

# Sustainable Competitive Advantage As Mediation Of Product Innovation And Product Quality Toward Business Performance

Diana Lestari<sup>1</sup>, Ika Nurul Qamari<sup>2</sup>

[dianalestari@gmail.com](mailto:dianalestari@gmail.com) [ikanr@umy.ac.id](mailto:ikanr@umy.ac.id)

Universitas Muhammadiyah Yogyakarta, Indonesia<sup>1</sup>, Universitas Muhammadiyah Yogyakarta,  
Indonesia<sup>2</sup>

**Abstract:** The purpose of this research is to examine the impact of product innovation and product quality on long-term **competitive** advantage and business performance. Owners/managers/employees or strategic staff in the handicrafts Small and Medium Industry in Kulon Progo Regency, Indonesia, were the subjects of this study. The convenience sampling method was used to select 69 respondents for this study. SmartPLS 3.0 is a data analysis program. According to the study's findings, product innovation has a significant positive impact on business performance. In the meantime, product quality has no bearing on business performance. Sustainable competitive advantage has demonstrated the mediating role of product innovation on business performance but has failed to demonstrate the role of product quality as a mediator of business performance. This study also demonstrated that long-term competitive advantage has a significant positive direct impact on business performance.

**Keywords:** Product Innovation; Product Quality; Sustainable Competitive Advantage; Business Performance

## **1 Introduction**

### *Background of the Study*

Since the first Covid-19 case was reported in Indonesia at the beginning of the month of Maret 2020, the Komite Penanganan Covid-19 dan Pemulihan Ekonomi Nasional (KPCPEN) has continuously published the highest case that has been confirmed. As of Covid-19, nearly every economic sector is experiencing a recession (OECD, 2020). The percentage for quarterly III-2020 (YonY) is -2,84. (BPS DIY, 2020).

On June 2, 2021, positive news in Indonesia reached a very high level; however, death rate had a period of severe contraction, which resulted in a decline in domestic trade. The increase consist of digital products, clothing, accessories, beauty, food and drink, as well as the essentials of a home.

Small and Medium Enterprise (SME) and Small and Medium Industry have a significant impact on Indonesia's economy (Nurhajati dkk, 2018), and they aid in the preparation of the lean population for economic crisis (Ratnasari, 2013). The creative industries are divided into two distinct sub-sectors, namely advertising, application and software development, architecture, art market and antique goods, bioscop and video, craft, fashion and jewelry design, galleries and photography, grafis design, gastronomy, hub (creativity, innovation, technology, and joint workspace), interior design (Gasparin, M. & Quinn, M.,2020).

Due to the fact that handicraft from Kabupaten Kulon Progo has already been disseminated to numerous locations, both inside and outside of the country, the subsector of handicraft in Kulon Progo has become a topic worth discussing. Iffah Mufidati, the sole head of the trade department for the province of Kulon Progo, stated in the year 2019 that the total amount of ekspor sold in 2018 reached Rp 3,243 trillion, with some of the products that were sold including natural fiber crafts and woodcraft.

The level of a company's health can be determined by looking at how well it performs as measured by the performance results of its actors throughout time (Soputan, G. J., et al, 2021). The advantages in business competitiveness serve as a yardstick for how well entrepreneurs are doing while creating items to address long-term consumer wants (Puspita & Hadi, 2019). Product innovation is responsible for achieving this lasting competitive advantage since business actors' ability to boost creativity in the discovery of new and original ideas is crucial for competing in the global market (Rahmadi, Jauhari, & Dewandaru, 2020). Along with product innovation, clients will be interested in items based on their durability, dependability, exclusivity, comfort, and aesthetics (Noviani, 2020).

Therefore, this study will look at how product quality and innovation affect excellence and competitive business performance in the Kulon Progo Regency's creative craft industry. The study's definition of the problem is whether product innovation and quality have a favorable and significant impact on business performance, either directly or by indirect means such as sustainable competitive advantage. This study aims to investigate and clarify how product quality and innovation affect corporate performance, either directly or indirectly through sustainable competitive advantage.

