

# The Influence of Market Orientation and Entrepreneurial Orientation to Competitive Advantage Through Business Innovation: Study on Batik Trusmi Cirebon West Java Province Indonesia

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## The Influence of Market Orientation and Entrepreneurial Orientation to Competitive Advantage Through Business Innovation: Study on Batik Trusmi Cirebon West Java Province Indonesia

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### ABSTRACT

The advancement of a company in the batik industry is entirely dependent on the company's ability to create and grow competitiveness that can adapt quickly to changes that occur. This study aims to analyze the influence of market orientation and entrepreneurship orientation to competitive advantage through business innovation. The research was conducted in Batik Trusmi Cirebon, West Java Province, Indonesia. The number of respondents as many as 168 respondents. The sampling technique using purposive sampling. The analysis tool was done using descriptive analysis and structural equation modeling version 22. The results show that market orientation and entrepreneurship orientation have a positive and significant impact on competitive advantage through business innovation.

**Keywords:** Market Orientation, Entrepreneurial Orientation, Competitive Advantage and Business Innovation

**JEL Classifications:** M31, O

### 1. INTRODUCTION

The emergence of competition in the business world is unavoidable. With the competition, the companies faces a number of opportunities and threats both from outside and from within the country. For that every company is required to always understand and understand what happens in the market and what is the desire of consumers, as well as various changes that exist in the business environment so as to compete with other companies. The company should try to minimize the weaknesses and maximize their strengths. Thus the company is required to be able to choose and establish strategies that can be used to face competition.

With the increasingly tight competition then the company must understand what and how to manage various resources owned. An important key to win the competition lies in the ability of the company to create competitive advantage. Narver and Slater (1990, p. 21) states that competitive advantage can be achieved if the company is able to deliver value to customers to more than

what is given by competitors. Competitive advantage can come from various corporate activities such as in designing, producing, marketing, handing, and supporting its products. Each of these activities should be directed to support the company's relative cost position and create a basis for creating differentiation.

In the level of increasingly fierce competition and technological progress that cannot be dammed then a company's products will grow to a point, where the products will be difficult to distinguish from one to another. In order to win in a competition then in marketing the current product manufacturers not only based on product quality alone, but also depends on the strategy implemented by the company. Related to that there are two strategies that are commonly used company that is a fitting orientation (Narver and Slater, 1995, p. 134) and innovation (Han et al., 1998, p. 35). According a Kohli and Jaworski (1990, p. 1-18), market orientation is a corporate culture that can lead to an improved performance of the marketer. Narver and Slater (1990, p. 34) define the orientation of the market as the most effective organizational culture and

efficient to create behaviors required to create superior value for buyers and result in superior performance for the company, especially in an environment of competing.

In a highly competitive environment, only companies that have more 'value' will survive. More than Narver and Slater (1995, p. 134) explains that the company that has made the market orientation as the culture of the organization will focus on the needs of external markets, the desire and demand of the market as the basis for preparing a strategy for each business unit within the organization, and determine the success of company. In addition to market orientation, innovation can also serve as one of the strategies in achieving competitive advantage. The main objective of product innovation is to meet the market demand so that product innovation is one that can be used as a competitive advantage for company (Han et al., 1998, p. 35). Customers generally want innovative products to their liking.

For the company, success in product innovation means the company is one step ahead of its competitors. This requires the company's cleverness in recognizing the tastes of its customers so that the innovation that it does in the end is in accordance with the wishes of its customers. Thus, product innovation must be carefully planned and executed. The high level of competition that is not only felt by large companies but also to the medium-sized company in Indonesia such as batik industry Trusmi Cirebon, West Java Indonesia. The changes that occurred in the batik industry include rising levels of industry competition, the rising prices of raw and declining exports abroad. The increasingly intense competition in the batik industry is due to the decrease in domestic market share, thus demanding companies in the industry to implement strategies relevant to changing corporate and environmental conditions. The company must keep trying to maintain its survival.

The advancement of the company in the batik industry is entirely dependent on the company's ability to create and grow competitiveness that can adapt quickly to changes that occur. In the following Table 1 are presented a picture of the small, medium and large industries in West Java Indonesia in 2015.

