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Operational Capabilities in Driving MSME Sales Performance

✉**Rizyana Mirda[1]; Anita Kartika Sari[2]; Nindya Kartika Kusmayati[3]; Bayu Agus Permadi[4]**

[1.2.4]*Economics Study Program, Faculty of Management, STIE Mahardhika Surabaya, Indonesia*

[3]*Economics Study Program, Faculty of Accounting, STIE Mahardhika Surabaya, Indonesia*

✉rizyana.mirda@stiemahardhika.ac.id

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ABSTRACT

This study examines the influence of raw material inventory, production process, and production output on the sales turnover of Micro, Small, and Medium Enterprises (MSMEs) in Gayungan, Surabaya. Amidst economic uncertainty and intense competition, understanding the operational drivers of sales performance is for MSME sustainability. Using a quantitative approach, data were collected from 95 MSME respondents through structured questionnaires and analyzed using multiple linear regression. The results reveal that raw material inventory does not exert a significant partial effect on sales turnover, suggesting its role as a hygiene factor rather than a direct revenue driver. Conversely, both production process efficiency and production output quality demonstrate significant positive partial effects, indicating that operational excellence and product value are key determinants of sales performance. Furthermore, the simultaneous test confirms that the three variables collectively form a synergistic configuration that significantly influences sales turnover, supporting a systems-based perspective of operational management. These findings imply that MSME practitioners should prioritize holistic operational integration over isolated inventory accumulation. Strategic focus should be directed toward optimizing production workflows and enhancing product quality to maximize sales impact. This study contributes to the operational management literature by contextualizing the resource-performance relationship within the unique ecosystem of urban Indonesian MSMEs, offering empirical evidence for contingency-based managerial strategies.

INTRODUCTION

According to Ivanov (2020) , businesses that are capable of adapting and evolving are the ones most likely to survive in the current era of globalisation where competition has become increasingly intense. To address the challenges posed by this highly competitive business environment, companies are required to operate more efficiently, particularly in the context of today's economic uncertainty. The economic volatility

currently affecting Indonesia has had serious repercussions across various sectors, necessitating that businesses optimise the utilisation of available resources to maintain liquidity and performance. Inventory plays a crucial role, particularly in manufacturing and commercial enterprises. It can be argued that inventory is a fundamental requirement, as any disruption in inventory management may significantly affect the entire operational process of a company. Queiroz et al. (2022) highlight that delays in delivery may occur when inventory levels are insufficient. Furthermore, when stock is depleted due to interruptions in production activities, business operations may come to a halt until sufficient inventory is restored to support production and operational continuity. The procurement of raw materials, the production process, and the resulting outputs are key factors that play a vital role in determining a company's operational success. In the view of Borbon-Galvez et al. (2025) and Iyadunni Adewola Olaleye et al. (2024), these three components are interdependent and have a significant impact on company revenue in a broader context. A well managed supply of raw materials ensures the smooth execution of the production process, which ultimately affects both the availability and quality of outputs (Ruel et al., 2024). However, in the context of resource constrained MSMEs, the role of inventory may differ from large corporations, where excessive stock could burden liquidity rather than drive sales. High quality and adequate production outputs enhance customer satisfaction, stimulate purchasing interest, and ultimately contribute to revenue growth. Therefore, understanding the complex interrelationship among these three aspects is a critical step towards improving operational efficiency. From the background described, several key aspects require attention, including how raw material inventory contributes to changes in MSME sales turnover, the impact of the production process on turnover, and the influence of production outputs on sales.

However, despite the acknowledged importance of operational efficiency, a research gap exists in the current literature. Most previous studies have predominantly focused on financial marketing strategies, such as price and promotion, to explain sales turnover (Laoli et al., 2024; Setiawan & Murtiyanto, 2024). There is a scarcity of empirical research that specifically links operational variables raw material inventory, production processes, and output quality directly to sales turnover within the MSME sector. Additionally, existing studies often isolate these variables rather than examining their simultaneous impact on business performance. This study addresses this gap by shifting the focus from external marketing factors to internal operational efficiencies that drive revenue in a post-crisis economy. The novelty of this research lies in its specific contextual focus and holistic approach. Unlike prior research that generally targets large scale manufacturing firms, this study concentrates on the MSME cluster in Gayungan, Surabaya, characterized by limited capital intensity and labor intensive production patterns. Hafidy et al. (2024) suggest that production practices need improvement, yet few have analysed how these improvements translate directly to turnover in local Indonesian MSMEs. By integrating raw material inventory, production processes, and production outputs into a single analytical framework, this study offers a comprehensive model for understanding sales drivers in the MSME sector.

