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Differentiation Strategies' Effect on Competitive Advantage with Tri Hita Karana as a Moderating: Study of Ubud Homestay Entities in Bali

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ABSTRACT: This study aims to explain and determine the effect of differentiation strategies on competitive advantage with the noble value of *Tri Hita Karana* on homestay entities. This research was conducted on 58 homestay entities located in Ubud, Bali. The sample was determined through a non-probability sampling method, a purposive sampling technique with 157 respondent repeater guests. The data analysis technique used is Moderated Regression Analysis (MRA). The results of this study indicate that product differentiation strategies affect competitive advantage, service differentiation strategies affect competitive advantage, and image differentiation strategies affect competitive advantage. This study also found that *Tri Hita Karana* is a quasi-moderation variable that strengthens the effect of product differentiation strategies on competitive advantage, strengthens service differentiation strategies on competitive advantage, and strengthens image differentiation strategies on competitive advantage. Implications for stakeholders to increase competitiveness in homestay entities with differentiation strategies through preservation of the noble value of *Tri Hita Karana*.

Keywords: Ubud, *Tri Hita Karana*, competitive advantage, differentiation strategy

PRELIMINARY

Ubud is a village with a center of various elements of traditional Balinese art that is very famous to all parts of the continent in the world. As an activist and pioneer of high quality tourism, which until now has increasingly been sedimentated in Ubud, there is an important figure behind all the values contained therein. The figure is *Pangelingsir* from PuriSaren Agung Ubud namely (Late) Ida TjokordaGde Agung Sukawati. He with his visionary thinking about the opportunities of globalization and combined with valuable local wisdom has given birth to very strong creations in building fundamental aspects of art and culture in Ubud. Until now with its inherited spirit, Ubud as the essence and reflection of Bali and Indonesia in the eyes of the world has become a leading tourist destination with all the entities in and around it.

The exotic nature and culture presents a very different nuance from a beautiful village and full of elements of local wisdom that are so thick with the spirit and activities of indigenous peoples that are truly unique. One of the various tourism entities owned by the village is homestay (Homestay.com) which is a family-driven accommodation based accommodation where tourists stay and stay for a certain period of time in a single yard with families of homestay owners based on arts and culture that are combined and matched. with the traditional values of the people of Ubud. Products that are implemented into the building layout of traditional Balinese traditional houses, hospitality services for the citizens of Ubud,

This brilliant idea was also sparked by (Late) Ida TjokordaGde Agung Sukawati who eventually attracted the hearts of artists to world celebrities to come and settle in Ubud. It can be said that Robert F. Kennedy and family (younger brother of John F. Kennedy), Dutch artist Rudolf Bonnet, Spanish-American artist Antonio Blanco, and Walter Spies who are German artists have visited and stayed at Campuhan an area in Ubud which has a very soothing and relaxing atmosphere for anyone who visits. All of these beauties inspire various elements to be able to create a homestay that is able to reflect the value of Balinese customs and culture, and one of the most sought after by tourists is a homestay in Ubud.

By becoming a very important historical part of the experience of all tourists, artists, and world celebrities visiting Bali, homestays in Ubud have given new strength to accommodations that pay close attention to impressions and relationships from various related aspects, especially in terms of social and cultural aspects. There is no doubt that why many tourists visit and stay in Ubud by choosing homestay as a favorite tourist accommodation. There are even guests who make it a top choice if they are going to visit Bali on their next trip.

However, lately there is a phenomenon that has the potential to influence the sustainability of homestays in Ubud related to the war of tariffs between accommodation accommodations in Bali that have a strong direction that will have an impact on reducing the quality of services to tourists (bali.idntimes.com). Given that tourists now want to obtain an accommodation at an ideal price but still supported by the comfort and facilities that are owned by an accommodation accommodation. Oversupply of accommodation accommodations, even more so with the rise of the establishment of hostels and city hotels increasingly lead to prolonged tariff wars that have a complex impact on tourism actors to tourists who do holiday activities in the Ubud area (bali-travelnews.com).

Based on observations and interviews conducted on ten (10) tourists through the implementation of pre-research, it was found that there tends to be a lack of consistency of stakeholders specifically in the field of homestay accommodation. It has been said by tourists that the lack of reinforcement is related to the operation of an ideal homestay that is not in line with the quality of Bali's cultural tourism both in terms of products, services, to the image and this is related to the tariff war which greatly affects the quality to the performance of all lodging accommodations especially in homestay entity in Ubud.

Of course, this will lead to a situation where tourists will rethink when they want to stay at a homestay which will certainly trigger the creation of a condition called business rivalry and will automatically create intense dominance between types of accommodation, especially in the Ubud area. As a result, various elements of accommodation create value on the attributes of tourism that are empowered and prepared in creating business opportunities with the aim of winning the target market. In order to realize this goal, one of the steps a homestay can take in Ubud is to improve the quality of competitiveness (Qosasi et al., 2019).

