The Role of Tri Hita Karana Culture as Moderating the Effect of Competence on Business Performance through Competitive Advantage

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ABSTRACT: Performance is an important factor in the survival of MSME actors. The small business sector in Bali is in dire need of continuous performance so that the welfare of business actors can be sustainable. Culture is the thing that distinguishes each region in carrying out its business ethics, by adhering to culture, a sector that is solid in maintaining a green environment, human relations and God. This study wants to examine the moderating role of Local Wisdom (Tri Hita Karana) on Competence and Business Performance of small businesses. Quantitative method is used with purposive sampling technique of 86 samples from the Slovin formula. Moderation Local wisdom provides a competency boost to performance. The existence of caring for the environment, others and adhering to God's teachings, norms and responsibilities become greater.

KEYWORDS: Competence, Competitive Advantage, Business Performance, Tri Hita Karana

I. INTRODUCTION

The deteriorating national economy caused by the impact of the Covid-19 pandemic has affected various layers. This incident resulted in the Indonesian economy slumping at a macro level and affecting all sectors, especially tourism (Atmojo & Fridayani, 2021). When the Indonesian economy is faced with a multidimensional crisis, MSMEs survive and are able to play a role in carrying out their functions both in producing goods and services in the midst of conditions that large businesses are unable to maintain their existence (Candraningrat et al., 2018). This is because the MSME sector has prospects for development; it also has different characteristics from large businesses which can be seen from the scale of business, the number of workers, and production capacity so that it has the toughness and resilience in maintaining business continuity. Indonesia is one of the countries that have a very high growth of MSMEs (Purnamasari, 2019). This is because small companies are quicker to recognize and take advantage of opportunities that have an impact on the great value generated for the business itself (Zacca, 2018).

According to the Department of Cooperatives and UMKM in Bali Province, SMEs that are still developing and surviving are SMEs that are engaged in the culinary field. This is supported by the existence of online such as Gofood and Grabfood which help business actors in the culinary field to still be able to offer and sell their products. The city of Denpasar is said to have felt the impact of the pandemic the most because the majority of economic activity was in the area so that the Regional Original Income (PAD) from the tourism sector also decreased greatly (Bali, 2021). There are government regulations that limit community activities that have an impact on all levels. There are digital platform that provide access to MSME actors, especially in the culinary field to market their products (Susila et al., 2022). The biggest challenges for MSMEs in the midst of the current pandemic are declining sales, capital and distribution problems). This provides broad opportunities for SMEs in the culinary sector to be able to grow and develop so that it is expected to be able to improve its performance. So it can be said that the potential for the development of MSMEs in the future will be even greater with the transformation of the economy which initially depended on natural resources and then moved to a science-based economy.

Based on the results of the BPS survey of the Province of Bali, the obstacles caused by the Covid-19 pandemic were the decline in sales which was the most faced which was 51.28%, debt payment problems as much as 32.54%, late payment of electricity as much as 25.21%, difficulty in paying wages labor as much as 28.96% and difficulties in paying the cost of raw materials as much

The Role of Tri Hita Karana Culture as Moderating the Effect of Competence on Business Performance through Competitive Advantage

as 23.51%. In addition, 47.06% of MSMEs in Denpasar City have taken company policies to issue policies to reduce output, such as reducing working hours, machines and personnel (Bali Province BPS Survey Results, 2020). This is supported by the results of temporary observations which stated that currently MSME actors are experiencing unstable financial conditions, so that it has an impact on cases as found by the results of the BPS survey. In addition, the perceived impact is the unstable condition of the company, related to the company's operating hours, employee performance and the decline in purchasing power also has an impact on the decrease in the number of customers (Wijaya et al., 2019).

Business performance is an indicator that is usually used to measure the success of a company in achieving the goals and targets that have been set (Avram and Avasilcai, 2014). Performance is also defined as the company's ability to meet customer satisfaction and win the market against its competitors through the products and services offered. MSME performance can be strongly supported by intangible resources that can be viewed from a financial and non-financial perspective. Where the increase in profit or turnover obtained as well as the growth in the number of assets, the number of employees and the number of customers become one of the measures in measuring its performance. Good performance is a performance that increases productivity and what is achieved is in accordance with what is expected. The business performance of MSMEs can be influenced by competence (Aulia, 2020).

Competence is a basic characteristic possessed by MSMEs in the form of basic basic knowledge, managerial abilities, and experience related to the business being run. With this, business performance can be influenced by the level of match between the required competencies and the competencies possessed (Škrinjarid and Domadenik, 2020). Competence is the basic ability of MSME managers that allows them to issue superior performance in their work so as to produce effective and superior work. This is in accordance with what was stated by Mardah (2017), Gemina and Ginanjar (2019), Purnamasari et al. (2019) found that competence had a significant positive effect on business performance.

Several studies on the effect of competence on performance show mixed results. The inconsistency of previous research was found in the research of Adiputra and Mandala (2017), Pramaishella (2017), Fahmi and Hadiyati (2020) found that competency results had no significant effect on business success. Meanwhile, research by Surepno et al. (2020) found that competence had a negative effect on performance. According to McWilliams and Siegel (in Finn et al., 2017), the difference in research results or inconclusive results is due to the misspecification of the research model. The positive, negative, and neutral results obtained are due to the fact that previous studies have eliminated the variables that mediate or moderate between competence and performance.

