

## Strategic Orientation, Innovation and Competitive Advantage of SMEs: A Case Study of Creative Industry in Central Java



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**ABSTRACT:** This study aims to examine the relationship between strategic orientation, innovation, and competitive advantage in SMEs in Central Java. During the pandemic, market conditions were not stable enough but still urged SMEs to grow and develop through competitive advantage. This study wants to see how strategic orientation affects the innovation process of SMEs to create a competitive advantage. Respondents were 78 SMEs spread across Central Java. Data analysis used validity test, reliability test, correlation, multiple regression, T-test, F test, and coefficient of determination test. Tests were conducted between strategic orientation towards innovation and strategic orientation to competitive advantage. The strategic orientation carried out during the pandemic is quite difficult to increase innovation and competitive advantage.

**KEYWORDS:** Strategic Orientation, Innovation, Competitive Advantage

### INTRODUCTION

To deal with the *turbulence* due to the COVID-19 pandemic, companies are faced with their strategic capabilities to survive. Strategy can also provide a framework that enables organizations to take advantage of their assets, to identify opportunities to provide valuable products and services to customers and to deliver those products and services for a higher profit in the market (Al-Ansaari et al., 2015). Various literature has emphasized the benefits associated with adopting a market orientation, however, companies need to pursue a complementary strategic orientation because market orientation alone may not be comprehensive enough to achieve competitive advantage (Theodosiou et al., 2012) especially in today's changing environment.

Strategic orientation is seen as "the overall strategic direction of the company and the need to design new initiatives" (Okumus, 2001). Ho (2014), states that strategic orientation is a unique resource and is an element to build a competitive advantage that can improve company performance. The orientation reflects the strategic direction applied by the company to create appropriate behaviors that lead to superior performance (Gatignon & Xuereb, 1997; Slater, Olson, & Hult, 2006), and encourage the creation of innovation (Grawe et al., 2009; Laforet, 2009). , 2009; Theodosiou et al., 2012). It is explained that strategic orientation is an antecedent of innovation (Balodi, 2014), meaning that the utilization of intangible resources is the focus of research on strategic orientation (Barney, 2001).

Strategic orientation research in marketing studies is mainly focused on market orientation (Noble et al., 2002). Subsequent developments support the adoption of alternative strategic orientations including *innovation orientation*, *technology orientation*, *entrepreneurial orientation*, *quality orientation*, and *productivity orientation* (Gatignon & Xuereb, 1997; Hurley & Hult, 1998; Marinova et al., 2008; Voss & Voss, 2000; Zhou et al. al., 2005). There are not many studies that examine the orientation from the point of view of knowledge (Hakala, 2011). For this reason, this study tries to complement another important strategic orientation in the context of knowledge to increase competitive advantage (Sinkula et al., 1997), namely *learning orientation*. According to Huber (1991), *learning orientation* can be considered as the acquisition of new knowledge that has the potential to influence behavior; a more rigorous view assumes that learning results in a new behavior or value creation (Argyris and Schön 1978).

The novelty of this study is to include the dimension of learning orientation as part of a knowledge-based company's strategic orientation. To complement the previous research, the conceptual framework developed is to develop competitive advantage through strategic orientation for the creation of innovation in the creative industry in Central Java. The results of the 2020 survey, 98 percent of creative industry players were affected by COVID-19, 67 percent of sales declines, 58 percent of project cancellations, but 8 percent of the increased turnover (Cahyono, 2021). For this reason, the main contribution of this research is

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aimed at exploring the strategic orientation of the creative industry to increase competitive advantage through the creation of innovation.

## THEORETICAL OVERVIEW

### Strategic orientation

Various studies have been carried out by taking one dimension or a combination of various dimensions that are tested for their influence on both innovation and competitive advantage (Avci et al., 2011; Balodi, 2014; Grawe et al., 2009; Hakala, 2011; Narver & Slater, 1990). ; Obeidat, 2016; Sahi et al., 2020). Research conducted by Obeidat (2016) confirms that strategic orientation has an important role in the creation of innovation. Through strategic orientation, the company uses its resources to create unique value that is different from its competitors.

