

THE ROLE OF MARKET ORIENTATION AND PRODUCT QUALITY ON COMPETITIVE ADVANTAGE IN MICRO, SMALL AND MEDIUM ENTERPRISES IN BATAM CITY

By

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Abstract

Small and Medium Enterprises certainly want their businesses to make a profit so that business actors can continue to run their business activities. The success of a business is certainly inseparable from the Competitive Advantage possessed by the business. Small and medium enterprises certainly have a major contribution to the rolling of the wheels of a country's economy, not only because small and medium enterprises are seeds that enable the growth of large businesses, but also because small and medium enterprises provide certain services for the community which for large businesses are considered less efficient in cost. The object of this research is Small and Medium Enterprises located in the city of Batam. Data collection techniques in this study are using the help of questionnaire distribution, conducting direct interviews with small and medium enterprises as respondents. The results of the study stated that market orientation has a significant effect on competitive advantage, product quality has a significant effect on competitive advantage, market orientation and product quality simultaneously have a significant effect on competitive advantage.

Keywords: Market Orientation: Product Quality: Competitive Advantage

INTRODUCTION

The emergence of competition and rapid changes, both in terms of technology, customer needs and increasingly short product cycles in the business world, including Micro, Small and Medium Enterprises (MSMEs) is inevitable. To survive in running a business and win the competition, companies are required to have a competitive advantage. The competitive advantage of a company in competing with other companies can be done by applying market orientation. Companies that apply market orientation have advantages in terms of customer knowledge and these advantages can be used as a source to create products that suit customer wants and needs. Market orientation is highly valuable, scarce, and non-interchangeable, and cannot be perfectly replicated, being judged as one of internal capabilities and resources that can potentially create a competitive advantage. Product quality is a strategic tool used to achieve competitive advantage and is an important element in determining value for customers. The quality of a product is very important to apply in a company, because quality is one of the keys in winning competition with the market. When the company has been able to provide quality products, it has built one of the foundations to create customer satisfaction. The problem to be examined is how the role of market orientation and product quality on competitive advantage. Where this competitive advantage is important to note so that small and medium businesses can

continue to survive and grow amid tight competition. The specific purpose of this study is to see how much influence market orientation and product quality have on competitive advantage. The feasibility study of conducting this research is to conduct a field survey of MSME actors in the city of Batam so that it can be decided if this research is feasible to be carried out because it can be useful for MSME actors to be able to take policies in increasing competitive advantage. The urgency of the research is expected that this research can be useful for small and medium enterprises to be able to take policies that can increase competitive advantage.

Market Orientation

Market orientation is the organizational culture that is most effective and efficient in creating the behavior necessary for superior value creation for customers so as to produce superior business performance on an ongoing basis. Market orientation has three components, namely customer orientation, competitor orientation, and interfunctional coordination (Idar et al., 2012)

Market orientation indicators are as follows (Wahyudin, 2015) :

1. Customer orientation
2. Competitor orientation
3. Market Information

Product Quality

Product quality is one of the factors that consumers consider in buying a desired product. Business actors must be able to provide quality in accordance with the needs and desires of consumers by paying attention to existing quality standards. The quality standard of a good or service may relate to time, materials, performance, reliability, or quantifiable characteristics (Puspita et al., 2016)

Product quality indicators are as follows (Mowen & Minor, 2012):

1. Performance
2. Reliability or reliability
3. Durability
4. Security

Competitive advantage

Competitive advantage is the extent to which an organization is able to create a position where it can maintain the market as long as there are competitors. Companies create competitive advantage through competitive capabilities or priorities defined as strategic preferences or dimensions by which the firm chooses to compete in the targeted market (Russell & Millar, 2014)

Indicators of competitive advantage are as follows (Irfanunnisa. et al., 2013):

1. Product uniqueness
2. Product Quality
3. Competitive price

The hypotheses proposed in this study are as follows:

1. Market orientation has a significant effect on competitive advantage
2. Product quality has a significant effect on competitive advantage
3. Market orientation and product quality simultaneously have a significant effect

METHODS

The sample of respondents in this study are Small to Medium Enterprises actors in the city of Batam. The data used in this study are prime data and secondary data, the data collection method is carried out by interviews, observations, and library research. The population in this study is Small to Medium Enterprises actors. The population of this study is small and medium enterprises in Batam Kota District. a total of 34. Determination of the number of samples using the saturated sample technique so that the number of samples is 34.

RESULT AND DISCUSSING

Test Data Quality

Test the validity of market orientation

Table 1. Market Orientation Validity Test Results

No	Item	R Count	R Table	Conclusion
1	X1.1	0.796	0.338	Valid
2	X1.2	0.919	0.338	Valid
3	X1.3	0.835	0.338	Valid

From the table above, it is known that each variable has a calculated r value greater than 0.338. This means that the data used in the market orientation variable is valid. Product quality validity test

Table 2. Product Quality Validity Test Results

No	Item	R Count	R Table	Conclusion
1	X2.1	0.659	0.338	Valid
2	X2.2	0.655	0.338	Valid
3	X2.3	0.726	0.338	Valid
4	X2.4	0.711	0.338	Valid

From the table above, it is known that each variable has a calculated r value greater than 0.338. This means that the data used in the product quality variable is valid. Test the validity of competitive advantage

Table 3. Competitive Advantage Validity Test Results

No	Item	R Count	R Table	Conclusion
1	Y.1	0.752	0.338	Valid
2	Y.2	0.779	0.338	Valid
3	Y.3	0.822	0.338	Valid

From the table above, it is known that each variable has a calculated r value greater than 0.338. This means that the data used in the competitive advantage variable is valid Uji reliabilitas

Table 4. Reliability Test Results

Variable	Cronbach's Alpha	Conclusiong
Market Orientation	0.796	Reliabel
Product Quality	0.626	Reliabel
Competitive Advantage	0.682	Reliabel

From the table above, it can be seen that each variable has a Cronbach's alpha value greater than 0.6. This means that all questionnaire items used in this variable are reliable.