In this study, to improve business performance, the competitive advantage variable is used. Today, a company cannot succeed and maintain its position in the market if it does not carry out strategic planning and resource optimization (Ahlvik et al., 2016). The ability to see opportunities is observed as the result of a deliberate process created by company managers to manage their business and achieve competitive advantage (Zacca, 2018). Through a strategic perspective, the key to business success is the development of a unique competitive advantage, where excellence is the ability to produce things that are difficult for competitors to imitate and value for customers (Adiputra and Mandala, 2017).

SMEs that have a competitive advantage will make the performance of SMEs more advanced and improve along with changing times and the demands of increasingly diverse and tight market needs. So that by increasing their knowledge and skills through the learning process, strengthening their entrepreneurial intentions, and continuing to hone their managerial abilities in running a business, it will have an impact on their ability to create competitive advantage. So the importance of HR practices to increase the competitive advantage of organizations that are always results-oriented will enable companies to be more effective in gaining competitive advantage (Wahyudi, 2019). This will have an impact on performance according to research by Adiputra and Mandala (2017) which states that if competence is managed properly and has a competitive advantage, it can improve company performance.

Competence is also able to improve business performance through the application of local culture. MSME actors who have confidence in cultural values will certainly act better in decision making. Cultural values play an important role in many parts of human life, including building living systems and shaping individual behavior and also have a positive impact on business activities, which in turn has the potential to help maintain company performance (Mikalef et al., 2020). In addition, cultural capital combined with perseverance, and confidence in business can serve as explanatory variables for success among entrepreneurs (Klyver et al., 2018).

Tri Hita Karana (THK) is a local wisdom that has become the cultural identity of Balinese people in various sectors. The goal of THK is to achieve happiness by prioritizing the principles of togetherness, harmony and balance between economic motives, environmental preservation, culture, aesthetics, and spirituality (Tahu wt al., 2019). These values underlie the behavior of entrepreneurs and businesses in improving their performance. So that with the implementation of Parahyangan, Pawongan and

The Role of Tri Hita Karana Culture as Moderating the Effect of Competence on Business Performance through Competitive Advantage

Palemahan can make a real contribution to business performance (Astawa et al., 2019).

Business activities are certainly influenced by the internal and external environment. Thus in business life it is hoped that there will be harmony between management and employees, between the company and the community around the company which has an impact on a profitable situation for a business (Mulyadi et al., 2022). Currently, many MSME actors have unconsciously applied the THK concept in their management. If this concept is developed with the capabilities possessed, it can be a very appropriate corridor of life to improve performance as an impact of thinking based on business activities with a competitive paradigm. So that the high competence that is balanced with the application of the THK culture will improve performance (Wijaya & Suasih, 2020). Because basically, businesses that implement THK are based on the operationalization of business activities that are not merely pursuing efficiency but taking into account effectiveness, not only maximizing profit but also taking into account the benefits for all parties (). Based on the gap in the results of the study, a model was developed by adding mediating and moderating variables in the study in accordance with the phenomena that occurred in MSMEs in Denpasar City.

II. LITERATUR REVIEW

A. Resources Based View

The Resource Based View (RBV) explains that valuable, rare, difficult to imitate and irreplaceable resources can be a source of superior performance, and can enable companies to achieve a sustainable competitive advantage (Barney et al., 2021). The emergence of RBV originated from the classical approach in strategy formulation which generally departs from an assessment of the company's competencies and resources, where things that are different (distinctive) or superior to competitors can be the basis of competitive advantage. The success or failure of an organization is highly dependent on the resource factor. The competitive advantage of an organization is a company's strength that is strongly supported by good resources within the framework of a strategic, integrated, and interconnected and unity. Competition is at the core of a company's success or failure. Competition requires the accuracy of the activities of a company such as innovation and a good work culture. RBV theory emphasizes that in strategic management the main resources and drivers of the emergence of competitive advantage and being able to form superior performance are associated with things that are very valuable and difficult to duplicate (Mahdi et al., 2019).

B. Performance

Performance is the result obtained by an organization, both the organization is profit oriented and non-profit oriented which is produced over a period of time (Handayani et al., 2020). (Kawiana et al., 2020) explains that performance is the result of work seen from the aspect of quality, quantity, working time, and cooperation to achieve the goals set by the organization. Business performance is an accumulation of the results of activities carried out within the company itself (Ponte, 2020). Business performance is an important element of the company's performance in general because the performance of a company can be seen from its business performance. (Heidt et al., 2019) defines MSME performance as the work achieved by individuals and adjusts to the role or task of the individual in a company at a certain time period associated with a certain standard value measure of the MSME itself.

C. Competence

Human resource competence is a very valuable asset and is non-physical capital in the running of a business unit. According to (Martini et al., 2018) competence is a personal aspect of a worker that makes it possible to achieve superior performance. Another opinion by (Tambingon et al., 2018) explains that competence is an individual's ability to carry out a job correctly says that competence is closer to the capabilities or capabilities that are applied and produces employees or leaders or officials who show high performance. Another definition put forward by (Arifani & Susanti, 2020) explains that competence is a fundamental characteristic of every individual that is associated with superior or effective criteria in a job or situation.

D. Competitive Advantage

(Cantele & Zardini, 2018) A competitive advantage is obtained when a company implements a value creation strategy not simultaneously with the strategy implemented by existing or potential competitors. Different opinions say that companies must have the ability to differentiate products produced in competition to gain a competitive advantage (Suparna et al., 2021). Companies must have the ability to differentiate products produced in competition to gain a competitive advantage (Zameer et al., 2018).

