Journal of Ecohumanism
2024
Volume: 3, No: 6, pp. 932 – 945
ISSN: 2752-6798 (Print) | ISSN 2752-6801 (Online)
https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v3i6.4062

The Influence of Business Model Canvas on Financial Performance of Micro, Small, and Medium Enterprises (MSMEs)

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Abstract

This research aimed to analyze the influence of the nine components of Business Model Canvas (BMC) on financial performance of Micro, Small, and Medium Enterprises (MSMEs) in Kudus Regency. BMC components included Customer Segments, Value Propositions, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, Key Partnerships, and Cost Structure. In addition, the data was collected from 393 MSMEs selected through purposive sampling using a quantitative method. The analysis was performed using Structural Equation Modeling (SEM) and SmartPLS 3 software. The results showed that Cost Structure had a positive and significant impact on financial performance of MSMEs out of the nine BMC components. In this context, the efficiency in cost management significantly contributed to the improvement of financial performance. Other components such as Channels, Customer Relationships, Customer Segments, Key Activities, Key Partnerships, Key Resources, Revenue Streams, and Value Propositions did not have a significant impact on financial performance. Therefore, MSMEs in Kudus Regency were expected to optimize the implementation of the components to have a greater impact on financial performance. The practical implications were that MSMEs should focus more on efficient Cost Structure management as a primary strategy to enhance financial performance.

Keywords: *Financial Performance, Business Model Canvas, MSMEs.*

Introduction

Micro, Small, and Medium Enterprises (MSMEs) are among the main pillars of Indonesia economy. According to data from the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM), MSMEs contribute more than 60% to the national Gross Domestic Product (GDP) and create over 90% of employment (Limanseto, 2022). In addition, a crucial role is played in distributing economic benefits to various layers of society, particularly in regions less impacted by large industrial sectors. As an area with a high number of MSMEs, Kudus Regency also experiences significant benefits. In this context, the sustainability and improvement of financial performance are essential to maintaining competitiveness and ensuring economic sustainability.

Despite the significant role of MSMEs, there are still various challenges faced by the sector in relation to financial performance. Several MSMEs have not optimized financial performance. Even though the government has tried to scale up the concept, there is still a gap in terms of capital and annual sales (Government Regulation of the Republic of Indonesia Number 07 of 2021 Concerning Ease, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises, 2021). Based on data obtained from the Department of Labor, Industry, Cooperatives, and MSMEs of Kudus Regency, the number of micro, small, and medium enterprises in 2023 reached 94.81%, 4.59%, and 0.60%, respectively.

This phenomenon raises questions about strategies to be implemented in Kudus Regency to improve financial performance. An important method widely used in business world to design effective strategies is Business Model Canvas (BMC). BMC is a framework introduced by Alexander Osterwalder and Yves

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Pigneur in 2010 to understand and manage business models more structurally (Bestul & Gruis, 2024). This model consists of nine main components, namely Customer Segments, Value Propositions, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, Key Partnerships, and Cost Structure (Lopes et al., 2023). Each of the components plays an important role in helping businesses create, deliver, and capture value for customers, contributing to improved financial performance.

Customer Segments refer to the market segments or customers that the business targets. In the context of MSMEs, understanding the main customers and the market segments is an essential first step (Macha-Huamán et al., 2023). In this context, MSMEs can use products or services to better meet the needs and desires of customers. Well-defined customers influence the entire business strategy. Meanwhile, Value Propositions describe the unique value offered to customers in the form of product advantages, competitive pricing, or better experience. A strong Value Propositions is essential for attracting and retaining customers (Pasaribu et al., 2023). Understanding the balance between this variable and market needs can be a crucial differentiator during fierce competition.

Channels refer to the distribution of products or services to customers. In the digital age, online Channels such as e-commerce, social media, and other digital platforms play an important role in supporting marketing and product distribution (Fakieh et al., 2022). The appropriate use increases customer reach and provides the convenience of accessing broader markets.

Customer Relationships play an important role in maintaining loyalty and satisfaction. MSMEs need to have clear strategies for building and maintaining relationships through personalized methods, automation, or community-based strategies (Hurriyati et al., 2023). Additionally, good Customer Relationships create loyalty and improve business survival in the face of competition.

