



Improving West Java MSMEs Using Quality Service Gaps Model

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Abstract

This study aims to understand the challenges and opportunities for the development of Micro, Small and Medium Enterprises (MSMEs) in West Java. With a very large number, MSMEs in West Java have great potential to drive economic growth. However, various obstacles such as access to capital, information, and technology are still an obstacle. This research proposes the application of the Service Science framework to map the MSME ecosystem and identify opportunities for service innovation. Thus, it is expected to increase the competitiveness of MSMEs and make a greater contribution to the regional economy. This research reveals that MSMEs in West Java face significant constraints in terms of access to capital, information, and technology. Through in-depth interviews with 8 MSME owners, this research aims to understand in-depth the challenges and opportunities faced by micro, small and medium enterprises. Thematic analysis of the interview data identified a gap between the ideal conditions that MSMEs desire and the actual conditions they experience. Using the Service Quality Gap Model, this study created four action plans to improve MSMEs in West Java. By addressing the identified gaps and encouraging collaboration between MSMEs, government, academia and industry, the Sadulur platform can catalyze the sustainable growth and development of MSMEs in West Java. These gaps, which we refer to as 'customer gaps', are manifested in four main themes: 1) the potential for MSMEs to create innovative products more easily, 2) the need to develop a strong business foundation and build sustainable brand value, 3) the importance of improving business processes and management to increase efficiency, and 4) the need to build good relationships with external parties to expand networks and business opportunities. These findings form the basis for formulating an action plan to improve the quality of services provided to MSMEs.

INTRODUCTION

The economy in Indonesia is dominated by micro, small, and medium enterprises, known as MSMEs. Especially in West Java which has the most significant number of MSMEs in all of Indonesia. According to the Ministry of Cooperatives and MSMEs, West Java has at least 1.4 million MSMEs. This number is even greater if you take data from BPS West Java, which is at 4.4 million business units. Several factors make West Java the center of MSMEs. One of the biggest factors is the population. West Java has the largest population in Indonesia, with more than 48 million people. This number allows for a fast turnover of money. Many papers have mentioned that MSMEs are one of the most significant contributors to a country's economy and employment. In the case of West Java, the economic turnover contributed by MSMEs is at 60%. Meanwhile, according to BPS data, around 1,517,564 workers have been absorbed by West Java MSMEs.

The second factor that drives the number of MSMEs in West Java is the number of potential sectors so that there is sector diversity in MSMEs. As reported on the West Java government website, ten sectors are ready to be invested in: trading for tourists and travelers; tourism; services; transportation; telecommunications and technology; arts and culture; manufacturing; infrastructure and housing; food and beverages; and fashion. West Java, especially Bandung City, is a favorable investment place because it offers a harmonious blend of modernity and tradition. This factor is arguably one of the factors that has enormous potential both in the number of MSMEs and opportunities for collaboration between MSMEs.

The reason MSMEs in West Java have a large number is the support from the government. About 1.2 million MSMEs will be registered with a Business Identification Number (NIB) by the end of 2023. The government is very concerned about the sustainability of MSMEs in West Java by forming domestically and abroad ecosystems (Pemerintah Provinsi Jawa Barat, 2024). From the data collected, the government can carry out various activities in the MSME ecosystem, such as facilitating access to various facilities that support business growth, such as obtaining business licenses, access to financing, and opening opportunities to expand business networks. However, when viewed from the comparison of MSMEs under the auspices of the government and the total, this factor still requires improvisation to get maximum results.

The MSME ecosystem in West Java focuses on several aspects. To increase investment in West Java, the West Java government will create an investment ecosystem in 2021. This will involve cooperation and collaboration from various institutions in the province. Not only that, in 2022, the West Java provincial government will encourage the healthy growth of MSMEs through a digital ecosystem. This ecosystem aims to increase digital literacy so that MSMEs can compete in an industry that continues to change. The government's efforts are still insufficient to encourage the development of MSMEs in West Java. As reported in the media, the government recognizes the lack of resources to foster and support the growth of MSMEs. Therefore, the government highly appreciates the involvement of other parties in developing MSMEs in West Java.