Strategic orientation is one source of competitive advantage. The nature of orientation is a matter of debate, and different schools of literature have developed diverse concepts. Strategic orientation refers to how a firm adapts to its external environment (Avci et al., 2011). Strategic orientation focuses on the use of resources to achieve the desired results (Grawe et al., 2009). This is supported by (Balodi, 2014) who states that strategic orientation is embodied in corporate culture and serves as an antecedent for organizational practices and decisions related to resource allocation and pursuing opportunities. Hakala (2011) mentions four strategic orientations that exist in organizations, namely *market orientation*, *entrepreneurial orientation*, *technology orientation*, and *learning orientation*. In this study, the focus of orientation studies is only on three dimensions, namely *market orientation*, *entrepreneurial orientation*, and *learning orientation*.

#### 1. Market Orientation

Kohli and Jaworski (1990) define market orientation from a behavioral perspective as a concerted effort of all organizational components to generate market knowledge related to current and future customer needs, disseminate knowledge results across departments, and respond to these knowledge results. Narver and Slater (1990) determined that market orientation consists of three behavioral components, namely (*customer orientation*), competitor orientation (*competitor orientation*), and *inter-functional coordination*

#### 2. Entrepreneurial Orientation

In general, entrepreneurial orientation refers to the tendency of companies to seek new market opportunities (Lumpkin & Dess, 1996; Matsuno et al., 2002). Thus entrepreneurship manifests itself through the firm's tendency to accept innovation, risk-taking, proactiveness, competitive aggressiveness, and autonomy. (Lumpkin & Dess, 1996). Therefore, entrepreneurial orientation connotes an orientation looking for opportunities, involving processes, exploring markets that offer future benefits for the company (Wiklund & Shepherd, 2003).

#### 3. Learning Orientation

*Learning orientation* refers to the activities of the entire organization creating and using knowledge to increase competitive advantage. It includes obtaining and sharing information about customer needs, market changes, and competitor actions, as well as the development of new technologies to create new products that are superior to the competition (Hurley and Hult, 1998; Moorman and Miner, 1998; Mone et al., 1998; Calantone et al., 2002). The four components of *learning orientation* are *committed to learning*, *shared vision*, *open-mindedness* (Sinkula et al., 1997), and *intra-organizational knowledge sharing* (Moorman & Miner, 1998).

### Innovation

Innovation enables organizations to move forward in line with evolving changes in their environment. Innovation is a strategic key in responding to new challenges from an environment full of uncertainty (Montes et al., 2005). The best way to assess an innovation success of a company is to compare how well it performs against its competitors (Guimaraes et al., 2010). Companies with poor innovation and limited product research and development rely heavily on competitor knowledge to maintain their technological capacity. For an organization, innovation will indicate the generation or adoption of new ideas or behaviors (Liao et al., 2008).

Innovation can also improve performance by increasing the company's ability to innovate. By improving the capabilities of the products processed is possible to develop new product ranges, and new organizational practices can increase the company's ability to acquire and create new knowledge uses to develops other innovations (Oslo Guide Manual, 2005). An innovation defines as the application of new ideas that generate value. This generic description refers to various types of innovations such as product development, deployment of new technological processes, as well as management practices. According to Schumpeter (1934), there are five manifestations of innovation (Oslo Guide Manual, 2005), namely (1) creation of new products or qualitative

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improvements in existing products (2) use of new industrial processes (3) opening of new markets (4) development of material sources new standards or other new inputs (5) new forms of industrial organization.

The Oslo Guide (2005) has provided a definition of innovation and the types of innovation. There are four types of innovation discussed, namely product innovation, process innovation, marketing innovation, and organizational innovation. (1) Product innovation includes the presentation of new products and services to the market and a further improvement in the functional characteristics or users of existing goods and services. (2) Process innovation is the application of new or better production or delivery methods. This includes significant changes in techniques, equipment, and/or software, including major changes in methods, equipment, and/or *software*. (3) Marketing innovation, is the novelty of the approach adopted by the company to enter and exploit the targeted market by emphasizing the novelty of the market-oriented approach (Ali, Krampf, and Labahn, 1995). The opening of new markets or finding the company's products in the market in new ways, new sales techniques, new financial methods can also be seen as marketing innovations (Oslo Guide Manual, 2005). (4) Organizational innovation can be defined as the application of new organizational methods in commercial practice, workplace organization, or external relations in a company. Organizational innovation in commercial practice involves the realization of new methods in organizational routines and procedures for carrying out work (Oslo Guide Manual, 2005).

