

Entrepreneurial Orientation And Competitive Advantages For SMEs Batik In East Java Indonesia

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ABSTRACT

The purpose of this study was to determine the effect of entrepreneurial orientation and competitive advantage in Batik SMEs in East Java, Indonesia. The data used were obtained through a survey using a questionnaire, which was then analyzed by descriptive statistics, correlation and linear regression.

The results of the study state that was a significant positive effect between entrepreneurial orientation [innovative, proactive, taking risk] and competitive advantages of batik SMEs in East Java, Indonesia. The development of batik SMEs in East Java shows the potential that can continue to grow and needs to be encouraged to achieve competitive advantage, so that Batik products from SMEs can continue to compete in both local and foreign markets.

Social implication at the research is the development of Batik SMEs can absorb labor, especially housewives, so that they can increase income to support the family economy. Beside that Originality or the value of this study was used entrepreneurial orientation variables, and competitive advantage in batik SMEs in East Java, which are products with local cultural characteristics.

Keywords : Entrepreneurial orientation, Competitive Advantage, SMEs Batik

Papertype – Research paper

1. INTRODUCTION

The SMEs sector is the most important factor driving the economy both locally and nationally in a country so that special stimulation and attention from the government is needed to continue to encourage the development of the SMEs sector. One of the products of SMEs in Indonesia that has the potential to compete in the global market in the East Java region is batik, batik which is one of the characteristics of Indonesian culture with products and patterns that spread throughout Indonesia and each region that has a variety of different patterns because of these patterns. is the philosophy or history of each area. Based on data from the Central Bureau of Statistics in 2017, the contribution of batik SMEs to the regional economy was 60.34% (this figure is very dominant in the economy in East Java Province and the national economy). To face competition, the capability or ability of a business manager or entrepreneur is needed, the ability in question is how the managed business unit is able to produce products that are acceptable to the market. This of course requires product and service innovation, a proactive attitude and courage in taking risks to win the competition, which elements are indicators of entrepreneurial orientation. With the capability of the owner, it is hoped that the managed business unit will be able to compete with competitors, to win competition with competitors, of course, the business unit must have certain competitiveness and advantages or uniqueness.

Many studies have been conducted with the aim of proving that this entrepreneurial-oriented attitude or spirit will have an impact on the ability of organizations and companies to win the competition. Miller (2011) in his research found that a risk-taking attitude can achieve competitive advantage, the most important thing about entrepreneurship is the courage to take risks and then following the challenges of companies with decision-making capabilities in both risky and not risky situations, the business must continue to be run in both situations. Dai *et.al* (2014) explores entrepreneurial orientation with innovative, proactive dimensions, which is the ability to predict changes and opportunities from future market demand and take steps earlier than competitors, in terms of introducing new products, new brands, and service innovations and strategies that are already established in the business cycle, Likewise Chih-Hsing and Yen-Po (2016) in their research also succeeded in proving that entrepreneurial orientation is positively correlated with competitive advantage, the results of this study support previous research. (Mustafa, *et al.*, 2015).

In this study, it is reviewed about entrepreneurial-oriented attitudes with indicators of innovative, proactive, and courageous attitude to take risks against the competitive advantages that can be achieved by Batik SMEs, the competitive advantage in question is the mastery of technology and market control. Current technology is indeed developing very rapidly, requiring business actors to continue to be able to follow it in order to be able to win business competition and be superior to its competitors. Research by Hoffman and Novak (1996) states that the problem faced by the SME sector is the

mastery of technology which is actually an intangible resource that is very dominant in business continuity. Technology can play a role in marketing efficiency, for example advertising, marketing, and information services so that companies have an advantage over their competitors.

2. LITERATURE REVIEW AND HIPOTESIS

2.1 Competitive Advantage

This research refers to the theory of Resource based view which combines with Knowledge based view (Theriao, *et al*, 2009) which explains the effect of entrepreneurial orientation attitudes on competitive advantage. Competitive advantage is the ability to earn return consistently above the average for the industry, this concept emphasizes that the company's opportunities will be greater and the threat will be smaller if the company is in an attractive industry (Porter, 1985). According to Meso and Smith (2000) Sustained competitive advantage depend to startegic assets, rather competitive advantages is according to resources based view, dependant on the valuable, rare, and hard to imitate resources that reside within an organization (Barney, 1991; Stiles and Kulvisaechana, 2004). Lourdes (2013) states that the competitive advantage of a company is highly dependent on the ability of innovation in terms of technology, management capabilities, and effective product insights about ownership and its use.