Based on Table 1, that Cirebon West Java in investments provide the greatest value in West Java than other regions. The number of small and medium industries including Cirebon batik industry. Nevertheless, the existence of Trusmi Cirebon batik industry must be maintained in view of batik is a hallmark of Indonesian products. Companies engaged in batik industry should still be encouraged so as to have a strong competitive advantage.

Companies that have competence in marketing, manufacturing, and innovation can make it as a source to achieve competitive advantage. Through these three areas of competence, the company can develop strategies so as to produce products that sell well in the market. While the second understanding emphasizes the superiority in achievement of performance over the years. This understanding is related to the position of the company compared to its competitors. Companies that continue to pay attention to the progress of their performance and strive to improve the performance have the opportunity to achieve a better competition

**Table 1: Number of small and medium industry units in West Java Indonesia by Regency/City In 2015**

Regency/city	Business unit	Labor	Investment (Million rupiahs)
Bogor regency	101	3.679	310.27
Sukabumi regency	19	159	433.539
Cianjur regency	7	-	83677
Bandung regency	58	4.384	863,795
Garut regency	-	-	-
Tasikmalaya regency	2	820	-
Ciamis regency	3	29	93
Brebes regency	4	17	375
Cirebon regency	58	3.848	3,990,799
Majalengka regency	27	193	-
Sumedang regency	2	2	8.746
Indramayu regency	1	-	-
Subang regency	7	195	44337
Purwakarta regency	42	233608	-
Karawang regency	104	1.981	228.461
Bekasi regency	187	2.803	388184
West Bandung regency	77	122.973	-
Bogor city	175	947	628405
Sukabumi city	13	958	577137
Bandung city	11	40	138.535
Cirebon city	41	12	-
Bekasi city	17	157	103.868
Depok city	69	3.984	207.27
Cimahi city	17	1.758	122.559
Tasikmalaya city	19	6.247	-
Banjar	32	500	11374

Source: Department of Industry and Trade of West Java Province Indonesia 2105

position. With a good competitive position it is in fact the company has had a strong capital to continue to compete with la in (Droge and Shownee, 1994, p. 669-670).

## 2. LITERATURE REVIEW

### 2.1. Competitive Advantage

Bharadwa<sup>10</sup> al. (1993, p. 83-84) describes that competitive advantage is the result of the implementation of strategies that utilize a variety of resources owned by the company. Unique expertise and assets are seen as the source of competitive advantage. This unique skill is the company's ability to make its employees an important part of achieving competitive advantage. The company's ability to develop the skills of its employees well will make the company superior and the implementation of human resource-based strategies will be difficult to imitate by its competitors. Moderate assets or unique resources are the real resources the company needs to run its competitive strategy. Both



of these resources should be directed to support the creation of competitive advantage is low cost and has a difference with other companies. A similar opinion was by Porter (1990. p. 3), which explains that the competitive advantage is the heart of marketing performance to the competition. Competitive advantage is defined as a strategy that benefits from the company cooperated to create a more effective competitive advantage in their markets. This strategy should be designed to realize continuous competitive advantage so that the company can dominate in both the old and new markets.

Competitive advantage basically grows from the values or benefits created by the company for its buyers. Customers generally prefer to buy products that have more value than desired or expected. However, the value will also be compared with the price offered. Product purchases will occur if the customer considers the price of the product to match the value it offers. It is supported by Satyagraha opinion (1994. p. 14) states that competitive advantage is the ability of an enterprise (company) to provide more value to its products than its competitor and that value is balustrades benefits to customers. Some of the indicators used to measure competitive advantage are product uniqueness, product quality, and competitive prices. The uniqueness of the product is the uniqueness of the company's product that combines artistic value with customer's taste. Product quality is the design quality of the company's products. While the competitive price is the ability of the company to adjust the price of its products with the general price in the market.

## 2.2. Innovation

Wahyono (2002. p. 28-29) explains that continuous innovation in a company is a basic need, which in turn will lead to the creation of competitive advantage. Conventionally, the term innovation can be interpreted as a breakthrough associated with new products. But along with the development that occurred, understanding of innovation also includes the application of new ideas or processes. Innovation is also seen as a corporate mechanism in adapting to its dynamic environment changes in the business environment have forced companies to create new thoughts, new ideas, and offer innovative products.

