

RELATIONSHIP BETWEEN COST LEADERSHIP STRATEGY AND DIFFERENTIATION AS A SME RECOVERY STRATEGY DURING THE COVID-19 PANDEMIC IN YOGYAKARTA

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ABSTRACT

SMEs in developing countries also need the application of e-commerce technology. This study explores the influence of e-commerce adoption in developing countries, especially regarding the extent of e-commerce adoption when viewed through Generic Business strategies. This study used a survey method for 145 SMEs in Yogyakarta and analyzed using a partial least squares approach. The results of this study indicate that the adoption of e-commerce affects the performance of SMEs directly or through a differentiation strategy that makes SMEs able to produce different products/services to improve the performance of SMEs. Business actors in developing countries are currently faced with the challenge of various customer demands and needs, and the cost leadership strategy is considered inappropriate, thus turning it into a differentiation strategy.

Keywords: Adoption of E-Commerce, Cost Leadership Strategy, Differentiation Strategy, Performance of SMEs.

INTRODUCTION

Competitive advantage is one of the important elements in determining a company's success in the market (Valipour & Montazar, 2012). For an organization to function properly, it must be established and adapted to the environment in which it operates. Environmental impacts can be multi-faceted internal operations, the company's immediate external environment, or even remote external environments, all of which contribute to a complex business environment. Therefore, all environmental factors must be anticipated, monitored, evaluated, and included in the high-level decision-making process. The complexity and complexity of this environment require strategic control (Valipour & Montazar, 2012). Therefore, the success and survival of an organization depend on its ability to relate and compete with the environment. Porter (1985) argues that cost leadership and differentiation strategies can lead to success, describing cost advantage and differentiation as separate options.

Innovation, automation, and strategy are becoming increasingly important and well understood in economics, industry, business, marketing, military, and tactics. The strategic project results show that strategic factors such as quality, flexibility, integration, and renewal influence about 70% of the difference between successful and unsuccessful companies. Only

30% of them, however, have a link to performance. The strategy has attributes that can shape its strategic structure to achieve its long-term goals. Research in the field of strategy that has been carried out previously has produced many strategic attributes to encourage company progress and development. Research (Mckiernan, Mintzberg, Ahlstrand, Lampel, etc.) shows that companies that have adopted the strategy have shown that they gain a competitive advantage (Sangwa & Sangwan, 2018). His work describes three interrelated conceptual frameworks: five forces, shared strategies, and value chain development (Kharub et al., 2019). According to the framework, a company's success is a function of competitiveness. Based on the strengths associated with Porter's framework, recent research has shown that firms can create competitive or differentiated cost leadership strategies and deliver better performance (Kharub et al., 2019).

Companies must develop strategies after one of the impacts of Covid-19 is the number of companies that have terminated their employment (PHK), based on data from the Ministry of Manpower as of April 7, 39,977 companies were laid off, and 1,010,579 people were laid off. The Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) reported that in April 2020, as many as 56% of MSMEs claimed to have experienced a decline in sales turnover due to the Covid-19 pandemic, another 22% had difficulties in financing/credit, 15% had difficulty getting distribution of goods, and another 4% had difficulties get raw materials. To deal with changing environmental conditions, SMEs are expected to have a competitive advantage to survive. SMEs have problems choosing the right competitive strategy and face challenges due to limited costs and resources, especially in developing countries. There is ample evidence in the previous literature that the lack of strategic alignment is due to SMEs not being able to apply unique and new operational approaches (Berends et al., 2014).

In the digital era, it will affect small companies that run businesses in developing countries to be confused when choosing and implementing strategic practices (Kharub et al., 2019). SMEs are often confused about the components of the strategy, how it is developed and implemented, and whether other attributes will later support an e-commerce strategy that impacts the performance of small and medium enterprises. This study explains why acquiring the most knowledge about business management, strategic planning, and e-commerce innovation are very important for SMEs to develop alternative solutions to improve their business models (Kharub et al., 2019). To improve it, it is necessary to conduct research that contributes to the delivery of models or methodologies guided by COVID-19 with integrated strategies and accompanying tools to overcome the crisis faced by the government that SMEs must go through.

