

Competitive advantage to enhance internationalization and marketing performance woodcraft industry: A perspective of resource-based view theory

I Putu Gde Sukaatmadja^a, Ni Nyoman Kerti Yasa^a, Henny Rahyuda^a, Made Setini^{a*} and Ida Bagus Agung Dharmanegara^b

^aFaculty of Economics and Business, Udayana University, Bali, Indonesia

^bFaculty of Economics, Warmadewa University, Bali, Indonesia

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ABSTRACT

The increasingly tight competition has caused problems for small and medium enterprises (SMEs) in increasing their marketing performance. During the last few years, the marketing performance of SMEs operating in the Project woodcraft industry sector in the Badung Bali has moved downwards. The goal of this research is to develop knowledge in the fields of Strategic Management, specifically regarding product innovation to achieve a competitive advantage in an attempt to improve internationalization and marketing performance. The population in this research is all of the SMEs operating in the woodcraft industry sector and is based in Badung Bali. The sample size in this research is determined based on Slovin's formula and the total includes 100 units of SME operating in the woodcraft industry. The method used is the quantitative approach, which examines the role of competitive advantage in mediating the influence of product innovation on internationalization and marketing performance. Based on the research results, product innovation has a positive and significant influence on both, competitive advantage and internationalization. Product innovation and competitive advantage have positive and significant influences on marketing performance. Competitive advantage has a positive and significant influence on internationalization. Meanwhile, it has been revealed that competitive advantage can mediate the influence of product innovation on marketing performance and competitive advantage can mediate the influence of product innovation on the internationalization of SME operating in the Project woodcraft industry sector in Badung Bali. Based on these findings, the project woodcraft industry SME in Badung Bali is advised to be more innovative in producing their products, so that there would be an increase in marketing performance in the international market. It is also recommended for subsequent researchers to add in other variables, such as product quality and market orientation, to enrich the information attained.

1. Introduction

Competition occurs in all business sectors including Small and Medium Enterprises (SMEs). Based on pre-research conducted on five SMEs of the woodcraft industry in Badung Bali, it was recognized that with increasingly intense competition pressure the internationalization activities and business marketing performance had begun to decline. This is caused by many factors other than competition from the external environment, from within the business itself there are obstacles, such as SMEs having difficulty innovating and having creativity, less competitiveness compared to large entrepreneurs, and difficulties in marketing products. The same thing was also expressed in the 2019, UMKM Commodity / Product / Type of Business Development

* Corresponding author.

E-mail address: made.setini@student.unud.ac.id (M. Setini)

Research Report, stated that the production of traditional crafts such as wood crafts rely on innovation and creativity of craftsmen only. If the copyrighted work is mass-produced, then the specific value of art will decrease. The work of traditional crafters' copyrights is also rarely patented making it vulnerable to imitation. The obstacles mentioned above certainly greatly affect the marketing performance and the internationalization process of SMEs in the project woodcraft industry in the Badung Bali. Internationalization is defined as a process of increasing the involvement of international operations across national borders (Cafferata, 2009; De Haan, 2014). Furthermore, Jakofsson (2015), argues that difficulties in the internationalization process for SMEs because these SMEs require a variety of skills and require funds. Success also requires integrated foreign operations, the adoption of new technologies, introducing control systems, and ensuring effective coordination. Difficulties for SMEs in the wooden handicraft industry in Badung Bali to market their products can certainly affect the marketing performance of these SMEs. Marketing performance refers to the company's ability to satisfy and retain its customers by offering innovative quality products (Al-Zyadaat, 2012). Moreover, when a company succeeds in meeting market demand by providing unique products that are difficult to replicate, it can improve superior performance (Daiya et al., 2012).

Companies that develop product innovation will be able to create superior value for their customers and be able to achieve superior performance sustainably. The statement was also supported by Karabulut (2015), Musa and Adamu (2017) and Rajapathirana and Hui (2017) who also suggested that product innovation is a very potential resource for companies to achieve competitive advantage. He et al. (2019) found that EMNEs' knowledge, and particularly their innovation-creating technological knowledge, has contributed greatly to their successful internationalization. The illustrative cases show that the three firms have now moved beyond the infant to the mature stage of EMNE development through developing their technical knowledge to realize FSA through internationalization. Quaye and Mensah (2018) found that product design and packaging innovations, promotion innovations, retail innovations, and pricing innovations provide a sustainable market advantage for water, beverage, detergent, and metal fabrication SMEs. The principle of competitive advantage is the ability of top management to understand the process of how SMEs are managed and transformed into the main ability for companies to create and master opportunities (Reguia, 2014). Especially when an organization gets equipment and resources that can surpass its competitors by offering more value to its customers (Huang et al., 2012; Ionescu and Dumitru, 2014). Afsharghasemi et al. (2013) in his study stated that competitive advantage refers to the creation of valuable strategies that enable SMEs to internationalize. However, research conducted by Chelliah et al. (2010) found that competitive advantage did not have a positive and significant relationship with the internationalization of SMEs in Malaysia. Also, Samsir (2018) indicate that the direct leadership orientation showed no significant effect on the competitive advantage of the small and medium enterprise, especially on the food product itself and also did not show the results of a significant increase in generating competitive advantage, but the research result shows that innovation affects to competitive advantage at small and medium enterprises of Riau's food products in the district of Meranti Islands. Njinyah (2018) found that Government Policies for Export Promotion had both direct and indirect effects on the export performance of SME Cocoa exporters. The direct effect was on the usage of GPEP which reduces operating cost and increases performance. Singh and Kota (2017) found that family businesses are more innovative and internationalized when compared to non-family businesses. It was found that family businesses are more innovative and internationalized when compared to non-family businesses. It was also found that within the family businesses, younger firms were more innovative and internationalized than older firms. Orlando et al. (2018) that entrepreneurial orientation (EO) has a positive and significant influence on differentiation and Export Performance. Moreover, the results also highlight the role of intangible resources (IR) in the design of both differentiation and cost leadership strategies, which drive EP. Finally, absorptive capabilities (ACAPs) are highly related to Export Performance.

