

Implementation Of Product Innovation And Market Orientation Strategies To Enhance Competitiveness

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ARTICLE INFO

Keywords:

Enhance Competitiveness,
Market Orientation, Product
Innovation.

ABSTRACT

Strategy and innovation in business are activities that must be consistently carried out so that business people are still able to compete in an increasingly creative and complex industry. The accuracy of business people in understanding interactions within the scope of the market in question is a fundamental part in shaping the idea of strategy and innovation in business. The central role of product innovation strategies in efforts to improve competitiveness and good market orientation planning is the author's motive for conducting a study in the Bandung Regency was to validate the hypotheses regarding the impact of product innovation strategies and market orientation on competitive advantage in business markets. The utilized a qualitative approach and employed a survey research design for investigation. The population and sampling data used were 80 respondents. The findings indicated that the hypothesis regarding the effect of product innovation strategies exerts a substantial influence on improving quality of product competitiveness in the market and providing opportunities for excellence in market competition. While market orientation does not yield a notable impact.

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INTRODUCTION

Currently, the entrepreneurship sector is experiencing very significant developments. This includes not only the expansion of businesses, but also the way entrepreneurs interact with markets and consumers. Entrepreneurs are now more likely to capitalize on existing opportunities and focus on developing more complex and creative business interactions. This reflects a shift from a more traditional business model to a more dynamic and competitive model. Along with the development of entrepreneurship, business competition continues and intensifies. Entrepreneurs' creativity plays an important role in driving this development. They try new approaches to running their businesses, create innovative solutions and respond quickly to market changes. This creates a highly dynamic business environment where entrepreneurs must adapt and innovate constantly to stay competitive.

Although competition in the market has grown so complex and competitive, it is interesting and still widely found that at the Micro, Small and Medium Enterprises (MSME) business scale there are still many business owners who are still unable to adapt to the rapid development of creative business market competition. This is influenced by various external and internal factors such as the lack of readiness to face market developments and changes such as their adaptation to the emergence of new market media in the digital market such as e-commerce platforms which can actually be used as a great opportunity to spread business

products more widely. However, until now there are still many MSME business actors who have not been able to adapt to the emergence of new media, thus losing many opportunities that should be maximized. The lack of ability to adapt to the current market is largely influenced by internal company factors. One significant factor is the lack of competent human resources. Many companies struggle to find and retain staff who have a deep understanding of the digital market and the latest technology. In addition, the absence of careful planning or strategy in determining the target of digital market adaptation is also a significant obstacle. When there is no clear strategy, companies will feel hesitant to implement the creative and adaptive innovations they want to do. They may feel uncertain about the steps to take, and this can hinder their ability to change and evolve according to the changing market demands. In the fast-changing digital age, careful planning and the right strategy are essential to ensure success in market adaptation.

Based on the empirical review of the research conducted by O'Cass (2014) highlighted that elements such as intellectual resources, product innovation capabilities, reputation, and strong marketing capabilities play a central role in driving the growth of Small and Medium Enterprises (SMEs). They assert that the combination of these resources has a major impact on the development of SMEs and opens up significant growth opportunities. The outcomes of this investigation align with the findings from Shoham's (2005) which shows an important perspective that firmly underlines the importance of the close relationship between product quality and the overall success of the organization/company. Other experts have identified that product quality is a key factor affecting organizational performance. In other words, improved product quality through innovation can result in a positive impact on firm performance. This is substantiated by the findings of various studies, including the work of Killa (2014), Lapian (2016), and Tsai (2017) each of which places a strong emphasis on the important role of innovation in improving firm performance. Killa (2014) emphasizes that companies that are able to innovate are expected to improve their performance, underlining that innovation is the key to success. Research by Lapian in (2016) also supports this view, Affirming that product innovation exerts a pronounced impact on organizational performance. Tsai (2017) adds more evidence supporting the importance of product innovation in improving business performance, strengthening the argument that innovation is one of the key elements that should be prioritized in corporate strategy.