## **2 Theoretical Review**

### *Business Performance*

Business performance, often known as firm performance, is the degree to which production, human resources, marketing, and finance are successful (Abeysekara, N. & Wang, H., 2018).

Each organization's business performance has unique work outcomes and achievement standards, or a benchmark for the degree of success of each business (Fatimah, S. & Azlina, N., 2021). According to Yuliana, R. & Filatrovi, E.W. (2019), it also incorporates indicators of market performance and financial performance in addition to accounting for business obligations to shareholders and optimizing objective profits. According to Campos, S. et al. (2020), the most crucial factors affecting an organization's ability to do business are its human resources and technology production capabilities. The poor level of productivity, low added value, and low product quality are then the barriers to performance and business development (Selviyani & Mulyana, 2018).

#### Sustainable Competitive Advantage

According to Gomes & Romao (2017), sustainable competitive advantage is linked to the company's long-term advantage-building and maintenance plans and efforts. If a company can develop a long-lasting competitive edge, it will have the ability to compete with other companies and keep its own products in high demand (Setyawati, S.M. & Rosiana, M., 2015). If a business is better able than its rivals to deliver value to customers, it will gain a competitive edge (Kurniawan, A. & Yun, Y., 2018).

#### Product Innovation

Innovation, according to Chen (2019), is the degree to which producers are willing to implement new techniques in their operations, systems, processes, policies, strategies, goods, or services. Meanwhile, according to Kurniasari, R.D. & Utama, A. (2018), "product innovation" is a term used to describe all the processes that are influenced by one another as a result of the discovery of new ideas or markets. Innovation is thus the ability of a person to use their imagination to generate a new concept that will be more valuable to find or develop a product into a new product through the process of changing, adding new things to an existing product, or bringing forth a new product that has never existed.

#### Product Quality

Customers value product quality and the ability to select the level of quality, and manufacturers must maintain quality in order to grow the market (Haryono, T. & Marniyati, S., 2017). The four size categories of product quality are low quality, normal or medium quality, good quality, and very good quality.

Controlling production quality by the use of quality materials or materials, enough machinery or production equipment, skilled people, and appropriate production methods can result in high-quality products (Ratnadi & Suprianto, E., 2016).

### **Hypothesis Development**

#### *The Effect of Product Innovation on Sustainable Competitive Advantage*

Developing a competitive edge requires the combination and use of special resources and competencies. Therefore, innovation is crucial for businesses to develop fresh perspectives on something distinctive in the future (Anning-Dorson, T., 2018).

Furthermore, it is explained that the higher the quality of the product, the more interested customers will be in purchasing it or purchasing it again, implying that product quality can be a company strategy for maintaining a competitive advantage.

H1: Product innovation has a direct positive and significant impact on sustainable competitive advantage

#### *The Effect of Product Innovation on Business Performance*

Business success is based on R&D innovation capacity (Campos, S. et al, 2020). Product innovation will be very beneficial to business performance since it can provide new products and fresh themes that will entice customers to make purchases.

The amount of efficacy and efficiency in the business's operations will be a key indicator of how well R&D is performing for the organization.

H2: Product innovation has a direct positive and significant effect on business performance

The Effect of Product Quality on Sustainable Competitive Advantage

Controlling production quality by using good materials or materials, adequate machines or production tools, skilled labor, and proper production processes can result in good product quality (Ratnadi & Suprianto, E., 2016).

According to Lestari, W. A., et al. (2020), the competitive advantage of a product depends on its quality, which increases as product quality increases.

H3 : Product quality has a direct positive and significant effect on sustainable competitive advantage

The Effect of Product Quality on Business Performance

Product quality is a factor that can provide an assessment of a product that can be seen from its usability, materials used, durability, comfort, shape, and several other components so that the product can meet the needs of its users.

Haryono, T. & Marniyati, S. (2017) found that product quality and business performance had a positive influence or it could be interpreted that there was a unidirectional relationship between product quality and business performance.

