

# The Role of Product Innovation and Entrepreneurial Orientation Towards Marketing Performance Through Competitive Advantage

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**Abstract.** This gain of this study is to determine the product innovation and the orientation of entrepreneur role towards the performance of marketing through Competitive Advantage in Convection MSMEs in Pasuruan (Legok Gempol Village Convection MSME Study). Using a quantitative approach with a survey method, this approach can be used to test the theory objectively by examining the relationship between variables. Sampling with the Non Probability Sampling technique with the saturated sample method, the number of samples was 130 MSME convection actors in Legok Gempol Village. The data analysis technique uses the Structural Equation Modeling (SEM) Partial Least Square (PLS) approach using SmartPLS software version 30. The research results include: Product Innovation has a significant positive effect on Competitive Advantage, Product Innovation has a significant positive effect on Marketing Performance, Competitive Advantage has a significant positive effect on Marketing Performance, and Entrepreneurial Orientation has a significant positive effect on Competitive Advantage. Competitive advantage indicates the relationship between Product Innovation to Marketing Performance. Competitive advantage indicates the relationship between Orientation to Marketing Performance.

**Keywords:** Competitive advantage, entrepreneurial orientation, product innovation, marketing performance

## 1 Introduction

In the business world, competition challenges are unavoidable and companies must understand the changes that occur in the market. The competition is fierce today, companies are required to face opportunities and threats that exist both on a regional, national and international scale. In addition, it is also required to be adaptive in facing various changes in the business environment, understand what is happening in the market and know what is needed by consumers so that can compete with other companies. In the second quarter of 2020, the economy of East Java contracted by 5.9 percent (Y-O-Y) with the GRDP value based on prevailing prices reaching RP 551.31 trillion. This figure is down from the same period in 2019. The contraction in East Java's Economic Growth is greater than the national economic growth which contracted by 5.32 percent. Taking into account that Cooperatives and SMEs contribute more than 50 percent to the Economy of East Java, it is certain that Cooperatives and SMEs are also sectors affected by Covid-19. With the implementation of social distancing, MSMEs must still be able to face these challenges, such as increasing product and service innovation, developing human resources and blending with technology and expanding more effective marketing. Various challenges and business pressures from competitors will affect the marketing performance of Businesses, Small and Medium Enterprises [1]. Stated that such fierce competition of business requires companies to increase performance in marketing of their company, because the success of a product will affect its marketing performance. According to [2] marketing performance is a measure of achievement obtained from the overall marketing process activities of a company or organization. According to Kotler in [3] marketing performance can be achieved if the company is able to increase products and expand market share, as well as maintain product quality to improve quality and long-term profitability. Marketing performance is a factor that is often used to measure the impact of the strategies implemented [4].

MSMEs have various disadvantages, such as lack of creativity and innovation in creating new products, lack of knowing what the market needs, lack of knowing how to use digital marketing, relatively small business capital and lack of energy that helps in producing products. Pasuruan Regency is an area where many residents become entrepreneurs. The convection industry center located in Gempol district, precisely in Legok village, is one of the MSMEs in Pasuruan. The beginning of the establishment and development of MSMEs Convection has been since 1980 and has increased continuously until 2017. At the beginning of 2018, convection MSMEs in Legok village experienced a decrease in the number of business units, due to declining market demand, shifting consumer demand from the desired type or model as well as the abundance of competitors from outside who are more innovative. So that business actors decide to change professions.

Superior innovation and innovative products will improve marketing performance in the company. Lou (1999); Han *et al.* (1998) in [5] states that innovation as a successful application of the company's creative ideas. An innovation refer to a mechanism in the company to adapt to the changes of the environment, so companies need to handle their need in creating new assessments, ideas, launch freash products that contains innovation. and increase performance of their service to satisfy customers.

According to [6], "*The development of Small and Medium Micro Business (UMKM) based on entrepreneur is extremely potential as foundation to improve the national economic growth in free trade era.*" (The development of MSMEs based on entrepreneurship has the potential to be the basis for increasing national economic growth in the era of free trade). "*Entrepreneurial orientation (EO) is a significant contributor to a firm's success.*" (Entrepreneurial orientation is a significant contributor to the success of an enterprise) [7].

