

The Effect of Market Orientation, Entrepreneurship Orientation, and Imitation Strategy on Competitive Advantage (Study on SME of Leather Bag and Suitcase in East Java)

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Abstract: *This study is intended to examine and analyze the effect of market orientation, entrepreneurship orientation, and imitation strategy on the competitive advantage of SME of leather bags and suitcases in East Java. The study population is all members of 515 people of SME of leather bags and suitcases in East Java. The locations are spread in Sidoarjo, Mojokerto Mojokerto city, Magetan and Malang. The sample calculation uses Slovin's formula with the calculation result of 180 samples. The data are analyzed by using the Structural Equation Modeling with the help of AMOS 20 software. The results show that market orientation, entrepreneurship orientation, and imitation strategy have a positive and significant impact on the competitive advantage of SME of leather bags and suitcases in East Java. The higher the market orientation is, the stronger the entrepreneurship orientation, and the better the imitation strategy are. Thus the competitive advantage of SME of leather bags and suitcases in East Java is also higher.*

Keywords: *market orientation, entrepreneurship orientation, imitation strategy, competitive advantage.*

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I. INTRODUCTION

The impact of globalization that gives birth to the ASEAN Economic Community (MEA) is both a challenge and an opportunity for small and medium enterprises (SMEs). In this challenging situation only SMEs are able to produce sustainable competitive advantage that can grow and develop. The challenges for SMEs in MEA 2015 are numerous. Competition between SMEs and imported products is increasingly sharp. Although there are many resources, it is needed a special strategy for SMEs players to obtain them. In addition, it should also be maintained and enhanced competitiveness as creative and innovative industries, standards, designs, and product quality in accordance with ASEAN requirements, such as the provision of ISO 26000 for green product. In accommodating policies to spur the growth of the economic sector, the government now has a community empowerment program for all national economic power, especially small and medium entrepreneurs. The program is implemented by developing a populist economic system based on fair market mechanisms. It is also based on productive, self-sustaining, advanced, competitive, environmental and sustainable natural and human resources.

In responding to the challenge, national SME of leather bags and suitcases should be able to increase competitive advantage in order to compete with the products from abroad and even can improve the performance of marketing through exports. The insufficient leather material to meet the production needs of SME's bags and suitcases in East Java will be an obstacle in creating the competitiveness of local commodities. The businessmen in Malang Regency, for example, feel the impact of the condition. The production capacity and sales are decreased by 50%. As a result, to maintain business continuity, they sell the same product from China. The real condition is certainly going to influence the other leather industry because the fulfillment of leather needs for this time is met by imported leather. This is a burden for SME. The high import costs as a result of the rupiah weakness will result in high production costs and it will ultimately disrupt the marketing performance.

Many imitation products also flood leather bag and suitcase market in Indonesia. The design of imitation products is no less competitive with the branded original products. Many SMEs make imitation products in an effort to meet the lucrative domestic market. They must be able to design the right imitation strategy so that the product is in demand by consumers. This condition is felt more and more in line with the enactment of ASEAN-China Free Trade Agreement (ACFTA) free trade since January 2010.

SMEs will quickly grow and develop if the government is able to formulate an integrated policy by involving all stakeholders comprising of SMEs, banking institutions, mentoring agencies, and educational institutions. The existence of SME's sector is needed to leverage economic growth in East Java because the real con-

tribution to gross regional domestic product is very significant, that is 53,4%. So this sector can become model of activity to reduce poverty and to increase society prosperity.

The marketing of SME's products today is determined not only by product quality but also by strategy that is commonly used by the company: market orientation (Never and Slater, 1990) and entrepreneurial orientation (Weerawardena, 2003). Robert B. Young (2005) states that the proactive market orientation companies will continually seek to find new opportunities to meet customer needs. The existence of leather SMEs today in East Java are still survival in Sidoarjo, Mojokerto, Mojokerto city, Magetan, and Malang. The industrial development of each region is strongly influenced by the availability of resources, human, financial, and material resources. The population of SME's leather bags and suitcases in East Java is 515. Sidoarjo has 304, Mojokerto Regency 122, Mojokerto City 41, Magetan 34 and Malang 14.

This large number has great potential and promises for the economic development and growth in East Java. More specifically, the number of SMEs has significant and promising contribution to the gross domestic product (GDP) of East Java. In the future, it can be ascertained that the existence of these SMEs will be the backbone of the East Java economy. Therefore, the concern and alignment of SMEs must be kept and continued to be encouraged. In the concept of marketing, the company is required to know the needs of the market and able to provide satisfaction to customers to exceed that can be given by competitors. The current tight competition has forced the focus of attention away from the concepts of production, product concepts, sales concepts, to marketing concepts. Kotler (2012) also considered that the marketing concept best fits the current business environment. The concept of marketing is a business philosophy that the company believes as a reference in formulating and implementing competitive strategies. Companies that apply such marketing concepts are

called market-oriented companies (Harrison, 2009). Proactive market orientation is assumed suitable for companies with a dynamic or volatile environment. With unstable conditions, companies have the opportunity to create competitive advantage. Market orientation can be a competitive advantage through an understanding of customer needs and competitor actions as well as development of coordination strategies and coordination excellence (Basheer 2011). Slater (1990) in (Doyle, 2011) demonstrates three elements that simultaneously and continuously create superior value for customers and superior performance: customer orientation, competitor orientation, and cross-functional coordination.