Empowerment of resources is nothing but for directing the business to a more advanced stage that can create superior value compared to competitors. Likewise faced by all homestays in Ubud related to the importance of building value and company competitiveness. Competitiveness or competitive advantage is a core capability contained in a company that is able to be a differentiating element from competitors (Banerjee et al., 2018). Competitive advantage is obtained when a company is able to develop or obtain a set of attributes related to the execution of a business action that enables it to outperform its competitors (Wang, 2014). Ferreira and Coelho (2017) state that the value of competitive advantage can start from various supply components owned by the company, but if it is able to be coupled with synergies between components in this case, products, services, and prices, the resulting combination will be stronger compared only per piece. Porter (1998) in Chukwuemeka and Onuoha (2018) emphasize that characteristics in competitive advantage include focus on customers, brand equity, product quality, and research & development (R&D).

Success in achieving superior competitiveness depends very much on the way the company identifies the fundamental factors associated with resources that are classified as unique, followed by the company's ability to manage its resources as a reference and differentiating strategies (Ashour, 2018). Wheelen and Hunger (2015) state that strategy is a set of managerial decisions and actions that will determine the sustainability of a company within a certain time span. According to Purwanti (2014) a differentiation strategy is a company's step in offering products or services with unique features that are valued by consumers. Ayankola and Adeleke (2018) stated the purpose of implementing differentiation strategies is as a way to obtain value from competitive competitiveness.

Companies that are successful in implementing differentiation strategies tend to have critical internal strengths such as leading research access, creative product development teams, strong sales teams with reliable abilities in communicating the perceived value of products and the company's image related to quality and innovation (Hitt et al., 2012). In connection with scientific research and concepts from Philip Kotler regarding differentiation strategies summarized in the e-book titled Marketing Management Millennium Edition - 10th Edition, there are five (5) aspects of differentiation strategies namely products, services, personnel, channels, and images. In this research, an adjustment has been made based on in-depth review in the field that the accumulated differentiation strategy aspect is the product differentiation strategy, service differentiation strategy, and image differentiation strategy. The aspects of the personnel and channel differentiation strategies have indicators that are relatively similar to the service and product differentiation strategies which will certainly accumulate in a format that has been incorporated and structured into the variable differentiation strategy.

Mandhara Putra Sukawati and Jatra (2015) found that the differentiation strategy which in the research included product differentiation strategy, service differentiation strategy, and image differentiation strategy had a positive and significant effect on sustainable competitiveness. The results of the research by Gorondutse and Hilman (2017), Putra et al., (2018), and Thistle and Sutanto (2019) stated that the differentiation strategy had an effect on increasing the company's performance in creating superior competitive value. While Tampi's research (2015) states the results that the effect of service differentiation strategy and image differentiation strategy on competitive advantage is not significant. Asty (2015) states the differentiation strategy has no effect on competitive advantage.

Based on socio-cultural studies, one of Bali's valuable local wisdom types, *Tri Hita Karana*, is predicted to have potential and play a role in moderating the influence of differentiation strategies on competitive advantage. *Tri Hita Karana* is a cultural value that is cosmologically sedimentated into the philosophy of the Balinese Hindu community which underlies that health, happiness, and prosperity are achieved based on Parhyangan (harmony with God), Palemahan (harmony with the environment and the universe), and Pawongan, namely harmony relations with fellow human beings (Peterson, 2017). The noble value of *Tri Hita Karana* is a reflection that the three components reflect universal integration which directly influences each other between the components (SedanaSuci et al., 2018).

RakaSukawati (2014) stated that in the development of sustainable tourism in Ubud, the synergy of Balinese local wisdom, one of which is the cultural philosophy of *Tri Hita Karana* has been factually implemented in a strategy of marketing excellence based on local wisdom that is empirically processed in the development of leading lodging accommodations in the region Ubud, namely The Royal Pita Maha. The process of approaching the surrounding community in relation to site selection, construction-design is led by Undagi who is an engineer of Balinese traditional architectural building techniques, the ethics of determining residential rates based on mutual appreciation of prospective guests and travel agents as a selling point after the housing is completed, empowering human resources come from the village community environment,

The modern marketing orientation model is centered on understanding the needs and desires of consumers, but the marketing model based on local wisdom does not merely understand the needs and desires of consumers, but more broadly covering cultural customs-religious, social, and natural environment. Acculturation and balance in implementing modern marketing concepts with local wisdom-based marketing will be a strategic element in maintaining and building the competitiveness of the tourism industry in Ubud (RakaSukawati, 2014).

