

The Effect of Innovation, Market Orientation, and Business Environment Through Competitive Advantages on The Marketing Performance of The Weaving Industry Of Troso in Jepara

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Abstract

A concept used to measure the extent to which a company has achieved as a result of strategic success, which is influenced by innovation, market orientation, business environment and competitive advantage is marketing performance. The purpose of this study was to analyze the effect of innovation, market orientation, and business environment directly and indirectly on marketing performance through competitive advantage and to analyze the effect of competitive advantage on marketing performance. This study was a type of quantitative research using a correlational approach. The population in this study was entrepreneurs of the Troso weaving industry in Jepara. The numbers of samples determined in this study were 90 Small and Medium Industries (IKM). The data collection method was done by using a questionnaire which was tested using validity test, reliability test and classical assumption test. The data analysis techniques in this study were descriptive analysis, path analysis and sobel-test. The results of this study indicated that innovation, market orientation, and business environment have a positive effect on competitive advantage by 5.34%, 24.11% and 3.14%, respectively. Directly, innovation has an effect on marketing performance by 6.35% and indirectly through competitive advantage of 16.47%. Market orientation has a direct effect on marketing performance by 35.88% and has an indirect effect through competitive advantage of 35.01%. The business environment has a direct effect on marketing performance of 0.96% and has an indirect effect through a competitive advantage of 12.62%. Competitive advantage has a positive effect on marketing performance by 50.48%. The most dominant total effect is the market orientation variable of 70.89% and the smallest total effect is the business environment variable of 13.58.

INTRODUCTION

Marketing is the essential part of a company, if a company has an advanced marketing, the finances of the company will also run smoothly and vice versa, therefore, marketing must obtain a great attention and seriously taken by the company. Marketing is the process of moving goods and services from the hands of producers to the hands of consumers by going through several stages of activities including products, prices, places and promotions (Mursid, 2014:26). And to find out an implementation of the marketing function of a company can be done by looking at its marketing performance.

Marketing performance is a measure of the achievements of a company as a result of the success of its strategy. In addition, marketing performance is also seen as the result obtained from the overall activities of the company, especially in the marketing sector. Marketing performance is a measure in achieving the overall marketing process activities of a company (Abdullah *et al.* 2017:21). The marketing performance of Troso weaving in Jepara is still not optimal. This condition can be seen from the data obtained from the industry and trade office of Jepara Regency where the sales value of Troso weaving continues to decline from year to year.

The small industry of Troso weaving is one of the leading commodities in Jepara Regency since Troso weaving has a special feature compared to *ikat* weaving from other regions. The uniqueness of the Troso weaving is that it has ethnic nuances and the Troso weaving is very modern with its contemporary motifs.

Innovation is an essential component in achieving the competitive advantage. This innovation process needs to be well managed in order to provide great benefits. In the research of Afriyie *et al.* (2019) who conducted research entitled "*Innovation and Marketing Performance of SME in an Emerging Economy: the Moderating Effect of Transformational Leadership*" Research by Afriyie *et al.* (2019) stated that innovation has a positive and significant effect on marketing performance, furthermore in the research conducted by Aziz and Samad (2016) also stated that innovation has a

positive effect on competitive advantage. Although innovation has been carried out by Troso weaving entrepreneurs, which is by developing products, not all business actors in Troso have good business management, sufficient capital and good mastery of technology and the weaving motif designs developed are still less varied.

To produce marketing performance and increase competitiveness, a strategy that can be implemented is to understand market needs. Market-oriented businesses make customers the center of their business. With this market orientation, market demand can be maximally achieved. Market orientation is a process that is carried out in relation to the creation and satisfaction of customers by assessing the needs and desires of customers in improving the marketing performance.

Bamfoo and Kraa (2019) also conducted research related to innovation and performance of SMEs in Ghana, the results of this study reveal that market orientation has a positive effect on the performance of SMEs in Ghana. Various problems also occur in the Troso weaving industry, such as the absence of legality of patents, and there are also many entrepreneurs who are still unable to compete with other entrepreneurs due to limited loom tools, limited marketing network building, weak business management so that it is difficult to develop a business and increase the number of customers.