Customer orientation is used to assess the company's success in detecting competitors' strengths and weaknesses. Both orientations are coordinated to become a strength and have a positive impact on company performance. Companies that make market orientation an organizational culture will be based on external basic needs, market wants and demands as a foundation in developing strategies for each business unit within the organization. It will determine the success of the company. Fatonah's study (2009), which measures the effect of marketing mix and market orientation on competitive advantage in improving marketing performance at batik company in Surakarta, concludes that market orientation significantly influences competitive advantage and marketing performance.

SMEs in developing countries are often constrained by lack of adequate resources, knowledge and experience to successfully participate in various forms of international activities including exports. SMEs in developed and developing countries with high entrepreneurship orientation are better to innovate, have competitiveness, and make export risk with customer service in the international market, compared to SMEs with low entrepreneurship orientation. (Paul, 2013)

Many companies do more product development starting from the imitation process. Some are illegal by actually copying other products first, but they are also legal ones by not infringing patents and other proprietary products. Impersonation is a way that individuals use to learn, feel, endure, compete, and develop slowly as they gain the traits and behaviors that help them thrive in their own environment. This view occurs because he saw the behavior of imitation has been done from birth. The children will learn to imitate the language of their parents or the culture of the surrounding community before they are finally able to learn and develop it themselves. Utilizing appropriate resources and capabilities, imitation can attract such innovations to organizations and competitiveness. With the right strategy the innovators and imitators can live side by side without losing a competitive position. Ana Pérez-Luño Ramón Valle Cabrera Johan Wiklund (2007). Schnaars (1994) distinguishes between imitation activities and late market entry. In imitation an imitator copies continuously a pioneer product, while the company's late entry market enters the market after a pioneer. Based on these explanations, it can be illustrated the comparison between imitation, and the late entry market in entering the market. Imitation strategy is a market follower strategy in its efforts to maintain and increase market share. Imitation can be done by the company by acting as counterfeiters, cloners, imitators, or adaptations.

Imitation strategy is a strategy usually used by later entry to enter the market by skipping the process undertaken by the innovator. Many studies have shown the positive impact of innovation on the competitiveness of enterprises. But in the management literature it is forgotten that imitation is an organizational behavior that can also produce a sustainable competitive advantage (Adner & Zemsky, 2006). Imitators usually enter the market by imitating from the innovator.

The level of competition of leather products is very wide, both in the local market and in the international market. SMEs that produce leather bags and suitcases, especially in East Java, should be able to increase their competitive advantage effectively and efficiently. In the face of leather bags and suitcases from abroad, East Java SME of bags and suitcases may adopt imitation strategies from Schnaars that fall into legal categories such as cloning, copycat, or creative adaptation that are not counterfeiters. With creative adaptation strategy, companies can be efficient in research and development costs so as to create cost advantage. The development of a strategic plan is critical in creating a competitive advantage for small businesses. Competitive advantage is a collection of factors that differentiate a company from its competitors and provide a unique position in the market. The development of competitive advantage is the result of strategic thinking. Successful entrepreneurs are experts in strategic thinking. They know what to do to succeed in the market where they compete. They know that they must invest their limited resources.

Gaining competitive advantage is a moving goal and should not be a fixed one. A business may be able to maintain its superiority for decades, while others lose their lead over competitors in just a season.

In today's competitive conditions, none of the SMEs have no competitors. With the rolling MEAs, the greater chances will be contested by many businesses, particularly SMEs. The limited market share is contested by many SMEs. So the chosen and implemented competitive strategy must be efficient and effective. SMEs need to understand the customer's wants. In general, the problem of SME's marketing is the lack of ability to penetrate foreign markets.

SMEs of leather bag also experience the same problem. So far, Tanggulangin leather products, the largest SME of leather bag and suitcase in East Java, have entered foreign markets, but always through foreign parties as buyers and marketers. The marketing of this product uses the brand of the buyers. This is detrimental because the name 'Tanggulangin' will be hard to recognize and at the same time it is the loss of benefit that should be enjoyed by SMEs of leather bags and suitcases. To face this problem, the writer notes that SMEs should optimize marketing performance because they do not have market-oriented competitive advantage, entrepreneurship, and imitation strategies. Proactive market orientation is assumed suitable for companies with dynamic or volatile environments because stable firms have the opportunity to create competitive advantage.

Based on some research results, concepts and the existing phenomenon, SMEs have not been able to maximize marketing performance because they do not have market-oriented competitive advantage, entrepreneurship-oriented and imitation strategies. The writer would like to examine the influence of market orientation, entrepreneurship orientation, and imitation strategies on competitive advantage in SMEs of leather bags and suitcases in East Java.

The objectives of this current study are to investigate: (1) the effect of market orientation on the competitive advantage of SMEs of leather bags and suitcases in East Java; (2) the influence of entrepreneurship orientation on competitive advantage of SMEs of leather bags and suitcases in East Java; (3) the influence of imitation strategy on the competitive advantage of SMEs of leather bags and suitcases in East Java. This research is expected to contribute managerial thinking in SME's development, which is beneficial for small and medium scale businessperson of leather bags and suitcases. It also gives recommendation for East Java Government in facilitating the development of leather bag business with the problems it faces.

