

The Model of Competitive Advantage for Increasing Business Performance in Small and Medium Industries of Woven Fabric (Endek) in Bali Province

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ARTICLE INFORMATION

Publication information

Research article

HOW TO CITE

Adiputra, I. P. P., Suardhika, I. N., & Yuesti, A. (2023). The model of competitive advantage for increasing business performance in small and medium industries of woven fabric (endek) in Bali Province. *International Journal of Applied Business and International Management*, 8(1). 14-28.

DOI:

<https://doi.org/10.32535/ijabim.v8i1.1858>

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Published by IJABIM



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Received: 5 September 2022

Accepted: 21 March 2023

Published: 20 April 2023

ABSTRACT

One of the Province of Bali's key creative economy sectors that places an emphasis on particular artistic and cultural inventiveness is the woven fabric (endek) sector. The business must make strategic attempts to survive, nonetheless, given the increasingly tough commercial competition and the limited resources available. With the mediating role of competitive advantage, this work intends to further research on the indirect effects of product innovation and market orientation on business performance. In 9 districts and cities throughout Bali Province, this study used a proportional sample technique. Partial Least Square analysis was used to process 78 questionnaires from SME owners of woven fabric (endek). Market orientation can be applied to achieve a competitive advantage, according to the analysis's findings, which can have a stronger impact on business success. The performance of businesses is also directly impacted by market orientation. According to other findings, product innovation has no real impact on how well a company performs. The improvement of business performance in SME woven fabric (endek) in Bali Province, however, can be determined by a product innovation that can produce a competitive advantage.

Keywords: Market Orientation, Product Innovation, Competitive Advantage, Business Performance.

INTRODUCTION

In Indonesia, the empowerment of enterprises with a populist economy is currently getting better. This is seen in a number of national development initiatives, where one strategy to boost economic growth and social welfare is the empowerment of micro, small, and medium-sized firms (MSMEs) (Dewi & Suparna, 2017). Meanwhile, the Province of Bali offers the possibility for the growth of SMEs in the craft industry in order to undermine the tourism sector due to its distinctive features in the arts and culture (Suardhika, 2021). MSMEs can take advantage of technology to reach a wider target market since this is in line with Sumarlinah, Sukesni, and Sugiyanto (2022) stated that MSME increased rapidly in Indonesia due to the maximum use of technology and social media platform.

SMEs crafts industry in the Province of Bali has significantly contributed to economic growth, both in terms of GDP and employment (Sunariani, Gorda, & Mahaputra, 2017). But maintaining competitiveness in the face of increasingly strong competition with their limited resources is a challenge for SMEs in the craft industry (Suardhika & Adriati, 2018). As a result of the first observations, it was discovered that traditional and handcrafted products made by SMEs in Bali were in great demand due to their distinctive designs and usefulness.

SMEs woven fabric (endek) is one of the most popular crafts in the province of Bali. This woven fabric SME creates traditional endek fabrics while constantly taking into account the newest themes and designs and upholding traditional Balinese values and culture (Pramesti & Giantari, 2016). Additionally, they create minimalist patterns and designs in accordance with their clients' requests while maintaining the value of the individuality (Ekawati, Rahyuda, Yasa, & Sukaatmadja, 2016). Due to the introduction of new competitors from both inside and outside the region, SMEs woven fabric (endek) faced increasingly ferocious rivalry throughout their business journey (Dewi & Suparna, 2017). Because machine looms are used in their manufacture, new competitors often provide endek fabric items at lower prices. It will be challenging to sustain the survival of the company if this trend is allowed to continue since the SMEs woven fabric (endek) will be more and more endangered by its competitive position in the market.

Lack of market-oriented business operations is one of the reasons why SMEs producing woven fabric (endek) in Bali Province have a low competitive advantage (Pramesti & Giantari, 2016). SMEs won't be able to gain a competitive edge, perform well, or be successful with the products they manufacture if they pay little attention to client information, competition, and market conditions (Ekawati, Rahyuda, Yasa, & Sukaatmadja, 2016). According to Kotler & Armstrong (2012), the company will succeed and outperform the competition if it can fulfill consumer needs and keep track of how rivals are changing their strategies. This informs SMEs' owner/manager to engage in business operations focused on the market (Harjadi, Fatmasari, & Nurhasanah, 2020). Market orientation is a key tactic for businesses to combat the volatile and harsh competition nowadays. A business capacity to adapt to the business environment can have an impact on how well it competes (Suardhika, 2021).

