

## Determinant of Market Orientation on SME Performance: RBV and SCP Perspective

NURHILALIA\*, Abdul RAHMAN Kadir\*\*, Muis MAHLIA\*\*\*, JUSNI\*\*\*\*,  
Halim Perdana Kusuma Putra ADITYA\*\*\*\*\*

Received: July 20, 2019. Revised: July 31, 2019. Accepted: September 05, 2019.

### Abstract

**Purpose** - This study analyzes the relationship between inter-function coordination variables, competitor, customer and innovation orientation that has been developed by Narver & Slater (1990), also known as Market Orientation Strategy on SME Sutura's marketing performance, through direct and indirect effect relationships.

**Research design, data, and methodology** - This study uses a sample of 168 respondents who are silk SME entrepreneurs in eleven Silk Craftsman sub-districts in Wajo Regency - South Sulawesi Province, Indonesia. Data collection using a questionnaire with a period between January - June 2019. Data analysis use PLS. The stages of testing the results of analysis go through several stages: the first stage, analysis of variable descriptions, the goodness of fit model (AVE, CR, Cronbach Alpha,  $R^2$ ) and hypothesis test.

**Results and Findings** - From the fifteen hypothesis by direct and indirect effect state six hypothesis are rejected and eleven hypothesis are accepted. Overall, the concepts of Resource Based View theory (RBV) and Structure-Conduct- Performance theory (SCP) also provide a strategic picture for businessmen related to product innovation and service innovation and the urgency of regeneration in order to maintain the continuity of superior products in the future.

**Keywords:** Market Orientation, Market Performance, SMEs.

**JEL Classifications:** M1, M21, M54, M39.

### 1. Introduction

In the era of distractions and changes in the environment that move without pause, not all organizations are ready to

change. Some are aware that change requires that they are transformed, but that is certainly not easy, it is difficult to determine where and how the change must begin (Powell, 2015). Some have stepped up to transform but have not been able to target carefully the area of change and the area of strategy orientation that they must correct. Not to mention the risks of the transformation efforts carried out then found a dead end in the middle of the road because creative and innovative efforts did not support the intention to change (Dereli, 2015). Learning from the crisis that has hit various countries, has prompted several global economists to reevaluate and review the vital role of small and medium enterprises. In Indonesia, data from the Central Statistics Agency (BPS) shows that after the number of SMEs did not decrease, it even increased. Not only that, even the SME sector was able to absorb 85 million to 107 million workers until 2012 (Bappenas, 2016). The development of the industrial sector by the government, especially SME's that have been carried out by the government has brought the beginning of the era of

\* First Author, Doctoral Student of Universitas Hasanuddin, Department of Economics Science, Associate of Professor of Department of Management, Politeknik Negeri Ujung Pandang, Indonesia.

\*\* Professor of Faculty of Economics and Business, Department of Management, Universitas Hasanuddin, Indonesia.

\*\*\* Faculty of Economics and Business, Department of Management, Universitas Hasanuddin, Indonesia.

\*\*\*\* Faculty of Economics and Business, Department of Management, Universitas Hasanuddin, Indonesia.

\*\*\*\*\* Corresponding Author, Faculty of Economics and Business, Department of Management, Universitas Muslim Indonesia.  
Tel: +62-822-922-222-43, Email: adityatrojhan@gmail.com

industrialization for the State of Indonesia. Based on previous experience, the role of small industries is significant in creating employment opportunities to increase people's income (Bappenas, 2016).

However, behind the success of small and medium business actors, this does not mean smoothly without problems. The Problems of SME in the marketing field are focused on three things, namely the issue of market competition and products (Aboelimged, Administration, & Emirates, 2018), Next is the problem of access to market information and institutional problems supporting SMEs (Rivard, Raymond, & Verreault, 2006). Then, the products produced by SMEs are often still unable to compete with the products produced by large-scale factories, both in terms of product innovation, product quality, and product distribution. The competition that involves fellow SMEs and competition with industry is often an obstacle for SMEs to develop and expand the reach of their businesses. Increasingly competitive business competition is often one of the triggers of the bankruptcy of these small-scale businesses (Dereli, 2015). Apart from that, one of the causes of low performance of SMEs is also caused by the little mastery or development of science (Ibrahim & Heng, 2015).

More rooted in this study which examined SMEs in the silk weaving industry, where silk products from one of the provinces of South Sulawesi, Indonesia in addition to superior regional products, this Silk product has also contributed a lot to local income and contributed to employment in the region. Despite the success, it does not mean that the silk fabric business in Wajo District has never encountered obstacles. Raw material constraints are often a scourge for silk weaving artisans (Maryanti, 2014). A phenomenon found in the community, such as in the case of developing a business in the area of Wajo - South Sulawesi which was once known as the largest supplier of silk production, but now the public's passion is declining to pursue natural silk weaving business. The gap that is a problem faced by people who are struggling in the field of activity is due to the low level of perceptions of entrepreneurship possessed and the lack of business development strategies to be more advanced and developing (Kadir, 2018). this phenomenon is undoubtedly related to the spirit of entrepreneurship and business strategy (Elrehail, 2018).

Apart from that, the next phenomenon comes from the level of technology use in the silk weaving industry in Wajo District which is still more dominant using traditional technology devices (Syukur, Dharmawan, & Satyawan Sunito, 2014). This problem has long been the subject of repeated discussions among natural actors, both local (South Sulawesi) and nationally. It's just that these various efforts have not offered a solution or produced a policy and comprehensive that can make the condition of silk weaving activities in Wajo District better. In the end, this study is

exclusively and objectively aimed at developing a strategy model for silk business development through a strategic approach to orientation both to customers, orientation to competitors, orientation to innovation and its relevance to inter-function coordination and marketing performance through the Resource-Based View (RBV) point of view and Structure, Conduct and Performance Theory. Where the end of this study will provide a specific overview of the theoretical and managerial implications for the development of universal and sustainable SMEs.

