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The Role of Competitive Advantage Mediates Entrepreneurial Orientation and Product Innovation on Marketing Performance

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ABSTRACT

The purpose of this study is to analyze the entrepreneurial orientation partially affects competitive advantage. The entrepreneurial orientation and product innovation simultaneously affect competitive advantage, and competitive advantage partially affects marketing performance. This study uses saturated sampling with a total sample of 107 lubricating oil managers in the city of Semarang. The data analysis technique in this study uses path analysis techniques, with the help of the Statistical Package for Service Solution (SPSS) program 22. The results show that entrepreneurial orientation partially has a positive and insignificant effect on competitive advantage, product innovation partially has a positive and significant effect on competitive advantage, entrepreneurial orientation and product innovation simultaneously have a positive and significant effect on competitive advantage, competitive advantage partially affects marketing performance.

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INTRODUCTION

Competitive advantage (competitive advantage) is the ability obtained through the characteristics and resources of a company to have higher performance than other companies in the same industry or market. Competitive advantage is the company's ability to optimize all its resources in order to produce products that are better than competitors in all respects so that consumers feel satisfied and the market share is wider. Hernandez et. all (2016) [1] describes it into three aspects of excellence, better known as generic strategies, covering aspects: overall cost leadership, differentiation, and focus.

Entrepreneurial orientation refers to processes, practices, and decision makers that encourage new inputs and have three aspects of entrepreneurship, namely daring to take risks, acting proactively and always being innovative [2], [3]. Entrepreneurship is a process of identifying, developing, and bringing a vision to life. The vision can be an innovative idea, an opportunity, a better way of doing things. Entrepreneurial characteristics, always avoid too low or too high risk. Confidence in their success. The desire to get quick feedback, which is having passion and hard work to realize his desire for a better future. The benefit of entrepreneurship is that it can provide employment for other people. By building a business from a young age until it grows and develops until it is successful, you have contributed to scheduling jobs for the wider community. The main function of the importance of entrepreneurial orientation is how to involve risk measurement and optimal risk-taking of work. Everyone can choose a business and a job according to

their talents, skills, and environmental factors. An entrepreneur is someone who dares to do business independently by giving up all resources and efforts including the ability to recognize new products, determine new production methods, organize operations to create business opportunities, procure new products, market them, and manage operating capital.

Product innovation is creating new products that can meet the needs and desires of consumers so that buying interest arises for the product, which is expected to be realized through purchasing decisions. According to Myers & Marguis in Kotler (2016) [4]. Product innovation is the result of various processes that are combined and influence each other. By doing product innovation is expected to improve consumer purchasing decisions. Another goal in product innovation is to create new markets in the community. Products that are given innovations provide the latest features and developments that will attract public interest, so that people will buy the latest products. How to make product innovations: Know customer needs, test new products, develop products according to market desires, apply appropriate marketing strategies, evaluate, can meet customer desires, create new markets, increase the quality of products sold. In total there are three indicators in product innovation, namely product quality, product variants, and product style and design. One of the benefits of innovation is being able to solve problems. Something new can replace old things that are considered full of problems. The presence of new ideas and ideas makes every problem that exists can be solved properly. Examples of product innovation: One travel handle, The Broom Goomer,

bar soap shavings, suitcase with shelf, lemon spray, dog umbrella. Innovating the goods created will make the business more competitive so that it will indirectly benefit the value of the manufacturing company. Companies or business owners who make a product that continues to innovate will be able to beat its competitors.

Marketing performance is the impact of the results of the marketing strategy carried out by a company. Measurement of marketing performance will be the most important factor because it can be used as an evaluation and benchmark for marketing activities. Okkie Navarone's research (2013) [5] supports that in improving marketing performance there are variables that influence, namely promotion, consumer knowledge management, new product advantages, and the level of success of new products that affect marketing performance. Marketing performance can be measured by assessing the results of sales performance, marketing performance assessed from marketing costs and profitability performance as measured by the company's profits. Marketing performance is a measure of achievement of the overall marketing process activities of a company.

