

Analysis of Business Strategy, Market Orientation and Innovation Capability On Competitive Advantage Through PT Abc's Firm Performance

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ABSTRACT

Keywords: Market Orientation; PT ABC; Business Strategy. Companies today are increasingly recognizing the importance of adopting business and innovation strategies to stay competitive in an ever-changing marketplace. This study aims to examine the relationship between business strategy, market orientation, innovation capabilities, company performance, and competitive advantage in the context of PT ABC, a construction and public procurement company established in 2018. The research method used is quantitative, with preliminary stages, observation, filling out questionnaires, data collection, data processing, and validity tests. Data is obtained through surveys and analyzed to examine the effect of these variables on the company's competitive advantage. The results showed that business strategy has a positive effect on the company's innovation capabilities and performance. Market orientation also has a positive effect on company performance. However, market orientation does not have a significant effect on innovation capabilities, and innovation capabilities have no effect on competitive advantage. These findings provide important insights for PT ABC and other companies in developing business strategies, strengthening market orientation, and enhancing innovation capabilities to achieve competitive advantage in competitive markets.



Introduction

More and more large, medium and small companies are starting to carry out business and innovation strategies. Business and innovation strategies are successfully adopted by companies, because if they can understand that the institutional environment around the environment, the technical environment and the market environment they face are changing, appropriate business and innovation strategies are needed (Townsend, Busenitz, & Arthurs, 2010). Today, with the development of the economy and globalization, all enterprises are challenged by an "uncertain" environment and fiercer competition. To handle it with increasing uncertainty from the external environment, companies are required to improve their competence and continue to innovate (Pantano, Rese, & Baier, 2017), and to overcome the great challenges that arise from complicated

environments and dynamic changes through immediate adjustments in innovation (Zhou et al, 2017).

Some studies show that the further development of an enterprise can be hampered if the core company does not yet have the ability to cope with challenges arising from changes in the external environment (Leonard, 2017). However, dynamic innovation capabilities can support companies to gain competitiveness in response to uncertain environments. Innovation capability is the innovation capability that companies use to develop, integrate, and reconfigure resources and operational capabilities (Cheng, Yang, Lyu, & King, 2013). Characteristics of innovation capabilities that support corporate innovation in strategy and how to deal with corporate innovation in an increasingly changing and competitive external context.

Innovation adds an important dynamic dimension to the impact of competition on advanced economies (Kajalo & Lindblom, 2015). Innovation can add significant dynamic costs to a company's trading partners if it declines in response to competition or it may lead to significant dynamic gains if competition drives innovation. On a deeper theoretical level, these possible different innovation responses to competition are linked to longstanding theoretical debates about whether or not competition facilitates innovation (Shapiro, 2018). On the one hand, endogenous models are R&D-based and predict that competition tends to decrease innovation, hence profits and net profit job creation. On the other hand, theoretical literature predicting that competition will intensify drives innovation, as in quality differentiation models, (Khandelwal, Schott, & Wei, 2013).

(Bloom, Romer, Terry, & Van Reenen, 2021) Previous empirical studies have found mixed results on how innovation responds to intensifying competition, documenting a positive innovation response to Chinese competition in Europe, while Autor, 2020 found that U.S. public trading firms systematically reduce innovation. Both ongoing theoretical debates about how competition affects innovation and empirical debates about what drives differences are in unequivocal responses to competition. In theory, the incentive to innovate in response to competition depends on the type of innovation undertaken. By considering the type of innovation in the form of new and different products, since it is more likely to protect the company from competition, so that competition can strengthen incentive innovation (Shapiro, 2018).

This study specifically investigates the effect of business strategy, market orientation, innovation capability and firm performance on competitive advantage. It is expected that this study will be able to determine the factors that affect competitive advantage (Wang, Hou, & Li, 2022). The expected results of this research can recommend companies to choose superior competitive business strategies and provide results that are in accordance with their goals (Ahmed et al., 2022).