Majeed (2011) in his research found that competitive advantage has a positive and significant effect on marketing performance. The research, also supported by Titahena et al. (2012), and Djobjoko and Tawas (2014). This means that if there is an increase in competitive advantage, marketing performance will also increase, and vice versa. Anning-Dorson (2018) said innovation largely relates positively with a competitive advantage. In specific terms, market innovation was found to be the most significant determinant of competitive advantage in both contexts. Anwar, et al (2018) found that business networking, financial networking, and political networking significantly and positively contribute to new venture performance and competitive advantage. Kamboj, et al (2017) found that competitive advantage partially mediates marketing capabilities to performance relationships. Yasa, et al (2020) found that promotional strategy had a positive and significant influence on competitive advantage and promotional strategy was greatly capable of improving the competitive advantage. Afsharghasemi et al. (2013) in his study found that competitive advantage mediates the relationship between product innovation and internationalization in manufacturing SMEs in Malaysia. The finding was also supported by Sari and Kerti Yasa (2016). However, a different finding was expressed by Lengler et al. (2013) and Javalgi et al. (2011) who found that competitive advantage did not mediate the effect of product innovation on internationalization. Boso et al. (2019) in his research stated that the advantage of differentiation fully mediates the effect of product innovation which is part of the company's innovation strategy on marketing performance. The advantage of differentiation also partially mediates the effect of product innovation on marketing performance, while Basuki and Rahmi (2012) in their research found that the strategy of competitive advantage is a moderating variable in supporting the implementation of product innovation to improve marketing performance. Based on the problems experienced by wooden handicraft SMEs in Badung Bali and with previous research gaps, it can generally be explained that the effect of product innovation on internationalization and marketing performance, as well as competitive advantage as a mediator, are still being debated. Therefore, this study aims to identify the role of competitive advantage mediating the effect

of product innovation on internationalization and marketing performance in the SMEs of the project woodcraft industry in Badung Bali.

2. Literature Review

2.1 Product Innovation

Mulyani and Mudiantono (2015) states that innovation is the company's ability to create new ideas, products, or processes. Product innovation is a way to increase value as a key component of the success of a business operation that can bring a company to have a competitive advantage, so to achieve a competitive advantage, companies need superior products (Wachjuni, 2014). Some researchers, including Agnihotri & Bhattacharya (2019) and Afsharhasemi et al. (2013) and Atalay et al. (2013) states that product innovations in which the introduction and development of different types of new goods or services and complement the shortcomings of previous findings and emphasize more in terms of quality. Setini et al. (2020) states that product innovation is an alternative marketing strategy to support company performance in offering innovative products to be able to differentiate itself from the main competitors and potentially increase market demand, which in turn has a positive impact on marketing performance.

2.1 Competitive advantage

Competitive advantage refers to the position of comparative advantage in the market that can cause a company to be better than its competitors. Competitive advantage is expected to be able to achieve profits according to plan, increase market share, increase customer satisfaction, and continue the survival of a business (Saiman, 2014: 128). According to Yasa et al. (2020), a company is considered to have a competitive advantage when the company successfully executes a valuable strategy and the strategy is also not carried out by other companies, both now and in the future, where the company benefits from the strategy. The principle of competitive advantage is the ability of top management to understand the process of managing MSME strategies and is transformed into the main ability for companies to create and master opportunities (Chelliah et al., 2010). Moreover, when an organization gets equipment and resources that can surpass competitors by offering more value to its customers (Huang et al., 2012).

2.2 Internationalization

Looking for opportunities and selling in foreign markets is the most frequent and important activity of companies that are just starting internationalization (Bolkunow, 2019; Boso et al., 2019). Based on the results of their research, Javalgi and Todd (2011) revealed that the level of internationalization of SMEs was calculated when overseas sales exceeded 25 percent of total sales. Internationalization indicators developed by Agnihotri & Bhattacharya (2019) in his research which refers to the research of Zahra et al. (2000) and Boso et al. (2019), namely companies aggressively looking for market opportunities abroad, selling products in foreign markets, and entering overseas locations funded by other than FDI. The same indicator of internationalization was also used by Afsharhasemi et al. (2013) in his research.