RESEARCH METHOD

This research is an associative research that explains the influence relationship between variables and is directed at the interrelationship model of the variables of entrepreneurial orientation, product innovation, competitive advantage and marketing performance. The research is located in the city of Semarang. Respondents are business managers of lubricating oil. This

Furthermore, marketing performance can be viewed as a concept that is used to measure the extent to which market achievements can be achieved by a product that has been produced by the company. Responsibilities of marketing managers: create promotional media to encourage business, coordinate various marketing strategy channels, manage budgets for marketing campaigns, testing new marketing opportunities, building media relationships, directing social media strategies, evaluating marketing campaign performance.

Problems that cause failure to innovate in products: not thinking long term, lack of innovation mindset, not understanding customer needs, lack of budget, prioritizing technology over solutions, mistakes in finding target markets. Research gap: there are differences in the results of research on the effect of product innovation on marketing performance. Results: significant positive, researchers: Agarwal et al (2008) [6], Im and Workman (2004) [7]. Result: not significantly positive. Researchers: Mavondo et al (2005) [8], Djodjobo (2014) [9] , The novelty of this research repeats research in other contexts, such as different countries.

study uses saturated sampling with a total sample of 107 business managers. The research data collected is primary data originating from questionnaires distributed to the sample using a Likert measurement scale and secondary data derived from literature and previous studies that are adapted to research needs. Data processing begins with validity and reliability tests. The data analysis technique in this study uses path analysis techniques through multicollinearity tests, heteroscedasticity

tests, data normality tests and path analysis of substructure 1 and substructure 2, with the help of the Statistical Package for Service Solution (SPSS) 22 program.

development of this research model can be arranged as follows in [figure 1](#).

Based on the theoretical basis and discussion of the proposed hypothesis, the

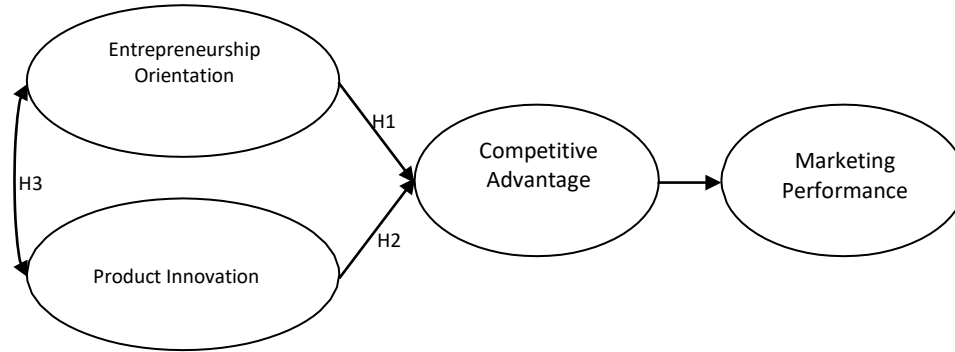


Figure 1. theoretical basis and discussion of the proposed hypothesis

Source: developed for this research, 2022

RESULT AND DISCUSSION

Normality Test Results

The normality test is carried out by looking at the normal plot graph. The

points spread around the diagonal line and follow the direction of the diagonal line, indicating that the assumption of normality is met.

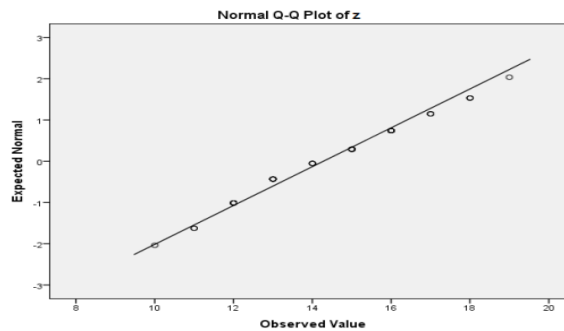


Figure 2. Normality Test Results

Source: SPSS Data Processing Output 22

[Figure 2](#) shows the spread following the direction of the line around the diagonal

line, so it is considered to meet the assumption of normality.