E. Trihita Karana Culture

Literally the word "*Tri Hita Karana*" comes from the word "*Tri*" which means "Three" the word "*Hita*" means "Prosperity" then the word "*Karana*" which means "Cause". So "*Tri Hita Karana*", has the understanding that there are three elements that cause humans to achieve prosperity, happiness, and peace. (Tahu et al., 2019) *Tri hita karana* is a philosophy that is at the same time a

The Role of Tri Hita Karana Culture as Moderating the Effect of Competence on Business Performance through Competitive Advantage

concept of life and the cultural system of the Balinese people. Literally the word "*Tri Hita Karana*" comes from the word "*Tri*" which means "Three" the word "*Hita*" means "Wealth" then the word "*Karana*" which means "Cause". So "*Tri Hita Karana*", has the understanding that there are three elements that cause humans to achieve prosperity, happiness, and peace. *Tri hita karana* is a philosophy that is at the same time a concept of life and the cultural system of the Balinese people. This concept is the teachings of Tri Hita Karana and is already popular, even the world recognizes it (Astuti et al., 2019). A business system based on THK is a set of elements that have a reciprocal relationship, which has the aim of producing business management based on harmony and togetherness, in accordance with the socio-cultural foundation of the local community (Ginaya et al., 2019). THK culture consists of three dimensions, namely *parahyangan* (harmonious relationship between humans and God), *pawongan* (harmonious relationships between humans), and *palemahan* (harmonious relationships between humans and their natural environment) (Vita et al., 2018).

F. Relationship between variables and framework hypothesis

(Wijaya et al., 2019) with a research entitled The Influence of Competence and Entrepreneurial Orientation on Business Performance. (Astuti et al., 2019) with a research entitled *Tri Hita Karana* as Moderating Effect of *Good Corporate Governance* on the Performance of Village Credit Institutions in Denpasar City. (Heidt et al., 2019) with a research entitled The Effect of Capital, Government Support and Human Resource Competence on the Performance of Micro, Small and Medium Enterprises. (Vita et al., 2018) with a research entitled *Tri Hita Karana*, Organizational Commitment, and *Asta Dasa Paramiteng Prabhu* Effect on Organizational Performance. (Ginaya et al., 2019) with a research entitled The Influence of Accounting Information Systems (SIA), *Human Capital*, and *Tri Hita Karana* Performance in Regional Work Units (SKPD) in Buleleng Regency.
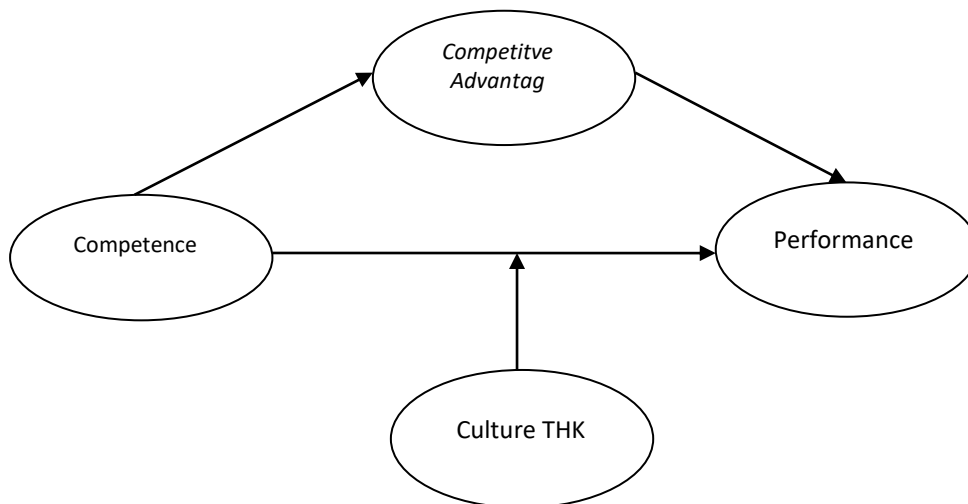
Figure 1. Research Concept Framework
Source: the author's results in 2022

H1: Competence has a direct effect on business performance in
H2: Competence has a significant effect on competitive advantage
H3: Competitive advantage has a significant effect on business performance
H4: Competitive advantage is able to mediate the relationship between competence and business performance
H5: Tri Hita Karana able to moderate the relationship between competence and business performance

III. RESEARCH METHOD

The research design used in this research is the explanatory research. This research was conducted to examine and explain the influence of the variables to be studied, namely the competence, competitive advantage culture Tri Hita Karana on business performance. This study limits the scope of research to the subject as respondents, namely MSMEs in Bali Province, especially Denpasar City, which was chosen as the location of the research to be carried out in December 2021 to March 2022.

The population in this study amounted to 604 MSME actors, the authors used the slovin to make research easier. To be clearer, the slovin proposed by Husein Umar (2013:78) is:

$$n = \frac{N}{1 + ne2}$$

The Role of Tri Hita Karana Culture as Moderating the Effect of Competence on Business Performance through Competitive Advantage

Dimana :
n = Sample size
N = Population size
e = *error tolerance*

$$n = \frac{604}{1+(604)(0,10)^2}$$

= 85,75 atau 100 respondent

Based on the above calculations, it can be seen that the number of respondents who will be taken in the study is 86 respondents.