## 2. Literature Review

### 2.1. Grand Theory and Conceptual Development

The Grand theory used in this research is the theory of RBV (Resource Based View) which defines visually inter-functional coordination as an element of a company's resources and capabilities to be competitive and can survive amidst competition (Lorenzo, Rubio, & Garcés, 2018), company resources refer to tangible and intangible resources that are intangible resources one of which is reliable, skilled and innovative human resources. According to the RBV, the strategy is done by allocating resources to market needs when the competitiveness of a competing company is not sufficient so that it will provide effective results for the company. The component of inter function coordination refers to various vital aspects of the compilation of company strategies, including: Distribute company resources to other business units in them, All functions must be used to understand the customer, distribute all information for all features, All elements must be integrated to support the company's strategy, all functions must contribute to creating customer value (Narver & Slater, 1990). The component of the inter-functional coordination variable from Narver and Slater is in line with the concepts and fundamental definitions of the RBV theory concept. Where Narver and Slater (1990) views that inter-function coordination includes optimal attention and maximum resource empowerment which consists of the allocation of tangible, intangible resources and the distribution of human resources in a complex and comprehensive manner. Observe this in addition to the resource-based view (RBV) theory of SCP (Structure-Conduct-Performance) introduced by Lynch, Mason, Beresford, and Found (2012) Who definitively view that industrial structure will determine industry actors in conduct (Conduct). In its implementation, to make the company sustainable, several strategies can be taken, one of which is a competitively oriented strategy. Competitor Orientation can be interpreted as an understanding of short-term strengths and weaknesses, as well as the long-term capabilities and strategy of competitors that currently exist as potential competitors that will emerge (Narver & Slater, 1990; Cadogan & Diamantopoulos, 1995). Business people must

understand the advantages and short-term weaknesses and the capacity of competitors to develop long-term strategies in addressing competition. In the viewpoint of RBV of course, the maximum utilization of resources is one of them plays a role in responding to match in an optimal allocation of resources. This will lead to the actionability of business-people in terms of competitive advantage and sustainability in terms of production. Of course, this is also related to SCP's theory, that the complexity of competition will change market structure.

Business process orientation is the concept introduced by Lynch et al. (2012) that corporate guidance is emphasized in the process of how the business can reach the stage of maturity through a series of performance measurements. The relationship between business orientation towards market orientation is explained in the SCP theory. The structure of the industry will determine how industry actors behave (conduct), which ultimately determines the performance of the sector. SCP is the three main categories used to see the condition of market structure and competition that occurs in the market. The structure of a market will influence the behaviour of companies in these markets, which together determine the performance of the market system as a whole. SCP theory, along with the method of resource-based of the firm is an improvement of transaction cost theory and agency theory. Problems in an industry are not only why a company exists in a trade, but also why in the same sector the performance of a company is different, with other companies (Barney, 1991). Lynch et al. (2012) They are trying to answer that question by developing the SCP theory. Customer Orientation and competitors have a positive and significant effect on Innovation Orientation. Customer Orientation has a positive and meaningful relationship on incremental innovation, and Competitor Orientation has a positive and significant impact on radical innovation (Grawe, Chen, & Daugherty, 2009; Lewrick, Omar, & Robert, 2011). Beside that Lukas and Ferrell (2000) and Verhees and Meulenber (2004) states that there is no significant effect.

In general, market orientation is where all employees are committed to creating superior value for customers continuously. Pike and Dunne (2015), Narver and Slater, (1990), Deshpande, Farley, and Webster (1993) and Day and Nedungadi (1994). Market orientation contains three main behavioural components: Innovation orientation, which is a continuous understanding of the target needs of current customers and potential customers and the use of that knowledge to create customer value. Competitor Orientation is an ongoing understanding of the main capabilities and strategies of the potential customers and the possible satisfaction of the target customers and the use of that knowledge in creating superior customer value; Inter function coordination is the coordination of all functions in the business in utilizing customers and other market information to create value advantages for customers (Narver & Slater, 1990). Innovation will encourage the achievement of

subjective performance in the company which in turn will promote the result of objective performance (Kirca, Jayachandran, & Bearden, 2005). Olavarrieta and Friedmann (2008) states in the results of his research that there is a significant relationship between market orientation on technical innovation and administrative innovation. Grawe et al. (2009) in his research supporting the relationship between the Innovation orientation, Competitor Orientation and innovation, namely Customer Orientation and Competitor Orientation, had a significant effect on the Innovation Orientation.

