

The Effect of Strategy and Management Control System on Business Performance and Innovation Capabilities Mediating Variable

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ABSTRACT: This research seeks to elucidate the correlation between strategic utilization and Strategic success Management (SPM), with innovation serving as a mediator in the interaction between SPM and corporate success. This study will be undertaken on MSMEs situated in DKI Jakarta. This study employs a survey methodology by distributing questions through Google Forms to managers and operators of Micro, Small, and Medium Enterprises (MSMEs). The acquired data is subsequently utilized to evaluate the research model and hypothesis through Structural Equation Modelling (SEM) analysis with AMOS software. The research findings indicate that the Prospector Strategy and The Defender Strategy partially affects Personnel Control and Cultural Control. Innovation influences business performance. Personnel Control and Cultural Control affect Business Performance through the mediation of Innovation.

KEYWORDS: Bussines Performance, Cultural Control, Defender Strategy, Innovation, Personnel Control, Prospector Strategy

1. INTRODUCTION

MSMEs encounter numerous resource shortages, including the absence of economies of scale, limited financial asset ownership, diminished bargaining leverage with suppliers and customers, and less management expertise (Sen et al., 2023). The prevalent deficiency in business acumen among several MSME proprietors/operators has rendered the assessment of the correlation between competitive strategy and organizational performance challenging. In contrast to huge corporations, MSMEs typically function with constrained resources. Consequently, SMEs attempting to appeal to a wide market through cost leadership or differentiation tactics encounter persistent competition from established multinational brands, while receiving minimal assistance from governmental and financial institutions (Parnell et al., 2015). The issues faced by major corporations and small to medium-sized enterprises (MSMEs) are typically dissimilar and necessitate distinct methods, contingent upon the company's size (Andersén, 2012). The strategy perspective of MSMEs, shaped by their product and market transformation, inherently diverges from that of larger firms within the same industry (Kumar et al., 2012). In these companies, the majority of decisions are taken with the direct involvement of the chief executive or founder (Shirokova & Shatalov, 2010).

Organizations can concentrate on sectors that necessitate enhancement by evaluating their business performance (Škrinjar et al., 2008; Wahyuni & Sara, 2020). Business performance is a measure of the organization's ability to attain its objectives, which are essential for its sustainability. This includes both financial and non-financial performance (Rehman et al., 2019). Jamil & Moamed (2011) state that Management Control Systems (MCS) are essential for the advancement of organizations, as they instill confidence in senior management to focus their attention on processes that can be managed by exception and to provide important information. SPM is seen as a fundamental component of top management's responsibilities (Rehman et al., 2019). In the contemporary business environment, SPM has become a necessity and has a significant impact on business performance (Rehman et al., 2019). Furthermore, SPM serves as an important resource that assists top management in their decision-making processes and impacts business performance (Agbejule, 2011).

Over the past few years, SPM has held a essential role in enhancing the performance of MSMEs to achieve sustainable competitive advantage in today's market (Rehman et al., 2019). The concept of SPM includes both formal and informal elements used by management in the decision-making process to maintain a consistent pattern of organizational activities (Simons, 1990). Organizations operate in a competitive and demanding market that can reduce their performance (Rehman et al., 2019). However, SPM is considered an important organizational asset to mitigate these challenges. SPM functions as a tool for strategy

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implementation (Gani & Jermias, 2012) and SPM must be carefully designed to enhance strategies for achieving competitive advantage and performance improvement (Langfield-smith, 1997). Secondly, it explores the reciprocal influence of SPM on strategy, viewing SPM as a system management mechanism used to formulate strategic initiatives (Gani & Jermias, 2012), and SPM plays an important role in strategy formulation and has lasting implications across the continuum of strategic management (Henri, 2006). Third, adopting a contingency theory perspective, arguing that certain SPMs are more appropriately aligned with specific strategies; in other words, there must be a fit between strategy and SPM (Chenhall, 2003; Gani & Jermias, 2012). As a result, the interaction between strategy and PMS manifests as a system where PMS facilitates strategy development, and the processes and mechanisms of PMS evolve to align with the strategy (Gani & Jermias, 2012; Kober et al., 2007).

Various studies mentioned above explain that the findings provided by the interplay between strategy, SPM, and performance from a research perspective remain ambiguous and sometimes contradictory (Chenhall, 2003; Langfield-smith, 1997a; Otley, 2016). The ambiguous findings can be ascribed to the diverse conceptualizations and operationalizations of SPM and strategy. While various studies have established a correlation between SPM and performance, the findings are still ambiguous and fragmented. The application of operationalizing business strategy and SPM can result in a more coherent and consistent comprehension of the relationship between performance, SPM, and strategy. Strategy explains how organizations as collectives adapt to environmental changes (Miles et al., 1978). This research will examine the relationship between the strategy formation processes, namely the prospector strategy and defender strategy, and the use of MCS.

