IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 20, Issue 2. Ver. VI (February. 2018), PP 01-09
www.iosrjournals.org

The Influence of market orientation, Innovation, and Entrepreneurial competence on competitiveness and Performance of Small And medium Enterprises of Silk weaving Industry

Bungatang Tahir[1], Salamun Pasda[2], Agung Kurniawan Widhi [3]
[1](Department, College/ University Name, Country Name)
[2](Department, College/ University Name, Country Name)
Corresponding Author: Bungatang Tahir1

Abstract : *This study is designed to examine and analyze the influence of market orientation, innovation, and entrepreneurial competence on competitiveness and performance of Small and Medium Enterprises (SMEs) of silk weaving industry in Wajo Regency, South Sulawesi Province (Indonesia). The populations in this study are 154 owners or managers of silk weaving industry in Wajo District, in which the return rate is 63.64%. The convenience sampling technique is used in which the number of the sample is 98 owners or managers. The results of the PLS Warp analysis which is 5.0 provide evidence that market orientation, innovation, and entrepreneurial competence affect competitiveness significantly. However, market orientation and innovation have no significant effect on SMEs performance. The high competence of entrepreneurs is proven to improve the performance of SMEs same with high competitiveness.*

Keywords - *Market Orientation, Innovation, Entrepreneurial Competence, Competitiveness, Business Performance*

Date of Submission: 29-01-2018 Date of acceptance: 19-02-2018

I. Introduction

Factors affecting the performance of SMEs business are critical to being analyzed. It is due to the low level of business success of SMEs. The creation of high performance of SMEs business in an area potentially creates new jobs, increase trade, and increase gross domestic product (GDP) in the region [1].There is a gap in managing SMEs. In general, silk weaving entrepreneurs in Wajo district in carrying out their business activities still use traditional management and equipment so they cannot compete with similar businesses that utilize modern management and technology caused by low market orientation, innovation, and entrepreneurial competence. In addition, Wajo Regency was known as the largest supplier of silk production in South Sulawesi in the past. However, currently, the passion of the community is declining to pursue natural silk weaving business. The gap that becomes the problem faced by the society in silk weaving business is caused by the low competitiveness of entrepreneurs caused by low financial ability, low market orientation, innovation, and competence of entrepreneurs. It is proved by the inability of entrepreneurs always to carry out production activities continuously. Wajo silk industry entrepreneurs in Wajo Regency use non-machine loom in the production process. It affects the cost and production time which tend to be higher and longer. On the other hand, silk weaving industries from competitors have used loom with the machine so that competitors in production do not spend a high cost and the time of completion of production is relatively faster. Therefore, the price of the product offered to consumers is relatively lower compared to non-machine loom. Empirical evidence suggests that one of the factors affecting the performance of SMEs is market orientation. The market orientation is a corporate culture that can lead to improved marketing performance [2]. A study conducted by [3]–[5] proved that market orientation has a positive and significant impact on competitive advantage. Companies that implement market orientation have advantages regarding customer knowledge, and these advantages can be used as a source to create products that suit the needs of customers. The findings of previous researchers provide evidence that market orientation significantly affects the company's performance[6]. The rebuttal evidence obtained from other researchers that market orientation has a positive effect, but it is not significant on company performance [7]. High market orientation cannot be used as a guarantee of SMEs to improve performance. Innovation support is needed, that is an adoption of new products and processes to improve competitiveness and overall profitability [8]. Experts believe that the ability of workers to always generate innovation is a key factor for business (SME's) to survive in the conditions of intense competition. Innovation has a positive and significant relationship and impact on the competitive advantage of companies [4]. The findings are different from the results of research conducted by [9] in which they found that there is no

significant effect of innovation on the competitive advantage. Innovations conducted by SMEs not only affect the competitive advantage, innovation but also improve marketing performance. Innovation has a positive and significant effect on the performance of the company [7], [10], [11]. The study differs from the findings of other researchers that the innovation process has a positive and significant effect on performance while product innovation negatively affects the performance of SMEs in Malaysia [12]. Entrepreneurial competency is a representation of the managerial capacity to explain the relationship between the attributes and behavior of the owner or manager of the business success [13]–[15]. Studies conducted by[16] on SME's in Malaysia found that entrepreneurial competence is a predictor of business success. It is stated that entrepreneurial competence has a significant effect on business success [17] . Similar results are shown in a study conducted by [18] which provides evidence that managerial, ability has a positive and significant impact on the company's competitive strategy and performance. Different findings are shown by [19] that knowledge as a competence dimension has a negative and insignificant effect on SME performance, while skills and abilities have a positive and significant effect on SME's performance. Such evidence has similarities with the findings studied by [20] that the competencies of the CEO and demonstrated by the organizational skills and skills of managing opportunities are insignificant to business growth (performance). Meanwhile, the CEO's special competence shown by technical skills and expertise significantly influence the growth of business (performance). The company's competitive advantage will ultimately affect the performance of the enterprise market as measured by the growth in subscribers [21]. A study conducted by [22] provide evidence that there is a positive influence on companies that have the advantage to compete and the improvement of company performance. Similar facts are shown in the study conducted by [4] in which she found that there is the positive and significant impact on the performance of the competitive advantage of marketing.