The development and improvisation of MSMEs is driven by their essential role as the backbone of the Indonesian economy and as a response to the various challenges facing the sector in the digital era. As explained by Basuki and Dwi (2023), MSMEs are often hampered by inadequate infrastructure, complicated and expensive licensing systems, limited access to information, especially market information, and capital constraints. In addition, many MSME actors have a low educational background, with the majority graduating from high school. Ghina and Gushendri (2022) states this can be an external obstacle for MSMEs with limited knowledge.

The digital era emerged with the internet network, especially computer information technology. In this era, improvisation can be achieved through information technology. Everyone can conduct activities online thanks to easy access and broad reach, including MSMEs in West Java. Activities using technology are familiar to MSMEs in West Java. This is shown by the RKPD-Jabar-2023 data. Of the total 4,545,874 MSMEs in West Java, 26.2% have used e-commerce to market their goods (RKPD-Jabar-2023). The adoption of digital technology by West Java MSMEs can increase the efficiency and effectiveness of their operations and affect

the improvisation of the MSME business. This needs to be maximized with a service-based ecosystem that uses technology for improvisation from the MSME owner to the implementer level to obtain good results.

In a dynamic and uncertain business environment, Service-Dominant Logic (SDL) provides a theoretical foundation for understanding value exchange and service-based value creation. This foundation applies skills and knowledge through processes to benefit other entities Vargo et al. (2020). SDL emphasizes relational interactions among stakeholders in a network. These interactions will influence innovative strategies and performance and can generate a competitive advantage (Lu et al., 2024; Ferdinand et al., 2023; Gruen et al., 2020). This logic emphasizes the importance of service innovation in value creation (Nguyen, 2022). One of the translators of the theoretical principles of SDL into practical applications is Service Science. Methodologies and tools in service science enable business people to design, implement, and optimize a service system (Vargo et al., 2020).

The use of SDL and Service Science can improve West Java MSMEs for the better. A service science perspective can support a deeper understanding of the MSME service ecosystem. This allows them to find opportunities to improve and develop innovative new services. Mapping the journey of an ecosystem, as a cornerstone of service science, allows MSMEs to thoroughly understand the experience of each entity and find areas for improvement. This is in line with MSME improvisation, which requires continuous adaptation and innovation to meet the evolving needs of each entity (Siahaan, 2022). By building a robust service ecosystem and utilizing SDL and Service Science, West Java MSMEs are expected to improve their competitiveness, expand market reach, and ultimately achieve sustainable success.

MSMEs, crucial to West Java's economic landscape, face challenges in maximizing their potential. Despite government efforts, many remain hindered. To address this, implementing a Service Science Framework with a focus on Service Quality is essential. This approach aims to map existing entities, fostering a new perspective centered on value exchange and service delivery. By understanding the dynamics of service interactions, targeted strategies can be developed to empower MSMEs and drive sustainable economic growth in West Java.

LITERATURE REVIEW

Micro Small Medium Enterprise (MSMEs)

In Indonesia, MSMEs are the most important sector to prioritize when setting economic policy goals, (Tambunan, 2008). As the market within the country opened up as a result of free trade agreements, Indonesian MSMEs are currently facing intense competition. This has become a threat to MSMEs with so many well-known services in the local market. Therefore, the government should seriously consider MSME promotion and development programs as a strategic measure to help the economy. As a pillar of the national economy, MSMEs are expected to increase the country's economic prosperity in addition to increasing household income and employment opportunities.

Brown et al. (2020) investigated the influence of entrepreneurial orientation on the creation of new MSME services. This West Java study found that proactive, bold and creative MSME owners raised the bar for service innovation. According to the study, MSMEs must acquire an entrepreneurial attitude so that they can change customer demand and market conditions. Garcia and Patel (2021) looked at the potential and problems of MSMEs (Micro, Small, and Medium Enterprises). The service science paradigm is critical to understanding the complex relationships among various stakeholders in the MSME ecosystem and offering

strategies to improve customer satisfaction and service quality, both of which are critical to the long-term success of MSMEs. Johnson and Lee (2019) examined how digital transformation affects the performance of MSMEs in Southeast Asia. In this report, they found important digital tools and technologies that MSMEs can use to improve their interactions and services. The authors argue that the use of digital platforms increases operational efficiency and market reach, both of which are critical to expanding and sustaining MSMEs in a fast-paced market.