Thus more and more innovations are important not only as a tool to maintain the viability of the company but also to excel in competitive. Gatignon and Jean-Marc (1997. p. 71) suggests 3 characteristics of innovations that product excellence, product cost and product credibility. Product innovations can fail simply because the reasons do not offer a unique design or a misconception of the wants and needs of the customer. Product innovation should be able to provide added value compared to similar products (product benefits) in order to make the company has an advantage over its competitors. Luke and Ferrell (2000. p. 240) explains the existence of several indicators of innovation of products, namely:

1. The expansion of the line is the product produced by the company is not really new but relatively new to a market.
2. The new product is a new product for the company but not new to the market.
3. A completely new product is a new product that includes both the company and the market.

The research by Droge and Shownee (1994. p. 687) found that the product can be used as a source of competitive advantage. Companies that are able to design their products in accordance with the wishes of customers will be able to survive in the midst of competition because the products are still in demand by customers. The results of the same research also stated by Bharadwaj et al. (1993. p. 89) who argued that the company's ability to continue to innovate on its products will keep the product remains in accordance with the wishes and needs of customers. Thus, innovation can serve as the source of the company's competitive advantage. Some of the indicators used to assess product innovation are innovation culture, technical innovation, and product innovation. Culture innovation is a culture of innovation that exist in the company. Technical innovation is an innovation in the company's process of producing products.

## 2.3. Market Orientation

Market orientation is something that is important to the company in line with increasing global competition and changes in customer needs where the company realizes that they must always be close to the market. Market orientation is a business culture in which the organization is committed to continue to be creative in creating superior value for customers. Narver and Slater (1990. p. 21) define the orientation of the market as the most effective organizational culture in creating important behaviors for the creation of superior value for buyers as well as the performance of the business. While Uncles (2000. p. 1) defines the orientation of the market as a process and the activities associated with the creation and the satisfaction of customers by continually assess the needs and desires of customers. Implementation of market orientation will bring improved performance for the company.

Narver and Slater (1990. p. 21-22) states that market orientation composed of three components, namely the behavior of customer orientation, competitor orientation and coordination inter functional. Customer orientation and competitor orientation include all activities involved in obtaining information about buyers and competitors on the intended market and deploying through business, while inter functional coordination is based on customer and competitor information and consists of coordinated business ventures. It is further explained that customer orientation is defined as an adequate understanding of the target customer's purchase in order to create a superior value for the buyer on an ongoing basis. Understanding here includes an understanding of the entire value chain of buyers, both current and future developments. This effort can be achieved through the process of finding supplier customer information (Uncles, 2000. p. 1). Given the information, the seller will understand who the potential customers are, both at present and in the future and what they want to when these and future. Competitor orientation means that the competitor-oriented company is often seen as a company that has a strategy on how to share information about competitors, how to respond to the actions of competitors and also how the top management to discuss strategy in competitor (Narver and Slater, 1990. p. 21). Orientation on competitors may suppose that the salespeople will attempt to gather information on competitors and share update it to other functions within the company, for example the division of research and product floating or discuss

with the leadership of the company how competitors' strengths and strategies developed (Ferdinand, 2000a and b. p. 18).

Narver and Slater (1990. p. 22) states that competitor orientation means that companies understand the short-term strength, weakness, long-term capabilities and strategies of competitors potential. This understanding includes whether competitors are using new technology to retain existing customers. Competitor-oriented companies often seen as a company that has a strategy and understand how to obtain and share information about competitors, how to respond to the actions of competitors and also how to respond to the strategy of top management competitor (Jaworski and Kohli, 1993. p. 55). Narver and Slater (1990. p. 22) states that the coordination inter functional the usefulness of a coordinated resource company in creating superior value for customers who are targeted.

Inter functional coordination refers to particular aspects of structure organization that facilitate communication between different organizational functions. Inter functional coordination is based on customer and competitor information and consists of business alignment efforts, typically involving more than the marketing department, to create superior value for customers. Inter functional coordination can enhance communication and exchange between all functions of the organization that takes into account customers and competitors, as well as to inform the latest market trends. This helps the development of both trust and independence among separate functional units, which in turn leads to a company environment that is more receptive to a completely new product based on customer needs. Results of research committed by Akimova (1999. p. 1140-1141) showed that market orientation has a positive influence on competitive advantage.