LITERATURE REVIEW AND HYPOTHESES

Competitive Strategy

Differences in the performance of companies in the same sector can be explained through two main approaches. Namely the strategic competitive positioning and resource-based (RBV) perspective approaches. In general, the strategy pays more attention to the external environment than the internal environment so that the company is more focused on external analysis. The first point of the business strategy used to develop a strategic plan and analysis of the company's position in the market to take advantage of market opportunities can be seen through positioning theory related to the analysis of the company's external business environment (Acar & Zehir, 2010). The effectiveness and productivity of the company can occur because various business resources, including all values, skills, organizational processes, and knowledge, can be controlled by the company (Daft, 1983). According to traditional strategic analysis, business resources are

the company's strengths to understand and implement company strategy. According to research by Barney & Hesterly (2006), many experts have found some approaches to implement value creation strategies and carry out planning.

There are three business resources categories: human resources, physical resources, and organizational resources. Previous research explained that creating effective resources and capabilities for businesses is different because there are differences in the resources that companies have as their competitive advantages (Teece et al., 1997). This is explained in Peteraf's research (1993) that the situation makes superior resources, imperfect resource mobility, retroactive competition, and proactive against the competition can maintain the company's competitive advantage. Resources contribute to a competitive advantage when they have multiple points of view from different companies, are not easy to share from one company to another, and cannot be followed by other companies before or after implementing the company's competitive place (Peteraf, 1993). Thus, the RBV will describe the effects when SMEs use cost leadership strategies to drive better performance. This is because companies are required to survive, especially in times of crisis, by developing new capabilities (Acar & Zehir, 2010). The conclusion is that the resource-based approach can be defined as the main knowledge and competencies that can effectively manage the company's actions and assets.

Generic Business Strategies

Hernández-Espallardo & Delgado-Ballester (2009) research identified that the relationship between product innovation and performance has a moderator, namely a competitive work environment. Porter's five forces describe the competitive environment through the intensity of competition, relative power over buyers, the threat of entry, relative power over suppliers, and threat of substitution (Porter, 2008). According to Porter (1985), the company's ability to manage the company's position in the competition that occurs in the market is the key to competitive advantage. There are many different research views on competition and competitive advantage. However, along with changes in current competitive conditions, the literature has also changed. Companies can achieve a competitive advantage through the company's ability to provide low costs and a strategy of customer assessment of their different products.

This strategy is defined as a cost leadership strategy and a differentiation strategy Porter (1990). The ability of a company to position itself in industrial competition, according to Porter (1985), is the key to competitive advantage. Five competitive forces determine the company's position and strategy in the competitive industry. These are the threat of new entrants, the threat of substitutes, the bargaining power of suppliers, the level of competition among existing competitors in the industry, and the bargaining power of buyers. Companies can have high performance because they can identify market forces well by choosing the right industry and developing a strong competitive position in an industry (Acar & Zehir, 2010).

Cost Leadership Strategy

The company's advantage because it can show lower costs than competitors in the production and product design that reflects the sale of goods and services is called a cost leadership strategy. The cost leadership strategy aims to reduce the cost of services, R&D, marketing activities, and sales as a competitive advantage for the company. (Rugman & Hodgetts, 2000). According to Eraslan (2008), companies that gain a competitive advantage on economies of scale through an effective system obtain lower human resource costs and reduce

costs and distribution by using cheaper raw materials through mass production. In consumers who pay attention to price as the main factor in their choice, a cost leadership strategy will provide a competitive advantage in the market. According to Kurt & Zehir (2016), reducing all costs in the value chain is why the company chooses this strategy. The basic principle is to reduce the cost of all actions so that the company will get higher revenues and profits because there is a price difference between the market price and the costs incurred by the company. A company that is a cost leader is required by the strategic logic of cost leadership, not just to be one of many competing firms in the market. By failing to recognize this, many strategic mistakes are made by companies. Each point of market share is considered important because more than one potential cost leader causes high competition between companies (Porter, 1985).

