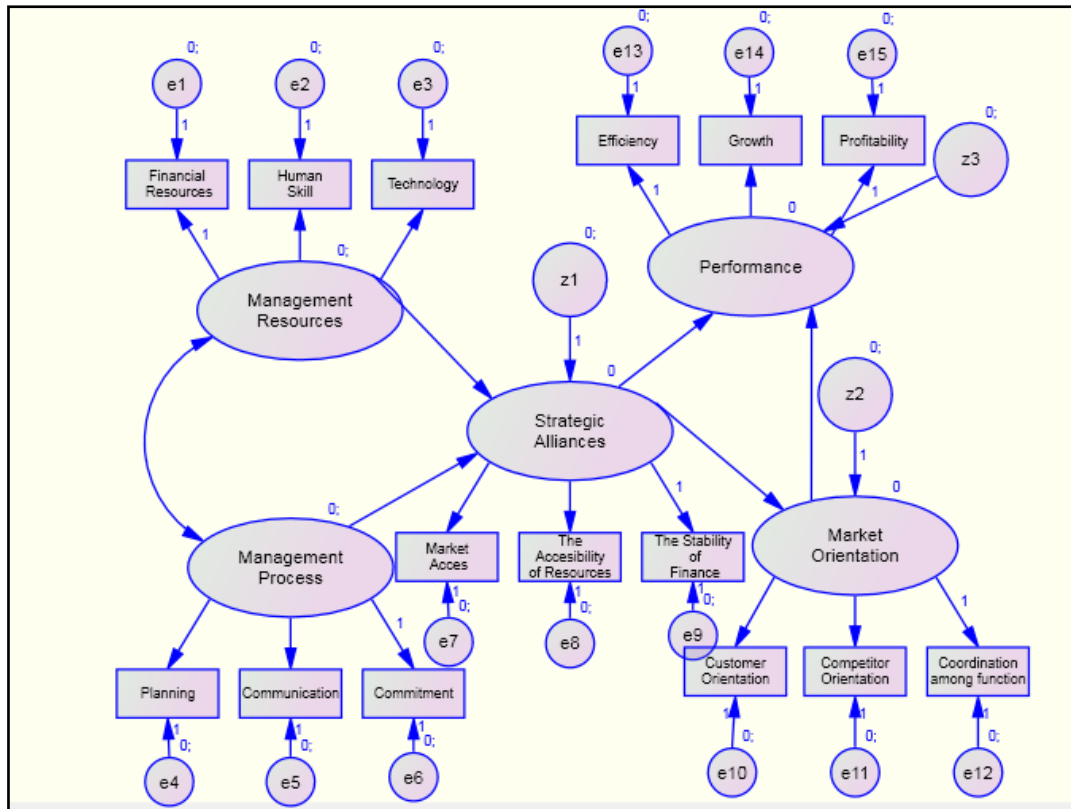


Figure 1. The Structural Equation Model using Path Analysis

The mathematical equations can be written as shown below:

$$\text{Strategic Alliances} = f(\text{Management Resources}, \text{Management Process}) \dots \quad (1)$$

$$\text{Market Orientation} = f(\text{Strategic Alliances}) \dots \dots \dots \quad (2)$$

$$\text{Performance} = f(\text{Strategic Alliances}, \text{Market Orientation}) \dots \dots \dots \quad (3)$$

RESULTS AND DISCUSSION

Instrument Test (validity test and reliability test)

Based on the validity test (Table 1), it is found that the growth variable has highest contribution in measuring the performance variable with the highest loading factor 0.928. The variable of resource access is the indicator that has the high loading factor 0.927 that contributes in explaining the success of the strategic alliances. The reliability test indicates that the alpha value ranges from the lowest value of 0.876 that is for market orientation and the highest variable is the strategic alliance with value of 0.860. These show that all the steps can be certifiable. According to Nunnally and Bernstein, (1994), the accepted minimum reliability value is 0.70.

