Jurnal Ilmiah Wahana Pendidikan, Agustus 2025, 11(8.C), 187-202
DOI: https://jurnal.peneliti.net/index.php/JIWP/article/view/11116
p-ISSN: 2622-8327 e-ISSN: 2089-5364
Accredited by Directorate General of Strengthening for Research and Development
Available online at https://jurnal.peneliti.net/index.php/JIWP

Research Model of Supply Chain and Dynamic Capabilty on Business Performance of Madura Duck MSMEs in Bekasi

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Received: 07 July 2025
Revised: 16 July 2025
Accepted: 23 July 2025

Abstract

This research intends to analyze how supply chain management and dynamic capability impact the business performance of Madura Duck MSMEs located in Bekasi. To explore this, a quantitative method is employed using an explanatory approach to investigate the causal links among the variables. The study involved a sample of 100 participants, specifically owners and managers of Madura Duck MSMEs in Bekasi, chosen through a purposive sampling method. Data were gathered via a questionnaire that utilized a Likert scale ranging from 1 to 10, with analysis conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM).

The result here is proved that the supply chain positively influences business performance significantly, presenting a coefficient of 0.307 (t = 2.241, p = 0.025). Meanwhile, dynamic capability has an even greater impact on business performance, with a coefficient of 0.530 (t = 4.009, p = 0.000). Additionally, there is a noteworthy indirect impact by the supply chain at the business performance through dynamic capability, which has a coefficient of 0.438 (t = 3.918, p = 0.000). The research model accounts for 64.5% of the variations in the business performance of Madura Duck MSMEs in Bekasi.

This study offers both theoretical and practical insights into how the supply chain and dynamic capability affect the business performance of culinary MSMEs. The results imply that fostering robust dynamic capabilities, backed by efficient supply chain management, is crucial for enhancing the business performance of Madura Duck MSMEs in Bekasi.

Kata Kunci: *Supply Chain*, *Dynamic Capability*, *Business Performance*, MSMEs, Madura Duck

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How to Cite: Syahyono, S., Mayvea, N., Haniammaria, E., Ardiyanti, D., & Ramadina, R. (2025). Research Model of Supply Chain and Dynamic Capabilty on Business Performance of Madura Duck MSMEs in Bekasi. *Jurnal Ilmiah Wahana Pendidikan*, *11*(8.C), 187-202. Retrieved from https://jurnal.peneliti.net/index.php/JIWP/article/view/11116.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are crucial to the economy of Indonesia, contributing significantly to employment opportunities and the overall quantity of businesses (Rudjito, 2003). As reported by the Ministry of Cooperatives and MSMEs, MSMEs account for approximately 60.5% of Indonesia's GDP, which demonstrates their important role in creating jobs, addressing poverty, and advancing the local economic sector. The culinary sector ranks as one of the quickest-growing industries (Darwin et al. 2023). Especially MSMEs involved in the production of specialty foods such as Madura Duck in Bekasi. These MSMEs show great potential in the catering industry, but also face major challenges in managing dynamic supply chains and capabilities, which impact their bottom line (Rathee, 2021).

Supply chain management plays a crucial role in the operations of Madura Duck MSMEs, which includes various steps starting from the raw material's purchase such as duck and seasonings to the delivery of finished products to consumers. Managing logistics and procuring

high-quality raw materials in a timely manner are key issues that MSMEs often face (Laksmana et al., 2024). This has a direct impact on product quality and the ability to meet market demand. Consequently, good supply chain management can improve operational efficiency and provide a competitive advantage for MSMEs.