### Competitive Advantage

The term competitive advantage was first proposed by Porter in 1980 when they published his classic book entitled "*The Competitive Advantage of Nations*", which explains "how a company can create and maintain a competitive advantage in the industry". *Sustain* is the keyword. Porter claims that "there are three generic strategies for gaining competitive advantage: *cost leadership, differentiation, and focus*" (Porter, 1998).

Companies that have a competitive advantage, according to Barney, are companies that have resources with several characteristics which are better known as VRIO (Jugdev, 2005). *Valuable*, meaning that the resources owned by the company can exploit opportunities and neutralize threats that exist in the company. A valuable resource that will bring higher profits to the company, but the resources are valuable not necessarily bring competitive advantage. If only valuable then the resource only raises *competitive parity*. *Rareness*, if the resources obtained are only owned by a few competitors, it can be said that the resources owned by the company are scarce. *Inimitability* is a resource that is difficult for other companies to imitate in the long run. *Organizational Focus*, company activities (routines, leadership, formal processes, and management functions) enable companies to protect their assets through their business practices (Jugdev, 2005).

Porter's (1998) generic strategy is competitive as a defensive or offensive action to create a defensible position in an industry. There are 3 strategies in the generic strategy, namely; First, *cost leadership* requires aggressive construction of efficient-scale facilities, such as tight cost and overhead control, cost minimization in areas such as R&D, service, salesforce, advertising, and so on. Second, *differentiation* is a strategy in creating a product or service that is different and is considered unique. The third *focus*, this strategy is used to build a competitive advantage in a narrower market segment. This type of strategy is intended to serve the needs of consumers who are relatively small in number and in making their decision to buy are relatively not influenced by price.

### HYPOTHESIS

Strategic orientation is the principle that directs and influences the company's activities and builds behavior that is directed to ensure business success and performance (Gatingnon and Xuereb, 1997). It is stated that strategic orientation can increase competitive advantage and business performance (Cadogan et al., 2009; Ruokonen and Saarenketo, 2009). Various studies have been conducted to measure the effect of strategic orientation on competitive advantage. *Market orientation* is often studied and almost universally recognized as one of the main contributors to competitive advantage and firm performance (Cano et al. 2004; Grinstein 2008; Hunt and Lambe 2000; Kirca et al. 2005; Shoham et al. 2005). Other orientations such as *entrepreneurial orientation, learning orientation, and technology orientation* are also organizational orientations that can increase competitive advantage (Baker and Sinkula 1999a, b; Covin and Slevin 1989; Gatignou and Xuereb 1997; Hult et al. 2004; Sinkula et al. 1997; Wiklund 1999; Wiklund and Shepherd 2005), and a positive relationship has been found between orientation and competitive advantage (Kiiru, 2015; Puspita et al., 2020). Based on the theory and previous empirical studies, the hypotheses built from this relationship are:

**H1a/b/c: Strategic Orientation (market, entrepreneurial and learning orientation) has a significant effect on Competitive Advantage**

**H2: Strategic Orientation has a significant effect on Competitive Advantage**

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The strategic orientation consisting of *market orientation*, *entrepreneurial orientation* and *learning orientation* has a positive influence on innovation (Alegre & Chiva, 2013; Calantone et al., 2004; Huang & Wang, 2011a, 2011b; Hurley & Hult, 1998a, 1998b; Jimenéz-jimenéz et al., 2013; Kumar et al., 2020; Mahmoud et al., 2016; Pardi et al., 2014; Pratono et al., 2013; Suyanto, 2014; Tid et al., 2005).

Kohli & Jaworski (1990), stated that the essence of knowledge about markets- *market orientation* - is basically how to create a new or unique product/service. Competitor orientation is an organizational culture that emphasizes an understanding of the short-term strengths and weaknesses as well as the long-term capabilities and strategies of current and potential major competitors (Deshpande et al., 1993; Narver and Slater, 1990). Firms that adopt a competitor orientation develop in-depth assessments of targeted and potential competitors and use the resulting knowledge to match or exceed competitors' strengths (Kohli and Jaworski, 1990; Olson et al., 2005).

*Entrepreneurial orientation* is one of the important factors for innovation (Wu, Chang, & Chen, 2008). Entrepreneurial orientation refers to trends, processes, and behaviors that lead companies to enter new or existing markets with existing or new products (Lumpkin & Dess, 1996). According to Miller, a company with an entrepreneurial orientation is one that engages in market innovation, undertakes somewhat risky ventures, is the first to do so with proactive innovation, and beats competitors (Miller & Friesen, 1982).