In line with the research problem, the objective of this study is to analyse various factors influencing MSME sales turnover. Firstly, the study aims to evaluate the impact of raw material inventory management on turnover and to identify strategies that can be implemented to improve it. Secondly, it seeks to examine how the efficiency and effectiveness of the production process contribute to sales turnover and to identify potential improvements in production practices. Furthermore, the study will analyse the influence of the quality and characteristics of production outputs on MSME turnover, as well as determine whether improvements in product quality can enhance sales performance. Collectively, these objectives aim to provide a holistic operational framework for sustaining MSME sales growth.

LITERATURE REVIEW

Raw Material Inventory

Raw material inventory constitutes a fundamental component in manufacturing, providing the primary inputs for the production process. According to Rosalia et al. (2025), raw material inventory refers to unprocessed basic materials prepared by firms for production activities. In line with this, Rafsanjana et al.

(2024) explain that raw materials represent the largest component of goods that are fully embodied in the final product. The importance of effective inventory management is further emphasised by recent research in the halal food industry, which states that raw material inventory refers to the value of core components used to produce final goods; thus, any disruption in its management may hinder operational processes (Li et al., 2024) . For manufacturing MSMEs, raw material inventory reflects the availability of materials necessary to ensure smooth production and to meet market demand, both of which have a direct impact on sales turnover. Wardhani & Sukmono (2024) highlight that raw materials support the production of finished goods along with their associated costs. Based on this perspective, raw material inventory in this study is defined as the availability of production materials managed efficiently. The indicators of raw material inventory in this research refer to Wahyuni et al. (2024) , including inventory turnover, economic order quantity (EOQ), safety stock, reorder point, and total inventory cost.

Production Process

The production process refers to a series of systematic activities that transform raw material inputs into finished goods through value creation. According to Elfan Kaukab et al. (2020) , the production process reflects a firm's capability to manage resources, knowledge, and operational activities to enhance efficiency and output quality. Similarly, Karolina et al. (2020) explain that the production process is a critical component within manufacturing systems that must be continuously monitored to improve productivity and resource utilisation. In the context of MSMEs, Mardiani et al. (2024) define the production process as a sequence of operational activities that can be optimised through the adoption of technology to ensure better control, efficiency, and product quality. Furthermore, Ruel et al. (2024) emphasise that an effective production process integrates various inputs, including labour, machinery, and materials, to produce outputs that meet market demand and organisational objectives. Based on these perspectives, the production process in this study is defined as the effectiveness and efficiency of transforming inputs into valuable outputs within business operations. The indicators of the production process refer to Elfan Kaukab et al. (2020) and Mardiani et al. (2024), including production efficiency, process quality, resource utilisation, and operational control in the transformation process.

Production Output

The production result refers to the final output generated from the transformation of inputs through the production process, which can be measured in terms of quantity, quality, and value. In economic theory, output is defined as the goods or services produced within a certain period as a result of combining various production factors. In line with this, Syzdykova & Azretbergenova (2025) explain that production output in SMEs reflects the firm's contribution to economic activity, including job creation and product availability in the market. FurthermoreRosyidiana & Narsa (2024) state that production results in MSMEs are closely related to business performance, where higher output contributes to improved financial outcomes and competitiveness. Supporting this view, data from BPS (2025) indicate that production results in micro and small industries can be assessed through production growth indicators, which reflect the development and performance of industrial activities over time. Based on these perspectives, production result in this study is defined as the level of output produced by a business in terms of quantity, quality, and economic value as a result of the production process. The indicators of production result refer to Syzdykova & Azretbergenova (2025) and BPS (2025), including production quantity, product quality, production value, and output growth as a reflection of business performance.