A competitive advantage strategy is needed in the midst of increasingly fierce competition. According to Zimmerer in [1] competitive advantage is a factor that distinguishes small companies from competitors by providing a unique side in their market, so that they are superior and become market leaders from their competitors. Song and Parry in [2] state that there are three benchmarks to find out whether a company has a competitive advantage. First, product uniqueness, namely the uniqueness of the company's products so that they can distinguish them from competitors' products or general products on the market. Secondly, product quality, that is, the quality of the products that the company has successfully created. And third, competitive prices are the company's ability to produce products at prices that are able to compete in the market.

Creating a business that adapts competition, companies can survive if they can measure their success in businesses performance through their marketing performance [8]. This is supported by the results of research on [9], [10] and [11] which prove that competitive advantage has a positive and significant effect on marketing performance. In contrast to the results of [12] which states that competitive advantage has an insignificant effect on performance. And the results of research from [1] which stated that competitive advantage has an indirect effect on marketing performance.

The higher the entrepreneurial orientation, the higher the competitive advantage, the proactive nature in the entrepreneurial orientation is needed in order to get a wider market in the midst of competition, so that improving marketing performance [13] entrepreneurial orientation has a positive and significant effect on marketing performance [14]. But the results of research by [15] and [16] showed that entrepreneurial orientation had a negative and insignificant effect on marketing performance, and another study conducted by [12] which also stated that the relationship between entrepreneurial orientation and performance was insignificant.

The higher the innovation carried out by the company, the higher the marketing performance [13], the result of research by [5] and [11] which show that innovation has a positive and significant effect on marketing performance. However, the results of the research of [17], [18], and [19] which states that product innovation partially has no influence on marketing performance.

Based on the description above, it shows that there are inconsistencies in research results that prove there is a difference between theory and research results, so this is the basis for conducting research to determine the effect of competitive advantage, entrepreneurial orientation, product innovation on marketing performance which will affect the sustainability of MSMEs.

## **2 Literature Review**

### **Product Innovation**

Hurley and Hult in [13] define innovation as a mechanism to be adaptive in a simultaneously changing environment. Therefore, companies are required to be able to create new thoughts, new ideas and offer innovative products and improve services that satisfy customers [20] state in approaches regarding the development of new products that are based on fixed market assumptions, namely: a). Modulation-based innovations; Modulation-based innovation involves changing a basic characteristic of a product or service, by raising or decreasing that characteristic. In general, it refers to functional or physical characteristics. b). Size-based innovation; Size-based innovation is the launch of a new product to the market without changing anything but its volume. c). Packaging-based innovation; The way a product is packaged can change consumers' perceptions of the benefits, functions, or reasons for consumption of the product or service. d). Design-based innovation; Design-based innovation is an innovation in which the product, container, or packaging and the size sold are the same, but the design or appearance is modified. Innovation based on the development of complementary materials; Complementary-based innovation involves the addition of complementary materials or additional services to the basic product or service. f). Innovation based on effort reduction; Innovation based on reducing efforts does not change the product or service, but increases the size of the market. This kind of innovation raises value by lowering the denominator, not raising the numerator.

The existence of several indicators of product innovation, namely: a). Product Expansion (line extensions); Indicates additional products in the same product category by using the same brand; b). Me-too products; An item produced as an imitation or imitation of another product, this imitation product is not only produced as an imitation or replica of a well-known product only, but for all products; c). New-to-the-world products; A new product is a product that is considered new both by the business and by the company [17].

### **Entrepreneurial orientation**

Entrepreneurial orientation is the ability of business owners to manage their companies creatively and innovatively, dare to take risks and mobilize resources the power to look for opportunities to success [2]. Entrepreneurial orientation is a resource of organizational strategy with the potential to generate competitive advantage. The entrepreneurial orientation potential as the generator for innovation and organization ability [21].

The existence of several indicators of product innovation, [3] namely: a. Business experience: The background of the entrepreneur plays an important role in the decision to enter a business apart from the type of business venture they will create, not only to generate ideas but also to make a profit. b. Dare to Take Risks: the attitude of entrepreneurs for their willingness to commit resources and dare to face challenges by exploiting or engaging in business strategies where the possible outcome is uncertain. c. Flexibility: Entrepreneurs who can think flexibly can see problems from multiple perspectives. Thus, when faced with problems, entrepreneurs can find and try various alternative solutions.