Previous research has shown that *learning orientation* is closely related to the innovative activities of an organization (Calantone et al., 2002; Rhee et al., 2010; Sheng and Chien, 2016). The learning process aligns the organization with the internal and external environment (Abdulai Mahmoud and Yusif, 2012) and also plays a major role in adapting the organization to a rapidly changing and complex environment (Huang and Li, 2017). This process assists the organization in gathering, interpreting, and sharing related information and knowledge; therefore, it can lead to the development of capabilities such as innovation, strategic decisions, and product development (D'Angelo and Presutti, 2018). Based on the theory and previous empirical studies, the hypotheses built from this relationship are:

### H3: Strategic orientation has a significant effect on innovation

Innovation can distinguish one company from another (Supriyadi, 2014; Kalkan *et al.*, 2014). Studies conducted by Hitt, Ireland, Camp, & Sexton (2001) and Tidd (2001), mention that innovation is a way to unlock competitive advantages both globally and internationally through providing the market with new or unique products/services (Akgün et al., 2009). Innovation itself will generate many benefits because these resources are rare, difficult to imitate, and non-substitutable (Hoffman et al., 2006). If the position of the resource is difficult for competitors to imitate then it means that the organization has succeeded in adding longevity qualities to the resource. The ultimate goal of performance measurement is to create sustainable profitability. Another goal to be achieved is to manage business operations and strategic activities. The most significant variable in this scope is to develop innovations that make a difference in a competitive market and attract customers (Nadia *et al.*, 2016). Based on the theory and previous empirical studies, the hypotheses built from this relationship are:

### H4 = Innovation has a significant effect on Competitive Advantage

## RESEARCH METHOD

This type of research is quantitative with a survey method. The survey method was carried out on creative industry owners/managers in 16 craft sub-sectors. The selected creative industries are spread across Central Java Province, centered in Jepara, Kudus, and Solo. The owner/manager of the craft sub-sector is considered a researcher who can represent the organization and understand strategies and policies related to strategic orientation, innovation, and competitive advantage.

### Population and Sample

The population of this study is the creative industry with craft sub-sectors in Central Java. The reason for taking the sub-sector is because it is one of the sub-sectors in Central Java that dominates and contributes to GDP (Kumoro, 2017). The total population of the craft sub-sector in Central Java is not known for certain. Especially with the Covid-19 pandemic. The number of samples used was 78 SMEs in Central Java with a judgment sampling system with the following criteria: (1). Craft sub-sector that still exists (2) Has a workforce of at least 3 people.

### Measures

The strategic orientation dimension refers to the research of Ho (2014) and Hakala (2011), namely market orientation, entrepreneurial orientation, and learning orientation. The 25 questions owned using the Likert scale show the value of the validity test (> 0.440) and the reliability test of each dimension (0.712; 0.790; 0.927), which means that the variable is valid and reliable.

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Innovation includes 3 indicators adopted from research by Kalkan *et al* (2014) namely product innovation, process innovation, and marketing innovation. This variable uses a 5-point Likert scale. The results of the validity test showed the results ( $> 0.727$ ) with a reliability value of 0.830. So it can be said that the innovation variable is valid and reliable.

The competitive advantage consists of 3 indicators including *cost of leadership*, *differentiation*, *focus* (Porter, 1998). 5 points on the Likert scale were used to measure 3 questions on the competitive advantage variable. The value obtained in the validity test is ( $> 0.624$ ) and the reliability test is (0.646).

### Data analysis

Data analysis was carried out after getting answers from questionnaires distributed to respondents. Analysis of the questionnaire using Microsoft Excel and SPSS version 25. To see the relationship between variables using Pearson correlation. The analysis uses several tests, namely the correlation coefficient test, the coefficient of determination test, the simple linear regression test, the multiple linear regression test, the T-test, the F test.

## RESULT

**Table 1 Correlation Results of Strategic orientation to Competitive Advantage**

Variable	Market Orientation	Entrepreneurial Orientation	Learning Orientation	Competitive Advantage
Market Orientation	1			
Entrepreneurial Orientation	-0,103**	1		
Learning Orientation	0,097**	-0,109**	1	
Competitive Advantage	0,019**	0,606**	-0,048**	1

Source: processed primary data, 2021

The correlation coefficient value between *market orientation* and competitive advantage is 0.019 which is included in the very weak category because it is in the 0.00-0.199 interval. The relationship between *entrepreneurial orientation* to competitive advantage scores 0.606. This relationship can be said to be strong because it is included in the interval 0.60-0.799. Learning orientation towards competitive advantage gets a coefficient value of -0.048 which is negative or opposite.