The following research gap this research will emphasize the relationship between the use of strategy and SPM with innovation, which mediates the relationship between SPM and business performance. This study will be conducted on MSMEs located in DKI Jakarta. The selection of these three provinces is based on the fact that 15.57% of MSMEs are located in these three provinces (Ministry of Cooperatives and MSMEs 2024). The focus on MSMEs in Indonesia is due to their declining competitiveness. This decline in competitiveness may occur due to the inability of business strategies to respond to changes in demand and adverse situations (Harms et al., 2021; Laine & Galkina, 2017; Laskovaia et al., 2019), the use of inappropriate (Ferreira & Otley, 2009; Malmi et al., 2020; Toldbod & van der Kolk, 2022), and low capabilities (Bahta et al., 2020; Farooq, 2021; Gyedu et al., 2021; Kafetzopoulos et al., 2020; Latifah et al., 2021).

2. THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

The prospector and defender strategies employed in this research represent the ultimate outcomes of decision-making behavior, as previously elucidated. Miles dan Miles i., (1978) assert that identifying strategic positions involves viewing the adaptive cycle as a dynamic framework for the company's reactions to the competitive landscape. They contend that successful prospectors and defenders exhibit innovation, albeit in distinct manners, aligning their innovative behaviors with the adaptive cycle. Miles and Snow in Ketchen Jr & Giunipero, (2004) note that both Prospectors and Defenders are 'path-dependent' and tend to conduct only restricted searches for new alternatives, which indicates that a company's innovative behavior generally consolidates its strategic position. Consequently, alternative research viewpoints regard strategic orientation and innovation processes as consistent and lasting attributes of a company's identity (Pérez-Luño et al., 2011; Rauch et al., 2009).

Irrespective of their strategy, organizations consistently implement a framework of controls to guarantee that outcomes correspond with their objectives, a phenomenon extensively examined by SPM researchers, predominantly underpinned by contingency theory. Prior SPM design research utilized the Influence of Organizational Structure Review (Galbraith, 1973) to examine how contingency variables, including technology, firm size, and strategy, influence decision-making patterns in managerial control (Chenhall, 2003). The correlation between SPM and strategy has emerged as a prominent focus of inquiry within contingency theory (Langfield-smith, 1997). This study posits that strategy is a contingent aspect that influences SPM design, necessitating each firm to tailor its design to its specific qualities (Langfield-smith, 1997).

The SPM must be modified to align with the company's strategy, whether as a defender or a prospector, to improve competitiveness and performance (Turner & Endres, 2017; Widener, 2004). According to the arguments in the contingency literature, prospectors typically implement several controls to identify the most appropriate for their strategy (Brown & Dev, 2000). The classification commonly employed in SPM investigations was introduced by Merchant & Stede, (2017), who categorized management controls into personnel control and cultural control.

Innovation involves the development or improvement of marketing systems, management, processes, and products for both new and existing offerings. It consistently serves a crucial function in forecasting a business's lifetime and assessing its performance, sustainability, and worldwide competitiveness (Maldonado-Guzmán et al., 2019; YuSheng & Ibrahim, 2020). Certain

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PS : Prospector Strategy
DS : Defender Strategy
PC : Personnel Control
CC : Cultural Control
INO : Inovation
BP : Business Performance

In Figure 1, it can be explained that the use of SPM is influenced by strategy; in other words, the use of SPM will adjust to the formation of strategy. The strategy with a process approach here consists of prospector strategy (PS) and defender strategy (DS). Meanwhile, the use of SPM consists of personnel control (PC) and cultural control (CC). The use of SPM will subsequently facilitate organizational capabilities that encompass innovation (INO), which in turn, high capabilities will enhance business performance.

The hypotheses used in this study are as follows:

- H1: The Prospector Strategy has a positive effect on Personnel Control
- H2: The Prospector Strategy has a positive effect on Cultural Control
- H3: Defender Strategy positively influences Personnel Control
- H4: Defender Strategy has a positive impact on Cultural Control
- H5: Innovation has a positive impact on Business Performance
- H6: Personnel Control has a positive effect on Business Performance through Innovation
- H7: Cultural Control positively affects Business Performance through Innovation

3. RESEARCH METHOD

This research will be conducted on MSMEs located in DKI Jakarta. The selection of these three provinces is based on the fact that 15.57% of MSMEs are located in these three provinces (Ministry of Cooperatives and SMEs 2024). This research was conducted using a survey method by sending questionnaires to managers and business actors of MSMEs. Meanwhile, the return of the completed questionnaires was done by the respondents directly to the researchers using Google Forms and by meeting directly with the managers and business actors of MSMEs. The data that has been obtained is then used to test the research model and hypothesis with the help of Structural Equation Modelling (SEM) AMOS analysis. The model must be tested using SEM in the following seven stages.