II. Literature Review

2.1: Market orientation:

Market orientation is a business philosophy and the process of business managers' behavior. It is seen as a philosophy because market orientation is a pattern of values and beliefs that help individuals to understand organizational functions based on certain norms [23]. Market orientation is a dimensional aspect of organizational culture and the nature of the learning orientation as well as more research to understand the norms of value that can sustain both and organizational learning [24]. A market-oriented business is a business that develops a better understanding [25]. The implementation of market orientation requires the ability of companies in finding some market information so that it can be used as a basis for the company to take further steps or strategy. Meanwhile, competitor orientation means that companies understand the short-term strengths, weaknesses, long-term capabilities and strategies of their potential competitors [24]. The study conducted by [3] proves that market orientation has a positive and significant influence on competitive advantage. The measurements used in analyzing market orientation in this study elaborated the measurements used by [24] and [26]. In analyzing market orientation, the researchers used three measurement indicators. First, customer orientation is the willingness of SMEs to understand needs and desires of its customers. Second, competitor orientation is the willingness of companies to monitor the strategies of its competitors. Third, market information is the company's efforts to seek information about the condition of the industrial market [27].

2.2: Innovation:

The consensus in the business world views that innovation is a core function in the entrepreneurial process. Innovation is defined as a corporate mechanism to adapt to a dynamic environment. Therefore, the company is required to be able to create new thoughts, new ideas and offer innovative products and improved service that can satisfy customers [28]. Through innovation, entrepreneurs create both new production resources and existing resources processing with increased potential value to create capital [29]. Conventionally, the innovation term is defined as a breakthrough associated with new products. Innovation is a broader concept that addresses the application of new ideas, products or processes [30]. Innovation is the rate of speed of an individual or unit within a system [31]–[33]. This study elaborates the measurements used by [30] because these measurements are seen as more easily understood and used in analyzing the innovations made by silk weaving industry.

2.3:Entrepreneurial Competencies:

If a country wants to achieve rapid progress in various areas of life, that country or nation must have the ability to deliver many entrepreneurs. This view was put forward by [34] who was known as the father of the initiator of the concept of entrepreneurship. This is very basic because entrepreneurs are a human who can create and innovate. The human creations and innovations can improve the quality of life. Entrepreneurial competencies are defined as baseline characteristics which are specific such as knowledge, nature, self-image, social roles, and skills that result in the creation of businesses, survival, or growth [13], [20], [35]. The

measurement of entrepreneurial competence in this study developed a measurement proposed by [14] in which there are five indicators. First, namely: conceptual competency is the ability of the conceptual individual to another individual is different (entrepreneur). Second, opportunity competency is the competence about the recognition and development of market opportunities by entrepreneurs through various means. Third, relationship competency is the competence about the relationship between individuals (entrepreneurs) and group interaction. Fourth, learning competency is a learning process of entrepreneurship gained from experience. Fifth, personal competency is the capabilities of the entrepreneurs in perceiving and conducting business positively.

2.4: Competitive Advantage:

The term of competitive advantage according to [36] has at least two different meanings, but they are related each other. The competitive advantage can be defined on focusing on superiority in the skill or resources,whereas the meaning of both is the competitive advantage of the performance results. Competitive advantage is defined as a benefits strategy of companies that collaborate to create more competitive advantages in their markets. This strategy should be designed to achieve continuous competitive advantage so that the company can dominate the market both in existing and new markets [27], [37]. Measurement of competitive advantage that is used in this study is by elaborating the measurements proposed by [27], [36], [38] in which competitive advantage is the company's ability to create superior value by utilizing its various resources. There are some indicators used to measure competitiveness. First, the uniqueness of a product is the unique nature of a company's product so that it can be distinguished from a competitor's product or a common product on the market. Second, product quality is the quality of a product successfully created by a company. Third, competitive price is the company's ability to produce products at competitive prices in the market.