Revenue Streams describe the generation of money from customers. MSMEs need to identify various sources of income from product sales, services, or business models such as subscriptions or advertising. Diversifying Revenue Streams can provide better stability and resilience, specifically during economic uncertainty. Physical, human, intellectual, or financial resources are essential assets needed to operate the business model (Alharethi & Kabil, 2024). In the context of MSMEs, good and efficient resources support business operations to meet customer needs.

Key Activities are carried out to run the business and deliver Value Propositions (Fakieh et al., 2022). These include production, distribution, marketing, and customer service. Well-managed Key Activities add value to the business and help MSMEs achieve goals. Meanwhile, Key Partnerships refer to strategic collaborations performed with other parties to support business operations. These partnerships can include suppliers, distributors, or technology partners who can help achieve greater efficiency and effectiveness. Cost Structure refers to the main costs incurred to run the business (Chumaidiyah et al., 2024). MSMEs need to understand and manage fixed and variable costs to ensure that the business model is sustainable and can achieve the desired profitability.

Kudus is an area with significant economic potential, specifcally in sectors such as the cigarette industry, food, textiles, and tourism. By using BMC, MSMEs can identify opportunities to improve business models and be more responsive to market changes and customer preferences. The implementation can be an effective solution to address the challenges faced in terms of financial performance. Despite the widespread application of BMC in large and small companies, there is still little research on the application of the components to influence financial performance. Previous research has tended to focus more on BMC implementation in large industrial sectors or companies with more complex management structure (Fakieh et al., 2022; Macha-Huamán et al., 2023). There is a research gap to be filled regarding the application of BMC in the context of improving financial performance.

The main motivation for this research is to analyze the effect of the nine BMC components on financial performance of MSMEs in Kudus Regency. Therefore, this research aims to identify the components of BMC with an impact on financial performance of MSMEs using a quantitative method. Financial performance is an important indicator in assessing business success and sustainability. A strong and

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integrated business model can increase revenue, reduce operating costs, and improve profitability. This is important in optimizing certain components of business model to improve operational efficiency and financial performance.

Literature Review and Hypothesis Development

Financial Performance of MSMEs

Financial performance is a key dimension in evaluating the success of a business. According to Chen et al. (2021), this variable is defined as an ability to use resources effectively and efficiently to achieve organizational goals in terms of profitability, growth, and shareholder value. In the context of MSMEs, financial performance is measured through several key indicators such as profitability, liquidity, solvency, and activity (Miller, 1983).

Customer Segments

Customer Segments reflect the consumer groups acting as the primary focus of businesses. According to Macha-Huamán et al. (2023), determining the right Customer Segments enables companies to be more targeted in offering products and services in line with the specific needs of each group. A deep understanding of Customer Segments is crucial for maximizing sales potential and minimizing ineffective marketing costs (Pasaribu et al., 2023). Based on research by Alharethi & Kabil (2024), proper management of Customer Segments has a significant impact on improving financial performance, particularly in terms of increasing revenue, cost efficiency, and customer satisfaction.

H1: Customer Segments have a positive and significant impact on improving financial performance.

Value Propositions

Value Propositions are the promise of value provided to customers. According to Osterwalder & Pigneur (2013), these values must be unique and provide solutions to specific customer problems or needs. Alharethi & Kabil (2024) showed that the right Value Propositions could be a key driver of loyalty and increase revenue. In MSMEs, the development of appropriate Value Propositions improves financial performance by attracting more customers and differentiating competitors (Pasaribu et al., 2023).

H2: Value Propositions have a positive effect on improving financial performance of MSMEs.

Channels

Channels describe the interaction level of a company and the delivery of products to customers. According to Osterwalder & Pigneur (2013), selecting efficient and effective distribution Channels can influence customer satisfaction and operational costs. Alharethi & Kabil (2024) stated that the use of appropriate Channels, such as digital Channels was proven to help MSMEs expand market, increase sales, and reduce marketing costs. This contributed to improved financial performance through increased revenue and distribution efficiency.

H3: Channels have a positive effect on improving financial performance of MSMEs.

Customer Relationships

Customer Relationships include the building and maintenance of relationships with the customers. Osterwalder & Pigneur (2013) stated that building strong relationships with customers could increase retention and loyalty, leading to long-term revenue growth. According to Alharethi & Kabil (2024), good Customer Relationships positively impact financial stability and business sustainability, as well as increases revenue through improved customer satisfaction and loyalty.

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H4: Customer Relationships positively affect financial performance of MSMEs.