Classical Assumption Test

Normality test

The results of data normality testing in this study are as follows::

Table 5. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		34
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.14320820
Most Extreme Differences	Absolute	.121
	Positive	.110
	Negative	-.121
Kolmogorov-Smirnov Z		.704
Asymp. Sig. (2-tailed)		.705

a. Test distribution is Normal.

b. Calculated from data.

From the table above, it can be seen that the significance value of the normality test is 0.705. This significance value is greater than 0.05. So it can be concluded that the distribution of data in this study has been distributed normally.

Multicollinearity Test

The results of multicollinearity testing in this study can be seen as follows:

Table 6. Multicollinearity Test Results

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Market Orientation	.984	1.016
	Product Quality	.984	1.016

a. Dependent Variable: Competitive Advantage

From the table above, it can be seen that each variable has a tolerance value of 0.984. This tolerance value is greater than 0.1. The Variance Inflation Factor (VIF) value of

each variable is 1.016. This VIF value is less than 10. So it can be concluded that the data in this study does not occur multicollinearity problems

Heteroscedasticity test

The results of heteroscedasticity testing in this study can be seen in the following table:

Table 7. Heteroscedasticity Test Results

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-1.271	1.534		-.829	.414
Market Orientation	.025	.072	.061	.348	.730
Product Quality	.109	.082	.234	1.333	.192

a. Dependent Variable: Abs_Res

From the table above, it can be seen that the significant value of the market orientation variable is 0.730, the significant value of the product quality variable is 0.192. Each variable's significance value is greater than 0.05. So it can be concluded that in this study there was no heteroscedasticity problem

Multiple Regression Analysis

The results of multiple regression testing in this study can be seen in the following table:

Table 8. Multiple Regression Analysis

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	7.120	2.420		2.943	.006
Market Orientation	.140	.113	.206	1.234	.027
Product Quality	.238	.129	.308	1.852	.004

a. Dependent Variable: Competitive Advantage

From the table above, multiple regression can be formulated as follows:

$$Y = 7,120 + 0,140 + 0,238$$

From the multiple regression formula, it can be described as follows:

1. The constant has a value of 7.120. This means, if the independent variable does not experience change or zero (0), then the competitive advantage has a value of 7.120
2. Market orientation has a regression coefficient value of 0.140. This means that market orientation has a positive influence on competitive advantage. Every increase in one unit of market orientation will increase the value of competitive advantage by 0.140
3. Product quality has a regression coefficient value of 0.238. This means that product quality has a significant effect on competitive advantage. Every increase in one unit of product quality, it will increase the value of competitive advantage by 0.238

Hypothesis Test

The results of hypothesis testing in this study are as follows:

Partial Hypothesis Test (Test t)

Table 9. Partial Hypothesis Test (Test t)

Model	Coefficients ^a			t	Sig.
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta		
1 (Constant)	7.120	2.420		2.943	.006
Market Orientation	.140	.113	.206	1.234	.027
Product Quality	.238	.129	.308	1.852	.004

a. Dependent Variable: Competitive Advantage

From the table above it is known that:

1. Market orientation has a significant effect on competitive advantage
Market orientation has a significant value of 0.027. This significance value is less than 0.05. So it can be concluded that market orientation has a significant effect on competitive advantage.
2. Product quality has a significant effect on competitive advantage
Product quality has a significant value of 0.004. This significance value is less than 0.05. So it can be concluded that product quality has a significant effect on competitive advantage

Simultaneous Hypothesis Test (F Test)

Table 10. Simultaneous Hypothesis Test (F Test)

Model	ANOVA ^a				F	Sig.
	Sum of Squares	df	Mean Square			
1 Regression	7.813	2	3.906	2.808	.000 ^b	
Residual	43.129	31	1.391			
Total	50.941	33				

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Product Quality, Market Orientation

From the table above it is known that:

3. Market orientation and product quality simultaneously have a significant effect on competitive advantage
From the table above, it is known that the significance value is 0.000. This significance value is less than 0.05. So it can be concluded that market orientation and product quality simultaneously have a significant effect on competitive advantage.

CONCLUSION

1. Market orientation has a significant effect on competitive advantage

Market orientation is a way for business actors to find out the interests and needs of consumers. Business actors who understand, understand the interests and desires and needs of consumers for a product and service, will certainly be input for business actors to be able to make products / services that are in accordance with the needs and desires of consumers. That way, the products / services produced will be in demand by consumers because consumers need these products / services. So that business actors have a competitive advantage to be able to win the market

2. Product quality has a significant effect on competitive advantage
Consumers as buyers of products / services certainly want the products purchased to have good quality. Consumers do not want the money that has been spent on a product, but the product cannot last long, is easily damaged, does not function properly. Conditions like this will make consumers switch to other products or to other brands. Therefore, it is necessary for business actors to pay attention to the quality of the products / services produced so that these products sell well in the market. Business actors who have good product quality will certainly have a high competitive advantage because products / services are in demand by consumers.

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