Research on Innovation Orientation was carried out by Camisón-haba, Clemente-almendros, and Gonzalez-cruz (2018) Where the results of his research state that culture influences the dedication of the ability to apply new ideas, new production processes and new types of products. Meeting customer desires, customer needs are critical to the success of the organization. Customer Orientation and Innovation Orientation are not contradictory. Innovation Orientation has the potential to create new markets and consumers. Informal networks play a crucial role in developing the innovative capabilities of small companies with a majority target. In principle, customer orientation and competitor orientation are two dimensions that are interrelated, inseparable and are a unity in the concept of market orientation. Customer Orientation and orientation to competitors will provide different sizes so that the company will be able to improve what the customer needs. Competitor Orientation means the understanding of the seller in understanding the short-term strengths, weaknesses, capabilities and long-term strategies of both competitors (Day & Wensley, 1988). Then, Dibrell, Craig, and Hansen (2011) On the results of his research stated that integrated Innovation Orientation has a positive effect on company performance. Integrated innovation includes organizational innovation, product innovation, process innovation and marketing innovation. The company is more successful if it focuses more on innovation activities. As well Gunday, Ulusoy, Kilic, and Alpan (2011) states that restructuring and productivity have a significant positive effect on competitive advantage. Distanont and Khongmalai (2018) On the results of his research stated that companies that are market-oriented, learning-oriented, and innovative all variables effectively improve performance. Based on a review of the literature review, the conceptual framework of this study is illustrated as in figure 1. As well as some of the hypothesis points of this study are as follows:

- H1:** Inter-function coordination has a significant effect on Customer Orientation
- H2:** Inter-function coordination has a significant effect on Competitor Orientation
- H3:** Innovation Orientation has a significant effect on Marketing Performance
- H4:** Customer Orientation has a significant effect on

- Marketing Performance
- H5:** Customer Orientation has a significant effect on Innovation Orientation
  - H6:** Competitor Orientation has a significant effect on Marketing Performance
  - H7:** Competitor Orientation has a significant effect on Innovation Orientation
  - H8:** Customer Orientation has a significant effect on Marketing Performance by making innovation orientation as an intervening variable
  - H9:** Inter-function coordination has a significant effect on Marketing Performance by making Customer Orientation and Innovation Orientation as an intervening variable
  - H10:** Competitor Orientation has a significant effect on Marketing Performance by making Innovation Orientation as an intervening variable
  - H11:** Inter-function coordination has a significant impact on Marketing Performance by making Competitor Orientation and Innovation Orientation as an intervening variable
  - H12:** Inter-function coordination has a significant effect on Marketing Performance by making Customer Orientation as an intervening variable
  - H13:** Inter-function coordination has a significant impact on Marketing Performance by making Competitor Orientation as an intervening variable
  - H14:** Inter-function coordination has a significant impact on Innovation Orientation by making Customer Orientation as an intervening variable
  - H15:** Inter-function coordination has a significant effect on

Innovation Orientation by making Competitor Orientation as an intervening variable

### 3. Research Design and Methodology

#### 3.1. Samples

The number of samples in this study involved 168 respondents who were entrepreneurs in the SME textile industry in all sub-districts of South Sulawesi Province - Indonesia, totalling 13 sub-districts. Dominantly the research respondents were the owners of silk weaving business activities where most of the age groups of respondents were at the age of 45-50 years as many as 152 people and the age group above 50 years as many as 16 people. In detail about the explanation of the respondent's data described in Table 2. The time for taking sample data starts from January - June 2019.

#### 3.2. Data Collection, Measurement, and Analytic

Data collection uses surveys by measuring data using a Likert scale (1-7) (1 = disagree, 7 = agree) following the Likert scale pattern carried out by (Weijters, Cabooter, & Schillewaert, 2010). Methods of retrieving data using surveys/questionnaires. The independent variables in this study consist of inter-functional coordination referring to the variable construct measurement model Narver and Slater, (1990). The Customer Orientation variable refers to the variable construct measurement model Mavondo,