- a. Development of theory-based models;
- b. Development of path diagrams to show causal relationships;
- c. Selection of input matrices and estimation techniques for the constructed model;
- d. Assessing the identification problem;
- e. Model evaluation is performed using five sorts of assessments, specifically:
 - 1. Normality assessed with a critical value criterion of roughly 2.58 at a significance level of 0.01.
 - 2. An outlier is an observation or data point that possesses distinctive properties, rendering it markedly different from other observations, applicable to both single-variable and multivariable models.
 - 3. Multicollinearity and singularity, which are the factors influencing the sample covariance matrix. A minimal or negligible determinant indicates multicollinearity and singularity, permitting the utilization of the data in study.
 - 4. Evaluation of goodness of fit
 - 5. Validity and reliability tests

In testing using AMOS, the reliability test can be conducted with the help of calculation formulas. The formulas for calculating construct reliability (CR) and average variance extracted (AVE) are as follows:

$$CR = \frac{(\sum \text{Standar Loading})^2}{(\sum \text{Standar Loading})^2 + \sum \varepsilon_j}$$

The AVE value is obtained from the calculation:

$$AVE = \frac{(\sum \text{Standar Loading}^2)}{(\sum \text{Standar Loading}^2) + \sum \varepsilon_j}$$

- f. Interpretation and modification of the model;
- g. Cross-validation of the model.

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4. RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive analysis is performed to offer an in-depth overview of each statement or indicator measured in the research. The purpose of this process is to find patterns and trends in respondents' answers for a comprehensive understanding of how they perceive the variables being studied. In this study, the descriptive analysis of respondents' answers uses the mean analysis technique, which is a group explanation technique based on the average value of that group. The average is calculated by summing all the observation data values and then dividing by the number of data points.

Prospector Strategy

The perception data of respondents' responses to the prospector strategy variable as a whole can be seen as follows:

Table 1. Respondents' Perception of the Prospector Strategy

Code	Mean	SD
PS1	4.6357	1.20505
PS2	4.6512	1.17693
PS3	4.7287	1.22953
PS4	4.7364	1.18927
PS5	4.6589	1.24057
PS6	4.6202	1.32991

On the basis of the aforementioned Table 2, the highest mean in perceiving the prospector strategy is in the statement PS4, which is "Business units believe in being the 'first' in the industry in new product development" with an average score of 4.7364. Meanwhile, the lowest mean is found in the statement PS6, which is "The business unit quickly responds to early signals of opportunities in the environment," with a value of 4.6202.

Defender Strategy

The perception data of respondents' responses to the Defender strategy variable as a whole can be seen as follows:

Table 2. Respondents' Perception of the Defender Strategy

Code	Mean	SD
DS7	4.6667	1.26450
DS8	4.7054	1.25252
DS9	4.6744	1.19349
DS10	4.8140	1.29764
DS11	4.4496	1.39172

On the basis of the aforementioned Table 3, it shows that the highest mean in perceiving the defender strategy is in statement DS10, which is "The business unit strives to protect the domain of the environment in which it operates by emphasizing lower prices than its competitors"; with an average score of 4.8140. Meanwhile, the lowest mean is found in statement DS11, which states, "The business unit focuses on efforts to achieve the best performance in a relatively narrow market-product domain"; with a value of 4.4496.

Personel Control

The perception data of respondents' responses to the personnel controls variable as a whole can be seen as follows:

Table 3. Respondents' Perception of Control Personnel

Code	Mean	SD
PC12	4.6124	1.27052
PC13	4.6589	1.29600
PC14	4.8295	1.37570
PC15	4.5736	1.52467
PC16	4.5116	1.55682

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On the basis of the aforementioned Table 4, it shows that the highest mean in perceiving personnel controls is in statement PC14, which is "The emphasis is placed on recruiting the most suitable applicants for specific job positions"; with an average score of 4.8295. Meanwhile, the lowest mean is found in statement PC16, which is "Our employees receive many opportunities to expand their skill sets"; with a value of 4.5116.

Cultural Control

The perception data of respondents' responses to the cultural controls variable as a whole can be seen as follows:

Table 4. Respondents' Perception of Cultural Controls

Code	Mean	SD
CC17	4.6124	1.51198
CC18	4.5736	1.46189
CC19	4.7287	1.29151
CC20	4.7597	1.30369
CC21	4.7364	1.30814

On the basis of the aforementioned Table 5, it shows that the highest mean in perceiving cultural controls is in statement CC20, which is "Our employees are aware of the organization's core values"; with an average score of 4.7597. Meanwhile, the lowest mean is found in statement CC18, which is "Our mission statement conveys the organization's core values to our employees"; with a value of 4.5736.

Innovation

The perception data of respondents' responses to the innovation variable as a whole can be seen as follows.

Table 5. Respondents' Perception of Innovation

Code	Mean	SD
INO22	4.8760	1.35789
INO23	4.7287	1.37359
INO24	4.6822	1.27466
INO25	4.8140	1.34494
INO26	4.8682	1.34849
INO27	4.8760	1.37504
INO28	4.8295	1.37001

On the basis of the aforementioned Table 6, it shows that the highest mean in perceiving innovation is in the statement INO22, which is "We create new products and services," and INO27, which is "We introduce better products and services that already exist for the local market," with an average score of 4.8760. Meanwhile, the lowest mean is found in the statement INO24, which is "We commercialize completely new products and services"; with a value of 4.6822.

Business Performance

The perception data of respondents' responses to the overall business performance variable can be seen as follows.