2.3 Marketing performance

Company succeeds in meeting market demand by providing products and services that are unique and cannot be imitated, it will improve superior performance and marketing performance indicators that are often used are customer satisfaction, product or service quality, customer memory, customer loyalty, temporary costs, sales levels, profits, and market share (Boso et al., 2019, Narastika & Yasa, 2017). Purwasari and Suprpto (2012) state that a measure of a company's marketing performance is a function and authority of the marketing department to create, build, and maintain relationships with customers. Measuring the success of marketing performance is carried out in the period determined by the company and the results of these measurements are the value of all activities that have been carried out (Puspitasari, 2015).

2.4 The Conceptual Framework

According to the theory of Competitive Advantage that a company can achieve a competitive advantage if the company has unique resources, one of which is with unique resources, the company can develop continuous product innovation. After the competitive advantage can be achieved, then the company can improve its performance, especially marketing performance, and also be able to develop its business abroad through internationalization. The phenomena of product innovation, competitive advantage, internationalization, and marketing performance have been carried out by several researchers, including Hajar and Sukaatmadja (2016) in their research results showing that Competitive Advantage has a positive and significant effect on Marketing Performance; Marketing. Brahmanthara and Yasa (2017) found that Product Innovation and Competitive Advantage had a positive and significant effect on Marketing Performance, as well as Competitive Advantage significantly mediated the relationship between the influence of Product Innovation on Marketing Performance. Yasa et al. (2020) found that competitive advantage was able to mediate the influence of market orientation and internationalization and marketing performance. Based on the above premises, a conceptual framework can be made as shown in Fig. 1 as follows.

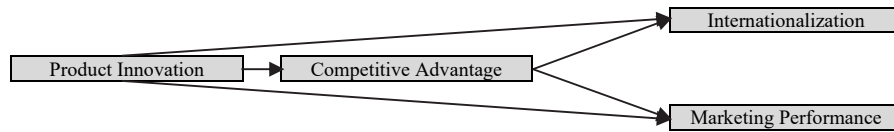


Fig. 1. The proposed study

2.5 Research Conceptual Framework

Relationship between Variables

Innovation is a tool to maintain company survival but also to excel in competition, also shows the results that product innovation has a positive and significant effect on competitive advantage Parkman (2012). Companies that want to operate and reach overseas market targets certainly face a fiercely competitive environment. Product innovation is the company's capital for success in internationalization. Product innovation can have a positive and significant influence on the success of its internationalization (Cafferata, 2009; Haijing, 2014; Jakofsson, 2015). Product innovation strategies have a significant and positive effect on marketing performance in research conducted in the United Kingdom in the creative industries (Parkman et al., 2012; Riyaldi and Kerti, 2016). Quantsnanda and Bambang (2015) stated that innovation cannot significantly influence the performance of marketing. Pardi et al. (2014), Usvita (2015), and Yasa et al. (2020) state that competitive advantage has a significant positive effect on marketing performance. The company's ability to compete with other companies turned out to have an impact on increasing the company's marketing performance. Competitive advantage occurs when resources outperform competitors by offering greater value to customers (Huang et al., 2012; Hsieh et al., 2019). Afsharghasemi (2013) state that competitive advantage is positively related to the degree of internationalization of manufacturing SMEs in Malaysia. Udriyah et al. (2020) state that competitive advantage does not have a significant relationship with the internationalization of SMEs in Malaysia. Companies do product innovations without having something superior to their competitors, so internationalization is not successful. Therefore, the results of the study of Afsharghasemi et al. (2013) and Lengler et al. (2013) show the results that competitive advantage can significantly mediate the relationship of product innovation with internationalization. Boso et al. (2019) stated that the relationship of product innovation is not directly related to marketing performance but through competitive advantage. Sri's research (2012) states that competitive advantage can mediate the relationship between product innovation and marketing performance.

H1: Product innovation has a positive and significant effect on competitive advantage.

H2: Product innovation has a positive and significant effect on Internationalization.

H3: Product innovation has a positive and significant effect on marketing performance.

H4: Competitive advantage has a positive and significant effect on marketing performance.

H5: Competitive advantage has a positive and significant effect on internationalization.

H6: Competitive advantage can significantly mediate product innovation on internationalization.

H7: Competitive advantage can significantly mediate product innovation on marketing performance.

3. Methodology

This study examines the relationship between variables namely product innovation, competitive advantage, internationalization, and marketing performance. The method in this study uses a quantitative approach. The study population was all SMEs in the woodcraft sector in Badung Bali, Indonesia. The sample size of 100 business units using the Slovin method. The research instruments are questionnaires and interviews. The analysis technique in this study is path analysis.