The next factor that affects the marketing performance is the business environment. The rapid development of small industries has an impact on the increasing competition, as well as changes that occur in the business environment requiring business actors to always pay attention and respond to their environment; therefore an analysis of the business environment is necessary. The business environment is an environment faced by an industry in carrying out its business activities which directly affects the industry. The business environment is an environment faced by an industry in carrying out its business activities which directly affects the industry. The business environment is the environment faced by the organization and must be considered in making business decisions; the daily activities of the

organization include interactions with the work environment (Riyanto, 2018:161). Oesmani and Kraja (2015: 120) state that the business environment has an important role in creating the competitive advantage. Wirda et al. (2017) also conducted a study which revealed that the external environment has a positive and significant effect on the competitive advantage. The business environment in the Troso weaving industry in Jepara Regency is also still experiencing problems with the beginning of the establishment of many garment factories in Jepara so that this threatens the existence of the Troso weaving industry since it has an impact on the large number of workers who switch jobs to garment factories.

The last factor affecting the marketing performance is competitive advantage. Competitive advantage is very important in influencing the marketing performance since it is the most significant part of an industry's performance in facing the business competition. Competitive advantage is an advantage that a company has in providing more value to customers compared to competitors through the products produced and providing quality services at competitive prices (Hidayatullah *et al.* 2019:1298). Aristiyo (2017: 43) in increasingly fierce business competition, competitive advantage is one of the right marketing strategies. In research conducted by Dewi and Ekawati (2017), it is also stated that competitive advantage as a mediating variable on marketing performance has a positive and significant effect. In running their business, Troso weaving entrepreneurs are still unable to compete with other entrepreneurs because of the difficulty of obtaining raw materials which results in high production costs. In this case, they have to look for competitive advantages to maintain the quality of their products.

Based on the above background, this study was conducted to determine the effect of innovation, market orientation, and the business environment on marketing performance either directly or indirectly through competitive advantage and to determine the effect of competitive advantage on marketing performance in the weaving industry of Troso in Jepara.

RESEARCH METHODS

The research design used in this study was a quantitative research by using a correlational approach. The population in this study was 701 Troso weaving industry entrepreneurs in Jepara with a total sample size of 90 Troso weaving small and medium industries (IKM) in Jepara. The sampling technique used in this study was simple random sampling. The determination of the number of samples was done using the Slovin method with an error tolerance of 10%.

The data collection technique in this study was carried out using a questionnaire which was done through validity testing, reliability testing and classical assumption tests. The classical assumption test consists of normality test, multicollinearity test, heteros-drasticity test, and linearity test. The results of the classical assumption test showed that the results of the regression model were normally distributed, multico-linearity did not occur, heteroscedasticity did not occur, and there was a linear relationship between the independent variables and the dependent variable. The data analysis techniques used in this study were descriptive analysis, path analysis and sobel-test.

RESULTS AND DISCUSSION

The results of descriptive statistical analysis obtained the mean or average score of marketing performance of 41.6667 which is located at intervals of 41 - 50 in the good category. The results of the descriptive statistical analysis obtained the mean or average score of innovation of 31.3444 which is located at the interval 27 - 33 in the good category. The results of descriptive statistical analysis showed that the mean or average score in the market orientation is 43.6667 which is located at intervals of 43 - 50 in the very good category. The results of the descriptive statistical analysis showed the mean or average score in the Troso weaving business environment of 39.7333 which is located at intervals of 35 - 42 in the good category. From the results of descriptive statistical analysis also obtained the mean or average score of 36.3444

competitive advantage which is located at intervals of 32 - 38 in the good category.

This study applied a path analysis to determine the direct and indirect effects of innovation, market orientation, and business environment on marketing performance through competitive advantage. In this path analysis, there were two regression equations.