II. THEORETICAL REVIEW

Market Orientation

Market orientation is very important for the company in line with the increasing global competition and changes in customer needs. Companies realize that they must always be close to the market. Grinstein (2008: 177) in the *European Journal of Marketing* views market orientation as one of the corporate, cultural, and behavioral elements that implement consumer orientation. Therefore, the market-oriented behavior of the company has three components: consumer orientation, competitor orientation, and inter-functional coordination orientation. These components must be supported by the relevant culture. Kotler and Armstrong (2012: 568-569) state that even if a company is a market leader, challenger, or follower, the company should closely monitor its competitors and find the most effective competitive marketing strategy. Companies must also constantly adapt strategies for a rapidly changing competitive environment. Market-oriented companies or market-centered companies will pay close attention to both consumers and competitors in designing their marketing strategies. A competitor-centered company will spend time to analyze the movements or actions of competitors and market shares. It tries to find the right strategy to anticipate or beat the competitors. Consumer-oriented companies or customer-centered companies focus more on consumer developments in designing corporate strategies and delivering superior value to their target customers.

The implementation of market orientation will bring improved performance for the company. Bharadwaj et al. (1993: 92) also state that corporate culture emphasizing on the importance of companies to pay attention to the market will lead to strengthening the company's competitive advantage. Market orientation is very effective in gaining and maintaining competitive advantage. It begins with planning and coordination with

all parts of the organization to satisfy the needs and wants of the consumer. The emphasis on competitiveness is based on the identification of customer needs. Thus, every company is required to be able to answer the needs of the desired consumer, either through the creation of new products and the development of existing products. It is done in order to create superior value for its consumers in a sustainable manner. It can be the main capital for the company to be able to win the competition. Some of the indicators used to measure market orientation are customer orientation, competitor orientation, and market information. Market orientation is a business culture that runs the organization toward value creation for consumers (Narver & Slater, 1994) in (Usiobaifo 2010). The philosophy (theory that underlies the mind or activity) of the market orientation considers that a sale does not depend on an aggressive sale, but rather on the consumer's decision to buy the product (Upadhyay 2013). The organization responsiveness includes the responsiveness to design, for example, the use of market intelligence to devise a marketing plan and its implementation responsiveness.

According to (Jaworski & Kohli 1996 in Engin Deniz Eris1, Omec Neczan Timurcanday Ozmen2. 2012), the company's market orientation can be seen from the extent to which the company performs these three processes well and whether the company is active in both the process and the extent of its speed in responding to market development. The information already received and processed will determine the market orientation of the company. According to Rodney Oudan (2012), three important factors influencing market orientation are: a). Top management; b) inter department dynamics; c) organizational system and structure.

James D. Doyle's research(2011), shows that market orientation will affect the innovation of the company. Narver's and Slater's research(1993) in Shu-Hua Chien 2010 concludes that market orientation consists of three important components: (a) customer orientation, (b) competitor orientation, (c) function coordination.

Orientation of Entrepreneurship

Entrepreneurship is the creative and innovative ability that is the basis, and the resources to look for opportunities to succeed (Weerawerdeena, 2003: 411). According to Kottler (2012), entrepreneurial marketing is an integrated concept in this era of change as it is today. Morris and Lewis (2002) define it as an activity of proactively identifying efforts to achieve and retain profitable customers through innovative approaches to risk management, resource effectiveness, and value development. Entrepreneurship is known as a new approach in corporate performance updates. Companies that start trying to rise from the economic downturn due to prolonged crisis certainly must respond this positively. It is regarded as *sprearhead* (pioneer) to achieve sustainable and competitive high economic growth. By investing the money, they get a financial risk. If they leave their jobs, they will risk their careers, Pressure and the time needed to start and run their business also pose a risk to their family.

Using this definition and the previous literature, entrepreneurship researchers create the term of entrepreneurial orientation (EO) to describe a relatively consistent set of interrelated activities or processes (Lumpkin and Dess, 1997: Miles and Arnild, 1991). The Entrepreneurial Orientation (EO) contributes to performance, as a compound measure covering the dimensions of growth and financial performance (Wiklund, 2005). Therefore, risk, innovative and proactive attitudes will enable small companies to outperform their competitors. The competitive advantage gained from EO is also expressed as a viable advantage. It deserves investment from small companies. Covin and Slevin (1989) argue that the dimensions of EO must have covariance, i.e. firms must score the same for all dimensions. Thus if they manage to get high scores for the new dimensions, they will automatically get high scores for other dimensions. Although Covin and Slevin argue that their scale has convergent validity caused by a single factor solution or unidimensionality, they or cannot go further to investigate whether risk-taking, innovative and proactive behavior are indicated or not.