Some empirical research, such those by Romadliyatun, Harini, & Malik (2019) and Udriyah, Tham, & Azam (2019), have found that the company's market orientation practices will have an influence on the growth of its competitive advantage. The same findings were made by Winarso (2020) and Astrid (2017), who found that businesses that tend to be focused on meeting customer needs will be able to capitalize on profitable possibilities and cannot be replicated by rivals. Market orientation cannot influence the competitive advantage of SMEs, contrary to the findings of empirical studies from Rini, Lisnini, Maretha, & Pebrianti (2020) and Manurung, Sugiarto, & Munas (2016).

The achievement of business results can be directly impacted on market-oriented strategies (Kilic & Yorukoglu, 2020). Long-term business benefits can be gained by the owner/manager of SMEs who develops a competitive advantage of business efficiency and offers more value to customer (Udriyah, Tham, & Azam (2019). Thus, one of strategy or way of thinking that can be used to improve corporate success is market orientation (Harjadi, Fatmasari, & Nurhasanah, 2020). Market-oriented from business activities can result in higher business performance, according to empirical data (Romadliyaton, Harini, & Malik, 2019 and Astrid, 2017). However, Ho, Nguyen, Adhikari, Miles, & Bonney (2018) and Winarso (2020) found contradictory results, arguing that market orientation cannot predict an improvement in business performance.

Innovation efforts can also determine a company's competitive advantage (Aditi, 2017). One of the elements to giving firms a competitive advantage using an integrated process is product innovation, which involves developing, enhancing, and expanding products (Kotler & Armstrong, 2012). SMEs' capacity for product innovation can aid in their ability to compete in regional, national, and international markets (Astrid, 2017). According to an empirical study by Roespinoedji, Saudi, Hardika, & Rashid (2019); Hong, Cheong, & Rizal (2016), and Coccia (2017), a business can maintain its competitive advantage by implementing more product innovations. Contrary findings from Christian & Justinus (2021) and Prasetyo & Pertiwi (2021), product innovation cannot give a company competitive advantage. However, effectively a company's businesses perform can be directly influenced by innovative its products are (Prajogo, 2016; Aksoy, 2017; and Fatach & Nursyamsiah, 2019).

The company's efforts to innovate its products are intimately tied to the goods it sells to consumers. The things made must not only be effective but also have value for the consumer and be typical. Innovation in the products produced can absolutely improve consumer interest in purchasing, and corporate success is rising (Prajogo, 2016). According to studies by Fatach & Nursyamsiah (2019), Sharma, Davcik, & Pillai (2016) and Zaefarian, Forkmann, & Mitrega (2017), product innovation can determine the increase in business achievements of the company. Another case with empirical findings from Muh, Rahman, Syamsu, and Madris (2019) and Narida, Sastrya, & Achmadi (2021) that product innovation cannot ensure the business achievement of the company.

Resource-based theory asserts, a company's unique product offering, which distinguishes it from competitors, is the source of its competitive advantage (Grant, 2021). Superior business performance can be achieved through providing value to customers, realizing sustainable competitive advantages, and being difficult to imitate and not readily replaced (Barney, Ketchen, & Wright, 2011). Based on the findings of earlier research, enhancing competitive advantage can result in higher business performance (such as Kiyabo & Isaga, 2020; Do & Nguyen, 2020). However, it differs from the findings of studies by Alihusna, Alida, and Juharsah (2019) and Prasetyo & Pertiwi (2021), It discovered that improving a business performance does not always result from gaining a competitive advantage.

This study's objective was to fill knowledge gaps about how market orientation and product innovation can be used as a basis for competitive advantage, so as to improve business performance at woven fabric (endek) SMEs in Bali Province. This study will also examine the role of mediating competitive advantage on the indirect effects of market orientation and product innovation on business performance.