Companies that implement market orientation has advantages in terms of customer knowledge and this excess can be used as a source for creating products that suit your desires and needs customers. Bharadwaj et al. (1993. p. 92) also states that corporate culture that emphasizes the importance of the company to pay attention to the market (market-oriented) will lead to strengthening the company's competitive advantage. Some of the indicators used to measure market orientation are customer orientation, competitor orientation, and market information. Customer orientation is the company's willingness to understand the needs and desires of its customers. The competitor's orientation is the company's willingness to monitor its competitors' strategies. Market information is the company's efforts to seek information about the market conditions of the industry.

#### 2.4. Entrepreneurial Orientation

The concept of entrepreneurship with a new paradigm that began in the 21<sup>st</sup> century, when colleges embarked on an entrepreneurship orientation program and became a term common in management journals and strategy management. Orientation of entrepreneurship an organizational behavior concepts related to innovativeness, proactive and risk taking (Miller, 1983) coupled with the autonomy and competitive aggressiveness (Lumpkin and Dess, 1996), this concept is also used by (Zahra, 1993). Similarly, the concept proposed by Drucker (1985), Hisrich et al. (2008), Lumpkin and

Dess (1996) has an indicator relatively the same for entrepreneurial orientation by using four (4) dimensions, aggressive in competitive aggressiveness, proactive, autonomy risk-taking.

Entrepreneurial orientation will improve performance for smaller companies, this is in accordance with the results of the study Brown, 1996 and Wiklund (1998, 1999), Lumpkin et al. (2002) and Wiklund and Shepherd (2003). Subsequently (Awang et al., 2010) is also the same point that the entrepreneurial orientation has a significant relationship with Return on Sale (ROS), which is one measure of financial performance. Miller (1983) quotes Awang (2010. p. 35) argues that an entrepreneurial orientation consisting of innovation, proactive and risk-taking. Through entrepreneurial orientation, leadership will be able to bring the company achieve better performance. In a normal situation the entrepreneur can take advantage of the surrounding environment and try to take advantage of opportunities in the environment. Also have the courage to bear the risk to start a business usually comes from people who have ideas and entrepreneurial spirit. According to Drucker (1985) business actors of course bear the risk of economic activity, namely the activities of resources now for the upcoming expectations.

Sur conducted (Booz and Allen & Hamilton, 2005), found there are three types of innovation strategies, namely; need seekers, readers market and technology drivers, which need seekers and market-type readers as an innovator type of adjustment, while the technology as a type of performance is pull drivers. Therefore it is important to instill a culture of entrepreneurship pad mid-level managers and above must have a model use values and entrepreneurial behavior. Entrepreneurship should be able to find a source of innovation, environmental changes, and opportunities in existing neighborhoods, and can understand the principles of outcomes on an innovation and use. Entrepreneurial orientation is also an important factor influencing the sustainable competitive advantage, and is also an important factor for the capabilities and marketing innovation as it can change the environment and open a business new waitress (Drucker, 1985). Man et al. (2002) suggests there are six main areas to develop entrepreneurial competencies, namely the opportunity, relationship, conceptual, organizing strategic and commitment competencies. Entrepreneurship is a factor that affects sustainable competitive (Weerawardena, 2004) as quoted by Lee and Hsieh (2010. p. 113). Generally, companies that have the characteristics of entrepreneurial have higher performance (Khandwalla, 1985).

To micro businesses that have the entrepreneurial orientation are able to modify their products so as to meet the needs of consumers without abandoning the values of the culture. Micro-food industry business operators who have an entrepreneurial orientation are business people who have an entrepreneurial spirit, able to create something new both in process, products or services, and have the ability to market or wide range of existing markets. Thus it can be stated that micro entrepreneurs who have entrepreneurial orientation is able to meet the needs of consumers with the changes, so that the business owned can have growth (it can even increase the scale of its business on a scale of microenterprises into small or medium-sized enterprises).



### 3. RESEARCH METHOD

The sampling method used is purposive sampling, is taking sample based on criteria determined by the pitch of the researcher. Sample criteria used are respondents who have been operating at least 5 years of business as many as 168 respondents. In this study, an analysis tool used is structural equation modeling (SEM) version 22.