IV.RESULTS AND DISCUSSION

A. Result

The data collection of this research was carried out by distributing questionnaires to respondents who were MSMEs in the culinary sector in Denpasar City with small and medium scale businesses. The results of data collection and analysis of the characteristics of research respondents are grouped into several groups, namely according to gender, age and latest education which will be described as follows:

Table 1. Characteristics of Respondents

Characteristics of Respondents		Amount (Person)	Percentage (%)
Gender			
1	Man	64	74,42%
2	Woman	22	25,58%
	Amount	**86**	**100**
Age			
1	< 20 year	3	3,49%
2	21 – 30 year	29	33,72%
3	31 – 40 year	39	45,35%
4	41 – 50 year	15	17,44%
5	> 50 year	0	0
	Amount	**86**	**100**
Last education			
1	SMA/SMK equivalent	20	23,26%
2	Diploma	14	18,28%
3	S1	51	59,30%
4	S2	1	1,16%
	Amount	**86**	**100**
Number of employees			
1	5 – 19 employees	81	94,19%
2	20 - 99 employees	5	5,81%
	Amount	**86**	**100**

Source: Data processed, 2022

Based on Table 1, there are 64 male respondents and 22 female respondents. This is because men are more daring in taking business risks; male entrepreneurs tend to start businesses after having work experience, and thus can draw on that experience to help their businesses succeed. Meanwhile, based on age, it was dominated by 39 people aged 31-40 years, 29 people aged 21-30 years old, 15 people aged 41-50 years old and under 20 years old as many as 3 people. This is because the age of 31-40 is a very productive age and has been supported by work experience. Based on the level of education, it is dominated by the last education of S1 as many as 51 people, SMA/SMK equivalent as many as 20 people and diploma 14 people S2 as many as 1 person. This is explained that there have been many entrepreneurs driven by undergraduates and this has indirectly impacted

The Role of Tri Hita Karana Culture as Moderating the Effect of Competence on Business Performance through Competitive Advantage

other scholars to do the same thing, namely to become *entrepreneurs*. In addition, based on the number of employees, respondents who have 5-19 employees are 81 people and 5 people have 20-99 employees. This explains that the research respondents are dominated by small businesses, which of course have implemented a competitive strategy .

Instrument Validity

Test Validity test is the level of accuracy of using the instrument on the symptoms of the questionnaire measurement, to determine whether the questionnaire taken is valid or not. The results of validity testing can be seen in Table 3 below:

Table 2. Validity Test Results of Research Instruments

No	Variable	Dimension	Indicator	Item	Validitas	
					Correlation coefficient	Info
1	Business Performance (Y2)	-	Finance	Y2.11	0,739	Valid
				Y2.12	0,823	Valid
			Non-Financial	Y2.13	0,882	Valid
				Y2.14	0,807	Valid
				Y2.21	0,875	Valid
				Y2.22	0,880	Valid
						Valid
2	Competence (X)	-	*Knowledge*	X1.11	0,689	Valid
				X1.12	0,730	Valid
				X1.13	0,768	Valid
			Attitude	X1.21	0,743	Valid
				X1.22	0,758	Valid
				X1.23	0,779	Valid
			Skill	X1.31	0,791	Valid
				X1.32	0,748	Valid
				X1.33	0,649	Valid
3	*Competitive Advantage (Y1)*	-	Innovation	Y1.11	0,821	Valid
			Quality	Y1.12	0,814	Valid
			ImprovementPengurangan	Y1.21	0,856	Valid
			Cost	Y1.22	0,838	Valid
				Y1.31	0,852	Valid
				Y1.32	0,863	Valid
4	THK culture (M)	*Parahyangan*	Religious	M1.11	0,748	Valid
				M1.12	0,766	Valid
			Spiritual	M1.21	0,734	Valid
				M1.22	0,720	Valid
		Pawongan	Humanist	M2.11	0,658	Valid
				M2.12	0,644	Valid
			Democratic	M2.21	0,727	Valid
				M2.22	0,640	Valid
		Palemahan	Nationalist	M2.31	0,556	Valid
				M2.32	0,616	Valid
			Aesthetic	M3.11	0,745	Valid
				M3.12	0,817	Valid
			Ecological	M3.21	0,806	Valid
				M3.22	0,801	Valid

Based on Table 2 it can be seen that the correlation score of each statement is greater than the critical (0.30). So it can be concluded that each statement item used in the study is valid.

The Role of Tri Hita Karana Culture as Moderating the Effect of Competence on Business Performance through Competitive Advantage

Instrument Reliability Test

Reliability test is a tool to measure a questionnaire which is an indicator of a variable. A questionnaire is said to be reliable or reliable if a person's answer to the statement is consistent from time to time. The test results can be seen in Table 4 below:

**Table 3. Reliability of Research Instruments**

No	Variable	Cronbach Alpha	Description
1	Business Performance	0,913	Reliable
2	Competence	0,895	Reliable
3	*Competitive Advantage*	0,917	Reliable
4	Parahyangan	0,718	Reliable
5	Pawongan	0,712	Reliable
6	Palemahan	0,794	Reliable

Source: Data processed, 2022

Based on the table above, it can be seen that each variable has a Cronbach alpha value above 0.60. So it can be concluded that the statements used in the study have consistency or have good reliability.