2.2 Entrepreneurial Orientation

Entrepreneurial orientation is the decision making and business process of a firm emphasizing on the following five independent attributes : innovativeness, proactive, risk taking, autonomy, and competitive aggressiveness (lumpkin and Dess, 1996). Walles *et. al* (2011) mentioned that entrepreneurial orientation comprises the prespective and stand point of an organization. Entrepreneurial orientation constitutes the tendency of the firm to take a step to implement a new business process, idea or new venture. Without entrepreneurial orientation, the firm is not likely to implement something out of the norm and will result in not taking any risk, exploring market potentials and implementing research and development. Miller (1983) also argues that entrepreneurial orientation is the initial stage in making and managing decisions to carry out business activities, then the three key elements of entrepreneurial orientation include innovation, proactivity, and risk-taking (Covin and Slevin, 1991; Wicklund, 1999). In line with Colton et.al (2010) which defines entrepreneurial orientation as a method, practice and style of managers in making decisions that act with entrepreneurial elements. Beside that Adebayo (2015) defines entrepreneurial orientation as innovativeness refers to attempting to embrace, experience, novlty technological leadership and so forth, in both product and processes.

2.3 Entrepreneurship orientation and competitive advantage

Entrepreneurial orientation is the attitude and ability of managers in managing a company to be able to compete with competitors, Weidenfeld and Hall (2014) stated that innovation and creative ideas can be used to develop products and services as well as work methods which further contribute to development and improving the quality of the organization so that the company is able to achieve competitive advantage. In line with previous research conducted by Reed, *et al.* (2012) which emphasizes that the key to organizational success is innovation, innovation not only focuses on product efficiency and service development, but also has the ability to deal with changes in market structure so as to create prosperity and remove all obstacles from new competitors. Tan (2001) who conducted research on entrepreneurs in China found that when businesses are faced with increasing challenges in the business environment, managers and business owners will take risks and motivation to create innovations in order to be able to maintain their competitive advantage.

H1 : An innovative attitude has a positive effect on competitive advantage

H2 : A proactive attitude has a positive effect on competitive advantage

H3 : Having the courage to take risks has a positive effect on competitive advantage

3. RESEARCH METHODS

The empirical approach used in this study is a quantitative method by collecting data through questionnaires which are distributed directly to the place of business and in associations and interviews to obtain qualitative information with Batik SMEs entrepreneurs in the East Java area, the respondents used are business owners or managers who manages the business. As for the questionnaire given to respondents using the linket scale measurement (1-5) where the score 1 is strongly disagree with the questionnaire statement and 5 is strongly agree with the statement from the questionnaire. The population of East Java Batik SMEs was obtained from the Office of Cooperatives and SMEs of East Java Province, with samples selected for research based on criteria that fit the variable were a number of 119 SMEs spread across districts and cities an then respondent were encourage to relay the questionnaires are 98 SMEs. The data analysis used is descriptive statistics that describe each variable, correlation analysis that looks at the relationship between the variables forming entrepreneurial

orientation and competitive advantage, classic assumption tests for compliance with regression requirements, multiple regression analysis, and the coefficient of determination R^2 . the significance level used is 5%.

4. RESULT

4.1 Characteristics of the research sample

Respondents are owners or managers with an average age of more than 40 years to 55 years and the dominance of women is 62% and 38% men with experience in batik that has been passed down from generation to generation (more than 10 years). The average level of education is high school graduates or equivalent (58%), and the rest is undergraduate (42%). The rate of business circulation obtained in one year is up to 500 million-750 million, this amount greatly impacts the economy in the East Java Province and needs to be increased with the participation of the government so that the batik products produced are competitive.