Revenue Streams

Revenue Streams refer to the generation of income from various sources. Osterwalder & Pigneur (2013) argued that diversifying Revenue Streams could strengthen financial position and reduce dependence on a single income source. In this context, Lopes et al. (2023) reported that having multiple revenue sources, such as product sales, services, and digital marketing, could reduce risk and improve financial performance, specifically when facing market fluctuations.

H5: Revenue Streams positively affect financial performance of MSMEs.

Key Resources

Key Resources are the main assets needed to run a business model, such as human and financial resources. According to Osterwalder & Pigneur (2013), efficient resource management can reduce costs and improve operational efficiency. Research by Pasaribu et al. (2023) confirmed that effective resource management, such as production equipment, and working capital, significantly influenced productivity and efficiency, contributing to financial performance.

H6: Key Resources positively affect financial performance of MSMEs.

Key Activities

Key Activities are the primary actions conducted to create, offer, and deliver Value Propositions to customers. According to Osterwalder & Pigneur (2013), well-managed Key Activities can increase productivity and service quality. Hurriyati et al. (2023) showed that effective Key Activities, such as efficient production processes and timely delivery, were directly related to improving financial performance through cost savings and increased customer satisfaction.

H7: Key Activities positively affect financial performance of MSMEs.

Key Partnerships

Key Partnerships are networks of cooperation established to optimize business model, reduce risks, or gain additional resources. Osterwalder & Pigneur (2013) suggested that strong partnerships could help companies expand market and improve efficiency. According to research by Pasaribu et al. (2023), strategic partnerships with suppliers, distributors, or other third parties have been shown to improve financial performance through supply chain strengthening, product innovation, and operational risk reduction.

H8: Key Partnerships positively affect financial performance of MSMEs.

Cost Structure

Cost Structure outlines the main costs associated with business operations. According to Osterwalder & Pigneur (2013), managing Cost Structure effectively can maximize profits and reduce waste. Hurriyati et al. (2023) showed that MSMEs with the capacity to control and efficiently manage production, distribution, and operational costs would be more competitive and achieve better financial performance. Therefore, operational cost efficiency increases profit margins and competitiveness.

H9: Cost Structure Positively Affects Financial Performance of Msmes

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Research Methods

This research used a quantitative analysis with a survey as the data collection method. A total of 393 MSMEs in Kudus Regency were selected as respondents using purposive sampling. The method ensured that only MSMEs meeting specific criteria of operating for 3 years, were included. Data collection was carried out through a questionnaire designed to measure the influence of the nine elements of BMC on financial performance. The data obtained was analyzed using Structural Equation Modeling (SEM) with the help of SmartPLS 3 software to test the previously proposed hypotheses.