LITERATURE REVIEW

Business Performance

Operations and activities carried out with a variety of mastered resources lead to business performance (Hitt, Ireland, and Hoskisson, 2011). Business performance can also demonstrate a company's overall success in meeting established strategic objectives during specific time periods (Agyapong, Agyapong, and Poku, 2017). The management of the resources held and the correctness of the implementation of the developed strategies can both be used to measure the effectiveness and efficiency of business activities carried out by SMEs. The company's accomplishments in terms of finances, business operational capabilities, and the capacity to satisfy market demands will be directed by the measurement of business performance (Herman, Hady, & Arafah, 2018).

Competitive Advantage

Along with achieving the effectiveness or success of the created product, the company must possess competitive advantages in order to continue operating (Ekawati, Rahyuda, Yasa, & Sukaatmadja, 2016). It is anticipated that having a competitive advantage will enable businesses to make the anticipated profits, gain market share, and please customers (Suardhika, 2021). Kotler & Armstrong (2012) provide three metrics for quantifying competitive advantage, including excellence in product differentiation, benefits from market segmentation, and excellence in market entry. In contrast, Herman, Hady, & Arafah (2018) and Astrid (2017) employed three indicators in their research: having unique products, having distinctive and high-quality products, and having competitive products. SMEs will be able to strengthen their competitive positions in the market with products that are becoming more and more in demand by consumers.

Market Orientation

An approach to company known as "market orientation" focuses on satisfying consumer wants (Harjadi, Fatmasari, & Nurhasanah, 2020). Market-oriented firms will have a robust and extensive culture that is dedicated to continuously gathering information and knowledge about clients, rivals, and market conditions (Kilic & Yorukoglu, 2020). Additionally, market-oriented firms will collaborate across organizational functions to serve consumers' demands and provide the highest value possible (Udriyah, Tham, & Azam, 2019). Three elements make up market orientation indicators: a). the ability of a business to recognize the needs and desires of its customers is known as customer orientation; b). competitor orientation describes a company's willingness to monitor the strategies employed by its competitors; and c). The company's search for information regarding the state of the industrial market is known as gathering market intelligence (Herman, Hady, & Arafah, 2018; Astrid, 2017).

Product innovation

Innovation is the realization and acceptance of something as a new thing by an individual or group with the intention of improving it (Prajogo, 2016). The main goal of product innovation is to satisfy market demand in order for a business to use innovative products as a competitive advantage. Innovation generates fresh concepts and puts them into action. New concepts are included into the product to produce better results. The two organizational pillars of the innovation business are product innovation, which develops new goods or services or improves existing ones, and process innovation, which develops novel manufacturing methods (Sharma, Davcik, & Pillai, 2016).

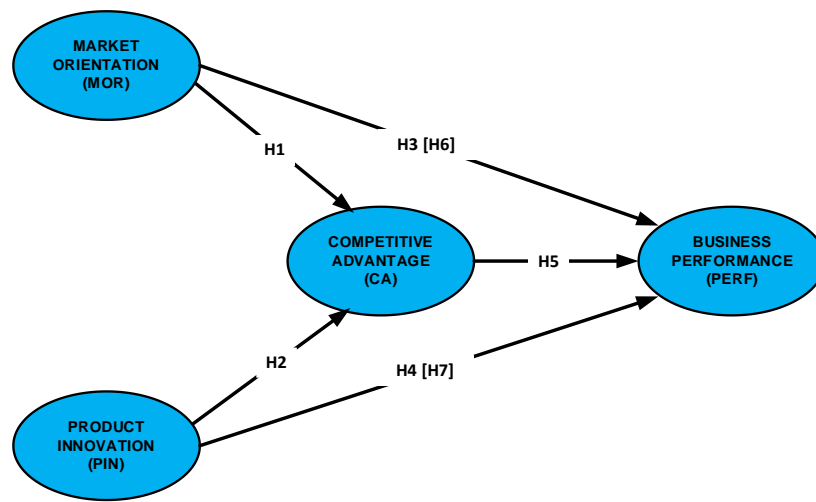
Hypothesis and Research Framework

Regarding this study, a number of hypotheses could be made, including the following:
H1: Applying marketing orientation more broadly can boost competitive advantage.