Differentiation

Porter's next generic strategy is the differentiation strategy. Most of the company's customers have appreciated the unique characteristics for which the company is aiming. The company will select one or more needs for a particular feature and try to position the company to meet these needs. Companies have other ways to compete in the market, namely, companies must try to find different results to meet customers' specific needs because standard goods and services no longer meet customers' requirements. The differentiation strategy has the basic principle of providing customers with products and services differently from competitors. Elements such as customer service, brand, technology, sales network, and other dimensions differentiate the company from other companies (Porter, 1985).

Adoption of E-commerce and Business Strategy

E-commerce is defined as commercial transactions between individuals and organizations carried out digitally (Laudon and Traver, 2002). The utilization of information technology in running a business or often known as e-commerce for small companies, can provide flexibility in product sales, enable faster service to customers, send and receive offers quickly and efficiently, and support fast paperless transactions. The biggest influence of E-commerce adoption is increased sales and competitive position, which results from both B2B and B2C adoption (Kraemer et al., 2002). Business strategy is associated with the adoption of e-commerce to increase sales by utilizing technology. The spread of high-speed internet within a country has led to an increase in buying and selling transactions through E-commerce which has created opportunities and challenges for businesses in urban and rural areas. With the existence of E-commerce, it can reduce existing weaknesses, such as reducing marketing costs caused by difficult-to-reach locations, facilitating communication and receiving information, as well as access to low-cost suppliers (Addo, 2012). The existence of globalization in technology such as the internet and the World Wide Web has pushed E-commerce to become one of the most effective media or tools to support the strategies implemented by SMEs and buying and selling transactions and sharing information. From this construction, we propose the following hypothesis:

H₁: Adoption of e-commerce has an effect on differentiation strategy.

H₂: Adoption of e-commerce has an effect on leadership.

Competitive Strategy of Cost Leadership, Differentiation Strategy, and Performance SME

Porter's (1980) business strategy framework, including cost leadership strategies and differentiation strategies, has been widely used in the strategic management literature. Many

studies have shown that adopting a differentiation or cost leadership strategy can improve firm performance (Miller & Friesen, 1986; Slater & Olson, 2006). Porter mentions that a company that emphasizes a competitive cost leadership strategy creates efficient scale facilities, emphasizes reducing expenses, and minimizing R&D, salesforce, advertising, and overhead costs (Stonehouse & Snowdon, 2007). A company is said to outperform its competitors when it can have a higher return on assets but still produce products with good quality standards, referred to as a competitive cost leadership strategy (Porter, 2008). The generic strategy of cost leadership is proven to influence company performance, and this allows companies to maintain and achieve goals and maintain them in the long term (Amoako-Gyampah & Acquah, 2008). The company can achieve a high level of product quality, gain a high market share and benefit from increased sales in most circumstances. The company can generate a decreased total cost per unit for producing and distributing raw materials, which is approximately equal to the rate of increase in the percentage increase in the company's cumulative output (Cho & Pucik, 2005).

The company's activity in making meaningful difference plans to differentiate different offerings from competitors is called differentiation (Kotler & Armstrong, 2003). A company can make a difference with competitors through several ways: providing superior services, offering innovative features characteristics, providing effective promotions, growing strong product branding, and so on (Li et al., 2010). Hilman (2009) Companies that implement a differentiation strategy will tend to interpret differences in various dimensions to understand what differentiates their products and offerings from competitors. Companies that implement this strategy will tend to offer higher prices than competitors on their products to compensate for their unique characteristics, quality, fast delivery service costs, and distribution channels (Hilman, 2009). Companies will have the power of differentiation that is expensive to imitate and scarce to provide a source of sustainable competitive advantage.