The regression equation 1 is a test of the effect of innovation, market orientation and business environment directly on competitive advantage. From the analysis, obtained the following equation:

Equation 1:

$$X_4 = 0,231X_1 + 0,491X_2 + 0,177X_3 + 0,656$$

The regression equation 2 is a test of the effect of innovation, market orientation and business environment indirectly on marketing performance through competitive advantage. From the analysis, obtained the following equation:

Equation 2:

$$Y = 0,252X_1 + 0,599X_2 + 0,098X_3 + 0,608$$

From the two regression equations above, the path analysis model can be described as follows:

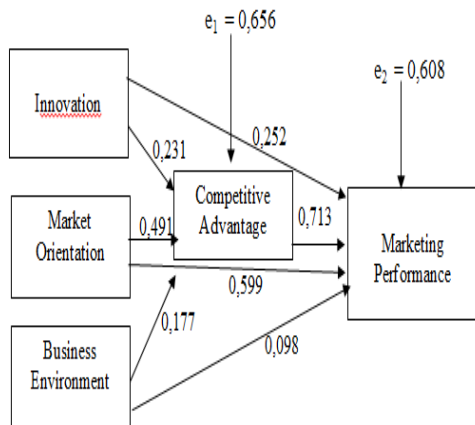


Figure 1. Model of Path Analysis

The path analysis model shows that there is an effect of innovation, market orientation and the business environment on marketing performance both directly and indirectly through competitive advantage.

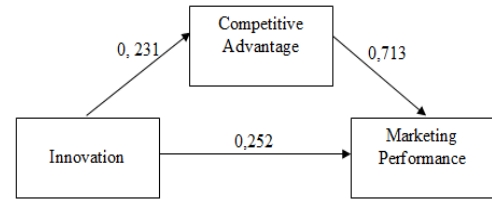


Figure 2. Path analysis of innovation on marketing performance through competitive advantage.

From Figure 2, the value of the direct effect of innovation on marketing performance is 6.35% and the indirect effect of innovation on marketing performance through competitive advantage is 16.47% and the total effect is 22.82%. The effect is positive and significant.

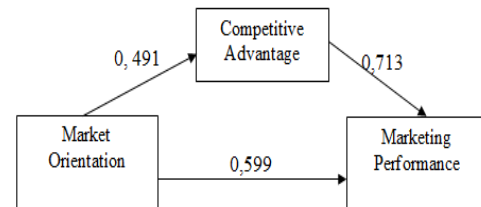


Figure 3. Path analysis of the market orientation on marketing performance through competitive advantage.

From Figure 3, the value of the direct effect of market orientation on marketing performance is 35.88%, the indirect effect of market orientation on marketing performance through competitive advantage is 35.01% and the total effect is 70.89%. The effect is positive and significant.

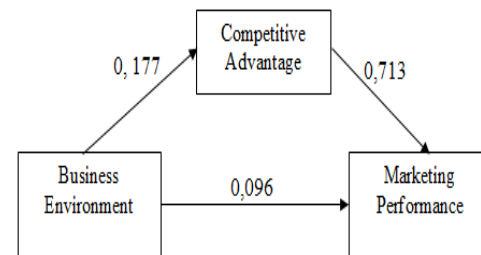


Figure 4. Path analysis of the business environment on marketing performance through competitive advantage.

From Figure 4, the value of the direct effect of the business environment on marketing performance is 0.96%, the indirect effect of the business environment on marketing performance through competitive advantage is 12.62% and the total effect is 13.58%. The effect is positive and significant.

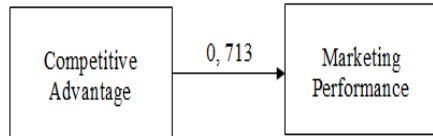


Figure 5. Path analysis of competitive advantage on marketing performance

From Figure 5, the analysis shows that the effect of competitive advantage on marketing performance is 50.84%.