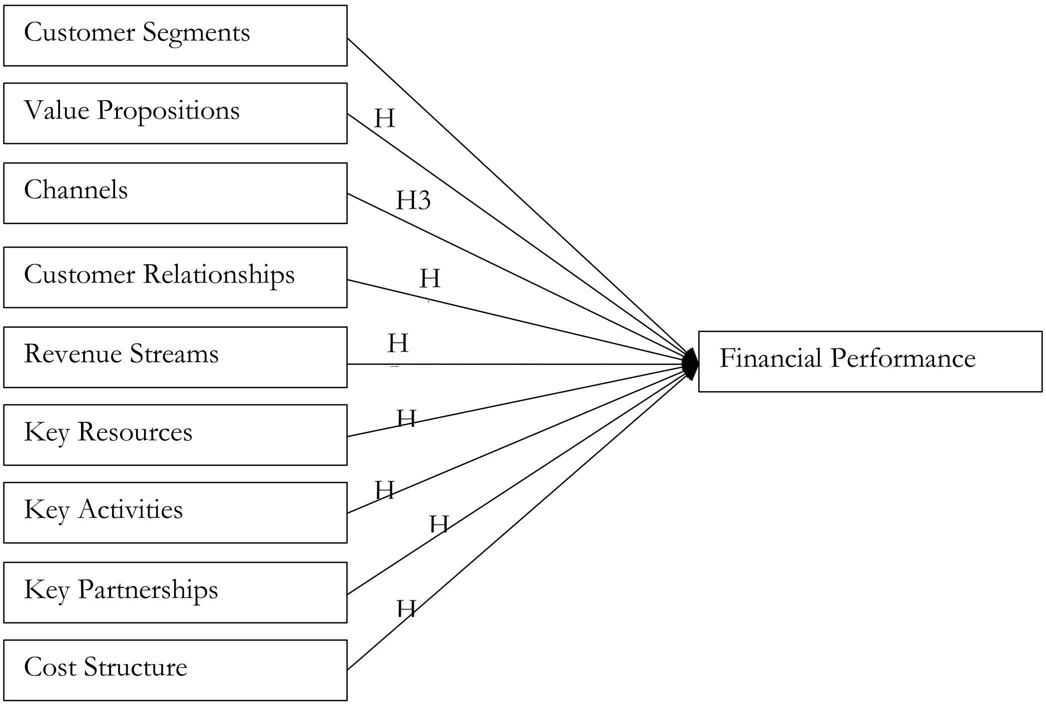

Figure 1. Research Model

Result and Discussion

Evaluation of the Measurement Model (Outer Model)

Outer model, often referred to as the outer relation or measurement model, defines the relationship of each block of indicators to the latent variable. In addition, outer model in research assesses the extent to which the indicators can explain the variable.

Convergent Validity

In this test, the outer model is assessed by examining convergent validity. A loading above 0.70 is highly recommended. However, factor loadings between 0.50 and 0.60 are still acceptable provided the model is in the development stage. The outer loading estimation shows that factor loadings above 0.7 are recommended (Hair et al., 2019).

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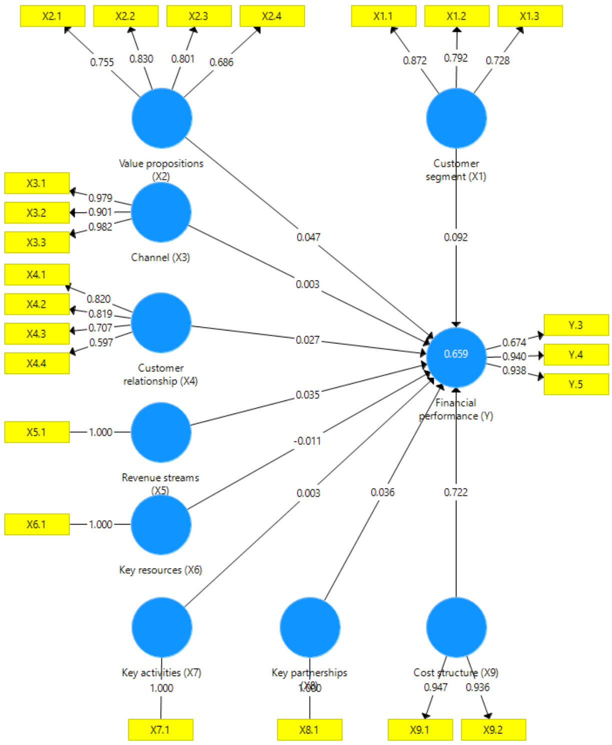

Figure 2. Outer Model Testing

Composite Reliability

The reliability of the constructs can be measured using composite reliability, with the required value being above 0.70 (Hair et al., 2019).

Table 1. Cronbach Alpha

Variable	Composite Reliability
Channels	0.952
Cost Structure	0.872
Customer Relationships	0.730
Customer Segments	0.726
Financial Performance	0.818
Key Activities	1.000
Key Partnerships	1.000
Key Resources	1.000
Revenue Streams	1.000
Value Propositions	0.770

The results of the composite reliability test showed that the research variables reported a level of reliability above the requirement.

Validitas Diskriminan

Average variance extracted (AVE) value was used to test the discriminant validity. This requires AVE value to be above 0.50 (Hair et al., 2019) and PLS output results can be seen in Table 2.

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Table 2. Average Variant Extract (AVE)

Variable	AVE
Channels	0.911
Cost Structure	0.868
Customer Relationships	0.550
Customer Segments	0.639
Financial Performance	0.739
Key Activities	1.000
Key Partnerships	1.000
Key Resources	1.000
Revenue Streams	1.000
Value Propositions	0.593

Table 2 shows that AVE values for all variables are at the minimum limit determined, which is above 0.5. The results of this analysis indicate that each variable has good discriminant validity (Hair et al., 2019).

Structural Model Evaluation (Inner Model)

The inner models known as internal relationships, structural models, and substantive theories describe the relationships between latent variables. The results of the estimation developed from the theoretical construction have been reported.