Because there are few, if any, alternative products that are comparable to the company's products, scarcity will weaken buyers' bargaining power. As a result, the rapid introduction of new products/services, different product/service offerings, a wide range of product/service offerings, increased product/service time availability, and product/service offerings, high-quality services, customized offerings, and after-sales service offerings and customer support are the empirical indicators that differentiate this study (Auzair, 2011). In addition, differentiation strategies aim to develop unique products and require risk-taking due to unknown customer demands. Existing literature does not explain how companies can take risks that are compatible with differentiation. Design and value-added benefits of superior products will be built with corporate differentiation (Porter, 1980). To overcome these problems, managers must have a clear understanding of customer preferences and have a proactive nature (Dess et al., 1997). Companies will prioritize product innovation and provide value-added products to customers at a premium price point when implementing a differentiation strategy (Porter, 1980). From this construction, we propose the following hypotheses Figure 1:

- H₃: E-commerce adoption affects SMEs performance through differentiation strategy.*
H₄: E-commerce adoption affects SMEs performance through Cost leadership strategy.
H₅: E-commerce adoption affects SMEs performance.

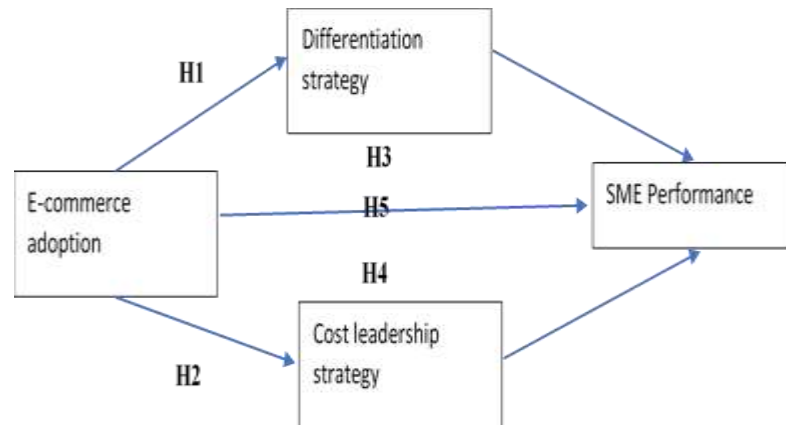


FIGURE 1
CONCEPTUAL MODEL

METHODS

This research is a survey research with the respondents being the managers of SMEs affected by Covid in Yogyakarta. This study uses a questionnaire as a tool to collect data. The population in this study is all SMEs affected by Covid-19 without distinguishing the type of business owned by SMEs. The sampling technique uses convenience sampling, and the sample is taken based on convenience due to the COVID-19 pandemic limiting the movement of researchers and SMEs in interacting with outside parties. 19. The type of data used in this study is primary data. The number of respondents was 145 SMEs affected by COVID-19. The data analysis technique used the SEM-PLS structural equation model.

The Measurement

Competitive strategy adapted from Li and Li (2008), four items are used to operationalize the differentiation strategy, reflecting the extent to which the company differentiates itself from competitors in products and services. The other four items were adopted to measure the cost leadership strategy. The performance of SMEs is measured using four indicators in the research of Karabulut, AT (2015).

RESULTS

Descriptive Analysis

Characteristics of the		Percentage
The Industry of Sector	CRAFT (crafts, batik, fashion, jumputan)	62.67%
	Agribusiness and other businesses	37.33%
Education	Junior high school Equivalent	1,33%
	High School Equivalent	33.33%
	Diploma	13.33%
	Undergraduate	49.33%
	Postgraduate	2.67%

Characteristics of		Percentage
Number of Workers	Not yet employed	6.67%
	< 5 workers	73.33%
	5 workers	20%

Based on the data in the Table 1 above, it can be seen that the number of SMEs engaged in the CRAFT industry sector is 53.33%, and the number of SMEs engaged in the culinary sector is 46.67%. Then the characteristics of respondents according to the number of workers, SMEs that do not have a workforce of 6.67%, SMEs that have <5 workers are 73.33%, and there are 10 SMEs that have a workforce of >5 people with a percentage of 20% Table 2. Then the most recent education was undergraduate education which was 49.33%, followed by high school education which was 33.33%, then followed by diploma education which was 13.33%. Postgraduate education was 2.67%, and the last one was the junior high school with 1.33%.