H4 : Product quality has a direct positive and significant effect on business performance

The Effect of Sustainable Competitive Advantage on Business Performance

Based on findings from N. Abeysekara's research & Wang, H. According to the performance of firms in the garment sector in 2020, supply chain, agility, cooperation, and technique are the four primary characteristics that might help businesses gain a competitive advantage.

According to Islam and Qamari (2020), competitive advantage is the reason for increasing company performance in a good and high business direction.

H5 : Sustainable competitive advantage has a direct positive and significant impact on business performance

Indirect Effect of Product Innovation on Business Performance through Sustainable Competitive Advantage

Sustainable competitive advantage is critical for business owners because existing and potential competitors cannot imitate their products and must incur high costs to duplicate them (Kuncoro & Suriani, 2017).

To compete with rivals, business actors must create items that are increasingly superior and distinctive (Satyawati, 2019). Customers will favor products that match their individual interests and demands, therefore this is crucial. Your product will perform better for your business and become one of the company's long-term competitive advantages if it can draw a sizable audience. Therefore, it is hoped that this product innovation would, through sustainable competitive advantage, have a major impact on corporate success.

H6: Product innovation has a positive and significant impact on business performance indirectly through sustainable competitive advantage

Indirect Effect of Product Quality on Business Performance through Sustainable Competitive Advantage

Businesspeople may maintain products over the long term if they are quality-oriented, which means that they have satisfied customer needs (Sagita, Mansur, & Slamet, 2013). Businesspeople need to take product quality into account because it directly affects how well a product or service performs and ensures that customers are happy with the end result (Lestari, W. A., et al, 2020).

H7: Product quality has a positive and significant effect on business performance indirectly through sustainable competitive advantage

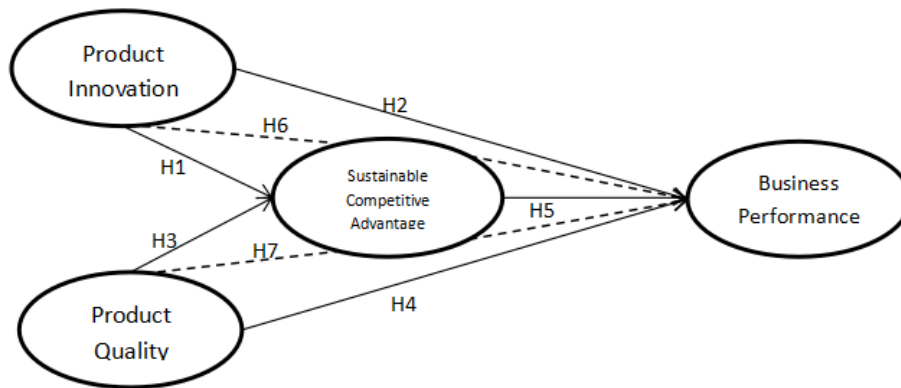


Figure 1. Research Model

### 3 Methods

The Creative Industry Handicraft in Kulon Progo Regency is the study's subject, and the people who know the business operations and performance in Kulon Progo's creative craft industry are the owner, manager, employees, or other strategic staff.

Primary data will be the type of data used in this study. Primary data is collected directly from the primary research subject in the field.

The convenience sample approach was employed as the sampling strategy, while the census method was used to gather data in this study using an online questionnaire via Google Form.

Validity, reliability, AVE, and hypothesis testing are the beginning points for the SEM SmartPLS data analysis used in this work.

### 4 Results

Kulon Progo, with an area of 586.28 Km<sup>2</sup>, is one of the regencies of the Special Region of Yogyakarta Province (BPS, 2022). According to Regency BPS Kulon Progo, the Kulon Progo Regency Trade Office and the Kulon Progo Regency National Crafts Council (Dekranasda) in 2017, Kulon Progo Regency through published print media, this industry with its diversity is one of the drivers of Kulon Progo Regency's economic growth and export volume is 2,462,287 in 2021.