Sales Turnover

Sales turnover refers to the total revenue generated from the sale of goods or services within a specific period, reflecting a firm's ability to convert its business activities into financial performance. According to Utami & Astuti (2024)), sales turnover represents a key indicator of MSME performance, as it reflects the scale of business operations and financial outcomes achieved. In line with this, Deanova et al. (2024) explain

that sales turnover is closely related to financial management effectiveness, where higher turnover indicates better business performance and sustainability. Furthermore, Wita Setiawati et al. (2024) state that sales turnover is influenced by marketing activities and market demand, making it an important measure of how well a firm responds to consumer needs. Supporting this view, Rosyidiana & Narsa (2024) emphasise that in the digital era, sales turnover also reflects the success of technology adoption in expanding market reach and increasing sales performance in MSMEs. Based on these perspectives, sales turnover in this study is defined as the total revenue generated from sales activities that reflects the effectiveness of business operations and market performance. The indicators of sales turnover refer to Utami & Astuti (2024)) and Deanova et al. (2024), including total sales value, sales growth, sales volume, and the firm's ability to meet market demand.

Hypothesis Development

Raw material inventory constitutes a fundamental prerequisite for the continuity of manufacturing production processes. The availability of adequate materials prevents production delays and ensures that finished goods are delivered on time to meet market demand (Queiroz et al., 2022). From a theoretical perspective, effective inventory management minimises the risk of stockouts that may hinder sales realisation, thereby contributing to the stability of revenue streams (Bai et al., 2025). A firm's ability to consistently provide raw materials is regarded as a key enabler in achieving sales targets (Ruel et al., 2024). The absence of raw materials can disrupt operations, directly reducing potential turnover. Therefore, the availability of raw materials is expected to have a positive relationship with sales performance through ensuring operational continuity and the fulfilment of customer demand. Based on this rationale, the following hypothesis is proposed:

Hypothesis 1: Raw material inventory has a positive effect on MSME sales turnover.

The production process constitutes the core transformation of inputs into outputs with economic value, thereby determining product competitiveness. The efficiency and effectiveness of the production process directly influence production costs, product quality, and delivery speed. According to Tortorella et al. (2020), the optimisation of workflow and the minimisation of waste within production processes enhance order fulfilment capacity and business competitiveness. In line with this, Sony and Naik (2020) emphasise that the integration of efficiency and quality principles improves business responsiveness to market demand. When MSMEs are able to reduce cycle time while maintaining quality standards, customer satisfaction increases, thereby encouraging repeat purchases and ultimately leading to sales growth. Therefore, excellence in the production process serves as a key differentiating factor in driving sales performance. Based on this rationale, the following hypothesis is proposed:

Hypothesis 2: The production process has a positive effect on MSME sales turnover.

Production output represents the tangible manifestation of value offered to consumers, thereby determining a product's attractiveness in the market. According to Yi et al. (2024) , the quality and characteristics of output directly influence customer satisfaction and purchasing decisions. Furthermore, Ruel et al. (2024) and Ayu et al. (2024) argue that high-quality production outputs enhance customer satisfaction and stimulate repeat purchase intentions. In line with this, Borbon-Galvez et al. (2025) assert that superior output characteristics enable product differentiation in competitive markets, thereby contributing to revenue growth.For MSMEs, products characterised by durability, functionality, and aesthetic appeal are key drivers of customer loyalty. When consumers perceive added value in a product, they are more likely to engage in repeat purchases, which directly increases sales turnover. Therefore, excellence in production output constitutes a primary determinant of sales performance. Based on this rationale, the following hypothesis is proposed:

Hypothesis 3: Production output has a positive effect on MSME sales turnover.

Sales performance is not determined by operational factors in isolation, but rather by the integrative synergy among components of the value chain. Drawing on Systems Theory, performance outcomes are regarded as emergent properties arising from complex interactions among operational subsystems (Tortorella et al., 2020). Raw material inventory ensures operational continuity, the production process secures efficiency, and production output delivers market value. Together, these elements form a configuration of internal capabilities that is difficult to replicate, in line with the ResourceBased View (Ruel et al., 2024) . In the context of MSMEs, the interdependence among these variables implies that the optimisation of one aspect must be balanced with the others in order to generate a multiplicative effect on financial performance. Therefore, the combined effect of these three operational variables is expected to influence sales turnover.

Hypothesis 4: Raw material inventory, production process, and production output simultaneously have a significant effect on MSME sales turnover.