4. Result

Characteristics of Respondents from the aspect of the position and starting a business are, presented in Fig. 2. Based on Fig. 2, it can be seen that according to position, the majority are business owners who directly lead their businesses in the amount of 63.0 percent, and the majority of businesses according to their operations began in 1998-2007, as many as 42.0 percent. Instrument Testing Results are said to be valid if the correlation between factor scores with total scores is positive and the value is more than 0.30 ($r > 0.3$). Table 4.2 below presents the results of the validity test of the product innovation variables (X), competitive advantage (Y1), internationalization (Y2), and marketing performance (Y3). The validity test results in Table 1 show that all variables have a correlation coefficient value with a total score of all statement items greater than 0.30, this shows that the statements in the questionnaire are valid. An instrument is said to be reliable if the instrument has an Alpha Cronbach value of more than 0.60. It can be said that all instruments are reliable so that they can be used to conduct research.

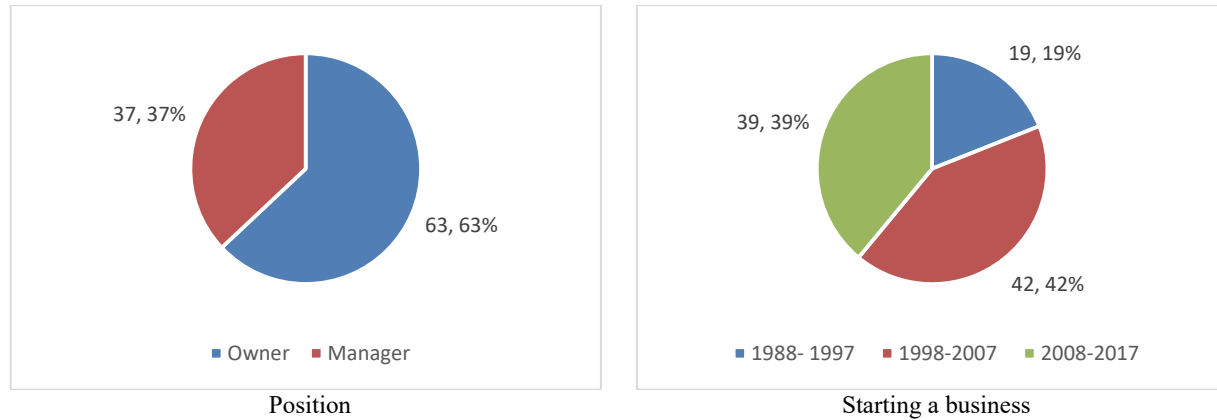


Fig. 2. Characteristics of Respondents

Source: Data processed, 2020

Table 1
Validity and Reliability Test

Variable	Instrument	Pearson Correlation	Cronbach's Alpha	Information
Product Innovation (X)	X1.1	0.972	0.957	Valid and reliable
	X1.2	0.970		
	X1.3	0.937		
Competitive Advantage (Y1)	Y1.1	0.988	0.957	Valid and reliable
	Y1.2	0.956		
	Y1.3	0.985		
Internationalization (Y2)	Y2.1	0.959	0.963	Valid and reliable
	Y2.2	0.968		
	Y2.3	0.983		
Marketing Performance (Y3)	Y3.1	0.984	0.987	Valid and reliable
	Y3.2	0.978		
	Y3.3	0.983		
	Y3.4	0.983		

Source: Data processed, 2020

The classic assumption test results aim to ensure the results obtained to meet the basic assumptions in the regression analysis. The classic assumption test conducted in this study consists of a normality test, a multicollinearity test, and a heteroscedasticity test. The results of the classic assumption test are processed with the help of SPSS software as presented as follows:

Testing data is based on the results of a path analysis test, where path analysis is an extension of multiple linear regression analysis to test the causality relationship between two or more variables. The stages of conducting path analysis techniques are:

1) Formulate hypotheses and structural equations

$$Y_1 = \beta_1 X + e_1 \quad (1)$$

$$Y_2 = \beta_2 X + \beta_5 Y_1 + e_2 \quad (2)$$

$$Y_3 = \beta_3 X + \beta_4 Y_1 + e_3 \quad (3)$$

2) Line coefficient diagram form

The path coefficient calculation is done using SPSS 13, the results of data processing for regression equation 1 are presented in Table 2 as follows.

Table 2
Analysis of Regression Equation Pathway Results 1

Model	Unstandardized Coefficients		Standardized Coefficients	T _{-test}	Sig.
	B	Std. Error	Beta		
1 (Constant)	5.373	.984		5.458	.000
Product Innovation	.594	.079	.603	7.486	.000
R ²					0.364
F Statistic					56.037
Significant					0.000

Source: Data processed, 2020

Based on the data in Table 2, structural Eq. (1) can be formulated as follows

$$Y_1 = 0,603 X + e_1 \quad (4)$$

The results of data processing for regression Eq. (2) are presented in Table 3 as follows.