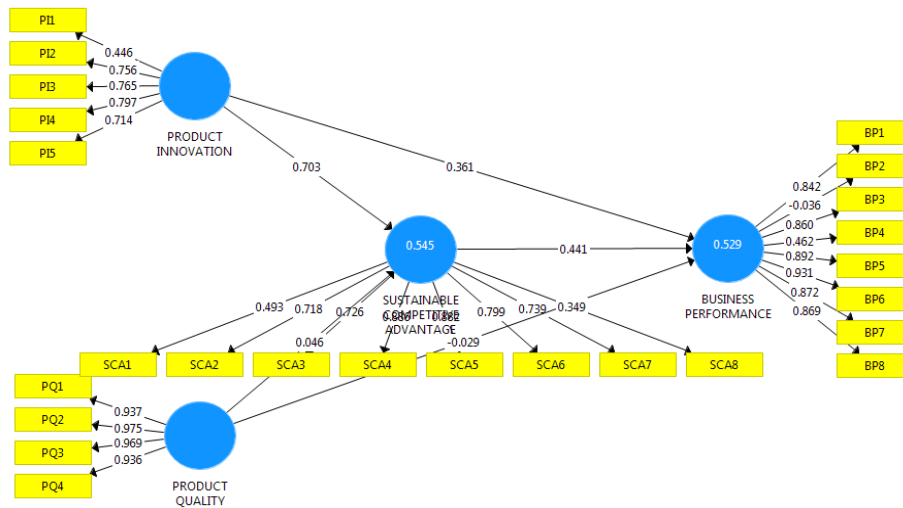
The Small and Medium Industry handicrafts in Kulon Progo were chosen as the research object to collect data on. Owners, managers, employees, or strategic staff with a deeper understanding of the production process and business performance in the creative craft industry in Kulon Progo are the subjects of this study. Primary data was obtained by sharing it via WhatsApp groups of business people in Kulon Progo.

**Table 1.** List and Characteristics of Respondents

Characteristics of Respondents	Description	Quantity	Percentage (%)
Gender	a. Male	42	39,1
	b. Female	27	60,9
Address	a. Nanggulan	8	11,6
	b. Wates	3	4,3
	c. Temon	0	0
	d. Pengasih	4	5,8
	e. Sentolo	22	31,9
	f. Lendah	17	24,6
	g. Galur	3	4,3
	h. Panjatan	4	5,8
	i. Kokap	2	2,9
	j. Samigaluh	5	7,2
	k. Girimulyo	0	0
Inception of Company	l. Kalibawang	1	1,4
	a. 1991-1995	2	2,9
	b. 1996-2000	8	11,6
	c. 2001-2005	5	7,2
	d. 2006-2010	11	15,9
	e. 2011-2015	24	34,8
Position	f. 2016-2020	19	27,5
	a. Owner	66	95,7
	b. Manager	0	0
	c. Strategic Staff	2	2,9
Total	d. Others	1	1,4
		69	100