Table 1. Loading Factor and Reliability

Variables	Indicator	Loading Factor	Reliability (alpha)
Management Resource	Financial Resource (x1)	.645	0.787
	Human Skill (x2)	.813	
	Technology (x3)	.765	
Management Process	Planning (x4)	.659	0.856
	Communication (x5)	.873	
	Comitment (x6)	.899	
Strategic Alliances	Financial Access (x7)	.798	

	Resources Access (x8)	.927	0.860
	Market Access (x9)	.725	
Market Oriented	Customer Oriented (x10)	.790	
	Competitor Oriented (x11)	.850	0.876
	Coordination (x12)	.920	
Performance	Efficiency (x13)	.673	
	Growth (x14)	.928	0.851
	Profitability (x15)	.816	

Descriptive Analysis

The results of the research show that the index of management resources is 91.12 (Table 2), which categorized as the high because it is in the index scale of 10-100. It means that the average respondents have high limitation in the management resources. The limitation of the human skill is 91.89 followed by the technology (91.61) and the financial resource with 89.9. In general, the company carry out the simple production process with the limited design knowledge and capital. The access to the improved resources, capability, technology and finance in order to reduce the limitation of the management resources become the main reason why the company form the alliance.

The index value of management process is 89.22 (Table 2). Commitment is the crucial indicator to support the success of alliance formation. The commitment of the top management in optimizing the available resources will carry the success of the alliance formation.

The capability of SMEs to apply the strategic alliance is on the high value with the highest one is at the capability in getting the resource access and keep the financial stability is 90.94 (Table 2), followed by the capability of market access (86.65). This shows that the main indicator of company joining the alliance related to the accessibility of resources to increase the capability in management, technical method and marketing knowledge.

The total index of market orientation is 90.07 while the indicator of competitor oriented is 90.73 (Table 2). It means that the implementation of the strategic alliance in relation to the information of the competitor action is the main consideration to be able to anticipate the threat. The alliance can help forward the market orientation related to the cost strategy and differentiation so the company has capability to response to the consumer taste.

The company performance has total index of 89.62 (Table 2). The efficiency obtains the highest position followed by the sales and profit growth level. The results of research pointed out that the performance of the SME furniture industry in Jepara regency is high in terms of the efficiency, growth and profitability. The company produces at the lowest cost possible acceptable by the market and finally increase of the customer growth to increase the profitability.

Table 2. Index Value of Variable using Descriptive Analysis

Variable	Indicator	Frequency of Respondent (n=105)										Index	Average Index
		1	2	3	4	5	6	7	8	9	10		
Management Resources	Financial Resource	0	0	0	0	0	1.9	6.7	23.8	26.7	41	89.9	91.12
	Human Skill	0	0	0	0	0	1	1.9	13.3	44.8	39	91.89	
	Technology	0	0	0	0	0	1.9	4.8	16.2	29.5	47.6	91.61	
Management Process	Planning	0	0	0	0	0	2.9	4.8	13.3	57.1	21.9	89.03	89.22
	Communication	0	0	0	0	0	2.9	5.7	12.4	55.2	23.8	89.13	

	Commitment	0	0	0	0	0	2.9	4.8	20. 0	39. 0	33. 3	89.5	
Strategic Alliances	Financial access	0	0	0	0	0	1	3.8	17. 1	41	37. 1	90.94	89.51
	Resources access	0	0	0	0	0	1	1.9	17. 1	46. 7	33. 3	90.94	
	Market access	0	0	0	0	0	2.9	6.7	33. 3	36. 2	21. 0	86.65	
Market Orientation	Customer Oriented	0	0	0	0	1	1.9	3.8	18. 1	52. 4	22. 9	88.84	90.07
	Competitor Oriented	0	0	0	0	1	1.9	6.7	16. 2	28. 6	45. 7	90.73	
	Coordination	0	0	0	0	1.9	2.9	4.8	13. 3	31. 4	45. 7	90.65	
Performance	Efficiency	0	0	0	0	1	1	7.6	10. 5	24. 8	55. 2	92.34	89.62
	Growth	0	0	0	0	1	3.8	4.8	11. 4	57. 1	21. 9	88.55	
	Profitability	0	0	1	0	0	7.6	6.7	7.6	48. 6	28. 6	87.97	