Service Science

Service-dominant logic serves to understand and improve service systems (Bitner et al., 2008). This research emphasizes the importance of shared value creation, which is critical for MSMEs to innovate in service science. The structure of service systems is described by combining individuals, technology, and organizations. Strategies are offered to improve service and customer satisfaction and a theoretical foundation for applying service science to MSMEs (Spohrer & Maglio, 2008). Research on the principles of service science management and engineering (SSME) suggests that service innovation be combined with systems thinking (Barile et al., 2013). By doing so, MSMEs in West Java can obtain more measurable and sustainable business improvements using a systemic approach.

A service ecosystem perspective emphasizes the importance of interdependence between actors in shared value creation (Wieland et al., 2012). This perspective is particularly important for MSMEs that want to improve their service offerings by networking and collaboration. Gronroos and Voima (2013) look at customer-centric service logic, focusing on customer involvement in value creation. This research emphasizes how MSMEs can work with customers more closely to create shared value, which means more service innovation and customer happiness.

Service Quality

Consumers generally use the same standards to evaluate service quality, regardless of type, according to Parasuraman, Zeithaml, and Berry (1985). Various successful or unsuccessful experiences shape the client's general opinion of delivery. This is known as service quality. Companies will benefit from improving service quality by controlling gaps, but gaps are not the only way customers assess service. In addition, they can use five broad dimensions to evaluate reliability, tangibility, responsibility, safety, and empathy (Wirtz & Lovelock, 2022). SERVQUAL is a model used to measure quality differences in models. There are two parts to the SERVQUAL scale. The first measures client expectations concerning the service segment, and the other measures perceptions concerning a particular service company (Fitzsimmons, 2008).

METHODS

This research adopts a qualitative approach to obtain in-depth information on service quality. In this research, an in-depth interview with MSMEs as customers is used. These interviews provide rich and in-depth information about the perception and expectation gaps that MSMEs feel. Through this gap, a service that can be provided by the provider will be created. The in-depth interview data will be analyzed and mapped on the Gaps Model of Service Quality. The Gaps Model of Service Quality is one of the models developed by Parasuraman, Zeithaml, and Berry in 1985. This method was built to compare customers' perception of service quality with several sequences of expectations (Nair et al., 2010; Parasuraman et al., 1985). The following is the model from Parasuraman, Berry, and Zeithaml (1985):

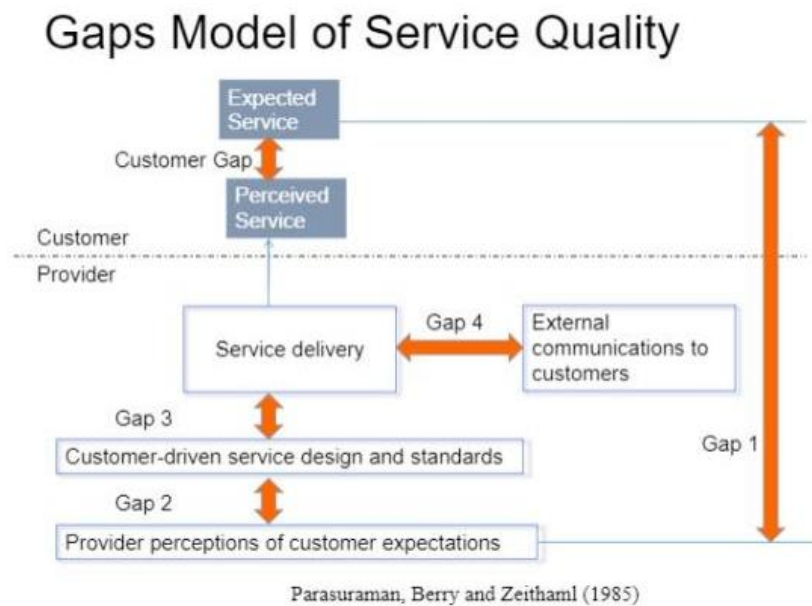


Figure 1. Gaps Model of Service Quality
 Source: Pasuraman, Berry dan Zeithaml (1985)