2.5: Smes Performance:

The company can have a competitive performance if: (1) they know how to expand, disseminate and exploit knowledge internally; (2) if they know how to protect knowledge of imitation of competitors; (3) if they knowhow to share (share/transfer) and receive knowledge from his business partner (partner) [39]. Performance refers to the level of achievement of the company within a period. The company's performance is crucial in the development of the company. The company's goal is to continue to exist and grow, and they can be achieved if the company has a good performance. The performance of the company can be seen from the level of sales, profit levels, the rate of capital return, the level of turnover, and market share which was achieved [40], [41]. Marketing performance can be defined as the measurement of business performance against the performance level of the resulting strategy with the overall performance of the expected sales and profits [42], [43].Marketing performance also provides three dimensions namely the effectiveness of the company, sales growth, profitability [25]. This research is to analyze marketing performance using measurement proposed [43], in which the performance of marketing is a factor that is often used to measure the impact of the strategy adopted by the company regarding marketing aspects. Some indicators are used to measure the performance of marketing. First, sales volume is the volume or number of product sales achieved by the company. Second, the growth of the customer is the level of customer growth achieved by the company. Third, profitability is the amount of profit sales Products that were successfully acquired by the company.

III. Research Methods

The research was conducted on 154 SMEs owners or managers of Silk Weaving Industry in Wajo, in which a rate of return of 63.64%. The convenience sampling technique was used with the samples were 98 owners or managers. Instruments were measured using Likert Scale point 1 to point 5. This study used a variance-based SEM (SEMPLS) technique with WarpPLS 5.0 developed by [44].

IV. Results and discussion

4.4: The Results Of Goodness Of Fit Model:

The p-value for average path coefficient (APC) and ARS and Average R-squared (ARS) value must be <0.05 or significant. Besides, the Average full collinearity VIF (AFVIF) as a multicollinearity indicator should be <5. Those values can be seen in the following table.

Tabel 1. Goodness of Fit Model Analysis

Measurement	Model Results
APC	0.283, P<0.001
ARS	0.469, P<0.001
AFVIF	2.081 < 5

Source: Authors' Own Composition (SEM-PLS, 2017)

The results showed that the test results of the suitability of the model (Goodness of fit model) have been met [44].

4.2: The Result of Validity Test and Construct Reliability:

Table 2. Combined Loading and cross-loadings

Indicators	MkrtO	Innov	Ecompt	CoAd	SMESP	Type (a	SE	P value
X11	(1.000)	0.000	-0.000	0.000	-0.000	Reflect	0.077	<0.001
X21	0.091	(0.844)	-0.013	-0.053	0.178	Reflect	0.080	<0.001
X22	-0.025	(0.970)	0.020	0.001	-0.091	Reflect	0.077	<0.001
X23	-0.054	(0.973)	-0.009	0.045	-0.064	Reflect	0.077	<0.001
X31	0.038	-0.112	(0.869)	0.392	-0.615	Reflect	0.080	<0.001
X35	-0.038	0.112	(0.869)	-0.392	0.615	Reflect	0.080	<0.001
Y11	-0.356	-0.011	0.273	(0.837)	-0.267	Reflect	0.080	<0.001
Y12	0.356	0.011	-0.273	(0.837)	0.267	Reflect	0.080	<0.001
Y21	0.202	-0.044	-0.246	0.444	(0.866)	Reflect	0.080	<0.001
Y23	-0.202	0.044	0.246	-0.444	(0.866)	Reflect	0.080	<0.001

Source: Authors' Own Composition (SEM-PLS, 2017)

Test results in Table 2 show that the convergence validity criteria in the first model have not been met. However, the criteria for the second model have been met because it has fulfilled the requirement. The convergent validity is> 0.70 and significant (p-value <0.05) so that it can proceed to be analyzed [45].

4.3: The Results of Discriminant Validity Test:

Discriminant validity test is evidenced by the output of latent variable correlations. This output reports the correlation coefficients between latent variables. The criterion used is square roots of average variance extracted (AVE) in which the diagonal columns given brackets must be higher than the correlation between latent variables in the same column (above or below) [46].

Tabel 3. Correlations among l.vs. with sq. rts. of AVEs

Variables	MkrtO	Innov	Ecompt	CoAd	SMESP
MkrtO	(1.000)	0.060	0.181	0.115	0.108
Innov	0.060	(0.931)	0.352	-0.009	-0.189
Ecompt	0.181	0.352	(0.869)	0.080	-0.376
CoAd	0.115	-0.009	0.080	(0.837)	0.713
SMESP	0.108	-0.189	-0.376	0.713	(0.866)

Source: Authors' Own Composition (SEM-PLS, 2017)

The table 3 indicates that discriminant validity has been met. It can be seen from the AVE root in the diagonal column which is greater than the correlation between constructs in the same column. This cross-loading result becomes an indication of the fulfillment of discriminant validity criteria.