- H2: Product innovation increase can boost competitive advantage.
- H3: Increasing the application of market orientation can improve business performance.
- H4: Increased product innovation can improve business performance.
- H5: Increasing competitive advantage can improve business performance.
- H6: Competitive advantage positively meditates on the impact of market orientation's indirect effects on business performance.
- H7: Competitive advantage positively meditates on the impact of product innovation 's indirect effects on business performance.

According to the explanation above, a hypotheses model can be created on Figure 1.

Figure 1. Hypotheses Model



RESEARCH METHOD

This research is a survey study that uses a questionnaire as its primary research instrument to clarify how market orientation and product innovation contribute to competitive advantage and business performance. The population in this study were all SMES woven fabric (endek) in Bali Province recorded in the Directory at the Bali Province Industry and Trade Office in 2021, which was 347 business units. The desired number of samples, calculated using the Slovin formula, was 78 units which would later be taken proportionally throughout the regencies/cities in Bali Province. The Likert five-point scale is used to get the perception of the owner/manager of the SMEs woven fabric (endek) related to the variables studied.

In the research instrument, the measurement of market orientation variables using multi-item indicators from Herman, Hady, & Arafah (2018) and Astrid (2017), namely: customer orientation, competitor orientation, and market information. In the product innovation variable, the use of multi-time indicators refers to Muh, Rahman, Syamsu, & Madris (2019), namely: product development, quality development, and product development with technology. For competitive advantage variables, multi-time indicators are used by Herman, Hady, & Arafah (2018) and Astrid (2017), namely: uniqueness, quality, and price. In business performance variables, measurements use three indicators adapted from Suardhika & Adriati (2018), namely: Increasing sales, increasing business operational capabilities, and market development. Before the questionnaire was used on the target, a trial was first carried out by 35 sample units. This is done to ensure the calibration of the research instrument with the validity and reliability test (Ghozali & Latan, 2014).

The results of the questionnaire distribution, the data were collected and a descriptive

analysis was performed to explain the respondent's profile. After that, inferential structural equation modeling analysis with the Smart-PLS v.3.0 program is used to test the hypothesis and testing of mediation effects.

RESULTS

In explaining the linkages of market orientation and product innovation with a competitive advantage and business performance at the SMEs woven fabric (endek) in the Province of Bali, an analysis of the respondents' profile was carried out. The respondents' profile based on sex can be conveyed that the owner/manager of SMEs woven fabric (endek) in Bali Province is female dominating with a contribution of 52.6%, while the owner/manager of SMEs with male sex Men only has a distribution of 47.4%. This proportion indicates that more women are in the woven fabric (endek) in Bali Province. In addition, the respondents' profile based on age show, that respondents aged 36 - 50 years more with a distribution of 71.8%. Furthermore, followed by respondents aged over 50 years (26.9%), and the least 21-35 years old (1.3%). Information from the distribution of repetition based on this age provides a clue that the perpetrators of the SMEs woven fabric (endek) in Bali Province are productive age in managing their business.

In the respondents' profile based on the length of the business of SMEs woven fabric (endek) in the province of Bali, the majority have run businesses for over 10 years (52.50%). While the rest of, SMEs run a business for 5 - 9 years (32.1%) and under 5 years (15.4%). This information provides an overview, of the perpetrators of the SMEs woven fabric (endek) in Bali Province tend to have experience in the business field they live in. Furthermore, the respondents' profile based on business locations show the dominance of respondents in Klungkung Regency with a distribution of 25.6%, followed by Gianyar Regency (19.2%) and Jembrana Regency (12.8%). In addition, other SMEs woven fabric (endek) perpetrators are located in Denpasar City and Badung Regency both provide a distribution of 9%. Furthermore, it was followed by Bangli, Karangasem, and Buleleng districts with the same distribution of 6.4%. SMEs, located in Tabanan Regency, are at least contributing, which is 5.1%. Information from the distribution of Repetends based on the business location shows the center for woven fabric (endek) business in Bali Province in Klungkung Regency.