Descriptive Statistics

1. Inonvative

Innovative is the first indicator of entrepreneurial orientation based on the results of respondents 77.6% agree with a score of 4, quite agree with 12.2% with a score of 3, and then strongly agree with a score of 5 of 10.2%. Based on this description (with the largest percentage being a scale of 4, namely agreeing), it shows that the manager or owner believes that an innovative attitude is needed in running his business, the responses of these respondents can be seen in table 1 below:

Table 1 : Diskriptive Statistics [Innovative]

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3.00	12	12.2	12.2	12.2
	4.00	76	77.6	77.6	89.8
	5.00	10	10.2	10.2	100.0
	Total	98	100.0	100.0	

Data source: Output result SPSS 2020

2. Proaktif

Proactivity is the second indicator of entrepreneurial orientation based on the results of respondents 63.3% agree with a score of 4, quite agree with 15.3% with a score of 3, and then strongly agree with a score of 5 of 21.4%. Based on this description (with the largest percentage being a scale of 4, namely agreeing), it shows that the manager or owner believes that a proactive attitude is needed in running his business, the responses of these respondents can be seen in table 2 below:

Table 2: Deskriptive Statistics [Proaktif]

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3.00	15	15.3	15.3	15.3
	4.00	62	63.3	63.3	78.6
	5.00	21	21.4	21.4	100.0
	Total	98	100.0	100.0	

Data source: Output result SPSS 2020

3. Risk Taking

Risk taking is the third indicator of entrepreneurial orientation based on the results of respondents 64.3% agree with a score of 4, just agree with 25.5% with a score of 3, and then strongly agree with a score of 5 of 10.2%. Based on this description (with the largest percentage being a scale of 4, namely agreeing), it shows that the manager or owner believes that a risk taking attitude is needed in running his business, the responses of these respondents can be seen in table 3 below:

Table 3: Deskriptif Statistik [Risk Taking]

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3.00	25	25.5	25.5	25.5
	4.00	63	64.3	64.3	89.8
	5.00	10	10.2	10.2	100.0
	Total	98	100.0	100.0	

Data source : Output result SPSS 2020

4. Competitive Advantage

Competitive advantage is the research independent variable using two indicators, namely mastery of technology and market control with the score used is the sum of the two indicators. based on the results of the respondents 50% stated that the average agreed with the total score was 8, strongly agree with 10.2% with a total of 10, and then 34.7% with a total score of 9 which means that the respondent gave an average statement of agreeing and strongly agree, and the remaining 5.1% is quite agree. Based on this description (with the largest percentage being the average scale of 4, namely agree), it shows that the manager or owner believes that to achieve a competitive advantage, they must be able to excel in technology mastery and market control. the responses of these respondents can be seen in table 4 below:

Table 4: Deskriptif Statistik [Competitive Advantage]

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	6.00	1	1.0	1.0	1.0
	7.00	4	4.1	4.1	5.1
	8.00	49	50.0	50.0	55.1
	9.00	34	34.7	34.7	89.8
	10.00	10	10.2	10.2	100.0
	Total	98	100.0	100.0	

Data source : Output result SPSS 2020

Correlation and Regression Analysis

The results of the classical assumption test carried out have met the requirements with the Durbin Watson value of 1.943, namely $-2 < 1.943 < 2$ which means that the data used is free of autocorrelation, and the data is normal, the next test is the correlation test and linear regression with the results presented in the table. 5 and 6 below:

Table 5: Correlations

		Innovative	Proaktive	Risk Taking	Competitive Advantage
Innovative	Pearson Correlation	1	.433**	.138	.474**
	Sig. (2-tailed)		.000	.176	.000
	N	98	98	98	98
Proaktive	Pearson Correlation	.433**	1	.437**	.615**
	Sig. (2-tailed)	.000		.000	.000
	N	98	98	98	98
Risk Taking	Pearson Correlation	.138	.437**	1	.580**
	Sig. (2-tailed)	.176	.000		.000
	N	98	98	98	98
Competitive Advantage	Pearson Correlation	.474**	.615**	.580**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	98	98	98	98

