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THE ROLE OF COMPETITIVE ADVANTAGE MEDIATES THE EFFECT OF INNOVATION ON BUSINESS PERFORMANCE

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ABSTRACT: The purpose of this study was to explain the role of the variable competitive advantage in mediating the influence of innovation on business performance at MSME Songket in Jembrana Regency. This research was conducted at UMKM Songket, located in Jembrana Regency. The sample size in this study was 36 UMKM songket with purposive sampling method and data collection using a questionnaire. Data analysis using PLS-based SEM analysis technique. The results showed that 1) innovation has a positive and significant effect on business performance, 2) innovation has a positive and significant effect on competitive advantage, 3) competitive advantage has a positive and significant effect on business performance, 4) competitive advantage significantly mediates the effect of innovation on business performance. the performance of songket UMKM in Jembrana Regency.

Keywords: *innovation, competitive advantage, business performance*

I. INTRODUCTION

The economy of a country is a very vital factor for the welfare of the people because it will determine the level of welfare of the people of that country. If a country's economy stagnates, there will be big problems that risk the livelihoods of the people in that country and will also interfere with other areas of life. Therefore, countries in the world are competing to improve their economies so that they are able to make their citizens prosperous.

One of the countries that is actively improving its economy is Indonesia. The economy in Indonesia is currently dominated by the large number of MSMEs which are described as a sector that has an important role, because most of the population lives in small business activities both in the traditional and modern sectors. According to the Department of Industry and Trade, up to now there are 56,534,594 UMKM units spread across Indonesia. MSMEs are said to be important on the grounds that they are able to be a means of keeping people away from poverty by absorbing high labor force. The existence of the government in an effort to improve the performance of small and medium enterprises can be said to have been serious, this is evidenced by the provision of soft credit to business owners to increase their capabilities in improving company performance. The classification of MSMEs is divided based on the number of workers used regardless of whether the company uses machines or the amount of capital owned by the company where micro businesses include 1-4 workers, small businesses 5-19 workers, and medium businesses 20-99 workers (Riyadi and Yasa, 2016). The number of MSMEs is a big potential in the economy because MSMEs are a vital business segment in driving economic growth and progress in Indonesia. MSMEs can play a role in increasing the number of jobs, developing the country, and distributing development results.

One of the MSMEs that still exists and has been able to survive until now is the songket UMKM which is a traditional Balinese weaving. Songket is unique compared to other MSMEs because it is a cultural heritage that has existed for a long time but is still able to compete in the market until now. Songket is made using a non-machine weaving tool (ATBM) so that each piece of songket will produce a different motif and have its own uniqueness. In Bali itself, the need for songket cloth is increasing every day because now songket cloth is not only used for ceremonies, but also daily activities such as going to the office. Coupled with government regulations that require employees to wear traditional clothing to the office which according to the owner of songket UMKM can increase songket sales by up to 40 percent. In addition, songket is also often used as a Balinese souvenir that has economic value.

One of the areas in Bali which is famous for its songket production is Jembrana. Initially, songket UMKM players in Jembrana were mostly endek UMKM players, but based on interviews, they claimed songket

was more able to compete in the market so that many MSME players in Jembrana switched to the songket business because Songket Jembrana was more able to compete in the local market to the international market. Songket Jembrana is one type of songket that has its own place in the market. Jembrana's typical songket cloth or commonly called natural songket is a work that has a very high value because of its unique motifs and has distinctive characteristics promoting the original style of Jembrana. The coloring process in Jembrana songket also uses more natural dyes from plants such as turmeric, noni root, mango leaves and other plants that can still be found in Jembrana. Jembrana Regency is currently increasingly aggressively fostering songket UMKM so that it is increasingly known to the international world. The Jembrana Regency Government is increasingly holding fashion shows and exhibitions that provide space for songket UMKM players to carry out promotions and introduce their work. Songket cloth which is a local cultural heritage is now indirectly preserved through the support of the government, craftsmen and the community. The community's need for using songket cloth is a great opportunity for MSME players to develop their products and businesses.