Conversely, dynamic capability pertains to how an organization can adjust to market and technological trends through effective innovation and resource management (Teece, et al., 1997). Dynamic capability includes routine activities related to product development and analysis, basic administration and governance, and basic or operational capabilities. the skill to identify and take advantage of emerging opportunities, increase opportunities, and change business activities and capabilities or exploit opportunities (Asrunputri dan Zulkarnaen, 2020). Dynamic capability pertains to a company's ability to gather and use resources from both inside and outside the organization to adapt to environmental changes by converting those resources into products that offer a competitive edge. This capability is a company that is able to develop innovations by utilizing internal and external competencies (Augier dan Teece, 2009) (Teece, 2007). Madura Duck MSMEs that are able to develop dynamic capabilities to respond to market changes, such as changes in consumer tastes or changes in raw material prices, can have stronger competitiveness compared to MSMEs that are not flexible in the face of change. These dynamic capabilities also include the ability to update and develop existing strategies, technologies and systems to improve competitiveness and operational efficiency.

Previous research shows that business performance can be improved through effective supply chain management. As stated by Dadi Kusumaningtyas dan Purwantoro (2023), businesses that have good visibility in the supply chain can more quickly identify potential risks. with the results from Abolhasani et al. (2020), who indicated that efficient supply chain management enables MSMEs to reduce lead times, increase productivity, and reduce waste, thereby improving business performance. Similarly, a study by Teece (2014) regarding dynamic capabilities indicates that businesses that can swiftly adjust to shifts in technology and market conditions are more likely to thrive and expand in a rapidly competitive landscape. In the context of Madura Duck MSMEs, this dynamic capability will be very important in overcoming the challenges that arise in a rapidly changing business environment.

However, there is a limited amount of research that has examined how supply chain management and dynamic abilities affect the performance of small and medium-sized culinary businesses, particularly regarding Madura Duck in Bekasi. Consequently, this study aims to fill this gap in knowledge by investigating how supply chain management and dynamic capabilities influence the business performance of Madura Duck SMEs in Bekasi.

LITERATURE REVIEW

Dynamic Capability

The concept of dynamic capability has come to be a prominent framework in the realm of strategic management research. Teece and colleagues (1997) presented this idea, which outlines how an organization can combine, improve, and reshape its internal and external skills to respond to environmental shifts and maintain a lasting competitive edge. In management studies, this concept places significant emphasis on the dynamics of resources and the ways organizations can adjust to swift and unforeseen market fluctuations.

In strategic management, the term "dynamic capability" describes an organization’s ability to combine, enhance, and restructure both internal and external assets to respond

effectively to shifting environmental circumstances. Many sources of literature discuss this concept and there are a number of indicators used to measure how effectively this concept contributes to improving organizational performance. Dynamic capability refers to the capacity to swiftly and efficiently react to alterations and to adjust and create novel solutions when confronted with new obstacles. According to Teece, dynamic capability consists of three main components: the capability to analyzer threats and opportunities, the creation made by capacities and executed suitable plans, along with the capacity to reorganize the resources of the organization (Zahra et al., 2006).

The dynamic capability theory was developed in response to the limitations of the traditional Resource-Based View (RBV) approach which only focuses on the utilization of existing resources and assets. However, dynamic capability does not only look at static resources, but also focuses on the organization's ability to adapt and innovate when faced with external uncertainty and change. According to Teece et al. (1997),, dynamic capability defined as "the ability to integrate, build and adapt internal and external competencies to respond to environmental changes". They explain that dynamic capability consists of three main elements, namely:

1. Sensing (perception of market opportunities and threats),
2. Seizing (taking action to capitalize on opportunities or mitigate threats), and
3. Reconfiguring (adjusting the organization's resources and capabilities to adapt to changes).

Supply Chain Management

SCM is a strategic method that seeks to oversee the movement of products, information, and resources from providers to final consumers. The supply chain encompasses every action related to sourcing, manufacturing, and delivering products. As stated by Bigliardi and Bottani in 2010, Supply Chain Management emphasizes improving the distribution of goods, services, and associated information from suppliers to clients while also effectively addressing customer needs. This indicates that supply chain management involves not just handling the physical aspects of products but also managing information and the connections among all parties engaged.

Supply chain refers to a framework that encompasses all activities related to the creation and delivery of products, by Sourcing the raw material until taking the finished goods to the consumer. It emphasizes the collaboration among different stakeholders, including vendors, producers, distributors, shops, and final customers. The primary aim of managing the supply chain is to boost efficiency, lower expenses, and guarantee that all.