### **Competitive advantage**

Defining the advantage of a competition as an advantage over competitors by offering lower value and by provides greater benefits among higher prices [22], [2] stated that advantage n competition is a value in the company from the results of implementing its strategy so that the company has greater cost savings and more value than its competitors. This advantage is one of the boosters of the company's bargaining power that is more to consumers. Competitive advantages can be realized through the creation of uniqueness carried out in product and packaging design, better quality of production processes, more attractive marketing, sales services that are more satisfying to consumers, and so on.

The indicators used in this study refer to [9] namely: a. Product Uniqueness: With continuous innovation to create a unique product that makes the product easy to remember, the product will master mind share and make customers feel proud when using it; b. Competitive price: competitive advantage can be achieved if the company is able to produce goods and services that have superior quality at competitive prices; c. Products that are not easy to imitate: Creating a product that is difficult to follow and a product you can't get anywhere else.

### **Marketing performance**

Ferdinand in [9] stated that performance in marketing refers to a factor often used to know the portion company's strategy implementation impact. The marketing strategy is set to produce good marketing performance and good financial performance [23] stated that good performance measurement is expressed in three marketing terms, namely sales value, sales growth and market share, which ultimately affects the company's profits. The sales value shows the units of products sold, while sales growth shows how much the increase in sales of the same product compared to a certain unit of time, and the market portion shows how much the product contributes to controlling the market of similar products compared to competitors.

The indicators of marketing performance namely: a. Customer growth: the rate of increase in the number of customers achieved by the company in any given period. b. Sales growth: The increase in the number of sales over time that the company has achieved. c. Increased productivity: Increase the acquisition of results (output) to achieve work performance effectively and efficiently with the resources used.[9].

### **Relationships between variables**

#### **Product innovation and marketing performance relation**

Superior innovation and innovative products will improve marketing performance [2] stated that to improve marketing performance is built by innovation, among others, through technical innovation and product innovation. The consequence will be to improve marketing performance in the form of increased sales volume, an increased number of customers and the ability to create profits to their owners [11] which proves that product innovation has a positive and significant effect on marketing performance. Similarly, research conducted by [24] also proves that product innovation partially and simultaneously affects marketing performance.

#### **H<sub>1</sub> : Product Innovation has a significant effect on Marketing Performance**

#### **The relationship between entrepreneurial orientation and marketing performance**

Covin and Slevin in [14] emphasize the entrepreneurial orientation to processes, practices, and activities that use product innovation, proactive efforts, and risk-taking to win the competition which in these processes can measure the level of marketing performance in the company [14] who prove that entrepreneurial orientation has a positive and significant effect on marketing performance. Furthermore, another study conducted by [25] also states that

entrepreneurial orientation partially has a significant effect on marketing performance. Entrepreneurial orientation positively affects competitive advantage [26].

**H<sub>2</sub> : Entrepreneurial Orientation gives the significant effect on the performance of marketing**

**The relationship between competitive advantage and marketing performance**

Narver and Slater in [3] stated that effective company performance is a configuration of practical management that provides facilities for knowledge development that is the basis of competitive advantage. The competitive advantage that the company has will ultimately affect the company's market performance as measured through customer satisfaction [27] states competitive advantage is at the heart of a company's performance in a competitive market, competitive advantage essentially growing from the value or benefits created by the company for its buyers that are more than the costs that must be incurred to create it [11] which proves that competitive advantage has a positive and significant effect. And another study [9] also proved that competitive advantage has a positive and significant effect on marketing performance.

**H<sub>3</sub> : Competitive Advantage has a significant effect on Marketing Performance**

**The advantages of competition mediate the Entrepreneurial Orientation to Marketing Performance relationship**

Competitive advantage positively and significantly mediates the relationship between entrepreneurial orientation and the marketing performance of clothing retail stores in Denpasar City [28]. By being well-oriented, entrepreneurship can increase competitive advantage so that it can create and make decisions on strategies that are in accordance with the goals and targets of clothing retail stores, then these strategies are coordinated throughout the existing functional so that competitive advantages can be formed and through these competitive advantages clothing retail stores are able to compete between clothing retail stores in Denpasar City. Competitive advantage as an intervening variable has a significant effect on marketing performance [29]. Competitive advantage mediates the relationship of orientation and entrepreneurial performance partially [7], [30] also showed that the role of competitive advantage becomes a perfect mediation variable of entrepreneurial orientation and marketing performance.