Lumpkin and Dess (1997) state that these dimensions need not necessarily be covariance and should be modeled in combination. They think of this model as a multi dimensional entrepreneurial orientation. Lumpkin adds aggressiveness to competition and autonomy to the existing three dimensions. This is done because even if the five dimensions are equally necessary to understand the entrepreneurial process, the combination of the five will vary. It depends on the type of entrepreneurial opportunity that the company is trying to reach. But the dimensions of Entrepreneur Orientation have not been linked to the opportunity itself, a major factor in the success of entrepreneurship. An opportunity can be considered worth pursuing. First, it must be recognized. Market-oriented firms focus on responding to customer's needs expressed. They will miss opportunities to develop new products that cannot be described to the customers. These companies are encouraged to develop an entrepreneurial orientation to ensure a proactive and aggressive focus on innovation that meets the needs of new and unspoken customers. This orientation is needed to overcome market dominance and to lead the market. Researchers applying multidimensional approaches such as Lumpkin and Dess (1997) state that innovation, risk taking, and proactivity form a unique contribution to the entrepreneurial orientation of an enterprise. In addition, Miller (1983), and Miller and Freisen (1983) state that the entrepreneurial level of an enterprise is the sum total of all three sub dimensions where a truly "entrepreneurial" firm will display a high level in each sub

dimension. In this case, the aggregate measurement of the concept of entrepreneurship orientation is based on the assumption that these three sub dimensions (innovation, proactivity and risk taking) contribute equally to the overall level of entrepreneurship orientation of the firm in all situations (Vitale, et al., 2001).

Imitation Strategy

Many companies do product development that starts from the imitation process. Some are illegal by actually copying other products first. There are also legal by not infringing patents and property rights of other products. Schnaars (1994) distinguishes between imitation activities and late market entry. Imitation is copying in which the imitators continuously imitate pioneer products, while the company's entry-market entry into the market after the pioneer. There are four elements of imitation (Schnaars, 1994) :

1. Counterfeits

Counterfeits are usually low-quality, shoddy goods, sold under the guise of a premium-priced seller's respected brand name. They typically carry a much lower price than the original. Counterfeits are the least creative attempt at imitation. What sets them apart from other forms of imitative products is their illegality.

2. Knockoffs or Clones

When the IBM personal computer was introduced in 1981, it became an immediate success. That success, and the open architecture of the PC, created a secondary market for IBM-PC clones. The clones were close copies of the IBM product but carried their own brand names, not the brand name of the original. Eventually the copies surpassed the original. Clones are often legal products in their own right. The absence or expiration of patents, copyrights, and trademarks makes many of them legal. But often there is a dispute, which the courts must resolve. Typically, clones sell the same basic product as the innovator but at a lower price and without the prestigious brand name.

3. Design Copies or Trade Dress

Design copies trade on the style, design, or fashion of a competitor's popular product. In instances where fashion or design is the most important part of the product, design copies mimic clones. But in instances where design plays a lesser role, design copies may be based on a unique and innovative technology. Design copies then combine aspects of innovation and imitation.

4. Creative adaptations

Creative adaptations are the most innovative kind of copy. They take an existing product and either improve upon it or adapt it to a new arena of competition. They are what Theodore Levitt calls "innovative imitations." Creative adaptations of existing products are often more in tune with the innovation process than the glorified notion of the breakthrough invention. There is myth in American culture that innovation springs from the creative genius of heroic inventors. But few innovations actually develop in that way. Most innovations are deeply rooted in existing ideas and current practices..

According to Schnaars (1994), the main component in imitation strategy in camouflage product in seizing the attention of the consumers are as follows:

- a) *Packaging* is made similar to the *market leader*: this is done to deceive the consumers visually.
- b) Similar promotion with the *market leader*: this is done to give impression or positioning in the minds of the consumers with the market leader product. New product which is the same with the market leader, create the same product or better than that of the market leader's.
- c) Lower price than the market leader: price is an important thing to consider for the consumers.
- d) Almost the same brand with the *market leader*: it sometimes happens that some some products have a difference in only one or two letters.
- e) The same distribution strategy with the market leader: Usually the imitation products tend to start the process by becoming the channel of distribution of the market leader. Imitation of this kind lies between the legal and illegals. This depends very much on the innovation of the company. Besides, legitimate law factors in one country are an important thing to note by the company. Laws on trade refer to Intellectual Property Rights (IPR) to avoid plagiarism.

Imitating is not as easy as it is imagined. In many cases, imitation is as complex as innovation, which needs specific strategic consideration. Carpenter dan Nakamoto in (Tjiptono 2008, p.81) identify four alternative successful strategies to launch a product dominated by one brand, as follows:

1. Differentiation strategy positions different brands from dominant ones, accompanied by equal or premium price and large advertising funds to build a new brand as a credible alternative.
2. Challenger strategy positions brand as equal or the same with the dominant brand, accompanied by aggressive advertisements with the same level of price or premium to defy dominant brand as categorical standard of the product.
3. Niche strategy positions the brand different from the dominant one, with low price and a small budget for advertisement to exploit a profitable niche market.

4. Premium strategy positions brand different from the dominant one, accompanied by a few advertisements and premium price to switch to upper class, relative to the dominant brand.

Competitive Advantage

Every competing company in an industrial environment has a will to be more competitive than its competitors do. Companies that focus on the development of their performances and try to enhance them have the chances to achieve good competition. The companies have a strong capital to compete with the other companies (Dogre dan Vickrey, 1994, p.669-670).