Table 3
Analysis Results of Regression Equation Pathway 2

Model		Unstandardized Coefficients		Standardized Coefficients	T _{-test}	Sig.
		B	Standard Error	Beta		
1	(Constant)	0.710	1.152		0.616	0.539
	Product Innovation	0.268	0.102	0.233	2.630	0.010
	Competitive Advantage	0.649	0.104	0.554	6.265	0.000
R ₂ ²		: 0.517				
F Statistic		: 51.902				
Sig. F		: 0.000				

Source: Data processed, 2020

Based on the data in Table 4, structural Eq. (2) can be formulated as follows,

$$Y_2 = 0.233 X + 0.554 Y_1 + e_2 \quad (5)$$

The data processing results for regression Eq. (3) are presented in Table 4 as follows.

Table 4
Analysis Results of Regression Equation Pathway 3

Model		Unstandardized Coefficients		Standardized Coefficients	T _{-test}	Sig.
		B	Standard Error	Beta		
1	(Constant)	- 0.419	1.776		-0.236	0.814
	Product Innovation	0.480	0.157	0.285	3.052	0.003
	Competitive Advantage	0.803	0.160	0.469	5.030	0.000
R ₃ ²		: 0.463				
F Statistic		: 41.753				
Sig. F		: 0.000				

Source: Data processed, 2020. Based on the data in Table 15, structural Eq. (3) can be formulated as follows.

$$Y_3 = 0.285 X + 0.469 Y_1 + e_3 \quad (6)$$

Based on the regression equation 1, regression 2, and regression 3, the value of $R_1^2 = 0,364$, $R_2^2 = 0,517$ and $R_3^2 = 0,463$ then the error value for each equation is calculated as follows:

$$e = \sqrt{1 - R^2} \quad (7)$$

$$e_1 = \sqrt{1 - R_1^2} = \sqrt{1 - 0.364} = 0.797 \quad e_2 = \sqrt{1 - R_2^2} = \sqrt{1 - 0.517} = 0.695 \quad e_3 = \sqrt{1 - R_3^2} = \sqrt{1 - 0.463} = 0.733$$

Standard error (e) has been calculated, the result of the effect of error1 (e_1) is 0.797, the effect of error2 (e_2) is 0.695, and the effect of error3 (e_3) is 0.733. Calculation of the coefficient of determination is as follows:

- a) The coefficient of determination of the total effect of product innovation, competitive advantage and internationalization variables

$$R^2_m = 1 - (Pe_1)^2 (Pe_2)^2 = 1 - (0.797)^2 (0.695)^2 = 0.693 \quad (8)$$

The total determination coefficient value is 0.693 which means that 69.3% of the internationalization variable is influenced by the product innovation and competitive advantage variable, while the remaining 35.5% is explained by other factors not included in the model.

- b) The coefficient of determination of the total effect of product innovation variables, competitive advantage and marketing performance

$$R^2_m = 1 - (Pe_1)^2 (Pe_3)^2 = 1 - (0.797)^2 (0.733)^2 = 0.660 \quad (9)$$

The total determination coefficient value is 0.660, meaning that 66% of the marketing performance variable is influenced by the product innovation and competitive advantage variable, while the remaining 34% is explained by other

factors not included in the model. Based on the regression coefficient values, a path analysis model diagram can be arranged as in Fig. 3 as follows.

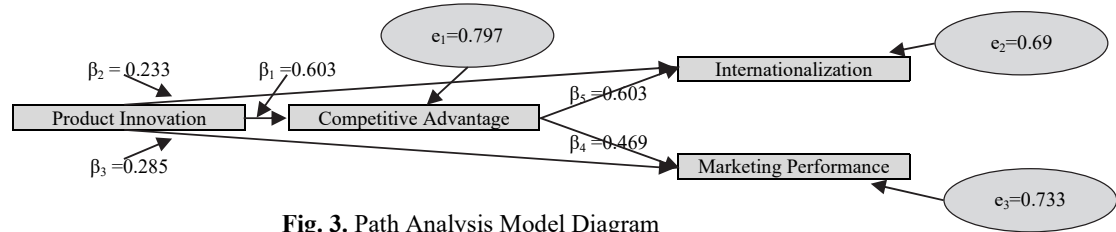


Fig. 3. Path Analysis Model Diagram

Calculate path coefficients simultaneously (overall)

- a) Calculate the path coefficients simultaneously (overall). Test the decision in testing the hypothesis, then do the following steps:
 - (1) Hypothesis formulation
 - H₀: Product innovation and competitive advantage do not have a simultaneous and significant effect on marketing performance
 - H₁: Product innovation and competitive advantage simultaneously and significantly influence marketing performance
 - (2) The real level used in this study is 5 percent
 - (3) Testing criteria
 - Sig. \geq real level, then H₀ accepted and H₁ rejected
 - Sig. $<$ real level, then H₁ accepted and H₀ rejected
 - (4) Conclusion