Based on prior research findings, it can be inferred that three company activities distinctly define a high degree of product innovation. These include the ability to identify opportunities in the market, build marketing strategies that are responsive to the opportunities identified, and the ability to quickly pursue these opportunities. In this way, product innovation not only facilitates the production process, Additionally, it assumes a vital role in executing successful marketing practices, subsequently leading to a favorable influence on the company's financial performance. This is the background for the idea in writing the research that the author will conduct, namely to implement product innovation & market orientation strategies in building competitive advantage by conducting a survey to see the causal relationship that occurs from the presence of the implementation product innovation strategies and market orientation in MSME business activities.

METHOD

Research Design

The writing this research employs a survey research design with a quantitative methodology for data collection. According to Sugiyono (2018) explains that quantitative methods are a research approach rooted in the philosophy of positivism. This method is used to investigate a specific population or sample with the aim of collecting data through the use of structured research instruments. After the data is collected, the analysis is carried out using quantitative and statistical approaches. Quantitative methods aim to provide a clear picture and test predetermined hypotheses. In addition, Sugiyono (2018) also states that the survey method is a form of quantitative research method. This method is used to collect data related to beliefs, opinions, individual characteristics, behavior, and relationships between variables in the context of the past or present. Surveys are also used to test several hypotheses related to social and psychological variables. Data in the survey method is collected through observation techniques that include sampling from a specific population.

This research will focus on the application of survey methods to investigate the implementation of product innovation strategies and market orientation in improving the quality of product competitiveness in the market. Using a survey approach, the research will collect data from respondents to identify the extent to which entrepreneurs implement product innovation and market-oriented strategies in an effort to improve their products. The purpose of this study is to examine the role of product innovation and market orientation in influencing the quality of product competition in the market.

Population & Sampling Data

Sugiyono (2018) suggests the definition of population as a generalization area consisting of objects or subjects that have certain characteristics that have been identified by a researcher. This population is used as a basis for research, with the aim of understanding and examining the characteristics and behavior of objects or subjects in the population. This research focuses on the population of traders operating in Bandung Regency. Data collection was carried out by taking 80 respondents who were selected as samples through the accidental sampling method. Accidental sampling, also known as convenience sampling, is a sampling method in research where samples are selected based on the convenience or availability of individuals or objects that are easily accessible to the researcher. This study examines a number of variables that play an important role in the context of merchant business strategy. The independent variables examined include marketing strategy, creative product innovation, and market orientation. In addition, intervening variables that assess business development as well as dependent variables that measure marketing performance are also the main focus of this study.

Data regarding the age of respondents shows that the majority of traders who became respondents were over 30 years old, with 44 people or around 55% of the total 80 respondents. Regarding gender, men dominate the respondents, with 66 people or 83.4% of the total 80 respondents. In addition, based on net income per day, around 55 respondents or around 69.2% have an income above 301,000 rupiah.

Analysis Techniques

In this study, the authors used analytical techniques related to the Structural Equation Model (SEM) to test the instruments used. SEM is a statistical tool used to measure the

relationship between variables in a more complex and comprehensive way. SEM allows researchers to model a number of variables and the relationships between them, so that it can help in understanding the conceptual structure and impact of variables on each other within the research framework.

Hypothesis testing that arose in the study was carried out with the help of the SmartPLS 3.0.0 application. Partial Least Squares (PLS) is one of the techniques used in SEM to test conceptual models. With PLS, authors can analyze the relationship between variables in their research framework and test the proposed hypotheses.

RESULTS AND DISCUSSION

This research involves the use of the Measurement Model (outer model) which functions as a tool to assess the validity and reliability of the model used in the study. Validity is used to evaluate the extent to which the instrument used is able to measure the concept being studied. In data analysis, this study utilized SmartPLS software, which allows for the assessment of convergent validity, discriminant validity, and composite reliability. The convergent validity of the measurement model is analyzed by focusing on the loading factors of the indicators used to measure a particular construct. The rule of thumb often used to assess convergent validity is that the loading factor value should be greater than 0.7 in confirmatory research, and the range between 0.6 to 0.7 is acceptable in exploratory research. In addition, the Average Variance Extracted (AVE) value is also used as an indicator of convergent validity, and the AVE value must be greater than 0.5 to ensure adequate convergent validity (Hair et al., in Pinki and Hendryadi, 2018).