Model Estimation and Hypotheses Testing

Based on the goodness of fit criterion, it shows that NFI, PNFI, CFI, TLI, RMSEA, CMIN/DF in the expected value range (Table 3), although it is only accepted in the marginal level. It means that this model is appropriate and acceptable. R square toward the performance is high with a value 0.922 , while the R square of Strategic Alliances and Market Orientation classified as relatively small as it is below 50%.

Table 3. Hypotheses Testing

	Hypothesis	Coefficient	S.E	CR and P value (CR>1,96) (P<0,05)	Result
Hypothesis 1	Management Resources has positive effect to the Strategic Alliance	0,457	0,169	CR= 2,707 P= 0,007	Accepted
Hypothesis 2	Management Process has positive effect to the Strategic Alliance	0,211	0,161	CR= 1,306 P= ,192	Rejected
Hypothesis 3	Strategic Alliance has positive effect to the market Orientation	0,593	0,152	CR=3,895 P=*****	Accepted
Hypothesis 4	Strategic Alliance has positive effect to the Performance	0,028	0,139	CR=,203 P=0,839	Rejected
Hypothesis 5	Market Orientation has positive effect to the Performance	0,834	0,180	CR= 4,628 P= *****	Accepted

Chi-square = 170.473;

NFI (Normed Fit Index) = 0.818;

GFI (Goodness of fit Index) = 0.896;

TLI (Tucker-Lewis Index) = 0.870;
 RMSEA (Root mean square error of approximation) = 0.099;
 CMin/DF (Chi-Square divided by degree of freedom) = 2.029,
 PNFI (Parsimonious Normal fit index) = 0.654

R square value Performance = 0.922
 R square value Market Orientation = 0.259
 R square value Strategic Alliances = 0.346

The mathematical equations can be written as shown below:

$$\text{Strategic Alliances} = 0.457 \text{ Management Resources} + 0.211 \text{ Management Process} + z_1 \dots \quad (1)$$

$$\text{Market Orientation} = 0.593 \text{ Strategic Alliances} + z_2 \dots \quad (2)$$

$$\text{Performance} = 0.028 \text{ Strategic Alliances} + 0.834 \text{ Market Orientation} + z_3 \dots \quad (3)$$

The Effect of Management Resource to the strategic alliances

The results show that management resources have a positive effect directly to the strategic alliances with the coefficient value 0.457 (Table 3). It means that the higher constrain on management resources, the higher in motivation of strategic alliance in SMEs. The result of this study is in line with the studies conducted by Hitt et al. (2000) and Brouthers et al. (2015) showing that SMEs that have good resource management capabilities will have a better ability to make alliances with their business partners.

The capability in overcoming the limitation of the resource related to the addition of human skill to get the profitable access for the company. The more intangible of the resource needed by the company, the more motivation to join the alliance. The market knowledge is the intangible resource that is difficult to be imitated so the company will not able to conduct market development. With transferring the skill and knowledge from the partnership, it is expected to increase the marketing knowledge to access new market. Developing enterprise through the alliance of partners will accelerate the needed time in responding the marketing demand.

The Effect of Management Process to the strategic alliances

Empirical testing result for the hypothesis 2 is not accepted with the coefficient value 0.211. This result means that the management process does not influence the strategic alliance. The result of this study is not in line with the studies conducted by Zhao (2014) and Brouthers et al. (2015) showing that the management process have influenced to the strategic alliance. These findings prove that the planning, communication and commitment that have been conducted cannot give the optimal contribution to the Strategic Alliance (Ernst & Bamford, 2003). Although the index of Management Process is high but the mechanism of the cooperation relation has not able to carry the cohesiveness or togetherness in developing the company business (Ernst & Bamford, 2003). Actually, some SME in Jepara Furniture Industry have fixed the management process however the role of strategic alliance in to develop SMEs has not yet been utilised. This result illustrated that companies have efforts to improve the planning system, communication and commitment but it has not been pushed the increase of optimal access. It may be because that most SME have not chosen the partner that suitable for the needed resource constraints and it has not been measured by the relational capital as the important result of the business partnership process.