External and internal weaknesses are also in the spotlight of an MSME so that they are unable to develop, such as being less creative and innovative in creating new products, not knowing what the market needs (Utamaningsih, 2016). Business performance is used to measure the success of the company in achieving its goals (Ho, 2011). According to Najib and Kiminami (2011), business performance is operationalized as a combination of three measures: sales volume, profitability, and market share.

For an industry with fast growth, seizing as many market opportunities as possible is its greatest desire. Competition in making and maintaining customers will lead to intense competition in companies that are in the same industry (Djojjobo and Tawas, 2014). Pramesti and Giantari (2016) state that the willingness of companies to innovate and to take risks will ultimately be able to improve the performance of SMEs. Innovation in a product has the potential to increase company value in the eyes of consumers and innovation in products is the key to the success of a company in surviving the intense competition in an industry (Irawan, 2015). Innovation is considered important for companies because it is considered to be the main key in winning the competition. Companies must be able to make different products in the eyes of consumers so that consumers are more interested in buying these products than competitors' products (Susanto, 2013).

Hasan (2014) states that a sustainable competitive advantage is the key to superior long-term business performance. To get performance that is consistently above normal, the company must have a competitive advantage. Wachjuni (2014) states that, competitive advantage must be possessed by a company or product to achieve performance and achieve the success of the resulting product (Ekawati et al., 2016). According to Mardiyono (2015), the key to success in winning a market competition lies in the company's ability to create competitive advantages. Competitive advantage is the key to success in the concept of corporate strategic management, because it is a strategy designed to achieve corporate value (Ibrahim and Ina, 2015). Competition will always exist both in small and large businesses so that SMEs must be able to face competition by continuously improving the quality of their products in order to have a competitive advantage. Producing quality products must be the main thing because consumers will be able to choose our products over other quality products.

The results of Haryanti and Nursusila's (2016) research using empirical data have proven that product innovation has a positive effect on competitive advantage which can be accepted and statistically proven. The same thing was stated by Djodjobo and Tawas (2014) that product innovation partially has a positive and significant effect on competitive advantage in the yellow rice business in the city of Manado. Previous research also states that according to Najib and Kaminami (2011), innovation is positively related to business performance in terms of relative profitability, market share and growth. However, research conducted by Rediyono and Ujianto (2013) found that innovation has no effect on organizational performance.

The ability of innovation plays a strategic role in increasing the company's market competitiveness and better performance (Aini et al., 2013). Research conducted by Yasa and Sukaatmadja (2017) found that the effect of innovation and business performance is positive and significant, which means that the higher the implementation of the innovation strategy, the better it will be to improve business performance. Research conducted by Salisu and Goni (2019) found that innovation ability has a positive and significant effect on product innovation on business performance. Putri, et al. (2017) also found a positive and significant effect of product innovation on SME performance. However, research conducted by Rediyono and Ujianto (2013) found that innovation does not have a significant effect on organizational performance.

H1: Innovation has a positive and significant effect on Business Performance.

Achieving a sustainable competitive advantage is not only limited to the company's financial and physical resources, but also the company's ability to channel unique invisible resources (Sigalas, 2015). Yusr (2016) and Iddris (2016) state that today's rapid changes in customer preferences and tastes as well as general market conditions that achieve competitive advantage and sustainable company growth depend on innovation capabilities (Yusr and Iddris, 2016). Research by Pardi et al. (2014) and Tung (2012) found that the innovation variable has a positive and significant effect on competitive advantage. Research conducted by Djodjobo and

Tawas (2014) found that product innovation partially has a positive and significant effect on competitive advantage in yellow rice business in Manado city. Research conducted by Salisu and Goni (2019) found that innovation ability and competitive advantage are positively related. Dewi and Suparna (2017) state that innovation has a positive and significant effect on competitive advantage.