RESEARCH METHODS

Adopting an explanatory quantitative framework, this research investigates the causal dynamics between operational variables and sales performance. This alignment supports the testing of objective theories through statistical analysis of numerical data, as advocated by Creswell (2018). The target population encompasses manufacturing-based MSMEs operating within the Gayungan district of Surabaya. Participant selection followed a purposive sampling strategy, filtering for enterprises that met three inclusion criteria: (1) operational history exceeding two years, (2) active production engagement, and (3) consent to participate. Consequently, 95 valid responses were secured. This sample size satisfies the statistical power requirements for multivariate analysis, adhering to the guideline of 10 observations per indicator proposed by Hair et al. (2019). Primary data acquisition was achieved via direct distribution of structured surveys to business proprietors. Construct measurement utilized a five-point Likert spectrum (1 = Strongly Disagree to 5 = Strongly Agree). Instrument items were adapted from prior studies, including Tortorella et al. (2020) and Mardiani et al. (2024) for production processes, and Wahyuni et al. (2024) for inventory management. To balance accuracy with respondent confidentiality, sales turnover was captured through categorized self-reported financial ranges. Data integrity was ensured through rigorous instrument testing, specifically validity checks via Pearson Correlation and reliability assessment using Cronbach's Alpha (threshold > 0.7). Hypothesis verification was conducted using Multiple Linear Regression analysis processed through SPSS version 26, enabling the evaluation of both individual (t-test) and collective (F-test) variable impacts.

RESULT AND DISCUSSION

Validity Test Results

To ensure the accuracy of the measurement instruments, construct validity was assessed referencing the framework proposed by Sugiyono (2018). Utilizing data from 95 respondents, the study applied Pearson correlation analysis to determine whether each questionnaire item accurately measured the intended constructs. The criterion for validity required the calculated correlation coefficient (r-count) to exceed the critical table value (r-table) at a 5% significance level ($\alpha = 0.05$). Statistical output demonstrated that all indicators achieved significance at $p = 0.000$, with r-count values consistently higher than the r-table threshold. This confirms that the measurement instrument possesses adequate construct validity for further statistical analysis.

Table 1. Reliability Statistics (Cronbach’s Alpha)

Cronbach’s Alpha	N of Items
0,882	3

Source : IBM SPSS Result

The results of the reliability test indicate that all variables, namely X1, X2, and X3, have Cronbach’s Alpha values exceeding 0.60. This suggests that the instruments used to measure these variables are reliable and capable of producing consistent results.

Classical Assumption Test

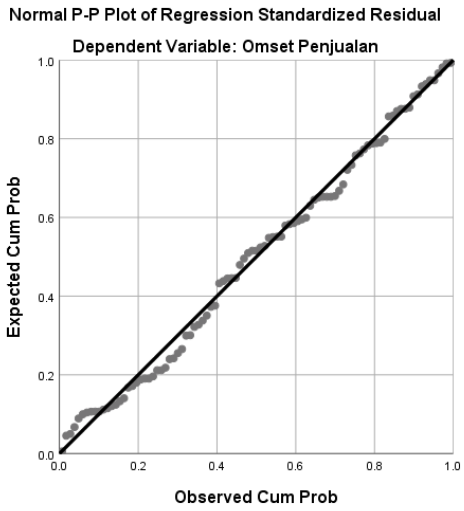

Image 1. Normality Test (P-P Plot)

Based on the graph above, it can be inferred that the assumption of normality is satisfied. A dataset is considered to be normally distributed if the significance value exceeds 0.05; conversely, if the significance value is less than 0.05, the data are regarded as not normally distributed.

Table 2. Results of the Multicollinearity Test

Variable	Tolerance	VIF
Raw Material Inventory	.367	2.725
Production Process	.377	2.655
Output Production	.447	2.236

Source : IBM SPSS Result

Multicollinearity Test Based on the results of the analysis, the regression model does not exhibit symptoms of multicollinearity. Multicollinearity is considered absent when the Variance Inflation Factor (VIF) values are below 10 and the tolerance values are above 0.10.