Inferential Analysis Results

Convergent validity is related to the indicators of a construct that aims to determine the validity of each relationship between the indicator and the construct or its latent variable. Convergent validity is measured using outer loading. The following is the result of the outer model that shows the outer loading value using the SmartPLS 3.0 analysis tool.
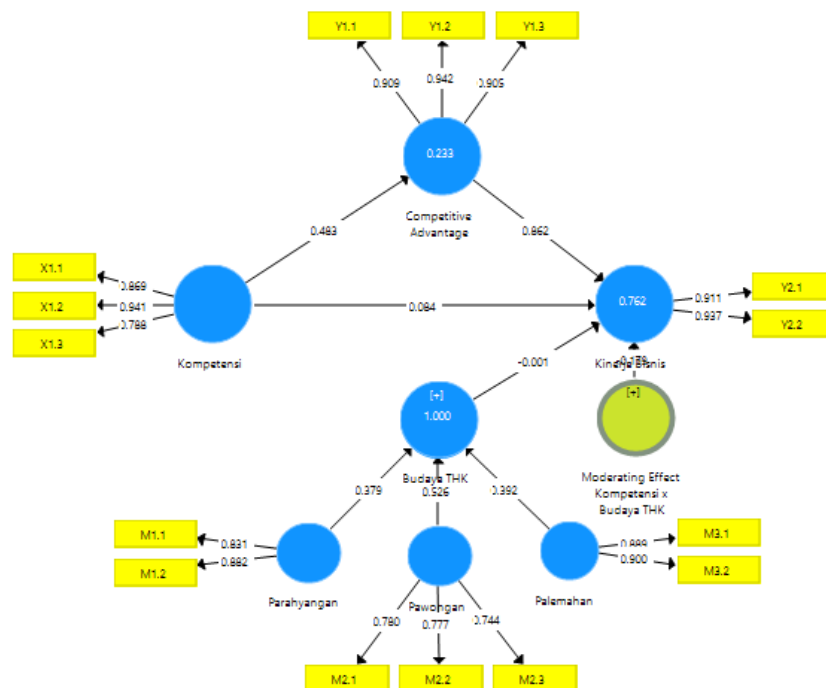
Figure 2. Convergent Validity Test Results

Results From the analysis results shown in Figure 2, it shows that as many as 15 indicators of all variables, have a value > 0.5. The following are the results of the estimated *loading factor* on all constructs of business performance, competence, *competitive advantage,* culture *tri hita karana which* are explained as follows:

Table 4. *Convergent Validity* Test Results

	THK Culture	Competitive Advantage	Business Performance	Competence	Mod Effect Competence x THK culture	Palemahan	Parahyangan	Pawongan
Competence * THK Culture					0.968			
M1.1							0.843	
M1.1	0.595							
M1.2	0.634							
M1.2							0.863	
M2.1								0.784
M2.1	0.743							
M2.2								0.772
M2.2	0.625							
M2.3								0.746
M2.3	0.591							
M3.1						0.867		
M3.1	0.583							
M3.2	0.568							
M3.2						0.860		
X1.1				0.868				
X1.2				0.942				
X1.3				0.791				
Y1.1		0.916						
Y1.2		0.939						
Y1.3		0.911						
Y2.1			0.930					
Y2.2			0.948					

Source: Data processed, 2021

Based on the results of the estimated *loading factor* in table 4, the value the items produced by the constructs of business performance, competence, *competitive advantage,* and *tri hita karana* have been 0.5. Thus it can be concluded that the whole construct can be said to be valid.

Discriminant validity

Discriminant validity is used to test the validity of a model. The value of *discriminant validity* can be done by comparing the value of the *square root Average Variance Extracted (AVE)* of each construct with the correlation between the construct and other constructs in the model. The results of the *cross loading* analysis *discriminant validity* can be seen in Table 5.

Table 5. Discriminant Validity Test Results

	THK culture	Competitive Advantage	Business Performance	Competence	Mod Effect Competence x THK culture	Palemahan	Parahyangan	Pawongan
Competence * THK culture	0.133	0.211	0.010	0.023	1.000	0.078	0.127	0.098
M1.1	0.595	0.124	0.104	-0.150	0.206	0.219	0.843	0.339
M1.1	0.595	0.124	0.104	-0.150	0.206	0.219	0.843	0.339
M1.2	0.634	-0.113	-0.052	-0.124	0.017	0.210	0.863	0.403
M1.2	0.634	-0.113	-0.052	-0.124	0.017	0.210	0.863	0.403
M2.1	0.743	0.098	0.039	-0.059	0.147	0.299	0.510	0.784
M2.1	0.743	0.098	0.039	-0.059	0.147	0.299	0.510	0.784
M2.2	0.625	0.041	0.023	-0.042	0.051	0.330	0.194	0.772
M2.2	0.625	0.041	0.023	-0.042	0.051	0.330	0.194	0.772
M2.3	0.591	-0.041	-0.023	-0.013	0.010	0.204	0.264	0.746
M2.3	0.591	-0.041	-0.023	-0.013	0.010	0.204	0.264	0.746
M3.1	0.583	0.122	0.063	0.033	0.079	0.867	0.259	0.296
M3.1	0.583	0.122	0.063	0.033	0.079	0.867	0.259	0.296
M3.2	0.568	-0.031	-0.020	0.090	0.056	0.860	0.174	0.334
M3.2	0.568	-0.031	-0.020	0.090	0.056	0.860	0.174	0.334
X1.1	-0.077	0.492	0.490	0.868	0.028	0.068	-0.224	-0.027
X1.2	-0.066	0.441	0.382	0.942	0.022	0.057	-0.157	-0.048
X1.3	-0.015	0.336	0.342	0.791	0.005	0.058	0.004	-0.067
Y1.1	0.095	0.916	0.723	0.558	0.205	0.098	0.016	0.094
Y1.2	0.072	0.939	0.731	0.387	0.250	0.064	0.037	0.063
Y1.3	-0.030	0.911	0.832	0.422	0.135	-0.009	-0.043	-0.018
Y2.1	0.028	0.721	0.930	0.390	-0.033	0.034	0.029	0.007
Y2.2	0.031	0.829	0.948	0.495	0.046	0.015	0.023	0.029