Research conducted by Almuslamani and Daud (2018) found that organizational culture significantly influences sustainable competitiveness in a positive direction. Correspondingly, Chatzoglou and Chatzoudes (2017) presented the results that organizational culture significantly influences the development of competitive advantage. Ishwari et al., (2018) stated that the culture-based organization of *Tri Hita Karana* had a significant effect on the company's dynamic capabilities related to the achievement of superior competitiveness. Likewise research by Surya et al., (2017) provides empirical evidence that if the implementation of the *Tri Hita Karana* culture is carried out well, then the company's performance will increase which leads to the creation of superior competitiveness.

In previous studies more intense in the emphasis on the effect of differentiation strategies on competitive advantage. Whereas in this study it has the privilege of accumulating the Balinese cultural philosophy of the noble value of *Tri Hita Karana* as a moderating variable.

I. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Product differentiation refers to the unique features of a quality product compared to products owned by competitors and is one of the strong steps to achieve competitive advantage (Ghahroudi and Sagheb, 2018). In Ubud, there are various types of exclusive accommodation that continue to grow along with the rise of city hotels, potentially affecting the sustainability of homestay-based accommodations. However, it cannot be denied that up to now the ability to compete owned by homestays in the area directly remains able to compete both in operational terms and the application of technology with city hotel accommodations or hostel types. So it is explained that there is a unique element that is owned by homestay-based accommodation for tourists who choose Ubud as a place to stay related to the differentiation of products owned compared to competitors. With a typical Balinese building called Bale and the very beautiful rural nature of Ubud, it is a unique feature that reflects the product produced by homestay accommodation as a strategic differentiator.

The results of a study conducted by Banker et al., (2014) stated a strategy based on product differentiation resulted in a stronger competitive advantage accompanied by an organization's ideal performance. Valiandri (2016) found evidence that there is a positive and significant influence between product differentiation strategies on competitive advantage. RakaSukawati and Astawa (2018) who tested the differentiation strategy on sustainable competitive advantage, proved that the product differentiation strategy had a significant effect on sustainable competitive advantage. Strengthened by the results of research obtained by Putra et al., (2018) and Liu et al., (2018) shows that the product differentiation strategy directly has a positive effect on the realization of superior and sustainable organizational competitiveness.

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

Distribution of a service process is one of the most risky and respected factors for the continuity of an organization's business activities, not least in the types of businesses that are classified as Small and Medium Enterprises. The most important service that is applied in homestay accommodation in Ubud is a service based on kinship values which is an ideal concept of daily life packed with traditional values and culture of the Balinese people. The value is ideal to be followed and has a very big impact on all organizations in its

application related to organizational success in achieving strategic levels of excellence. Research conducted by Murage (2011) found evidence that a service differentiation strategy is a step that companies can take to gain a competitive advantage over their competitors. Lestari (2005) obtained research results related to service differentiation strategies that showed a positive and significant effect on competitive advantage. Stated by Douglas et al., (2010) by implementing and developing a service differentiation strategy, the company has the potential and ability to achieve competitive advantage. Li et al., (2016) stated that improving the quality of service to customers will have an impact on the profitability of the company and the optimization of competitive advantages achieved. Likewise, produced by Atikiya (2015) which states that service differentiation strategies have a positive and significant effect on performance which as a result will realize the value of competitive advantage. With the results in line, Hariyati et al., (2018) found that service differentiation strategies significantly influence organizational performance in realizing superior competitiveness. Based on the description, the hypothesis can be formulated as follows:

H2: The service differentiation strategy has a positive and significant effect on competitive advantage.

Differentiating an image is the act of creating a psychological picture of an organization by distinguishing entities that can ultimately be recognized and accepted in the minds of customers. The company makes a good image to customers which is then accompanied by communicating that image to become a source of competitive advantage that the company has for a long period of time (Awade, 2014). In the current era of globalization, the image has a very big influence on perceptions and assessments that will be directed by consumers to a matter, especially in a business. Homestay accommodation in Ubud is strongly held to its noble identity as a rural area in which there is a diversity of legendary cultural arts, and the royal atmosphere at PuriSaren Agung Ubud accompanied by a very beautiful and clean environment. Realize that homestay accommodation in Ubud is synonymous with the value of Balinese traditions and customs that have been strongly sedimentated in the community and environment. Pomaret and Monroig (2008) found the results that the strength of an organization's competitive advantage is influenced by an image based compensation strategy. Research conducted by RakaSukawati and Astawa (2018), Valiandri (2016), and Hariyati et al., (2018) mentioned a positive and significant relationship between image differentiation strategies on competitive advantage, which is said to strengthen the strategic role of organizational image overall will be able to increase the value of organizational competitiveness of competitors in a targeted market segment. Based on the description, the research hypothesis can be formulated, namely:

H3: The image differentiation strategy has a positive and significant effect on competitive advantage.