Measurement Model Test Results (Outer Model)

Validity and Reliability

Test Validity testing is done by assessing Convergent Validity, discriminant validity, and AVE. While the reliability test is carried out to determine the extent to which the measurements provide consistent or stable results from time to time. Reliability was measured using composite reliability statistical tests and Cronbach's Alpha. After passing the test, the results of the inner model can be used for analysis. The inner model includes a coefficient of determination (R²), p-value, parameter coefficient, and statistics. The following is a picture of the results of the PLS algorithm and Bootstrapping.

Convergent Validity

Varabel	Indicators of	Banks Loading	Description
E-commerce Adoption	AE1	0.617	Invalid
	AE2	0.667	Invalid
	AE3	0.580	Invalid
	AE4	0.860	Valid
	AE5	0.842	Valid
	AE6	0.810	Valid
Differentiation Strategy	SD10	0.909	Valid
	SD11	0.906	Valid
	SD12	0.830	Valid
	SD7	0.918	Valid
	SD8	0.918	Valid
	SD9	0.891	Valid
Cost Leadership Strategy	SKB1	0.839	Valid
	SKB2	0.804	Valid
	SKB3	0.811	Valid
	SKB4	0.823	Valid
	SKB5	0.806	Valid
SMEs Performance	PK.1	0.690	Invalid

	PK.2	0.835	Valid
	PK.3	0.750	Valid
	PP.1	0.749	Valid
	PP.2	0.605	Invalid
	PP.3	0.634	Invalid
	PPIB.1	0.742	Valid
	PPIB.2	0.767	Invalid
	PPP.1	0.639	Invalid
	PPP.2	0.384	Invalid
	PPP.3	0.445	Invalid

Source: output processed data from the Smart PLS 3.0, 2021

Based on the grain the data in Table 3, it can be seen from the data of 145 respondents above that 9 indicators have an outer loading value <0.7 , so they are declared invalid, and 20 indicators have an outer loading >0.7 , so until the indicator is declared feasible or valid to be used for research and can be used for further research and analysis.

Discriminant Validity

This value is the value of the cross-loading factor that is useful for determining whether the variable has an adequate discriminant by comparing the loading value on the variable to which the current is greater than the loading value with other variables. The results of the cross-loading factor of 145 respondents are shown in Table 4 below. Based on the test results of 145 respondents below, it shows that the value of the cross-loading factor of each indicator on the variable is greater than the value of the cross-loading factor with other variables. Then invalid items are removed to qualify. This shows that this research test has had good discriminant validity so that it can be used for further research and analysis.

Average Variance Extracted (AVE)

In addition to observing the value cross-loading, the validity test can also be known through other methods, namely by looking at the average variance extracted (AVE) value. Hussein (2015) said the expected AVE value > 0.5 . The validity test in the research was conducted using the software Smart PLS 3.0. Based on the test results of 145 respondents, it is known that the AVE value of each variable has a value > 0.5 . The variables are valid so that they can be used for further analytical research.

Reliability Test

A reliability test is used to measure the level of accuracy of the possible answers to several questions. Reliability tests are conducted to determine the extent to which the measurements provide consistent or stable results over time. Reliability was measured using composite reliability statistical tests and Cronbach's Alpha (α). The reliability test was carried out with SmartPLS 3.0 software.

Composite Reliability

A variable can meet the requirements of composite reliability if it has a composite reliability value > 0.6 (Ghozali, 2015). Here is the value of composite reliability 145 respondents from each of the variables used in this study:

Variable	Composite Reliability	Criteria	Description
Differentiation_Strategy	0.961>	0.6	Reliable
E-commerce_Adoption	0.875>	0.6	Reliable
Leadership_Strategy	0.922>	0.6	Reliable
SMEs_Performance	0.897>	0.6	Reliable

Based on the reliability test results of 145 respondents shown in Table 4, it is known that the composite reliability value of each variable has a value > 0.6. This shows that each variable can be declared reliable to be used for further research and analysis Figure 2.