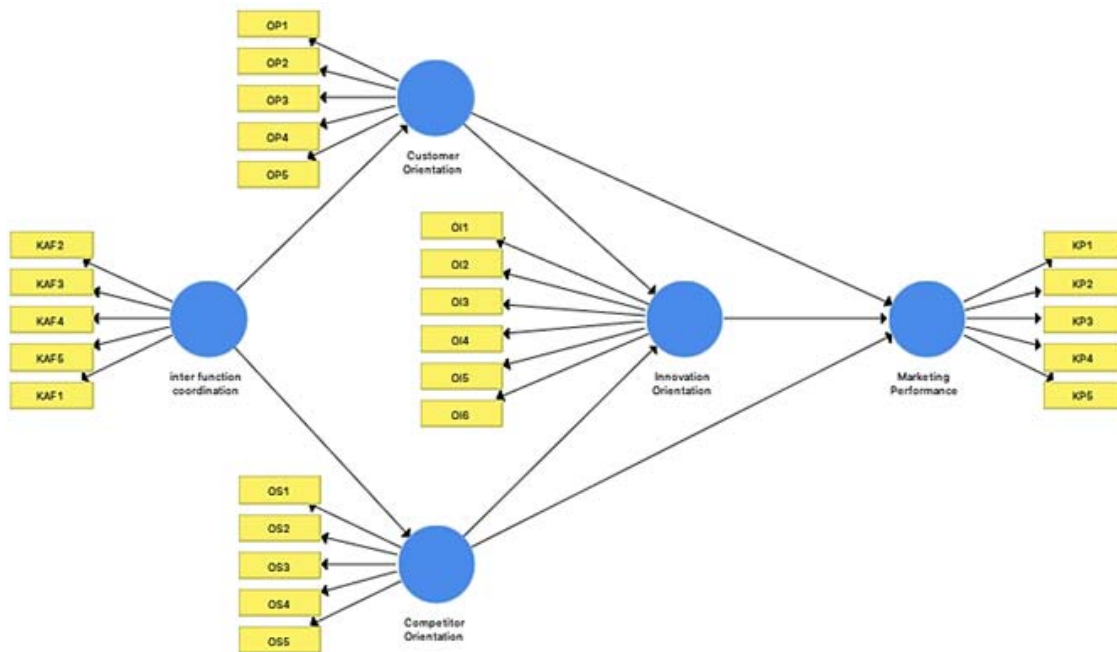


Figure 1: Conceptual Framework

**Table 1:** Measurement of variable

Latent Variable	Construct Variable and Item	Code
Inter-function coordination (Narver & Slater, 1990)	<ul style="list-style-type: none"> <li>☺ Distribute company resources to other business units within them.</li> <li>☺ All functions must be used to understand the customer.</li> <li>☺ Distribute all information for all features.</li> <li>☺ All features must be integrated to support the company's strategy.</li> <li>☺ All functions must contribute to creating customer value.</li> </ul>	KAF1 KAF2 KAF3 KAF4 KAF5
Innovation orientation (Mavondo et al., 2005)	<ul style="list-style-type: none"> <li>☺ Commitment to satisfying customers,</li> <li>☺ Collect information on customer needs,</li> <li>☺ How to satisfy customers,</li> <li>☺ Customer complaints,</li> <li>☺ Attention to customers</li> </ul>	OP1 OP2 OP3 OP4 OP5
Competitor Orientation (Mavondo et al., 2005)	<ul style="list-style-type: none"> <li>☺ Response to competitors' attacks</li> <li>☺ Special strategies to overcome competition</li> <li>☺ Competitive price offer</li> <li>☺ Acceptance of products on the market</li> <li>☺ Out-perform competitors in various ways</li> </ul>	OS1 OS2 OS3 OS4 OS5
Innovation Orientation (Kirca et al., 2005)	<ul style="list-style-type: none"> <li>☺ Introduction of new products,</li> <li>☺ New service,</li> <li>☺ The new production process,</li> <li>☺ Product quality,</li> <li>☺ The raw material is better</li> <li>☺ Employees are adaptive to the development of best practices</li> </ul>	OI1 OI2 OI3 OI4 OI5 OI6

Chimhanzi, and Stewart (2005). Competitor Orientation variable refers to the results of the study from Mavondo et al. (2005). Innovation Orientation Variable refers to the results of the study from Kirca et al. (2005). Marketing Performance Variable refers to the results of research from Lynch et al. (2012). In detail, the measurement of variables is explained in table 1. The method of analysis uses PLS. Measurement of variables through several stages of testing such as outer model, i.e., AVE, Composite reliability (CR), which is expected > 0.6 (Chin, 1998), (Fornell & Larcker, 1981). The expected Cronbach alpha value of alpha is vulnerable at 0.6-0.9. R-square (R<sup>2</sup>) testing phase and CBSEM model testing stage on PLS at Bootstrapping stage. The data analysis test tool uses SMART-PLS.

## 4. Results and Discussion

### 4.1. Statistics Analysis

**Table 2:** Data of Respondents (N=168)

Sub-district	type of production	Gender		Business unit
		Man	Women	
Belawa	Sarong, Tampah, Shirt, clothes, looms, Silk Fan	4	9	13
Keera		-	2	2
Majauleng		13	26	39
Maniangpajo		2	26	28
Pamma		1	2	3
Penrang		4	11	15
Sabbangparu		1	-	1
Sajoanging		10	16	26
Takkalala		7	5	12
Tanasitolo		4	6	10
Tempe		6	14	20
Total			51	117

### 4.2. Algorithm and bootstrapping analysis

Table 3 shows the testing of the goodness of fit model, the overall variables and test items in this study met the PLS pre-requisite test. As in the measurement of the Inter-function coordination variable, it shows that the value of Cronbach alpha, rho\_A, CR (composite reliability) and the value of AVE all have values above 0.6. Likewise, the indicators for composing coordinate Inter-function variables such as KAF1 to KAF5 also show good outer loadings, the most dominant value of external loadings in the Inter-function coordination variable is in the indicator (KAF3 = 0.780), and the outer loading value is shown in the indicator (KAF2 = 0.694). The Customer Orientation variable also shows the Cronbach alpha, rho\_A, CR (composite reliability) values and the AVE values all have values above 0.6. Likewise, the indicators for constructing Customer Orientation variables such as OP1 until OP5 also show the value of good outer loadings, the value of the most dominant outer loadings in the Inter-function coordination variable is in the indicator (OP2 = 0.866) and the low outer loading value is shown in the indicator (OP1 = 0.701). Likewise, with the Competitor Orientation variable compiler indicators such as OS1 to OS5 also showing good outer loadings, the most dominant value of outer loadings in the Inter-function coordination variable is in the indicator (OS3 = 0.847), and the low outer loading value is indicated on the indicator (OS1 = 0.659). The Innovation Orientation variable also shows the Cronbach alpha, rho\_A, CR (composite reliability) values and the AVE values all have values above 0.6. Likewise, the competitor Orientation variable compiler indicators such as OI1 to OI6 also show good outer loadings, the most dominant value of outer loadings in the coordination Inter-function variable is in the indicator (OI2 = 0.893), and the low outer loading value is shown in the

indicator (OI6 = 0.383). Likewise, the Competitor Orientation variable compiler indicators such as KP1 to KP5 also show good outer loadings, the most dominant value of outer loadings in the Inter-function variable coordination is found in the indicator (KP5 = 0.777), and the low outer loading value is shown in the indicator (KP2 = 0.750). In testing the R-Square (R<sup>2</sup>) overall reliability variable has a value above 0.67, so it can be concluded that the overall reliability test variables have values that fit in either category. The R-square value of the dependent variable Marketing Performance of 0.715 assumes that the co-ordination variable between functions, Innovation Orientation, Customer Orientation and Competitor Orientation contributes to

Marketing Performance by 71.5% while the difference of 28.5% Performance Marketing is influenced by various factors or other variables not examined in this study.

