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# Analyzing the Influence of Internal and External Environments on Trust-Building Processes in Tolombong Garut Center, Indonesia

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## Abstract

The Tolombong Center in Garut Regency, which is in Balubur Limbangan District, is one of the superior unique products of Garut Regency. However, in its development, the Center was constrained to be able to increase its production capacity due to both internal and external factors. The trust-building process is considered necessary for business actors who are members of the Center to be able to survive and be sustainable. This study aims to analyze the influence of the internal environment and the external environment on trust-building. The sampling method used is saturated sampling technique which consists of 40 tolombong entrepreneurs. The study results show that the internal and external environments significantly influence trust-building, meaning that the internal and external environments contribute to increasing trust-building. The implications of this research can be used as material for formulating Sentra strategies in Garut Regency in general and material for consideration for the formation of MSME clusters.

**Keywords:** Internal Environment, External Environment, Trust-Building Process, Strategic Management

## 1. Introduction

Micro, small, and medium-sized enterprises (MSMEs) have great potential to drive economic growth in remote and rural areas (Mohapatra et al., 2020). In many cases, MSMEs are local initiatives that utilize local resources and develop the local economy (Brook, 2010). This helps reduce the development gap between urban and rural areas. MSMEs in Indonesia generally have a small scale and are independent (Alamanda et al., 2019). It can affect the ability of MSMEs to collaborate due to limited resources and networks. In addition, MSMEs have limited access to knowledge, information and resources needed to develop effective collaboration, which can affect the ability to build relationships and mutual trust between business actors. Intense competition and market uncertainty

can create a business environment that only supports collaboration between MSMEs (Karnowati & Handayani, 2022). Mutual distrust and concern about losing competitive advantage can hinder cooperation (Setyadi, 2022).

Trust-building is key to establishing successful collaboration between MSME actors in a centre (Bogren & von Friedrichs, 2016; Noor et al., 2021). With mutual trust, cooperation and exchange of information between MSMEs may be improved, which can limit the potential of MSME centres to achieve common goals. Strong trust-building between MSME actors in centres can create closer cooperation, more efficient exchange of resources, and more innovative collaboration. This can increase the competitiveness and joint growth of MSMEs in the centres.

MSME centers usually consist of a group of MSMEs engaged in the same or similar sectors, located relatively close, interacting, and collaborating (Alamanda et al., 2022). The aim of establishing MSME centres is to increase the competitiveness and growth of MSMEs through synergy, exchange of resources, and collaboration between business actors. Garut Regency's bamboo handicraft centres, including tolongbong, have potential and can contribute to the local economy. One of the Joint Business Groups (KUB) that has the potential to become a center is KUB Tolombong, located in Selaawi Village, Balubur Limbangan District, Garut Regency. Tolombong is a round concave container with a square base of tightly woven bamboo. Tolombong is useful as a place to store rice or glassware. In addition, tolongbong is also used to store food and carry grain from the fields to the house. Data for 2020 shows that the area of bamboo gardens in Garut is 323.10 hectares which can produce 726,492 tons.

However, tolongbong business owners in Garut Regency experienced various problems in development and operations, such as management, capital, marketing, and production. One of the main problems often faced by tolongbong business owners is the need for more active participation and good interaction between businesses. Therefore, business owners must strengthen communication and interaction with business owners to build strong trust.

Internal and external factors of MSMEs are believed to influence the trust-building in the formation of MSME centres (Alamanda et al., 2019). Internal factors consist of strengths and weaknesses, while external factors consist of opportunities and threats that also have an influence. The influence of the internal and external environment on the trust-building process can vary depending on the context and characteristics of the MSME. Every MSME has unique dynamics and challenges that can affect its trust-building process. Therefore, in-depth and specific research related to certain MSME centers may need to be carried out to gain a clearer understanding of the influence of the internal and external environment on the trust-building process in that context. Based on the background of the problem, this study aims to determine the influence of internal and external factors on the trust-building process in the Tolombong Joint Business Group in the Garut Regency.

## **2. Literature Review**

### *2.1. Internal and External Factors in Strategic Management*

Strategic management is crucial to business success, particularly for MSMEs (Isfianadewi, 2019). These enterprises face unique challenges and must navigate internal and external factors to thrive in a competitive market. Internal factors refer to the characteristics and resources within the organization, while external factors encompass the broader business environment. Research has shown that failure factors for SMEs can be both internal and external (Jafari-Sadeghi et al., 2022). This suggests that owners of SMEs need to take on greater responsibility for learning business management skills.