Model Goodness Test (Goodness of Fit)

The assessment based on the estimate with the smartPLS program obtained R-Square value as shown in Table 3.

Table 3. R-Square

Variable	R-Square Value
Kinerja Keuangan	0.659

Table 3 shows the variability that can make up financial performance of 65.9%

Hypothesis Testing

This hypothesis test will be conducted by reviewing the t-statistic value and P-value. In this test, the hypothesis can be said to be accepted when the P-value <0.05 (Hair et al., 2019). Table 4 presents the accumulation of t-statistic values and t-tables.

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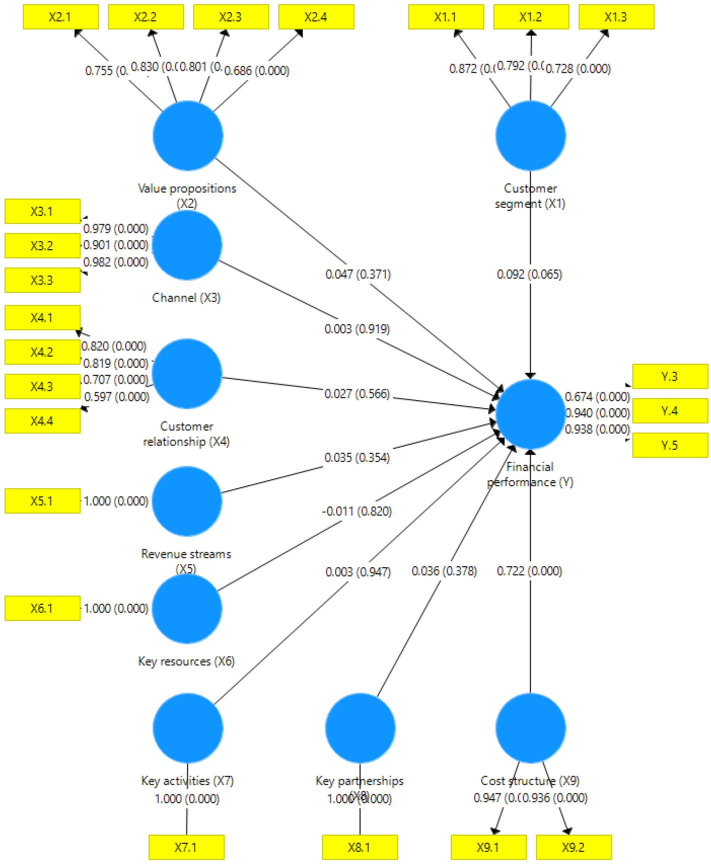

Figure 3. Inner Model Testing

Table 4. T-statistics and p-values

Exogen	Endogen	Statistics T	P-value	Conclusion
Channels	Financial Performance	0.101	0.919	Not supported
Cost Structure	Financial Performance	25.496	0.000	Supported
Customer Relationships	Financial Performance	0.574	0.566	Not supported
Customer Segments	Financial Performance	1.852	0.065	Not supported
Key Activities	Financial Performance	0.066	0.947	Not supported
Key Partnerships	Financial Performance	0.883	0.378	Not supported
Key Resources	Financial Performance	0.228	0.820	Not supported
Revenue Streams	Financial Performance	0.927	0.34	Not supported
Value Propositions	Financial Performance	0.896	0.371	Not supported

The Hypothesis Test of The Influence of Channels on Financial Performance

The hypothesis test shows that Channels do not have a significant influence on financial performance (t-value = 0.101; p-value = 0.919). Therefore, the distribution or communication Channels used by MSMEs in Kudus do not have a direct impact on improving financial performance. A possible cause is the suboptimal utilization of the distribution Channels without a significant impact on revenue.

The hypothesis test of the influence of Cost Structure on financial performance

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The analysis show that Cost Structure has a significant and positive influence on financial performance (t-value = 25.496; p-value = 0.000). Therefore, Cost Structure managed by MSMEs contributes significantly to improving financial performance. Efficient cost management increases profit margins and competitiveness. This shows that the focus on cost control and efficiency is an important factor in improving financial performance.

The Hypothesis Test of The Influence of Customer Relationships on Financial Performance

The results show that Customer Relationships do not have a significant influence on financial performance (t-value = 0.574; p-value = 0.566). Even though MSMEs are trying to build good relationships with customers, this has not been able to directly improve financial performance. Customer Relationships established are not supported by the right strategy to increase customer loyalty.