In testing the research hypothesis, as shown in table 4. It shows that in the direct test, there are two rejected hypotheses, namely H4 and H6, while the testing of the rejected indirect effect hypothesis is H10, H11, H12, H13. Indirect measurement shows that some path analysis does not show significant value. This can be interpreted for example for the relationship of the Innovation orientation variable to marketing performance by making the Innovation orientation as intervening showing a positive and significant relationship which means that the Innovation orientation

**Table 3:** The Goodness of fit model

Variable and Indicator	Cronbach Alpha	rho_A	C.R	AVE	Result
Inter-Function Coordination	0.800	0.801	0.862	0.557	Pre-Terms Test fulfilled
KAF1		0.712			
KAF2		0.694			
KAF3		0.780			
KAF4		0.735			
KAF5		0.712			
Customer Orientation	0.851	0.857	0.894	0.630	Pre-Terms Test fulfilled
OP1		0.701			
OP2		0.866			
OP3		0.784			
OP4		0.754			
OP5		0.853			
Competitor Orientation	0.836	0.845	0.884	0.606	Pre-Terms Test fulfilled
OS1		0.659			
OS2		0.810			
OS3		0.847			
OS4		0.788			
OS5		0.774			
Innovation Orientation	0.844	0.874	0.892	0.593	Pre-Terms Test fulfilled
OI1		0.638			
OI2		0.893			
OI3		0.818			
OI4		0.873			
OI5		0.880			
OI6		0.383			
Marketing Performance	0.836	0.850	0.877	0.587	Pre-Terms Test fulfilled
KP1		0.764			
KP2		0.750			
KP3		0.769			
KP4		0.772			
KP5		0.777			
Uji R-Square (R <sup>2</sup> )					
Variable	R-Square			R-Square Adjusted	
Marketing Performance	0.715			0.706	
Innovation Orientation	0.904			0.903	
Customer Orientation	0.891			0.890	
Competitor Orientation	0.829			0.828	

plays an essential role for Silk Product to increase its product marketing performance if SME Sutera owners focus on the Innovation orientation. Inter-function coordination in terms of developing silk fabric products also plays an important role and has a positive and significant effect on marketing performance through the participation of the Innovation orientation and Innovation orientation. In this regard, it can be seen again in table 5, that Competitor Orientation does not have a positive and significant effect on marketing performance by making the Innovation orientation an intervening variable. This means that the role of Innovation orientation plays an important role again, focusing attention on competitors that are not directly proportional to the concentration to innovation will have an impact on marketing performance. Of course, innovation in this study is the primary tool to improve marketing performance, so strong efforts are needed for SME Silk actors to improve the quality and quantity of product innovation or innovation in terms of services to be able to compete in the broader market. Indirect relationship to the coordination Inter-function variable for testing results that do not significantly indicate the relationship between variables indirectly so that it can be assumed and recommended that Inter-function coordination, Competitor Orientation, Innovation orientation must go hand in hand and get the ideal portion between each variable so that the performance of SME Sutera's product marketing can increase significantly. The urgency of the statement empirically involves Competitor Orientation, Innovation orientation, Innovation orientation by testing intervening paths

### 4.3. Discussion

The results of this study prove that coordination between functions has a significant effect on customer orientation because the purpose of coordination between services of course wants sustainable customer satisfaction. Customer orientation must be placed as the highest priority in terms of providing superior values to customers on an ongoing basis (Giannikas, McFarlane, & Strachan, 2019; Putra, Haming, Murdifin, Zulfikar, Syaiful, & Aditya, 2019). Because through the formation of customer orientation, it will form the orientation and perception of the customer on the values he built and felt, which in turn will result in customer satisfaction. The ability to understand customers, especially the needs and desires of customers, will help understand who their potential customers are and customers who are coming. What they want and what they might want in the future, what they feel now and what they will feel in the future to create satisfaction for customers (Narver & Slater, 1990). The most highlighted in the variable coordination among functions items is that most respondents acknowledged that the main weakness of SME Sutera's product development lies in access to technology-based sales (KAF3), although it is acknowledged that silk products are one of the superior products of Wajo Regency, the desire of most business people are wanting silk products not only to be desired by domestic consumers but also in demand by foreign consumers (KAF5). The significant study results between inter-function coordination on customer orientation also provide

**Table 4:** Hypothesis result

Path Analysis	Mean	Standard Deviation	T - statistics	p-value	Result
Inter-function coordination Customer Orientation	0.946	0.011	88.253	0.000	Accept
Inter-function coordination Competitor Orientation	0.914	0.028	32.097	0.000	Accept
Innovation Orientation Marketing Performance	0.716	0.286	2.600	0.010	Accept
Customer Orientation Marketing Performance	0.242	0.249	0.972	0.331	Reject
Customer Orientation Innovation Orientation	0.795	0.058	13.843	0.000	Accept
Competitor Orientation Marketing Performance	-0.115	0.149	1.009	0.313	Reject
Competitor Orientation Innovation Orientation	0.172	0.059	2.650	0.008	Accept
Customer Orientation Innovation Orientation Marketing Performance	0.570	0.232	2.598	0.010	Accept
Inter-function coordination Customer Orientation Innovation Orientation Marketing Performance	0.540	0.221	2.575	0.010	Accept
Competitor Orientation Innovation Orientation Marketing Performance	0.211	0.066	1.769	0.078	Reject
Inter-function coordination Competitor Orientation Innovation Orientation Marketing Performance	0.112	0.062	1.711	0.088	Reject
Inter-function coordination Customer Orientation Marketing Performance	0.229	0.235	0.972	0.332	Reject
Inter-function coordination Competitor Orientation Marketing Performance	-0.104	0.137	1.002	0.317	Reject
Inter-function coordination Customer Orientation Innovation Orientation	0.752	0.058	13.125	0.000	Accept
Inter-function coordination Competitor Orientation Innovation Orientation	0.158	0.057	2.495	0.013	Accept

an analogy and assumption that the structure of silk fabric products that are still dominant based on traditional without touch of technology access in terms of marketing will not only the behaviour of industry players in responding to global competition (Conduct) will have an impact on the difficulty of introducing silk fabrics for foreign and domestic consumers. Various efforts that can be taken by silk business SMEs to overcome competition include cost leadership strategies.