**H<sub>4</sub> : the advantage in competition mediate Entrepreneurial Orientation and Marketing Performance Relationship**

**Competitive advantage mediates the relationship between Product Innovation and Marketing Performance**

Product innovation is considered to significantly mediate the influence of competitive advantage on marketing performance [30]. The better the ENDEK product MSMEs in carrying out product innovations, there will be an increase in marketing performance and vice versa, when endek product MSMEs cannot innovate products properly, marketing performance will decrease [2], [10], and [32] Product innovation has a positive and significant effect on competitive advantage.

**H<sub>5</sub> : Excellence mediates the relationship between Product Innovation and Marketing Performance**

### **3 Research Method**

This research applied quantitative approach with a survey method, where this approach can be used as a means to test the theory objectively by examining the relationship between variables. According to [33], a scientific study can be initiated when there is a problem supported by correct data and reliable sources.

The purpose of this study is to test the influence and casual relationship between variables, so that a model can be formed that explains the variables studied, the study's purpose was to determine the Role of Product Innovation and Entrepreneurial Orientation towards Marketing Performance Through Competitive Advantage in Convection MSMEs in Pasuruan (Legok Gempol Village Convection MSME Study).

The population in this study is convection MSME actors in Legok Village, Gempol District with a total of 130 business actors. The sample grazing technique used is a saturated sample, according to [34], "saturated sample is a sampling technique when all populations are used as samples and are also known as with census terms". So the number of samples in this study amounted to 130 respondents. The variables used are Product Innovation, Competitive Advantage Entrepreneurial Orientation and Marketing Performance which are broken down into indicators and further lowered into real items in research instruments.

The data analysis technique applied the Structural Equation Modeling (SEM) Partial Least Square (PLS) approach using SmartPLS software version 30. PLS is a model of structural equations based on components or variants (variance). PLS can be used to explain the presence or absence of relationships between latent variables (prediction), PLS can also be used to confirm theories [35]. In addition, PLS can also be used to explain the presence or absence of relationships between latent variables. The analysis of the confirmatory of factors for constructs with reflexive indicators by looking at the validity of each indicator serves to test the reliability of the construct. Evaluate the Measurement Model (Outer model) by conducting a validity test. Indicator validity criteria measured by convergent

validity include: Loading Factor, Average Variance Extracted (AVE), and validity discriminants include: Cross Loading, Square Root Average Variance Extracted (AVE), and correlations between latent constructs. Meanwhile, construct reliability is measured by Composite Reliability and Cronbach's Alpha. Evaluation of the Measuring inner model, in assessing the structural model with SmartPLS 3 is evaluated by looking at the percentage of variance described by looking at the R-Square for the endogenous latent construct as the predictive force of the structural model. The interplay is the same as the interplay on the regression OLS. In addition to looking at the R-Square value, it is also by looking at the Q<sup>2</sup> value predictive relevance.

## 4 Result and Discussion

### Measurement Evaluation (Outer Model)

Outer model analysis is a model of measuring the relationship between manifest variables (indicators) and construct variables. The Loading Factor describes how much the indicator relates to each of its latent variables.

Convergent validity of measurement models with indicators of reflection can be detected from the correlation between the score items/indicator and the construct score. Individual indicators are reliable if they have a value of correlation above 0.70, but loading 0.50-0.60 is still acceptable.

**Table 1. Convergent Validity**

	Product Innovation	Competitive Advantage	Marketing Performance	Entrepreneurial Orientation
IP1	0,851			
IP2	0,839			
IP3	0,706			
KB1		0,720		
KB2		0,895		
KB3		0,883		
KP1			0,932	
KP2			0,935	
KP3			0,910	
OK1				0,884
OK2				0,898
OK3				0,845

From the table above, it shows that, all indicators give a loading factor value above 0.70, it can be concluded that all indicators meet convergent validity.