Table 6. Respondents' Perception of Business Performance

Kode	Mean	SD
BP29	4.7752	1.34188
BP30	4.7597	1.35655
BP31	4.8062	1.40911
BP32	4.8760	1.32881
BP33	4.8450	1.36616

On the basis of the aforementioned Table 7, it shows that the highest mean in perceiving business performance is in the statement BP32, which is "First to market with a new application," with an average score of 4.8760. Meanwhile, the lowest

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mean is found in statement BP30, which is "The success rate of new products relative to the biggest competitor," with a value of 4.7597.

Data Analysis

The preliminary step in this methodology involves converting a multi-construct model into the format suitable for Confirmatory Factor Analysis (CFA). CFA is intended to assess the validity of a theoretical construct. The latent variables employed in the study are constructed from theoretical notions accompanied by many indications or manifestations. Confirmatory analysis seeks to ascertain the validity of these indicators as measurements of the hidden construct.

a) Confirmatory Factor Analysis Exogenous Construct

The results of the CFA test for the exogenous variable are shown in Figure 2 below.

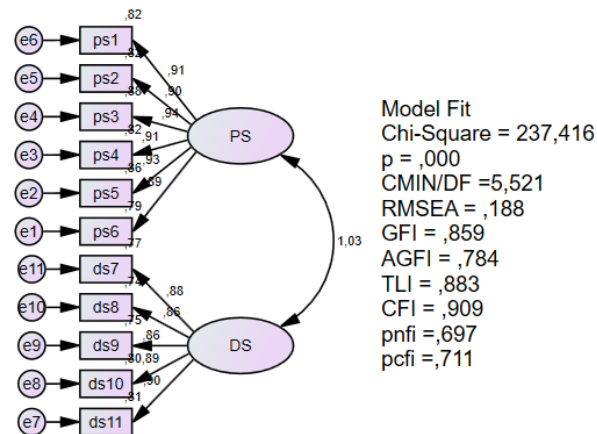


Figure 2. Confirmatory Factor Analysis Exogenous Construct

The CFA test can be seen from the goodness of fit (GoF) index results of the exogenous construct. GoF used to generate a comparison between the model specified through the covariance matrix and the observed indicators. The subsequent table provides a summary of the quality of fit:

Table 7. Goodness of Fit Exogenous Construct

Goodness of Fit	Cut-Off Value	Results	Explanation
Chi-Square	Expected Small	237.416	
Probability	≥ 0.05	0.000	Not Fit
CMIN/DF	X ² relative less than 2.0 or 3.0	5.521	Not Fit
GFI	≥ 0.90	0.859	Marginal Fit
AGFI	≥ 0.90	0.784	Not Fit
TLI	≥ 0.90	0.883	Marginal Fit
CFI	≥ 0.90	0.909	Fit
PNFI	≥ 0.50	0.697	Fit
PCFI	≥ 0.50	0.711	Fit
RMSEA	≤ 0.08	0.188	Not Fit

Following to Table 7, it is found that there are several goodness of fit indicators that do not yet meet the criteria. This indicates that the confirmatory test has not yet been accepted, so construct elimination and modification indices were applied to the research flow diagram of the exogenous variable.

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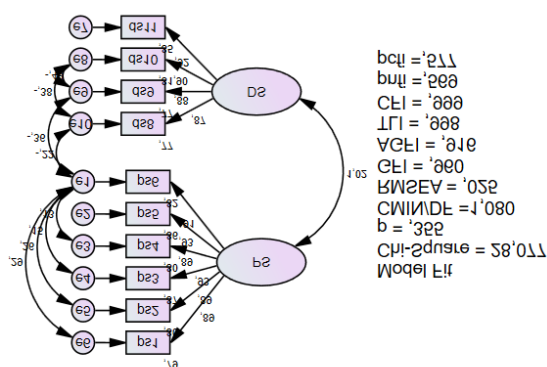


Figure 3.Re-estimation of Confirmatory Factor Analysis Exogenous Construct

The summary of the GoF after re-estimation is presented in Table 8:

Table 8. Goodness of Fit Exogenous Construct

Goodness of Fit	Cut-Off Value	Results	Explanation
Chi-Square	Expected Small	28.077	
Probability	≥ 0.05	0.355	Fit
CMIN/DF	X^2 relative less than 2.0 or 3.0	1.080	Fit
GFI	≥ 0.90	0.960	Fit
AGFI	≥ 0.90	0.916	Fit
TLI	≥ 0.90	0.998	Fit
CFI	≥ 0.90	0.999	Fit
PNFI	≥ 0.50	0.569	Fit
PCFI	≥ 0.50	0.577	Fit
RMSEA	≤ 0.08	0.025	Fit

Following to Table 8, it is found that there are several goodness of fit indicators that do not yet meet the criteria. This indicates that the confirmatory test is not yet acceptable, so modification indices were applied to the path diagram of the endogenous variable research.

Reliability denotes the stability and consistency of indicators in unidimensionally describing a measured construct. In the CFA framework, reliability is often assessed by two metrics: Construct Reliability and Variance Extracted. A research instrument demonstrates sufficient reliability when the CR coefficient is ≥ 0.70 and the variance extracted is ≥ 0.5 . The outcomes of the construct reliability and variance extraction computations are presented in the subsequent table:

Table 9. Exogenous Construct Reliability Test

Variable	AVE	CR
PS	0.82	0.97
DS	0.80	0.94

From the above calculations, an AVE value of > 0.5 and CR of > 0.7 were obtained. This indicates that all exogenous variables have met the reliability testing requirements.

