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THE DETERMINANTS AND CONSEQUENTS OF COMPETITIVE ADVANTAGE BASED OF LOCAL WISDOM AT THE MICRO, SMALL, AND MEDIUM ENTERPRISE : EVIDENCE FROM INDONESIA

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Abstract- The long-term objective of this research is to build a new paradigm of competitiveness of MSMEs products based on Local Wisdom so that MSMEs not only produce products with certain advantages but are also expected to have their own uniqueness according to their local wisdom. compete in the global market, especially in the era of the industrial revolution 4.0. Data collection was carried out using a questionnaire. The sampling technique uses sampling convenience. The questionnaire was distributed to 400 MSMEs actors in Pamekasan district as samples and the data were analyzed using the Structural Equation Model program. The results of this study indicate that Organizational Learning Capability and Organizational innovation have a positive and significant effect on the Competitiveness of MSMEs based on Local Wisdom, and Competitiveness of MSMEs based on Local Wisdom have a positive and significant effect on the MSMEs performance .

Keywords: *Organization Learning Capability, Organizational Innovation, Competitiveness. MSMEs performance*

1.1 INTRODUCTION

Entering the era of the industrial revolution 4.0, MSMEs actors are required not only to produce products that seem to only imitate or only rely on quantity, but MSMEs products must have unique and differentiated characters among other products. This will be able to develop well, if MSMEs actors can continue to explore the local wisdom of their respective regions and create their own unique marketplace. In this case, MSMEs must have clear and more specific target consumers, and clearly know the needs of consumers that are adjusted to the core values of these MSMEs. Local uniqueness becomes a new issue in business competition, not only on a large scale and the brands offered, but also on its competitiveness. Pamekasan Regency has various kinds of local wisdom in the field of culture, batik art, tourist destinations and culinary uniqueness and a number of other advantages that deserve to be followed up and developed. This capital must be explored again by MSMEs actors. Local wisdom can be developed and optimized through the approach and application of the concept of Organizational Learning Capability and Organizational Innovation, the impact can create competitiveness based on local wisdom and can improve the MSMEs performance and ultimately hopefully reduce poverty levels. The application of Organizational Learning Capability will produce managerial commitment, systems perspective, openness and experimentation and knowledge transfer (I.G. Juanamasta et al., 2019; Rusdiyanto, Agustia, Soetedjo, & Septiarini, 2020b; Rusdiyanto, Hidayat, Tjaraka, Septiarini, Fayanni, Utari, Waras, Indrawati, Susanto, Tjahjo, Zainal, et al., 2020; Holford, 2020; Skopik et al., 2020; Wang, Lu, Hu, Gao, & Pishdad-Bozorgi, 2020; Zheng, He, Hsu, Sarkis, & Chen, 2020; Calantone, et al, 2002; Céspedes, et al, 2005). Whereas the application of Organizational Innovation will produce organizational innovation in business practices, organizational innovation in organizations where they work and New Organizational Methods for external relations (Criado-Perez, Collins, & Jackson, 2020; de Kam et al., 2020; Eltigani et al., 2020; Tambosi, Gomes, & Amal, 2020; Camisón and Villar, (2010). So competitiveness needs to be considered in order to create better business performance (Golmohammadi & Amiri, 2021; Kwon, Lee, Han, & Park, 2021; Utami, Rofik, Cahyaningtyas, & Darminto, 2021; Zhao, Wang, & Pal, 2021; Zainurrafiqi and Rachmawati, 2018; Zainurrafiqi, et al (2020). The purpose of this study was to determine the role of Organizational Learning Capability and Organizational innovation on Competitiveness Based On Local Wisdom, and Competitiveness Based On Local Wisdom on the MSMEs performance.

2. THEORETICAL AND HYPOTHESIS REVIEW

2.1 Organization Learning Capabilities

Organizational learning is closely related to innovation. There is a great deal of literature on the relationship between learning ability and technical innovation (Golmohammadi & Amiri, 2021; Kwon et al., 2021; Utami et al., 2021; Zhao et al., 2021; (Spott, 2015). Previous studies have shown empirically that companies are motivated to engage in learning abilities to improve technical innovation performance. However, the impact of corporate learning capacity on non-technical innovation has not been studied in detail. From the above discussion, writers propose the following hypothesis:

H_1: Organization Learning Capabilities have a positive and significant effect on Competitiveness Based On Local Wisdom..