H2: Innovation has a positive and significant effect on competitive advantage.

Competitive advantage is very important for the survival and performance improvement of SME companies (Ong et al., 2010). In research conducted by Valeria (2013) competitive advantage has a positive influence on business performance, which means that the higher the competitive advantage, the higher the business performance. Martinette and Obenchain-leeson, (2012) in their study showed the significance of the positive effect of competitive advantage on company service performance. Zainol and Al Mamun, (2018) confirm the significant positive impact of competitive advantage on micro business performance. Salisu and Goni (2019) found that competitive advantage positively and significantly improves the performance of SMEs. Research conducted by Hajar and Sukaatmadja (2016) found that competitive advantage has a positive and significant effect on performance. Medhika et al. (2018) found that competitive advantage has a positive and significant effect on SME performance.

H3: Competitive advantage has a positive and significant effect on performance

According to Ekawati et al. (2016) stated that creative innovation activities, both process innovation and product innovation, will increase the company's ability to create quality products which will further increase the company's competitive advantage which in turn has an impact on company performance. Putri et al. (2018) states that SMEs that are able to develop product innovations according to market tastes and exceed their competitors' advantages will be able to improve the performance of these SMEs. Noorani (2014) states that innovation by companies affects the achievement of a company's competitive advantage. Research conducted by Yasa and Sukaatmadja (2017) found that the influence of innovation and business performance is positive and significant. Research conducted by Salisu and Goni (2019) found that competitive advantage mediates the relationship between innovation ability and SME performance. The ability of SMEs to differentiate, reduce costs and perceive the market effectively are essential in improving performance.

H4: Competitive advantage significantly mediates the effect of innovation on performance.

II. METHODS

This research was conducted in Jembrana Regency. Jembrana Regency was chosen as the research location with the consideration that Jembrana Regency is one of the songket producers in Bali and the songket UMKM in Jembrana Regency is currently developing because of the support of the government and its people. The objects in this research are innovation, competitive advantage, and business performance at UMKM Songket.

The population in this study were all songket UMKM in Jembrana Regency with a total number that was not identified. In this study, the number of samples used was 36. The sample is still considered feasible because it is still in the 30-500 range, which is the sample eligibility range.

Methods of data collection in this study using a questionnaire. The data analysis technique used SEM PLS. PLS-based SEM is an alternative technique in SEM analysis where the data used does not have to have a multivariate normal distribution. In SEM with PLS the latent variable value can be estimated according to the linear combination of the manifest variables associated with a latent variable and is treated to replace the manifest variable. The data that has been obtained from the participants through a questionnaire will then be analyzed to obtain the results of the research hypothesis. PLS and SEM can explain the complexity of the relationship between variables in which in practice these variables in certain fields cannot be measured directly (latent or hidden) so it requires indicators (manifest) to measure it.

III. RESULTS AND DISCUSSION

Analysis of the data used in this study is to use Structural Equation Modeling (SEM) analysis based on Partial Least Square (PLS). PLS is a multivariate statistical technique that performs comparisons between multiple dependent variables and multiple independent variables and is designed to solve multiple regression when specific problems occur in data, such as sample size and missing data and multicollinearities. There are two basic model evaluations in this test, namely the outer model and the inner model.

Convergent Validity with the reflection indicator can be seen from the correlation between the indicator score and the variable score. Individual indicators are considered reliable if they have a correlation value above 0.60. The results of the correlation between the indicators and their variables can be seen in Table 1 below:

Table 1. Convergent Validity Test Results

Variable	Indicators	Loading factor
Innovation (X)	Creating attractive designs	0,864
	Product development according to	0,832

	consumer desires	
	Improve product quality	0,852
Competitive Advantage (Y1)	Competitive price	0,835
	Product uniqueness	0,889
	Readiness to face changing consumer tastes	0,922
	Product changes to address consumer dissatisfaction	0,933
Business Performance (Y2)	Reach a wider market	0,797
	Sales growth is increasing	0,831
	Profits / profits increase	0,826
	Complaints from customers decreased	0,845

Primary Data, 2020

Based on the results table above, it can be concluded that all values of loading factor indicators are greater than 0.60, which means that all indicators have met the requirements for convergent validity and are declared valid.