**Table 2 Results of Multiple Regression Test of Strategic orientation towards Competitive Advantage**

### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,040	1,971		,528	,599
	market orientation	,031	,035	,081	,873	,385
	entrepreneurial orientation	,406	,061	,615	6,619	,000
	learning orientation	,003	,022	,011	,122	,903

a. Dependent Variable: competitive advantage

Source: processed primary data, 2021

Based on table 2 shows a positive influence between the three dimensions of strategic orientation on competitive advantage. The constant value in these results is 1.040 and is positive which means that if all dimensions are constant, the competitive advantage reaches 1.040 times. *Market orientation*, getting a positive value of 0.031 which means that every time there is an increase in one unit of *market orientation*, it increases competitive advantage by 0.031 times. *Entrepreneurial orientation* shows a value of 0.406 which is positive. This means that each increase in one unit of *entrepreneurial orientation* causes an increase in the competitive advantage of 0.406. *Learning orientation* has a positive regression coefficient of 0.003. This means that every one unit increase in *learning orientation* can increase competitive advantage by 0.003 times.

### T-test

Referring to table 2, the relationship between market orientation and competitive advantage shows a significance value of 0.358, which is  $> 0.05$  (more than 0.05). And the value of t arithmetic obtained is 0.873 where  $< t$  table 1.6652. So it can be concluded

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that the influence of market orientation *is* not significant on competitive advantage. The second test, the t-count obtained between entrepreneurial orientation to competitive advantage is  $6.619 > 1.6652$ . Both the significance value obtained is  $0.000 < 0.05$ . So it can be concluded that entrepreneurial orientation has a significant effect on competitive advantage. In the third test, based on table 2.4, it can be seen that learning orientation has a significance value of 0.903 which is greater than 0.05. In addition, the t count shows the number  $0.122 < t$  table 1.6652. So it can be said that learning orientation *has* no significant effect on competitive advantage.

**Table 3. Results of the F Test of Strategic orientation towards Innovation**

ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	71,561	3	23,854	14,717	,000 <sup>b</sup>
	Residual	119,939	74	1,621		
	Total	191,500	77			

a. Dependent Variable: competitive advantage

b. Predictors: (Constant), learning orientation, market orientation, entrepreneurial orientation

Source: processed primary data, 2021

Table 3 shows that *market orientation, entrepreneurial orientation, and learning orientation* simultaneously get a significant value of 0.000 where the number is less than 0.05 ( $0.000 < 0.05$ ). The relationship between these variables has a t-count value of 14.717  $> t$ -table 2.727. So it can be concluded that the three dimensions of strategic orientation simultaneously or jointly have a significant effect on competitive advantage.

**Table 4. Coefficient Test of Strategic Orientation Determination of Competitive Advantage**

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,611 <sup>a</sup>	,374	,348	1,273

a. Predictors: (Constant), learning orientation, market orientation, entrepreneurial orientation

Source: processed primary data, 2021

Based on table 4 R Square obtained in this study of 0.374 or 37.4%. It can be said that *market orientation, entrepreneurial orientation, and learning orientation* are 37.4%. These three dimensions have a large enough influence on competitive advantage. While the remaining 62.6% is influenced by other variables outside of this study.

**Table 5. Correlation Results of Strategic orientation to Innovation**

Variable	Market Orientation	Entrepreneurial Orientation	Learning Orientation	Innovation
Market Orientation	1			
Entrepreneurial Orientation	-0,103**	1		
Learning Orientation	0,097**	-0,109**	1	
Innovation	0,036**	-0,237**	0,661**	1

Source: processed primary data, 2021

The correlation results show the relationship formed between market-orientation, entrepreneurial orientation, and learning orientation towards innovation. The relationship between market-orientation to innovation gets a value of 0.036 which is in the very weak category because it is in the 0.00-0.199 interval. Both entrepreneurial orientations scored -0.237, which means that the influence of entrepreneurship on innovation is negative or opposite. Then learning orientation has a correlation coefficient of 0.661 towards innovation. This means that the two variables have a strong relationship because they fall into the interval 0.60-0.799.