A normality test will subsequently be conducted on the endogenous variables. The normality assessment is indicated by the Critical Ratio (c.r) values for skewness and kurtosis. The criterion for univariate normality requires that each indicator of the research variable has a c.r for skewness with a critical value of ± 2.58 at the 0.01 (1%) significance level. If this condition is met, the data distribution is considered univariate normal, thus fulfilling the assumption of univariate normality. The criteria for

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assessing multivariate normality require that a multivariate value attain a critical threshold of ± 2.58 , signifying that the data distribution adheres to normality within a multivariate framework and that the assumption of multivariate normality is fulfilled. Please consult the table below for the results pertaining to data normality.

Table 10. Exogenous Construct Normality Test

Variable	skew	c.r.	kurtosis	c.r.
ds8	,115	,532	-,823	-1,909
ds9	,178	,824	-,964	-2,234
ds10	-,082	-,381	-,895	-2,075
ds11	-,070	-,326	-,911	-2,112
ps1	,029	,133	-1,066	-2,471
ps2	,067	,313	-,993	-2,301
ps3	-,080	-,370	-1,015	-2,352
ps4	-,068	-,313	-,864	-2,004
ps5	-,046	-,215	-1,174	-2,722
ps6	,020	,093	-1,018	-2,360
Multivariate			,589	,216

The critical ratio (c.r.) skewness values for each question indication are presented in the table above. All question indicators satisfy the univariate normality assumption, as all crucial ratio skewness values are within the ± 2.58 range. The multivariate normality assumption is valued at 2.065. This indicates that the result resides inside the ± 2.58 range, so confirming the satisfaction of multivariate normality.

The Mahalanobis distance figures for each observation in the AMOS program output indicate the distance of an observation from the mean of all variables in a multidimensional space, thereby displaying multivariate evaluation. The decision-making criterion requires the identification of multivariate outliers when the p1 value is less than 0.001.

Table 11. Evaluation of Exogenous Construct Outliers

Observation number	Mahalanobis d-squared	p1	p2
58	23,870	,008	,643
98	20,833	,022	,785
3	20,159	,028	,698
...	...	...	...
...	...	...	...
100	7,553	,672	,020
101	7,510	,677	,015
12	7,473	,680	,011

It is evident from the analysis results in the table above that there is no data with a value of $p1 < 0.001$. This implies that the data is devoid of multivariate outliers.

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b) Confirmatory Factor Analysis Construct Endogenous

The results of the CFA test for the endogenous variable are shown in Figure 2 below.

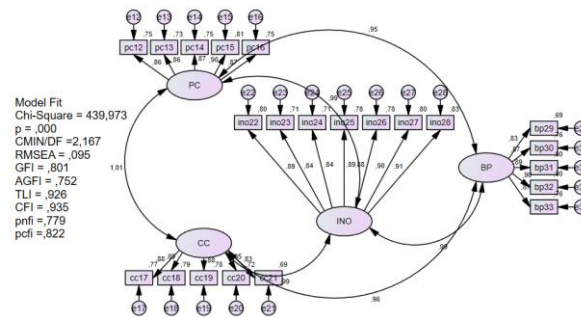


Figure 4. Confirmatory Factor Analysis Endogenous Construct

The CFA test can be seen from the GoF index results of the exogenous construct. GoF used to generate a comparison between the model specified through the covariance matrix and the observed indicators. The subsequent table provides a summary of the quality of fit:

Table 12. Goodness of Fit Endogenous Construct

Goodness of Fit	Cut-Off Value	Results	Explanation
Chi-Square	Expected Small	439.973	
Probability	≥ 0.05	0.000	Not Fit
CMIN/DF	X^2 relative less than 2.0 or 3.0	2.167	Fit
GFI	≥ 0.90	0.801	Marginal Fit
AGFI	≥ 0.90	0.752	Not Fit
TLI	≥ 0.90	0.926	Fit
CFI	≥ 0.90	0.935	Fit
PNFI	≥ 0.50	0.779	Fit
PCFI	≥ 0.50	0.822	Fit
RMSEA	≤ 0.08	0.095	Not Fit

Following to Table 12, it is found that there are several goodness of fit indicators that do not yet meet the criteria. This indicates that the confirmatory test has not yet been accepted, so construct elimination and modification indices were applied to the research flow diagram of the endogenous variable.