The Hypothesis Test of The Influence of Customer Segments on Financial Performance

Customer Segments did not have a significant influence on financial performance of MSMEs (t-value = 1.852; p-value = 0.065). Even though the p-value is close to the significance threshold, the understanding of Customer Segments does not have a significant impact on financial performance. This may be due to an ineffective segmentation or a lack of product customization to the specific needs of the targeted market segment.

The Hypothesis Test of The Influence Of Key Activities On Financial Performance

Key Activities do not have a significant influence on financial performance (t-value = 0.066; p-value = 0.947). Therefore, the main activities carried out by MSMEs, such as the production and distribution process do not have a significant direct impact on improving financial performance.

The Hypothesis Test of The Influence of Key Partnerships on Financial Performance

Key Partnerships do not have a significant influence on financial performance of MSMEs (t-value = 0.883; p-value = 0.378). This shows that cooperation with strategic partners such as suppliers or distributors has not made a significant contribution to improving financial performance. Therefore, the existing partnerships have not been managed optimally or have not been directed towards goals.

The Hypothesis Test of The Influence of Key Resources on Financial Performance

Key Resources have no significant influence on financial performance (t-value = 0.228; p-value = 0.820). Therefore, the main resources owned by MSMEs, such as human resources or physical assets do not have a significant impact on improving financial performance. This may be due to the suboptimal use of existing resources or the lack of quality of available resources.

The Hypothesis Test of The Influence of Revenue Streams on Financial Performance

Revenue Streams do not have a significant influence on financial performance (t-value = 0.927; p-value = 0.34). Even though diversification of income streams is important in maintaining financial stability, the strategy implemented has not made a significant contribution to financial performance. This may be due to a lack of focus on diversification or low income from available sources.

The Hypothesis Test of The Influence of Value Propositions on Financial Performance

Value Propositions do not have a significant influence on financial performance (t-value = 0.896; p-value = 0.371). Even though MSMEs offer value to customers, the offerings do not have a significant impact on improving financial performance. This may be due to a lack of understanding or adjustment of Value Propositions to the actual market needs.

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Channels and Financial Performance of MSMEs

Distribution Channels are an important component in BMC that serves as a method for companies to reach customers and deliver products or services. According to Osterwalder & Pigneur (2013), the right Channels to improve sales effectiveness and increase interaction with customers. However, Channels do not have a significant effect on financial performance of MSMEs. This reports that MSMEs may not have used distribution Channels optimally to improve financial performance. There is also reliance on traditional distribution methods, which are less efficient in reaching a wider market, specifically in the current digital era. Therefore, there must be innovation in the selection and use of effective distribution Channels, such as e-commerce or digital marketing, to increase the positive impact on financial performance. The results are not in line with previous research in which distribution Channels improve financial performance (Geyskens et al., 2002; Siguaw et al., 1998).

Cost Structure and Financial Performance of MSMEs

Cost Structure has a significant influence on financial performance of MSMEs. An efficient Cost Structure optimizes the use of available resources and reduces waste, thereby increasing profit margins. According to Osterwalder & Pigneur (2013), effective cost management is a key element in maintaining business profitability, specifically in a competitive environment. In this context, good cost management plays an important role in improving financial performance. Efficiency in operational costs, raw material management, and control over other expenses are the main factors contributing to better results. Therefore, focusing on an effective Cost Structure can have a significant positive impact on financial health of MSMEs. The results were in line with previous research where Cost Structure improved financial performance (Adhikari et al., 2018; Osiichuk, 2022).

Customer Relationships and Financial Performance of MSMEs

Customer Relationships are an important component in maintaining loyalty and increasing retention. According to Dai et al. (2022), strong relationships can generate sustainable income because satisfied customers may return and recommend products to others. However, the results showed that Customer Relationships did not have a significant effect on financial performance of MSMEs in Kudus. This could be due to the lack of personalization in interactions or the ineffectiveness of relationship management strategies implemented by MSMEs. A more innovative and proactive method may be needed in building and maintaining Customer Relationships through the use of digital technology (Arora et al., 2023).