### 4. RESULTS AND DISCUSSION

#### 4.1. Validity and Reliability

Validity test is done to know/analyze the extent of accuracy and accuracy of a measuring instrument in performing its measuring function (Azwar, 1997). Test the validity of this research is done by using the product moment correlation with the following test criteria:

- If the value of significance <0.05 then it can be said that the indicator is valid
- If the value of significance > 0.05 then it can be said that the indicator is invalid.

While the reliability test carried out to measure the extent of the results of a measurement can be trusted (Azwar, 1997). Reliability test with Cronbach alpha statistical test ( $\alpha$ ) with the criteria of the test results as follows:

- If the calculation results of Cronbach's alpha values >0.6 it can be said that the research variables are reliable.
- If the calculation results of Cronbach's alpha values <0.6, it can be said that the study variables are not reliable.

Results of testing the validity and reliability study of each variable is presented in the Table 2.

Based on Table 2, the validity of the test results by using the product moment correlation were performed on study variables showed that the significant value of each variable is <0.05. This proves that the variables used are appropriate indicators to measure each variable research.

Based on Table 3, the results of reliability test using Cronbach alpha performed on variables of the study showed that Cronbach's alpha values above 0.6. Therefore the value of Cronbach's Alpha is generated on a variable reliability test research >0.6 it can be concluded that the results of the research-variable variable measurement is reliable.

#### 4.2. Descriptive Analysis

To perform descriptive analysis used index value. The value of this index is useful to obtain a picture of the respondent's perception of

the items of the question posed. To be able to calculate the index value, used the formula as follows:

$$\text{Index value} = ((\% F1x1)+(\% F2x2)+(\% F3x3)+(\% F4x4)+(\% F5x5)+(\% F6x6)+(\% F7x7))/7$$

Where,

F1 is the frequency of respondents who answered 1

F2 is the frequency of respondents who answered 2

And so on F10 for the answer 7

By using three criteria box as basic interpretation methods that index values are as follows:

14.29-42.86 = low

42.86-71.43 = moderate

71.43 100, 00 = high

By using these guidelines, the index number for the variable market orientation, entrepreneurial orientation, innovation and competitive advantage can be calculated as follows.

#### 4.2.1. Variable market orientation

The market orientation variable is measured using three indicators. Here are the results of index value analysis on the indicators of market orientation variables (Table 4).

The result of the calculation of the index value indicates that including market orientation in the medium category with an index value of 54.1. Of the three indicators analyzed, X11 indicator is the indicator with the lowest index value.

#### 4.2.2. Variable entrepreneurial orientation

The entrepreneurial orientation variable is measured using four indicators. Here is the result of index value analysis on the indicators of entrepreneurship orientation variables (Table 5).

The result of the calculation of the index value indicates that entrepreneurial orientation included in the medium category with an index value of 56.5. Of the four indicator analyzed, indicators X23 is the indicator with the lowest value index.

#### 4.2.3. Variable business innovation

Business variable business innovation is measured using three indicators. Here is the result of index value analysis on the indicators of innovation variables (Table 6).

The result of the calculation of the index value indicates that business innovation in medium category with an index value of 52.4. Of the three indicators that are analyzed, indicators Y11 is an indicator with the lowest index value.

Table 2: Validity test results

Indicator		Coefficient correlation	Significance	Cut of value	Information
X1	Market orientation	0.821	0.000	0.05	Valid
X2	Entrepreneurial orientation	0.798	0.000	0.05	Valid
Y1	Innovation	0.766	0.000	0.05	Valid
Y2	Competitive advantages	0.807	0.000	0.05	Valid

Sources: Primary data are processed, 2017

#### 4.2.4. Variable competitive advantage

Variable competitive advantage is measured using three indicators. Here are the results of the analysis of the index value in the indicator variable competitive advantage (Table 7).

The result of the calculation of the index value indicates that competitive advantage in medium category with an index value of 51.2. Of the three indicators analyzed, Y21 indicator is the indicator with the lowest index value.

### 4.3. Testing SEM

#### 4.3.1. Feasibility testing of research model

After analysis of the level of uni dimensionality of dimensions/ indicators forming latent variable to test with confirm<sup>58</sup> factor analysis, the next analysis is the analysis SEM in full model. The results of data processing for the full analysis of SEM model is described below (Figure 1).