Additionally, the driving effect of internal and external environments on green innovation strategy has been explored (Cao & Chen, 2019a). The study found that external environment pressures and internal environment driving forces influence the choice of green innovation strategy, with top management's environmental awareness moderating this relationship. The COVID-19 pandemic has had a significant impact on businesses, including MSMEs. A study conducted in Jakarta found that the pandemic clustered business activities into three states: survival, decline, and flourishing (Mariyudi et al., 2022). Businesses that could adjust their interaction models

using online application platforms, such as education, food/beverage delivery, and health products, could remain stable.

On the other hand, businesses heavily reliant on physical presence, such as public transportation and tourism, experienced a decline. However, some businesses, such as telecommunications, online shopping, and health products, flourished by adapting to market dynamics and utilizing online platforms. Strategic decision-making is another critical aspect of strategic management. The literature suggests that strategic decision-making processes play a vital role in the effective performance of organizations (Alhawamdeh & Alsmairat, 2019). Internal and external environmental factors influence managers' decision-making and performance. Decision support systems can also aid decision-makers by providing timely information, which can enhance the performance of strategic decisions. In the context of MSMEs, strategic management is essential for financial success. Strategic management in MSMEs is diverse, with small enterprises facing challenges such as limited access to capital and a focus on administration (Wilujeng, 2021). However, strategic management is crucial for the development and success of these enterprises. Trust-building processes are also important in strategic management. While not explicitly mentioned in the provided references, trust-building is a fundamental aspect of strategic management (Yip & Schweitzer, 2015). Trust between stakeholders, such as employees, customers, and partners, can enhance collaboration, communication, and organizational performance.

Strategic management plays a crucial role in the success of MSMEs (Alamanda et al., 2019). Internal and external factors, such as environmental pressures, innovation capabilities, and market dynamics, influence strategic decision-making and the choice of strategies. The COVID-19 pandemic has highlighted the importance of adapting to changing circumstances and utilizing online platforms. Trust-building processes are also essential for effective strategic management. Overall, strategic management is a multifaceted process that requires careful consideration of various factors to ensure the success and sustainability of MSMEs.

In the field of strategic management, internal factors, including business functions (Helmond, 2022) and management functions (Chungyas & Trinidad, 2022), play a crucial role in shaping an organization's strategic direction and overall performance. Business functions and management functions, have a direct impact on strategic management. Strategic management involves the formulation and implementation of strategies to achieve organizational goals. A study by Pearce et al., (1987) highlighted that effective strategic management requires the alignment of internal factors with the external environment. Internal factors, including business functions and management functions, provide the foundation for strategic decision-making and resource allocation.

Business functions refer to the various operational areas within an organization that are responsible for specific tasks and activities (Mamun et al., 2016). These functions, such as marketing, finance, operations, and human resources, collectively contribute to the overall success and performance of an organization. Marketing functions drive customer satisfaction, brand equity, and market share (Ebrahimi & Banaeifard, 2018). Finance functions ensure financial stability, effective resource allocation, and profitability. Operations functions enable efficient production, delivery, and quality management. Human resources functions facilitate employee engagement, talent development, and retention. Organizations must effectively manage and align these business functions to enhance performance and maintain a competitive edge (Masenya, 2022).

Management functions, including planning, organizing, leading, and controlling, are key elements of effective leadership. The literature emphasizes the impact of management functions on organizational success. According to Kotler (2017), effective management functions can provide strategic direction, inspire employees, and drive innovation. Additionally, a study by Karim & Afnan (2020) stated that Mintzberg identified ten managerial roles, including decision-making, communicating, and resource allocation, which are critical for effective management. The findings suggest that effective management functions are essential for organizational effectiveness and employee satisfaction.

Several researchers have recognized the significance of integrating business and management functions for organizational success (Tarigan et al., 2021). For instance, Almasri et al. (2013) highlighted the importance of aligning business functions with management functions to achieve strategic objectives. They argued that the

effective integration of functions facilitates coordination, enhances communication, and improves decision-making processes. Furthermore, a study by Rahimi et al. (2016) emphasized the role of management functions in integrating business functions, leading to improved operational efficiency and organizational performance.

Managing internal factors, including business and management functions, poses various challenges. For example, Silvius & Schipper (2019) identified barriers to effective integration, such as organizational silos, lack of communication, and resistance to change. Overcoming these challenges requires adopting best practices. A study by Saad et al., (2018) emphasized the importance of effective leadership, employee involvement, and clear communication channels to successfully manage internal factors. These best practices enable organizations to streamline processes, foster collaboration, and enhance overall performance.

The effective management and integration of business functions contribute to achieving competitive advantage and improved performance (Mustikowati et al., 2021). Additionally, effective management functions, including planning, organizing, leading, and controlling, are essential for effective leadership.