4.4: The Results of Construct Reliability Test:

Test results of the contract reliability test can be shown by the output of latent variable coefficient, as in the following table:

Tabel 4. Output of Latent Variable Coeffisient

Measurement	MkrtO	Innov	Ecompt	CoAd	SMESP
R-squared coefficients				0.262	0.676
Adjusted R-squared coefficients				0.239	0.662
Composite reliability coefficients	1.000	0.951	0.861	0.824	0.857
Cronbach's alpha coefficients	1.000	0.921	0.677	0.573	0.665
Average variances extracted	1.000	0.866	0.756	0.701	0.749
Full collinearity VIFs	1.083	1.147	1.855	2.882	3.437
Q-squared coefficients				0.298	0.679
Minimum and maximum values	-3.542	-3.613	-2.642	-2.593	-2.293
	2.314	1.858	1.710	2.331	2.421
Medians (top) and modes (bottom)	0.185	0.182	0.343	0.112	0.086
	0.717	1.078	0.989	0.112	0.086
Skewness (top) and exc. kurtosis (bottom) coefficients	-0.494	-0.899	-0.782	0.241	0.524
	0.769	0.789	-0.450	1.382	1.227

Source: Authors' Own Composition (SEM-PLS, 2017)

The higher R-squared shows a good model. The results of output of Latent Variable Coefficient show that R-squared competitiveness is equal to 0.262. It means that 26.20% can explain variance of competitiveness by market orientation variance, innovation, and entrepreneurial competence. Meanwhile, R-squared construct performance of SME business is equal to 0676. It shows that 67.60% can explain variance of business performance by competitiveness variance. The value of composite reliability and cronbach's alpha has qualified reliability that is> 0.70. The above output also shows that Average Variance Extracted (AVE)> 0.50. It means that it has fulfilled the convergence validity requirements [46]. Full collinearity VIF is a result of full cholinearity testing which includes vertical and lateral multicollinearity. Lateral cholinearity is the collinearity between latent variables of predictors and criterion. Lateral cholinearity is often overlooked when it can lead to bias results. The full collinearity of VIF in this study was lower than 3.3. It indicates that the model is free from vertical, lateral, and command biased collinearity problems [44]. Q-squared is a measure of non-parametric obtained through the algorithm blindfolding and used to study the predictive validity or relevance of a set of latent predictor variables on criterion variables. The output shows that Q-squared is greater than zero that is 0.298 and 0.69. It means that the model estimation indicates good predictive validity.

4.5:Hypothesis Testing:

The result of model test and hypothesis shows that, among the 7 (seven) causality between variables (direct influence) built in this model, there are two causalities between variables reject the proposed hypothesis that is the effect of market orientation on business performance p-value = 0.261> 0.05 and the effect of innovation on business performance p-value = 0.178> 0.05

Tabel 5. Path Coefficient and P-value (Model 2)

Path coefficients					P values			
Variables	MkrtO	Innov	Ecompt	CoAd	MkrtO	Innov	Ecompt	CoAd
MkrtO								
Innov								
Ecompt								
CoAd	0.263	-0.354	0.306		0.003	<0.001	<0.001	
SMESP	0.064	-0.091	-0.185	0.715	0.261	0.178	0.029	<0.001

Source: Authors' Own Composition (SEM-PLS, 2017)

H $_1$ The effect of market orientation on competitiveness:

he effect of market orientation on competitiveness can be proven by the standardized coefficient (beta or standardized path coefficient) that is 0.263 with the positive direction of Beta, or standardized path coefficient positive signified that high market orientation proved to improve competitiveness. Then it can be proven with p-value = 0.003 <0.05. Hypothesis testing results prove that the market orientation of the positive and significant impact on competitiveness, it can be concluded that a high market orientation and the direction of the real against the increasing competitiveness So that hypothesis (H 1) Market orientation has a positive and significant impact on the competitiveness of competitiveness acceptable or supported by empirical facts. There is a high ability of entrepreneurs to try to understand the needs and desires of its customers. Therefore, it results in the seriousness of entrepreneurs to produce unique products so that it can be distinguished from competitors or global products on the market and the high quality of products that are produced by SMEs. These results support the findings of previous researchers which show that the market orientation has a positive and significant impact on the competitiveness of SMEs [3]–[5]. Such findings have differences with other studies. The differences are that the market orientation has a significant effect on competitive advantage and the dimensions of differentiation innovation and market differentiation, but the effect is not significant to the low-cost strategy [27], [47].

H 2 The effect of innovation on competitiveness:

The effect of innovation on competitiveness can be proved by the standardized coefficient of the path (beta or standardized path coefficient) that is -0.354 with negative direction. Beta or standardized path coefficient is marked by negative, and it means that the low innovation owned by entrepreneur tends to increase competitiveness. Then, it can be proven by p-value = 0.001 <0.05. The result of hypothesis testing proves that innovation has a negative and significant effect on competitiveness. It can be concluded that low innovation is opposite direction and significant to the increase of entrepreneur competitiveness so that the proposed second hypothesis (H2) which is innovation has a positive and significant effect on competitiveness is accepted and empirical fact supports it.This study supports a number of findings from previous researchers which show that innovation has a positive relationship and impacts on the positional superiority (competitiveness) of the company [4]. However, this study rejects other findings of other researchers, which innovation has a positive

and insignificant effect on competitive advantage [9]. The results of this study support the statement of experts, that entrepreneurial innovation creates both new production resources and existing resource processing with increased potential value to create capital [29].