Direct and Indirect Testing

In this work, the Smart-PLS v.3.0 program was used for hypothesis testing and mediation analysis. The steps of analysis included evaluating the outer model, the inner model, testing for direct effects, and looking at mediating effects.

Outer Model Evaluation

The results of convergent validity analysis in Table 1 show that all variable constructs have an outer loading value above 0.7 and Ave above 0.50. These results provide instructions that all indicators of each variable are studied as a good or valid (Ghozali & Latan, 2014).

Table 1. Convergent Validity

Variables	Indicators	Outer Loading	AVE
MOR	MOR1	0.895	0.690
	MOR2	0.767	
	MOR3	0.824	
PIN	PIN1	0.877	0.775
	PIN2	0.919	
	PIN3	0.843	
CA	CA1	0.848	0.710
	CA2	0.903	
	CA3	0.771	
PERF	PERF1	0.800	0.674
	PERF2	0.913	
	PERF3	0.741	

Furthermore, discriminant validity needs to be tested. by comparing the Square Root of AVE value of each variable with a correlation between latent variables (Ghozali & Latan, 2014). As shown in Table 2, all variable constructs have a good discriminant, because the square root of AVE value is greater than the correlation coefficient.

Table 2. Discriminant Validity Analysis

Variables	AVE	$\sqrt{\text{AVE}}$	PIN	CA	PERF	MOR
PIN	0.775	0.880	0.880	0.663	0.571	0.478
CA	0.710	0.843	0.663	0.843	0.729	0.736
PERF	0.674	0.821	0.571	0.729	0.821	0.756
MOR	0.690	0.831	0.478	0.736	0.756	0.831

Cronbach's alpha analysis and composite reliability are used to test the reliability of variable constructs (Hair, Ringle, & Sarstedt, 2011). Information from Table 3, reliability values for all the variables studied are above 0.70. These results indicate, that all variables studied have a good level of reliability (Ghozali & Latan, 2014).

Table 3. Reliability Evaluation

Variable	Cronbach's Alpha	Composite Reliability
PIN	0.855	0.912
CA	0.793	0.880
PERF	0.754	0.860
MOR	0.772	0.869

Inner Model Evaluation

The predictive relevance model (Q^2), which evaluates how well the model generates the observed values, is employed to evaluate the inner model. The magnitude of Q^2 has a value with a range of 0 to 1, the closer the value to 1 means the better the model (Hair, Ringle, & Sarstedt, 2011).

Table 4. Predictive Relevance Model Analysis

Variables	R Square (R ²)
CA	0.763
PERF	0.847

Calculation: $Q^2 = (1 - [(1 - 0.763) (1 - 0.847)]) = 0.9637$

The results of Q^2 calculation show that the value is 0.901 and close to the value of 1 (Table 4). This outcome can demonstrate the structural model's great compatibility. According to the analysis's findings, the model can explain 96.37% of the data, while the remaining 3.63% can be assigned to errors or other variables that are not included in the model.

There are five hypotheses on the direct effect that will be tested in this study. In the event that the T-Statistic result is greater than 1.96 at the level of significance (P-value) of 0.50, the hypothesis is accepted.

Table 5. Testing The Direct Effect Hypothesis

Effects	Original Sample	Sample Mean	Standard Deviation	T-Statistic	Remarks
MOR → CA	0.647	0.642	0.114	5.690	H ₁ accepted
PIN → CA	0.354	0.361	0.115	3.066	H ₂ accepted
MOR → PERF	0.414	0.441	0.195	2.123	H ₃ accepted
PIN → PERF	0.014	0.015	0.045	0.314	H ₄ rejected
CA → PERF	0.541	0.513	0.196	2.711	H ₅ accepted

Based on the findings of the hypothesis test (Table 5), market orientation can boost competitive advantage., so H₁ is accepted. This result is indicated by T-statistic = 5.690 (above 1.96). In the H₂ test, product innovation is proven to determine the increase in competitive advantage. This result is indicated by a statistical value of 3.066 (above 1.96). Furthermore, market orientation can determine the increase business performance, and accepts H₃. This result is indicated by a statistical value of 2.123 (above 1.96). Meanwhile, product innovation cannot determine the increase business performance because the statistical value obtained is 0.314 (below 1.96), thus rejecting H₄. Meanwhile, H₅ test results demonstrate that it is acceptable because the statistical value is greater than 1.96. (2.711). Consequently, it may be said that the great competitive advantage can boost business performance.