In the field of strategic management, external factors such as the macro environment and the industrial environment significantly influence an organization's strategic decision-making and performance (Wang & Cao, 2022). The macro environment includes broader societal forces and trends, while the industrial environment focuses on the specific industry in which an organization operates.

The macro environment encompasses various external factors that are beyond the control of an organization but have a substantial impact on its strategic management. Factors within the macro environment include political, economic, social, technological, environmental, and legal (PESTEL) influences (Vojinović et al., 2022). The industrial environment focuses on the specific industry in which an organization operates and includes factors such as competitors, customers, suppliers, and potential entrants (Walter Colombo et al., 2021). Understanding the dynamics of the industrial environment is crucial for effective strategic management. Porter's Five Forces framework is often used to analyze the competitive forces within an industry, including the bargaining power of buyers, bargaining power of suppliers, threat of new entrants, threat of substitute products or services, and intensity of competitive rivalry (Porter, 2000). Industry-specific factors, such as market structure, industry growth, and technological advancements, influence strategic decision-making.

The macro environment and the industrial environment are interconnected and influence each other in strategic management. For instance, changes in the macro environment, such as shifts in consumer preferences or technological advancements, can significantly impact the competitive dynamics within an industry. A study by Sigalas & Pekka Economou (2013), highlighted the importance of aligning an organization's resources and capabilities with the opportunities and threats arising from both the macro environment and the industrial environment. Organizations need to monitor and adapt to changes in both environments to remain competitive and achieve strategic objectives.

Organizations employ various strategic responses to effectively manage external factors in the macro environment and the industrial environment. These responses include adaptation, differentiation, collaboration, and innovation. For example, a study by Veliyath & D'Aveni (1996) highlighted the importance of strategic maneuvering, such as creating new markets or disrupting existing ones, in response to changes in the industrial environment. Additionally, organizations may engage in collaborations or strategic alliances to leverage resources and capabilities in the face of external challenges.

## *2.2 Trust-Building Process*

Trust plays a vital role in the success and growth of Micro, Small, and Medium Enterprises (MSMEs) and clustered MSMEs. The trust-building process involves developing and nurturing relationships among various stakeholders, including business owners, employees, customers, suppliers, and partners. Trust-building is particularly critical for MSMEs due to their limited resources and their need to establish and maintain relationships with customers, suppliers, and other stakeholders. Studies have shown that trust positively impacts various aspects of MSME

performance, such as customer loyalty, supplier relationships, and employee commitment. For instance, (Borges et al., 2021) highlighted that trust facilitates information exchange and cooperation among stakeholders, leading to improved performance and business outcomes. Trust-building strategies in MSMEs involve consistent communication, reliability, and fulfilling commitments.

Several factors contribute to the trust-building process in MSMEs and clustered MSMEs. These factors include communication, reliability, competence, shared values, reputation, and governance mechanisms. Effective communication, both internal and external, fosters understanding, transparency, and openness among stakeholders. Reliability refers to fulfilling promises and delivering products or services as agreed upon. Competence refers to the perceived expertise and skills of the parties involved. Shared values and mutual understanding create a foundation for trust, while reputation serves as a signal of trustworthiness. Governance mechanisms, such as contracts, legal frameworks, and industry associations, provide a formal structure to build and maintain trust.

MSMEs and clustered MSMEs face specific challenges in the trust-building process. Limited resources, information asymmetry, lack of established reputation, and cultural differences can hinder trust formation. For instance, Khanra et al. (2021) highlighted that smaller firms often struggle with limited resources and face challenges in building trust due to information gaps and uncertainties. Overcoming these challenges requires proactive efforts to establish credibility, develop long-term relationships, and invest in building trust through repeated interactions and shared experiences.

Trust enhances relationships, fosters cooperation, and improves various aspects of organizational performance. Effective trust-building strategies involve consistent communication, reliability, competence, shared values, reputation, and governance mechanisms. However, MSMEs and clustered MSMEs face unique challenges in the trust-building process, including limited resources and information asymmetry (Peter Timmer, 2022). Overcoming these challenges requires proactive efforts, collaborative approaches, and investment in long-term relationships.

Taking initiative, owing action, driving results, building credibility, and exuding authenticity are essential components of building trust, they represent specific behaviors and qualities that contribute to establishing and nurturing trust within relationships. Taking initiative involves being proactive and demonstrating a willingness to go above and beyond expectations. Individuals who take initiative are self-starters and actively seek opportunities to contribute, solve problems, and add value. By taking the initiative, individuals show their commitment to the relationship and their willingness to invest effort and resources. This behavior fosters trust by showcasing reliability, dedication, and a genuine interest in the success of the partnership.