The data used in this research is data taken during in-depth interviews. However, this research is only focused on capturing the conditions experienced by MSMEs and their expectations for the future so that their businesses can run well. The questions built focus on the Service science approach as in the following framework:

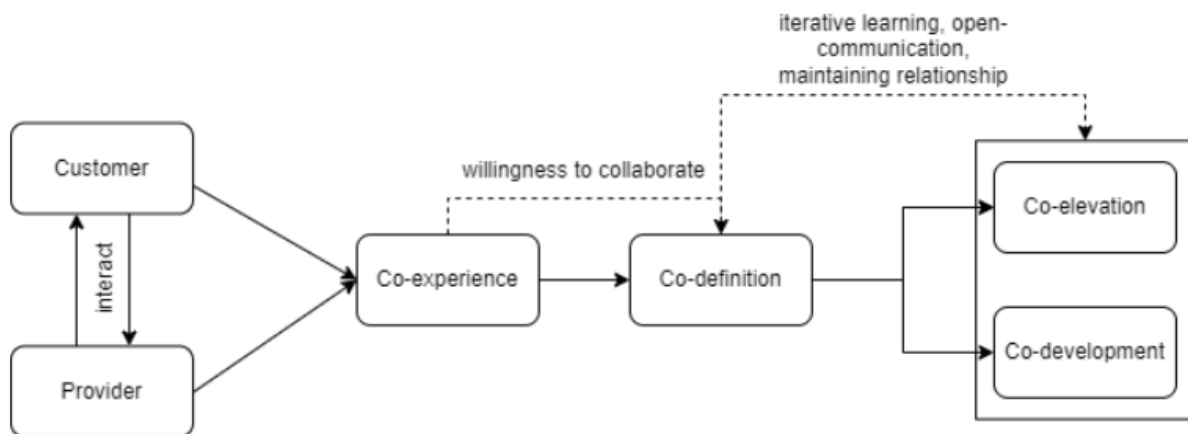


Figure 2. Four Co-Phase Model of Value Co-Creation
 Source: Novani & Kijima (2012)

The above framework developed an instrument of in-depth questions for the West Java MSME interviews. The co-phase that was focused on was the Co-experience & Co-definition phase. The first question session aims to define the problems and challenges MSMEs face. The second phase seeks to explore the strategies of MSMEs to survive and adapt. Then questions were added to curate the parties that play an essential role in developing MSMEs.

Data Collection

This research explores in-depth how services are needed by West Java MSMEs by combining primary and secondary data. Primary data was obtained through in-depth interviews with eight purposively selected MSMEs. These MSMEs act as the center of the service system modeled in this research. The interview was conducted to obtain in-depth information on various aspects of the MSME business. These aspects are not only in the financial and operational fields but also discuss the problems they face while running a business. The interviews also discussed strategies for overcoming challenges and achieving business goals. This interview focuses on how other parties overcome problems and develop MSMEs.

RESULTS AND DISCUSSION

This qualitative research obtained an in-depth understanding of the perceptions and expectations of MSMEs in West Java regarding business quality improvement efforts. This research involved MSMEs located in West Java. The 8 MSMEs are representatives of MSMEs that are still operating despite the Pandemic and continue to operate until now. With this, they are MSMEs that already have quality in decision-making despite unstable conditions. Eight MSMEs from various sectors were interviewed thoroughly to find out their opinions about the gap between perceptions and expectations of services around them.

There is a significant difference between MSME perceptions of service quality and the expectations they get. The Gaps model of service quality is a conceptual framework used in service marketing to understand service quality in the organization. This model illustrates the existence of 5 gaps in service quality. Of the five gaps, one is on the customer side, or called the customer gap, while the other four are on the service provider or provider side. Customers are represented by MSMEs, while providers are represented by Sadulur as service providers, and proposals are based on the results of this study. In this research, the provider area is more on planning the Sadulur platform that will be built. The service will be based on the Gaps Model of Service Quality.