The data processing results shown in Table 13 obtained significance values (Sig.) = 0,000 $<$ 0.05. Therefore, it can be concluded that H₁ is accepted and H₀ is rejected. This result means that product innovation and competitive advantage simultaneously and significantly influence marketing performance.
- b) Calculate the path coefficients simultaneously (overall) for product innovation variables and competitive advantage over marketing performance. Testing the decision in testing the hypothesis, the following steps are taken:
 - (1) Hypothesis formulation
 - H₀: Product innovation and competitive advantage do not simultaneously and significantly influence internationalization
 - H₁: Product innovation and competitive advantage simultaneously and significantly influence internationalization
 - (2) The real level used in this study is 5 percent
 - (3) Testing criteria
 - Sig. \geq real level, then H₀ accepted and H₁ rejected
 - Sig. $<$ real level, then H₁ accepted and H₀ rejected
 - (4) Conclusion

The data processing results seen in Table 14 obtained significance values (Sig.) = 0,000 $<$ 0.05. Therefore, it can be concluded that H₁ is accepted and H₀ is rejected. This result means that product innovation and competitive advantage simultaneously and significantly influence internationalization. Calculate path coefficients individually.

To test the decision in testing the hypothesis, the following steps are taken:

- (1) Hypothesis formulation
 1. Effect of product innovation on competitive advantage
 - H₀: Product innovation has no positive and significant effect on competitive advantage.
 - H₁: Product innovation has a positive and significant effect on competitive advantage
 2. Effect of product innovation on internationalization
 - H₀: Product innovation has no positive and significant effect on internationalization
 - H₂: Product innovation has a positive and significant effect on internationalization
 3. The effect of product innovation on marketing performance
 - H₀: Product innovation has no positive and significant effect on marketing performance
 - H₃: Product innovation has a positive and significant effect on marketing performance
 4. The effect of competitive advantage on marketing performance
 - H₀: Competitive advantage does not have a positive and significant effect on marketing performance
 - H₄: Competitive advantage has a positive and significant effect on marketing performance
 5. Effect of competitive advantage on internationalization
 - H₀: Competitive advantage has no positive and significant effect on internationalization
 - H₅: Competitive advantage has a positive and significant effect on internationalization
- (2) The real level used in this study is 5 percent
- (3) Testing Criteria

Sig. > real level, then H₀ accepted and H₁, H₂, H₃, H₄, dan H₅ rejected
 Sig. ≤ real level, then H₁, H₂, H₃ H₄, dan H₅ accepted and H₀ rejected

(4) Result

a. Effect of product innovation on competitive advantage

The results of the analysis of the influence of market orientation on product innovation obtained a beta coefficient of 0.603 with a significant value of p-value 0,000 <0.05 so that H₀ is rejected and H₁ is accepted. These results indicate that product innovation has a positive and significant effect on competitive advantage.

b. Effect of product innovation on internationalization

The results of the analysis of the influence of market orientation on marketing performance obtained a beta coefficient of 0.233 with a significant value of p-value 0.010 <0.05, so that H₀ is rejected and H₂ is accepted. This shows that product innovation has a positive and significant effect on internationalization.

c. Effect of product innovation on marketing performance

The results of the analysis of the influence of product innovation on marketing performance obtained a beta coefficient of 0.285 with a significant value of p-value 0.003 <0.05 so that H₀ is rejected and H₃ is accepted. This shows that product innovation has a positive and significant impact on marketing performance.

d. The effect of competitive advantage on marketing performance

The results of the analysis of the influence of product innovation on marketing performance obtained a beta coefficient of 0.469 with a significant value of p-value 0,000 <0.05 so that H₀ is rejected and H₄ is accepted. This shows that competitive advantage has a positive and significant effect on marketing performance.

e. The effect of competitive advantage on internationalization

The results of the analysis of the influence of product innovation on marketing performance obtained a beta coefficient of 0.554 with a significant value of p-value 0,000 <0.05 so that H₀ is rejected and H₅ is accepted. This shows that competitive advantage has a positive and significant effect on internationalization.

Based on the results of data processing values obtained from β₁ = 0.603, β₂ = 0.233, β₃ = 0.285, β₄ = 0.469, β₅ = 0.554. Significance value ρ value is less than 0.05, besides all the values of the beta coefficient are greater than 0. Therefore, then H₁, H₂, H₃ are accepted, and H₀ is rejected. Regression equation one has an error (e₁) of 0.797, an equation of error value (e₂) of 0.695, and an equation of error value (e₃) of 0.733. The value of the determination of the relationship between the variables of product innovation, competitive advantage, and internationalization is 0.693, which means that 69.3% of the internationalization variable is influenced by the variables of product innovation and competitive advantage, while the remaining 35.5% is explained by other factors not included in the model. The coefficient of determination of the relationship between variables of product innovation, competitive advantage, and marketing performance is 0.660, which means that 66% of marketing performance variables are influenced by product innovation and competitive advantage, while the remaining 34% is explained by other factors not included in the model.