Owning action refers to being accountable for one's words, decisions, and commitments. When individuals take ownership of their actions, they accept responsibility for their behaviors and outcomes. This attribute is crucial in trust-building as it demonstrates reliability and integrity. By owning their actions, individuals show that they can be trusted to follow through on their promises, meet deadlines, and take responsibility for any mistakes or shortcomings.

Driving results entails being focused on achieving goals, delivering high-quality work, and consistently meeting or exceeding expectations. Individuals who prioritize driving results demonstrate competence and a commitment to excellence. By consistently delivering on commitments and producing positive outcomes, they establish a reputation for reliability and build trust among their peers and stakeholders.

Building credibility involves establishing a track record of honesty, competence, and reliability over time. It requires consistently demonstrating integrity, being transparent in communications, and delivering on promises. Credible individuals inspire trust because they consistently act in alignment with their words, maintain confidentiality when necessary, and exhibit ethical behavior. Building credibility is a gradual process that relies on consistently upholding ethical standards and consistently delivering on commitments.

Exuding authenticity means being genuine, transparent, and true to oneself. Authentic individuals are comfortable with their strengths and weaknesses and do not feel the need to pretend or present a false image. They build trust

by being honest, transparent, and sincere in their interactions. Authenticity creates an environment of openness and fosters trust by allowing others to feel comfortable and confident in their interactions. Taking initiative, owning action, driving results, building credibility, and exuding authenticity are all integral components of the trust-building process. These attributes contribute to establishing and nurturing trust within relationships by demonstrating reliability, accountability, competence, and authenticity. By embodying these qualities, individuals can create an environment of trust where collaboration, openness, and mutual respect can thrive. In this study, the trust-building process used is derived from the concept (Vaidyhanatan, 2019), which includes:

1. Taking initiative is a form of individual awareness that realizes that one needs to do something to meet personal needs or to achieve certain goals, with indicators: participate actively, demonstrate optimism, and prioritize the community.
2. Owning action refers to actions, actions, or behaviors carried out by someone in his life to achieve the expected goals. The indicators consist of following up, planning, and demonstrating integrity.
3. Driving results are made or produced by someone through certain efforts and implementations. To achieve the desired result, a person must try his best according to his abilities. Indicators of this dimension include: collaborating, executing to plan, and achieving.
4. Building Credibility is an important measure for organizations in maintaining relationships with stakeholders and their trust. The indicators in building Credibility are: owning the result, communicating the program, and managing consequences.
5. Exuding authenticity. When business is conducted according to the principles of honesty, success can be achieved. Being honest is also a strong foundation for the company. The indicators are: staying in line with beliefs, being vulnerable, and being honest.

Based on the description above, the framework can be described in Fig 1.

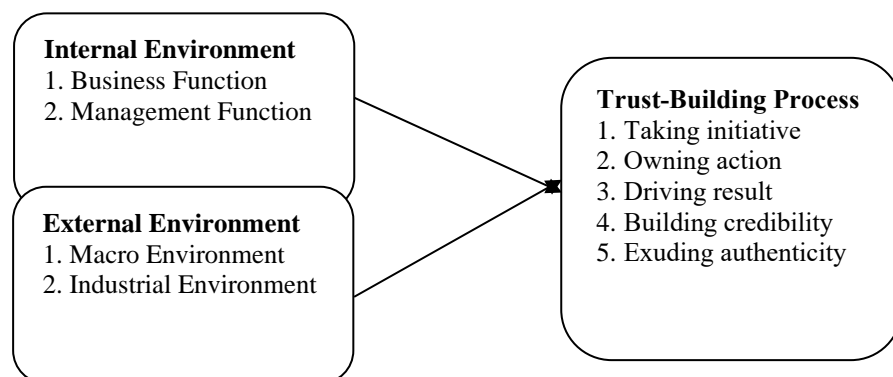


Figure 1: Conceptual Framework

Source: Authors (2023)

### 3. Method

This study used a quantitative method, which involved data collection and interpretation of the data obtained. The data used in this study were obtained through questionnaires and surveys. This research was included in descriptive and associative research because it intends to describe and verify the influence of the internal and external environments on the trust-building process at the Tolombong Garut MSME Center. The population in this study were all business owners of Tolombong Centre in Selaawi Village, Balubur Limbangan District, Garut Regency. The sampling technique is saturated because the population is relatively small (40 Tolombong business owners). Data were collected using research instruments and analyzed using the PLS-SEM quantitative method.