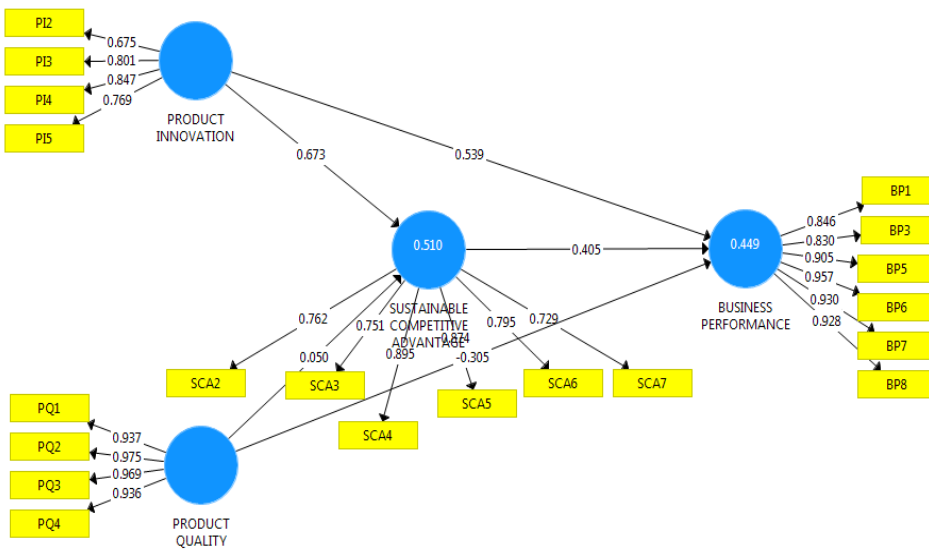
Source: Processed Data, 2022

*Instrument and Data Quality Test  
Validity Test*



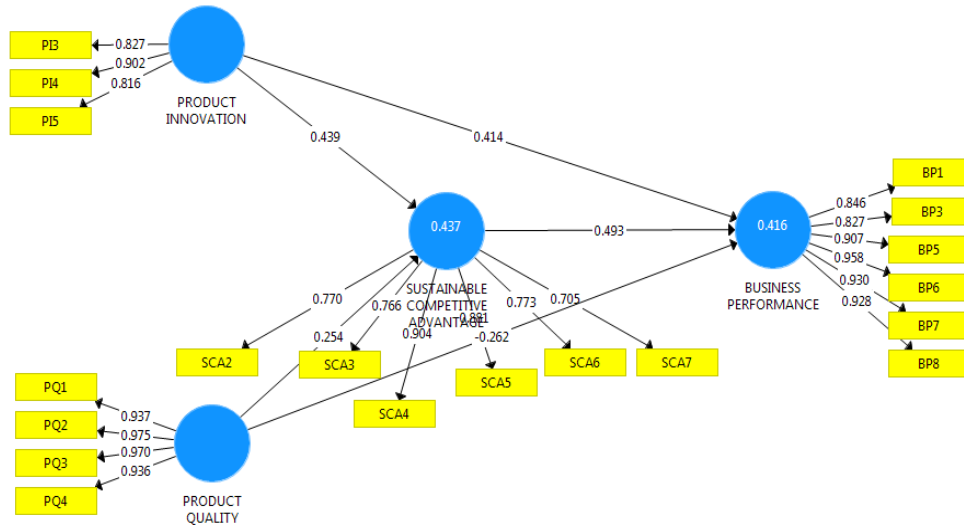
**Figure 2. Outer Model 1**

In the diagram above, indicators PI1, SCA1, SCA8, BP2, and BP4 have a loading factor of 0.70, indicating that they must be removed and are ineffective for measuring the construct.



**Figure 3. Outer Model 2**

The PI2 indicator in the image above has a loading factor of 0.70, which is 0.675, indicating that the indicator must be removed and is no longer valid for measuring the construct.



**Figure 4.** Outer Model 3

The loading factor of the indicator in the preceding image is greater than 0.70. This demonstrates that all indicators are appropriate for measuring the construct.

*Reliability Test*

**Table 2.** Construct Reliability and Validity

Variable	Average Variance Extracted (AVE)	Composite Reliability	Cronbach's Alpha
<i>Product Innovation</i>	0,721	0,886	0,806
<i>Product Quality</i>	0,911	0,974	0,968
<i>Sustainable Competitive Advantage</i>	0,645	0,915	0,889
<i>Business Performance</i>	0,811	0,963	0,953

Source: Author data, 2022

According to the table above, the Average Variance Extracted (AVE), composite reliability, and Cronbach's alpha of each variable met the minimum requirements of > 0.50, >0.70, and >0.70. Based on the above description, it is possible to conclude that the indicators used in compiling their respective variables have high discriminant validity.

*Research Result*

*Structural Model Testing (Inner Model)*

The value of R-square is used to evaluate structural model testing (R2). This value is used to calculate the amount of variance change in the independent variable on the dependent variable.