The Effect of the Strategic Alliances to the Market Orientation

The empiric testing result of hypothesis 3 is accepted. It means that the strategic alliance has positive effect and significant to the market oriented with the coefficient value 0.593. This result supports Kandemir et al, (2006) and Suliyanto and Rahab (2012) that the orientation of alliance will improve the market performance. Strategic Alliance facilitate SMEs in the increase importance of competitor and customer orientation, by enhancing the knowledge of composing strategic process to develop the product

and market interested by the customer. The result of this research contributes to the research by Brouthers and Nakos (2004) that SMEs can expand to international market through collaboration strategies. The network development through the collaboration makes SMEs have the opportunity to decrease the cost through the resource sharing to increase the revenue. SMEs are not only able to develop the low price compared to the competitor but also it can develop the differentiation strategy to intrigue customers.

The Effect of the Strategic Alliances to Performance

The expectation of strategic alliance that can directly improve the performance cannot be shaped. The value show 0.028 which is estimated the rejection because many companies who take initiative to join the alliance only want to get the profit without considering the ability of partners in terms of market knowledge. The result of this study is not in line with the studies conducted by Jin and Cho (2018), Prabhudesai and Prasad (2017) and Pratono (2018) showing that the strategic alliances have influenced to the SME's Performance. The respondents characteristics entering the alliance have index of the lowest market access compared to other access. This indication explains that although the company enter the alliance, the company will not definitely gain the profit increase.

The Effect of the Market Orientation to Performance

Accepting the hypothesis 5, it is stated that the higher degree of the competitive orientation market that belongs to the company, the higher the company performance with the coefficient value 0.834. Strong impact of the market oriented SMEs strategy to the performance relates to the value of index number highest orientation competitor 90.73, in which most company more focus on the market orientation to organise the competition. The result of this study is in line with the studies conducted by Masa'deh et al. (2018) showing that the higher degree of the competitive orientation market that belongs to the company, the higher the company performance. The company response the competition with understanding the competitor strategy which SMEs alert on the existence and action of potential competitor so the company will be appropriate to response the competitive opportunity and threat.

Overall result supports RBV suggests to be more competitive, companies must be composed resources be better than that of its competitors. SMEs can improve the competitive position of being able to neutralize the threat and overcome weaknesses through the collaboration of partner resources (Jin & Cho, 2018; Prabhudesai & Prasad, 2017; Pratono, 2018). Support for Ireland (2002) that the strategic alliance acts likely to result in costs lower because the companies operate more efficiently so that more competitive. Therefore to response the strong competition, the company will strengthen the relationship with the customer to produce the superior value for the customer to push the company growth. Referring to the strategic resources concept from Grant (1991) that the customer is the human capital belongs to the company in creating the marketing performance. The company growing on the basis of the strong customer will guarantee the sustainability of performance. Pelham and Wilson (1999) state that the market orientation comprising all the price information, potential customer behaviour, distribution network and the capability of information technology will improve the efficiency which at last it will improve the profitability.

Strategy for Enhancing SMEs Performance

Focus Group Discussion (FGD) with the representative of furniture industry association in Jepara; officers of Regional Government; SMEs; traders on these regions as well as academicians from qualified university was conducted to outline the strategy for enhancing performance of SME. Transcription of FGD has been made and the synthesis is summarized in Table 4.

