

Competitive Advantages through Entrepreneurship Orientation and Innovation in Creative Batik Industry in Jember District

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Abstract:

This study aims to examine and analyze the effect of Entrepreneurship Orientation and innovation to gain the competitive advantage of batik entrepreneurs in Jember. The research used explanatory research and quantitative approach method. Path analysis was used to analyze the data of 10 batik entrepreneurs under the guidance of the department of industry and commerce in Jember as sample. The results of this study are the independent entrepreneurial orientation, (X1) has signification effect to innovation capacity (Z), intervening innovation capacity competitive advantage (Y) and entrepreneurial orientation (X1) has significant effect to competitive advantage (Y). It can be concluded that the entrepreneurial orientation plays an important role in developing innovative products and results, innovation and entrepreneurial orientation and competitive advantage.

Keywords: competitive advantage; entrepreneurial orientation; innovation capacity; Batik

JEL Classification: O31; O32

Introduction

In the 1990s, the emerging 'creative industry' as a policy discourse and instrument signaled the government's desire to harness cultural production of a new economic era (Banks and O'Connor 2009). The creative industry which includes audiovisual products, design, new media, performing arts, publishing and visual arts is not only one of the most rapidly growing sectors of the world economy. Around the world, the creative industry has become an increasingly important part of the global economy, serving as a bridge of culture, business, and technology. The creative industry has shown its prominence as it continues to expand during the recent global financial and economic crisis. With the growth of technology and income from developing countries, it seems that the creative economy will be the future of the global economy. The world sees challenges in the development of the creative economy, not to mention Indonesia with various untapped potential markets.

In Indonesia, creative industry defined as an industry which came after the use of individual creativity, skill, and talent to create welfare and job occupancy by creating and exploring individual creativity and innovation (Kementerian Perdagangan 2009). The creative industry is a group of industries that consist of different groups that linked to the process of the idea or intellectual property exploration to change something worthy that would create welfare and job vacancies ((Kementerian Perdagangan 2009). Based on Creative Industries Mapping Study Based Department of Commerce Republik Indonesia, creative industries are advertising, architecture, arts, crafts, design, fashion, video, film and photography, interactive games, music, art performing, publishing and printing, computer services and software, television and radio, research and the last is culinary (Kementerian Perdagangan 2009).

When the scope of creative industry is viewed, most of does not need a high production scale. It is not the same as manufacture industry that focus on product quantity, but the creative industry depends on human resource creativity. Creative industry mostly has arisen from the group of middle-up industries. Although the products not in a huge number available, the creative industry could deliver the significant positive contribution to our national economic situation.

1. Literature Review

Entrepreneurship is a process to create something new or make a change of something old fashion with innovations in order to bring the welfare of individual and society higher (Gray 2006). According to Carland et al. (2002) entrepreneur is someone who does something by creating a new idea and bring into reality. Shane and Venkatarama (2000) stated that the root of entrepreneurship is making a new innovation of any kind of product.

Lumpkin and Dess (1996) stated the difference between entrepreneurial orientation and entrepreneurship. Entrepreneur orientation determined the picture of how a new way done by a company, presented by the process, practice and activity that supports a new way of breaking through. While entrepreneurship defined to bring a new product and service or a new company as a new way to do by entering an exist to the market and a new one. So entrepreneurship can be said as a product of entrepreneurial orientation. Process, practice and the activity of decision making create a new way for new market-oriented. Entrepreneurial orientation mostly brings a company involved in an innovation action, dare to take a risk and proactive to defeat the competitor. Companies that involved would develop effectively or increasing company performance and competition level.

As written in previously, the root of entrepreneurship is a new way facing new market/target. Facing a new market or target by new product and service that already exist, making a new business by starting a corporate business is one of new facing a new market to target. Alizade, Mehrani, and Didekhani (2014) explain that the marketing mix is a set of marketing tools the company uses to achieve marketing objectives in the target market. A picture of how a new way facing a new market or target is an entrepreneurial orientation (EO). For that situation, EO is shown as a process, practice and activity of decision making that creates a new way facing a new market or target (Lumpkin and Dess 1996). Conceptually, entrepreneurship is a product of Entrepreneurial Orientation (EO).