Customer Segments and Financial Performance of MSMEs

Customer Segments refer to market segmentation and understanding the groups that are most relevant to products or services. Proper segmentation can direct resources and marketing efforts more efficiently, thereby increasing revenue (Macha-Huamán et al., 2023). In this research, Customer Segments did not have a significant effect on financial performance of MSMEs. This may be due to suboptimal segmentation or lack of product adaptation to different market needs. According to Lopes et al. (2023), a deep understanding of Customer Segments is essential to creating more relevant offerings and increasing loyalty. Therefore, MSMEs need to better understand the characteristics and needs of customers to maximize the impact of segmentation on financial performance.

Key Activities and Financial Performance of MSMEs

Key Activities include core activities carried out to create and deliver Value Propositions to customers. According to Lopes et al. (2023), well-managed activities can improve operational efficiency and company productivity. However, Key Activities do not have a significant effect on financial performance. In this context, the activities may not be efficient or innovative according to market needs. MSMEs need to re-evaluate and improve main business processes, such as production, distribution, and supply chain management, to increase the positive impact on financial performance (Macha-Huamán et al., 2023).

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Key Partnerships and Financial Performance of MSMEs

Key Partnerships are collaborations carried out by companies with third parties to improve operational effectiveness and efficiency. Strategic partnerships can help companies access additional resources and expand market reach (Duffy & Fearne, 2004). However, Key Partnerships do not have a significant effect on financial performance. According to research from Mukherjee (2023), strong partnerships can contribute to improving business performance. In this context, MSMEs need to re-evaluate relationships with strategic partners and find ways to improve the effectiveness to impact financial performance.

Key Resources and Financial Performance of MSMEs

Key Resources are owned by the company, such as human resources, physical assets, and technology. Well-managed resources can support the main activities and increase productivity. However, the variable does not have a significant effect on financial performance of MSMEs. In this context, the utilization of existing resources may not be optimal or the quality of the resources owned is inadequate. According to Osterwalder & Pigneur (2013), effective resource management is very important in creating value for customers and increasing operational efficiency. MSMEs need to focus more on improving the quality of resources and optimizing the use to support better financial performance.

Revenue Streams and Financial Performance of MSMEs

Revenue Streams refer to the generation of revenue from various sources. The diversification can help companies reduce risk and maintain financial stability (Mathuva, 2016). However, Revenue Streams do not have a significant effect on financial performance. This may be due to a lack of focus on developing new streams dependent on the main source. According to Pasaribu et al. (2023), this variable can help companies improve financial stability. MSMEs in Kudus need to develop strategies to have a greater impact on financial performance.

Value Propositions and Financial Performance of MSMEs

Value Propositions describe the reasons customers select products or services. Strong Value Propositions can increase product appeal and influence customer purchasing decisions (Ilyas & Osiyevskyy, 2022). The variable does not have a significant effect on financial performance of MSMEs. This may be due to Value Propositions that are less in line with customer needs or a lack of innovation in product offerings. According to Hurriyati et al. (2023), the right Value Propositions can be a major driver of customer loyalty and business growth. Therefore, MSMEs in Kudus need to re-evaluate value offerings to ensure products and services offered provide solutions to customer needs and can compete in the market.

According to Osterwalder & Pigneur (2013), BMC is a strategic framework that helps companies design, assess, and communicate business models. BMC includes nine main components interconnected and play an important role in influencing business performance. In the context of MSMEs, these nine components play an important role in building the foundation for business success. Effective distribution Channels enable companies to reach customers and deliver Value Propositions efficiently. According to Siguaw et al. (1998), the right distribution Channels can increase interaction and speed up the sales process. These Channels also help reduce operational costs in reaching a wider market. In the digital era, e-commerce platforms, social media, and digital applications have proven to be catalysts for business growth. Proper utilization of various Channels can expand customer base and increase revenue, specifically in highly competitive markets.

Cost Structure is a key element directly affecting profitability. According to Adhikari et al. (2018), cost efficiency is the main fuel for maintaining business continuity. Companies with the capacity to manage Cost Structure well, specifically in terms of raw materials, production costs, and distribution, will be more competitive. Cost efficiency helps maintain profit margins and gives flexibility to set competitive prices (Jylhä et al., 2020). Efficient Cost Structure plays an important role in maintaining financial health and ensuring long-term business sustainability.

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https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v3i6.4062

Customer Relationships are an important element in maintaining loyalty and strengthening customer retention. According to Geyskens et al. (2002), strong Customer Relationships can facilitate repeat purchases and increase positive word of mouth among customers. Building close relationships with customers allows companies to understand needs better in offering more relevant solutions and increasing customer satisfaction. The use of digital technologies such as CRM (Customer Relationships Management) also personalizes interactions and improves the quality of customer service (Kronholm et al., 2021).