This strategy emphasises how the productivity of silk fabrics increases by looking at the cost component as an essential factor in achieving competitive advantage. Rationally consumers are seen as objects that consider costs and see costs as things that are strictly related to consumer purchasing power. The price of silk fabric products is still considered competitive to reduce the cost of increasingly competitive products, one of which is the effort to maintain the supply of raw materials. Besides, to take a competitive price, silk business actors must use modern production tools to reduce the use of human labour. Because the cost leadership strategy, to reduce production costs is not only done in terms of the procurement of cheap, sustainable raw materials, but also leads to the use of machinery / production equipment that is able to save production costs in place of the use of non-machine looms (ATBM) become a characteristic of the Silk Industry actors, so the strategy of cost excellence has not been wholly obtained. The process for leading the market that silk business actors want to pursue can also be through product differentiation as in the creation of new motifs/patterns. The customer orientation that must be applied to entrepreneurs, especially for silk fabric entrepreneurs, is to give significant attention to satisfying customer needs so that the marketing strategies implemented must provide short-term and long-term impacts. The results of this study provide a full picture for business people regarding the main things that can be taken for silk fabric entrepreneurs in the district including:

Customer Orientation to Develop. That is, starting from the development of product design in the form of more diverse patterns/motives. Furthermore, customer needs development, namely the district silk fabric business people, is more detailed to find out information about customer complaints, a way that can be taken by district silk SME actors to obtain complete details through information from silk cloth product outlets sold. Next is development time because, in order to realize consumer expectations, planning development requires a scheduled time to overcome the demand, which can rise sharply at any time. The results of the study and the distribution of the questionnaire explained the statements of respondents regarding customer complaints where the complaints were mostly from unscheduled delivery of goods.

Customer orientation to market. That is, district silk business SMEs can go through the STP (Segmentation,

Targeting, Positioning) strategy. The application of the competitive pricing concept based on market segmentation must adjust the target market segmentation, as well as the final packaging design of silk fabric products because exclusivity is located because of differences in the price and packaging design as part of the silk cloth products included in the place where fabric products the silk will be marketed. Furthermore, advertising, namely the process of introducing silk fabric products can be exchanged in accordance with time and place involving several components such as the role of government through regulation or exhibition, the role of the media as a promotional funnel to introduce products and use of access to digital technology to further deepen the penetration of silk product marketing. Recognized in this study that the weakness experienced by silk business actors is the ignorance of business people in the use of digital technology access for promotional and marketing activities so that this can be taken as an excellent alternative strategy to support the needs of its customers and to develop competitive competition.

Customer orientation to deliver service, namely silk business SMEs, can further enhance customer satisfaction through improved service both during pre-selling and post-selling services.

Silk fabric products to date show that silk sales numbers tend to be stable where the increase that occurs is not too significant, this is due to the dominant customer of silk fabric products from old customers who have known this product while the growth of new customers has not increased much. This again suggests that the application of digital technology access as explained in hypothesis one and the second hypothesis explains the urgency of applying digital technology access to marketing and promotion media to reach more full markets and customers. The study of the theory of resource-based view (RBV) and SCP approaches (Structure, conduct and performance) illustrates that coordination between functions popularized by Narver and Slater (1990) has a significant impact on the urgency of customer orientation, and competitor orientation and innovation orientation plays a vital role with regard to the theory of resource-based view (RBV) from Porter and Van der Linde (1995). The results of the study in this study indicate that for the achievement of coordination between functions for Wajo silk SME business actors can be realized if mediated by competitor orientation and customer orientation based on innovation.

Therefore, in the process of improving marketing performance for silk business SMEs, several points that can be taken as part of optimizing coordination between business functions and processes to run well and sustainably include the development of silk business, which includes: Innovation-oriented productivity development, Productivity development through the involvement of Penta-helix stakeholder institutions such as the government, the media and business people who work together,



Expansion of access to marketing through access to digital technology. Business development for silk artisans through: Managerial training for business actors and labour includes vocational skills and efforts to regenerate skilled energy, Managerial training for business people includes financial literacy training and mastery of marketing through digital access.

**Theoretical Implication:** Highlighting this, referring to the foundation of the Grand Theory Resource-Based View (RBV) Theory and SCP Theory, the results of the study in this study support the theory of Barney (1991) and Lynch et al. (2012). That customer orientation from inter-functional coordination requires optimization of customer-oriented resources, especially in terms of technology-based infrastructure to market products globally and comprehensively because it affects the structure of the silk fabric industry from traditional to modern and business owners' behaviour in addressing competition (conduct) globally. The RBV approach is also fundamental to pay attention to the competitor's orientation as part of the challenges in developing wajo silk cloth products. The maximum allocation of resources to the RBV concept provides optimal strategy emphasis to provide strength for the entrepreneurs of the Wajo silk business to achieve competitive advantage. On the other hand, competitor orientation and competition that is taking place from the perspective of SCP theory make competitors a part of market structure that can also influence competitive behaviour and production performance of wajo silk fabrics, so that competitively oriented full attention becomes an excuse to foster increasingly fierce competition. the application of RBV is significant for customer orientation in a more comprehensive business process, the purpose of RBV and SCP is to maximize the allocation of excellent resources that are tangible and intangible resources towards the efforts of business people to create/create products that are oriented to customer needs and aims to increase customer satisfaction.