Previous research in Mu-Jeung Yanga, Nicholas Li, Kueng Lorenzc 2020 entitled The impact of emerging market competition on innovation and business strategy: Evidence from Canada 2020. Using basic data methods, strategic, forecasts. With the results of research product innovation strategies have a higher profit if they survive, without significant impact at the time of exit. Both suggest that innovator performance depends on balancing the effects of innovation incentives and the risk of competitive failure (Alnoor, Khaw, Al-Abrow, & Alharbi, 2022).

The objectives to be achieved in this study are to test:

1. Knowing the influence of business strategy on PT ABC's innovation capability
2. Knowing the influence of business strategy on PT ABC's firm performance
3. Knowing the influence of market orientation on PT ABC's innovation capability

4. Knowing the influence of market orientation on PT ABC's firm performance
5. Knowing the effect of innovation capability on PT ABC's competitive advantage
6. Knowing the influence of firm performance on PT ABC's competitive advantage

Research Methods

Types of Research

In this study, quantitative methods were used, there were several stages in this study including the initial preliminary stage, observation, filling out questionnaires, data collection, processing data in the next stage, followed by testing data validity. conduct surveys and distribute them to respondents to questionnaires that have been made. The method is carried out with studies to test how influential the business strategy, market orientation, innovation capabilities on competitive advantage.

Data Types and Sources

There are two types of data, namely, primary research and secondary. The definition of each type and source of data is:

1. Primary data is data that can be obtained directly that can be obtained from the source. The primary data obtained from this study was obtained from the distribution of questionnaires to respondents.
2. Secondary data is data that can be collected by researchers and in this study data is obtained from previous research literature studies and other supporting sources such as books, journals, articles and others.

Population and Research Sample

The population used in this study is the entire stakeholder of PT ABC, According to Ferdinand, (2014) that the sample needed for analysis with the minimum Structural Equation Model (SEM) is 100 samples. The number of samples to be studied are stakeholders, customers and partners of PT ABC totaling 130 people. The method used in the study is the purposive sampling method which is a sampling technique.

Data Collection Methods

a. Literature Study

Literature studies are used in collecting various information to support research obtained in journals, books, internet sites and others also relevant to support problems in research then used as a theoretical basis.

b. Questionnaire

Questionnaire is a method of collecting data from the field in the form of a method of asking several questions to participants so as to get answers (Sugiyono, 2019). In this study, questionnaires were distributed online and offline which were sent to respondents. The goal is to find and obtain the information and answers needed for research. In this study the questionnaire used Likert scale, the scale used was from number 1 (one) to number 5 (five), which has meaning.

Validity Test and Reliability Test

The first thing to do after tabulating data from respondents is to test validity and reliability to see whether or not the indicators used in the research are valid and reliable or not. The validity test is the degree to which an indicator can measure what it should measure (Mukhopadhyay et al., 2006). By conducting a validity test, it can be determined as a measurement tool in applying its measurement function. The results of the validity test are shown in the Pearson Correlation value in the Correlations column. Reliability itself is the reliability of a measurement and consistent with data In this study, the

questionnaire becomes a measurement instrument that can be said to be reliable if the respondents' answers are consistent.

Development of Structural Equation Modeling

In the final stage, the Structural Equation Modeling development model is created from SPSS data. Having previously developed theories and research models. the method used is to describe the model and then test it with Structural Equation Modeling.

Results and Discussion

Overview of the Research Object

PT ABC is a company engaged in construction services and general procurement. Present in 2018 to work and play an active role in the development and provide professional, integrity and trusted services. PT ABC's commitment to always complete every work that has been entrusted by implementing a good corporate governance system with professional human resources to increase company value and pay attention to stakeholders and shareholders. We are here to support and be the best solution in the field of construction and public procurement to help national economic growth.