Table 5

Direct Effects, Indirect Effects, and Total Effects of Product Innovation (X), Competitive Advantage (Y₁), Internationalization (Y₂), Marketing Performance (Y₃)

Variable Effect	Direct Effect	Indirect Influence Through Competitive Advantage	Total Effect
X → Y ₁	0.603	-	0.603
X → Y ₂	0.233	0.334	0.567
X → Y ₃	0.285	0.283	0.568
Y ₁ → Y ₂	0.554	-	0.554
Y ₁ → Y ₃	0.469	-	0.469

Source: Data processed, 2020

Table 16 shows product innovation has a direct influence on the competitive advantage of 0.603. The direct effect of product innovation on internationalization is 0.233, and the indirect effect is 0.334 so it has a total effect of 0.567. Product innovation has a direct effect on the marketing performance of 0.285 and an indirect effect of 0.283, bringing the total effect to 0.568. 0.554 is a direct effect between competitive advantage with internationalization and a direct effect of competitive advantage with a marketing performance of 0.469. The Sobel Test Results are used to test the significance of the competitive advantage variable as a mediating variable in the relationship between product innovation variables on marketing performance and the relationship of product innovation with internationalization. The Sobel test is calculated in the following steps:

$$Z = \frac{ab}{\sqrt{b^2sa^2+a^2sb^2+sa^2sb^2}} \tag{10}$$

1) Sobel tests the relationship of product innovation variables to marketing performance with the competitive advantage variable as the mediator.

$$Z_1 = \frac{(0.603)(0.469)}{\sqrt{(0.469)^2(0.079)^2+(0.603)^2(0.160)^2+(0.079)^2(0.160)^2}} = 3.822 \tag{11}$$

Testing the decision-making hypothesis, the steps in this test are as follows:

(1) Hypothesis formulation

H₀: Competitive advantage is not able to significantly mediate the effect of product innovation on marketing performance

H₆: Competitive advantage can significantly mediate the effect of product innovation on marketing performance

(2) The real level used in this study is 5 percent with critical areas, i.e. $Z_{(0,05)} = 1,96$

(3) Testing criteria

H₀ accepted and H₆ rejected if, $Z_{test} \leq Z_{table} = 1,96$

H₀ rejected and H₆ accepted if, $Z_{test} > Z_{table} = 1,96$

(4) Calculating Z_{test}

Based on the results of the analysis above, the calculated Z value is obtained 3,822

(5) Conclusion

Based on the calculation of the value of Z from the Sobel test is 3.822 or greater than 1.96. So H₀ will be rejected and H₆. This result means that competitive advantage fully mediates the effect of product innovation on marketing performance.

2) Sobel test the relationship of product innovation variables to internationalization with the competitive advantage variable as the mediator

$$Z_1 = \frac{(0.603)(0.554)}{\sqrt{(0.554)^2(0.079)^2 + (0.603)^2(0.104)^2 + (0.079)^2(0.104)^2}} = 4.33 \quad (12)$$

Testing the decision-making hypothesis, the steps in this test are as follows:

(1) Hypothesis formulation

H₀: Competitive advantage is not able to significantly mediate the effect of product innovation on internationalization

H₇: Competitive advantage can significantly mediate the effect of product innovation on internationalization

(2) The real level used in this study is 5 percent with critical areas, $Z_{(0,05)} = 1,96$

(3) Criteria Testing

H₀ accepted and H₇ rejected if, $Z_{test} \leq Z_{table} = 1,96$

H₀ rejected and H₇ accepted if, $Z_{test} > Z_{table} = 1,96$

(4) Calculating Z test

Based on the results of the analysis above, the calculated Z value is obtained 4,338

(5) Conclusion

Based on the calculation of the value of Z from the Sobel test is 4.338 or greater than 1.96. Thus, H₀ is rejected and H₇ is accepted. This result means that competitive advantage fully mediates the effect of product innovation on internationalization.

5. Discussion

5.1 Effect of product innovation on competitive advantage

The test results show the relationship of product innovation to competitive advantage has a beta coefficient of 0.603 with a significance level of 0.000 or less than 0.05, so H₁ is accepted, and H₀ is rejected. This value proves that product innovation has a positive and significant effect on competitive advantage in the SME industry in Badung Bali, Indonesia. This can be interpreted that the better SMEs Industri wood crafts in Badung Bali, Indonesia develop product innovation that is shown by offering new products, developing new designs, and developing new raw materials, the competitive advantage can increase, and vice versa. The results of this study are in line with previous research conducted by Wahyono (2002) regarding continuous innovation in a company to maintain the viability of the company but also to excel in competition. Furthermore, a parallel study was also conducted by Parkman (2012).

5.2 Effect of product innovation on internationalization

The test results show the relationship of market innovation to internationalization has a beta coefficient of 0.233 with a significance level of 0.010 or smaller than 0.05, so H₂ is accepted, and H₀ is rejected. This value proves that product innovation has a positive and significant effect on internationalization in SMEs in the wood handicraft industry in Badung Bali, Indonesia. This can be interpreted as the better SMEs Industri wood crafts in Badung Bali, Indonesia develop product innovation that is shown by offering new products, developing new designs, and developing new raw materials so that internationalization can increase, and vice versa. This research shows, companies can successfully internationalize by developing their product innovations. These results are in line with research conducted by Cafferata (2009), Haijing, (2014) and Jakofsson (2015).