Culture expresses goals through the values of belief that guide all activities or activities through ideology and norms (Groysberg et al., 2019). *Tri Hita Karanais* a noble value of Balinese society which moves based on three elements namely Parhyangan, Palemahan, and Pawongan. Each element shows the meaning of a harmonious relationship between humans and God, fellow humans, and nature. All of these elements provide a touch of Balinese cultural value in homestay accommodation in Ubud which is realized by carving Balinese style, ornaments, philosophies in development based on AstaBumi and Asta Kosala Kosali (Philosophy of Traditional Balinese Building Arrangement) and the appearance of traditional Balinese buildings called Bale.

The results of research conducted by RakaSukawati (2014) found that local wisdom has an effect on creating a competitive advantage in tourism in Ubud. Winata (2019) states that the organizational culture based on *Tri Hita Karana* has a significant effect on sustainable competitive advantage. As a result of research by Shahzad et al., (2012) that organizational culture has a positive relationship on performance that affects the creation of competitiveness. Research conducted by Murage (2011) states that by using product differentiation strategies, companies will be able to gain competitive advantage over competitors. Kimotho (2012) states that companies that effectively carry out competitive differentiation strategies are able to realize the value of competitive advantage over their competitors. Similarly, the results stated by Lestari (2005) and Atikiya (2015) that product differentiation strategies show a positive and significant effect on competitive advantage. Based on the description, the research hypothesis can be formulated:

H4: *Tri Hita Karana* moderate the effect of product differentiation strategies on competitive advantage.

The people in Ubud strongly uphold a sense of kinship that is reflected through the concept of equalizing. The order of the Balinese people especially in Ubud always prioritizes a sense of kinship and please help in the application of the concept of equalizing in social life, both with fellow community manners and tourists visiting Bali. Based on *Tri Hita Karana* as a reference in life which in this case is fluency in interacting and communicating with each other shows that homestay accommodation in Ubud implements Balinese customary kinship services such as in daily life that makes tourists interested and chooses to live in the houses of Ubud citizens.

The results of research conducted by RakaSukawati (2014) found that local wisdom has an effect on creating a competitive advantage in tourism in Ubud. Gürlek and Tuna (2017) state that green organizational culture positively influences competitive advantage. Dwija Putri et al., (2017) suggested the results that *Tri Hita*

Karanahad a positive and significant effect on performance which had an impact on the creation of superior competitiveness. RakaSukawati and Astawa (2018) prove that the service differentiation strategy has a positive and significant influence on sustainable competitive advantage. Putra et al., (2018) states that by implementing a service differentiation strategy can create and build competitive advantage. Li et al., (2016) states an increase in service quality affects the optimization of competitive advantage created. Liu et al., (2018) states that the service differentiation strategy has a positive effect on competitive advantage. Based on the description, the research hypothesis can be formulated as follows:

H5: *Tri Hita Karana* moderate the effect of the service differentiation strategy on competitive advantage.

Ubud is a village with a very devout population with customs, traditions, and culture which is always carried out every day in the shrine in the yard of the house, the shrine in the temple area of the village, and in all community activities. The implementation of the *Tri Hita Karana* concept is very strong in relation to the traditional ceremonial process that is often held by the Ubud community. Homestay accommodation that is directly owned and managed by the people of Ubud routinely carry out Customary Ceremony activities in the holy place in the yard of a house called Sanggah or Pamerajan, and various places that symbolize the symbol of the natural elements. As the activity progresses, it gives an effect which results in a deeper sense of interest by tourists visiting and staying in homestay accommodation.

Research proposed by RakaSukawati (2014) found that local wisdom has an effect on creating a competitive advantage in tourism in Ubud. Winata (2019) states that organizational culture based on *Tri Hita Karana* has a significant effect on sustainable competitive advantage. In line with Gürlek and Tuna (2017) found the results that green organizational culture has a positive effect on competitive advantage. The results of the study presented by Pomaret and Monroig (2008) and Banker et al., (2014) stated empirically that a strategy based on image differentiation was able to produce sustainable competitive advantages. Mandhara Putra Sukawati and Jatra (2015) found evidence that image differentiation strategies had a positive and significant effect on sustainable competitiveness. Then,

H6: *Tri Hita Karana* moderate the effect of the image differentiation strategy on competitive advantage.

II. RESEARCH METHODS

This research was conducted at homestay accommodation located in Ubud with a central point namely PuriSaren Agung Ubud or known as the Ubud Palace which is the place where the King of Ubud and his family are located and is the center of Ubud's cultural and traditional leadership. Ubud Palace is a major destination visited by tourists when in Ubud.

In this study, the scope of the research object determined by the author in accordance with the problem under study is concerning product differentiation strategy (X1), service differentiation strategy (X2), image differentiation strategy (X3), competitive advantage (Y), and *Tri Hita Karana* (M). This research was conducted on national or international tourists who are repeater guests at homestays in Ubud.