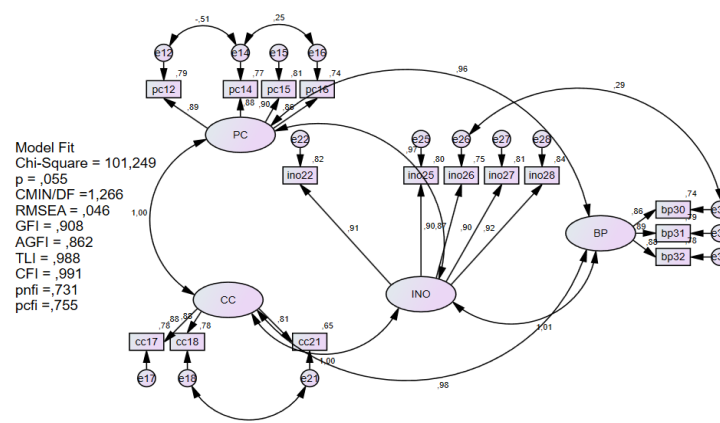


Figure 5. Re-estimation of Confirmatory Factor Analysis Endogenous Construct

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The summary of the GoF after re-estimation is presented in Table 13:

Table 13. Goodness of Fit Endogenous Construct

Goodness of Fit	Cut-Off Value	Results	Explanation
Chi-Square	Expected Small	101.249	
Probability	≥ 0.05	0.055	Fit
CMIN/DF	X^2 relative less than 2.0 or 3.0	1.266	Fit
GFI	≥ 0.90	0.908	Fit
AGFI	≥ 0.90	0.862	Marginal Fit
TLI	≥ 0.90	0.988	Fit
CFI	≥ 0.90	0.991	Fit
PNFI	≥ 0.50	0.731	Fit
PCFI	≥ 0.50	0.755	Fit
RMSEA	≤ 0.08	0.046	Fit

Following to Table 13, it is found that there are several goodness of fit indicators that do not yet meet the criteria. This indicates that the confirmatory test is not yet acceptable, so modification indices were applied to the path diagram of the endogenous variable research.

Reliability indicates the stability and consistency of the indicators in defining a construct being measured unidimensionally. In the CFA format, reliability is generally measured using two metrics, namely Construct Reliability and Variance Extracted. A research instrument is indicated to have adequate reliability if the CR coefficient is ≥ 0.70 and the variance extracted is ≥ 0.5 . The results of the CR and AVE calculations are presented in Table 14:

Table 14. Endogenous Construct Reliability Test

Variable	AVE	CR
PC	0.776	0.933
CC	0.739	0.894
INO	0.804	0.954
BP	0.768	0.909

From the above calculations, an AVE value of > 0.5 and CR of > 0.7 were obtained. This indicates that all exogenous variables have met the reliability testing requirements.

A normality test will subsequently be conducted on the endogenous variables. The normality assessment is indicated by the Critical Ratio (c.r) values for skewness and kurtosis. The criterion for univariate normality requires that each indicator of the research variable has a c.r for skewness with a critical value of ± 2.58 at the 0.01 (1%) significance level. If this condition is met, the data distribution is considered univariate normal, thus fulfilling the assumption of univariate normality. The criteria for assessing multivariate normality require that a multivariate value attain a critical threshold of ± 2.58 , signifying that the data distribution adheres to normality within a multivariate framework and that the assumption of multivariate normality is fulfilled. Please consult the table below for the results pertaining to data normality.

Table 15. Endogenous Construct Normality Test

Variable	skew	c.r.	kurtosis	c.r.
bp32	,028	,129	-1,133	-2,627
bp31	-,006	-,030	-1,139	-2,641
bp30	,065	,300	-,850	-1,970
ino28	-,093	-,431	-,986	-2,286

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Variable	skew	c.r.	kurtosis	c.r.
ino27	-,102	-,471	-1,069	-2,478
ino26	-,105	-,485	-1,054	-2,442
ino25	,090	,419	-1,141	-2,645
ino22	,132	,611	-1,145	-2,654
cc17	-,182	-,844	-,968	-2,244
cc18	-,138	-,642	-1,020	-2,365
cc21	,012	,058	-,785	-1,820
pc16	,022	,102	-,997	-2,312
pc15	-,014	-,066	-,947	-2,195
pc14	-,071	-,327	-1,189	-2,758
pc12	,137	,634	-,727	-1,685
Multivariate			8,314	2,091

The critical ratio (c.r.) skewness values for each question indication are presented in the table above. All question indicators satisfy the univariate normality assumption, as all crucial ratio skewness values reside within the ± 2.58 range. The multivariate normality assumption is valued at 2.065. This indicates that the result lies within the ± 2.58 range, so confirming the satisfaction of multivariate normality.

The Mahalanobis distance figures for each observation in the AMOS program output indicate the distance of an observation from the mean of all variables in a multidimensional space, thereby displaying multivariate evaluation. The decision-making criterion requires the identification of multivariate outliers when the p1 value is less than 0.001.

Table 16. Evaluation of Endogenous Construct Outliers

Observation number	Mahalanobis d-squared	p1	p2
52	29,587	,014	,827
73	29,453	,014	,543
41	28,417	,019	,448
...	...	...	...
...	...	...	...
98	11,118	,744	,387
84	10,950	,756	,429
32	10,833	,764	,433

It is evident from the analysis results in the table above that there is no data with a value of $p1 < 0.001$. This implies that the data is devoid of multivariate outliers.

c) Structural Equation Modelling (SEM) Analysis

The SEM model used in this research is the AMOS program. The SEM test is used to measure structural issues that are employed to analyze and test the research hypothesis model. The overall research model is presented below.