Based on the above analysis, an overview of hypothesis testing can be drawn as follows:

Table 1. The Overview of Hypothesis testing

Hypothesis	Hypothesis Statement	Percentage (%)			Results
		DE	IE	TE	
Hypothesis 1	Innovation has a positive effect on competitive advantage	5,34	-	5,34	Accepted t = 2,326 Sig = 0,022
Hypothesis 2	Market orientation has a positive effect on competitive advantage	24,11	-	24,11	Accepted t = 5,083 Sig = 0,000
Hypothesis 3	Business environment has a positive effect on competitive advantage	3,14	-	3,14	Accepted t = 2,281 Sig = 0,025
Hypothesis 4	Innovation has a positive effect on marketing performance through competitive advantage	6,35	16,47	22,82	Accepted t = 2,849 Sig = 0,003
Hypothesis 5	Market orientation has a positive effect on marketing performance through competitive advantage	35,88	35,01	70,89	Accepted t = 6,295 Sig = 0,000
Hypothesis 6	Business environment has a positive effect on marketing performance through competitive advantage	0,96	12,62	13,58	Accepted t = 1,857 Sig = 0,051
Hypothesis 7	Competitive advantage has a positive effect on marketing performance	0,5084	-	50,84	Accepted t = 9,540 Sig = 0,000

Source: Summary of Analysis, 2020

The Effect of Innovation on Competitive Advantage

The result of the analysis using multiple regression shows that there is a positive effect of innovation on competitive advantage, namely 5.34%. The results of the analysis also prove

significant, which can be seen from the significance value (Sig) of 0.022 < from 0.05.

The results of this study explain that the innovation in this research which is related to industrial products is an idea or new idea in the production process, technology, or in the product itself that adjusts consumer tastes.

The findings of this study are in line with previous research conducted by Djojjobo and Tawas (2014), Haryanti and Nursusila (2016),

it is found that the innovation variable has a positive and significant effect on the variable of competitive advantage. This shows that if innovation is increasing or getting better and able to follow the consumer tastes, then the competitive advantage will also increase as well. The results of these studies also state that the partial influence of innovation on competitive advantage is 17.46%, thus innovation is an important part of gaining competitive advantage.

The Effect of Market Orientation on Competitive Advantage

Based on the results using multiple regressions, it can be seen that there is a positive effect of market orientation on the competitive advantage of the Troso weaving industry in Kab. Jepara that is equal to 24.11%. The results of the analysis also prove significant, which can be seen from the significance value (Sig) = 0.000 < of 0.05. This condition illustrates according to the desired theory that the market orientation in it is related to how a company knows the market itself, customers and competitors.

The research findings of the effect of market orientation on competitive advantage are positive and significant. A positive sign means that the better the market orientation of the Troso weaving industry, the competitive advantage will increase in the same direction. The effect of market orientation on competitive advantage is a direct influence and the most dominant influence in the findings of this study. In this model, there is a change in competitive advantage due to a change in market orientation where a company makes decisions based on real conditions in the market and makes approaches to the market by researching and understanding current values.

This finding is in accordance with the research of Abdullah et al., 2017: 22, which states that with increasing global competition and changes in customer needs, market orientation is very important for small and medium enterprises where they must always be close to the market. The results of this study are also supported by the

research of Herman et al (2018) which has examined a positive and significant relationship between market orientation and competitive advantage. Market orientation is an organizational business culture that is committed to continuously being creative in creating superior value for customers.

The Effect of Business Environment on Competitive Advantage

The results of the analysis using path analysis show that there is a positive influence of the business environment on the competitive advantage of Troso weaving, which is 0.034 or 3.40%. The analysis results also prove significant, which can be seen from the significance (Sig) = 0.025 < from 0.05. This condition illustrates according to the theory which states that an industry that can survive is an industry that can adapt to changing environmental changes.

The business environment is a whole condition from outside the company that will affect the organization, in this case the Troso weaving industry. The influence of the business environment on competitive advantage is the smallest influence in the findings of this study because factors from outside the company are factors that are difficult to control and predict by the industry. The research findings of the effect of the business environment on competitive advantage are positive and significant. A positive sign means that the better the business environment, the better the competitive advantage of the Troso weaving industry in Jepara Regency.