The population coverage in this study includes all tourists who live and stay in homestay accommodation for residents of Ubud. The chosen sampling method is non probability sampling with purposive sampling. The condition is that tourists with the last education level are at least high school and have visited Ubud in the previous time or are referred to as guest repeaters.

To test the regression coefficient analysis, in this study using the MRA test because it can determine the classification of moderation variables including pure moderation, quasi moderation, moderation homologiser, and moderating predictors that have the potential to explain the effect of moderating variables in moderating the relationship of variables. The regression model in this study is shown by the following equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 M + \beta_5 X_1 * M + \beta_6 X_2 * M + \beta_7 X_3 * M + e \dots\dots\dots (1)$$

Information:

- Y : Competitive advantage
- α : A constant
- $\beta_1 - \beta_7$: Regression coefficient of each factor
- X1 : Product differentiation strategy
- X2 : Service differentiation strategy
- X3 : Image differentiation strategy
- M : *Tri Hita Karana*
- X1M : Interaction between product differentiation strategies with *Tri Hita Karana*
- X2M : Interaction between service differentiation strategies with *Tri Hita Karana*
- X3M : The interaction of image differentiation strategies with *Tri Hita Karana*
- e : Standard error

III. RESULTS AND DISCUSSION

Moderated Regression Analysis Test Results

Testing the data in this study using a moderation regression analysis technique. Calculation of the moderation regression coefficient performed with regression analysis through SPSS software 18.0 for Windows, the results shown are as follows.

Table 1. Results of Moderation Regression Analysis

| Model | | Coefficients ^a | | | t | Sig. |
|-------|----------------------------------|-----------------------------|------------|---------------------------|-------|------|
| | | Unstandardized Coefficients | | Standardized Coefficients | | |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 9,385 | 1,345 | | 6,777 | .000 |
| | Product Differentiation Strategy | .119 | .055 | .116 | 2,147 | .033 |
| | Service Differentiation Strategy | .233 | .076 | .193 | 3089 | .002 |
| | Image Differentiation Strategy | .132 | .065 | .132 | 2,032 | .444 |
| | <i>Tri Hita Karana</i> | .209 | .081 | .128 | 2,591 | .011 |
| | X1.M | .010 | .004 | .133 | 2,372 | .019 |
| | X2.M | .036 | .005 | .360 | 6,561 | .000 |
| | X3.M | .023 | .004 | .314 | 5,235 | .000 |

Primary Data, 2020

Based on the results of the moderation regression analysis as presented in Table 1. **Results of Moderation Regression Analysis**, then the structural equation is as follows:

$$Y = 9,385 + 0,119 X1 + 0,233 X2 + 0,132 X3 + 0,209 M + 0,010 X1 * M + 0,036 X2 * M + 0,023 X3 * M + e$$

The regression coefficient values of each independent variable are product differentiation strategy, service differentiation strategy, image differentiation strategy, *Tri Hita Karana* and their interaction variables have a significance value of less than 0.05. This shows that product differentiation strategy variables, service differentiation strategies, image differentiation strategies, *Tri Hita Karana* and their interaction variables have a significant effect on the dependent variable.

Determination Coefficient Test Results (R2)

The coefficient of determination test (R2) is used to determine and measure the ability of the model in explaining the variation of the dependent variable. The researcher uses the adjusted R2 value when evaluating which is the best regression model, because unlike R2, the adjusted R2 value can go up or down if an independent variable is added to the model. The test results of the coefficient of determination (R2) in this study can be seen in the following Table 2:

Table 2. Determination Coefficient Test Results (R2)

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|----------------------------|
| 1 | .913a | .833 | .825 | 1.02070 |

Primary Data, 2020

The test results give results where the adjusted R2 is obtained (the adjusted determination coefficient) in Table 2 is 0.825. This means that variations in competitive advantage can be significantly influenced by product differentiation strategy variables (X1), service differentiation strategies (X2), image differentiation strategies (X3), *Tri Hita Karana*(M), interaction variables X1.M, interaction variable X2.M and X interaction variables 3M of 82.5% while the remaining 17.5% is explained by other factors.

Model Feasibility Test Results (Test F)

The model reliability test or the model feasibility test or more popularly known as the F test is the initial stage of identifying a regression model that is estimated to be feasible or not. Decent (reliable) here means that the estimated model is feasible to use to explain the effect of independent variables on the dependent variable. Sig. ANOVA table (

Table 3. **F-Test**) shows the magnitude of the probability or significance in the ANOVA calculation. The value shown is used for the Analysis Model service test (where the number of variables x affects the variable y) with the provision that a good probability number to be used as a regression model must be <0.05. This value can be seen in the Sig. If the significance is <0.05, then the Analysis Model is considered feasible. If the significance value > 0.05, then the Analysis Model is considered not feasible.