Discriminant Validity from the reflective measurement model, the indicator is assessed based on the cross loading measurement with the construct. If the cross loading value of each indicator of the variable in question is greater than the cross loading of other variables, then the indicator is said to be valid. The discriminant validity value is greater than 0.60, so the latent variable has become a good comparison for the model. The following are the results of the test for discriminant validity:

Table 2. Discriminant Validity Test Results

Primary Data, 2020

	Innovation	Business Performance	Competitive Advantage
M1	0.711	0.760	0.835
M2	0.727	0.676	0.889
M3	0.736	0.728	0.922
M4	0.733	0.719	0.933
X1	0.864	0.749	0.758
X2	0.832	0.676	0.593
X3	0.852	0.636	0.708
Y1	0.853	0.797	0.663
Y2	0.707	0.831	0.697
Y3	0.722	0.826	0.704
Y4	0.651	0.845	0.587

The data in table 2 shows that the cross loading value indicates that there is good discriminant validity. This can be seen from the cross loading value of each indicator of the variable in question which is greater than the cross loading of other variables greater than 0.06, so it can be stated that the discriminant validity data using cross loading in this study is declared valid.

Discriminant validity can also be seen by using the average variance (AVE) value method. If the AVE value of each construct is greater than 0.50 then it can be said to be good. The AVE value from the results of the discriminant validity test can be seen in table 3.

Table 3. Average Variance Extracted Results

Variable	Average Variance Extracted (AVE)
Innovation	0.722
Business performance	0.680
Competitive advantage	0.802

Primary Data, 2020

Based on the results in table 3 which shows the AVE value on the innovation variable, business performance, and competitive advantage, it has an AVE value greater than 0.50 so that the Validity Test using the AVE value can be declared valid.

The construct reliability test is measured by two criteria, namely composite reliability and Cronbach alpha from the indicator block that measures the construct. The construct is declared reliable if the composite reliability and

Cornbach-alpha values are above 0.70. The results of composite reliability and Cronbach alpha can be seen in table 4.

Table 4. Variable Cronbach's Alpha Composite Reliability

Variable	Cronbach's Alpha	Composite Reliability
Innovation (X)	0,808	0,886
Competitive Advantage (Y1)	0,843	0,895
Business Performance (Y2)	0,917	0,942

Primary Data, 2020

Based on table 4 that the Cronbach's alpha value and the composite reliability value of each variable are more than 0.70, it can be concluded that the construct has good reliability and the questionnaire used in this study has been reliable and consistent.

The inner model test is done by looking at the R-square value which is a test of the goodness of fit model. The R-square PLS model can be evaluated by looking at the predictive relevance R-square for the variable model. The R-square measures how well the observed value generated by the model and also its parameter estimates. In assessing the structural model with the PLS structural, it can be seen from the Q-square value for each endogenous latent variable as predictive strength and structural model. However, if the calculation results show that the Q-square value is more than 0 (zero), then the model is declared feasible and has a relevant predictive value. Calculation of Q-square through the formula $Q^2 = 1 - [(1-R^2) (1-R^2)]$ so it requires an R-square value which functions to find out how much the contribution of variable X to Y.

The R-square value is used to determine how much influence exogenous variables have on endogenous variables in the form of a percentage, the range of R-square values is 0-1, if the R-square value is close to zero (0) then the effect of exogenous variables on endogenous variables will be weaker, but if it is close to one, the stronger the effect of exogenous variables on endogenous.