In the customer area, a customer gap comes from the difference between customer expectations and current customer conditions. From the results of in-depth interviews conducted at MSMEs, several 4 points of expectation are grouped based on the problems felt by MSMEs. These expectations are:

- A. MSMEs are easy-to-innovate products
- B. MSMEs can develop business foundations and brand values
- C. MSMEs can develop business processes and MSME management well
- D. MSMEs can establish good relationships with external parties or other entities

The provider's overarching goal is to narrow these disparities by meeting or exceeding customer expectations. The four remaining disparities in the framework are identified as "Service Provider Gaps," each serving as a potential factor contributing to a service-oriented entity's shortcomings in meeting customer expectations. The first, Gap 1, is the Listening Gap, which describes the difference between customer expectations and the service provider's perception of these expectations. The second step the provider takes after knowing the customer's expectations is creating a design as one of the solutions offered by the service provider. In the next step, entities that support this service delivery process are identified. After that, a service delivery plan is formed.

MSMEs Are Easy to Innovate Products

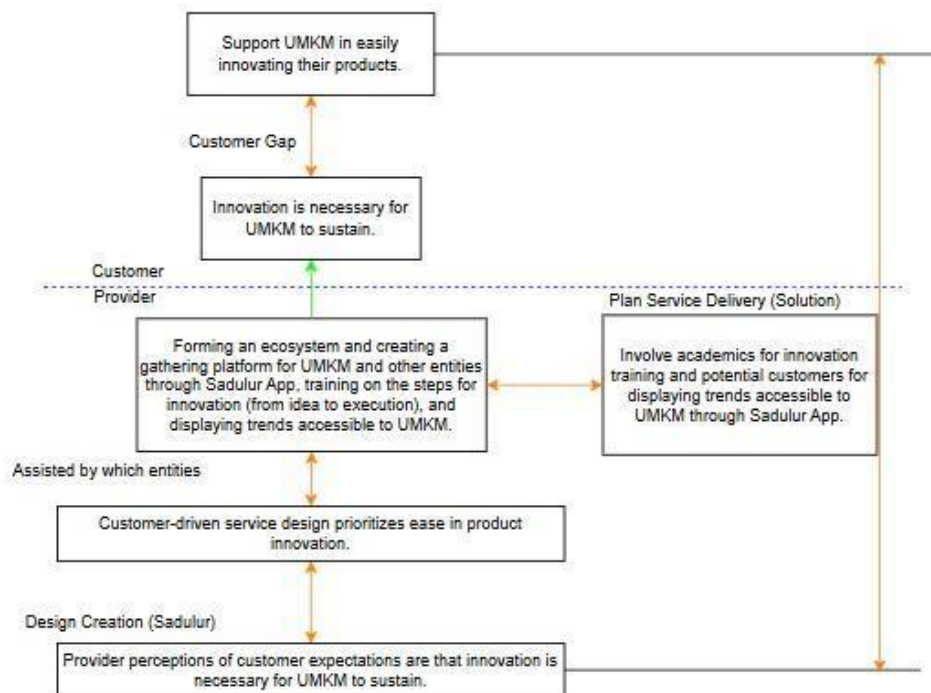


Figure 3. Action Plan Using Gap Model of Service Quality Goal

Source: Authors (2024)

MSMEs often innovate their products. This is because they still do not have products suitable for the needs of potential markets. With limited resources such as knowledge and connections with third parties or vendors, it is not uncommon for MSMEs to make trial and error on their new products without success. This is because they innovate without doing market research first. This can have an impact on financial and other aspects. In addition, it is also not uncommon for MSMEs to only focus on market trends or viral things, so they do not have fixed products. With the expectation of services to innovate products, MSMEs can easily find suitable products, understand how to innovate properly and minimize wasteful sacrifices. MSMEs can also quickly have fixed products and focus on other things such as their business management, branding their company, etc.

In response to MSMEs' expectations to be able to innovate their products, they want the innovation process to be easier and more efficient. Service providers also agree that innovation is the key to the sustainability of MSMEs. To meet these expectations, the service design offered is in the form of comprehensive training that guides MSMEs from the stage of initiating ideas to realizing them. In addition, access to the latest trends is also an important part of this service. Collaboration with academics and potential buyers is expected to enrich the training and provide a broader perspective for MSMEs.