Based on the results of testing the feasibility of the model shows that the overall criteria for testing in either category or meet the required criteria. At Chi-square test, a model will be considered

**Table 3: Reliability test results variable research**

Variables	Reliability statistics	
	Cronbach's alpha	Number of items
Market orientation	0.837	4
Orientation of entrepreneurship	0.765	5
Innovation	0.817	4
Competitive advantages	0.835	4

Sources: Primary data are processed, 2017

**Table 4: Variable index value market orientation**

Indicator	Percentage of respondents answering market orientation							Index
	1	2	3	4	5	6	7	
X11: Customer orientation	13.7	11.5	22.0	15.4	24.7	9.3	3.3	52.4
X12: Competitors orientation	6.6	13.7	24.2	18.1	21.4	8.8	7.1	55.5
X13: Coordination inter functional	14.8	13.2	16.5	18.1	14.8	14.3	8.2	54.3
Average								54.1

Sources: Primary data are processed, 2017

**Table 5: Variable index value entrepreneurial orientation**

Indicator	Percentage of respondents answering the entrepreneurial orientation							Index
	1	2	3	4	5	6	7	
X21: Aggressive competitors	14.8	15.4	15.9	19.2	14.8	11.5	8.2	52.9
X22: Proactive	8.2	23.6	18.7	18.1	8.8	13.2	9.3	53.2
X23: Autonomy	12.6	16.5	24.7	18.1	13.2	3.3	11.5	51.2
X24: Risk taking	2.7	3.3	18.1	21.4	13.7	22.0	18.7	68.7
Average								56.5

Sources: Primary data are processed, 2017

**Table 6: Variable index value innovation**

Indicator	Percentage of respondents answering business innovation							Index
	1	2	3	4	5	6	7	
Y11: Culture of innovation	14.8	23.6	16.5	14.3	11.5	12.1	7.1	49.8
Y12: Technical innovation	10.4	17.6	14.3	19.8	18.1	9.3	10.4	55.3
Y13: Product innovation	20.9	16.5	12.6	13.7	12.6	9.9	13.7	52.1
Average								52.4

Sources: Primary data are processed, 2017

good if the results show the value of Chi-square count smaller than the value of Chi-square tables. Increasingly Chi-square count smaller than the value Chi-square table shows that the better the model means there is no difference between the estimated population of the samples tested. Models of this study indicate that the value of chi-square count was 110.783, while tables Chi-square with DF = 59 is 134.368. By because the value of Chi-square calculated in this study is smaller than the value of the critical/ table this means that our model is not different from the estimated population/model is considered good (acceptable).

### 4.4. Testing Hypotheses

After assessing existing assumptions on SEM, hypothesis testing will be conducted. Tests to five hypothesis proposed in this study was conducted by analyzing the value of Critical Ratio (CR) and the probability of a causal relationship (Table 8).

Based on Table 9 hypothesis testing as follows:

a. Testing hypothesis 1

Parameter estimation for testing the effect of market orientation towards innovation demonstrates the value CR of 2.365 with P = 0.015. Therefore P < 0.05, it can be inferred that the variable market orientation proved to be significantly positive effect on the innovation business.

b. Testing hypothesis 2

Parameter estimation for testing the effect of entrepreneurial orientation towards innovation showed CR values of 2.015 with P = 0.044. Therefore P < 0.05, it can be concluded that the variable entrepreneurial orientation proved to be significantly positive effect on innovation business.

c. Testing hypothesis 3

Parameter estimation for testing the effect of market orientation towards competitive advantage showed CR values of 2.018 with a P = 0.045. Therefore P < 0.05, it can be concluded that the variable market orientation proved to be significantly positive effect on the competitive advantage.