From the views of the consumers, the competitive advantage will occur if consumers get consistent difference in the most important attribute of the resulting product compared with that of the competitors. Difference is the direct impact of discrepancy of competence between the producer and his competitor. In measuring competitive advantage, Bharadwaj (1993) states two footholds in achieving competitive advantage; first, resource advantages consisting of competitive competence and raw material; the second is competitive position which comprises of competitive low cost and values for consumers. According to Bharadwaj (1993), indicators of competitive advantage used are worthy, different from the others, and unchangeable. The same opinion is also shared by Porter (1990, p.3) describing that competitive advantage is the heart of marketing performance in facing the competition. The benefit strategy of the company cooperating to create more effective competitive advantage in its market should be designed to create continuous competitive advantage in order to dominate the old and new market. Some indicators used to measure the competitive advantage are uniqueness, seldom found, not easy to imitate, not easy to be replaced, and competitive price. Companies that can create competitive advantage have the strength to compete with the other companies and the products will remain preferred by the consumers.

Basheer Abbas Al-alak 1, Saeed (M.Z) A. Tarabieh (2011) finds out that successful companies focus on enhancing competence which is used with new and innovative ways to achieve the goal. The main interest of the company is to make use of its resources in challenging and creative way to build the core competence. According to Anzmac (2009), companies have management team with optimal expertise and competing method based on core competence will be able to achieve higher performance compared with that of the other companies.

Related to the concept of innovation strategy, competitive strategy attempts to resolve the problems of the company to face the competitors in certain industry (Eva Tomášková, Alena Kopfová, 2010). Competitive strategy decipher how business unit or company competes in the same industry (Asac, 2004). This strategy enables the company to gain a competitive advantage over its competitors, Dovev Avie, 2006). According to Porter (1985), competitive advantage is the heart of performance of the company. Porter describes three general strategies to manage competition, they are: (1) Cost leadership, (2) Differentiation, and (3) Focus.

Competitive advantage is defined as superiority owned by a company in facing competitors in industrial market. Competitive advantage should be reached continuously, not only temporarily. Barney (1991) develops a theory and concept of competitive advantage and identify its dimension used as an indicator in his study. They are : (1) valuable, meaning that the product and service offered have values; (2) imitability, is not easy to replicate; (3) durability is dealt with the longevity of the product toward its competitor; (4) transferability is the degree of facility to strive competitor.

Research Hypothesis

1. Market orientation significantly affects the competitive advantage of SME bags and leather cases in East Java.
2. Entrepreneurial orientation significantly affects the competitive advantage of SME bags and leather cases in East Java.
3. Imitation strategy significantly affects the competitive advantage of SME bags and leather cases in East Java.

Conceptual Research Frame

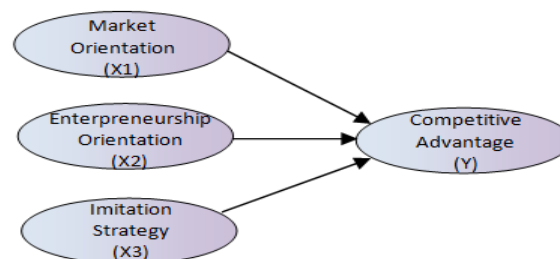


Figure 1. Conceptual Frame

III. RESEARCH METHOD

This research applies causal design because it is intended to measure causal relation of some variables. This study is classified into explanatory research because it describes the causal relation between variables through hypothesis testing. This study applies survey method because the information is collected from respondents by using questionnaires and data are gained through samples representing the population.

Population and Sample

The population of this study is the members of Small and Medium Enterprises (SMEs) of leather bag and case in East Java consisting of 515 persons. There are 304 persons from District of Sidoarjo; 122 persons from District of Mojokerto; 41 persons from Mojokerto town; 34 persons from district of Magetan and 14 persons from Malang. Samples are taken from population. This study uses samples because the population is large. Hair et. al. (2006) determines the number of samples for SEM is about 100 to 200. One of the methods used to determine the number of samples is Slovin formula (Sevilla et. al., 1960:182). To apply Slovin formula, it should be determined first the error tolerance limit which is stated in percentage. The smaller the tolerance error, the more accurate the samples picture the population. This study uses 6% of error tolerance limit meaning that the level of accuracy is 94%. The calculation result of samples is 180 out of 515 persons.

Sampling Technique

Sampling is taken by applying proportional area random sampling, Sampling is taken randomly in every area of population and the number of samples is proportional or comparable with the number of subjects found there (Arikunto, 1996). Selection of samples depends on every region, because the number of SME is different in each area. The criteria and technique of proportional area random sampling in this study are as follows:

1. Working area clusters of Small and Medium Enterprises (SMEs) of leather bag and suitcase in East Java is a fostered area of Department of Industry and Trade: districts of Sidoarjo, Mojokerto, Magetan and Malang and Mojokerto town.
2. The respondents are the craftsmen/owners of leather bag and suitcase under the building block of Department of Industry and Trade of East Java.
3. The sample unit is the SME of leather bag and suitcase in East Java.

Operational Definition and Variable Measurement

Variables in this study consist of: market orientation (X₁), entrepreneurial Orientation (X₂), imitation strategy (X₃) and competitive advantage (Y).

a. Market Orientation (X₁)

Market orientation is the culture of the company consisting of three types: consumer orientation, competitor orientation, and inter-function coordination (Narver dan Slater, 1990; Augusto, M. dan Coelho, F. 2007; Subramanian, Kumar dan Karen, 2009). Consumer orientation is sufficient understanding about the target buyers of leather bag and suitcase to create continuous super value for SME. Competitor orientation needs to know short-term strength and weakness, long-term ability, and strategies done by current and future key competitors of SME of leather bag and suitcase. Inter-function coordination is the presence of inter-department at SME of leather bag and suitcase to build superior value for buyers.

b. Entrepreneurial Orientation (X₂)

Entrepreneurial Orientation is related to psychometric aspect seen from the innovativeness, pro-activeness and openness to risk (Covin dan Slevin, 1989; Kreiser *et al.*, 2002; Baker dan Sinkula, 2009; Lumpkin, 2009).