Table 5. R-square value

Variable	R-square
Innovation (X)	
Competitive Advantage (Y1)	0,660
Business Performance (Y2)	0,722

Primary Data, 2020

Table 5 shows that the R-square value of the competitive advantage variable is 0.660, which means that 66 percent of the construct of competitive advantage is influenced by innovation. Meanwhile, the other 34% are influenced by constructs outside the model. The R-square value of 0.722 on the business performance variable means that 72.2% of the business performance construct is influenced by innovation and competitive advantage. Meanwhile, the other 27.8 percent were influenced by constructs outside the model.

Inner model testing is done by looking at the Q-square value which is a test of the goodness of fit model. If the Q-square value is greater than zero (0), it means that the model has a predictive relevance value, while the Q-square value is less than zero (0), it shows that the model has less predictive relevance. However, if the calculation results show that the Q-square value is more than zero (0), then the model deserves to be said to have a relevant predictive value. The calculation of the Q-square value can be seen as follows:

$$Q^2 = 1 - [(1-R^2) (1-R^2)]$$

$$Q^2 = 1 - [(1-0,722^2) (1-0,660^2)]$$

$$Q^2 = 1 - (0,5213) (0,4356)$$

$$Q^2 = 1 - 0,2702$$

$$Q^2 = 0,7298$$

The value of Q^2 is in the range $0 < Q^2 < 1$, where the closer to 1 the model is said to be the better. Based on the results of the Q^2 calculation of 0.7298, it can be concluded that the model has a good predictive relevance and it can be explained that 72.98 percent of business performance variables are influenced by innovation and competitive advantage while the remaining 27.8 percent are influenced by constructs outside the model.

Hypothesis testing is done using the values obtained in the test results of the path coefficients. Path coefficients display data on the relationship between variables. The results of the path coefficients test are described in Table 6.

Table 6. Path Coefficients Test Results (Mean, STDEV, T-Values, P-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistics (O/STDEV)	P Value
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			(STDEV)		
Innovation -> Business Performance	0,459	0,482	0,137	3,350	0,001
Innovation -> Competitive Advantage	0,812	0,822	0,056	14,485	0,000
Competitive Advantage -> Business Performance	0,433	0,413	0,160	2,703	0,007

Primary Data, 2020

Testing of the hypothesis using partial least square (PLS) was carried out by using the bootstrap method against the results of the distributed questionnaires. The bootstrapping method is used to see the significance value between constructs. The hypothesis is accepted if the bootstrapping test value is between ± 1.96 . If the t-statistic value is in the range <1.96 or $= 1.96$, the hypothesis will be rejected. The t-table value used is 5 percent or 0.05.

Based on the results of the path coefficients test in Table 6, the t-statistic value of the relationship between innovation and business performance is significant with the t-statistic value of 3,350 greater than 1.96. The path coefficient value of 0.459 shows a positive relationship between innovation and business performance. So that hypothesis one or H1 in this study states that innovation has a positive and significant effect on business performance.

Testing the second hypothesis about the effect of innovation on competitive advantage shows a t-statistic value of 14.485. This value shows a significant relationship because it is greater than 1.96. The path coefficient value of 0.812 shows a positive relationship between innovation and competitive advantage. Then hypothesis 2 or H2 in this study states that competitive advantage has a positive and significant effect on competitive advantage.

Table 5 shows that the t-statistic value is 2.703, where the value is more than 1.96, so it shows a significant relationship. The path efficiency value is 0.433 which indicates a positive relationship between competitive advantage and business performance. So it can be concluded that hypothesis 3 in this study shows that competitive advantage has a positive and significant effect on business performance.

Analysis of Direct Effect, Indirect Effect, and Total Effect was carried out to determine the strength of influence between constructs directly to the total effect. Table 7 presents the value of the research results.