Source: Data processed, 2021

The test results in Table 6 explain that the index coefficient value of each construct is greater than the value of other construct indicators in the same block, so it is declared valid based on the discriminant validity criteria.

Composite reliability and cronbach alpha

Composite reliability and cronbach alpha are used to measure the reliability of a construct, namely to test the accuracy, consistency and accuracy of the instrument in measuring the construct.analysis Composite reliability is presented in table 6.

Table 6. Composite Reliability and Cronbach Alpha

	Cronbach's Alpha	rho_A	Composite Reliability
THK Culture	0.734	0.741	0.815
Competitive Advantage	0.912	0.914	0.945
Business Performance	0.868	0.880	0.938
Competence	0.839	0.865	0.902
Mod Effect _Competence x THK culture	1.000	1.000	1.000
Palemahan	0.659	0.659	0.854
Parahyangan	0.625	0.627	0.842
Pawongan	0.654	0.659	0.811

Source: Data processed, 2021

Based on Table 6 it can be explained that the *output results of composite reliability* and *Cronbach's alpha* for the constructs of business performance, competence, *competitive advantage,* culture *tri hita karana* have values index is greater than 0.60. So it can be concluded that the construct has good reliability.

Second Order Confirmatory Analysis

The significance of endogenous constituent indicators can be seen from the T-statistical value. If t-value > t table, then all indicators can be said to be significant in measuring endogenous constructs. The model results were carried out after the *bootstrapping* to assess the significance of the standard effect between variables. In the *bootstrap resampling*, the significance value used t-value is 1.96 (*significance level*= 0.05). The results of statistical tests to test the significance of latent variable indicators in the *second order* construct are presented in Table 7.

Table 7. *Path Coefficient* Significance Measurement (T-tatistics)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Palemahan -> THK Culture	0.367	0.353	0.070	5.221	0.000
Parahyangan -> THK Culture	0.387	0.378	0.071	5.471	0.000
Pawongan -> THK Culture	0.555	0.558	0.065	8.547	0.000

Source: Data processed, 2021

Based on the results of the *path coefficient* contained in Table 7 shows that all the items are significant to the construct with t-statistical values > 1.96 and p-values <0.05. Thus, it can be said that the *parayangan, pawongan* and *palemahan* are constructs that form the *tri hita karana cultural variables.*

Evaluation of the Structural Model *(Inner Model)*

Evaluation of the structural model through *R-Square*

The predictive power of the structural model can be measured using R*Square* explain the effect of certain exogenous latent variables on endogenous latent variables whether they have a certain influence.

Table 8. R-Square Value of Endogenous Variables

	R Square	R Square Adjusted
THK culture	1.000	1.000
Competitive Advantage	0.246	0.239
Business Performance	0.719	0.707

Source: Data processed, 2021

Table 8. shows that the R2 competitive advantage value is 0.246, this value explains that the variation in competence is able to explain the variation in competitive advantage by 24.60% percent, the remaining 75.40% percent is explained by variations in

other variables outside the model analyzed. While business performance has an R-square value of 0.719, meaning that the variation of competence is able to explain variations in business performance by 71.90% percent, the remaining 28.1% is explained by variations outside the model.

Evaluation of the structural model through Q-Square (Q2)

Q2 predictive relevance is used to present the synthesis of the validation and fitting functions with predictions of manifest variables and estimates of construct parameters. Q2 Predictive Relevance values of 0.002, 0.15 and 0.35 indicate that the model is weak, moderate, and strong. The value of Q2 > 0 indicates that the model has predictive relevance, while Q2 < 0 indicates that the model lacks predictive relevance. The formula for Q-Square is: Q2 = 1 - (1 - R12)(1-R22).

The value of Q-Square is = 1 - (1 - R12)(1 - R22) = 1 – (1 – 0.246) (1 – 0.719) = 0.788, based on this result, the model estimation result is included in the strong criteria, meaning 78 ,80% of the variation of endogenous constructs can be predicted by variations of exogenous constructs.