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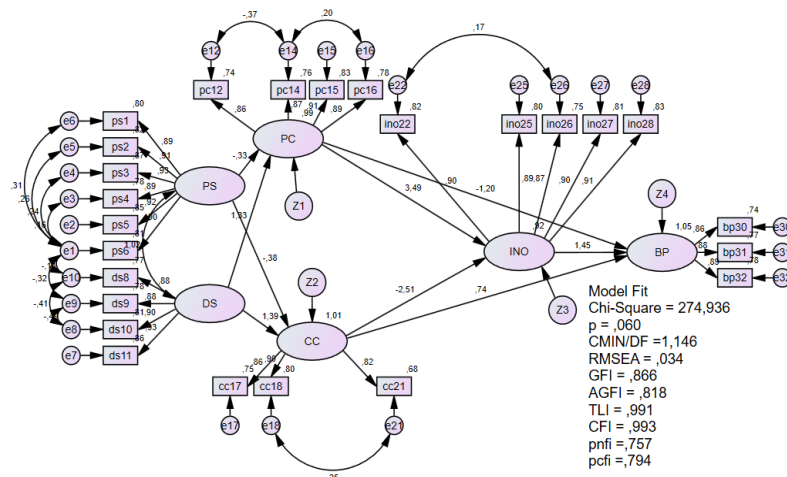


Figure 6. Model Full SEM

The subsequent table provides a summary of the quality of fit:

Table 17. Goodness of Fit Model

Goodness of Fit	Cut-Off Value	Results	Explanation
Chi-Square	Expected Small	274.936	
Probability	≥ 0.05	0.060	Fit
CMIN/DF	X ² relative less than 2.0 or 3.0	1.146	Fit
GFI	≥ 0.90	0.866	Marginal Fit
AGFI	≥ 0.90	0.818	Marginal Fit
TLI	≥ 0.90	0.991	Fit
CFI	≥ 0.90	0.993	Fit
PNFI	≥ 0.50	0.757	Fit
PCFI	≥ 0.50	0.794	Fit
RMSEA	≤ 0.08	0.034	Fit

Following to Table 17, it is found that there are several goodness of fit indicators that do not yet meet the criteria. This indicates that the confirmatory test has not yet been accepted, so modification indices were applied to the full model research flow diagram.

The coefficient or parameter values are the values that have been previously estimated and are used as a comparison against the p-value to test the hypothesis of the research. Hypothesis testing is used to analyze the structural relationships of the model. The hypothesis is accepted if the probability value (P) < 0.05. The results of the hypothesis testing is presented in Table 18:

Table 18. Hypothesis Testing

Hipotesis	Estimate	P	Explanation
Prospector Strategy → Personnel Control	-0.299	0,012	Significantly Influential
Prospector Strategy → Cultural control	-0.342	0,005	Significantly Influential
Defender Strategy → Personnel Control	1.134	0,000	Significantly Influential

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Hipotesis	Estimate	P	Explanation
Defender Strategy → Cultural control	1.171	0,000	Significantly Influential
Innovation → Bussines Performance	1.380	0,000	Significantly Influential
Personnel Control → Innovation → Bussines Performance	5.409	0,000	Significantly Influential
Cultural control → Innovation → Bussines Performance	-3.939	0,000	Significantly Influential

Following the results of the hypothesis testing, it can be explained in detail as follows.

a. The Influence of the Prospector Strategy on Personnel Control.

The testing of the first hypothesis resulted in a p-value < 0.05, specifically 0.012. This indicates that the Prospector Strategy has a significant impact on Personnel Control. The influence indicated by the value of -0.299 describes a negative relationship. This means that the higher the application of the Prospector Strategy in MSMEs, the lower the level of Personnel Control applied. This finding can be understood by considering that the Prospector Strategy emphasizes innovation, flexibility, exploration of new markets, and the creation of opportunities through product or service experimentation. In the framework of this strategy, organizations tend to grant greater autonomy to employees, allowing them the freedom to innovate, experiment, and quickly adapt to changes in the market.

b. The Influence of the Prospector Strategy on Cultural Control

The second hypothesis test resulted in a p-value of < 0.05, specifically 0.005. This suggests that the Prospector Strategy has a significant impact on Cultural Control. The impact generated is -0.342, indicating that the higher the application of the Prospector Strategy in MSMEs, the lower the influence of Cultural Control implemented. This contradicts the common view that innovative organizations require a strong work culture. The prospector strategy is characterized by the identification and utilization of novel market opportunities and products, as per Miles and Snow (2003). In other terms, the Prospector Strategy emphasizes market opportunities and product innovation. In order to promptly adapt to evolving market conditions and capitalize on emerging market opportunities, organizations that implement this approach prioritize adaptability and innovation over efficiency.

c. The Influence of Defender Strategy on Personnel Control

The testing of the third hypothesis resulted in a p-value of < 0.05, specifically 0.000. This suggests that the Defender Strategy significantly influence Personnel Control. The magnitude of the influence given is 1.134. Although there is an indication that the higher the implementation of the defender strategy, the higher the implementation of personnel control also increases. Defender Strategy, in general, focuses on internal efficiency, cost control, and maximizing the utilization of the markets already dominated, compared to pursuing new market opportunities. In that context, personnel control, such as strict recruitment procedures, formal training, periodic performance evaluations, and individual supervision, becomes highly relevant and necessary. With robust human resource control, organizations can maintain performance consistency, reduce operational variability, and ensure that all activities are carried out according to established standards.