**Table 2. Convergent Validity (AVE)**

	Average Variance Extracted (AVE)	Information
Product Innovation	0,642	Valid
Competitive Advantage	0,700	Valid
Marketing Performance	0,857	Valid
Entrepreneurial Orientation	0,767	Valid

**Source:** Processing output with SmartPLS 3.0.

The AVE output result from Smart PLS on tabel 2 yang produced by all constructs has a value of > 0.50, so that each construct has met the meaning of n.

Discriminant Validity, the level of construct validity can be measured in the second way, namely using a validity discriminant, presented in the following table 3 :

**Table 3. Discriminant Validity Test Results (Fornell-Larcker Criterion)**

	<b>Product Innovation</b>	<b>Competitive Advantage</b>	<b>Marketing Performance</b>	<b>Entrepreneurial Orientation</b>
Product Innovation	<b>0,801</b>			
Competitive Advantage	0,804	<b>0,837</b>		
Marketing Performance	0,792	0,810	<b>0,926</b>	
Entrepreneurial Orientation	0,807	0,782	0,802	<b>0,876</b>

**Source:** Processing output with SmartPLS 3.0.

From the table above , it can be seen that the diagonal value in bold is the square root of the AVE and the value below it is the correlation between constructs, the value of the square root of the AVE is greater than the correlation between constructs, so it can be concluded that the model is valid because it satisfies the discriminant validity.

Composite Reliability, The values of composite reliability and cronbach's alpha for each construct are presented in the following table 4 :

**Table 4. Composite Reliability test results and Cronbach's Alpha**

	<b>Cronbach's Alpha</b>	<b>Composite Reliability</b>	<b>Information</b>
Product Innovation	<b>0,718</b>	<b>0,842</b>	<i>Reliable</i>
Competitive Advantage	<b>0,782</b>	<b>0,874</b>	<i>Reliable</i>
Marketing Performance	<b>0,917</b>	<b>0,947</b>	<i>Reliable</i>
Entrepreneurial Orientation	<b>0,848</b>	<b>0,908</b>	<i>Reliable</i>

**Source:** Processing output with SmartPLS 3.0.

The Cronbach's Alpha value is very good due to the value that showed above >0.70 which ensures the reliability of the construction indicator to meet the reliability test. The Composite Reliability value produced by all constructs is not good due to its value that shows above >0.70 which means construct indicators meet the standard of reliability tests.

#### **Evaluation of the Structural Model (Inner Model)**

Estimation has met the Outer Model criteria, so the next phase is structural model (Inner model) test. According to [36] inner model predict the relationship between latent variables. In assessing the inner model with SmartPLS viewed from the value of R-Square ( $R^2$ ) for each endogenous latent variable. The coefficient of determination R-square ( $R^2$ ) indicates how much the exogenous variable explains its endogenous variable. The value of R-Square ( $R^2$ ) is zero to one.

**Table 5. R-Square Test Results ( $R^2$ )**

	<b>R Square</b>	<b>R Square Adjusted</b>
Competitive Advantage	0,698	0,693
Marketing Performance	0,744	0,738

**Source:** Processing output with SmartPLS 3.0.

Table shows that R-Square value for the **Advantage in Competition** variable is 0.698 which means that it belongs to the category of quite strong or moderate. Furthermore, the **Marketing Performance** variable of 0.744 means that it is included in the category of quite strong.

**Table 6. Hypothesis Testing Results**

	<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T Statistics ( O/STDEV )</b>	<b>P Values</b>
Product Innovation -> Competitive Advantage	0,498	0,499	0,096	5,183	<b>0,000</b>

Product Innovation -> Marketing Performance	0,235	0,228	0,088	2,670	<b>0,008</b>
Competitive Advantage -> Marketing Performance	0,366	0,362	0,086	4,234	<b>0,000</b>
Entrepreneurial Orientation -> Competitive Advantage	0,380	0,378	0,096	3,970	<b>0,000</b>
Entrepreneurial Orientation -> Marketing Performance	0,327	0,335	0,102	3,191	<b>0,002</b>