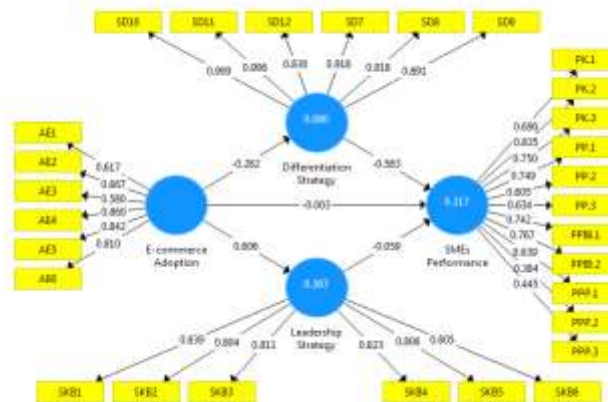


FIGURE 2
ALGORITHM TEST RESULTS

Inner Model

Inner model commonly referred to as influence test or hypothesis testing, aims to predict the relationship between latent variables. The following is a picture of the results of PLS Bootstrapping. PLS Bootstrapping is an inner model that aims to test whether the proposed hypothesis is positive and significant or not Figure 3.

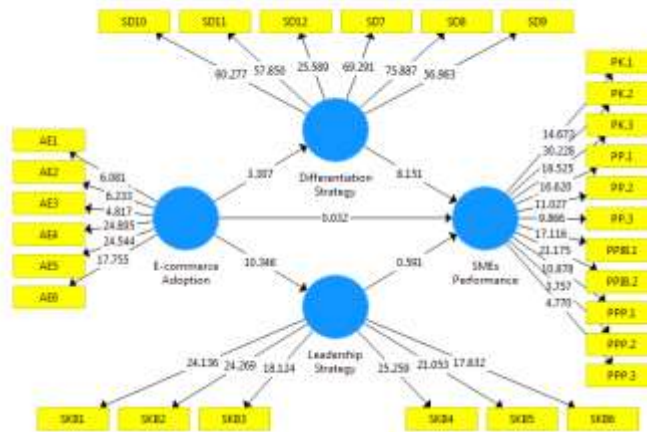


FIGURE 3
BOOTSTRAPPING TEST RESULTS

Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
E-commerce_Adoption -> Differentiation_Strategy	-0.282	-0.284	0.085	3.307	0.001
E-commerce_Adoption -> Leadership_Strategy	0.606	0.617	0.059	10.346	0.000
E-commerce_Adoption -> SMEs_Performance	0.153	0.157	0.089	3:03	0,002

Effect of Adoption of e-commerce directly to SMEs differentiation strategy by -0.583, then based on the Path Coefficient Table 5, the adoption of e-commerce harms the differentiation strategy of SMEs by -0.583. It is significant because the T-statistic is 8.151 > 1.96 and P-value = 0.000 < 0.05. Thus H0 is rejected, and Ha is accepted. The direct effect of e-commerce adoption on SME cost leadership strategy is -0.282, so based on the Path Coefficient table, e-commerce adoption harms SME cost leadership strategy of -0.282. It is significant because T-statistic 3.307 > 1.96 and P-value of = 0.001 < 0.05. Thus H0 is rejected, and Ha is accepted. The direct effect of e-commerce adoption on the performance of SMEs is 0.153, so based on the Path Coefficient table, e-commerce adoption affects the performance of SMEs because the T-statistic is 0.303 > 1.96, and the P-value is 0.002 > 0.05. Thus H0 is rejected, and Ha is accepted. So H1, H2, and H5 are supported.

The mediation effect tested on the hypothesis is that the effect of e-commerce adoption has an effect on the performance of SMEs through a differentiation strategy of 0.165, then based on the Path Coefficient Table 6, e-commerce adoption has a negative effect on the differentiation strategy of SMEs by -0.165 and significant because the T-statistic is 2.872 > 1, 96 and P-value = 0.004 < 0.05. Thus H0 is rejected, and Ha is accepted. The adoption of e-commerce does not affect the performance of SMEs through the cost leadership strategy because, based on the Path Coefficient table, the T-statistic is 0.572 < 1.96, and the P-value is = 0.568 > 0.05. So H3 is supported while H4 is not supported.