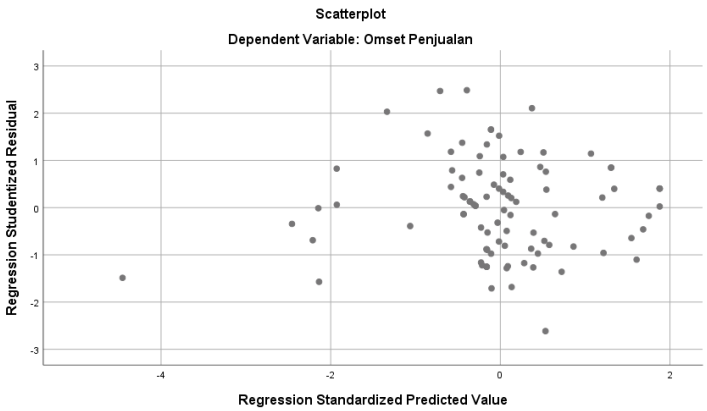

Image 2. Heteroskedasticity Test **(**Scatterplot)

Based on the heteroscedasticity test, the scatterplot does not exhibit any clear pattern or systematic form. This indicates that the data do not show signs of heteroscedasticity, suggesting that the assumption of homoscedasticity is satisfied.

Table 3. Results of the Autocorrelation Test

R Square	Adjusted R Square	Std Error of the estimate
.658	.646	2.71535

Source : IBM SPSS Result

The results of the autocorrelation test indicate that the model does not exhibit any symptoms of autocorrelation. This suggests the absence of both positive and negative correlation patterns, and therefore the fundamental assumptions of regression analysis are satisfied.

Table 4. t-Test Results (Partial Effects)

Variable	Beta	t	Sig	H0	H
Raw Material Inventory	**-.**006	-.062	.951	Accepted	Rejected
Production Process	.243	2.926	.004	Rejected	Accepted
Output Production	.519	6.386	.000	Rejected	Accepted

Source : IBM SPSS Result

Table (4) summarizes the hypothesis testing outcomes derived from multiple linear regression analysis. The first hypothesis, proposing a positive effect of raw material inventory on sales turnover, was rejected ($t = 0.062$, $p = 0.951 > 0.05$), indicating no statistically meaningful partial relationship. In contrast, both production process (X2) and production output (X3) yielded significant coefficients, with t-values of 2.926 ($p = 0.004$) and 6.386 ($p < 0.001$) respectively each exceeding the critical t-threshold. These results lead to the acceptance of H2 and H3, affirming that process efficiency and output quality are significant predictors of sales performance. Notably, the effect size of production output (X3) was substantially larger than that of the production process, suggesting that end-product characteristics hold greater explanatory power for revenue generation among Gayungan MSMEs.

Table 5. Overall Model Significance (F-Test)

F-value	Significance (p-value)
58.275	.000

Source : IBM SPSS Result

The omnibus F-test confirms that the proposed operational model possesses significant explanatory power regarding MSME sales turnover. With a probability value of $p < 0.001$ and an observed F-statistic exceeding the critical benchmark of 2.471, the regression model is deemed statistically robust. This outcome validates H4, demonstrating that raw material inventory, production process efficiency, and production output quality function as a cohesive determinant of revenue performance. Notably, the significance of the simultaneous model despite the non-significant partial effect of inventory suggests that operational variables exert their influence through interdependent mechanisms. In essence, sales turnover among Gayungan MSMEs is shaped not by isolated resources, but by the synergistic integration of material availability, process transformation, and product excellence.

Table 6. Model Summary (R^2 and Adjusted R^2)

R Square	Adjusted R Square	Std Error of the estimate
.658	.646	2.71535

Source : IBM SPSS Result

The test results indicate an R^2 value of 0.658, meaning that variables X1, X2, and X3 collectively explain 65.8% of the variance in Y.

The Role of Raw Material Availability on Sales Turnover

The empirical results reveal that raw material inventory does not exert a significant partial effect on the sales turnover of MSMEs in Gayungan, Surabaya. This finding challenges the conventional assumption that higher inventory levels directly correlate with increased sales performance. Instead, it suggests that within the specific operational ecosystem of local MSMEs, inventory functions as a hygiene factor rather than a value-driving resource. While adequate inventory is necessary to prevent production stoppages, its mere accumulation does not inherently generate revenue. This aligns with the Theory of Constraints, which posits that inventory is only valuable if it passes through the system to become throughput; otherwise, it remains a liability (Rahman et al., 2025) . The lack of significance can be attributed to the make to order production pattern prevalent among Gayungan MSMEs. Unlike large-scale manufacturers that stockpile for mass distribution, these enterprises procure materials based on specific customer orders, resulting in stable and predictable inventory requirements.