In the measurement technique in this study, the measuring tool used was a questionnaire made with an orderly structure. This research uses a Likert scale analysis suitable for measuring MSMEs' attitudes, views, and

perceptions towards the trust-building process. Based on the time, this research was used cross-sectional method because it was conducted in January - June 2023. Once collected, the data was analyzed using the Partial Least Square (PLS) -Structural Equation Modeling (SEM) analysis technique with the help of WarpPLS version 5.

There are three test stages in the WarpPLS analysis (Amaliana et al., 2020a), namely:

### 3.1 Outer Model Analysis

The outer model analysis is carried out to study the relationship between variables and their indicators. Several indicators that can assess the outer model include:

- a. Convergent validity, where the outer loading value is  $> 0.7$ , communality  $> 0.5$ , and Average Variance Extracted (AVE)  $> 0.5$ . A loading factor score between 0.50-0.60 is still acceptable if the model is still under development.
- b. Discriminant validity, the value of the cross-loading factor, is used to determine the discriminant validity of a construct. The correlation between the construct and other constructs in the model is also examined. The model has good discriminant validity if the AVE value of each construct is greater than the correlation between the constructs in the model. Therefore, discriminant validity occurs when two different instruments measuring two different constructs are uncorrelated, and their scores are also uncorrelated.
- c. Composite reliability or combined reliability is a latent variable that can be said to have good reliability if a construct meets the "role of thumb" criteria, namely, the combined reliability value  $> 0.7$  and Cronbach's alpha value  $> 0.7$ .
- d. The ideal Average Variance Extracted (AVE)  $> 0.5$ , indicating that more than half of the variance of the measured construct can be explained by the indicators used in the measurement. In other words, the higher the AVE value, the better the quality of the measured constructs.

### 3.2 Inner Model (Structural Model)

Inner model analysis can provide important information in evaluating the quality of a model and its accuracy in predicting survey results. If the  $Q^2$  value  $> 0$ , then the model has good predictive relevance, but if the  $Q^2$  value  $\leq 0$ , then the model has poor predictive relevance.

### 3.3 Hypothesis Testing

$H_{01}$ :  $\rho = 0$ , the internal environment has no significant effect on the trust-building process of the Tolombong Garut Center.

$H_{11}$ :  $\rho \neq 0$ , the internal environment has significant effect on the trust-building process of the Tolombong Garut Center

$H_{02}$ :  $\rho = 0$ , the external environment has no significant effect on the trust-building process of the Tolombong Garut Center.

$H_{12}$ :  $\rho \neq 0$ , the external environment has significant effect on the trust-building process of the Tolombong Garut Center

If the significance value is  $> 0.05$  then  $H_0$  is rejected then  $H_1$  is accepted, or if the significant value is  $< 0.05$  then  $H_0$  is accepted then  $H_1$  is rejected. The path diagram of the analysis model is presented in Fig 2.



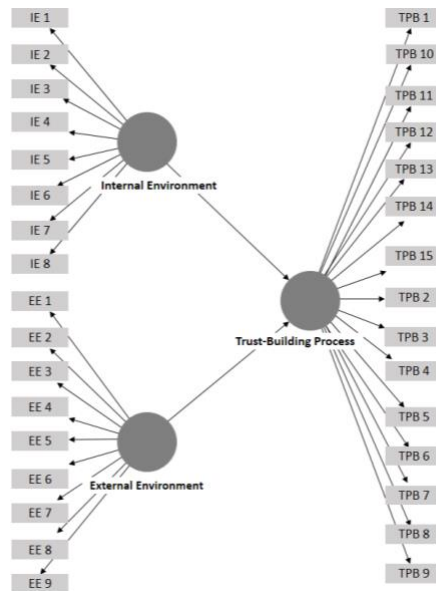


Figure 2: Measurement Model  
 Source: WarPLS Output (2023)

4. Result and Discussion

4.1 Outer Model Analysis

a. Convergent Validity

The indicator is considered invalid if the loading factor value is less than 0.7 or less than 0.5. If there is an indicator with a value below 0.5, it must be removed from the model to improve its validity, namely indicators LI2, LI3, LE2, LE4, LE5, LE8, LE9, TBP2, TBP3, TBP10, TBP12, TB13, TBP9, and TBP15. Fig.3 is the result of modifying the second output loading factor.