d. Testing hypothesis 4

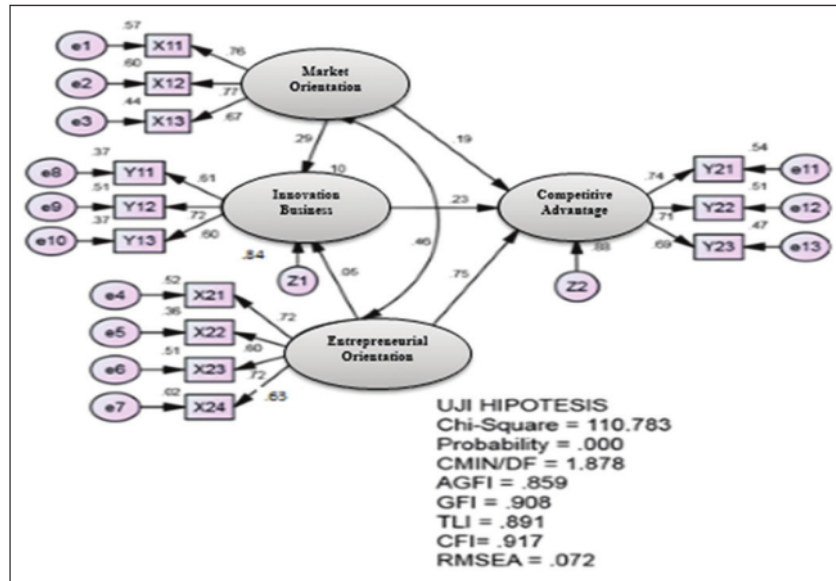
Parameter estimation for testing the effect of entrepreneurial orientation towards competitive advantage demonstrating

the value CR of 1.500 with P = 0.034. Therefore P < 0.05, it can be concluded that the variable entrepreneurial orientation proved to be significantly positive effect on competitive advantage.

e. Testing hypothesis 5

Parameter estimation for testing the effect of innovation business towards a competitive advantage showed CR values of 2,436 with a P = 0.015. Therefore P < 0.05 we conclude that the variables of innovation business proved to be significantly positive effect on the competitive advantage.

Figure 1: Test result of research model



Sources: Primary data are processed, 2017

Table 7: Variable index value competitive advantage

Indicator	Percentage of respondents answering competitive advantage							Index
	1	2	3	4	5	6	7	
Y21: The uniqueness of the product	19.2	24.7	8.2	16.5	13.7	7.7	9.9	49.0
Y22: Quality products	17.0	24.7	13.2	12.6	13.7	9.9	8.8	49.4
Y23: Competitive prices	16.5	12.6	13.2	15.4	20.3	13.2	8.8	55.0
Average								51.2

Sources: Primary data are processed, 2017

Table 8: Testing hypotheses

Variables	Estimate	SE	CR	P	Label
Innovation_Business←Entrepreneurial_Orientation	0.226	0.618	2.365	0.015	par_14
Innovation_Business←Market_Orientation	0.244	0.111	2.208	0.027	par_15
Competitive_Advantage←Innovation_Business	0.308	0.126	2.436	0.015	par_10
Competitive_Advantage←Market_Orientation	0.218	0.109	2.001	0.045	par_11
Competitive_Advantage←Entrepreneurial_Orientation	4.859	3:24	1.5	0.034	par_13

Sources: Primary data are processed, 2017

Table 9: Standardized direct effects

Variables	Entrepreneurial Orientation	Market Orientation	Innovation_Business	Competitive_Advantage
Innovation_Business	0.226	0.244	0	0
Competitive_Advantage	4.859	0.218	0.308	0

Sources: Primary data are processed, 2017



**Table 10: Standardized indirect effect**

Variables	Entrepreneurial Orientation	Market Orientation	Innovation Business	Competitive Advantage
Innovation_Business	0	0	0	0
Competitive_Advantage	0.07	0.075	0	0

Sources: Primary data are processed, 2017

#### 4.5. Analysis of Influence

The analysis is the effect was conducted to analyze the strength of influence between both construct that influence directly and indirectly. The immediate effect (direct effect) is nothing but the coefficients of all the coefficient lines with arrows one end. Indirect effects (indirect effects) is an effect that arises through an intermediate variable (Ferdinand, 2005).

Based on Table 9 that the direct effect of market orientation towards innovation business and competitive advantage, each for 0.244 and 0.218; entrepreneurial orientation towards innovation business and competitive advantage, each for 0.266 and 4.859 while innovation has an influence on the competitive advantage of 0.308. Referring to the value of the standardized direct effects on each variable it can be seen that the orientation of the market is the primary or dominant variable affecting the innovation of business and competitive advantage.

Based on Table 10 shows the indirect effect of each variable on variable more. Influence of market orientation to the competitive advantage that is mediated by the innovation business is of 0.075; the effect of market orientation to the competitive advantage that is mediated by the innovation of business amounted to 0.07.