According to Chopra dan Meindl (2016), this is defined as "a network of organizations engaged in activities that connect raw material suppliers with end customers." This includes everything from raw material procurement, production, storage, and distribution to product delivery to the end consumer.

According to these three researchers, supply chain means effectively coordinating the flow of products, data, and assets across a system that encompasses suppliers, producers, distributors, retailers, and end-users. The goal is to enhance efficiency, lower costs, and fulfill customer needs promptly while maintaining hight quality.

SCM Indicators Li et al. (2006) also explained that the following processes are part of an integrated supply chain:

1. Strategic Supplier Partnership

Strategic supplier partnership refers to a prolonged relationship between an organization and its suppliers that seeks to enhance the supplier's strategic and operational skills by involving them in the company to meet specific objectives. This approach emphasizes collaborative planning and coordinated problem-solving between the supplier and the business (Gunasekaran A, Patel C, 2001). By forming supplier partnerships, companies can work alongside multiple suppliers who are willing to take responsibility for the success of their manufacturing processes and products.

2. Customer Relationship

As stated by Claycomb Cindy and Droge Cornelia in 1999, managing customer relationships involves a set of actions aimed at resolving customer issues, fostering strong, enduring bonds with clients, and enhancing overall customer satisfaction. Interacting with clients is a crucial aspect of putting supply chain management into practice. The management of customer relationships plays a vital role in the execution of supply chain management, as highlighted by Noble in 1997 and Tan and Kannan in 1998. Furthermore, having customers who are eager to build relationships can provide advantages for the business. Strong connections with customers allow companies to boost loyalty, generate value, and outperform competitors.

3. Information Sharing

Information sharing refers to the frequency with which significant details are communicated to a company's business collaborators (Monczka et al., 1998). Strategic plans, market situations, and customer data may be shared between business associates. Stein, T., & Sweat (1998) state that business partners who consistently share information in the context of supply chain management can collaborate more effectively and gain a deeper insight into customer demands. By sharing this information, companies can respond more swiftly to shifts in the market.

Business Performance

Business Performance serves as a measure frequently employed to assess how effectively a company's strategies are faring in a competitive landscape. To realize this, the organization should prioritize its competitive product strengths, concentrate on understanding market needs, and perpetually innovate to uphold its status in the industry. The company's ability to take action and achieve the expected results is called business performance. Therefore, strong concepts and operating systems are needed so that business results can be measured and standardized (Anggadwita dan Mustafid, 2014).

According to Irawan at al. (2020), internal and external factors, such as markets and government policies, affect good performance. Studies show that MSMEs with strong dynamic capabilities and good implementation of supply chain management strategies tend to perform better in the long run. In terms of business performance metrics, the key factors are the amount of sales, the rate of sales increase, and the expansion of the customer base (Saleksa dan Firmansyah, 2016).

In the publication of a report published by Schilke at al. (2018), dynamic capability They found that skills are positively correlated with business performance, especially in organizations operating in dynamic business environments. In addition, Mentzer et al. (2010) highlighted that effective supply chain management can enhance business success through boosting productivity, lowering expenses, and guaranteeing seamless functioning.

HYPOTHESIS DEVELOPMENT

Supply chain management is recognized as a crucial element in enhancing results for businesses in the MSME sector. According to research conducted by Christopher in 2016, efficient management of supply chains can accelerate the transfer of products and services, reduce operational costs and improve customer satisfaction, which in turn leads to better business outcomes. In the case of Madura Duck MSMEs in Bekasi, optimized supply chain management can reduce waste, improve product quality, and produce more high-quality products. Based on these findings, research conducted by Huo (2012) shows that strong relationships of them can enhance business outcomes by lowering expenses and boosting service quality. Hence, it can be suggested that:

H1: An efficient supply chain has a positive influence on the business performance of Madura Duck MSMEs in Bekasi.