**Source:** Processing output with SmartPLS 3.0.

From the path coefficient table above, it can be seen that: **Product Innovation** is significantly and positively affect **Competitive Advantage** with a t-statistics value of >1.96 and p value < 0.05, **Product Innovation** has a significant positive effect on **Marketing Performance** with a t-statistics value of >1.96 and p value < 0.05, **Competitive Advantage** has a significant positive effect on **Marketing Performance** with a t-statistic value of >1.96 and P value < 0.05, **Competitive Advantage** has a significant positive effect on **Marketing Performance** with a t-statistic value of >1.96 and P value < 0.05, **Entrepreneurship Orientation** has a significant positive effect on **Competitive Advantage** with a t-statistics value of >1.96 and P value < 0.05, and **Entrepreneurship Orientation** has a significant positive effect on **Marketing Performance** with a t-statistic value of < 1.96 and P value >0.05.

**Table 7. Indirect Effect or Mediation Test**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
Product Innovation -> Competitive Advantage -> Performance in marketing	0,182	0,182	0,060	3,010	<b>0,003</b>
Entrepreneurial Orientation -> Competitive Advantage -> Performance in marketing	0,139	0,135	0,044	3,165	<b>0,002</b>

**Source:** Processing output with SmartPLS 3.0.

From the table above, it can be concluded that there are indirect influences, namely:

1. **Product Innovation -> Competitive Advantage -> Marketing Performance** of 0.182 with a t value of 3,010 and a significant 5%, it can be concluded that there is a mediation relationship.
2. **Entrepreneurial orientation -> Competitive Advantage -> Marketing Performance** of 0.139 with a t value of 3.165 and significant 5%, which means that there is a mediation of relationship.

**Table 8. Relevance Predictive Test**

	SSO	SSE	Q <sup>2</sup> (=1-SSE/SSO)
Product Innovation	390,000	390,000	



Competitive Advantage	390,000	207,815	0,467
Marketing Performance	390,000	146,113	0,625
Entrepreneurial Orientation	390,000	390,000	

Source: Processing output with SmartPLS 3.0.

Predictive Relevance calculations ( $Q^2$ ) in table 8 shows the values of 0.467 and 0.625, then it can be concluded that the model has a relevant predictive value.

### Fit Model Evaluation

Evaluation of the fit model in this study, using the Normal Fit Index (NFI) test model.

Table 9. Fit Model Evaluation Test

	Saturated Models	Estimated Models
NFI	0,820	0,820

Source: Processing output with SmartPLS 3.0.

The results showed how saturated model fit value and the estimated model value (structural model) have the similar value. The result indicates that the model in the study has a normal fit index (NFI) value which shows that the model in this study is 82.0% better than in the null model model.