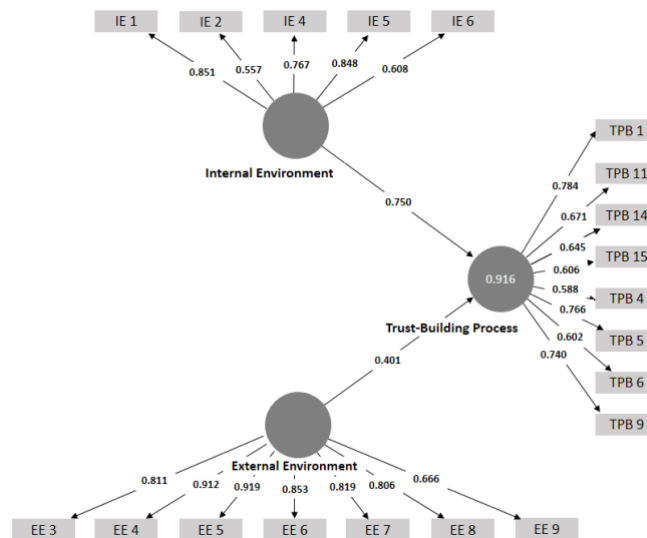


Figure 3: Loading factor  
 Source: WarPLS Output (2023)

Table 1: Cross Loading

	<b>External Environment</b>	<b>Internal Environment</b>	<b>Trust-building process</b>
<b>LE 3</b>	0.811	0.217	0.422
<b>LE 4</b>	0.912	0.320	0.604
<b>LE 5</b>	0.919	0.478	0.727
<b>LE 6</b>	0.853	0.134	0.449
<b>LE 7</b>	0.819	0.243	0.580
<b>LE 8</b>	0.806	0.045	0.333
<b>LE 9</b>	0.666	0.242	0.435
<b>LI 1</b>	0.335	0.851	0.784
<b>LI 2</b>	0.270	0.557	0.396
<b>LI 4</b>	0.073	0.767	0.588
<b>LI 5</b>	0.304	0.848	0.766
<b>LI 6</b>	0.180	0.608	0.602
<b>TBP 1</b>	0.335	0.851	0.784
<b>TBP 11</b>	0.712	0.335	0.671
<b>TBP 14</b>	0.774	0.338	0.645
<b>TBP 15</b>	0.793	0.274	0.606
<b>TBP 4</b>	0.073	0.767	0.588
<b>TBP 5</b>	0.304	0.848	0.766
<b>TBP 6</b>	0.180	0.608	0.602
<b>TBP 9</b>	0.470	0.567	0.740

Source: WarPLS Output (2023)

Based on Table 1, each indicator on the research variable has the highest cross-loading value on the related variable and is higher than the cross-loading value on the other variables. This shows that the indicators used have a good ability to differentiate variables. Evaluation of the ability of discriminant validity of these indicators can also be seen through the AVE value for each indicator. For a good model, the AVE value must exceed 0.5. The AVE values for each indicator meet the criteria, and has good discriminant validity (Table 2).

Table 2: Average Variant Extracted (AVE)

	<b>AVE</b>
<b>Internal Environment</b>	0.689
<b>External Environment</b>	0.542
<b>Trust-building process</b>	0.531

Source: WarPLS Output (2023)

In addition, composite reliability is used to test the reliability of indicators on certain variables, with a criterion value greater than 0.7. Table 3 shows that the Cronbach alpha and composite reliability values for each construct above 0.6 and 0.7 respectively, which means that all constructs in this study can be considered reliable.

Table 3: Construct Reliability

	<b>Cronbach's Alpha</b>	<b>Composite Reliability</b>
<b>Internal Environment</b>	0.924	0.953
<b>External Environment</b>	0.780	0.818
<b>Trust-building process</b>	0.831	0.843

4.2 Inner Model Analysis

The path coefficient of the internal environment on the trust-building process is 0.750, which is greater than the influence of the external environment on the trust-building process, which is 0.401 (Fig. 4). In addition, the variables in the model have a positive value indicating that the greater the path coefficient value of the exogenous variables on the endogenous variables, the stronger the influence between exogenous variables on the endogenous variables.

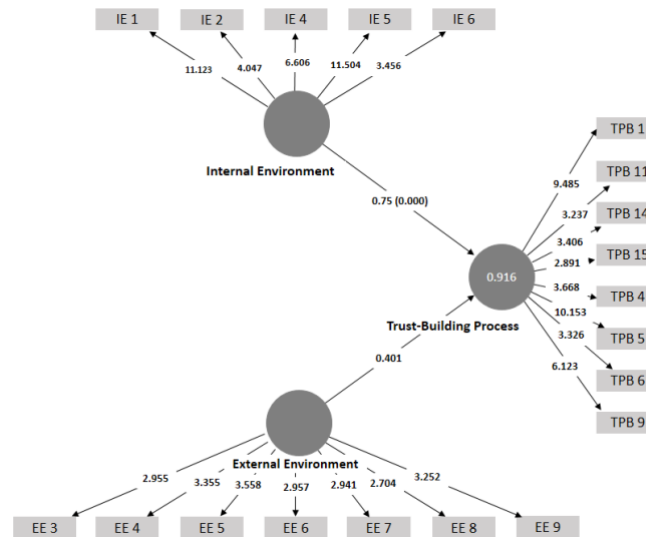


Figure 4: Inner Model  
Source WarPLS Output (2023)