2.2 Organizational Innovation

(De Luca & Osello, 2021; Elghdban, Azmy, Zulkiple, & Al-Sharafi, 2021; Qasem et al., 2021; von Kutzschenbach & Daub, 2021; Howard, et al. 2012) defines competitive advantage as the implementation of a value creation strategy. by companies that are not being simultaneously implemented by current potential competitors. According to (Huiling & Dan, 2020; "International KES Conference on Human Centred Intelligent Systems, KES-HCIS 2020," 2021; Rizk & Elragal, 2020; Schophuizen & Kalz, 2020; Camisón and Villar, (2010) considers that innovation is the source of direct competitive advantage whereas (Juanamasta et al., 2019; Rusdiyanto, Agustia, Soetedjo, Narsa, & Septiarini, 2020; Rusdiyanto, Agustia, Soetedjo, & Septiarini, 2020; Rusdiyanto, Hidayat, et al., 2020; Rusdiyanto & Narsa, 2020; Walker. (2009) stated that competitive advantage depends on a firm's dynamic ability to innovate, which is understood as its ability to adapt and reconfigure its resources and capabilities. From the above discussion, writers propose the following hypothesis:

H_2: Organizational Innovation has a positive and significant effect on Competitiveness Based On Local Wisdom.

2.3 Competitiveness based on local wisdom

stated that the value creation process changes because the nature of competitiveness has shifted from physical to intangible, which is based on the company's activities and knowledge. competitiveness does not depend on natural resources, technology or economies of scale, because they are easier to replicate. Rather, it depends on valuable, rare and difficult to replicate resources residing within an organization (Fitrianf et al., 2018; Hu, Zhou, & He, 2019; Mukarto, Hartati, Prasetyo, As'at, & Asmoro, 2019; Purwaningsih, 2019; Sopanah, Bahri, & Ghozali, 2020; (Shams, 2013). From the above discussion, writers propose the following hypothesis:

H_3: Competitiveness Based On Local Wisdom has a positive and significant effect on the MSMEs Performance.

2.3.1 The relationship between demographic variables with Organization Learning Capability, Organizational Innovation, Competitiveness based on local wisdom and MSMEs Performance

In order to study the relationship between Organization Learning Capability, Organizational Innovation, Competitiveness Based on Local Wisdom and MSMEs Performance in more depth, this study analyzes the influence of this relationship from several internal and external variables: education level, age and sex of the owner of the SMEs. According to Jiménez and Valle (2011); (Gazali, Kusuma, Aina, Bustaram, Amar, et al., 2020; Gazali, Kusuma, Aina, Bustaram, Risal, et al., 2020; Rusdiyanto, Hidayat, Soetedjo, et al., 2020; Rusdiyanto & Narsa, 2019; Rusdiyanto, Sawarjuwono, & Tjaraka, 2020; Rusdiyanto et al., 2019) there is a

positive influence between size, age, industry and the turbulent environment between Organization Learning Capability, Organizational Innovation, Competitiveness Based on Local Wisdom and MSMEs performance. This study makes the following hypotheses::

H_4 : Demographic variables have a significant effect on Organization Learning Capability, Organizational Innovation, Competitiveness based on local wisdom and MSMEs Performance..