In testing the indirect effect with the mediating variable of competitive advantage, an analysis was carried out using specific indirect effects instructions on the Smart-PLS output (Ghozali & Latan, 2014). Table 6 below shows the findings from testing the study model's indirect effect.

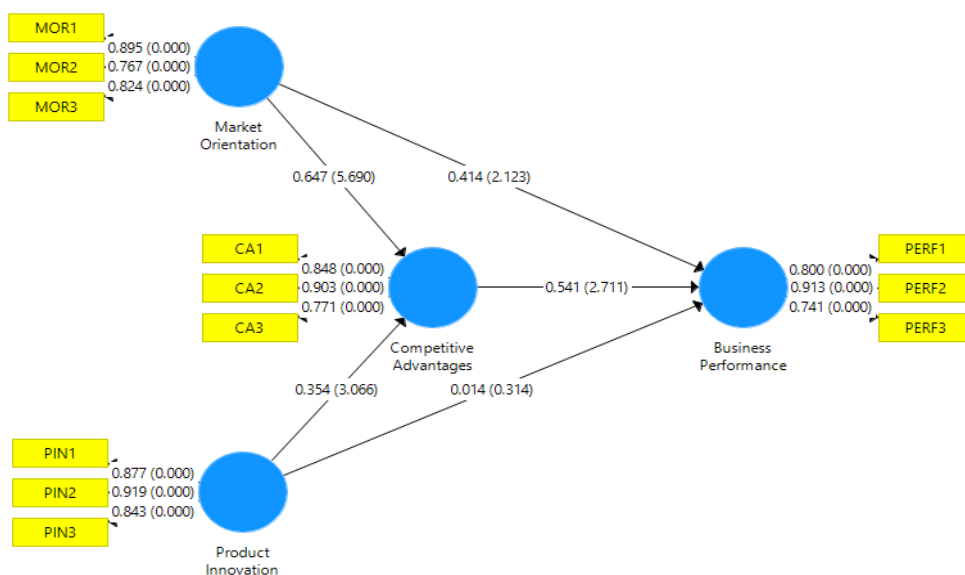
Table 6. Indirect Effect Testing

Specific Indirect Effects	Original Sample	Sample Mean	Standard Deviation	T-Statistic	Remarks
MOR → CA → PERF	0.350	0.321	0.116	3.012	H ₆ accepted
PIN → CA → PER	0.192	0.194	0.097	1.979	H ₇ accepted

Information that can be conveyed from Table 6, the indirect impact of market orientation on corporate success is mediated by competitive advantage (above 1.96), and provide a clue to accept H₆ and partially mediates. Next test, the indirect impact of product innovation on business performance might be mediated by competitive advantage (above 1.96), so these results lead to acceptance of H₇ and fully mediates.

The results of the overall analysis on the structural model can be presented in Figure 2.

Figure 2. Overall Analysis Result Model



DISCUSSION

Market orientation is proven to create greater competitive advantage. These results indicate that an increase in business activities that are oriented towards meeting market needs means that SMEs woven fabric (endek) in the province of Bali are able to excel in competition. Furthermore, it can be conveyed from the results of this research that the strategies implemented by SME actors in woven fabric (endek) in the Province of Bali that prioritize customer orientation, along with the use of market information and orientation to competitors can produce competitive advantages. The implementation of a customer-oriented strategy is reflected in the efforts of SME players woven fabric (endek) to produce products that follow trends in the market and according to consumer tastes. The strategic efforts implemented will later be able to determine to produce quality products as a form of competitive advantage. The findings of this study are accordance on findings from Romadliyatun, Harini, & Malik (2019); Udriyah, Tham, & Azam (2019); Winarso (2020); and Astrid (2017) who discovered that companies that prioritize satisfying customer requirements will be able to take advantage of lucrative opportunities and will be impossible for competitors to imitate. However, the results of this study are not in line with the findings of Rini, Lisnini, Maretha, & Pebrianti (2020) that the application of market orientation may not necessarily determine the competitive

advantage of a business. This condition is due to the weakness of SMEs in strategy formulation and limited knowledge in capturing changes in the market (Manurung, Sugiarto, & Munas, 2016).