The internal environment has an F-Square value of 0.710, and the external environment has an F-Square value of 0.597, indicating that the internal and external environment significantly influences the trust-building process. The data processing results also show an Adjusted R-Square value of 0.911 or 91.1%; this indicates that exogenous variables can explain variations in endogenous variables, although other factors still influence outside the research model. The significance of the prediction model in testing the structural model can be seen from the t-statistic value between the endogenous and exogenous variables. Table 4 is the value of Q<sup>2</sup> Predictive Relevance. The results of the calculation of Q<sup>2</sup> in this study amounted to 0.389 or 38.9%, meaning that the model in this study has a relevant predictive value, where the model used can explain the information contained in the research data of 38.9.1%.

Table 4: Summary of Inner Model Criteria Assessment

Criteria	Standard	Bootstrapping Result
Estimation of the F-Square path coefficient for the effect size	0.35 = Strong	Internal Environment = 0.710 (strong)
	0.15 = Moderate	External Environment = 0.597 (strong)
	0.02 = Weak	
Adjusted R-Square	0.67 = Strong 0.33 = Moderate 0.19 = Weak	Trust-Building Process = 0.916 (strong)
Prediction (Q <sup>2</sup> )	Q <sup>2</sup> > zero provides evidence that the model is predictive	Trust-Building Process = 0.389

Source: WarPLS Output (2023)

### 4.3 Hypothesis Testing

Hypothesis testing is done by comparing the t-statistics and t-tables. If the t-statistic value is greater than the t-table value, then the hypothesis can be considered proven. In this context, at the 95% confidence level (with an alpha of 5%), the t-table value for both hypotheses is 1.96. After testing using the bootstrapping method with SmartPLS 4.0, the results of the hypothesis are presented in Table 5.

Table 5: Path Coefficient

		<b>Original sample (o)</b>	<b>Sample mean (m)</b>	<b>Standard deviation (stdev)</b>	<b>T statistics</b>	<b>P values</b>
Internal Environment Trust-building process	$\geq$	0.401	0.379	0.102	3.940	0.000
External Environment Trust-building process	$\geq$	0.750	0.753	0.083	8.990	0.000

Source: WarPLS Output (2023)

The internal environment within the *Tolombong* Center significantly influences the trust-building process for business actors. This result is supported by the positive path coefficient value of 0.410 and the p-values, which indicate an influence between the internal environment variables and the trust-building process, which is equal to 0.000. In addition, the T-statistic value, which is quite large with a value of 3.940, also shows positive results. That is, the results of this study indicate that the better the internal environment in the *Tolombong* Centers, the more the trust-building process in *Tolombong* business actors will improve.

Good business and management functions can influence MSMEs' trust in other MSMEs in a central ecosystem (Alamanda et al., 2019). If MSMEs can produce high-quality products or services, other MSMEs will feel more confident about them. Good quality reflects a commitment to customer satisfaction and demonstrates professionalism in business. Setting competitive prices can help build trust between SMEs. Other MSMEs will trust and cooperate with those offering reasonable and fair prices. MSMEs that comply with the rules and regulations that apply in their business show responsibility and integrity and can increase the trust of other MSMEs in the central ecosystem (Bogren & Friedrichs, 2016; Vaidyanathan, 2019; Yip & Schweitzer, 2015).

Clear and open communication between MSMEs can help build trust (Isfianadewi, 2019). MSMEs that can communicate well regarding business plans, policies, and problems that may arise will gain the trust of other MSMEs. Running business operations reliably and consistently builds trust. MSMEs that can be relied upon in terms of timely product delivery, honest transaction settlement, and fulfilling commitments will earn the trust of other MSMEs. MSMEs willing to collaborate and share knowledge with others can build trust and strengthen relationships within the central ecosystem. Through exchanging information and experiences, MSMEs can support each other and grow together. MSMEs that run a business with good integrity and ethics will gain the trust of other MSMEs. Strong business ethical principles like honesty, fairness, and social responsibility will help build a good reputation and trust within the central ecosystem.

Although several studies have found that internal factors do not affect the trust-building process (Cao & Chen, 2019b; Jafari-Sadeghi et al., 2022; Wilujeng, 2021), the results of this study believe that good business and management functions complement and support each other in building trust between MSMEs in the central ecosystem. By having solid business and management practices, MSMEs can strengthen collaborative relationships and generate mutual benefits within the ecosystem.