Measurement of Convergent Validity Value

This study begins by measuring convergent validity in this measurement model by examining reflective indicators that measure each construct. In this study, there are four variables involving a total of 14 indicators, with details of 3 indicators for product innovation strategy, 3 indicators for market orientation, 4 indicators for Product Competitiveness, and 4 indicators for marketing strategy and performance. To assess convergent validity, a number of tests have been carried out on the measurement model to obtain the average convergent validity value that the author presents in tabular form.

Table 1. Average Extracted Variance Value

No	Constructs	Average Variance Extracted
1	Product Innovation Strategy	0.721
2	Market Orientation	0.592
3	Product Competitiveness	0.871
4	Marketing Strategy and Performance	0.878

Source: Primary Data 2024

Based on the results obtained from testing the measurement model, it shows that all indicators involved have factor loading above 0.5. Factor loading is a measure of the extent to which each indicator affects the construct being measured. In addition, the AVE (Average Variance Extracted) value for each variable also exceeds 0.5, which indicates that the construct variance explained by these indicators is greater than the error variance.

Convergent validity for the various constructs that have been analyzed in more detail can be explained that the Product Innovation Strategy construct is measured using indicators X1.1 to X1.3. The analysis results show that all indicators in this construct have factor loadings above 0.5, and the Average Variance Extracted (AVE) reaches 0.721, which indicates that this construct has strong convergent validity. Furthermore, the market orientation construct is measured using indicators X2.1 to X2.3. The test results show that all indicators in this construct have factor loadings above 0.5, and an AVE of 0.592, which confirms the convergent validity of this construct.

The Product Competitiveness construct is measured by indicators Y1 to Y4, and the analysis results show that all indicators in this construct have factor loadings above 0.5, as well as an AVE of 0.871, confirming very strong convergent validity. Finally, the Marketing Strategy and Performance construct is measured by indicators Y2.1 to Y2.4, where the factor loading of the indicators also exceeds 0.5, and the AVE is 0.627, confirming the convergent validity of this construct. The results of this analysis indicate that all constructs in the measurement model have met the necessary convergent validity criteria, so the indicators used can be considered valid in measuring the constructs concerned.

Measurement of Discriminant Validity Value

Discriminant validity is a term used in factor analysis, path analysis, and other structural analyses to indicate the extent to which the constructs or variables in the measurement model are truly different from one another. In this study, researchers sought to validate that the constructs measured by different indicators in the model really did not overlap or had minimal indications of similarity. The results of the measurement of Discriminant validity values are presented in tabular form as follows.

Table 2. Discriminant Validity Value

	Product Innovation Strategy	Market Orientation	Product Competitiveness	Marketing Strategy and Performance
Product Innovation Strategy	0.872			
Market Orientation	0.885	0.724		
Product Competitiveness	0.765	0.675	0.609	
Marketing Strategy and Performance	0.901	0.877	0.734	0.892

Source: Primary Data 2024

Based on the results shown in Table 2, it can be concluded that the square root AVE values obtained (0.872, 0.724, 0.609, and 0.892) are all greater than 0.5. This indicates that each construct or variable in the measurement model has a strong AVE value, which indicates that the construct is able to explain significant variation in the data. In other words, these high AVE values indicate that the indicators used in the measurement model can effectively distinguish and explain the constructs concerned. Thus, this study meets the criteria of discriminant validity, which means that the constructs in the model are distinct from each other and relevant for the analysis being conducted.

Reliability Test

Reliability testing is the part of research that ensures the reliability and consistency of the measurement instruments used. In structural analysis, such as Partial Least Squares (PLS), reliability testing is an important stage that follows the process of developing measuring instruments or research instruments. The main purpose of this test is to examine the extent to which the instrument can produce consistent and reliable results in measuring the variables or constructs to be measured. In this study, the authors conducted a Reliability Test in PLS by applying two methods, namely Cronbach's alpha and Composite reliability. The results of the reliability test stage are presented in tabular form as follows.