H 3 The effect of entrepreneurial competencies on competitiveness:

The influence of entrepreneurial competence on competitiveness can be proved by the standardized coefficient of the path (beta or standardized path coefficient) that is 0.306 with positive direction. Beta or standardized path coefficient is marked by positive, and it means that high level of competence owned by entrepreneurs tends to increase competitiveness. Then, it can be proven with p-value = 0.001 <0.05. Hypothesis testing results prove that the entrepreneurial competencies have a significant and positive effect on competitiveness. Therefore, it can be concluded that the high entrepreneurial competence has a major impact on improving the competitiveness. It means that the third hypothesis (H 3) that is entrepreneurial competence has a positive and significant effect on competitiveness can be accepted and empirical facts support it. The high level of entrepreneur's conceptual ability is reflected in entrepreneurial entrepreneur behavior. It can be seen from decision-making skills, absorbing and understanding complex information, and taking risks and supported by the entrepreneur's ability to view and execute the business positively which has a real impact on increasing the seriousness of entrepreneurs to produce unique products. The results support the findings of some previous researchers which found that managerial and organizational abilities have a positive and significant impact on the competitive strategy of Small Businesses [48].

H 4 The effect of market orientation on business performance:

The influence of market orientation on business performance can be demonstrated by standardized path coefficients (beta or a standardized path coefficient) that is 0064 with a positive direction. Beta or a standardized path coefficient is positive mark. It means that the high level of market orientation possessed by entrepreneurs tend to improve business performance. Then, it can be proven with p-value = 0.261> 0.05. Hypothesis testing results prove that the market orientation has positive effect but it is not significant to the performance of the business. Therefore, it can be concluded that the orientation of the high market is in the same direction but it is not significant in increasing the performance of the business. It means that the fourth hypothesis (H 4) in which market orientation has a positive and significant impact on business performance can be accepted partially and it is supported by empirical facts. The high ability of entrepreneurs to try to understand the needs and desires of the customers does not provide a significant impact on the number of product sales achieved and the amount of profits sales of products gained by SMEs. This finding partially supports the findings of previous research which show that customer orientation has a negative and not significant relationship to the performance of the business [5]. Market orientation can significantly affect the performance of the company [7]. This research rejects the findings that provide evidence that market orientation significantly affects the company's performance [6]. However, this study supports the statement that market orientation is a corporate culture that can lead to improve marketing performance [2].

H 5 The effect of innovation on business performance:

The effect of innovation on business performance can be proved by the standardized coefficient of path (beta or standardized path coefficient) that is -0.091 with the negative direction. Beta or standardized path coefficient is negative and it means that low level of innovation tends to degrade business performance. Then, it can be proven by p-value = 0.178> 0.05. The result of hypothesis testing proves that innovation has negative and insignificant effect on business performance. Therefore, it can be concluded that low level of innovation is opposite and not significant to business performance. It means that the fifth hypothesis (H 5) that is innovation has a positive and significant effect on business performance cannot be accepted and it is supported by empirical facts. There is a low change or new product creation. There is an also low change in how products are produced and distributed. In addition, there are low changes in management process in which products are developed, constructed and delivered to consumers. These matters prove that there is no significant impact on the number of successful product sales and the amount of profits gained by SMEs. This study rejects the findings of this study which found that service innovation has a significant and positive impact on performance marketing [7], [11], [12]. Then, this study supports findings that prove that new product innovations, product line additions, improvements or revisions to existing product lines, cost reductions for existing products have no significant effect on performance [31].

H 6 Effect of entrepreneurial competence on business performance:

The effect of entrepreneurial competence on business performance can be demonstrated by standardized path coefficients (beta or a standardized path coefficient) amounting -0185 negative direction. Beta or standardized path coefficient marked negatively and it means that the low level of entrepreneurial

competence tends to degrade business performance. Then, it can be proven by p-value = 0.029 <0.05. The result of hypothesis testing proves that entrepreneurial competence has positive and insignificant effect on business performance. Therefore, it can be concluded that low entrepreneurship competence is opposite direction and has significant influence to the level of business performance improvement. In addition, it can be concluded that the sixth hypothesis (H 6) that is entrepreneurial competence has a positive and significant effect on business performance can be accepted partly and it is supported by empirical facts. Low skill entrepreneurs, the quality of decisions, the ability to absorb and understand complex information, as well as the courage to take risks and low capabilities of the entrepreneurs in perceiving and implementing efforts positively provide a significant impact on the amount of product sales achieved and the amount of profit successfully obtained by SMEs. This results support the findings of some previous researchers which show that the general competence of CEO indicated by organizational skills and the skills to manage opportunities is not significant to the business growth (performance) [20]. Entrepreneurial competence has significant effect on business success [17]. Managerial skills have a significant effect on the performance of small businesses [31]. Ability has a positive effect on the performance of the organization [49]. Entrepreneurial competence is a predictor of business success [16]. The managerial ability and organizational ability have a significant and positive effect on the performance of Small Businesses. Marketing knowledge and marketing capability have a positive and significant impact on marketing performance [10], [19].