d. The Influence of Defender Strategy on Cultural Control

The fourth hypothesis test resulted in a p-value of < 0.05, specifically 0.000. This suggest that the Defender Strategy significantly influence Cultural Control. The magnitude of the influence given is 1.171. The positive relationship indicates that the higher the implementation of the Defender Strategy in MSMEs, the higher the implementation of Cultural Control in the organization. Defender Strategy, according to Miles and Snow (2003), focuses on efficiency, stability, and maintaining existing market positions. Organizations that adopt this strategy generally have a formal structure, standard processes, and consistently upheld values. In such a context, cultural control becomes an important tool to ensure that every member of the organization behaves obey the values and norms that have been mutually agreed upon.

e. The Influence of Innovation on Business Performance

The fifth hypothesis test resulted in a p-value of < 0.05, specifically 0.000. This indicates that Innovation significantly influence Business Performance. The magnitude of the influence given is 1.380. This indicates that the higher the application of Innovation in MSMEs, the higher the Business Performance achieved. These findings indicate that innovation is one of the crucial strategies

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that drive the performance improvement of MSMEs. According to Chandler (2018), strategy is the determinant of the direction and long-term goals of a company, derived from actions with the allocation of the necessary resources to achieve those objectives. Meanwhile, according to Rothaermel (2017), strategy is a series of actions directed by the company with the aim of achieving and maintaining superior performance compared to competitors. This is in line with the reality that MSMEs often face constraints in terms of human resources and finances. In such conditions, innovation becomes key to creating efficiency, competitive advantage, and product or service differentiation, even on a limited scale. Innovation also has the potential to fill untapped market segments, while simultaneously providing added value to customers, leading to a positive effect on revenue growth, customer loyalty, and operational efficiency.

f. The Influence of Personnel Control on Business Performance through Innovation Mediation

The sixth hypothesis test resulted in a p -value < 0.05 , specifically 0.000. This indicates that Personnel Control significantly influence Business Performance through Innovation. The magnitude of the influence given is 5.409. This indicates that the higher the personnel control with the help of Innovation implementation in MSMEs, the higher the Business Performance achieved. These findings indicate that effective human resource management holds an essential role in fostering innovation within the company. Human Resource Management allows organizations to ensure that the individuals involved have the competence, motivation, and work direction aligned with the company's goals. Within MSMEs, where the organizational structure tends to be smaller and interpersonal relationships are more direct, human resource control, like training, mentoring, and performance evaluation, is more effective in fostering an innovative culture. According to Merchant et al. (2003), personnel control includes the processes of recruitment, training, supervision, and employee development. The goal of this process is to ensure that each individual has the abilities, attitudes, and motivation that align with the organization's objectives. In this context, if personnel control is implemented optimally, employees will be more capable of making effective contributions in generating new ideas and applying innovations to processes, products, and services, which will subsequently impact the company's performance.

g. The Influence of Cultural Control on Business Performance through Innovation Mediation

The testing of the seventh hypothesis resulted in a p -value < 0.05 , specifically 0.000. This indicates that Cultural Control significantly influence Business Performance through Innovation. The magnitude of the influence given is -3.939. This indicates that the higher the cultural control with the application of Innovation in MSMEs, the lower the Business Performance achieved. These findings indicate that in the context of MSMEs, overly strong cultural control can limit the flexibility and creativity needed in the innovation process. Cultural control generally encompasses shared values, behavioral norms, and work culture that are formed to unify the direction of the organization. This aligns with the opinion of Merchant et al. (2003), where cultural control refers to the establishment of a system of shared values and norms within the organization, which serves to guide individual behavior without the need for direct control. However, if those values are too rigid or do not align with the demands of change, the resulting innovations can become ineffective, even counterproductive to achieving business performance.

5. CONCLUSION

Following the analysis conducted in the previous chapter, this study concludes that: the Prospector Strategy and the Defender Strategy partially influences Personnel Control and Cultural Control. Next, Innovation affects Business Performance. And Personnel Control and Cultural Control influence Business Performance with the mediation of Innovation.

This study has several limitations that require attention. First, data was collected through questionnaires, which may introduce perception bias from respondents, such as the possibility of misinterpreting questions or the tendency to provide answers that are considered most socially acceptable. Second, the sample in this study consists of managers and business actors of MSMEs within a certain range, so the study findings cannot be generalized to the entire MSME population in different regions or sectors. In addition, the diversity of characteristics among managers and actors in MSMEs related to educational background, experience, and scale of business can affect the research results, which have not been fully controlled in this study.

Following the research findings, the researcher has several suggestions for future studies, such as developing observations on other variables that theoretically also affect business performance, such as financial literacy, digital capability, and so on. In addition, future research can also involve variables that act as moderators in the influence of independent variables on dependent variables. And future research can use the boundaries of the research area. So that the research findings can be implemented in the research area.

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