**Table 3.** R-square (R<sup>2</sup>)

Variable	R-Square	Influence from outside
<i>Sustainable Competitive Advantage</i>	0,437 atau 43,7%	0,563 atau 56,3%
<i>Business Performance</i>	0,416 atau 41,6%	0,584 atau 58,4%

Source: Processed data, 2022

According to the table, the R-Square value for the variable of sustainable competitive advantage is 0.437, or 43.7 percent. This means that product innovation and product quality variables influence 43.7 percent of long-term competitive advantage, while the remaining 56.3 percent is influenced by variables outside the scope of the study.

The R-Square value for the business performance variable is 0.416, which equals 41.6 percent. This means that product innovation, product quality, and long-term competitive advantage influence 41.6 percent of business performance, while the remaining 58.4 percent is influenced by factors outside the scope of the study.

The NFI value 0.531, which is declared fit, demonstrates the goodness of fit (GoF) model test. A good NFI value is between 0 and 1, with 1 being the best. Based on the data processing, the value of the fit model is calculated as follows:

**Table 4.** Model Fit

	<i>Strated Model</i>	<i>Estimated Model</i>	<i>Model</i>
SRMR	0,145	0,145	<i>Fit</i>
d_ ULS	4,022	4,022	<i>Fit</i>
d_ G	5,940	5,940	<i>Fit</i>
Chi-Square	1122,425	1122,425	<i>Fit</i>
NFI	0,531	0,531	<i>Fit</i>

Source: Processed data, 2022

The goodness of fit (GoF) test results for the PLS model in the table above show that the NFI value is 0.531, indicating fit. As a result, the results of the model test in this study have a high goodness of fit (GoF) and are appropriate for testing research hypotheses.

### *Hypothesis Test*

The inner model is tested to see how much influence the latent variable has, and the bootstrapping calculation is performed (Hamid, R. S. & Anwar, S. M., 2019). The number of sub-samples is set to 1000, with a significance level of 0.05, and the one-tailed test type is appropriate for the hypothesis. The image below shows the results of the bootstrapping on the diagram.

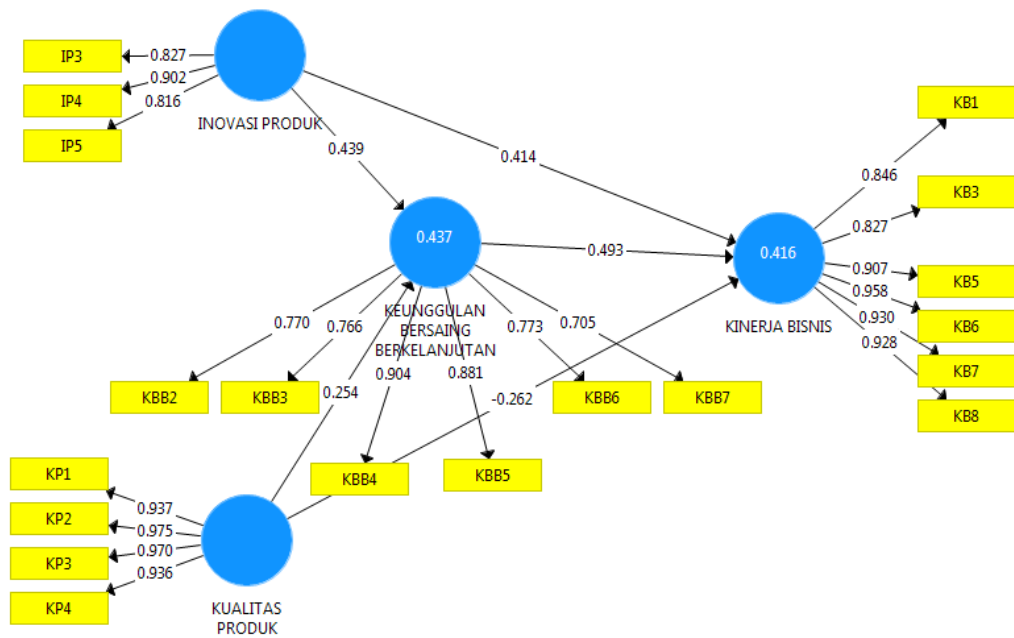


Figure 5. Inner Model

Furthermore, based on the outer loading, it is clear that the overall indicators of each variable are acceptable because the parameter coefficients, t-statistics, and p-values are consistent with the acceptable model's terms and conditions.