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**Table 6. Multiple Regression Test Results of Strategic orientation towards Innovation**

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6,986	2,711		2,577	,012
	market orientation	-,025	,048	-,044	-,512	,610
	entrepreneurial orientation	-,168	,084	-,171	-1,988	,050
	learning orientation	,231	,031	,647	7,540	,000

a. Dependent Variable: innovation

Source: processed primary data, 2021

The regression test carried out showed a constant positive result of 6.986, which means that if the market orientation, entrepreneurial orientation, and learning orientation are constant, individual performance will reach 6.986 times. Market orientation, getting a negative value of -0.025 with the meaning that every one unit increase in market orientation makes innovation decrease by 0.025 times and vice versa. Entrepreneurial orientation shows a value of -0.168 which is negative. This means that each increase in one unit of entrepreneurial orientation causes a decrease in innovation by 0.186 and in the opposite direction. Learning orientation has a positive regression coefficient of 0.231. This means that every time there is an increase of one unit in learning orientation, it can increase innovation by 0.231 times.

### T-test

Based on table 6, the relationship between market orientation and innovation has a significance value of 0.610, which is >0.05. Therefore, it can be concluded that the influence of market orientation is not significant on innovation. The second test shows the significant value between entrepreneurial orientation to innovation is 0.050, which means it is significant. It can be concluded that entrepreneurial orientation has a significant effect on innovation. In the third test, based on table 2, it can be seen that learning orientation has a significance value of 0.000. This value is smaller than 0.05 so it can be said that learning orientation has a significant effect on innovation.

**Table 7. Results of the F Test of Strategic orientation towards Innovation**

ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	198,188	3	66,063	21,550	,000 <sup>b</sup>
	Residual	226,851	74	3,066		
	Total	425,038	77			

a. Dependent Variable: innovation

b. Predictors: (Constant), learning orientation, market orientation, entrepreneurial orientation

Source: processed primary data, 2021

Table 7 shows that *market orientation*, *entrepreneurial orientation*, and *learning orientation* simultaneously get a significant value of 0.000 where the number is less than 0.05 ( $0.000 < 0.05$ ). And the t arithmetic obtained is 21.550 which is > t table 2.727. So it can be concluded that the three dimensions of strategic orientation have a significant effect on innovation simultaneously or together.

**Table 8. Coefficient Test of Strategic orientation Determination of Innovation**

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,683 <sup>a</sup>	,466	,445	1,751

a. Predictors: (Constant), learning orientation, market orientation, entrepreneurial orientation

Source: processed primary data, 2021

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Table 8 shows the results of *R square* or the value of the coefficient of determination in this study is 0.466 or 46.6%. It can be assumed that 46.6% of innovations are influenced by *market orientation*, *entrepreneurial orientation*, and *learning orientation*. These three variables when linked will have a major influence on innovation. While the remaining 53.4% is influenced by other variables outside of this study.

### DISCUSSION AND IMPLICATION

The results of this study contribute to the literature on the effect of strategic orientation on innovation and competitive advantage. The data comes from 78 respondents who own SMEs in Central Java. This research has produced several findings. The first test was conducted on the strategic orientation variable with the dimensions of *market orientation*, *entrepreneurial orientation*, *learning orientation* towards competitive advantage. Ho (2014), states that strategic orientation is a unique resource and is an element to build a competitive advantage that can improve company performance.

*The first* finding shows that *market orientation* has no significant positive effect on competitive advantage. The results of the regression coefficient are positive with a value of 0.031. The significant value obtained is  $0.385 > 0.05$ , which means that the relationship between the two is not significant. *Market orientation* is often studied and almost universally recognized as one of the main contributors to competitive advantage and firm performance (Cano et al. 2004; Grinstein 2008; Hunt and Lambe 2000; Kirca et al. 2005; Shoham et al. 2005). Companies that can assess market wants and needs can project the right strategy to achieve competitive advantage. It's just that this research involves SMEs during the pandemic, in which the community is in difficult circumstances, which has made it difficult for SMEs to read the market for the last 2 years. This insignificant relationship leads to a *market orientation* variable that does not have a big impact on competitive advantage, so hypothesis H1a is rejected.