### Discussion

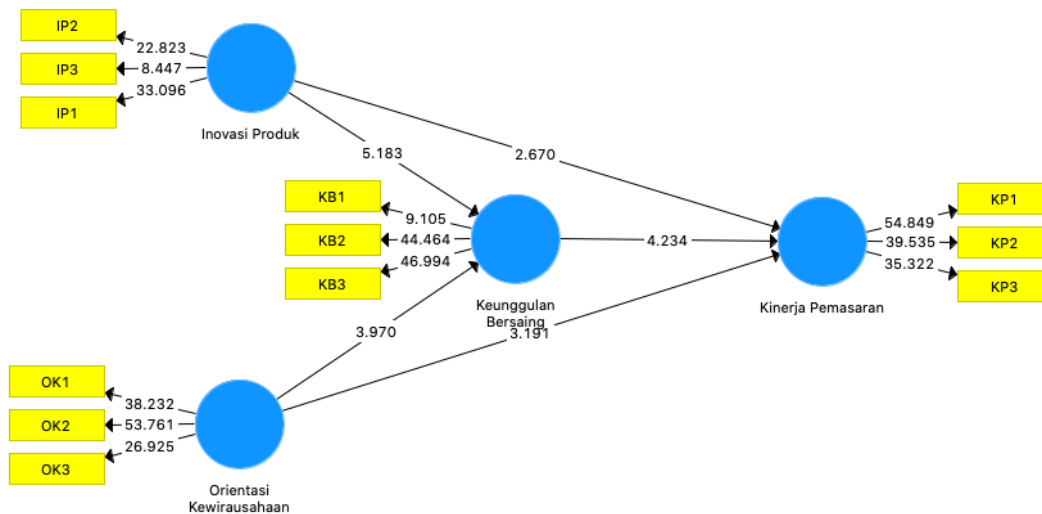


Figure 1. Bootstrapping Test Results

### Effect of Inovation Produk On Kinerja Pemasaran

The first hypothesis states that Product Innovation has a significant effect on Marketing Performance. Koesfien path produces significant positive value so that it shows a unidirectional relationship, The more MSMEs Convection Legok Gempol Village Innovates, it will increase the work of Marketing MSMEs Convection Legok Gempol Village said. Legok Gempol Village Convection MSME business actors have made various innovations so that their products are as desired by consumers, such as making their products completely new by adjusting to time trends. Business actors also add products in the same category, for example, such as daster clothes. They make different types of dasters

and each type has each model, motif and size that is different in addition to being adaptive to the changes that consumers want.

The results of this study are in line with research conducted by [2] to improve marketing performance built by innovation, among others, through technical innovation and product innovation. The consequence will be to improve marketing performance in the form of increased sales volume, an increased number of customers and the ability to create profits to their owners, which proves that product innovation has a positive and significant effect on marketing performance [11], [24].

#### **The relationship between entrepreneurial orientation and marketing performance**

The second hypothesis states that Entrepreneurial Orientation has a significant effect on Marketing Performance. Koesfien path produces significant positive value so that it shows a unidirectional relationship, The more entrepreneurially oriented MSMEs of Legok Gempol Village Convection will increase the work of Marketing MSMEs Convection Legok Gempol Village. This shows that the MSME Convection business actors of Legok Gempol Village already have an entrepreneurial orientation. With the expertise and experience possessed by the people of Legok Gempol Village, they are able to run the convection business independently. Not only the expertise and experience they have, business actors also always think flexibly by looking at problems from various perspectives so that they can face problems with various alternative solutions to avoid a failure as previously experienced by business actors. As well as the ability to make decisions by daring to take risks to face challenges and business strategies where the possible outcome is uncertain. So that at this time in the midst of the COVID-19 pandemic, business actors are able to survive and can improve their marketing performance.

The results of this study are in line with research conducted by Covin and Slevin in [14], [14], [25], [26] who stated that entrepreneurial orientation partially has a significant effect on marketing performance. Emphasize entrepreneurial orientation to processes, practices, and activities that use product innovation, risk-taking, and proactive efforts to win the competition which in these processes can measure the level of marketing performance in the company.

#### **The relationship between competitive advantage and marketing performance**

The third hypothesis states that Competitive Advantage has a significant effect on Marketing Performance. Theoesfien path produces a significant positive value so that it shows a unidirectional relationship, The more the Legok Gempol Village Convection MSMEs run a competitive advantage well, it will increase the work of marketing the Legok Gempol Village Convection MSMEs.

The results of the study prove that the factors driving competitive advantage are carried out well, by making the product unique so that the product is always remembered and attached to the minds of consumers. Business actors also make their products different from competitors both in terms of motives and models so that competitors cannot imitate them. Not only making something unique and different in its products, providing good product quality with a relatively affordable price offer and being able to compete in the market is an advantage possessed by Legok Gempol Village Convection MSMEs so that business actors can compete with other competitors and can improve their marketing performance.

The results of this study are in line with research conducted by [11] and [9] which proves that competitive advantage has a positive and significant influence. Effective corporate work is a configuration of practical management that provides facilities for the development of knowledge on which competitive advantage is based Narver and Slater in [3]. The competitive advantage of a company will ultimately affect the company's market performance as measured through customer satisfaction. Competitive advantage plays a vital role in its performance to survive a competitive market. The advantage of competition essentially grows from the value or benefits created by company for their consumers that are more than the cost of creating it [27].