3. RESEARCH METHODS

3.1 Research Framework

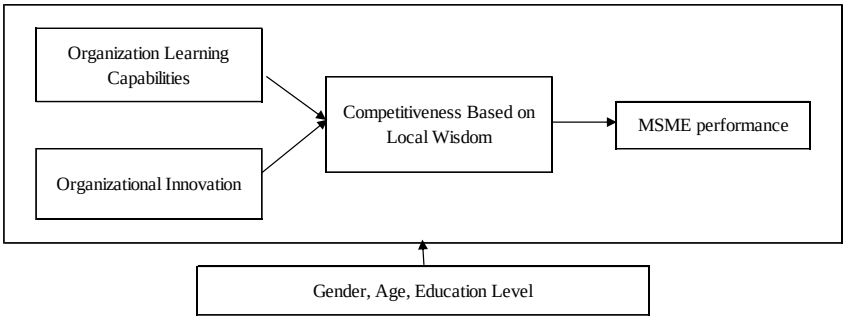

Figure 1: Research Framework

3.2 Measurement Scale

The variables in this study were measured by a Likert scale with a range from 1 to 7 where 1 was equal to "Strongly Disagree" and 7 equal to "Strongly Agree". The variables studied consisted of exogenous variables and endogenous variables. Exogenous variables include Organizational learning capability, Organizational innovation, meanwhile, endogenous variables are competitiveness based on local wisdom and MSMEs performance. This study uses SEM to investigate the linear relationship between variables, hypothesis testing and causal relationships between variables using AMOS 17 software.

4. ANALYSIS AND DISCUSSION

Data analysis used AMOS 17 software with the Structural Equation Model method. There are two stages in the Structural Equation Model (Liu et al., 2021; Pereira & Dos Santos, 2021; Sittl, Marburg, & Wagner, 2021; Taherifar, Zareei, Bidgoli, & Kolahchi, 2021; Zhang et al., 2021). The first stage is the Measurement Model and the second stage is the Structural Model (Kaplan, 2000)

a. Measurement Model

Goodness Fit Indices.

Table 3
The Measurement Model Fit Result

Index	Result
Chi-squire ($\chi 2$)	439.280
Chi-squire DF	159
Chi-squire ($\chi 2$/df)	2.76
Goodness of Fit (GFI)	0.94

Adjusted Goodness of Fit (AGFI)	0.88
Root Mean Square Error of Approximation (RMSEA)	0.09
Root Mean Square of Residual (RMR)	0.01
Normed fit index (NFI)	0.92
Non-normed Fit Index (NNFI)	0.95
Comparative fit index (CFI)	0.98

Source: research data (processed)

Based on table 3, the following results are obtained, namely $\chi 2$ / df-ratio is 2.76, which is at interval 3, which means that the model has met the criteria so that the model can be accepted. As for the assessment of GFI, NFI, NNFI, and CFI, namely the value obtained is greater than or close to 0.9, this means that the calculations related to GFI, NFI, NNFI, and CFI have met the model requirement criteria so that it can be concluded that the model is acceptable. Adapyn regarding the calculation of RMSEA obtained a value of 0.09, so it can be concluded that this value is still acceptable because according to MacCallum et al. (1996) a ring value for the RMSEA between 0.05 and 0.10 is acceptable. So the overall measurement has met the standardization of the assessment on the measurement model fit indices.

4.1 Validity and Reliability Test on the Measurement model

Reliability testing in this study has met the criteria for standardization requirements related to variable testing. The variables in this study were tested using Standardized Loading and Composite Reliability. The calculation of Composite Reliability is shown in Table 4 where a value between 0.8 is obtained. Fornell & Larcker (1981), the value of Composite Reliability is acceptable if it is greater than 0.60.

Validity testing in this study uses Confirmatory Factor Analysis in order to measure the value of Convergent Validity. Table 4 presents the following information, the first is the t-value, the second is related to the Standardized Loading value, and based on the calculations in table 4, it can be concluded that for all variables in this study are significant, namely a value greater than 1.96 is obtained. This proves that the path coefficient in this study is significant, so it can be concluded that all the indicators in this study have met the standardization requirements for calculating Convergent Validity (Anderson and Gerbing, 1988).