Table 4. Strategy for Implementation Strategic Alliances to enhance SMEs Performance

Description	Production	Distribution & Marketing	Market Demand	Social Culture	Infrastructur
Strategy : Enhancement SMEs Performance	Allocating credit with low interest and grants Regulation of Supply Chain Management Role of Instituion to secure Continuity and sustainability of wood as raw material Socialization, education, and production training	Promotion at domestic and abroad market Giving tax incentive Reinforcement <i>market intelligence</i> & cooperation through trading mission Improvement and reformation the distribution path & non formal-pickings alleviation	Accommodating sellers & buyers meeting Governance market demnd information from abroad Compliant with the consumers request Export facilitate & go green product certification	Political climate assurance (stability guaranty) Socialization stability & security warranties Responsive with labor problems (done & over with) Government Coordination & consolidation to open job vacancy	Excellent Means of mastransportation Availlability of good- electricity Availlability of communication & information tools Good accommodation (hotel, other facilities)
Action Plan	Realization of wood warehouse Returning the role and authority of Perhutani as a buffer stock Regulation of Supply Chain management Raw Material Diversification Cooperation with Academician about product design Reforestation Funding from APBD (government financing) Assistance non-financial capital Finances Management Training	National Exhibition International Exhibition Providing Market Opportunity Information Providing Sales Tax Incentive Providing patent certification based on geography identification of Jepara's furniture carving	Role functioning of KADIN: government use furniture industry product Providing Market Demand to enterprises: national&international demand Appropriate Production (design, size, and characteristic product) Production Incubation with goverment (Ministry of industrial affairs & commerce)	Mapping of local social culture Alleviating negative effect from outside culture Arranging Regency Regulation Socialization of Regency Regulation Implementation & Evaluation of Regulation	Maintenance of road and bridge (national, provincial, regency, district, sub district) Maintenance of electricity network & safeguarding power electricity if switch off accidentally Maintenance of communication tools (routine service) Maintenance of accomodation periodically (comfort &secure facilities)
Actor	Government	Government	Government	Government	Government

		Entrepreneur Mikrofinance institution Association Academician Public figure NGO Business Consultant	Entrepreneur Association Academician Law Practitioner LSM Business Consultant	Entrepreneur Association Academician Law Practitioner LSM Business Consultant Private	Entrepreneur Association Academician religion figure NGO Business Consultant	Entrepreneur Association Academician religion figure Law Practitioner NGO Business Consultant
Priority	Short Run	Financial Assistance Regulation of Value Chain Training	Promotion to increase sales Exhibition/ expo Tax incentive Reinforcement <i>Market intelligence</i>	Government consumption for office affairs furnishings Proper design with consumer preference Export & certification facilitate	Political stability assurance Good relationship with labor association Political risk alleviation	Maintenance means of transportation Maintenance of electricity network Comfort & secure of accommodation facilities
Priority	Long Run	Financial Assistance in a continue and sustainable manner Reforestation Education in production technique	Providing sustainable market information Certification of IG MUJ	Continuity & Sustainability of usage Incubation periodically	Arrange <i>roadmap</i> and Blue print Regency Regulation about furniture industry Socialization of Regulation Implementation continuelly	Reinforcement and elaboration overall infrastructure periodically & routine

Discussion

The results of this study reveal that the more difficult SMEs in Indonesia manage their resources, the higher the potential to improve their alliance strategy. SMEs that have limited access to financial resources will strengthen the stability of the company's capital. They will enhance various collaborations with those who can help them in terms of capital assistance, such as the government, banks and other financial institutions. Whereas for SMEs that have limited human resource quality and innovation and advanced technology for production techniques, they will make alliances with partners that provide benefits in terms of access, sharing and complementary resources. Similarly, SMEs have limited access to markets, so to achieve market accessibility, they will also make alliances with partners that provide access to markets.