Multicollinearity Test Results

Multicollinearity appears if there is a strong relationship between one or more independent variables in the model. A VIF value greater than 10

indicates the presence of multicollinearity. Table 1 shows VIF <10 so that there are no symptoms of multicollinearity.

Table 1. Multicollinearity Test Results

Coefficientsa		
Collinearity Statistics		
Model	Tolerance	VIF
X ₁	.830	1.205
X ₂	.830	1.205

a. Dependent Variable: y

Source: SPSS Data Processing Output 22

Heteroscedasticity Test Results

Heteroscedasticity occurs when the variation of the regression residual changes

systematically as the value of the independent variable changes.

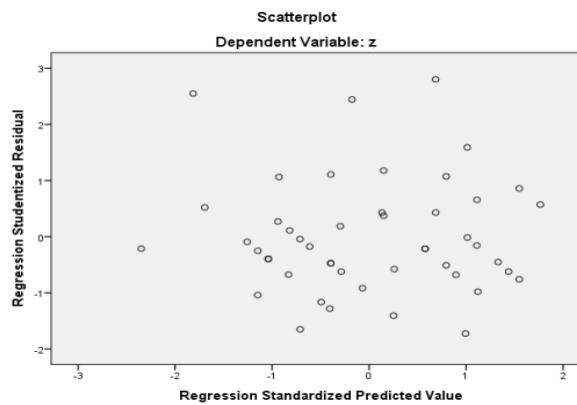


Figure 3. Heteroscedasticity Test Results

Source: SPSS22 Data Processing Output

Figure 3 does not show the formation of a clear pattern on the scatterplot so that there is no heteroscedasticity.

Path Analysis Test Results

Path analysis used T-test for partial test and F-test for simultaneous test. If F count > F table then there is an effect. If sig < 0.05 (<5%) then there is an effect.

Table 2. Summary Results of Sub Structure Analysis 1

Variable Y	Variable X ₁ , X ₂	Path Coefficient	T _{count}	Prob.(Sig)	Ket
Y =	Orientation	0,150	1,106	0,275	Not significant
Competitive Advantage	Entrepreneurship (X ₁)				
	Product Innovation (X ₂)	0,494	3,641	0,001	significant
Simultaneous determination (R _{square}) = 0,328					
F _{count} = 10,726					
Simultaneous Correlation (R) = 0,572					
Probability = 0,000					

Source: SPSS22 Data Processing Output

Table 2 shows the results of the path equations for Sub structure 1:

1. The entrepreneurial orientation variable has a coefficient value of 0.150 and has a positive direction, so when the entrepreneurial orientation variable changes, the competitive advantage variable will change. The significance value of the entrepreneurial orientation variable to competitive advantage is 0.275, which is an insignificant value. The hypothesis which states that entrepreneurial orientation has an effect on competitive advantage is not accepted.
2. The product innovation variable has a coefficient value of 0.494 and has a

positive direction, so when the product innovation variable changes, the competitive advantage variable will change. The hypothesis that product innovation affects competitive advantage is accepted.

3. The calculated F value of the entrepreneurial orientation variable and the product innovation variable is 10,726 which is smaller than the F table value of 3.21. The hypothesis which states that entrepreneurial orientation and product innovation affect competitive advantage is accepted.

Table 3. Summary Results of Sub Structure Analysis 2

Variable Z	Variable Y	Path Coefficient	T _{count}	Prob.(Sig)	Ket
Z = Marketing Performance	Competitive Advantage	0,532	4,220	0,000	Significant
Simultaneous determination (R _{square}) = 0, 284					
F _{count} = 17,807					
Simultaneous Correlation (R) = 0,532 Probability = 0,000					

Source: SPSS22 Data Processing Output

Table 3 shows the results of the substructure path equation 2, the competitive advantage variable has a coefficient value of 0.532 and has a positive direction. The significance value of the competitive advantage variable

on the marketing performance of 0.000 is significant. The hypothesis that product innovation affects competitive advantage is accepted.