*The second* finding is between entrepreneurial orientation to competitive advantage. Based on the calculation of the regression coefficient value obtained is 0.406 with a significance value of  $0.000 < 0.05$ , which means that entrepreneurial orientation has a positive and significant effect on competitive advantage. Entrepreneurial orientation includes exploratory activities with a high level of entrepreneurial orientation, proficiency in creating new organizational forms and industrial configurations, and being able to shape market settings to their advantage (Baker & Sinkula, 2009). SMEs that are opportunity-oriented, involved in the process and exploring the market (Wiklund & Shepherd, 2003) have a great opportunity to excel in the market. SMEs that can move quickly according to market needs can retain customers and make renewals. Therefore hypothesis H1b is accepted.

*The third* finding is that learning orientation has no significant positive effect on competitive advantage. Through multiple regression tests, the value of the regression coefficient of this relationship is 0.003, which is positive. On the other hand, the significant value shows the number  $0.903 > 0.05$ , which means it is not significant. Learning orientation refers to the activities of the entire organization in creating and using knowledge to increase competitive advantage. This includes activities to obtain and share information on customers, suppliers and competitors, technology development, and others (Hurley and Hult, 1998; Moorman and Miner, 1998; Mone et al., 1998; Calantone et al., 2002). The better SMEs in obtaining external information and aligning it with employees can encourage SMEs to move with the right strategies to achieve competitive advantage. So that this insignificant relationship leads to a *learning orientation* variable that does not have a big impact on competitive advantage,

The second test was carried out on the strategic orientation variable with the dimensions of market orientation, entrepreneurial orientation, learning orientation to innovation. Strategic orientation reflects the direction applied by the company to create appropriate behaviors that lead to superior performance (Gatignon & Xuereb, 1997; Slater, Olson, & Hult, 2006), and encourage the creation of innovation (Grawe et al., 2009; Laforet, 2009). , 2009; Theodosiou et al., 2012).

*The fourth* finding shows that market orientation has a negative and insignificant effect on innovation. Based on the calculation leads to the results of the regression coefficient of -0.025 which is negative. And the significant value obtained is  $0.610 > 0.05$ , which means that it is not significant. It can be assumed that if market orientation increases, it causes innovation to decrease. Kohli and Jaworski (1990) define market orientation from a behavioral perspective, namely as a joint effort of all organizational components to generate market knowledge related to current and future customer needs. During the pandemic, market conditions were not stable enough because most people tended to need food, while the respondents of this study focused on clothing-based SMEs such as batik and clothing. Therefore, when SMEs see and receive market information during a pandemic, they reduce their performance in innovation because the current market situation is not stable enough.

*The fifth* finding is that entrepreneurial orientation has a significant negative effect on innovation. Multiple regression test shows the regression coefficient of -0.168 which is negative. On the other hand, the significant value is  $0.050 < 0.05$  which can be assumed to be significant. This negative relationship leads to an increase in entrepreneurial orientation which leads to a decrease in innovation or vice versa. During the pandemic, MSEs that carry out an entrepreneurial orientation cannot increase innovation.



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The sixth finding is that learning orientation has a significant positive effect on innovation. Previous research has shown that learning orientation is closely related to the innovative activities of an organization (Calantone et al., 2002; Rhee et al., 2010; Sheng and Chien, 2016). This is supported by the results of a regression coefficient of 0.231 and a significant value of 0.000 <0.05 which is declared significant. Learning orientation is tasked with aligning the organization with the internal and external environment (Abdulai Mahmoud and Yusif, 2012) and also plays a major role in adapting the organization to rapid and complex environmental changes (Huang and Li, 2017). The higher or the amount of information obtained and then developed internally in SMEs, the better innovative ideas emerge and the faster the development of new products.

### CONCLUSION

This research focuses on the relationship between strategic orientation, innovation, competitive advantage. The conclusion that can be drawn in this study is that market orientation has a positive and insignificant effect on competitive advantage. Entrepreneurial orientation has a positive and significant impact on competitive advantage. Learning orientation has no significant positive effect on competitive advantage. Market orientation has a negative and insignificant effect on innovation. Entrepreneurial orientation has a significant negative effect on innovation. Learning orientation has a significant positive effect on innovation. Suggestions that can be given based on the results of the study are (1) During the pandemic, SMEs need to always maintain old customers so that income remains stable and can survive in difficult conditions. (2). Requires additional variables to find out what factors can increase the innovation and competitive advantage of SMEs during the pandemic.

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