Innovative is defined as the root of willingness to go step ahead over the existing technology and operational process leaving the old situation (Kimberly and Evanisko 1981). Innovation is a step that should be taken by a company to stay still and became the former in its competition of this new global era, where everything is changing very fast. A company won't stay on the same strategy for a long period.

Competitive advantage is the ability of a company to create a product that when competitor tries to imitate it will always experience a significant failure. When companies implement such strategies and competitor companies do not continually implement them and other companies are not able to imitate then benefits of the strategy, the company is said to have sustained competitive advantage (Ireland *et al.* 2001).

For the purposes of the research, we define entrepreneurship as the identification and exploitation of previously unexploited opportunities. As such, entrepreneurial action entail creating new resources or combining existing resources in new ways to develop and commercialize new products, move into new markets and/or service new customers (Ireland *et al.* 2001, Kuratko, Ireland, and Hornsby 2001, Sexton and Smilor 1997). On the other hand, strategic management needs the set decisions, commitments, and actions designed and executed to produce a competitive advantage and earn above-average returns (Hitt, Ireland, and Hoskisson 2012).

2. Methodology

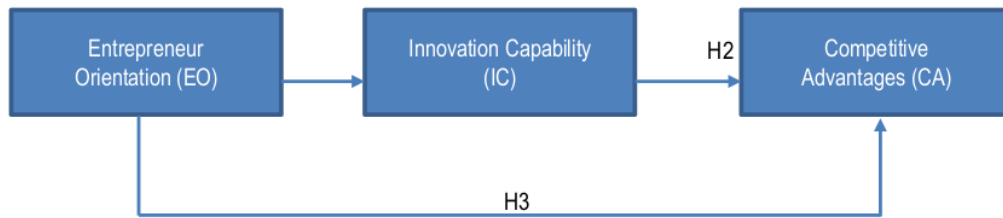
2.1 Research Plan

The research is a kind of research with quantitative explanatory approach applied, it means this research explains object in details with some orders applied that is the effect of entrepreneurial orientation through business innovative capacity on product positioning and competitive advantages of batik entrepreneurs in creative industry of Jember district. The population of this research is batik entrepreneurs who are coached by trade department of Jember district. This research is using saturated sampling method. It's handling all populations as the respondents. Saturated sampling determined that all population are the sample.

Data analysis technique is using SPSS v.16.00 program application for Windows. There are some techniques in this research, *i.e.*: validity test, reliability test, path analysis, and normality test. Validity test used for making sure the accuracy of measurement tools that are used. The validity questionnaire of this research is using product moment correlation technique which is testing the correlation between each question score and total of questions score for measuring the instrument validity. Each question will be the valid one if r (correlation coefficient between each question score and total score) greater than df (degree of freedom) table (Landau 2004). Reliability test is close to belief. A test will be believed if it gives an exact results. In this research, we are using alpha Cronbach formula as data reliability measure instrument, based on research instrument internal consistency (Landau 2004).

Path analysis is part of regression analysis that is used for analyzing the causal connectivity of variables, since dependent variables affecting independent variables, directly or indirectly by one or more than one intervening variable. The path analysis system is presented in Figure 1.

Figure 1. Path Analysis System



Path analysis will be explained with the equation below :

$$Z = \beta_{zx}X + \varepsilon_1 \quad (1)$$

$$Y = \beta_{yx}X + \beta_{yz}Z + \varepsilon_2 \quad (2)$$

Where : X = entrepreneurial orientation (EO); Z = innovation capacity (IC); Y = competitive advantage (CA); $\varepsilon_{1,2,3}$ = residual variable (error)

Decision making on normality test based on the situation of data spreads on the diagonal line and flows with the diagonal line, it means data analysis model is available for normality assumption.