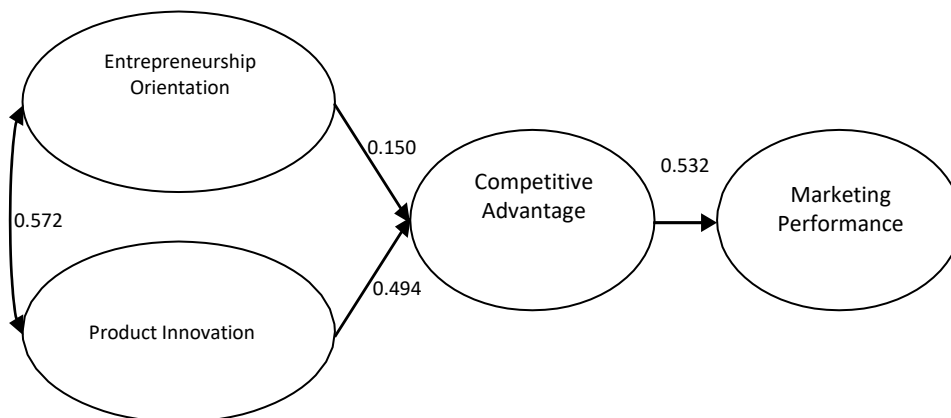


Figure 4. Path Analysis Test Results

The Effect of Entrepreneurial Orientation on Competitive Advantage

The results of this study that shown in figure 4 are contrary to the results of previous studies by Syahnoto (2022) [10], Reswanda (2011) [11], and Prabawani (2018) [12] where entrepreneurial orientation has a positive and insignificant effect. The difference between the results of this study and the theory and results of previous research can be due to the application of elements of an entrepreneurial orientation that has not been carried out at all or completely by business managers because the existence of this business is mostly still traditional. Business managers do not fully understand how to use the stages or processes of entrepreneurial orientation, so there is no significant change in providing differentiation compared to competitors. According to Munir (2018) [13], competitive

advantage is an advantage obtained through the application of competitive strategies that aim to build a profitable and sustainable position against market forces that determine industry competition. According to Kotler (2012) [14], competitive advantage is an advantage over competitors that is obtained by offering a lower value or by providing greater benefits because the price is higher. Tse (2018) [15] with the theory of competitive strategy suggests that companies must create special competitiveness in order to have a strong bargaining position (bargaining power) in competition. The indicators of competitive advantage were developed from several experts, namely competitive prices, management capabilities, profits, strategic positions and places. According to Agustini and Muti (2015) [16], competitors are industry structures, the actions of various

competitive forces that affect the ability of an industry.

The Effect of Product Innovation on Competitive Advantage

The results of this study are supported by the results of previous studies by Tumangger et. all (2022) [17] and Dewi (2006) [18] where product innovation has a positive and significant effect on competitive advantage. A business that does not have the ability or has a weak ability to introduce innovation, then the business can be left behind and innovation may be carried out by competitors. A business that is able to introduce innovation can lead and minimize the possibility of competitors to innovate early. In line with the opinion according to Martina et. all (2014) [19], entrepreneurial orientation is the tendency of top management to take a calculated risk, to be innovative and to be proactive. Day et. all (2002) [20], entrepreneurial orientation is a trait, characteristic, and character that has the ability to realize innovative ideas into the real world which is done creatively or briefly said to be the ability to create the new and different things. There is an influence between entrepreneurial orientation on business strategy, entrepreneurial orientation plays an important role in improving business performance Tse et. all (2018) [15] reveal that entrepreneurial orientation becomes an acceptable meaning to explain business performance. Entrepreneurial orientation is related to the search for opportunities, the courage to take risks and the decision to act of organizational leaders [21]. Entrepreneurship is a dynamic process of vision, change and creation that

requires the application of energy and passion to the creation and implementation of new ideas and creative solutions [22]. Not everyone has entrepreneurial capabilities. Only people who have an entrepreneurial spirit can establish and manage a business professionally [23].