- 1) Innovativeness is concerned with the ability of the SME to show and realize new ideas, new ways different from the formers and enthusiasm to adopt them in their business operation. Entrepreneurs of SME of leather bag and suitcase always create new products which will complete the customer value, attempt to seek for opportunity by entering new customers to increase marketing performance and to find partnership network.
- 2) Pro-activeness is dealt with the effort conducted by SME of leather bag and suitcase to beat competitors to enter the new market, introduce new product before competitors do it, build partnership, increase service and determine proactive price earlier than the competitors.
- 3) Openness to risk is readiness and willingness of SME to seek for ways to avoid failure, make effective changes of product, ready to accept the risk of failure and the risk of missing the opportunity, and consider the risk of failure as low as possible in every policy applied.

c. Imitation Strategy (X₃)

Imitation strategy is the strategy of market followers to increase and maintain market share. The company can do imitation by playing the roles as a forger, copier, imitator, or adaptor. Imitation strategy is usually used by later entry to enter the market by skipping the process done by the innovator (Schnaars, 1994). The in-

dicators used in this research are Counterfeits, Knock offs or clones, Design copy or trade dress and Creative adaptations. Counterfeits are the leather bag and suitcase companies imitating or counterfeiting by falsifying the brand, symbol, logo, or the trademark of the original product. This is illegal and not creative. Knockoffs or clones are the leather bag and suitcase companies imitating very similar or compatible with the original product, but they use their own brand name. This type is in the form the same basic product with the innovator, but with lower price and without prestigious brand. Design copy or trade dress is the leather bag and suitcase company imitating and relying on styles, design, model, or pattern of the competitor's popular product. Creative adaptations are the leather bag and suitcase companies making improvements of the available products or adapting with the arena of new competition.

d. Competitive Advantage (Y)

Porter (1985) describes that competitive advantage is the heart of marketing performance in market competition by applying strategies of *cost leadership*, *differentiation*, and *focus*. Christensen (2010) states that competitive advantage is the value of a business provided to give motivation to the customers or last users in order that they buy the goods or services offered. In this case, competitors will find it difficult to imitate the goods and services. Competitive advantage meant in this study is the excellence owned by SME of leather bag and suitcase in facing competitors in industrial market and competitive advantage should be achieved. Indicators used in this study are: valueable, product imitability, product durability, transferability, and product differentiation, transferability, and product differentiation. Valuable means a good image gained by SME of leather bag and suitcase in marketing its product. Product imitability is the degree of difficulty of competitors to imitate the product of SME of leather bag and suitcase. Product durability is the longevity of the product produced by SME of leather bag and suitcase compared with that of competitors. Transferability is the facility level of the product of SME of leather bag and suitcase to compete its competitors. Product differentiation is the product of SME leather bag and suitcase with various patterns, uniqueness, and specificity.

IV. THE ANALYSIS AND DISCUSSION

Descriptive Statistics

The result of statistical analysis shows that market orientation in market players of small and medium enterprises (SME) of leather bag and suitcase in East Java is perceived high. This is showed by the average score 4,03 which lies on the range of 3,4 – 4,2 (high). The indicator of market orientation is rated the highest by respondents with the average score 4,15 (high category). The indicator of market orientation rated the lowest by respondents is competitor orientation with the average score 3,91 (high category).

The result of statistical analysis shows that entrepreneurial orientation in the market players of small and medium enterprises (SME) of leather bag and suitcase in East Java is perceived high with the average score 3,96 being in the range of 3,4–4,2 (good). Indicator of entrepreneurial orientation rated the highest by respondents is innovation with the average score 4,06 (high category), while indicator of entrepreneurial orientation rated the lowest is bravery to risk with the average score 3,78 (high category).

The result of descriptive statistics analysis displays that the imitation strategy of the players of small and medium enterprises (SME) of leather bag and suitcase in East Java is perceived high indicated by the average score of answer 4,06 ranged from 3,4–4,2 (good). Indicator of imitation strategy rated the highest by respondents refers to *counterfeits* with the average score 4,13 (high category), while the indicator of it rated the lowest is *design copies* with the average score 3,99 (high category).

The result of descriptive statistics analysis shows that competitive advantage of the players of small and medium enterprises (SME) of leather bag and suitcase in East Java is perceived high with the average score 3,87 in the range of 3,4 – 4,2 (high). Indicator of competitive advantage rated high by respondents is product durability 4,05 (high category), while the indicator of competitive advantage rated the lowest is product transferability with average score 3,69 (high category).

Hypothesis Testing Result

The calculation result of the values index of *goodness of fit* is displayed in Table 1.