5.3 Effect of product innovation on marketing performance

The test results show the relationship of market innovation to marketing performance has a beta coefficient of 0.285 with a significance level of 0.003 or smaller than 0.05 so that H₃ is accepted and H₀ is rejected. This value proves that product innovation has a positive and significant effect on marketing performance in the SME industry in Badung Bali, Indonesia. This can be interpreted that the better SMEs Industri wood crafts in Badung Bali, Indonesia develop product innovation that is shown by offering new products, developing new designs, and developing new raw materials, it can improve marketing

performance and vice versa. According to Parkman et al. (2012), product innovation strategies have a positive and significant effect on marketing performance in research conducted in the United Kingdom in the creative industries. Similar research was also put forward by Chaston and Scoot (2012) and Riyaldi and Kerti (2016). Different results from this study conducted by Quantsnanda and Bambang (2015) stated that innovation does not have a positive and significant effect on the performance of marketing. Products that have different innovative characteristics will have very high marketing performance Setini et al. (2020).

5.4 The effect of competitive advantage on marketing performance

The test results show the relationship of competitive advantage to marketing performance has a beta coefficient of 0.469 with a significance level of 0,000 or less than 0.05 so that H_4 is accepted and H_0 is rejected. This value proves that competitive advantage has a positive and significant effect on marketing performance in the SMEs of the project woodcraft industry in Badung Bali, Indonesia. This means that the better the SMEs in the project woodcraft industry in Badung Bali, Indonesia develop a competitive advantage that is shown by their products is superior to competitors' products, designs superior to competitors, and their brands are stronger than competitors, marketing performance can increase, and vice versa. This research proves that the competitive advantage of the company has a positive and significant effect on marketing performance. These results are in line with research conducted by Pardi et al. (2014); Usvita (2015) and Yasa et al. (2020).

5.5 The effect of competitive advantage on internationalization

The test results show the relationship of competitive advantage against internationalization has a beta coefficient of 0.554 with a significance level of 0.000 or less than 0.05 so that H_5 is accepted and H_0 is rejected. This value proves that competitive advantage has a positive and significant effect on the internationalization of SMEs in the wood handicraft industry in the Badung Bali, Indonesia. This can be interpreted as the better SME Industry woodcraft in Badung Bali, Indonesia develops a competitive advantage that is shown by its products superior to competing products, designs superior to competitors, and stronger brands, internationalization will increase, and vice versa. The results of this study are in line with research conducted by Huang et al. (2012), Afsharhasemi et al. (2013). Research conducted in Malaysia by Chelliah et al. (2010) stated different results that a competitive advantage does not have a significant relationship to internationalization.

5.6 Competitive advantage mediates product innovation on marketing performance

The test results show the value of Z_1 in the Sobel test of 3.8212 or greater than 1.96 so that H_6 is accepted and H_0 is rejected. This means that competitive advantage can fully mediate the influence of product innovation on the marketing performance of SMEs in the wood handicraft industry in the Badung Bali, Indonesia. The more competitive advantage develops, the effect of product innovation on increasing marketing performance is greater, and vice versa. The results are in line with Afsharhasemi et al. (2013), Lengler et al. (2013), and Yasa et al. (2020).

5.7 The results of competitive advantage testing mediate product innovation towards internationalization

The results showed that the Z_2 value in the Sobel test was 4.342 or greater than 1.96 so that H_7 was accepted and H_0 was rejected. This means that competitive advantage can fully mediate the effect of product innovation on the internationalization of SMEs in the project woodcraft industry in the Badung Bali, Indonesia. The more competitive advantage develops, the more innovative the product influences the increase in internationalization and vice versa. The results are in line with Boso et al. (2019), Li (2000), and Sri (2012).

6. Conclusion

Product innovation has a positive and significant effect on competitive advantage and marketing performance. This shows that the SMEs of the wooden handicraft industry in Badung Bali who are innovating in the form of offering new products, developing new designs, and developing new raw materials, thus have been able to increase competitive advantage and marketing performance. Competitive advantage has a positive and significant effect on internationalization and marketing performance. This shows that competitive advantage can fully mediate the influence of product innovation on the marketing performance of SMEs in the woodcraft industry in the Badung Bali, Indonesia. Furthermore, competitive advantage mediates product innovation towards internationalization. This shows that competitive advantage can fully mediate, the effect of product innovation on the internationalization of SMEs in the project woodcraft industry in the Badung Bali. Based on the above research findings, it is suggested to the SME producers of the project woodcraft industry in the Badung Bali to become more innovate in their product development, thus increasing marketing performance in the international market. For further researchers, it is expected to research with a broader scope that is spread across various regions, both on a regional and national scale. Therefore, it is recommended that subsequent researchers also need to use other variables such as product quality and market orientation, to enrich the information obtained. The limitation of this study is that it only considered SMEs in the woodcraft industry in Badung Bali. Therefore, the results of this study cannot be generalized to other types of SMEs in the Badung Bali. This research is only carried out at one particular time (cross-section), while the marketing environment is so dynamic that it is hoped that similar research will need to be done again in the future.

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