The results of the analysis show that product innovation can determine an increase in competitive advantage. This indicates that implementing product innovation into business operations can boost competitive advantage in SMEs woven fabric (endek). Following the results of this study, product innovation carried out by SME actors woven fabric (endek) in Bali Province which prioritizes product quality development, as well as product development and product development with technology, can encourage increased competitive advantage. Product quality development carried out by SME actors woven fabric (endek) is directed at improving product quality and product benefits that are multipurpose. Innovation efforts carried out by developing the quality of these products will later be able to produce quality products as a form of competitive advantage (Astrid, 2017). The findings of this study agree with those of research by Roespinoedji, Saudi, Hardika, & Rashid (2019); Hong, Cheong, & Rizal (2016), and Coccia (2017) who have found that a business can maintain its competitive advantage by implementing more product innovations. However, the results of this study are not the same as the findings of Christian & Justinius (2021) and Prasetyo & Pertiwi (2021) that certain situations and conditions of the business environment can make product innovations that cannot determine the competitive advantage of a business.

The results of the analysis show that market-oriented business activities will ensure greater business results. These results indicate that efforts to meet market needs from SMEs woven fabric (endek) can result in greater business performance. Market orientation becomes important in conditions of very tight competition. Therefore, the application of the SMEs woven fabric (endek) market orientation is sought to focus on market needs and create superior value for consumers (Harjadi, Fatmasari, & Nurhasanah, 2020). Following the results of this study, the strategies applied by SME actors in woven fabric (endek) in the Province of Bali that prioritize customer orientation, accompanied by the use of market information and orientation to competitors can improve their business performance. The implementation of a customer-oriented strategy is reflected in the efforts of SME players woven fabric (endek) to produce products that follow trends in the market and according to consumer tastes. The strategic efforts implemented tend to result in increased business operational capabilities, accompanied by increased sales and market development. The findings of this study are consistent with those of previous studies from Romadliyatun, Harini, & Malik (2019); Astrid (2017); and Kilic & Yorukoglu (2020) who found that the implementation of the right market orientation can result in improvement of business performance. In addition, The findings from this study are not confirmed by the results of Ho, Nguyen, Adhikari, Miles, & Bonney (2018) and Winarso (2020) that market-oriented business activities within a certain time limit do not necessarily determine the improvement of business performance.

In other findings, market orientation can determine business performance through the mediation of competitive advantage. The results of this study are following the findings of Herman, Hady, & Arafah (2018) and Astrid (2017), increasing the application of market orientation can increase competitive advantage, which in turn will improve their business performance. However, the mediating effect of the competitive advantage variable on the indirect effect of market orientation on business performance is only partial mediation. The findings of this mediating role provide clues that competitive advantage is not the key to mediating the indirect effect of market orientation on business performance.

The results of the analysis found that product innovation had no direct effect on business

performance. This result means that increasing the implementation of product innovation cannot have a direct impact on business achievement on SMEs woven fabric (endek) in Bali Province. This finding is relevant to the phenomenon that exists in SMEs woven fabric (endek) in Bali Province which is still not optimal for implementing product innovation. The development of product quality should be prioritized in the implementation of product innovation, but they are more inclined to develop products with technology. Moreover, product development using technology requires a large investment and can interfere with business operational achievements in fulfilling orders according to targets and production according to market needs. Meanwhile, many SMEs woven fabric (endek) in Bali Province have limited resources, especially financial and human resources in business operations. The research results obtained are in line with the findings of Narida, Sastrya, & Achmadi (2021) that product innovation carried out by SME actors does not necessarily have a direct impact on business achievement. This makes it possible, the product innovation carried out is a process in business activities that aims to increase the added value and competitiveness of the products produced (Muh, Rahman, Syamsu, and Madris (2019). Thus, the results of this study are not confirmed to the empirical findings of Prajogo (2016), Aksoy (2017), Fatach & Nursyamsiah (2019), Zaefarian, Forkmann, & Mitrega (2017), and Sharma, Davcik, & Pillai (2016) that innovation products made can improve business performance in SMEs.