Table 4: Scale Composite Reliability and Convergent Validity Analysis

	Construct (F) and Indicators (V)	Standardized Loading	t value	Indicator Reliability	Composite Reliability
Organizational Learning Capability (F1)					
V1	Managerial commitment	0,73	18,84	0,64	
V2	system perspective	0,75	22.18	0.75	0.86
V3	Openness and experimentation	0.72	18.76	0.67	
V4	Knowledge transfer	0,75	27.85	0.92	
Organizational Innovation (F2)					
V5	Organizational innovation in business practices	0,86	27.54	0.92	

	Construct (F) and Indicators (V)	Standardized Loading	t value	Indicator Reliability	Composite Reliability
V6	Organizational innovation in workplace organizations	0.74	18.93	0.67	0.92
V7	The newest organizational method for external relations	0.84	25.69	0.86	
Competitiveness based on local wisdom (F3)					
V8	Differentiation	0.78	24.50	0.69	
V9	Cost reduction	0.79	24.43	0.67	
V10	Innovation	0.73	18.22	0.64	0.94
V11	Growth	0.84	27.72	0.83	
V12	Alliance	0.87	25.43	0.92	
MSMEs performance (F4)					
V13	Marketing performance	0.88	28.38	0.87	0.91
V14	Financial performance	0.84	24.60	0.78	

Source: research data (processed)

4.2 Discriminant validity

The higher the correlation coefficient between the 2 variables, it is possible that there is an indication that discriminant validity cannot be fulfilled. Therefore, in this study chose "Organizational Learning Capability" and "Competitiveness based on local wisdom", "Organizational Learning Capability" and "MSMEs Performance", with correlation coefficients of 0.81 and 0.90, with p-value <0.05 to prove that two pairs of these variables have discriminant validity.

Table 5 : Discriminant Validity Analysis

	Correlation Coefficient		**Unidimensional Measurement Model**	**Measurement Model**	**The difference**	**P value**
Organizational Learning Capability ↔ Competitiveness based on local wisdom	0.81***	Chi-square	969.76	430.64	539.12	< 0.05
		DF	139	138	1	
Organizational Learning Capability ↔ MSMEs performance	0.90***	Chi-square	640.55	239.30	401.25	< 0.05
		DF	129	128	1	

Source: research data (processed) ***p<0.001.

The test results in Table 5 show that the chi-square value is different between the test and the unidimensional measurement model for 1 pair and is significant. It can be concluded that these variables are different. Broadly speaking, all measures have shown that discriminant validity has been met because the largest correlations between variables differ significantly.

4.2.1 Structural Model

In order to test the Research Hypothesis, this study uses Structural Equation Model (SEM) analysis. Overall, the test results for the goodness fit of structural model can be seen in Table 6. The Chi-square ($\chi 2$) / df-ratio value is 2.90 according to Schumacker and Lomax, (2004). Normally the accepted ring values for chi-square are 1 to 3.GFI and NNFI are still accepted because they are greater than 0.8 and close to 0.9. RMSEA is still accepted because its value is equal to or less than 0.1. Overall the requirements for the goodness fit indices of structural model in the structural model have been accepted. RNFI structural model must be greater than 0.9, close to 1 is better. RPR is to detect structural models to parsimony degree. Ring values ranging from 0.0 to 1.0, the greater the better the goodness of fit. RPFI is highly useful for selecting a model that simultaneously maximizes fit and parsimony in the structural portion of the model. With a higher RPFI value, it is more necessary. This can be seen in Table 6 RNFI = 0.94, of RPR = 0.35, and RPFI = 0.45, this structural model shows the goodness of fit and parsimony.

Table 6: Structural Model Goodness Fit Indices

Combined Model										**Structural Model**		
Chi- square	DF	$\chi 2$/df	GFI	AGFI	CFI	NFI	NNFI	RMR	RMSEA	RNFI	RPR	RPFI
179.88	62	2.90	0.87	0.85	0.93	0.97	0.89	0.03	0.07	**0.94**	**0.35**	**0.45**

Source: research data (processed)

4.3 Hypothesis test results

Table 7 presents information related to the results of hypothesis testing, while Figure 2 presents information related to the value of the path of analysis, the explanation is as follows. In Table 3, the results of the path coefficient related to the influence of Organizational Learning Capability → Competitiveness based on local wisdom are 0.42; Organizational Innovation → Competitiveness based on local wisdom is 0.39; Competitiveness based on local wisdom → MSMEs performance is 0.92. Furthermore, "Competitiveness based on local wisdom" as the dependent variable, the value of r2 is 0.62; and "MSMEs Performance" with an r2 value of 0.90. According to Kline, (2016) the category of influence size r2 is small 0.02, medium 0.13, large 0.26. So it can be concluded that competitiveness based on local wisdom and performance of SMEs has a very high level of contribution. The results of the path analysis can be seen in Table 7.