** . Correlation is significant at the 0.01 level (2-tailed).

Table 6: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.946	.538		5.474	.000
	Innovative	.458	.124	.281	3.697	.000
	Proaktive	.406	.107	.317	3.791	.000
	Risk Taking	.538	.102	.402	5.284	.000

a. Dependent Variable: Competitive Advantage

Innovative and competitive advantage

Based on table 5 above, it shows that the Pearson product moment correlation (r) between innovative attitude and competitive advantage is 0.474 with a p -value of 0.000, which indicates that innovative attitude has a correlation with competitive advantage, as well as the regression results listed in table 6 also shows that the t -count value of 3.697 is greater than the t -table value of 1.66055, it can be stated that hypothesis 1 is accepted, namely that innovative attitudes have an effect on competitive advantage. With the innovative attitude possessed by managers or business owners, Batik SMEs will achieve competitive advantage in both technology mastery and market control. The results of this study support previous research (Weidenfeld and Hall, 2014; Covin and Miles, 1999) which states that a company will have added value if the company always has innovations in both products and consumer services. Similar to what has been done, it is also stated that innovation is needed in a very dynamic market condition so that companies are required to continue to innovate in order to win the competition from competitors because with innovation the company will achieve a sustainable competitive advantage (Morgan and Jenny, 2006). Batik SMEs in East Java are expected to continue to be able to innovate both in products and services, the intended innovation does not leave the characteristics of each batik producing region, but the batik produced is of good quality and competitive in a growing or dynamic market. .

Proaktive and competitive advantage

The Pearson product moment correlation (r) between proactive attitude and competitive advantage presented in table 5 is 0.615 with a p -value of 0.000 which indicates that proactive attitude has a correlation with competitive advantage, in table

6 the regression results also show the t value of 3.791 more the value of t table 1.66055 with a significance value of 0.000 which means that a proactive attitude has a significant effect on competitive advantage. The results of this study support previous research (Dai, *et al.*, 2014) which used proactive dimensions to measure entrepreneurial orientation attitudes in achieving competitive advantage and better performance. Zhang and Duan (2010) also found similar research results, namely that a proactive attitude will be able to create new product success (NPS) which is an element of sustainable competitive advantage. If the company is able to create new products, the company will always have an advantage over competitors in a market that is always growing and dynamic (Stanley, 2012). The proactive attitude of Batik SMEs is the capability of a manager or owner to see future projections or future market opportunities, this is the same as the statement from Lumpkin and Dess (1996). The capability of a “proactive” manager to capture market opportunities or potentials, the resulting batik products will have a sustainable competitive advantage.

Taking risk and competitive advantage

The results of the correlation test in table 5 show that the Pearson product moment correlation (r) between the courage to take risks with competitive advantage is 0.580 with a *p*-value of 0.000, which indicates that risk-taking has a correlation with competitive advantage. Furthermore, in table 6 the results of the regression test, the t value of 5.284 is greater than the t table value of 1.66055 with a significance value of 0.000, which means that risk taking has a significant effect on competitive advantage. Lumpkin and Dess (1996) in their research postulated that the courage to take risks is one of the attitudes needed to be able to capture business opportunities in various opportunities. Similar to research conducted by Gnizy and Shoham (2014) which uses a risk-taking attitude as a dimension of entrepreneurial orientation, it is stated that the courage to take risks provides opportunities for companies to create an advantage earlier than their competitors. The courage to take risks is the attitude of the manager or business owner to make decisions with the opportunities and potentials that have been seen in order to win the competition from competitors.

Implications and Limitations

The results show that an innovative, proactive attitude, the courage to take risks which are the dimensions of entrepreneurial orientation can achieve competitive advantage in batik SMEs in East Java, the competitive advantage in question is mastery of technology and market control (Mustafa, 2015). By utilizing current technological advances, Batik SMEs can facilitate the marketing of batik products and facilitate financial transactions so that Batik has opportunities and competitiveness not only in local markets but also in foreign markets. This of course requires attention from the government, especially the Department of Cooperatives and SMEs. Current research only uses three dimensions of entrepreneurial orientation to measure competitive advantage, not including other intangible asset factors, including managerial ability and personal values possessed by managers in running the “Batik UKM” business. For further research, it is necessary to include other factors in measuring the ability of SMEs to create a sustainable competitive advantage.

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