Consequently, variations in inventory levels are minimal and insufficient to drive sales fluctuations. Furthermore, capital constraints force MSMEs to maintain lean inventory levels to avoid holding costs, meaning inventory is managed for operational continuity rather than sales expansion (Rosalia et al., 2025; Rosyidiana & Narsa, 2024) . In this context, inventory acts as a threshold variable; once a minimum safety stock is reached, additional units yield diminishing returns on sales. Theoretically, this supports a nuanced interpretation of the Resource-Based View (RBV). While RBV suggests resources create competitive advantage, this study indicates that raw materials alone lack the characteristics of Value, Rarity, Imitability, Organization, unless transformed through superior processes. Inventory becomes valuable only when integrated with production efficiency and product quality. Thus, the insignificance in the partial test does not imply irrelevance; rather, it highlights that inventory's impact is contingent on its conversion into finished goods. Managerially, these findings imply that MSME practitioners should avoid overcapitalizing in raw materials. Strategic focus should shift from accumulation to conversion efficiency. Inventory management should aim for optimality (e.g., EOQ) to ensure liquidity, while sales growth strategies should prioritize market responsiveness and product innovation. Ultimately, raw material inventory is a foundational enabler, but not a primary driver of sales turnover in the Gayungan MSME context.

The Role of the Production Process in MSME Sales Turnover

The empirical findings indicate that the production process has a positive and significant effect on the sales turnover of MSMEs in Gayungan, Surabaya. This result confirms that efficiency and effectiveness in transforming inputs into outputs constitute critical determinants of sales performance in micro and small enterprises. The findings are consistent with Tortorella et al. (2020), who argue that the optimisation of workflow and the minimisation of waste in production processes directly enhance order fulfilment capacity and business competitiveness. In the context of MSMEs in Gayungan, a well-structured production process enables business operators to deliver products with consistent quality and shorter completion times. This aligns with Rosyidiana & Narsa (2024)), who emphasise that the integration of efficiency and quality principles within production processes improves business responsiveness to market demand. When MSMEs are able to reduce cycle time while maintaining quality standards, customer satisfaction increases, thereby encouraging repeat purchases and expanding the customer base, ultimately leading to higher sales turnover. These findings also reinforce the Resource-Based View (RBV) within the entrepreneurship literature, whereby internal operational capabilities serve as a source of competitive advantage that is difficult to replicate. For MSMEs operating in competitive local markets such as Gayungan, excellence in production processes becomes a key differentiating factor, rather than competing solely on price. From a managerial perspective, these results suggest that MSME practitioners should continuously evaluate their production workflows, adopt simple lean manufacturing practices, and enhance workforce competencies in order to maximise the positive impact of production processes on sales performance.

The Role of Production Results in MSME Sales Turnover

The empirical results indicate that production output has a positive and significant effect on the sales turnover of MSMEs in Gayungan, Surabaya. This finding suggests that the quality, quantity, and characteristics of finished products constitute key determinants that directly influence consumer purchasing decisions and business revenue performance. These results are consistent with Ruel et al. (2024), who argue that high-quality production outputs enhance customer satisfaction and stimulate repeat purchase intentions, ultimately contributing to revenue growth. In the context of MSMEs in Gayungan, products characterised by consistent quality, attractive design, and alignment with local market needs represent a primary source of competitive advantage. In line with Borbon-Galvez et al. (2025), superior production output characteristics enable product differentiation in competitive markets, allowing MSMEs to maintain customer loyalty while attracting new market segments. When consumers perceive added value in purchased products whether in terms of durability, functionality, or aesthetics they are more likely to recommend them to others, generating word-of-mouth effects that expand market reach without incurring additional promotional costs. These findings also reinforce the market-based view within the entrepreneurship literature, whereby the capability to produce market-valued outputs is central to the commercial success of MSMEs Iyadunni Adewola Olaleye et al. (2024). From a managerial perspective, MSME practitioners are advised to prioritise output quality control, pursue design innovation based on customer feedback, and ensure production consistency in order to maximise the positive impact of production outputs on sales turnover. For future research, it is recommended to explore the moderating role of variables such as branding strategies or distribution channels, which may strengthen the relationship between output quality and sales performance.