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O / STDEV)	P Values
E-commerce_Adoption -> Differentiation_Strategy -> SMEs_Performance	0.165	0.169	0.057	2.872	0.004
E-commerce_Adoption -> Leadership_Strategy -> SMEs_Performance	-0.036	-0.039	0.063	0.572	0.568

DISCUSSION

E-Commerce Adoption Affects Differentiation Strategy

The results of this study indicate that e-commerce adoption has a negative effect on differentiation strategy. When a company runs a business by utilizing technology or e-commerce, especially small companies can provide flexibility in selling products, enable faster service to customers, send and receive offers quickly and efficiently, and support fast paperless transactions. The biggest influence of E-commerce adoption is increased sales and competitive positions, which result from both B2B and B2C adoption (Kraemer et al., 2002). Business strategy is associated with the adoption of e-commerce to increase sales by utilizing technology. So, business strategy is a step or method in determining the direction of the business and the steps needed to achieve company goals. A business strategy, in a word, is a competitive advantage. The adoption by SMEs cannot encourage companies to find their uniqueness in the market they are targeting. This type of strategy is usually aimed at potential consumers who do not prioritize price in their decision-making. The more SMEs implement E-Commerce Adoption, the more they do not differentiate, guaranteeing a competitive advantage. The majority of SME products are standard products that have been widely circulated, and competitors can imitate quickly.

Adoption E-Commerce Affects Leadership Strategy

The results of this study indicate that e-commerce adoption affects leadership strategy. E-commerce is defined as commercial transactions between individuals and organizations carried out digitally. E-commerce is a business activity that uses electronic data transmission technology from the internet and the World Wide Web to implement or improve business processes. The chosen strategic planning allows a company to maintain its position in the face of its competitors. Currently, internet-based transactions are experiencing rapid development worldwide, including at various levels of the economy in developing countries. This turned out to have a negative effect on Porter's (1980) business strategy framework, namely the cost leadership strategy. To be able to carry out a cost leadership strategy, a company must be able to meet requirements in two areas, namely resources and organization. SMEs continue to struggle to gain competitive advantages in strong capital, process engineering expertise, rigorous supervision, ease of production, and cheap distribution and promotion costs. Because SMEs are small businesses that are majority-owned by the community themselves with small business capital and limited

resources. So that the adoption of E-commerce is considered to increase costs and human resources are not ready for the implementation of E-commerce and have a negative impact on leadership strategies.

E-commerce Adoption Affects the Performance of SMEs

There are many potential benefits to companies offering e-commerce technology. The main benefits described by the literature due to the adoption of e-commerce are the expansion of market reach, increased customer loyalty, increased productivity, reduced processing time, and reduced costs (Turban et al., 2010). Research conducted by Tseng et al. (2015) confirms that e-commerce positively impacts shift management and strategic planning. Therefore, SMEs in Indonesia are advised to consider the adoption of e-commerce in their future strategy to grow, develop, and compete in the market to improve their SMEs' performance.

To be compatible and aligned with e-commerce, many companies are changing their business strategies. Currently, there are many opportunities for business people to overcome threats by implementing e-commerce which will make companies experience increased sales, performance efficiency, and increased profits. Not only will SMEs gain from e-commerce, but they will also benefit from complete service availability by directly contacting clients, satisfying their needs, and improving sales and productivity. (Awa et al., 2015), customer interactions, information exchange (Gunasekaran et al., 2015), and cost-effectiveness (Faloye, 2014). These advantages can be realized by incorporating e-commerce into the SME strategy. SMEs should ditch their informal strategic management strategies in favor of formal strategies focused on dynamic IT improvement.