Managerial implication: From a managerial point of view, the results of this hypothesis study certainly recommend that optimal resource allocation for entrepreneurs of wajo silk cloth is in addition to focusing on the quality of silk fabric products and process quality, also expects that optimizing the use of technology as access to marketing strategies can be a new alternative to marketing based conventionally applied so far to further introduce wajo silk fabrics to a broader market segment. the point of view of RBV and SCP provides a brief description of the main thing that can be taken for entrepreneurs of wajo silk fabric, is to increase productivity through a strategy of cost excellence through the assurance of silk yarn raw material supplies sustainable, upgrading of weaving machines from ATBM (looms not machines) to machine looms and the synergy of the role of the government as a regulator, the media as access and means of promotion and communication with silk business

actors in Wajo District. In addition, the fulfillment of customer satisfaction through customer orientation to develop which covers the development of products / patterns / silk fabrics, customer orientation to market which includes accurate strategies related to segmentation, targeting, promoting silk fabric products that comprehensively involve the synergy of the role of government, media and efforts silk business SMEs themselves. As well as customer orientation to deliver service through efforts to implement digital technology access to promote and sell silk fabric products on a broader market to create new potential customers. several alternative strategies for Wajo silk SME entrepreneurs to outperform competition through efforts to increase innovation include regeneration of workers to get creative ideas in terms of innovation in wajo silk products that are in line with the times, increasing the competence of business people through expanding access to digital technology to optimally marketing products in a broader market besides that is increasing competence to support service applications that are also optimal both pre-selling and post-selling services.

## 5. Conclusion

This study illustrates that the dominance of coordination between functions can be realized up to the improvement of marketing performance if silk business SMEs are competitively oriented, customers and complex innovation orientation. The relevance of the resource-based view (RBV) theory and SCP theory provides an overview of resource optimization strategies for silk business actors to take strategic steps including the use of digital technology access to marketing strategies and promotional needs to reach broader markets and consumers. Besides that, the concepts of RBV and SCP also provide a strategic picture for wajo silk business actors related to product innovation and service innovation and the urgency of regeneration to maintain the continuity of superior products typical of Wajo district and to achieve competitive advantage in the future.

## References

- Aboelmaged, M., Administration, B., & Emirates, U. A. (2018). The drivers of sustainable manufacturing practices in Egyptian SMEs and their impact on competitive capabilities: A PLS-SEM model. *Journal of Cleaner Production*, 175, 207-221. <https://doi.org/10.1016/j.jclepro.2017.12.053>
- Bappenas. (2016). *Warta\_KUMKM\_2016\_Vol\_5\_No\_1.pdf*.
- Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99-120. <http://doi.org/10.1177/014920639101700108>Firm Resources and Sustained Competitive Advantage.