MSMEs Can Make Improvements to Their Business Processes and Management

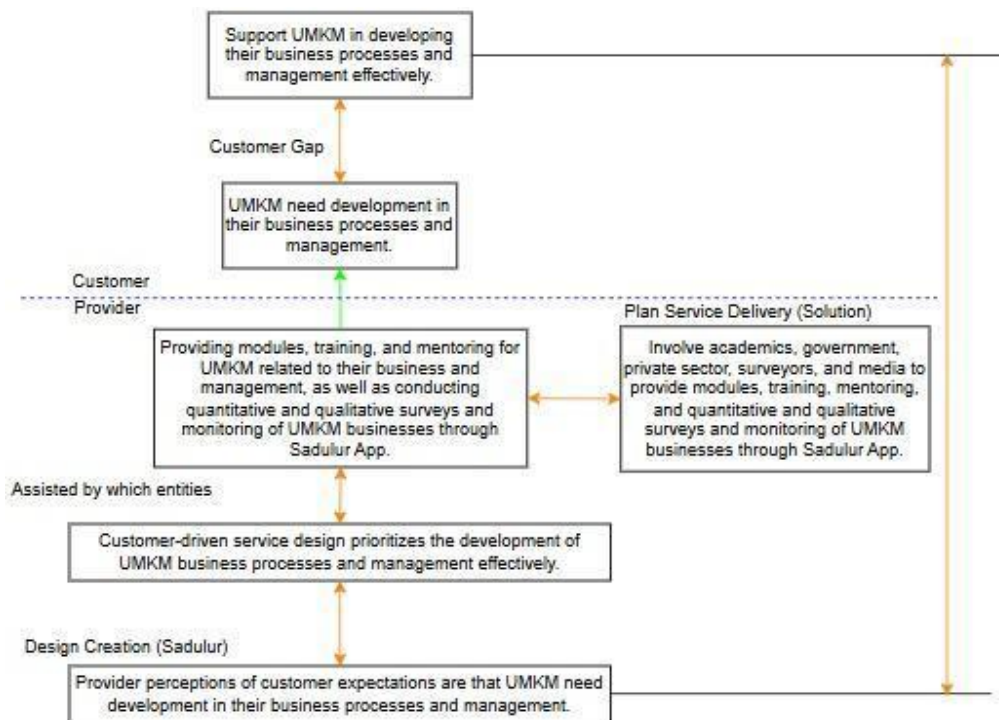


Figure 5. Action Plan Using Gap Model of Service Quality Goal

Source: Authors (2024)

MSMEs in Indonesia generally have good relationships with customers, both old and new. However, many MSMEs still struggle with unprofessional business management. MSME owners are often self-taught and do all the work, limiting business growth. Lack of experience in managing a business also makes them apprehensive when interacting with other business people. In fact, by developing better business processes and management, MSMEs can improve their performance and competitiveness.

In response to MSMEs' expectations in improving the quality of their business processes and management (5.1.3). Service providers agree that development in both aspects is crucial for the sustainability and growth of MSMEs. To meet this expectation, the service design includes training modules, intensive mentoring, and regular business performance monitoring through quantitative surveys. The involvement of various parties such as academics, government, private sector, surveyors, and media is expected to enrich this program and provide comprehensive support for MSMEs.