Path Analysis and Hypothesis Testing

The path diagram structure is used to describe the relationship between latent variables, both exogenous latent variables and endogenous latent variables, including the indicators that make up these latent variables in the form of a relationship diagram shown in Table 9 below:

Table 9. Path coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Competitive Advantage -> Business Performance	0.830	0.836	0.052	15.871	0.000
Competence -> Competitive Advantage	0.496	0.499	0.099	5.005	0.000
Competence -> Business Performance	0.068	0.061	0.062	1.096	0.274

Source: Data processed, 2021

The results as presented in Table 9 show that:

a. Competitive advantage has a positive effect of 0.830 on business performance, and the relationship is significant at the level of 0.000 <0.05 with a t-value of 15,871 which is greater than the t-table value of 1.96.

b. Competence has a positive effect on competitive advantage of 0.496, and the relationship is significant at the level of 0.000 <0.05 with a t value of 5.005.

c. Competence has an effect of 0.068 on business performance and the relationship is not significant at the level 0.274 > 0.05 because the t-statistic value is smaller than 1.96, which is 1.096.

Mediation Effect

Based on the calculation results, the mediation role test can be seen in the results of the following analysis:

Table 10. *Indirect Effect*

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Competence -> Business Performance	0.412	0.416	0.085	4.846	0.000

Source: Data processed, 2021

Table 11 shows the indirect relationship between competence and business performance through competitive advantage. The relationship between all constructs is positive. The direct relationship between competence and business performance can be seen in Table 12 below:

Table 11. Direct Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Competitive Advantage -> Kinerja Bisnis					
Kompetensi -> Competitive Advantage					
Kompetensi -> Kinerja Bisnis	0.412	0.416	0.085	4.846	0.000

Source: Data processed, 2021

The Role of Tri Hita Karana Culture as Moderating the Effect of Competence on Business Performance through Competitive Advantage

Based on Table 10 and Table 11, it can be explained that competitive advantage is a mediating variable between competence and business performance, because both direct and indirect relationships show significant results.

Moderation Effect

Based on the calculation results, the moderating role test can be seen in the results of the following analysis:

Table 12. Moderation Test

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Competitive Advantage -> Business Performance					
Competence -> Competitive Advantage					
Competence -> Business Performance	0.412	0.416	0.085	4.846	0.000

Source: Data processed, 2021

Based on Table 12, it can be explained that the relationship between tri hita karana culture and business performance has a coefficient of 0.018 with a t statistic of 0.288 with a significance of 0.789 > 0.05. The relationship between competence and business performance has a coefficient of -0.068 with a significance of 0.274 > 0.05. In addition, the moderating effect of the tri hita karana culture has a coefficient of -0.175 with a t statistic of 2.163 with a significance of 0.031 < 0.05 so it can be concluded that the tri hita karana culture is able to moderate (pure moderation) who strengthens the relationship between competence and business performance.

V. DISCUSSION

Based on the results of the research, there are several implications that emphasize the real benefits of the research results to encourage and improve the business performance of MSMEs in the culinary sector in Denpasar City. Competence, competitive advantage, and tri hita karana culture are very important, because by implication it will affect business performance. The discussion related to the research results is described in detail as follows:

The Effect of Competence on Business Performance

Based on the results of the analysis of the influence of competence on business performance, tcount (1.096) < ttable (1.96) with a significance level of 0.274 > 0.05, so h0 is accepted, ha is rejected, which means that competence has no significant effect on the business performance of MSMEs in the culinary sector in Denpasar City. . The significance level above 0.05 means that the competence does not significantly affect the level of business performance.

Business performance is the result of the goals of an organization achieved through the effectiveness of the strategies and techniques used. The availability of human resources who have sufficient competence will be able to carry out business strategies successfully which have an impact on performance. In this study, competence refers to knowledge, attitude, and skills that have no effect on performance. This can happen because by implication competence is used to create strategies to achieve competitive advantage. In the culinary business, competence is used to create a different and unique taste of food so that it does not directly impact performance but creates uniqueness or advantages over competitors.

Based on the statement items regarding knowledge related to business basics in managing a business, the descriptive description has the lowest value. This illustrates that MSME managers who have poor management knowledge are not able to significantly improve business performance. In addition, the culinary sector business can be managed by someone who does not have competence in the culinary field (cooking) because in the culinary field, special competencies are usually owned by cooks or chefs. Judging by the business characteristics, this study was dominated by 59 people with the latest bachelor's degree education, this is in accordance with the results of the study that competence seen from knowledge does not have a direct impact on business performance. The results of this study are in line with those produced by (Handayani et al., 2020); (Tambingon et al., 2018); (Cantele & Zardini, 2018) who get competency results that do not have a significant effect to business success.

Effect of Competence on Competitive Advantage

Based on the results of the analysis of the influence of competence on competitive advantage, it is obtained that tcount (5.005) > ttable (1.96) with a significance level of 0.000 <0.05, so that h0 is rejected, ha is accepted, which means that competence has a significant positive effect on the competitive advantage of SMEs in the culinary sector in Denpasar City. The resulting coefficient

of 0.496 indicates that the better the competencies possessed, the MSMEs will be more able to compete. The significance level below 0.000 means that competence affects the level of competitive advantage significantly.

In this study, most MSMEs admit that their competitive advantage lies in consistency in innovating products and services according to consumer tastes, and implementing competitive strategies well, which can be seen in the descriptive description. Therefore, the competence of MSME managers, both owners and managers, must be maximized in order to achieve competitive advantage. In a pandemic situation like this, MSME managers are expected to be able to create the right strategy to be able to create the right and beneficial strategy for the company, internal and external parties. Competitive advantage can be understood by looking at the organization as a whole, so the importance of HR practices to increase the competitive advantage of organizations that are always results-oriented and enable companies to be more effective in gaining competitive advantage. Based on the characteristics of the respondents, it is dominated by the age of 31-40 years who are of productive age and have sufficient experience to determine competitive strategies. The results of this study are in line with the research of (Handayani et al., 2020); (Tambingon et al., 2018); (Zameer et al., 2018) in their research, which shows that competence, has a positive and significant effect on competitive advantage.