Table 1.: Value of Goodness of Fit

Criteria	Result	Standard	Description
Prob. χ^2	0,000	$\geq 0,05$	Notfit
Cmin/DF	1,963	$\leq 2,00$ 2-3	Fit
RMSEA	0,073	$\leq 0,08$	Fit
GFI	0,890	$\geq 0,90$	Marginal
AGFI	0,848	$\geq 0,90$	Marginal
TLI	0,901	$\geq 0,95$	Marginal
CFI	0,918	$\geq 0,95$	Marginal

Source : Data Calculation Result by Applying AMOS 20

The calculation result shows that not all criteria of *goodness of fit* give fit or marginal index. To adapt with the research model build with data (empirical facts), modification is made. The help of modification index can do modification of model SEM by software AMOS. The result of modification is displayed in Figure 2:

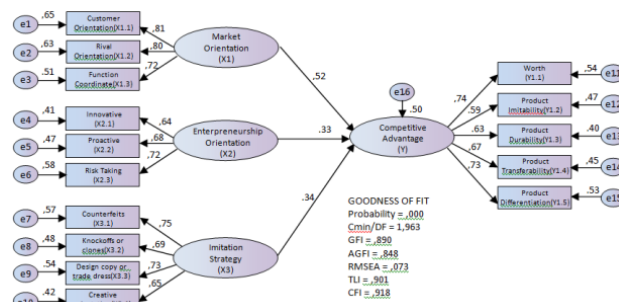


Figure 2 Estimation Result of Modification Model

The calculation result of the value of index of *goodness of fit* is as follows:

Table2: Value of Goodness of Fit

Criterion	Result	Standard	Description
Prob. X^2	0,001	$\geq 0,05$	Marginal
Cmin/DF	1,576	$\leq 2,00$ 2-3	Fit
RMSEA	0,057	$\leq 0,08$	Fit
GFI	0,911	$\geq 0,90$	Fit
AGFI	0,874	$\geq 0,90$	Marginal
TLI	0,941	$\geq 0,95$	Marginal
CFI	0,953	$\geq 0,95$	Fit

Source : Data Calculation Result by Applying AMOS 20

The calculation result shows that the criteria of compatibility of model gives fair index in line with what is recommended. Referring to Solimun (2002), stating based on *parsimony* rules that if most of the criteria of fit model are fulfilled, the model is said to be fit. From various indexes of *goodness of fit*, it can be concluded that proposed model modification is fit or has a good compatibility. And then hypothesis testing is conducted through *Standardized Regression Weight*, structural equation model:

Table3: Casuality Test of Regression Weight

Causality Relationship	Koef.	P value
Market Orientation (X ₁) → Competitive Advantage (Z)	0,377	0,000
entrepreneurship orientation (X ₂) → Competitive Advantage (Z)	0,286	0,000
Imitation Strategy (X ₃) → Competitive Advantage (Z)	0,350	0,000

Source : Result of data calculation applying AMOS 20

Based on Table 3, this is the description:

1. The result of estimation of variable parameter of market orientation toward competitive advantage shows significant result with *p-value* of 0,000 ($p < 0,05$). Thus, hypothesis one saying that market orientation has a significant effect on competitive advantage toward SME of leather bag and suitcase in East Java is accepted.
2. The result of estimation of variable parameter of entrepreneurial orientation toward competitive advantage also shows significant result with the significance value (*p-value*) of 0,000 ($p < 0,05$). Thus, hypothesis two stating that entrepreneurial orientation has a significant effect on competitive advantage toward SME of leather bag and suitcase in East Java is accepted.
3. The result of estimation of variable parameter of imitation strategy toward competitive advantage also shows significant result with significance value (*p-value*) of 0,000 ($p < 0,05$). Thus, hypothesis three saying that imitation strategy has a significant effect on competitive advantage toward SME of leather bag and suitcase in East Java is accepted.

Discussion on the Effect of Market Orientation toward Competitive Advantage

The result shows that market orientation toward players of SME of leather bag and suitcase industry in East Java is perceived high. The indicator of market orientation rated the highest is the coordination across functions, but the lowest indicator is competitor orientation. The result of CFA also shows that the variable of market orientation can be built by the indicator of orientation to consumers.

The research result and testing the applying of SEM with Software AMOS 20 proves that market orientation has a positive and significant effect on competitive advantage at SME of leather bag and suitcase in East Java.

This result is consistent with the study conducted by Narver dan Slater (1990), that there is a positive relationship between variables of market orientation and business performance in companies with commodity and non-commodity business. Orientation market variable, relative size and market growth have positive correlation with profitability at all companies either on commodity or non-commodity business. The variable of relative cost and technology changes has negative correlation with profitability at the companies with either commodity or non-commodity business. The variable power of buyers has a positive relationship with profitability in companies with commodity business. The other variables show non significant relationship. Group of companies with high market orientation has higher ROA and there is a significant difference.

The result of this research is also supported by Jaworski dan Kohli (1993) saying that the greater the top management emphasized on market orientation is, the greater the effort in market intelligence, dissemination of intelligence, and organization responsiveness becomes. The higher the market orientation of an organization is, the higher the business performance becomes. This works only for the performance of business units, while the relationship between market orientation and market share is not significant. The higher the market orientation is, the higher the spirit of the employees to the corps becomes. The environment (market turbulence and technology turbulence) does not influence the effect of market orientation toward business performance.