#### **Competitive advantage mediates the relationship of Entrepreneurial Orientation to Marketing Performance**

The fourth hypothesis states that Competitive Advantage mediates the relationship of Entrepreneurial Orientation to Marketing Performance. Koesfien indirect relationship path produces significant positive value so as to show a unidirectional relationship, it can be concluded that Superiority Bersaing can mediate the relationship between Entrepreneurial Orientation to Marketing Performance. The more MSMEs Convection Legok Gempol Village is well oriented towards entrepreneurship, it can increase competitive advantage so that it can create an entrepreneurial spirit that is bold in making decisions and dares in creating strategi in competing with competitors, so that with the strategy formed it will increase the competitive advantage and through this competitive advantage, MSMEs Convection Legok Gempol Village will survive and be able to compete with competitors and can improve its Marketing Performance.

The results of this study are in line with the research conducted by [28] Competitive advantage positively and significantly mediates the relationship between entrepreneurial orientation and marketing performance of clothing retail stores in Denpasar City [28]. By being well-oriented, entrepreneurship can increase competitive advantage so

that it can create and make decisions on strategies that are in accordance with the goals and targets of clothing retail stores, then these strategies are coordinated throughout the existing functional so that competitive advantages can be formed and through these competitive advantages clothing retail stores are able to compete between clothing retail stores in Denpasar City. [29] stated that competitive advantage as an intervening variable has a significant effect on marketing performance. Competitive advantage mediates the relationship of orientation and entrepreneurial performance partially [7], [30] also showed that the role of competitive advantage becomes a perfect mediation variable of entrepreneurial orientation and marketing performance.

### **Competitive advantage mediates the relationship between Product Innovation and Marketing Performance**

The fifth hypothesis states that Competitive Advantage mediates the relationship of Product Innovation to Marketing Performance. Koesfien indirect relationship path produces significant positive value so as to show a unidirectional relationship, it can be concluded that Superiority Bersaing can mediate the relationship between Product Innovation and Marketing Performance.

The more MSMEs Convection Legok Gempol Village always innovates, it can increase competitive advantage so that it can create new products desired by consumers, so that with products the new will increase the competitive advantage and through this competitive advantage, LEGOK Gempol Village Convection MSMEs will be able to compete with competitors and can survive in the midst of increasingly fierce business competition and in the midst of a situation of uncertainty about the COVID-19 pandemic, so that with a competitive advantage can improve its Marketing Performance.

The results of this study are in line with the research carried out by [37], [10], and [32], Product innovation has a positive and significant effect on competitive advantage. According to [31] Product innovation is considered to significantly mediate the influence of competitive advantage on marketing performance. The better the msME of endek products in carrying out product innovation, there will be an increase in marketing performance and vice versa, when MSMEs cannot do product innovation well then marketing performance will decrease.

## **5 Conclusion**

Based on the results of the research, it can be concluded that: If MSMEs have good competitiveness, it can affect their marketing performance. A leader or business actor who applies an entrepreneurial orientation in his business such as daring to take risks and being flexible to minimize failure will affect the improvement of marketing performance. If MSMEs always innovate, it will improve their marketing performance. The more both competitive advantage, entrepreneurial orientation, and product innovation applied will improve marketing performance in MSMEs Convection Legok Gempo Villagel.

The more well-oriented MSMEs are entrepreneurship-oriented, they can increase competitive advantage so that they can create an entrepreneurial spirit that is bold in making decisions and dares in creating strategies in competing with competitors, so that with the strategy formed it will increase competitive advantage and through this competitive advantage MSMEs Legok Gempol Village Convection will survive and be able to compete with competitors and can improve its Marketing Performance.

The more MSMEs Convection Legok Gempol Village always innovates, it can increase competitive advantage so that it can create new products desired by consumers, so that with these new products it will increase competitive advantage and through this competitive advantage, MSMEs Convection Legok Gempol Village will be can compete and can survive in midst of increasingly fierce business competition and in the midst of a situation uncertainty about the COVID-19 pandemic, so that with a competitive advantage, it can improve its Marketing Performance.

### **Future research recommendations**

There are, however, some limitations, namely only analyzing variables that affect marketing performance in MSMEs Convection Legok Gempol Village. In this case, researchers have not used variables related to digitalization, such as Digital Marketing and Social Media Advertising, so that future research can lift this variable, because MSMEs in East Java still have to increase digitalization in their business, especially in terms of digitalization marketing.

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