As stated by Teece et al. in 1997, dynamic capabilities refer to a company's capacity to adjust to changes, take advantage of opportunities, and adapt to market changes. Dynamic capabilities of Madura Duck MSMEs include their ability to adapt products to market needs, innovate in the production process, and change marketing strategies to attract and retain customers. According to research by Eisenhardt and Martin (2000), businesses that have ever-changing capacities can survive intense competition and adapt to market changes. So, the following are related hypotheses:

H2: Dynamic capabilities have a positive influence on the business performance of Madura Duck MSMEs in Bekasi.

Together, dynamic capablity and an effective supply chain can increase synergy, resulting in the best possible company performance. Businesses with strong dynamic skills and effective supply chain management will be better equipped to respond to operational issues and market demands (Zhang et al., 2015). As a result, it is crucial to evaluate if the business success of Madura Duck MSMEs in Bekasi is potentially more affected by the interaction of these two factors. Thus, the hypotheses that can be proposed are:

H3: Supply chain and dynamic capabilities simultaneously have a positive influence on the business performance of Madura Duck MSMEs in Bekasi

METHOD

Approach and Type of Research

This research employs a quantitative method and falls under the category of explanatory research. This approach is utilized to assess the causal connections between independent factors, such as supply chain and dynamic capability, and dependent factors, namely business performance. Through the use of a quantitative method and an explanatory research framework, this study aims to present empirical data regarding the variables that impact the business performance of Madura Duck small and medium enterprises in Bekasi. The objective of this approach is to explore the links and effects among supply chain, dynamic capability, and business performance within Madura duck small and medium enterprises in Bekasi. The quantitative method was chosen because the researchers wanted to test the hypotheses made and get a clearer understanding of how much influence these variables have on business performance based on statistics.

Research Design

For this study, an explanatory survey design was chosen as it allows data collection directly from MSME actors through a structured questionnaire. In addition, this design is relevant for answering research questions that aim to test quantitative hypotheses and explain how relationships between variables are based on existing theories.

Population and Sampling Technique

Population:

The population in this research consisted of 100 individuals who were either owners or managers of Madura Duck MSMEs in Bekasi.

Sampling Technique:

The sample was selected through a purposive sampling method based on these criteria:

a. The business has been running for at least 2 years.
b. The business has a documented supply chain management system.
c. The owner or manager understands the concept of dynamic capability development in business.

Research Instruments

The main instrument used was a questionnaire. This questionnaire consisted of three parts, each covering the following research variables:

1. Supply Chain Management (6 question items): Collaboration with Suppliers, Relationships with Customers, Exchange of Information (Li et al. 2006).
2. Dynamic Capability (6 question items): Sensing, seizing, and reconfiguring, adapted from the model (Teece, 1997).
3. Business Performance (8 question items): Sales volume, sales growth and customer growth (Saleksa dan Firmansyah, 2016).

Data Collection

Primary Data:

Data was gathered by handing out surveys that utilized a Likert scale (1 = Strongly Disagree, 10 = Strongly Agree). The surveys were provided both face-to-face and via a digital platform (Google Forms).

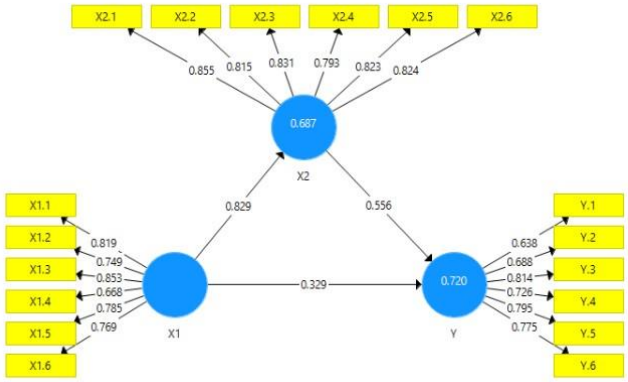
Analysis of data

Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed to examine the gathered information.