Discussion on the Effect of Entrepreneurial Orientation toward Competitive Advantage

Descriptive result shows entrepreneurial orientation in the players of small and medium enterprises (SME) of leather bag and suitcase in East Java is perceived high. Indicator of entrepreneurial orientation rated the highest by respondents is innovative, but the indicator rated the lowest is the bravery to risk. The result of CFA also shows that the variable of entrepreneurial orientation can be built by the bravery to risk. The result of this study and testing the use of SEM with Software AMOS 20 prove that entrepreneurial orientation has a significant positive effect on competitive advantage at SME of leather bag and suitcase in East Java.

The result of this study is in accord with Covin dan Slevin (1988) in their study investigating the effect of organization structure in the relationship between top management of entrepreneurial orientation and financial performance. The finding suggests that the style of top management of entrepreneurial orientation has a positive effect toward the performance of companies with structured organization but has negative effect on the companies mechanically structured. The finding of this study also suggests that an involvement in the activities of entrepreneurship should not be appreciated as an efficacious medicine in improving the performance of the company. The more important implication of this study that should be proved through additional research is that the manager choosing to get involved in the activities of entrepreneurship should not have a strict supervision in achieving the goal in mechanic form.

The result of this study is also in line with Covin dan Slevin (1991) that the conceptual model of entrepreneurship is supposed to be organizational level phenomena, which depicts the elements of organization system related to entrepreneurial behavior broader, establishment of the company, but is also applied to various levels of small companies. Entrepreneurship is portrayed as the dimension of attitude strategy brought back by the bravery of risk taking, which tends to increase the competitive advantage of the company.

Discussion on the Effect of Imitation Strategy toward competitive advantage

The descriptive result shows that imitation strategy of players of Small and Medium Enterprises (SME) of leather bag and suitcase in East Java is perceived high. Indicator of imitation strategy rated by respondents is *counterfeits*, and the lowest is *design copies*. The result of CFA also shows that the variable of imitation strategy can be formed by the indicator *counterfeits*.

Research result and testing the applying of SEM with Software AMOS 20 proves that imitation strategy has a significant positive effect on competitive advantage at SME of leather bag and suitcase in East Java. The result of this study is consistent with the result of the study done by Wiklund (2007) stating that imitation strategy has an effect toward competitive advantage. It is also found that the main factor of the right strategy to decide whether the imitative company can increase and maintain continuous competitive advantage. By utilizing resources and corresponding competence, imitation can be interesting like innovation for the organization and competitive advantage. With the right strategy, imitators can live together without losing competitive position. SEMs of leather bag and suitcase can avoid doing *counterfeit* in making brand name,

symbol, logo, and trade mark of the original product. SEMs of leather bag and suitcase can make imitation product similar with the original product but use their own brand (*knockoff*). The price of the product is lower than that of the original product. SME in making design, model and pattern imitate the original product (design copies) but their creativity still exists because they try hard to make the design, model, and pattern to complement the original product (*Creative Adaptations*). The finding that imitation strategy effects the competitive advantage strengthen the finding of Ana Pérez-Luño Ramón Valle Cabrera Johan Wiklund (2007) in "Innovation and Imitation as Sources of Sustainable Competitive Advantage", studying the effect of innovation and imitation toward competitive advantage. It was found that some main factors of the right strategy determining imitative and innovative companies can increase and maintain thye level of continuous competitive advantage.

By utilizing appropriate resouece and capability, imitation becomes interesting like innovation for organization and competitive advantage. But management literature forgets that imitation is organization attitude that can also produce continuous competitive advantage(Adner & Zemsky, 2006).

V. CONCLUSION AND SUGGESTION

Based on the result of analysis and hypothesis testing conducted and the purpose intended to be achieved in this research, some conclusions are drawn as follows:

1. Market orientation significantly effect competitive advantage at SEM of leather bag and suitcase in East Java.
2. Enterpreneurial orientation significantly effect competitive advantage at SEM of leather bag and suitcase in East Java.
3. Imitation strategy significantly effect competitive advantage at SEM of leather bag and suitcase in East Java.

Based on the result of the study, researcher suggests that planning programs are needed to enhance the competitive advantage of SEM of leather bag and suitcase in East Java through market orientation, enterpreneurial orientation, and imitation strategy.

For the aspect of market orientation, SEM of leather bag and suitcase in East Java needs to strengthen competitor orientation by continuously studying information about the other companies of leather bag, respond to what is done by the other companies, and utilize the chance to achieve excellence.

For the aspect of enterpreneurialorientation, SEM of leather bag and suitcase in East Java needs to strengthen the bravery of theorganizer of SEM to take riskby finding the ways to avoid failure, to make effective changes of the products.In that way, companies are ready to accept the risk of failure, they are ready to loose an important opportunity, and every policy applied has already considered the risk of failure as lowest as possible.

For the aspect of imitation strategy, SEM of leather bag and suitcase in East Java needs to improvedesign copies, concerning with the capability of SEM to imitate original product design, and the original pattern.Generally, SEM of leather bag and suitcaseserve the orders with international standard quality. By utilizing the experience,SEM of leather bag and suitcase in East Java can make use of *shared experience*. The opportunity of the imitators will be greater if they have the experience to produce and sell related products.The experience includes experience on manufacturing, lines of related products, distribution, martketing, utilizing extended reputation, or serving the same customers.

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