At the *Tolombong* Garut Center, the internal environment could be better. In general, each MSME still needs

production governance and carries out production processes based on routines. An unorganized internal environment results in operational inefficiencies in the *Tolombong* Garut Center. In business, change is inevitable. *Tolombong* Garut Center players realize that there has yet to be any innovation in their business, which makes *Tolombong* MSME players believe that when they lose opportunities or cannot adapt quickly to market changes.

So far, *Tolombong* MSMEs need to pay more attention to matters such as integrity, transparency, or openness, so stakeholders such as the government and potential investors doubt the ability of MSMEs to deliver promised results or comply with business ethics standards. In addition, the limited production funds make *Tolombong* MSME give good wages to their employees. Young employees have the potential to seek a better work environment, which can negatively impact the operational continuity of MSMEs, and only employees who are old and still have family ties survive.

In addition to the internal environment, the external environment at the *Tolombong* Center has a significant role in the trust-building process for *tolombong* business actors in Garut Regency. This can be proven by the positive and significant path coefficient value of 0.750 and the relationship between the external environment and the trust-building process which is statistically significant with a p-values of 0.000. In addition, the t-statistic value, which is relatively high at 8,990, also shows positive results. This means that the better the external environment at the *Tolombong* Center, the more the trust-building process for the *Tolombong* business actors will improve.

Trust-building is essential in the relationship between the organization and various stakeholders (Amaliana et al., 2020b). Trust-building can include the trust of customers, employees, business partners, governments, and the general public. In this context, the macro environment and industrial environment significantly influence the trust-building process.

*Tolombong* Garut MSMEs need help to access the capital or funding needed to increase production activities. Government support regarding low-interest loan programs, subsidized funding, or adequate financing schemes can help *Tolombong* Garut MSMEs obtain the funds needed to invest in equipment or more efficient technology.

So far, the process of making *Tolombong* is done manually and traditionally, starting with sorting bamboo slats as the basic material. After getting the appropriate bamboo segments, the bamboo slats are split into small pieces and sharpened or mashed. The plaiting process is done patiently and takes a long time. Technology utilization in splitting, sharpening, and refining can speed up production.

*Tolombong* industry have several threats that newcomers may face. With the entry of new entrants, competition in the *Tolombong* industry can become more intense. New entrants have aggressive marketing strategies, new product innovations, or more efficient production capabilities. *Tolombong* woven craftsmen from Tasikmalaya City are direct competitors of the *Tolombong* Garut MSME Center. They may have the same knowledge and skills in weaving and operate in the same market.

*Tolombong* also has competitors from alternative products, such as rice bowls or better known as rise boxes, made of plastic or wood. While having different aesthetics than traditional woven, these products may offer lower prices or practicality in everyday use. Traditional woven from other countries can also become competitors by offering cheaper raw materials so they can enter the market at more competitive prices or have a uniqueness that is attractive to customers.

To face competitors in the *Tolombong* woven industry, it is important to continuously improve product quality, maintain the characteristics and uniqueness of traditional woven, and build strong relationships with customers. Innovation in design, effective marketing, additional product development, and differentiation in terms of quality, price, or customer service can be strategies for maintaining market share and competitive advantage.

## 5. Conclusion

There is a positive influence between the internal and external environments on the trust-building process at the *Tolombong* Garut MSME Center. Suppose the internal and external environment at the *Tolombong* Center is good.

In that case, the level of trust building between all business actors involved in the Tolombong Center will be even higher.

Paying attention to the internal and external environment is important for MSMEs to be able to adapt to market changes, meet customer expectations, build strong relationships with business partners, and take advantage of growth opportunities. By understanding the internal and external environment well, MSMEs can take appropriate actions to maintain their competitiveness and growth in a competitive market.

**Author Contributions:** In the development of this article, each author played a distinctive and indispensable role. Alamanda was instrumental in the early stages, driving the idea generation, framing the central problems, and ensuring that the overall content of the article had a coherent narrative (original draft preparation, review & editing). Idhariani, with her analytical prowess, undertook the task of data collection and subsequently performed a thorough analysis using WarPLS; she also took the lead in interpreting the results yielded by the software, bridging the gap between raw data and meaningful insights. Saepuloh, with a keen eye for academic literature, navigated through previous works to anchor our research and was the guiding force in deciding the research methodology, ensuring that our approach was both innovative and grounded. Lastly, Gymnastiar served as the practical hands-on expert, diligently carrying out observations (project administration) and taking on the crucial role of validating the measurement tools. Furthermore, he spearheaded the discussion, shedding light on the intricate facets of our findings, and meticulously oversaw the manuscript's formatting and linguistic accuracy to guarantee its scholarly rigor.

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