RESULTS AND DISCUSSION

Evaluasi Model Pengukuran (Outer Model) Lower Order Construct

Outer Model – Step 1



Source : Smart PLS

1. Indicator Reliability

- ***Outer loading***

The first step in evaluating the external model requires examining the loading factors of the indicators. A significant loading factor suggests a robust connection to the construct being measured. As stated by Hair and colleagues in 2022, a loading factor of at least 0.7 is regarded as sufficient. The outcomes of the loading factor analysis are displayed in Table 1 below.

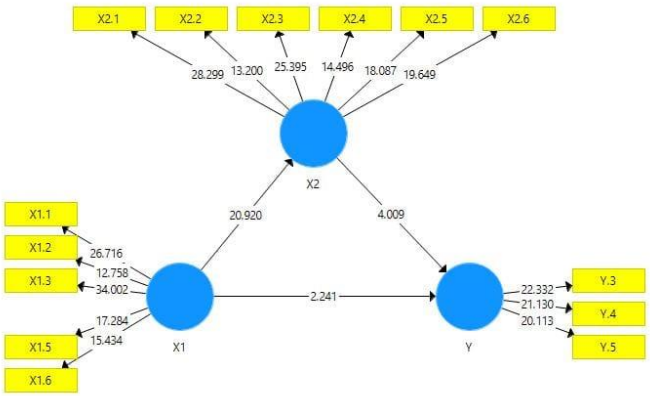
Table 1. ***Outer Loadings***

	X1	X2	Y
X1.1	0.819		
X1.2	0.749		
X1.3	0.853		
X1.4	0.668		
X1.5	0.785		
X1.6	0.769		
X2.1		0.855	
X2.2		0.815	
X2.3		0.831	
X2.4		0.793	
X2.5		0.823	
X2.6		0.824	
Y.1			0.638
Y.2			0.688
Y.3			0.814
Y.4			0.726
Y.5			0.795
Y.6			0.775

Source : Smart PLS

The table and diagram above show that indicators X1.4, Y.1, and Y.2 have load factors <0.7, which indicates that these indicators cannot be used or are invalid to measure their constructs and should be removed. The PLS recalculation results are as follows:

Outer Model – Step 2



Source : Smart PLS

Table 2. ***Outer Loadings***

	X1	X2	Y
X1.1	0.832		
X1.2	0.750		
X1.3	0.860		
X1.5	0.791		
X1.6	0.781		
X2.1		0.855	
X2.2		0.812	
X2.3		0.833	
X2.4		0.791	
X2.5		0.826	
X2.6		0.826	
Y.3			0.824
Y.4			0.821
Y.5			0.825

Source : Smart PLS

Table 2 shows the results of the convergent validity test which shows that each indicator has an outer loading value ≥ 0.70 after invalid indicators are removed and Level 2 outer loading is applied. Therefore, all indicators examined in this study meet the criteria.

2. ***Cronbach's Alpha*** **and** ***Composite Reliability*** **(*Internal Consistency Reliability*)**

Tests for reliability in internal's consistency real are essential to evaluate the external model this assessment employs measures of the composite reliability & Cronbach's alpha. Whereas it took on to the account changes in the indikator variabel which including the outer loading in it., Cronbach's alpha reflects the relationship of the indicators to the core construct.

According to Hair et al. (2022), suitable thresholds for both Cronbach's alpha and composite reliability should exceed 0.6.

Table 3. Cronbach's Alpha dan Composite Reliability (Internal Consistency Reliability)

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
X1	0.863	0.873	0.901	0.646
X2	0.905	0.906	0.927	0.679
Y	0.763	0.767	0.863	0.678

Source : Smart PLS

All latent variables meet all reliability test criteria, as shown by the test results in Table 3. Based on the Cronbach alpha and composite reliability values that have values > 0.7, all latent variables are considered reliable.

3. Validitas Konvergen *(AVE)*

The extent to which a concept can assess its various indicators is known as convergent validity. This validity can be evaluated by examining the AVE. Hair et al. (2022) told that if the AVE value exceeds 0.5, the concept is able to account for more > half variance.