Vision:

To become a professional, integrity and trusted global procurement and construction services company

Mission:

1. Creating and implementing a good corporate governance system and making continuous improvements
2. Aligning management and employees related to the company's vision to increase company value
3. Increase company value by paying attention to stakeholders and related stakeholders
4. Forming and having professional human resources who are competent in their fields
5. Helping national economic growth through construction services and procurement of goods on a global scale

Validity Test

Uii validity is used to measure the validity or absence of a questionnaire (Ghozali, 2016), a questionnaire can be said to be valid if the questionnaire can measure the questionnaire and items from it, can be measured by the level of validity by comparing the r-count value and the r-table value, provided that if the r-count is greater than the r-table and the r-positive value, it can be stated that the statement item can be said to be valid. The results of the validity test can be seen below:

Variable	r Table	r Calculate	Information
Business Strategy	0,143	0,305	Valid
	0,143	0,453	
	0,143	0,266	
	0,143	0,417	
Market Orientation	0,143	0,312	Valid
	0,143	0,445	
	0,143	0,319	
	0,143	0,293	

Innovation Capability	0,143	0,397	Valid
	0,143	0,359	
	0,143	0,421	
	0,143	0,401	
Firm Performance	0,143	0,446	Valid
	0,143	0,502	
	0,143	0,471	
	0,143	0,455	
Competitive Advantage	0,143	0,475	Valid
	0,143	0,518	
	0,143	0,548	
	0,143	0,430	

Based on table 1, all items of variables are declared valid starting from Business Strategy variables, Market Orientation variables, Innovation Capability variables and Competitive Advantage variables, because the r-count value is greater than the r-table, the data can be concluded to meet the validity test requirements.

Reliability Test

Reliability test is a test tool used to measure the consistency of (Ghazali, 2013). Questionnaires are placed reliably or have reliability if respondents' answers to statements are consistent. Reliability measurement instruments produce cronbach alpha which can be assumed to be reliable if > 0.60 and vice versa. The results of the reality test are as follows:

Table 2 Reliability Test Results

Variable	Cronbach Alpha	Alpha	Information
Business Strategy	0,785	0,60	Reliable
Market Orientation	0,774	0,60	Reliable
Innovation Capability	0,788	0,60	Reliable
Firm Performance	0,771	0,60	Reliable
Competitive Advantage	0,730	0,60	Reliable

Based on table 2 of the reliability test above, it is known that the Business Strategy variable, Market Orientation variable, Innovation Capability variable and Competitive Advantage variable, have an alpha cronbach value of more than an alpha value of 0.60. So it can be concluded that all variables meet the requirements of a reliable test.

Developing a Flowchart

The purpose of developing a flowchart is to simplify and be able to see all the relationships between the variables studied, both indicators, items, and factors in it, the overall constructs to be tested in model development are as follows:

- a. Exogenous Construct

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The first exogenous construct is business strategy, allegedly there is a positive influence on innovation capability. The second exogenous construct is market orientation, allegedly there is a positive influence on innovation capability. The third exogenous construct is business strategy, allegedly there is a positive influence on competitive advantage. The fourth exogenous construct is market orientation, allegedly there is a positive influence on competitive advantage. The fifth exogenous construct is innovation capability, it is suspected that there is a positive influence on competitive advantage.

b. Endogenous Construct

The first endogenous construct is innovation capability towards business strategy and market orientation. The second endogenous construct is the competitive advantage over innovation capability.

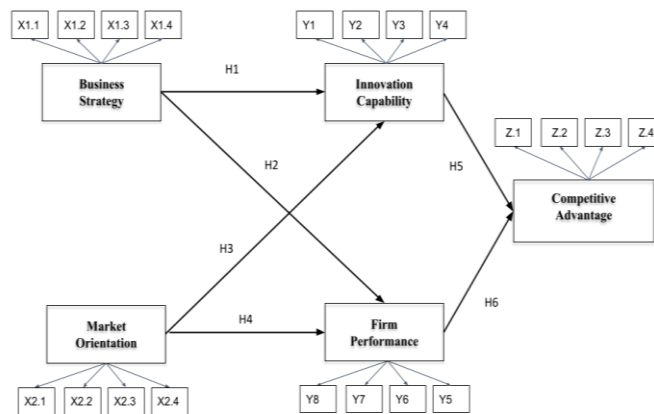


Figure 1 Structural Equation Model

Convert to a Structural Equation

From the flowchart model that has been made, a structural equation model is developed which is expressed in several categories of equations, as follows:

Table 3 Formulation of structural equations

Construct	Measurement Equation
Business Strategy	$X1.1 = \lambda_1 BS + e_1$
	$X1.2 = \lambda_2 BS + e_2$
	$X1.3 = \lambda_3 BS + e_3$
	$X1.4 = \lambda_4 BS + e_4$
Market Orientation	$X2.1 = \lambda_5 MO + e_5$
	$X2.2 = \lambda_6 MO + e_6$
	$X2.3 = \lambda_7 MO + e_7$
	$X2.4 = \lambda_8 MO + e_8$
Innovation Capability	$Y1 = \lambda_9 Y + e_9$
	$Y2 = \lambda_{10} Y + e_{10}$
	$Y3 = \lambda_{11} Y + e_{11}$
	$Y4 = \lambda_{12} Y + e_{12}$
Firm Performance	$Y5 = \lambda_{13} Y + e_{13}$
	$Y6 = \lambda_{14} Y + e_{14}$
	$Y7 = \lambda_{15} Y + e_{15}$
	$Y8 = \lambda_{16} Y + e_{16}$
Competitive Advantage	$Z1 = \lambda_{17} Z + e_{17}$
	$Z2 = \lambda_{18} Z + e_{18}$
	$Z3 = \lambda_{19} Z + e_{19}$
	$Z4 = \lambda_{20} Z + e_{20}$

Interpretation of Structural Equation Modeling

In the final stage of the Structural Equation Modeling development model, after previously developing theories and research models. the method used is to test the model with Structural Equation Modeling. The significance level of the SEM model is > 5 percent of all covariances of the model tested. (Mukhopadhyay et al., 2006). The following are the results of the SEM test output as follows.

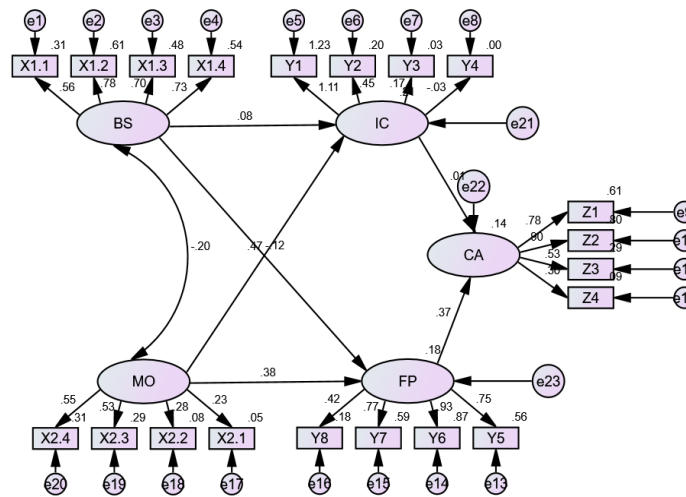


Figure 2 Full Structural Equation Modeling

Obtained from calculations, the influence of direct and indirect business strategy, market orientation, innovation capability on competitive advantage. The effect of business strategy on innovation capability is 0.08. The influence of business strategy on firm performance is 0.47. The influence between market orientation on innovation capability is -0.12. The influence between market orientation on firm performance is 0.38. The effect between innovation capability on competitive advantage is 0.01. The effect between firm performance on competitive advantage is 0.37.

Conclusion

The results of the study resulted that, the business strategy variable had a positive effect on innovation capability by 0.08. The Business strategy variable has a positive effect on firm performance of 0.47. The market orientation variable has a positive effect on firm performance of 0.38. The firm performance variable has a positive effect on competitive advantage of 0.37. But for the market orientation variable in this study does not affect innovation capability and innovation capability on competitive advantage.

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