Table 3. F-Test

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|---------|-------|
| 1 | Regression | 772,500 | 7 | 110,357 | 105,926 | .000a |
| | Residual | 155,233 | 149 | 1,042 | | |

| | | | | | |
|--|-------|---------|-----|--|--|
| | Total | 927,732 | 156 | | |
|--|-------|---------|-----|--|--|

Primary Data, 2020

The results of the F test (Ftest) showed that the calculated F value of 105.926 with a significance of P value 0,000 which is smaller than $\alpha = 0.05$, this means that the model used in this study is feasible. These results give the meaning that all independent variables are product differentiation strategy (X1), service differentiation strategy (X2), image differentiation strategy (X3), *Tri Hita Karana*(M), interaction variable X1.M, interaction variable X2.M and X interaction variables3M is able to predict or explain the phenomenon of competitive advantage. This means that the model can be used for further analysis or in other words the model can be used to project because the results of goodness of fit are good with a significance value of P value 0,000.

Effect of Product Differentiation Strategy on Competitive Advantage

Based on the results of the t test the effect of the strategy product differentiation to competitive advantage obtained a significance value of 0.033 with a regression coefficient of 0.119. The significance value of 0.033 < 0.05 indicates that H1 was accepted. This result means that the product differentiation strategy positive and significant effect on competitive advantage. If the product differentiation strategy is implemented properly, it can strengthen the value of the company's competitiveness in a more advanced direction. Conversely, if the product differentiation strategy is not implemented optimally, the competitive advantage cannot be realized properly or even decreased.

Product differentiation refers to the unique features of a quality product compared to products owned by competitors and is one of the strong steps to achieve competitive advantage (Ghahroudi and Sagheb, 2018). In Ubud, there are various types of exclusive accommodation that continue to grow along with the rise of city hotels, potentially affecting the sustainability of homestay-based accommodations. However, it cannot be denied that up to now the ability to compete owned by homestays in the area directly remains able to compete both in operational terms and the application of technology with city hotel accommodations or hostel types. So it is explained that there is a unique element that is owned by homestay-based accommodation for tourists who choose Ubud as a place to stay related to the differentiation of products owned compared to competitors. With a typical Balinese building called Bale and the very beautiful rural nature of Ubud, it is a unique feature that reflects the product produced by homestay accommodation as a strategic differentiator.

The results of a study conducted by Banker et al., (2014) stated a strategy based on product differentiation resulted in a stronger competitive advantage accompanied by an organization's ideal performance. Valiandri (2016) found evidence that there is a positive and significant influence between product differentiation strategies on competitive advantage. RakaSukawati and Astawa (2018) who tested the differentiation strategy on sustainable competitive advantage, proved that the product differentiation strategy had a significant effect on sustainable competitive advantage. Strengthened by the results of research obtained by Putra et al., (2018) and Liu et al., (2018) shows that the product differentiation strategy directly has a positive effect on the realization of superior and sustainable organizational competitiveness.

Effects of Service Differentiation Strategies on Competitive Advantage

Based on the results of the t test of influenceservice differentiation strategy to competitive advantage obtained a significance value of 0.002 with a positive regression coefficient of 0.233. The significance value of 0.002 < 0.05 indicates that H2 was accepted. This result means that the service differentiation strategy positive and significant effect on competitive advantage. If the service differentiation strategy is implemented properly, it can strengthen the value of the company's competitiveness in a more advanced direction. Conversely, if the service differentiation strategy is not implemented optimally, the competitive advantage cannot be realized properly or even decreased.

Distribution of a service process is one of the most risky and respected factors for the continuity of an organization's business activities, not least in the types of businesses that are classified as Small and Medium Enterprises. The most important service that is applied in homestay accommodation in Ubud is a service based on kinship values which is an ideal concept of daily life packed with traditional values and culture of the Balinese people. The value is ideal to be followed and has a very big impact on all organizations in its application related to organizational success in achieving strategic levels of excellence. Research conducted by Murage (2011) found evidence that a service differentiation strategy is a step that companies can take to gain a competitive advantage over their competitors. Lestari (2005) obtained research results related to service differentiation strategies that showed a positive and significant effect on competitive advantage. Stated by Douglas et al., (2010) by implementing and developing a service differentiation strategy, the company has the potential and ability to achieve competitive advantage. Along with that, Li et al., (2016) stated that improving the quality of service to customers will have an impact on company profitability and optimization of competitive advantages achieved. Likewise, produced by Atikiya (2015) which states that service differentiation strategies have a positive and significant effect on performance which as a result will realize the value of competitive advantage. With the results in line, Hariyati et al., (2018) found that service differentiation strategies significantly influence organizational performance in realizing superior competitiveness.