Table 7. Test Results of Direct Effect, Indirect Effect, and Total Effect

Effect	Constructs	Standardized Estimates	T Statistics (O/STDEV)	P Value
Direct	Innovation -> business performance	0,459	3,350	0,001
	Innovation -> competitive advantage	0,812	14,485	0,000
	Competitive advantage -> business performance	0,433	2,703	0,007
Indirect	Innovation -> competitive advantage -> business performance	0,352	2,603	0,010
Total	Innovation -> business performance ->	0,811	14,207	0,000
	Innovation -> competitive advantage	0,812	14,485	0,000
	Competitive advantage -> business performance	0,433	2,703	0,007

Primary Data, 2020

Table 7 shows that the direct effect of innovation on business performance is 0.459, the direct effect of innovation on competitive advantage is 0.812, the direct effect of competitive advantage on business performance is 0.433 with the t-statistic value is greater than 1.96 and the P value is smaller than 0, 50 indicating that the effect is significant.

The magnitude of the indirect effect in this study, namely the role of competitive advantage mediating the effect of innovation on business performance, is 0.352 with a t-statistic of 2.603 and a P value of 0.010, so it can be concluded that competitive advantage mediates the effect of innovation on business performance.

The total effect of the relationship between innovation on business performance is 0.811 with a t-statistic of 14.207 and a P value of 0.000. The effect of innovation on competitive advantage is 0.812 with a t-statistic of 14.485 and a P value of 0.000. The effect of competitive advantage on business performance is 0.433 with a t-statistic of 2.703 and a P value of 0.007. This indicates that there is a significant influence on each of the existing constructs.

The estimation of the structural model presented in table 6 shows that testing the H1 hypothesis indicates a significant influence between innovation and business performance as indicated by the T-statistic value of 3,350 (> 1.96). The path coefficient value of 0.459 means that the significant influence between innovation on business performance is positive, so that the H1 hypothesis in this study which states that innovation has a positive and significant effect on business performance is acceptable. This explains that the better the company's ability to innovate so that it can create attractive designs, the higher the business performance of the company in this study, namely the Songket UMKM in Jembrana Regency.

These results are consistent with previous research conducted by Putri et al. (2017) to 37 respondents, who found that there was a positive and significant effect of product innovation on the performance of UKM Endek in Klungkung Regency. Similar research results are also supported by research conducted by Yasa & Sukaatmaja (2017) and Salisu and Goni (2019) which found that innovation has a positive and significant effect on business performance. However, these results are different from research conducted by Rediyono and Ujianto (2013) who found that innovation has no effect on business performance.

The estimation of the structural model presented in table 6 shows that testing the H2 hypothesis indicates a significant influence between innovation and competitive advantage as indicated by a statistical T value of 14.485 (> 1.96). The path coefficient value is 0.822, which means that the significant influence between innovation and competitive advantage is positive, so that the H2 hypothesis in this study which states that innovation has a positive and significant effect on competitive advantage can be accepted. This explains that the better the company's ability to innovate by creating attractive designs, the better the competitive advantage of the company in this study, namely UMKM Songket in Jembrana Regency.

These results are in accordance with previous research conducted by Dewi and Suparna (2017) on 37 respondents who stated that there was a positive and significant effect of innovation on competitive advantage at Endek MSMEs in Klungkung Regency. The results of this study are also supported by research conducted by Pardi et al. (2014), Tung (2012), Djojono and Tawas (2014), Salisu and Goni (2019) which state that innovation has a positive and significant effect on competitive advantage. The estimation of the structural model presented in table 6 shows that testing the hypothesis H3 indicates significance. the influence between competitive advantage and business performance is shown by the T statistic of 2.703 (> 1.96). The path coefficient value is 0.413, which means that the significant influence between competitive advantage and business performance is positive, so the H3 hypothesis in this study which states that competitive advantage has a positive and significant effect on business performance can be accepted. This explains that the better the company's ability to achieve competitive advantage is shown by efforts to make product changes to overcome consumer dissatisfaction with existing products, the higher the business performance of the company in this study, namely MSME Songket in Jembrana Regency.