Simultaneous Dynamics of Operational Variables in the MSME Ecosystem

The results of the simultaneous testing reveal that raw material inventory, production processes, and production outputs collectively form an operational configuration that has a significant effect on the sales turnover of MSMEs in Gayungan, Surabaya. This finding extends beyond conventional statistical interpretation, indicating that sales performance is not merely the linear aggregation of independent factors, but rather the outcome of systemic synergy among components within the value chain. From a theoretical perspective, this reinforces the Systems Theory approach in manufacturing operations, whereby performance outcomes (sales turnover) are regarded as emergent properties arising from complex interactions among operational subsystems (Tortorella et al., 2020). The substantial coefficient of determination further confirms that this operational model possesses strong explanatory power in predicting MSME financial performance amidst economic uncertainty. A deeper analysis of variable dynamics reveals critical interdependencies that explain why raw material inventory is not significant in partial testing, yet becomes significant when examined simultaneously. Within the context of MSMEs in Gayungan, raw material inventory functions as a hygiene factor or foundational enabler; its presence does not directly increase sales unless it is effectively transformed through efficient production processes and high-quality outputs. This finding is consistent with the argument proposed by Ruel et al. (2024), which states that the value of inventory is only realised when integrated with production transformation capabilities. In other words, raw materials represent potential value that is converted into realised economic value only when processed into outputs that meet market standards. Without a capable production process, the accumulation of raw materials may instead become a cost burden (holding cost) that does not contribute to revenue generation.

The local context of MSMEs in Gayungan introduces an additional layer of complexity. Limitations in capital and economies of scale prevent MSMEs from relying on a single operational advantage. Trade off strategies frequently occur; for instance, sacrificing process speed for output quality, or vice versa. The simultaneous results demonstrate that MSMEs capable of balancing these three aspects material availability, process efficiency, and output quality exhibit stronger business resilience. This supports the view of Borbon-Galvez et al. (2025), which highlights that upstream to downstream operational integration is a key determinant of sustainability in competitive markets. the managerial implications of these findings call for a paradigm shift from isolated functional management towards integrated operational management. MSME practitioners are advised not only to focus on marketing efforts to increase turnover, but also to develop a cohesive production ecosystem. For academics, this study opens avenues for further exploration of mediating mechanisms, such as how agile manufacturing or operational digitalisation may strengthen these

relationships. Thus, this study not only confirms causal relationships but also offers strategic insights into how the orchestration of internal resources serves as a primary driver of MSME sales performance.

CONCLUSIONS

his study concludes that operational excellence and product value are the primary drivers of sales turnover for MSMEs in Gayungan, Surabaya, surpassing the impact of mere inventory accumulation. Based on empirical analysis of 95 respondents the findings reveal a nuanced operational dynamic. Raw material inventory does not exert a significant partial influence on sales turnover indicating its role as a foundational hygiene factor rather than a direct revenue generator. Its presence ensures continuity but does not inherently boost sales. Conversely, production process efficiency and production output quality demonstrate significant positive effects, confirming that transformational capabilities and product superiority are critical differentiators in a competitive local market. Simultaneously, these variables form a synergistic configuration that significantly determines overall sales performance, validating a systems-based approach to operations. Theoretically, these findings refine the Resource Based View (RBV) within the MSME context. They suggest that static resources (inventory) lack competitive advantage unless integrated with dynamic capabilities (process and output). This highlights the contingent nature of operational resources, where value is realized only through effective transformation. For practitioners, the implication is strategic: MSMEs should avoid overcapitalizing in raw materials, which ties up liquidity. Instead, focus must shift toward lean production practices to minimize waste and innovation in product quality to foster customer loyalty. Inventory management should aim for optimality (e.g., EOQ) to ensure production flow without compromising financial flexibility. sustainable sales growth for MSMEs relies on the holistic integration of operational components rather than isolated resource accumulation. This study provides a robust framework for MSMEs to navigate economic uncertainty through operational excellence. Future research should explore mediating variables such as digital adoption or market orientation to further unpack the mechanism between operational efficiency and financial performance, offering deeper insights into scaling MSME resilience.

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