MSMEs Can Establish Good Relationship with External Parties or Other Entities

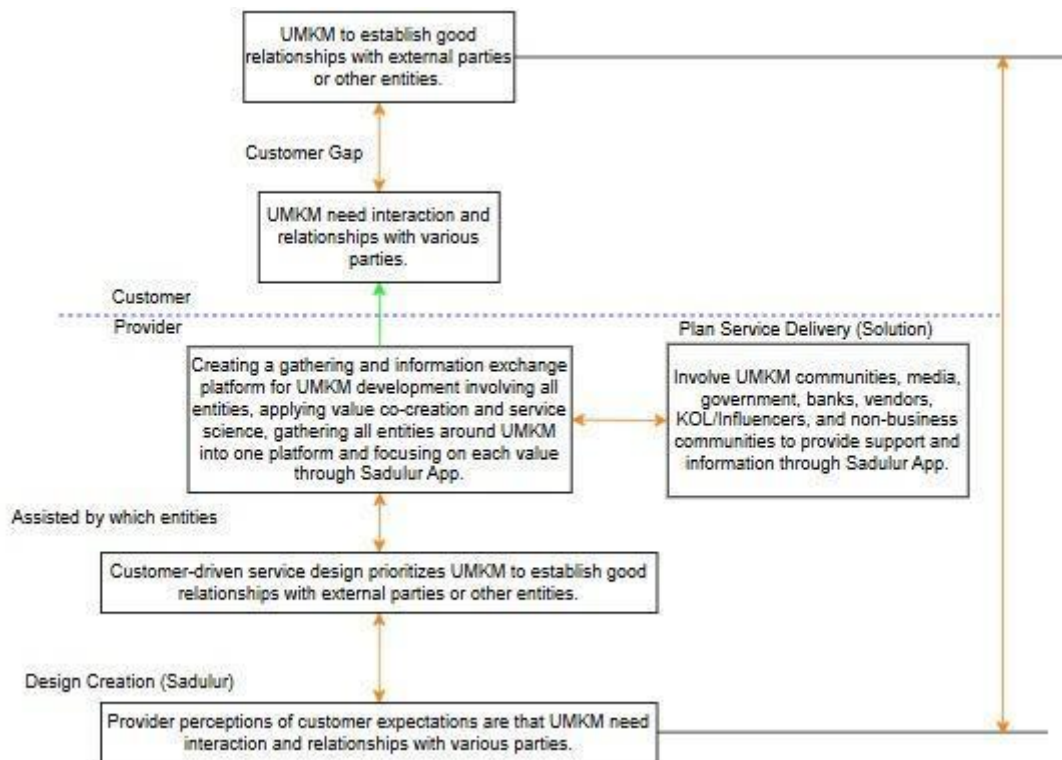


Figure 6. Action Plan Using Gap Model of Service Quality Goal

Source: Authors (2024)

MSMEs in this digital era increasingly realize the importance of collaboration. They need a community of peers to share knowledge and experience and open up new market opportunities. Unfortunately, not all MSMEs have easy access to these communities, mainly due to the lack of accurate and structured information. In addition, communication between MSMEs and the government is often ineffective, so the assistance provided is not always well-targeted. Nonetheless, MSMEs have shown initiative by utilizing social media, collaborating with KOLs, and even involving non-business communities. They expect to be able to establish better relationships with various parties, be it fellow MSMEs, the government, or the private sector, so that they can develop their business more optimally.

In responding to the expectations of MSMEs to develop by being able to establish strong relationships with various parties, be it fellow MSMEs, the government, or the private sector. Service providers also agree that good interactions and relationships are very important for the growth of MSMEs. To fulfill this expectation, an MSME development platform was designed that serves as a platform for all stakeholders to collaborate and share knowledge. The platform will adopt the concepts of value co-creation and service science to create added value for all members. By involving the MSME community, media, government, banks, vendors, KOLs, and non-business communities, this platform is hoped to become a center for inclusive and sustainable MSME development.

CONCLUSION

This research highlights a significant gap between the perceptions and expectations of West Java MSMEs regarding business quality improvement services. Through in-depth interviews, four primary expectations emerged: product innovation, business foundation development, improved business processes and management, and stronger external relationships. These findings underscore the critical need for targeted

interventions to address these areas. A service-oriented approach centered on the Gaps Model of Service Quality was employed to bridge this gap. By identifying and addressing the root causes of the service gap, the proposed Sadulur platform aims to empower MSMEs through comprehensive training, mentorship, and collaborative networks. This research concludes that by aligning service offerings with the specific needs and expectations of MSMEs, the Sadulur platform has the potential to enhance business performance and competitiveness significantly. Ultimately, this study emphasizes the importance of understanding MSME perspectives to inform effective service design and delivery. By addressing the identified gaps and fostering collaboration among MSMEs, government, academia, and industry, the Sadulur platform can catalyze sustainable MSME growth and development in West Java.

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