Thus, the limited resources of SMEs are one of the main reasons for the formation of an alliance. This is because, through alliances, SMEs will be able to access scarce resources and the combination of these resources with available resources internally will increase the organization's competitive advantage. This is because the increase in the formation of alliances can increase their ability to be oriented towards customers and competitors as well as their ability to coordinate with various parties / partners in the process of operating their business. Thus SMEs can improve their performance by increasing the efficiency, growth and profitability of their businesses. This can be indicated by the existence of 1) Increased Investment Returns (ROI), Capital Returns (ROE), and Asset Returns (ROA) in the last 3 years; 2). Increased sales, employee expertise and market segments; and 3). Increase in Return on Sales (ROS), net profit margin, and gross profit margin,

So based on the results of this study, the research team and representatives of the furniture industry association in Jepara; Regional Government officials; UKM; traders in the region and academics from qualified universities conduct Focus Group Discussions (FGDs) to outline strategies to improve SME performance. The results of the discussion recommended various strategies for enhancing cooperative relations with various parties relating to the value chain of SMEs in the furniture sector in Indonesia, especially in Jepara. Such as increasing cooperative relations with production factor suppliers, such as financial institutions, governments, business partners (suppliers, competitors and distributors) and the public. The hope is that this cooperative relationship can improve the orientation of SMEs in the furniture sector to the market. So that the performance of SMEs in the furniture sector in Indonesia will ultimately experience an increase, especially on increasing their production efficiency, growth and profitability.

Alliances are utilized to facilitate organizations to access resources that are the source of competitive advantage. Resources that are viewed as competitive advantage are those which are valuable, rare, unique and hard to imitate. Such resources are scarce, however vital to sustain the competitiveness of the organization. Thus, forging strategic alliances will aid firms in achieving their objective and enhancing their organizational performance.

Indonesia is a country with vast natural resources and has competitive labor force when compared to India and China. These factors are attractive to developed nations that are looking for strategies to penetrate in the Asian market and to minimize production costs in order to compete globally. Through strategic alliances, organizations from developed nations may bring their technology and expertise and these may be accessible for the knowledge exchange with Indonesian organizations. Thus, Indonesian SMEs may enhance their performance through the alliances by sharing and exchanging resources that are viewed as valuable, rare, unique and hard to imitate by both firms.

Learning is one of the major objectives of forming strategic alliances. Education and training are activities that requires time, cost and effort by the workers. Strategic alliances may serve as a short term strategy to gain access to the skills, knowledge and expertise required to produce high-quality products that are comparable with the international standards. Thus, in order to minimize cost and time of building indigenous capabilities and expertise, forming strategic alliance may facilitate Indonesian SMEs to gain the needed capabilities and expertise by tapping into their partners' resources. By doing this, the local Indonesian workers will have the opportunity to go through on-the-job training program to enhance their skill sets.

CONCLUSION

Limitation of resources of SMEs is one of the main reasons of forming alliances. This is because, through alliances, SMEs will be able to access to resources that are scarce and the combination of those resources with the ones available internally will enhance the competitive advantage of the organization. However, SMEs need to also possess resources desired by potential partner in order to reap the benefits of strategic alliances. The formed alliance affects the development of the long-term relationship with the partners towards capability development in order to respond to the market demand in a quick manner. The company applying alliance will have advancement in the market orientation that leads towards increase of performance. This study has indicated that strategic alliance as one of the important strategies for a company to enhance their profit. The impact of the alliance application is not only to change the mind set into the market orientation but it also improves the performance in enhancing the efficiency, profit and company growth.

The role of the resources based view is needed to plan the SMEs strategy in enhancing the performance. Strategic alliance is a strategy for organizations that have unique resources that are sought after by other organizations to enhance their competitive position in the market.. To ensure that strategic alliance to benefit organizations, they are recommended to start with identifying the limitation of management resources such as financial, human, technological and managerial. The next is the step to select the partner that can give the needed additional resources by SMEs to produce the specific product with the competitive price.

Second, in order to give the benefit, it needs taking attention to the management process such as planning, communication and commitment. The success of strategic alliances can be reached if the company has high commitment and communication in realization the planned program. Third, the strategic company in strengthening market orientation focus to the new innovation product at the business scale based on the narrow market but it has high value because it has role to improve the performance. The growth of customer indicating the amount of the customer from time to time has role to improve the company growth.

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