H 7 Effect of competitive advantage on business performance:

The effect of competitive advantage on the business performance can be demonstrated by standardized path coefficients (beta or a standardized path coefficient) that is - 0.715 with a positive direction. Beta or a standardized path coefficient is positive and it means that the high level of innovation tends to improve business performance. Then, it can be proven with p-value = 0.001 <0.05. Hypothesis testing results prove that the competitive advantage has a positive and significant effect on the business performance. Therefore, it can be concluded that the level of high competitiveness is in the same direction and has significant impact on business performance. It means that that the seventh hypothesis (H 7) that is competitive advantage has a positive and significant effect on the business performance of the can be accepted and it is supported by empirical facts. The high level of seriousness of the entrepreneur to produce unique products that differentiate it from competitors' products or general products on the market and the high quality of the products that had been produced by SMEs provide a significant impact on increasing product sales which was achieved and the amount of profit obtained by SMEs. This study supports the findings which provide evidence that competitive advantage has a significant and positive effect on marketing performance. The competitive strategy has significant and positive effect on the performance of small businesses [4], [20], [22]. However, this study reject some research findings that provide evidence that the competitive advantage has positive effect but it is not significant on the performance of SMEs [5].

V. Conclusion

The high market orientation has same direction on the increasing competitive advantage. The high ability of the entrepreneur to seek and to understand the needs and desires of its customers has an impact on the seriousness of the entrepreneur to produce unique products. Low innovations are in the opposite direction and have significant improvement of competitive advantage. The low levels of change or the creation of a product that is completely new, low-level changes in the way products are made, produced and distributed result in seriousness of entrepreneurs to produce unique products that differentiate it from competitors' products or products from common market and the high quality of the products that successfully created by SMEs. The high entrepreneurial competence is in the same direction, and has significant impact on improving the competitiveness. The high level of conceptual abilities of entrepreneurs which is reflected in the behavior of entrepreneurs have a significant impact on the increase in the seriousness of the entrepreneurs to produced unique products that can be differentiated from competitors' products or general products on the market and the high quality of product which are successfully produced by SMEs. The high market orientation is in the same direction but it has no significant effect on the improvement of business performance. The high ability of the entrepreneur to seek and to understand the needs and desires of the customer does not provide a significant impact on the amount of product sales and the profits gained by SMEs. The low innovation level is in the opposite direction and it has no significant effect on business performance. The lack of changes in the process of management in which the products are prepared, produced, and distributed to the consumer does not give a significant impact on the amount of product sales and the profit gained by SMEs.The low entrepreneurial competence is in the opposite direction and has significant influence on increasing the level of business performance. The lack of the courage to take a risk and low capabilities of the entrepreneurs to perceive and implement efforts positively provide a significant impact on increasing the number of product sales and the

profit gained by SMEs. In addition, the high level of competitive advantage is in the same direction and has significant impact on business performance.

References

[1] N. O'Regan and A. Ghobadian, "Innovation in SMEs: the impact of strategic orientation and environmental perceptions," Int. J. Product. Perform. Manag., vol. 54, no. 2, pp. 81–97, 2005.

[2] A. K. Kohli and B. J. Jaworski, "Market orientation: the construct, research propositions, and managerial implications," J. Mark., pp. 1–18, 1990.

[3] I. Akimova, "Development of market orientation and competitiveness of Ukrainian firms," Eur. J. Mark., vol. 34, no. 9/10, pp. 1128–1148, 2000.

[4] S. T. Dewi, "Analisis Pengaruh Orientasi Pasar dan Inovasi Produk terhadap Keunggulan Bersaing untuk Meningkatkan Kinerja Pemasaran (Studi pada Industri Batik di Kota dan Kabupaten Pekalongan)," PhD Thesis, program Pascasarjana Universitas Diponegoro, 2006.

[5] H. A. Setyawati, "Pengaruh Orientasi Kewirausahaan dan Orientasi Pasar Terhadap Kinerja Perusahaan Melalui Keunggulan Bersaing dan Persepsi Ketidakpastian Lingkungan Sebagai Prediksi Variabel Moderasi (Survey pada UMKM Perdagangan di Kabupaten Kebumen)," Fokus Bisnis Media Pengkaj. Manaj. Dan Akunt., vol. 12, no. 2, 2013.