Table 7: Structural Model Path Coefficient

Dependent Variable	**Independent Variable**	**Standardized path coefficient**	**t value**	**Square Multiple Correlation (r2)**

Competitiveness based on local wisdom	Organizational Learning Capability	0,42	6.81*	0,62
	Organizational Innovation	0,39	7.52*	
MSMEs performance	Competitiveness based on local wisdom	0,92	29.56*	0,90

Source: research data (processed), *p<0.001.

4.4 Analysis of Variance

Analysis of variance includes t-test, ANOVA, and Scheffe test. This study uses t-test analysis related to gender to test for differences between each observed latent variable, namely Organizational Learning Capability, Organizational Innovation, Competitiveness based on Local Wisdom and MSMEs Performance. ANOVA analysis consists of gender, age and education level. ANOVA examines the difference in the effect of demographic variables on each of the observed latent variables. Furthermore, the Scheffe test is used after analysis of variance differences. Based on the analysis of variance differences, it can be seen a list of groups that have significant differences.

4.4.1 Analysis of Gender Variance

The gender test used t-test analysis because there were only two groups of differences, male and female. This analysis aims to determine whether there are different characteristics in gender for each variable. Table 8 shows the results of the Gender test. The results show that there are significant differences between men and women, namely the indicator of managerial commitment on the Organizational learning capability variable, the indicator of organizational innovation in the organization where it works and the latest organizational methods for external relations on the Organizational innovation variable, the financial performance indicator on the MSME performance variable and the Innovation indicator in Competitiveness variable with t value greater than 1.96 and P value below 0.05. This shows that the relationship between the sexes of men and women of MSME managers is not the same in SMEs and it appears that the differences appear to have a significant effect on each of the latent variables.

Table 8: Analysis of the t-test for Gender

Variable	Code Name	Indicator	Gender		t Value	P Value
			Male	Female		
Organizational learning capability	V1	Managerial commitment	4.38	4.27	**2.23**	**0.02***
	V2	Systems perspective	5.32	5.28	**1.24**	**0.53**
	V3	Openness and experimentation	5.84	5.89	1.53	0.67
	V4	Knowledge transfer	5.47	5.44	1.02	0.31

	V5	Organizational innovation in business practices	4.40	4.30	1.32	0.72
Organizational innovation	V6	Organizational innovation in workplace organizations	4.21	4.19	2.37	0.01**
	V7	The newest organizational method for external relations	5.32	5.28	2.04	0.02*
	V8	Differentiation	4.62	4.59	1.08	0.47
	V9	Cost reduction	5.32	5.28	1.23	0.38
Competitiveness	V10	Innovation	4.34	429	2.25	0.02*
based on local	V11	Growth	4.23	4.20	1.37	0.58
wisdom	V12	Alliance	4.41	4.37	1.28	0.76
MSMEs performance	V13	Marketing performance	5.47	5.44	1.02	0.31
	V14	Financial performance	5.40	5.40	2.38	0.01**

Source: research data (processed), *α<0.05, **α<0.01, ***α<0.001

4.4.2 Analysis of Age Variances of MSME Managers

Table 9 shows that there is a significant difference in the indicator of Openness and experiments with the comparison of age groups with a range of 41-50 years being higher than those above 50 years. And the age of 31-40 years is higher than the age over 50 years. And there is also a significant difference in the indicators of organizational innovation in business practices, namely that age ≤30 is higher than age over 50 years. And there is also a significant difference in the indicators of organizational innovation in organizations in the workplace, namely the age of 31-40 is higher than the age above 50 years. And there is also a significant difference in the indicators of financial performance, namely the age ≤30 is higher than the age 31-40, 41-50 and the age above 50 years. Furthermore, more results can be seen in Table 9.