According to the AVE (Average Variance Extracted) score, the construct X1 has an AVE of 0.646, meaning it can represent 64.6% of the variables in the indicator, indicating high convergence validity. Construct X2 has an AVE of 0.679%, which indicates that 67.9% of the variables in the indicator are present, indicating high convergence validity. Conversely, construct Y has an AVE of 0.678, indicating that it explains 67.8% of the variables in the indicator, indicating consistent convergence.

Overall, all constructs have a fairly good AVE value, with each being greater than 0.5, indicating a good ability to explain the variance of their indicators.

4. Discriminant Validity

Discriminative validity tests can be used to determine how far a construct differs from other constructs to capture different phenomena. In general, researchers employ different assessments to establish discriminant validity, including the Fornell-Larcker criteria, HTMT (Hair et al., 2022).

The Fornell-Larcker criterion is the first criterion that must be considered to determine discriminant validity. To meet this test requirement, the square root here mist be bigger compared to the biggest connection value with other elements, as illustrated in Table 4 below:

Table 4. *Discriminant Validity*

	X1	X2	Y
X1	0.803		
X2	0.793	0.824	
Y	0.726	0.783	0.823

Source : Smart PLS

- ***Fornell-Larcker criterion***

Table 5. *Fornell-Larcker criterion*

	X1	X2	Y
X1	0.803		
X2	0.793	0.824	
Y	0.726	0.783	0.823

Source : Smart PLS

From the table presented above, it is evident that every element satisfies the Fornell-Larcker standard because the square root of the AVE is higher than its correlation with other elements.

The following factor to take into account is the cross loading value. Based on this factor, an indicator's outer loading on its corresponding construct should exceed its cross loading on different constructs. The value of the loading factor is displayed in Table 6.

- ***Cross loading***

Table 6. *Cross loading*

	X1	X2	Y
X1.1	0.860	0.715	0.731
X1.2	0.760	0.594	0.592
X1.5	0.787	0.607	0.513
X1.6	0.800	0.618	0.453
X2.1	0.734	0.856	0.636
X2.2	0.759	0.815	0.594
X2.3	0.612	0.831	0.675
X2.4	0.690	0.794	0.648
X2.5	0.561	0.822	0.630
X2.6	0.539	0.823	0.693
Y.3	0.542	0.634	0.824
Y.4	0.539	0.608	0.822
Y.5	0.695	0.686	0.824

Source : Smart PLS

Based on the table, it can be stated that the value of each outer loading is higher than the cross loading on other constructs.

Another key factor to evaluate in discriminant validity is the heterotrait-monotrait ratio (HTMT). HTMT represents the average of all associations among indicators throughout different constructs. As stated by Hair et al. (2022), the highest permissible HTMT correlation is 0.9. If the HTMT correlation exceeds 0.9, it suggests a deficiency in discriminant validity.

- ***Heterotrait Monotrait Ration (HTMT)***

Table 7. *Heterotrait Monotrait Ration (HTMT)*

	X1	X2	Y
X1			
X2	0.912		
Y	0.895	0.940	

Source : Smart PLS

Based on the table, there are two HTMT correlation values that exceed 0.9, namely in the X1-X2 (0.912) and Y2-Y (0.940) construct pairs. This value indicates that the discriminant validity test examination is not complete as a whole and does not meet the HTMT criteria.

At this stage, not all constructs successfully meet the criteria required in the discriminant validity test. This indicates that there is a significant similarity between some constructs, so the constructs are not fully empirically different from each other. Therefore, further evaluation of the items in the constructs is needed to ensure that each construct can capture unique phenomena and is not represented by other constructs in the model.

Inner Model Evaluation (Structural Model Assessment)

After confirming that the measurement model is both valid and dependable, the subsequent phase is the evaluation of the Structural Model, often referred to as the inner model. As stated by Hair et al. (2022), assessing the internal model involves a variety of tests, including collinearity, the importance and relevance of the connections within the model, how well the model clarifies the variables (model explanatory power), and its capacity to make forecasts (model predictive power). A detailed discussion is provided below.