Further findings conveyed, that product innovation can determine business performance if it is mediated by competitive advantage. The results of this study are following the findings of Astrid (2017) and Muh, Rahman, Syamsu, and Madris (2019), that product innovation as a source of competitive advantage can improve business performance. This finding means that increasing the implementation of product innovation can increase competitive advantage in SMEs woven fabric (endek) in Bali Province so that in the end it will improve their business performance. In addition, the mediating effect of the competitive advantage variable on the indirect effect of product innovation on business performance was found to be full mediation. These findings provide clues, mediating competitive advantage as a key determinant of the indirect effect of product innovation on business performance.

The results of the analysis found that competitive advantage can improve business performance. The results of the analysis obtained mean that the more superior SMEs woven fabric (endek) in Bali Province in competing, the more their business performance will increase. Thus, the creation of a competitive advantage is crucial in determining the achievement of business results and maintaining business existence (Do & Nguyen, 2020). Following the results of this study, the competitive advantage generated by SMEs woven fabric (endek) in the Province of Bali, which prioritizes the quality of the products produced, followed by the uniqueness and price of the product, can produce greater business performance. The results obtained are by the findings of Kiyabo & Isaga (2020) and Ekawati, Rahyuda, Yasa, & Sukaatmadja (2016) that a business that can take advantage of its competitive advantage will become a market leader, and business performance will increase. However, the results of this study are contradictory to the studies of Aliusna, Alida, & Juharsah (2019) and Prasetyo & Pertiwi (2021) which found that the resulting competitive advantage could not determine the achievement of business results, due to rapid and extreme changes in the business environment.

CONCLUSIONS AND RECOMMENDATIONS

From the results of the analysis and discussion carried out, it can be concluded that market orientation and product innovation can both determine the increase in competitive advantage in SMEs woven fabric (endek) in Bali Province. In addition, it was found that market orientation can determine the improvement of business performance on SMEs woven fabric (endek) in Bali Province, either directly or indirectly through the mediation

of competitive advantage. In other information, product innovation does not directly affect business performance. However, product innovation can determine business performance through the mediation of competitive advantage. These results indicate that competitive advantage is a key mediation of the indirect effect of product innovation on business performance. Meanwhile, competitive advantage was found to have a positive and significant effect on business performance on SMES woven fabric (endek) in Bali Province.

Some recommendations that can be conveyed from the results of this study to the owners/managers of SMEs woven fabric (endek) in the Province of Bali are that to improve business performance, it is expected to make more efforts to increase competitive advantage based on the application of market orientation and implementation of product innovation. The competitive advantage that can be realized tends to lead to superior product quality and is accompanied by product uniqueness and price. This competitive advantage will be able to improve business performance which is characterized by increased business operational capabilities, followed by increased sales and market development. Meanwhile, the implementation of market-oriented strategies also has a direct impact on improving business performance on SMEs woven fabric (endek) in Bali Province.

In the application of market orientation, it is expected that they will pay more attention to their orientation to customers, followed by market information and orientation to competitors. Orientation to customers can be applied in market orientation by paying attention to woven fabric (endek) that are produced following market trends and according to consumer tastes. To increase product innovation, it should prioritize product quality development, and be followed by product development in terms of design and product development with technology. Product quality development is carried out by improving quality and providing multipurpose benefits from woven fabric (endek).

For further researchers, it is possible to use different measures or parameters on the variables studied, so that they can confirm with certainty the direct and indirect effects of market orientation and product innovation on competitive advantage and business performance. In addition, other researchers can use this research model with settings in different industrial sectors in SMEs, so that the research model can be confirmed better.

ACKNOWLEDGMENT

N/A

DECLARATION OF CONFLICTING INTEREST

The authors declared no potential conflicts of interest concerning the research, authorship, and or publication of this article.

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