Effect of Image Differentiation Strategy on Competitive Advantage

Based on the results of the t test of influence strategy Image differentiation to competitive advantage obtained a significance value of 0.044 with a positive regression coefficient of 0.132. The significance value of $0.044 < 0.05$ indicates that H3 is accepted. This result means that the image differentiation strategy positive and significant effect on competitive advantage. If the image differentiation strategy is implemented properly, it can strengthen the value of the company's competitiveness in a more advanced direction. Conversely, if the image differentiation strategy is not implemented optimally, the competitive advantage cannot be realized properly or even decreased.

Differentiating an image is the act of creating a psychological picture of an organization by distinguishing entities that can ultimately be recognized and accepted in the minds of customers. The company makes a good image to customers which is then accompanied by communicating that image to become a source of competitive advantage that the company has for a long period of time (Awade, 2014). In the current era of globalization, the image has a very big influence on perceptions and assessments that will be directed by consumers to a matter, especially in a business. Homestay accommodation in Ubud is strongly held to its noble identity as a rural area in which there is a diversity of legendary cultural arts, and the royal atmosphere at Puri Saren Agung Ubud accompanied by a very beautiful and clean environment. Realize that homestay accommodation in Ubud is synonymous with the value of Balinese traditions and customs that have been strongly sedimentated in the community and environment. Pomaret and Monroig (2008) found the results that the strength of an organization's competitive advantage is influenced by an image based compensation strategy. Research conducted by RakaSukawati and Astawa (2018), Valiandri (2016), and Hariyati et al., (2018) mentioned a positive and significant relationship between image differentiation strategies on competitive advantage, which is said to strengthen the strategic role of organizational image overall will be able to increase the value of organizational competitiveness of competitors in a targeted market segment.

Tri Hita Karana Moderating the Effect of Product Differentiation Strategies on Competitive Advantage

Based on the results of the analysis of influence product differentiation strategy to competitive advantage with *Tri Hita Karana* as a moderating variable obtained a significance value of 0.033 with a positive regression coefficient of 0.119. The significance value of the moderation variable (β_4) *Tri Hita Karana* is 0.011 (significant) and the significant value of the interaction variable between the product differentiation strategy and *Tri Hita Karana* (β_5) is significant at 0.019, this indicates that the moderation variable is a pseudo moderation type (quasi moderation). The results of the moderation regression analysis show that the regression coefficient value of the product differentiation strategy (β_1) positive significant and positive β_5 significant, then indicate a direct relationship, so it is concluded that the *Tri Hita Karana* variable is a variable moderation that strengthen the effect of product differentiation strategy to competitive advantage. Therefore, the fourth hypothesis (H4) received.

Culture expresses goals through the values of belief that guide all activities or activities through ideology and norms (Groysberg et al., 2019). *Tri Hita Karana* is a noble value of Balinese society which moves based on three elements namely *Parhyangan, Palemahan, and Pawongan*. Each element shows the meaning of a harmonious relationship between humans and God, fellow humans, and nature. All of these elements provide a touch of Balinese cultural value in homestay accommodation in Ubud which is realized by carving Balinese style, ornaments, philosophies in development based on Asta Bumi and Asta Kosala Kosali (Philosophy of Traditional Balinese Building Arrangement) and the appearance of traditional Balinese buildings called Bale.

The results of research conducted by RakaSukawati (2014) found that local wisdom has an effect on creating a competitive advantage in tourism in Ubud. Winata (2019) states that the organizational culture based on *Tri Hita Karana* has a significant effect on sustainable competitive advantage. As a result of research by Shahzad et al., (2012) that organizational culture has a positive relationship on performance that affects the creation of competitiveness. Research conducted by Murage (2011) states that by using product differentiation strategies, companies will be able to gain competitive advantage over competitors. Kimotho (2012) states that companies that effectively carry out competitive differentiation strategies are able to realize the value of competitive advantage over their competitors.

Tri Hita Karana Moderate the Effect of Service Differentiation Strategies on Competitive Advantage

Based on the results of the analysis of influence service differentiation strategy to competitive advantage with *Tri Hita Karana* as a moderating variable obtained a significance value of 0.002 with a positive regression coefficient of 0.233. The significance value of the moderation variable (β_4) *Tri Hita Karana* is 0.011 (significant) and the significant value of the interaction variable between the service differentiation strategy and *Tri Hita Karana* (β_6) is significant at 0,000, this indicates that the moderation variable is a pseudo moderation type (quasi moderation). The result of the moderation regression analysis shows that the regression coefficient value of the service differentiation strategy (β_2) significant positive and β_6 significant positive, it indicates a direct relationship so it is concluded that the *Tri Hita Karana* variable is a variable moderation that strengthens

the effect of service differentiation strategies on competitive advantage. Therefore, the fifth hypothesis (H5) received.