Table 9: ANOVA Results for Age of MSME managers

Variable	Code Name	Indicators	Ages (in years)				F Value	P Value	Scheffe's Test
			≤30 1	31-40 2	41-50 3	≥50 4			
Organizational Learning	V1	Managerial commitment	5.46	5.35	5.3	5.16	2.07	0.11	-

Capability	V2	System perspective	4.50	4.36	4.29	4.28	1.01	0.39	-
	V3	Openness and experimentation	5.88	5.86	5.93	5.63	5.26**	0.002	3>4 2>4
	V4	Knowledge transfer	4.71	4.63	4.51	4.42	1.09	0.29	-
	V5	Organizational innovation in business practices	4.00	3.38	3.04	2.61	7.04**	0.002	1>4 2>4
Organizational Innovation	V6	Organizational innovation in workplace organizations	3.04	2.74	2.57	2.26	3.90**	0.009	2>4
	V7	The newest organizational method for external relations	4.60	4.56	4.49	4.38	2.01	0.59	-
	V8	Differentiation	5.88	5.47	5.44	5.33	2.04	0.11	-
	V9	Cost reduction	5.54	5.39	5.41	5.30	1.76	0.52	-
Competitiveness based on local wisdom	V10	Innovation	4.40	4.32	4.24	4.20	1.08	0.19	-
	V11	Growth	4.57	4.36	4.26	4.20	2.01	0.49	-
	V12	Alliance	4.30	4.26	4.19	4.06	1.09	0.39	-
MSMEs performance	V13	Marketing performance	4.87	4.56	4.47	4.32	2.19	0.37	-
	V14	Financial performance	4.81	4.38	4.38	4.35	3.43*	0.018	1>2 1>3 1>4

Source: research data (processed), * α<0.05, ** α<0.01, * α<0.001.**

4.4.3 Analysis of Variance on Education Level

The average education level of MSME managers in Pamekasan Regency consists of junior high school, high school, and bachelor degree graduates. The variance difference for some indicators is significant. The results of Scheffe's test show that 3 indicators of Organizational Learning Capability variables, namely managerial commitment, systems perspective and openness & experimentation show that high levels of education tend to be higher in paying attention to Organizational Learning Capability. And also the indicator for education level. Differentiation is significant with the comparison of the level of bachelor degree education is higher than junior high school, high school, and high school education is higher than junior high school in giving attention to the differentiation indicator. Table 10 shows the overall results of the ANOVA test.

Table 10: ANOVA Results for Education Level

Variable	Code Name	Indicators	The average education			F Value	P Value	Scheffe's Test
			Junior high school (1)	High school (2)	S1 (3)			
Organizational Learning Capability	V1	Managerial commitment	5.14	5.31	5.83	14.62***	<.0001	3>2 3>1 2>1
	V2	System perspective	4.24	4.31	4.80	8.22**	0.004	3>2 3>1
	V3	Openness and experimentation	5.56	5.91	6.05	20.31***	<.0001	3>1 2>1
	V4	Knowledge transfer	4.36	4.30	4.42	1.17	0.31	-
Organizational Innovation	V5	Organizational innovation in business practices	4.96	4.80	4.72	2.16	0.61	-
	V6	Organizational innovation in workplace organizations	5.39	5.30	5.21	1.96	0.14	-
	V7	New organizational methods for external relations	4.36	4.30	4.42	1.17	0.31	-
	V8	Differentiation	5.11	5.49	6.00	13.15***	<.0001	3>2 3>1 2>1
Competitiveness based on local wisdom	V9	Cost reduction	2.77	2.60	2.40	2.09	0.13	-
	V10	Innovation	5.54	5.42	5.45	0.84	0.43	-
	V11	Growth	4.76	4.60	4.52	2.17	0.81	-
	V12	Alliance	4.96	4.80	4.72	1.57	0.51	-
MSMEs Performance	V13	Marketing performance	5.76	5.60	5.52	1.17	0.61	-
	V14	Financial performance						