Proper customer segmentation allows companies to efficiently direct resources to the most relevant groups. According to Hurriyati et al. (2023), a good understanding of the variable allows companies to convert products or services to specific market needs. In the case of MSMEs in Kudus, companies need to identify the most potential market segments to design more effective marketing and product strategies. Strong segmentation can also increase focus and competitiveness in an increasingly competitive market.

Primary activities in a business include the actions required to create and deliver Value Propositions to customers. According to Alharethi & Kabil (2024), well-managed primary activities contribute to increased operational efficiency and cost savings. Effective activities also improve the quality of products or services provided to customers. In the context of MSMEs, primary activities such as production, distribution, and supply chain management are essential to maintain operational stability and ensure products or services can be delivered on time with good quality.

Strategic partnerships are an important element in supporting business operations. According to Bestul & Gruis (2024), good partnerships provide access to broader resources, reduce operational risks, and increase efficiency. For MSMEs, partnerships with suppliers, distributors, or technology partners can expand market reach and increase operational capacity. This variable also allows companies to focus on core activities while strategic partners handle other aspects of the business, such as logistics or technology development. MSMEs can be more flexible in facing market challenges and adapting to rapid changes with the right partnership.

Capital, technology, and human resources are important foundations to support business activities. According to Osterwalder & Pigneur (2013), well-managed resources allow companies to carry out main activities efficiently and provide stronger Value Propositions to customers. In the context of MSMEs, the quality of human resources and access to technology are two important elements considered to support business growth and competitiveness. Investment in employee skills development and adoption of new technologies can improve productivity and financial performance.

Revenue Streams are components used to explain the generation of revenue from customers. According to Lopes et al. (2023), revenue diversification can help companies maintain financial stability and reduce the risk of dependence on a single source of revenue. For MSMEs, having multiple sources of revenue, such as selling physical products, services, or subscription-based business models, can improve financial stability and allow adaptation to market changes. Stable revenue enables companies to invest in new product development and expand markets.

Value Propositions are the main reason customers prefer products or services. According to Alharethi & Kabil (2024), clear and relevant Value Propositions help companies attract customers and differentiate from competitors. Strong Value Propositions provide unique solutions to customers, which drives loyalty and increases revenue. For example, focusing on product quality, competitive pricing, or superior service can be Value Propositions differentiating MSMEs from other competitors. Therefore, this variable improves financial performance and business sustainability.

According to Pasaribu et al. (2023), the nine BMC components support each other in creating and maintaining the balance of a successful business model. Each component has a unique role in supporting business operations and maximizing the value generated for customers and the company. A balanced structure between the components allows companies to adapt to market changes, improve operational efficiency, and create sustainable competitive advantages. For MSMEs, a deep understanding of BMC component and the relationship provides a strong foundation for improving financial performance and

Journal of Ecohumanism
2024
Volume: 3, No: 6, pp. 932 – 945
ISSN: 2752-6798 (Print) | ISSN 2752-6801 (Online)
https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v3i6.4062

long-term growth. Therefore, BMC element functions as a stand-alone component and influences each other in creating a solid and competitive business model. MSMEs can increase competitiveness in the market and achieve better financial performance with the right focus on the component.

Conclusion

In conclusion, Cost Structure had a positive and significant influence on financial performance of MSMEs. This showed that efficiency in cost management was a key factor in improving financial performance of MSMEs in Kudus Regency. MSMEs with the capacity to manage Cost Structure well could achieve better financial performance. Other components such as Channels, Customer Relationships, Customer Segments, Key Activities, Key Partnerships, Key Resources, Revenue Streams, and Value Propositions did not report a significant influence on financial performance. Even though these components were important in the framework of BMC, there was no significant impact on financial performance. This could be caused by suboptimal implementation or lack of technology and innovation in managing the components. The practical implication of this research was the need for MSMEs to focus more on cost management efficiency as the main strategy for improving financial performance. In addition, MSMEs should improve and optimize elements such as Customer Relationships, market segmentation, and Key Activities to have a positive impact on future performance.

Acknowledgments

The authors are grateful to the Directorate of Research, Technology and Community Service of the Ministry of Education, Culture, Research, and Technology for funding this Applied Research activity.

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