[6] W. E. Baker and J. M. Sinkula, "The synergistic effect of market orientation and learning orientation on organizational performance," J. Acad. Mark. Sci., vol. 27, no. 4, pp. 411–427, 1999.

[7] J. K. Han, N. Kim, and R. K. Srivastava, "Market orientation and organizational performance: is innovation a missing link?," J. Mark., pp. 30–45, 1998.

[8] C. Edquist, "The Systems of Innovation Approach and Innovation Policy: An account of the state of the art," in DRUID Conference, Aalborg, 2001, pp. 12–15.

[9] G. L. Prasetya, "Membangun Keunggulan Kompetitif Melalui Aliansi Stratejik Untuk Meningkatkan Kinerja Perusahaan (Studi Kasus Pada PT. Pos Indonesia Wilayah VI Jateng dan DIY)," PhD Thesis, Program Pasca Sarjana Universitas Diponegoro, 2008.

[10] M. Masrokan, A. Fathoni, and M. M. Minarsih, "Orientation Effect of Entrepreneurship, Marketing Knowledge Capacity and Marketing Performance of Marketing (Study Case At Cv. Rajawali Mas Semarang).," J. Manag., vol. 2, no. 2, 2016.

[11] J. C. Naranjo-Valencia, D. Jiménez-Jiménez, and R. Sanz-Valle, "Studying the links between organizational culture, innovation, and performance in Spanish companies," Rev. Latinoam. Psicol., vol. 48, no. 1, pp. 30–41, 2016.

[12] M. F. Hilmi, T. Ramayah, Y. Mustapha, and S. Pawanchik, "Product and process innovativeness: evidence from Malaysian SMEs," Eur. J. Soc. Sci., vol. 16, no. 4, pp. 556–564, 2010.

[13] B. Bird, "Towards a theory of entrepreneurial competency," Adv. Entrep. Firm Emergence Growth, vol. 2, no. 1, pp. 51–72, 1995.

[14] T. W. Man, T. Lau, and K. F. Chan, "The competitiveness of small and medium enterprises: A conceptualization with focus on entrepreneurial competencies," J. Bus. Ventur., vol. 17, no. 2, pp. 123–142, 2002.

[15] M. Hitt, A. J. Bett, C. L. Addison, L. Prevec, and F. L. Graham, "[2] Techniques for human adenovirus vector construction and characterization," Methods Mol. Genet., vol. 7, pp. 13–30, 1995.

[16] N. H. Ahmad, H. A. Halim, and S. R. M. Zainal, "Is entrepreneurial competency the silver bullet for SME success in a developing nation," Int. Bus. Manag., vol. 4, no. 2, pp. 67–75, 2010.

[17] T. W. Man and T. Lau, "The context of entrepreneurship in Hong Kong: An investigation through the patterns of entrepreneurial competencies in contrasting industrial environments," J. Small Bus. Enterp. Dev., vol. 12, no. 4, pp. 464–481, 2005.

[18] I. Hajar, "Pengaruh Kemampuan Manajerial dan Lingkungan Industri terhadap Kemampuan Organisasi, Strategi Bersaing, dan Kinerja Perusahaan (Studi pada Industri Kecil Meubel Kayu di Sulawesi Tenggara)," J. Apl. Manaj.-J. Appl. Manag., vol. 10, no. 2, pp. 291–302, 2012.

[19] I. Ardiana, I. A. Brahmayanti, and S. Subaedi, "Kompetensi SDM UKM dan Pengaruhnya Terhadap Kinerja UKM di Surabaya," J. Manaj. Dan Kewirausahaan, vol. 12, no. 1, p. pp–42, 2010.

[20] J. R. Baum, E. A. Locke, and K. G. Smith, "A multidimensional model of venture growth," Acad. Manage. J., vol. 44, no. 2, pp. 292–303, 2001.

[21] C. Dröge, S. Vickery, and R. E. Markland, "Sources and outcomes of competitive advantage: an exploratory study in the furniture industry," Decis. Sci., vol. 25, no. 5–6, pp. 669–689, 1994.

[22] L. X. Li, "An analysis of sources of competitiveness and performance of Chinese manufacturers," Int. J. Oper. Prod. Manag., vol. 20, no. 3, pp. 299–315, 2000.

[23] G. L. R. Vaccaro, D. O. da Silva, L. F. R. Camargo, and C. R. Pohlmann, "New economics: a proposal for meaning," Production, vol. 22, no. 3, pp. 490–501, 2012.

[24] S. F. Slater and J. C. Narver, "Market orientation and the learning organization," J. Mark., pp. 63–74, 1995.

[25] A. M. Pelhan, "Mediating Influensure on The Relationship, Between Market Orientation anf Profability in Small Industry Firm," J. Mark. Teory Pract. Sumer, pp. 55–76, 1997.

[26] M. Uncles, Market orientation. SAGE Publications Sage UK: London, England, 2000.