Table 3. Reliability Test Results

No	Konstruk	Cronbach's alpha	Composite reliability
1	Product Innovation Strategy	0.721	0.853
2	Market Orientation	0.792	0.867
3	Product Competitiveness	0.801	0.842
4	Marketing Strategy and Performance	0.898	0.938

Source: Primary Data 2024

Hypothesis Testing

Hypothesis testing is carried out to test the relationship between the variables in the research model and evaluate whether there is a statistically significant relationship. Hypothesis testing involves evaluating the significance of the path coefficients that connect the independent variables with the dependent variable in the model. In this study, the hypothesis test uses the path coefficient (β) value that emerges from the PLS analysis. These values indicate the strength and direction of the relationship between the independent and dependent variables. Furthermore, significance assessment is carried out based on the t-statistic value associated with each path coefficient. The t-statistic value is used to determine whether the path coefficient is significantly different from zero, which will indicate the statistical significance in the relationship. The statistical results of hypothesis testing are presented in the form of the table below

Table 4. Hypothesis Test Results with SmartPLS 3.0 Application Media

No	Variable	Original Sample	t-statistic	p-value	Kesimpulan
1	Product Innovation Strategy >> Product Competitiveness	0.532	5.593	0.000	Berpengaruh Signifikan
2	Market Orientation >> Product Competitiveness	-0.045	0.867	0.455	Tidak Berpengaruh Signifikan
3	Marketing Strategy and Performance >> Product Competitiveness	0.801	22.842	0.000	Berpengaruh Signifikan

Source: Primary Data 2024

Based on the data in Table 4, the results of data analysis using SmartPLS 3.0 support the first hypothesis which states that the Product Innovation Strategy carried out by MSMEs has a significant positive effect on improving the quality of Product Competitiveness in the market. The beta value of 0.532 and t-value of 5.593 indicate that the relationship between

creative product innovation and product competitiveness in the market is statistically significant and has a positive direction. It can be concluded that the more product innovation done with creativity by MSMEs, the better their product competitiveness in the market.

The second hypothesis, the relationship between market orientation by entrepreneurs and the quality of product competitiveness in the market, shows that market orientation does not significantly affect the quality of product competitiveness in the market. The beta coefficient of -0.045 and t-value of 0.867 indicate that the relationship between market orientation and product competitiveness does not have strong statistical significance. Based on these results, it can be concluded that the second hypothesis stating that there is an influence between market orientation and the quality of product competitiveness in the market does not receive support from the results of this analysis.

Third Hypothesis, based on the results shown in Table 4, it can be concluded that the results of the analysis using SmartPLS 3.0 provide strong support for the third hypothesis, which is indicated by the marketing strategy carried out by the company has a significant positive effect on increasing product competitiveness in the market. The beta coefficient value of 0.801 and t-value of 22.842 indicate that the relationship between marketing strategy and product competitiveness value is statistically significant and has a strong positive direction. This means that the more effective the marketing strategy implemented by the company, the better the competitiveness of their products in the market.

CONCLUSION

Based on the results of the study that the authors have described above, it can be concluded that the implementation of product innovation strategies and market orientation towards increasing product competitiveness in the market shows the results of data analysis which can be concluded that the results of the analysis support the first hypothesis, which shows that the Product Innovation Strategy carried out by Entrepreneurs has a significant positive effect on improving the quality of Product Competitiveness in the market. This provides empirical evidence that creative product innovation efforts play an important role in increasing the competitiveness of entrepreneurial products in the market. However, the second hypothesis that links market orientation with the quality of product competitiveness did not receive support. This is concluded based on the results of the analysis which shows that the beta coefficient value of -0.045 and the t-value of 0.867 indicate that the relationship between market orientation and product competitiveness does not have strong statistical significance. In other words, market orientation does not have a significant impact on improving the quality of product competitiveness in the market. This result also indicates that market orientation may not be the main factor influencing product competitiveness in the market. The conclusion of marketing strategy and performance received strong support in the analysis results. This suggests that effective marketing strategies have a positive and significant influence on improving product competitiveness in the market. This conclusion has strategic implications for MSME entrepreneurs, as it emphasizes the importance of developing good marketing strategies to improve the competitiveness of their products in a competitive market.

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