3. Results and Discussions

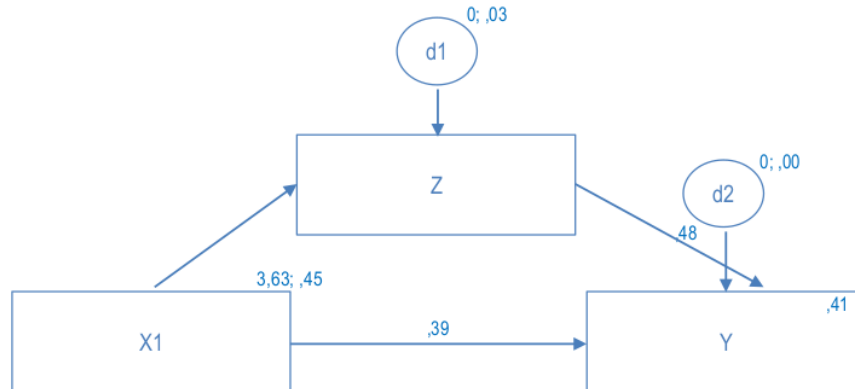
3.1 Validity and Reliability Test

Research instrument or questionnaire validity test runs on correlation index of product moment pearson, by comparing r of each score of the questionnaire and total score of each variable by stating the r point o believing level on 5% and degree of freedom (df) on 7-2 is 0.75. if r point of product moment is higher than 0.75, it means that it's valid.

	Variable	Corrected item- Total correlation	Cronbach's alpha based on standardized item	Notes
X (EO)	X1.1	0.899	0.942	Valid and reliable
	X1.2	0.891		
	X1.3	0.809		
	X1.4	0.812		
	X1.5	0.809		
Z (CI)	Z1.1	0.878	0.940	Valid and reliable
	Z1.2	0.786		
	Z1.3	0.925		
	Z1.4	0.883		
	Z1.5	0.740		
Y (CA)	Y1.1	0.846	0.951	Valid and reliable
	Y1.2	0.863		
	Y1.3	0.820		
	Y1.4	0.905		
	Y1.5	0.863		
	Y1.6	0.775		

Source : Primary data processed (2016)

Figure 2. Path diagram of path coefficient test result



Based on the value coefficient test result as shown in Figure 2, it can calculate the coefficient path diagram of path coefficient this below:

$$Z = \rho_{yX1} X1 + e1 \quad (3)$$

$$Z = 1,02X1 + e1$$

$$Y = \rho_{yX1} X1 + \rho_{yZ} Z + e2 \quad (4)$$

$$Y = 0,391X1 + 0,48Z + e2$$

3.2 Hypothesis Testing and Casual Relationship

For knowing how is the effect of variables that are measured, we will find out on the result of hypothesis testing between variables in Table 2.

Table 2. Hypothesis Testing Result

Variable	Estimation	Error Standard	Critical Ratio	Probability	Notes
X1 → Z	1.018	0.105	9.689	0.000	Significant
Z → Y1	0.481	0.106	4.558	0.000	Significant
X1 → Y1	0.395	0.111	3.552	0.000	Significant

Source : Primary data processed,2016

The relationship between Independent Variable X1 (entrepreneurial orientation) and Intervening Variable Z (innovation capacity) is significant because the score of P is ≤ 0.05 , it's 0.03. The relationship between Intervening Variable Z (innovation capacity) and dependent variable Y (competitive advantage) is significant because the score of P is ≤ 0.05 , It's 0.00. The relationship between of Independent Variable X1 (entrepreneurial orientation) and dependent variable Y (competitive advantage) is significant because the score of P is ≤ 0.00 , it's 0.02. Normality test goal is knowing whether in regression, intervening variable or residual has normal distribution or not t and f test assumed that residual point following normal distribution. If it's crossed over, statistics test will be invalid for small number sample (Ghozali 2008).

A method of seeing normal probability plot which comparing the cumulative distribution and normal distribution, as normal distribution will set a diagonal line, and residual plotting data will be compared with the diagonal line. If data distribution is normal, the line which reflects the real data will follow its diagonal line, by seeing the result of analysis graphic, means that data had already fulfilled the normality assumption.