Source: research data (processed). * α<0.05, ** α<0.01, * α<0.001.**

4.5 Discussion of Research Results

4.5.1 Organizational Learning Capability has a positive influence on Competitiveness Based on Local Wisdom

Based on Table 7, the findings of data analysis, namely Organizational Learning Capability, have a significant and positive effect on Competitiveness Based on Local Wisdom (coefficient = 0.42, t = 6.81, p <0.001). These results are consistent with the results of research by Calantone, et al (2002) and (Céspedes, et al) that Organizational Learning Capability has a significant and positive effect on Competitiveness Based on Local Wisdom. This shows that Organizational Learning Capability plays an important role in influencing Competitiveness Based on Local Wisdom

4.5.2 Organizational Innovation has a positive influence on Competitiveness Based on Local Wisdom

Based on Table 7, the findings of data analysis show that Organizational Innovation has a significant and positive effect on Competitiveness Based on Local Wisdom (coefficient = 0.39, t = 7.52, p <0.001). These results are consistent with previous empirical research by Camisón and Villar (2010) and (Walker and Devece (2010), it is concluded that Organizational Innovation has a significant and positive influence on Competitiveness Based on Local Wisdom.

4.5.3 Competitiveness Based on Local Wisdom has a positive influence on the MSMEs Performance

The results of the data analysis show that competitiveness based on local wisdom has a significant and positive effect on the MSMEs performance (coefficient = 0.92, t = 29.56, p <0.001). These findings are consistent with the results of research by Hooley and Greenley (2005), this study supports that Competitiveness Based on Local Wisdom has a significant and positive effect on the MSMEs performance. This shows that Competitiveness Based on Local Wisdom plays an important role in influencing the MSMEs performance.

4.5.4 Analysis of variance of demographic variables in each variable

In this study, analysis of variance is to analyze the effect of demographic variables on each variable. Demographic variables consist of gender, age and education level. The first observed variable is Organizational Learning Capability which consists of managerial commitment, systems perspective, openness and experimentation, knowledge transfer, the second variable is Organizational Innovation which consists of organizational innovation in business practices, organizational innovation in the organization where it works, the latest organizational methods. for external relations, the third variable is Competitiveness Based on Local Wisdom which consists of innovation, cost reduction, partnership, differentiation and growth, and the fourth variable is the MSMEs performance which consists of marketing performance and financial performance.

4.5.5 Analysis of gender variance in each variable

The findings in this study are that there are significant differences in the effect between male and female. This shows that the relationship between the gender of male and female of MSMEs managers is not the same in MSMEs.

4.5.6 Analysis of age variance in each variable

The age group with a range of 41-50 years was significantly higher than those over 50 years. And the age group with a range of 31-40 years is significantly higher than the age over 50 years on the Openness and experimental indicators. The age group with a range of ≤30 is significantly higher than those over 50 years of age on the indicator of organizational innovation in business practice. The age group in the 31-40 range was significantly

higher than the age over 50 on the indicator of organizational innovation in organizations in the workplace. The age group with a range of ≤30 is significantly higher than those aged 31-40, 41-50 and those over 50 years old on the indicator of financial performance.

4.5.7 Analysis of the variance of education level on each variable

Significantly, the high level of education tends to give higher attention to Organizational Learning Capability, namely managerial commitment, systems perspective and openness & experimentation. Significantly the level of undergraduate level is higher than junior high school and high school, and high school education is higher than junior high school in giving attention to the differentiation indicator.

5. CONCLUSIONS AND SUGGESTIONS

5.1 Conclusion

The conclusion of this study is that the results of this study indicate that Organizational Learning Capability and Organizational Innovation have a positive and significant effect on the Competitiveness Based on Local Wisdom, and Competitiveness Based on Local Wisdom has a positive and significant effect on the MSMEs Performance and Demographic variables have a significant difference in influence on each variable.

5.2 Limitations and Suggestions

The limitation in this study is that this study only focuses on MSMEs in Pamekasan district, so the results of this study cannot be generalized to other companies. This research is focused on the field of MSMEs in Pamekasan district. Future research can broaden the results by analyzing other cities and including large companies. The purpose of this research is to dig deeper into the Role of Organizational Learning Capability, Organizational Innovation, Competitiveness Based on Local Wisdom in a certain period of time and its impact on the of MSMEs performance. However, the effects of some variables may change over time, causing the results to change too. Therefore, this study suggests that further research can develop a research model in order to obtain more comprehensive information.

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