The Effect of Simultaneous Entrepreneurship Orientation and Product Innovation on Competitive Advantage

Entrepreneurial orientation has no significant effect on competitive advantage, but the unification of entrepreneurial orientation with product innovation has a stronger influence on competitive advantage. In the process, business managers have not fully implemented an attitude full of innovation, courage to take risks and aggressiveness in competing, the implementation of product ideas in business can support the level of competitiveness of a business. In line with the opinion according to Erlangga et. all (2021) [24] innovation is a specific tool for companies where innovation can explore or take advantage of changes that occur as an opportunity to run a different business. meet the needs and desires of consumers so that there is an interest in buying the product, which is expected to be realized through purchasing decisions. Product innovation is the development of new products from old products by improving quality. According to Amir (2018) [25], product innovation is any activity that cannot be produced with just one trial, but is a long and cumulative process. Meanwhile, according to Kotler and Keller (2016) [14], the dimensions of product innovation are new products for the world,

new product lines, additions to existing product lines, and improvements to existing products.

Pugh in Navarone, (2003) [5] assesses innovation as an introduction to new features in the organization. Innovation is the source of social and economic development, and is the product and facilitator of the exchange of ideas that is the blood of development. According to him, a product is a set of attributes that have a form or not, including packaging, price, color, and service that can be accepted by buyers as a form of fulfillment of wants and needs.

The Effect of Competitive Advantage on Marketing Performance

The results of this study are supported by the results of previous studies by Syahyono (2022) [10] where competitive advantage has a positive and significant effect on marketing performance. The uniqueness of the attributes in the product as well as the quality of the taste of the product is guaranteed and the price is still in accordance with the consumer's ability to make consumers want to visit, make purchases that bring profits to the business. If a business does not have a unique or different value then the level of sales, profits and the level of consumer visits in a business may not necessarily increase superiorly. In accordance with the marketing performance is the impact of the results of the marketing strategy carried out by a company. Measurement of marketing performance will be an important factor because it can be used as an evaluation and benchmark for marketing activities.

Marketing performance is a concept to measure the market performance of a product. Every company has an interest in knowing the market performance of its products. The success of marketing performance is reflected in the success of its business in the world of business competition. The application of holistic marketing is carried out based on the dimensions of holistic marketing which consists of four dimensions, namely integrated marketing, relationship marketing, internal marketing, and performance marketing (Kotler and Keller, 2016) [14]. In the marketing concept or marketing concept, the achievement of organizational or sales goals is focused on understanding the needs and wants of the target market. Companies that use this concept want to provide customer satisfaction and become a better company than competitors. Holistic is defined as a comprehensive perspective or as a whole. How to implement holistic marketing, form a marketing team, formulate a holistic marketing concept, conduct a needs assessment, identify environmental involvement, initiate and evaluate the course of marketing.

CONCLUSION

The conclusion that can be drawn in this study is that entrepreneurial orientation partially has a positive and insignificant effect on competitive advantage. Product innovation partially positive and significant impact on competitive advantage. Entrepreneurial orientation and product innovation simultaneously have a positive

and significant effect on competitive advantage, competitive advantage partially has a positive and significant effect on marketing performance. Some of the limitations of this study are that lubricant oil managers in Semarang City are expected to be able to maintain and improve, especially product innovation and competitive advantage because they have a significant effect on the marketing performance of their

business. marketing performance. Future research should be carried out for managers in Central Java Province so that the scope is wider and the picture is more comprehensive. Independent variables that need to be researched in addition to entrepreneurial orientation and product innovation. Such as: market orientation, new product success, online marketing, sales, company achievements, and promotion mix.



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