***1) Assess the structural model for collinearity issues (*VIF)**

The condition where two or more predictor variables (also known as independent variables) in the model are highly correlated with each other is called collinearity. The VIF value can be used to test for collinearity. If the VIF value is <5, the model is suitable and can be continued for further analysis. Table 8 below shows the results of the VIF value test:

Tablel 8. VIF

	VIF
X1.1	2.007
X1.2	1.654
X1.5	2.000
X1.6	2.036
X2.1	3.423
X2.2	3.213
X2.3	2.540
X2.4	2.102
X2.5	3.307
X2.6	2.912
Y.3	1.617
Y.4	1.632
Y.5	1.444

Source : Smart PLS

As shown in the table above that the VIF value between the research variables has met the test limit, which is <5. From testing the inner model, it is found that the model is generally quite good.

2) Assessing the significance and relevance of the structural model relationship path coefficients and t-values

In this phase, the evaluation is carried out using the path coefficient and t-value. Within the model framework, a path coefficient nearing 1 suggests a strong positive connection, whereas a coefficient close to 0 reflects a weak connection. Furthermore, the t-value represents how the signficance among the variables at a specified error threshold. For this research, the authors adopted a 5% significance level, indicating that the t-value must exceed 1.65 (Hair et al., 2022). The path coefficient figures and t-values from Table 9 are presented below.

Table 9. *Path Coefficient*

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
X1 -> X2	0.825	0.830	0.039	20.920	0.000

X1 -> Y	0.307	0.323	0.137	2.241	0.025
X2 -> Y	0.530	0.519	0.132	4.009	0.000

Source : Smart PLS

The findings from the analysis indicate that X1 positively impacts X2 significantly, with an initial sample value of 0.825 (t = 20.920, p = 0.000). This suggests that as X1 increases, it has a greater influence on X2. Additionally, X1 positively affects Y as well, with a value of 0.307 (t = 2.241, p = 0.025), while X2 exerts a more substantial influence on Y, reflected in an original sample value of 0.530 (t = 4.009, p = 0.000). This means that X2 is crucial in affecting Y, though X1 also plays a notable role, albeit not as powerful as that of X2. Moreover, Table 10 below illustrates the path coefficient and t-value regarding indirect effects.

- ***Indirect Effect***

Table 10. Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
X1 -> X2 -> Y	0.438	0.430	0.112	3.918	0.000

Source : Smart PLS

Based on the analysis, X1 has a significant indirect effect on Y through X2, with an original sample value of 0.438 (t = 3.918, p = 0.000). This indicates that X1 influences Y substantially through an increase in X2. The higher the influence of X1 on X2, the more likely X1 is to have an impact on Y.

3) Assess the model's explanatory power

- ***R-Square Value***

Evaluating the model's explanatory strength is viewed as the third phase in assessing a structural model. The certainty coefficient, also known as R^2, R-square value, and coefficient of determination, are concepts utilized to determine how well the structural model explains the data by assessing the intensity of the connections shown by the PLS path model. A higher R-square value indicates a more robust capability of the research model to forecast the variables being examined. The outcomes from the R-square value testing are shown in Table 11.

Table 11. *R - Square*

	R Square	R Square Adjusted
X2	0.681	0.677
Y	0.645	0.638

Source : Smart PLS

The table presented above indicates that the R-square metric for variable X2 stands at 0.681. This figure suggests that 68.1% of the variation in X2 is accounted for by the independent variables, while 31.9% is affected by other factors not included in the model.

Additionally, the R-square value for variable Y is 0.645. This represents that the independent variables explain 64.5% of the changes in Y, leaving 35.5% influenced by additional variables that are outside the model.

- ***Effect Size Value***

In the next phase, the process involves assessing how well the model can clarify its results by looking at the effect size (f2). This involves analyzing the f2 value to assess how much exogenous variables impact endogenous variables within the model. An f2 value of 0.02 indicates a minor effect, 0.15 suggests a moderate effect, and 0.35 is considered a significant effect (Hair et al., 2022). Table 12 presents the scale of the f-square value for each construct.