## 5. CONCLUSIONS AND RECOMMENDATIONS

Based on the results of data analysis and discussion that has been done, the conclusion:

1. The result of the calculation of the index value indicates that the market orientation included in the medium category with an index value of 54.1. Of the three indicators that are analyzed, indicators of customer orientation is an indicator with the lowest index value.
2. The result of the calculation of the index value indicates that the entrepreneurial orientation included in the medium category with an index value of 56.5. Of the four indicators analyzed, indicators of autonomy is an indicator with the lowest index value.
3. Index value calculation results indicate that innovation in medium category with an index value of 52.4. Of the three indicators that are analyzed, indicators culture of innovation is an indicator with the lowest index value.
4. The result of the calculation of the index value indicates that the competitive advantage in medium category with an index value of 51.2. Of the three indicators that are analyzed, indicators uniqueness of the product is an indicator with the lowest index value.
5. Parameter estimation for testing the effect of market orientation towards innovation business demonstrate the value of CR for 2365 with a  $P = 0.015$ . Therefore  $P < 0.05$ , it can be concluded that the variable market orientation proved to be significantly positive effect on innovation business. This means Trusmi

Cirebon batik industry oriented market will increase in business innovation efforts. Indicators of competitor orientation provide the largest contribution to a market orientation.

6. Parameter estimation for testing the effect of entrepreneurial orientation towards innovation business showed CR values of 2.015 with  $P = 0.044$ . Therefore  $P < 0.05$ , it can be concluded that the variable entrepreneurial orientation proved to be significantly positive effect on innovation business. This means Trusmi Cirebon batik industry-oriented entrepreneurship will increase in business innovation efforts. Indicators aggressive in competing and autonomy of the greatest contribution to the entrepreneurship orientation.
7. Parameter estimation for testing the effect of market orientation on competitive advantage shows CR value of 2.018 at a  $P = 0.045$ . Therefore  $P < 0.05$  it can be concluded that variable market orientation proved to be significantly positive effect on competitive advantage.
8. Parameter estimation for testing the effect of entrepreneurial orientation on competitive demonstrating the value CR of 1.500 with  $P = 0.034$ . Therefore  $P < 0.05$ , it can be concluded that the variable entrepreneurial orientation proved to be significantly positive effect on competitive advantage.
9. Parameter estimation for testing the effect of innovation business on competitive advantage showed CR values of 2.436 with a  $P = 0.015$ . Therefore  $P < 0.05$  it can be concluded that the variables of innovation business proved to be significantly positive effect on competitive advantage. Indicators of product innovations provide the greatest contribution to business innovation and product uniqueness indicators provide the greatest contribution to competitive advantage.

In accordance with the conclusions that have been reached, the suggestions of this study are as follows:

1. For employers Trusmi Batik Cirebon Indonesia. In improving competitive advantage Trusmi Cirebon Indonesia batik industry is expected to continue to improve product quality in order to compete with other regions or other countries with emphasis on the uniqueness of its products. Trusmi Batik Cirebon uniqueness of the product can be done by improving the technical innovation that is showing culture of innovation Batik Trusmi Cirebon Indonesia with motifs Mendung in developing innovative products.
2. In improving competitive advantage Batik Trusmi Cirebon Indonesia, is expected to improve customer orientation by knowing the customer wants and needs will be coordinated with all the parts to be oriented towards customers and markets.
3. In improving competitive advantage Batik Trusmi Cirebon Indonesia, is expected to increase the entrepreneurship orientation by being proactive in seeking business opportunities and willing to take risks to make changes and development efforts, for example by borrowing large amounts of capital for the development and survival of their business.

4. For local and national governments, is expected to provide training in coaching to enhance competitiveness Batik Trusmi Cirebon Indonesia, in order to compete with other regions and even foreign countries, such as training create new colors and motifs.
5. For local and central government in order to provide a soft capital to develop and enhance business Batik Trusmi Cirebon Indonesia in order to be competitive and have the advantage.
6. Doing events Batik quality conducted with all the parties, especially pay attention to the batik industry which has a potential superior to involvement in events of national and international.
7. For further research, in order to examine the sustained excellence will be a challenge for further research.
8. Research continue can be variable incorporate learning orientation and external and internal environment.

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