The Adoption of E-Commerce Affects the Performance of SMEs through a Differentiation

Business strategy is associated with the adoption of e-commerce to increase sales by utilizing technology. So, business strategy is a step or method in determining the direction of the business and the steps needed to achieve company goals. A business strategy, in a word, is a competitive advantage. The company's ability to innovate is critical to a differentiation strategy's ability to generate competitive advantage and strong performance (Kaliappen & Hilman, 2014). The adoption of e-commerce is one of these breakthroughs. This study also backs up previous research that claims that innovation can bring new methods or items to market, allowing us to differentiate ourselves more effectively. The adoption of e-commerce is one of these innovations. This study also backs up previous research that claims that innovation can lead to new methods or goods that enable increased differentiation strategies to surpass competitors (Al-alak & Tarabieh, 2011). The ability of a company to generate distinct products/services in a short period would boost SMEs' efficiency and effectiveness. These findings are in line with research showing that a company's strategy and competitive advantage impact its performance (Amoako-Gyampah & Acquah, 2008). His analysis also backs previous studies that claim that the distinction created by Malaysian banking firms might lead to improved corporate success (Al-alak & Tarabieh, 2011; Spencer et al., 2009; Mosakowski, 1993).

The Adoption of E-commerce Affects the Performance of SMEs through a Cost Leadership Strategy

The choice of SMEs' owners and top managers to completely utilize new concepts in e-commerce as a means of conducting buying and selling transactions is known as e-commerce adoption. The lower the cost of technology, the more quickly it is adopted and implemented in an organization (Premkumar & Robert, 1999). Many worldwide corporations have switched their competitive strategy from a low-cost strategy centered on price rivalry to a differentiation strategy since the 2008 financial crisis, particularly for developing countries. Furthermore, focusing just on cost-cutting methods is no longer sufficient to meet a broad consumer base (Parera & Poole, 1997). This study contradicts Miller & Friesen's (1986) findings as well as Slater's findings. According to and Olson (2006), implementing a cost leadership approach can increase a company's performance.

CONCLUSION

The goal of this research is to learn more about how SMEs in developing nations are embracing e-commerce. According to this report, SMEs in developing countries, notably Indonesia, are still slow to adopt e-commerce. The majority of them are email and internet users (both static and interactive websites). In comparison to SMEs in industrialized nations, Indonesian SMEs are lagging in terms of e-commerce adoption. However, the adoption of e-commerce in SMEs can bring positive results such as increased sales, profits, and performance efficiency. SMEs must change their strategies and operations towards e-commerce following dynamic changes. This research has confirmed that SMEs that implement a differentiation strategy make the ability of SMEs to produce differentiated products/services in a short time will increase efficiency and effectiveness to improve the performance of SMEs. Meanwhile, SMEs that solely focus on cost leadership strategies can no longer meet the diverse needs of their customers. Since the 2008 financial crisis, many global companies have shifted their competitive strategies from a low-cost strategy based on price competition to a differentiation strategy (Gehani, 2013), and the findings of this study can assist in this transition.

RESEARCH IMPLICATIONS

Theoretical Implications

Previously, the process of adopting e-commerce has been studied by many researchers and its advantages. The impact of e-commerce adoption is explored directly and through strategy on SMEs' work, and there is unique research in it. In developing countries, the impact of e-commerce adoption on SME strategies is discussed and examined in the contributing literature. So, research on the relationship between e-commerce and the performance of SMEs can add comprehensive knowledge. Our knowledge and literature will increase the adoption of e-commerce in this regard and improve performance by choosing the right strategies chosen by SMEs.

Practical Implications

For managers, SME owners, and employees, this research can use them as it helps to understand and recognize the impact of e-commerce on the strategies they choose to grow SMEs' performance. On the other hand, their awareness will increase about the factors that drive the relationship between SME performance and e-commerce adoption. Then, the government and

policymakers can also develop the right policies and initiatives from the results of this research. Formal strategies can be formulated with e-commerce adopted by the encouragement of SMEs. In the current condition, the government better advises SMEs to use technology and e-commerce because it is very important. Behind it, all, managerial for SMEs, technical and financial support needs to be reduced by policymakers to increase profits.

Limitations and Suggestions for Future Research

The data collection for this study was limited to Indonesia, so the results cannot be generalized. So, it is hoped that future research can research other countries that have different cultures and circumstances. This survey limited to SMEs may be interesting to collect from other industries in future studies to see the effect of e-commerce adoption on strategy choice on firm performance. The strategy used in this study is only differentiation strategy and cost leadership strategy (Porter's generic strategy). It is hoped that further research can use other strategies such as the strategy typology.

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