Based on hypothesis test which was done in the previous chapter, here is the discussion of hypothesis test result of the research. There are variables here, e.g : entrepreneurial orientation (EO), innovation capacity (IC), and competitive advantage (CA). "Here is the result of research hypothesis in details:

- Entrepreneurial orientation significantly effects innovative capacity in the creative industry, the first hypothesis is proven. It means that entrepreneurial orientation is handling the important key to develop product innovation, etc. This research was supported study result of Atuahene-Gima and Ko (2001). Entrepreneurial orientation is reflecting that mostly business owner involved in innovative acts because entrepreneurial orientation illustrated by the process, practice and decision making activity which is

supporting the new way of innovation. Entrepreneurship is covering the steps of: innovation process, stimulate process, implementation process, and growth process. So as what batik entrepreneurs did in Jember district, especially for those whose orientated on hand-print Batik, they have to do innovation periodically. It's the concept of creative economic which innovation and creativity are two things that enhance the image and local identity for establishing the culture and local heritage value. Batik Entrepreneurs in Jember District could increase the local value on special and specific Batik ornaments which reflect Jember's iconic, such as tobacco, clove and Jember Fashion Carnaval (JFC) has become the trademark of Jember district.

- Innovation capacity affects competitive advantages significantly on creative industry, so the second hypothesis is accepted. It means that innovation could bring Batik Entrepreneurs in Jember district got the competitive advantages. This result supported by Parkman, Halloway, and Sebastiao's research (2012) "Creative industries: aligning entrepreneurial orientation and innovation capacity" which one of those research is innovation capacity which can be partial media on the relation of EO (entrepreneurial orientation) and CA (competitive advantage). Barney (1991) used competitive advantages to observe more aspects of company performance that supported by many findings which proves that ability to elevate and explore organization creativity is a great potential resource and became a sustainable competitive advantage. That's one of Jember's uniqueness, Batik with tobacco shades, it's not the same as general Batik which pays attention to traditional Batik pattern, Sogan hand-print Batik from Jogjakarta or Solo, Jember hand-print uses tobacco shades which is the symbol of Jember. Just the same as Batik shades from other places that full with shades, Jember Batik also full with tobacco shades. Those Batik shades are not the standard one, but it's creation of Batik and never been taught by the ancestors, and that's Batik entrepreneurs creativity of Jember district whose asked to make somethings which can not be copied perfectly. That uniqueness had already brought competitive advantages, which are price, quality, the creativity of product business image, higher profit, product positioning at the market and business growth;
- Entrepreneurial orientation affects competitive advantages significantly in creative industry is proven. It means entrepreneurial orientation could give competitive advantage for Batik entrepreneur in Jember district. Parkman *et al.* (2012) stated that the case of entrepreneurial orientation affected competitive advantages significantly in creative industry. The entrepreneurial orientation which is indicated by innovation capability refers to the target market, proactiveness, dare to take a risk, and ability to create a product with differentiation which had given a positive and significant effect on competitive advantages. It's indicated by relatively competitive price, unique and good product quality, entrepreneur put innovation as the priority, better business image, organized business management, better profit, became the leader of all, good business growth. It means that whenever a company is on the highest level on entrepreneurial orientation, it would support the creation of high-level marketing performance.

Conclusion

Here are some general conclusions based on the researched fact of Batik small-medium enterprises in Jember district. The concept of creative economics is innovative and creativity, both of them could elevate local image and identity in order to establish culture, heritage and local value that proven by a fact that Batik entrepreneur in Jember district could elevate local value on Batik shades which has its specific character and reflecting Jember, such as tobacco, clove and Jember Fashion Carnaval (JFC) which became the priority product of Jember district.

Upgrading and exploiting organization creativity are great resource for all and become the sustainable competitive advantages.

Jember Batik uniqueness with tobacco ornament is not common because it's not a traditional Batik pattern, not standard, creative and never been taught by the ancestors. Thus Batik entrepreneurs in Jember district is requested to keep Jember Batik uniqueness authentic and cannot be copied either perfectly or not.

At the time a company has a high level of Entrepreneur Orientation, it will support marketing performance to be created at a high level to gain competitive advantages. An extra approach and coaching are required for small-middle enterprises that geographically so hard to be reached by public transportation, since they are on the remote area, and human resource management approach is also needed to be done.

Since the potential local asset, Jember Batik, specifically Sumberjambe has still not known widely. Thus the local government is suggested to have the specific programme, especially in localizing Batik and prioritizing. Batik as special product of Jember District. Jember Fashion Carnaval which is held annually is a potential event for Batik entrepreneurs in Jember district and local government may conduct a promotion programme in this event.

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