The people in Ubud strongly uphold a sense of kinship that is reflected through the concept of equalizing. The order of the Balinese people especially in Ubud always prioritizes a sense of kinship and please help in the application of the concept of equalizing in social life, both with fellow community manners and tourists visiting Bali. Based on *Tri Hita Karana* as a reference in life which in this case is fluency in interacting and communicating with each other shows that homestay accommodation in Ubud implements Balinese customary kinship services such as in daily life that makes tourists interested and chooses to live in the houses of Ubud citizens.

The results of research conducted by RakaSukawati (2014) found that local wisdom has an effect on creating a competitive advantage in tourism in Ubud. Gürlek and Tuna (2017) state that green organizational culture positively influences competitive advantage. Dwija Putri et al., (2017) suggested the results that *Tri Hita Karana* had a positive and significant effect on performance which had an impact on the creation of superior competitiveness. RakaSukawati and Astawa (2018) prove that the service differentiation strategy has a positive and significant influence on sustainable competitive advantage. Putra et al., (2018) states that by implementing a service differentiation strategy can create and build competitive advantage. Li et al., (2016) states an increase in service quality affects the optimization of competitive advantage created. Liu et al., (2018) states that the service differentiation strategy has a positive effect on competitive advantage.

***Tri Hita Karana* Moderating the Effect of Image Differentiation Strategies on Competitive Advantage**

Based on the results of the analysis of influence image differentiation strategy to competitive advantage with *Tri Hita Karana* as a moderating variable obtained a significance value of 0.044 with a positive regression coefficient of 0.132. The significance value of the moderation variable (β_4) *Tri Hita Karana* is 0.011 (significant) and the significant value of the interaction variable between the image differentiation strategy and *Tri Hita Karana* (β_7) is significant at 0,000, this indicates that the moderation variable is a pseudo moderation type (quasi moderation). The results of the moderation regression analysis show that the regression coefficient values of image differentiation strategies (β_3) positive significant and positive β_7 significant, then indicate a direct relationship, so it is concluded that the *Tri Hita Karana* variable is a variable moderation that strengthens the influence of image differentiation strategies on competitive advantage. Therefore, the sixth hypothesis (H6) received.

Ubud is a village with a very devout population with customs, traditions, and culture which is always carried out every day in the shrine in the yard of the house, the shrine in the temple area of the village, and in all community activities. The implementation of the *Tri Hita Karana* concept is very strong in relation to the traditional ceremonial process that is often held by the Ubud community. Homestay accommodation that is directly owned and managed by the people of Ubud routinely carry out Customary Ceremony activities in the holy place in the yard of a house called Sanggah or Pamerajan, and various places that symbolize the symbol of the natural elements. As the activity progresses, it gives an effect which results in a deeper sense of interest by tourists visiting and staying in homestay accommodation.

Research proposed by RakaSukawati (2014) found that local wisdom has an effect on creating a competitive advantage in tourism in Ubud. Winata (2019) states that organizational culture based on *Tri Hita Karana* has a significant effect on sustainable competitive advantage. Gürlek and Tuna (2017) suggest that green organizational culture positively influences competitive advantage. Pomaret and Monroig (2008) and Banker et al., (2014) stated empirically that the image differentiation strategy is capable of producing sustainable competitive advantage. Mandhara Putra Sukawati and Jatra (2015) found evidence that image differentiation strategies had a positive and significant effect on sustainable competitiveness.

IV. CONCLUSION

Organizational competitiveness is taken into account is no exception to the competencies and capabilities possessed and the empowerment of resources that are managerially capable of implementing sustainable management. In this research, it can be learned and known that the product differentiation strategy, service differentiation strategy, and image differentiation strategy related to homestay entities in realizing and increasing competitiveness show the strengthening of the theory that competitive advantage can be realized in line with the strengthening of differentiation strategy theory. Based on a conference by Michael E. Porter in the 14th Annual Rotman School Conference for Leaders - Competitive Advantage: Enduring Ideas and New Opportunities, by combining the social dimension to the strategy which in this research is the noble value of *Tri Hita Karana*, companies can create shared values (CSV) that integrate community issues and challenges into the creation of economic and social values so as to be able to open new needs, new markets, and new ways of thinking about businesses that have the potential to create opportunities for strategic positioning that strengthen a company's competitiveness.

The results of this study can be taken into consideration for all stakeholders, especially residents of Ubud as homestay accommodation managers to always maintain and enhance the competitiveness of companies through differentiation strategies. In addition, the results of this study are also expected to be able to support the Balinese and especially the people of Ubud in order to be able to build the social cultural values of *Tri Hita Karanain* the role of the community in the globalization era as the main representation of the empowerment of culture-based tourism that can actually provide superior value on the environment.

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