The findings of this study are in line with the research conducted by Riyanto (2018), the results of his research show that the internal environment and the external environment have a positive and significant effect on competitive advantage. The research by Riyanto was conducted in Madiun related to MSMEs which examined the analysis of the influence of the internal and external environment on competitive advantage and the performance of small and medium enterprises (UKM) in Madiun. In facing the ever-changing environment, the company must be able to anticipate and deal with it with a competitive advantage strategy.

The Effect of Innovation on Marketing Performance through Competitive Advantage

The influence of innovation on marketing performance is a direct effect as for the effect of 6.35%, while the indirect effect of innovation on marketing performance through competitive advantage is 16.47%. Thus, the total effect of innovation on marketing performance is 22.82%. The findings of this study indicated that it is significant, which can be seen from the significance (Sig) = 0.003 < 0.05.

This also proves that in accordance with the desired theory, the theory states that the better the innovation made by the company, the better the marketing performance.

The findings of this study are in accordance with the research conducted by Merakati et.al. (2017), and Fauni et al. (2017) innovation has a significant positive effect on marketing performance through competitive advantage, competitive advantage which is determined by good innovation can in turn improve marketing performance for the Troso weaving industry in Jepara Regency.

The Effect of Market Orientation on Marketing Performance Through Competitive Advantage

The effect of market orientation on marketing performance is a direct effect as for the effect of 35.88%, while the effect of market orientation on marketing performance is indirectly through a competitive advantage of 35.01%. Thus, the total effect of market orientation on marketing performance is 70.89%. The results of the analysis also prove significant, the results of the analysis which can be seen from the help of the computational output obtained a significance value (Sig) = 0.000 < 0.05. This also proves in accordance with the desired theory, the theory states that the better the market orientation carried out by the company, the better the marketing performance.

The findings of this study support the research of Talaja et al. (2017) and Usvita (2015) state that market orientation has a significant positive effect on marketing performance through competitive advantage. Competitive advantage which is determined by good market orientation

can in turn improve the marketing performance of the Troso weaving industry in Jepara Regency.

The Effect of Business Environment on Marketing Performance Through Competitive Advantage

The effect of the business environment on marketing performance is a direct effect as for the effect of 0.96%, while the effect of the business environment on marketing performance is indirectly through a competitive advantage of 12.62%. Thus, the total effect of the business environment on marketing performance is 13.59%. The results of the analysis also prove significant, the results of the analysis which can be seen from the help of the computational output obtained a significance value (Sig) = 0.051 < 0.05. This also proves in accordance with the desired theory, the theory states that the better the business environment carried out by the company, the better the marketing performance.

The findings of this study are consistent with the research conducted by Hertawan (2015) that the business environment affects business performance through competitive strategies. Competitive advantage which is determined by a good business environment can in turn improve marketing performance for the Troso weaving industry in Jepara Regency.

The Effect of Competitive Advantage on Marketing Performance

Based on the results of the path analysis, it can be explained that there is a positive effect of competitive advantage on marketing performance, namely 50.8%. The results of the analysis also prove significant, the results of the analysis which can be seen from the help of computational output obtained a significance value (Sig) = 0.000 < 0, 05.

If there is a change in the competitive advantage of Troso weaving, it will result in changes in marketing performance in the same direction. This condition illustrates that competitive advantage is needed in running a business in order to achieve better performance than competitors, therefore competitive advantage is the heart of an industry's performance in facing business competition, especially in the marketing

performance. This is in accordance with the theory that with a competitive advantage, the industry will be able to survive so that in measuring the success of existing business competitiveness it supports business performance including marketing performance (Hasan, 2013: 29).

The research findings on the effect of competitive advantage on marketing performance are in accordance with the research conducted by Medhika et al. (2018) which states that there is a positive and significant effect of competitive advantage on marketing performance. The higher the competitive advantage, the higher the competitive advantage, and vice versa.

CONCLUSION

Based on the results of the study and discussion, it can be concluded that innovation, market orientation, and the business environment have a positive and significant effect on marketing performance both directly and indirectly through competitive advantage so that it is proven that competitive advantage is a mediating variable. And competitive advantage also has a positive and significant effect on marketing performance in the Troso weaving industry in Jepara Regency.

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