These results are in accordance with previous research conducted by Hajar and Sukaatmadja (2016) on 105 respondents who stated that there is a positive and significant effect of competitive advantage on the performance of clothing retail stores in Denpasar City. The results of this study are also supported by Valeria (2013), Martinette and Obenchain-leeson (2012), Zainol and Al Mamun (2018), Salisu and Goni (2019), and Medhika et al. (2018) which states in their research that competitive advantage has a positive and significant effect on business performance.

Based on data from table 7 on the indirect effect between innovation, competitive advantage and business performance, the T statistic value is 2.603 (> 1.96) and a P value of 0.010 (< 0.05), which means that the variable competitive advantage is able to mediate partially. the influence of innovation on business performance. This is in accordance with the hypothesis H4, namely competitive advantage is able to mediate the effect of innovation on business performance. These results explain that the better the company makes innovations in accordance with consumer desires, the higher the company's business performance is, therefore a competitive advantage is needed so that it has more value in the eyes of consumers.

These results are in accordance with previous research conducted by Salisu and Goni (2019) on 216 respondents who found that competitive advantage succeeded in mediating the effect of innovation on the performance of SMEs in Nigeria. The results of this study are also reinforced by research conducted by Noorani (2014) which states that innovations made by companies have an effect on the achievement of the company's competitive advantage. Research conducted by Yasa and Sukaatmadja (2017) found that the influence of innovation and business performance is positive and significant.

The implications of the research results include theoretical and practical implications. The theoretical implication concerns the contribution to the development of theories regarding innovation, competitive

advantage and business performance. The practical implications relate to the research contribution to the SME Songket business performance in Jembrana Regency.

The results of this study have been able to enrich the strategic management theory, namely competitive advantage and business performance. Based on the research results, it shows that there is a positive and significant influence of innovation on business performance, innovation on competitive advantage, competitive advantage on business performance and competitive advantage which can significantly mediate the relationship between innovation and business performance. This study has been able to add to empirical studies, strengthen previous research, and confirm the effect of competitive advantage mediating the effect of innovation on business performance.

The results of this study can be used as input for Songket UMKM players in Jembrana to be able to improve their business performance by paying attention to several things, namely innovating is an important thing for Songket UMKM players in Jembrana Regency, because based on the results of this research companies that have made innovations such as creating an attractive design will be more able to attract the hearts and interests of consumers to buy the products produced.

Having a competitive advantage is important for Songket UMKM players because based on the research conducted, companies that have competitive advantages such as efforts to deal with consumer dissatisfaction will be better able to have their own advantages and not be easily defeated by other competitors engaged in the same field, namely the songket business.

Based on the research that has been done, there are several limitations in this study, namely because this research was only conducted in Jembrana Regency so that it cannot be generalized. And there are limitations to data collection within a certain period of time while the environment changes so that this study is cross sectional and only to prove the conditions that occurred at the time of the study.

IV. CONCLUSION

Innovation has a positive and significant effect on business performance. These results indicate that the better the innovation is carried out, the higher the SME Songket business performance in Jembrana Regency.

Innovation has a positive and significant effect on competitive advantage. These results indicate that the better the innovation carried out, the better the competitive advantage of Songket UMKM in Jembrana Regency.

Competitive advantage has a positive and significant effect on business performance. These results indicate that the better the competitive advantage is, the higher the SME Songket business performance in Jembrana Regency.

Competitive advantage mediates the effect of innovation on business performance. This shows that competitive advantage is able to increase the influence of innovation on business performance.

The results of research on the innovation variable show that the indicator of change or product development has the smallest value, which means that there is a need for an increase in matters relating to changes or product development that are tailored to consumer desires so that the products produced by MSME Songket can be easily accepted by consumers.

The results of the research on the competitive advantage variable show that the competitive price indicator has the smallest value, which means that Songket SMEs need to offer prices that are able to compete with similar products in the market. If the price offered has been able to compete, it will be easier to attract consumers to buy so as to improve business performance.

Future researchers are expected to conduct research with a broader scope by adding variables outside of this study that do have an influence on business performance.

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