[27] S. G. Bharadwaj, P. R. Varadarajan, and J. Fahy, "Sustainable competitive advantage in service industries: a conceptual model and research propositions," J. Mark., pp. 83–99, 1993.

[28] R. F. Hurley and G. T. M. Hult, "Innovation, market orientation, and organizational learning: an integration and empirical examination," J. Mark., pp. 42–54, 1998.

[29] P. Drucker, Innovation and entrepreneurship. Routledge, 2014.

[30] D. Jiménez-Jiménez and R. Sanz-Valle, "Innovation, organizational learning, and performance," J. Bus. Res., vol. 64, no. 4, pp. 408–417, 2011.

[31] J. Darroch, "Knowledge management, innovation and firm performance," J. Knowl. Manag., vol. 9, no. 3, pp. 101–115, 2005.

[32] H. N. Nasution, F. T. Mavondo, M. J. Matanda, and N. O. Ndubisi, "Entrepreneurship: Its relationship with market orientation and learning orientation and as antecedents to innovation and customer value," Ind. Mark. Manag., vol. 40, no. 3, pp. 336–345, 2011.

[33] A. R. Ma'atoofi and K. Tajeddini, "The effect of entrepreneurship orientation on learning orientation and innovation: A study of small-sized business firms in Iran," Int. J. Trade Econ. Finance, vol. 1, no. 3, p. 254, 2010.

[34] J. A. Schumpeter, "The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle (1912/1934)," Trans. Publ., vol. 1, p. 244, 1982.

[35] J. Wasilczuk, "Advantageous competence of owner/managers to grow the firm in Poland: Empirical evidence," J. Small Bus. Manag., vol. 38, no. 2, p. 88, 2000.

[36] G. S. Day and R. Wensley, "Assessing advantage: a framework for diagnosing competitive superiority," J. Mark., pp. 1–20, 1988.

[37] M. E. Porter, "New global strategies for competitive advantage," Plan. Rev., vol. 18, no. 3, pp. 4–14, 1990.
[38] X. M. Song and M. E. Parry, "The determinants of Japanese new product successes," J. Mark. Res., pp. 64–76, 1997.
[39] J. Barney, "Firm resources and sustained competitive advantage," J. Manag., vol. 17, no. 1, pp. 99–120, 1991.
[40] L. R. Jauch and W. F. Glueck, "Manajemen Strategis dan Kebijakan Perusahaan," Jkt. Erlangga, 1999.
[41] E. K. Laitinen, "A dynamic performance measurement system: evidence from small Finnish technology companies," Scand. J. Manag., vol. 18, no. 1, pp. 65–99, 2002.
[42] A. Menon, S. G. Bharadwaj, and R. Howell, "The quality and effectiveness of marketing strategy: Effects of functional and dysfunctional conflict in lntraorganizational relationships," J. Acad. Mark. Sci., vol. 24, no. 4, pp. 299–313, 1996.
[43] A. Ferdinand, "Structural equation modeling dalam penelitian manajemen," Semarang Badan Penerbit Univ. Diponegoro, 2002.
[44] N. Kock, "Using WarpPLS in e-collaboration studies: An overview of five main analysis steps," Adv. Collab. Knowl. Environ. New Trends E-Collab. New Trends E-Collab., vol. 180, 2011.
[45] J. F. Hair Jr, G. T. M. Hult, C. Ringle, and M. Sarstedt, A primer on partial least squares structural equation modeling (PLS-SEM). Sage Publications, 2016.
[46] M. Sholihin and D. Ratmono, "Analisis SEM-PLS dengan WarpPLS 3.0 untuk Hubungan Nonlinier dalam Penelitian Sosial dan Bisnis," Yogyak. Penerbit Andi, 2013.
[47] B. Menguc, S. Auh, and E. Shih, "Transformational leadership and market orientation: Implications for the implementation of competitive strategies and business unit performance," J. Bus. Res., vol. 60, no. 4, pp. 314–321, 2007.
[48] A. Suryanita, "Analisis Pengaruh Orientasi Kewirausahaan Dan Kompetensi Pengetahuan Terhadap Kapabilitas Untuk Meningkatkan Kinerja Pemasaran (Studi Empirik Pada Industri Pakaian Jadi Di Kota Semarang)," PhD Thesis, Program Pascasarjana Universitas Diponegoro, 2006.
[49] T. R. Holcomb, R. M. Holmes Jr, and B. L. Connelly, "Making the most of what you have: Managerial ability as a source of resource value creation," Strateg. Manag. J., vol. 30, no. 5, pp. 457–485, 2009.

Bungatang Tahir "The Influence of market orientation, Innovation, and Entrepreneurial competence on competitiveness and Performance of Small And medium Enterprises of Silk weaving Industry." IOSR Journal of Business and Management (IOSR-JBM) 20.2 (2018): 01-09.