The Effect of Competitive Advantage on Business Performance

Based on the results of the analysis of the effect of competitive advantage on business performance, it was obtained tcount (15.871) > ttable (1.96) with a significance level of 0.000 <0.05, so that h0 was rejected, which means that competitive advantage had a significant positive effect on the business performance of the culinary sector SMEs in Indonesia. Denpasar City. The coefficient obtained is 0.337, indicating that the better the competitive advantage, the higher the business performance of the culinary sector MSMEs in Denpasar City. The significance level above 0.000 means that competitive advantage affects the level of business performance significantly.

This study proves that the business performance of MSMEs in the culinary sector is determined by the ability of the business to win the competition through its advantages. Competitive advantage basically grows from the value or benefits created by MSMEs for its buyers that are more than the costs that must be incurred to create it. In this study, the advantage of SMEs in the culinary field lies in cost. This indicates that reducing costs to create something superior is the best option. This is related to the current economic condition which is experiencing a slowdown in economic growth and a decline in demand due to the impact of the pandemic which requires companies to be able to provide quality products and services at the lowest prices. Through a strategic perspective, the key to business success is the development of a unique competitive advantage (Wijaya et al., 2019); (Heidt et al., 2019); (Arifani & Susanti, 2020) who conclude that competitive advantage has a positive and significant effect on the performance of SMEs.

The Role of Competitive Advantage in Mediating the Relationship between Competence and Business Performance

Based on the results of the mediating analysis of the influence of competence on business performance through competitive advantage, the results of direct and indirect significance are 0.000 < 0.005 so that h0 is rejected, ha is accepted, which means that competitive advantage is able to mediate the relationship between competence and business performance of MSMEs in the culinary sector in Denpasar City. In order to improve company performance, competitive advantage is seen as something that can be used as a company strategy. Competitive advantage is a position that the organization is still working on in an effort to beat competitors. In this study, it can be seen that competence has an influence on performance through competitive advantage. This indicates that the competence of SMEs in the culinary sector is able to create uniqueness or a differentiator so that it has an impact on overall business performance. Utilization of resources and capabilities in order to build competitiveness is directed at efforts to capture various opportunities to overcome various threats in competition. The results of this study are in line with the research of (Kawiana et al., 2020); (Ponte, 2020); (Heidt et al., 2019); (Vita et al., 2018) explaining that competitive advantage is proven to be able to mediate the effect of product human resource competence on company performance.

The Role of Tri Hita Karana Culture in Moderating the Relationship between Competence and Performance

Based on the results of the moderating analysis of the relationship between tri hita karana culture and business performance, it has a coefficient of 0.018 with tcount of 0.268 < ttable (1.96) with a significance of 0.789 > 0.05. While the relationship between competence and business performance has a coefficient of -0.068 with a significance of 0.274 > 0.05. In the moderating effect, the Tri Hita Karana culture has a coefficient of -0.175 with a t statistic of 2.163 with a significance of 0.031 <0.05, so it can be concluded that Tri Hita Karana culture is a moderating variable (pure moderation) which strengthens the relationship between competence and business performance.

The Role of Tri Hita Karana Culture as Moderating the Effect of Competence on Business Performance through Competitive Advantage

In general, these results illustrate that competence is able to improve MSME business performance, while the implementation of THK culture can significantly reduce the level of business performance. Based on the descriptive description, it is said that the highest score for MSME managers participates in various activities in preserving the environment, such as paying waste fees and carrying out social activities. This has an impact on the decline in performance, especially in financial. Especially during a pandemic like now, the costs that come out will burden income that is not optimal. In addition, social activities that are often carried out will also reduce the performance of the employees they have. This study is in line with the results obtained by (Vita et al., 2018); (Tahu et al., 2019) explain that the tri hita karana culture has an effect on government performance.

VI. CONCLUSIONS AND SUGGESTIONS

Competitive advantage acts as a full mediation between the competence and business performance of MSMEs in Denpasar City. This explains that the competencies possessed do not directly impact business performance, but will increase competitive advantage. Tri hita karana culture is a pure moderating variable that weakens the relationship between competence and business performance of MSMEs in Denpasar City. This means that, with the application of the tri hita karana culture, it will reduce business performance.

The characteristics of MSME managers consist of basic knowledge related to business management, business experience, and attitudes that play a role in competency formation. Therefore, to be able to achieve business performance, the owners must be able to increase their competence, because increasing competence will contribute to the ability to set strategies to achieve excellence and the impact is the achievement of maximum business performance. a THK has a role in business performance in order to foster confidence in the business being carried out. Based on these findings, owners can develop a pattern that will increase trust in THK cultural values which essentially guides humans to be able to maintain harmonious relationships (real efforts to implement THK values in MSMEs) between: humans and their God (parahyangan), humans with each other (pawongan), and humans with their natural environment (palemahan) to achieve business continuity in the long term. If this trust increases, it will certainly lead to the growth of a feeling that every activity carried out will produce results.
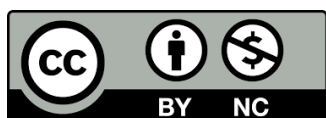
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