- Journal of Management*.  
<https://doi.org/10.1177/014920639101700108>
- Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99–120. <https://doi.org/10.1177/014920639101700108>
- Cadogan, J. W., & Diamantopoulos, A. (1995). Narver and Slater, Kohli and Jaworski and the market orientation construct: integration and internationalization. *Journal of Strategic Marketing*, 3(1), 41-60.
- Camisón-haba, S., Clemente-almendros, J. A., & Gonzalez-cruz, T. (2018). How technology-based firms become also highly innovative firms? The role of knowledge, technological and managerial capabilities, and entrepreneurs' background. *Suma de Negocios*. Retrieved from <https://doi.org/10.1016/j.jik.2018.12.001>
- Chin, W. (1998). The partial least squares approach to structural equation modeling. *Modern Methods for Business Research*, 29(2), 295-336. <https://doi.org/10.1016/j.aap.2008.12.010>
- Day, G. S., & Nedungadi, P. (1994). Managerial Representations of Competitive Advantage. *Journal of Marketing*, 58(2), 31-44. <https://doi.org/10.1177/002224299405800203>
- Day, G. S., & Wensley, R. (1988). Assessing Advantage: A Framework for Diagnosing Competitive Superiority. *Journal of Marketing*, 52(2), 1. <https://doi.org/10.2307/1251261>
- Dereli, D. D. (2015). Innovation Management in Global Competition and Competitive Advantage. *Procedia - Social and Behavioral Sciences*, 195, 1365-1370. <https://doi.org/https://doi.org/10.1016/j.sbspro.2015.06.323>
- Deshpande, R., Farley, J. U., & Webster, F. E. (1993). Corporate Culture, Customer Orientation, and Innovativeness in Japanese Firms: A Quadrant Analysis. *Journal of Marketing*, 57(1), 23. <https://doi.org/10.2307/1252055>
- Dibrell, C., Craig, J., & Hansen, E. (2011). Natural Environment, Market Orientation, and Firm Innovativeness: An Organizational Life Cycle Perspective. *Journal of Small Business Management*, 49(3), 467-489. <https://doi.org/10.1111/j.1540-627x.2011.00333.x>
- Distanont, A., & Khongmalai, O. (2018). The role of innovation in creating a competitive advantage. *Kasetsart Journal of Social Sciences*. <https://doi.org/https://doi.org/10.1016/j.kjss.2018.07.009>
- Elrehail, H. (2018). The relationship among leadership, innovation and knowledge sharing: A guidance for analysis. *Data in Brief*, 19, 128-133. <https://doi.org/10.1016/j.dib.2018.04.138>
- Fornell, C., & Larcker, D. F. (1981). Structural equation models with unobservable variables and measurement error: Algebra and statistics. *Journal of Marketing Research*, 382-388.
- Giannikas, V., McFarlane, D., & Strachan, J. (2019). Towards the deployment of customer orientation: A case study in third-party logistics. *Computers in Industry*, 104, 75-87. <https://doi.org/https://doi.org/10.1016/j.compind.2018.10.005>
- Grawe, S. J., Chen, H., & Daugherty, P. J. (2009). The relationship between strategic orientation, service innovation, and performance. *International Journal of Physical Distribution & Logistics Management*, 39(4), 282–300. <https://doi.org/10.1108/09600030910962249>
- Gunday, G., Ulusoy, G., Kilic, K., & Alpkan, L. (2011). Effects of innovation types on firm performance. *International Journal of Production Economics*, 133(2), 662–676. <https://doi.org/10.1016/j.ijpe.2011.05.014>
- Ibrahim, S., & Heng, L. H. (2015). The Roles of Learning in Stimulating Knowledge Sharing at SMEs. *Procedia - Social and Behavioral Sciences*, 172, 230-237. <https://doi.org/10.1016/j.sbspro.2015.01.359>
- Kadir, N. (2018). Analysis of entrepreneurship perception and business developmental strategy of silk in Wajo Regency, South Sulawesi, Indonesia. *International Journal of Law and Management*, 6(1), 102–113. <https://doi.org/10.1108/IJLMA-11-2016-0114>
- Kirca, A. H., Jayachandran, S., & Bearden, W. O. (2005). Market Orientation: A Meta-Analytic Review and Assessment of its Antecedents and Impact on Performance. *Journal of Marketing*, 69(2), 24-41. <https://doi.org/10.1509/jmkg.69.2.24.60761>
- Lewrick, M., Omar, M., & Robert, J. (2011). Market Orientation and Innovators' Success: an Exploration of the Influence of Customer and Competitor Orientation. *Journal of Technology Management & Innovation*, 6(3), 48–62. <https://doi.org/10.4067/s0718-27242011000300004>
- Lorenzo, J. R. F., Rubio, M. T. M., & Garcés, S. A. (2018). The competitive advantage in business, capabilities and strategy. What general performance factors are found in the Spanish wine industry? *Wine Economics and Policy*, 7(2), 94-108. <https://doi.org/10.1016/j.wep.2018.04.001>
- Lukas, B. A., & Ferrell, O. C. (2000). The Effect of Market Orientation on Product Innovation. *Journal of the Academy of Marketing Science*, 28(2), 239-247. <https://doi.org/10.1177/0092070300282005>
- Lynch, J., Mason, R. J., Beresford, A. K. C., & Found, P. A. (2012). An examination of the role for Business Orientation in an uncertain business environment. *International Journal of Production Economics*, 137(1), 145–156. <https://doi.org/10.1016/J.IJPE.2011.11.004>
- Mavondo, F. T., Chimhanzi, J., & Stewart, J. (2005). Learning orientation and market orientation. *European Journal of Marketing*, 39(11/12), 1235-1263. <https://doi.org/10.1108/03090560510623244>
- Narver, J. C., & Slater, S. F. (1990). The Effect of a Market Orientation on Business Profitability. *Journal of Marketing*, 54(4), 20–35. <https://doi.org/10.2307/1251757>
- Olavarrieta, S., & Friedmann, R. (2008). Market orientation, knowledge-related resources and firm

- performance. *Journal of Business Research*, 61(6), 623-630. <https://doi.org/10.1016/j.jbusres.2007.06.037>
- Pike, K. M., & Dunne, P. E. (2015). The rise of eating disorders in Asia: A review. *Journal of Eating Disorders*, 3(1), 1–14. <https://doi.org/10.1186/s40337-015-0070-2>
- Porter, M. E., & Van der Linde, C. (1995). Toward a new conception of the environment-competitiveness relationship. *Journal of Economic Perspectives*, 9(4), 97-118.
- Powell, S. M. (2015). Journal of Brand Management – Year end review 2015. *Journal of Brand Management*, 22(6), 715-720. <https://doi.org/10.1057/s41262-017-0078-9>
- Putra, A. H. P. K., Haming, M., Murdifin, I., Zulfikar Syaiful, A., & Aditya, H. P. K. P. (2019). The Application of SERVQUAL Distribution In Measuring Customer Satisfaction of Retails Company. *Journal of Distribution Science*, 17(2), 25. <https://doi.org/10.15722/jds.17.02.201902.25>
- Rina Maryanti, R. C. (2014). Terkendala bahan baku benang sutera (3). Retrieved February 10, 2019, from <https://peluangusaha.kontan.co.id/news/terkendala-bahan-baku-benang-sutera-3>
- Rivard, S., Raymond, L., & Verreault, D. (2006). Resource-based view and competitive strategy: An integrated model of the contribution of information technology to firm performance. *The Journal of Strategic Information Systems*, 15(1), 29-50. <https://doi.org/10.1016/j.jsis.2005.06.003>
- Syukur, M., Dharmawan, A. H., & Satyawan Sunito, D. D. (2014). Transformasi Penenun Bugis - Wajo Menuju Era Modernitas. *Paramita*, 24(1), 63-77.
- Verhees, F. J. H. M., & Meulenbergh, M. T. G. (2004). Market Orientation, Innovativeness, Product Innovation, and Performance in Small Firms. *Journal of Small Business Management*, 42(2), 134-154. <https://doi.org/10.1111/j.1540-627x.2004.00102.x>