Table 12. *F – Square*

	X1	X2	Y
X1		2.131	0.085
X2			0.253
Y			

Source : Smart PLS

Based on the guid 2.131, which falls into the very large category, indicating that X1 has a highly significant influence on X2. The effect size of X1 on Y is 0.085, which falls into the small category, while the effect size of X2 on Y is 0.253, which falls into the medium category, indicating a fairly significant influence on Y.

Hypothesis Testing

1. The effect of Supply Chain Management on Business Performance

The coefficient value is 0.307 with t-statistics 2.241 and p-value 0.025. Since the p-value is smaller than 0.05, H1 is accepted. This shows that Supply Chain Management has a significant and positive effect on Business Performance.

2. The effect of Dynamic Capability on Business Performance

The coefficient value is 0.530 with t-statistics 4.009 and p-value 0.000. Because the p-value is smaller than 0.05, H1 is accepted. Dynamic Capability has a significant effect on Business Performance with a positive direction of influence.

3. The effect of Supply Chain Management on Dynamic Capability

The coefficient value is 0.825 with t-statistics 20.920 and p-value 0.000. Since the p-value is smaller than 0.05, H1 is accepted. This shows that Supply Chain Management has a significant and positive influence on Dynamic Capability.

4. The effect of Supply Chain Management on Business Performance through Dynamic Capability

The coefficient value is 0.438 with t-statistics 3.918 and p-value 0.000. Since the p-value is smaller than 0.05, H1 is accepted. This indicates a significant and positive mediating effect of Dynamic Capability in the relationship between Supply Chain Management and Business Performance.

DISCUSSION

The research findings indicate that supply chain and dynamic capability have a significant impact on the business performance of UMKM Bebek Madura in Bekasi. Based on data analysis, it was found that the supply chain has a positive influence on business performance with an original sample value of 0.307 (t = 2.241, p = 0.025). These results align with Christopher's 2016 study, which indicates that effective supply chain management has the

potential to enhance business performance by boosting operational efficiency and lowering costs.

Dynamic capability shows a stronger influence on business performance with an original sample value of 0.530 (t = 4.009, p = 0.000). This confirms the research of Teece et al. (1997) which emphasizes the importance of an organization's ability to adapt to changes in the business environment. In the context of Madura Duck MSMEs, strong dynamic capability allows businesses to respond more effectively to market changes and consumer preferences.

Furthermore, the analysis showed a significant indirect effect of supply chain on business performance through dynamic capability, with an original sample value of 0.438 (t = 3.918, p = 0.000). This finding reinforces the research of Zhang et al. (2015) which shows that good supply chain integration can increase organizational adaptive capabilities. This study model may explain 64.5% of the variation in the business performance of Madura Duck MSMEs in Bekasi, according to an R-square value of 0.645 for business performance.

Effect size analysis shows that the effect of supply chain on dynamic capability is in the very large category ($f^2 = 2.131$), while the direct effect of supply chain on business performance is relatively small ($f^2 = 0.085$). This indicates that the supply chain makes an optimal contribution to business performance when mediated by dynamic capability, in line with Huo (2012) findings on the importance of organizational capability integration in improving supply chain performance.

CONCLUSION

This research clearly demonstrates that supply chain and dynamic capability are key elements in enhancing the business performance of Madura Duck MSMEs in Bekasi. In contrast to supply chain, dynamic capability has a more significant impact on business performance. The findings indicate that Madura Duck MSMEs ought to focus on developing skills that allow them to respond to changes in the market.

The study framework indicates that successful supply chain management yields the best outcomes when backed by robust dynamic capabilities. This is evident in the notable indirect influence of the supply chain on business performance via dynamic capabilities. The practical takeaway from this study is that Madura Duck MSME participants need to create a cohesive supply chain system while enhancing their organizational skills to adapt to market fluctuations.

The constraint of this research is its focus, which only includes the Bekasi region. Future studies should broaden their scope to factor in additional elements that may influence the effectiveness of culinary micro, small, and medium enterprises, like online marketing techniques and new product development. Creating a more detailed framework will facilitate a deeper insight into the elements that impact the prosperity of MSMEs within the food sector.

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