Table 5. Outer loading

	Parameter Coefficient	T-statistics	P-Values	Result
PI3 <- Product Innovation	0,827	15,056	0,000	Accepted
PI4 <- Product Innovation	0,902	14,185	0,000	Accepted
PI5 <- Product Innovation	0,816	2,256	0,012	Accepted
PQ1 <- Product Quality	0,937	2,702	0,004	Accepted
PQ2 <- Product Quality	0,975	2,349	0,010	Accepted
PQ3 <- Product Quality	0,970	2,280	0,012	Accepted
PQ4 <- Product Quality	0,936	3,982	0,000	Accepted
SCA2 <- Sustainable Competitive Advantage	0,770	5,467	0,000	Accepted
SCA3 <- Sustainable Competitive Advantage	0,776	5,504	0,000	Accepted
SCA4 <- Sustainable Competitive Advantage	0,904	5,188	0,000	Accepted

	Parameter Coefficient	T-tatistics	P-Values	Result
SCA5 <- Sustainable Competitive Advantage	0,881	12,244	0,000	Accepted
SCA6 <- Sustainable Competitive Advantage	0,773	11,482	0,000	Accepted
SCA7 <- Sustainable Competitive Advantage	0,705	6,550	0,000	Accepted
BP1 <- Business Performance	0,846	23,011	0,000	Accepted
BP3 <- Business Performance	0,827	22,831	0,000	Accepted
BP5 <- Business Performance	0,907	20,664	0,000	Accepted
BP6 <- Business Performance	0,958	56,596	0,000	Accepted
BP7 <- Business Performance	0,930	31,670	0,000	Accepted
BP8 <- Business Performance	0,928	31,032	0,000	Accepted

Source: Processed data, 2022

**Table 6.** Path Coefficient (Direct Effect)

	Direct Effect	Parameter Coefficient	T-Statistics	P-Values	Result
H1	Product Innovation -> Sustainable Competitive Advantage	0,439	2,578	0,005	Accepted
H2	Product Innovation -> Business Performance	0,414	1,961	0,025	Accepted
H3	Product Quality -> Sustainable Competitive Advantage	0,254	1,121	0,132	Decline
H4	Product Quality -> Business Performance	-0,262	0,996	0,160	Decline
H5	Sustainable Competitive Advantage -> Business Performance	0.493	2,837	0,002	Accepted

Source: Processed data, 2022

Following the assessment of the inner model, the next step is to evaluate the relationship between latent constructs according to the hypothesis in this study. In this study, hypothesis testing was done by examining the T-Statistics and P-Values values. If the T-Statistics (significance level 5%) value is greater than 1.96 and the P-Value is less than 0.05, the hypothesis is declared accepted.

Table 6 is showing the result of the Path Coefficient (Direct Effect).

The total indirect effect on business performance is then calculated based on the results of hypothesis testing of variables mediated by sustainable competitive advantage.

**Table 7.** Total Indirect Effect

	<i>Indirect Effect</i>	Parameter Coefficient	<i>T-Statistics</i>	<i>P-Values</i>	Result
H6	<i>Product Innovation -&gt; Sustainable Competitive Advantage -&gt; Business Performance</i>	0,217	1,805	0,036	Accept
H7	<i>Product Quality -&gt; Sustainable Competitive Advantage -&gt; Business Performance</i>	0,125	0,999	0,159	Decline

Source: Processed data, 2022

## 5 Discussion

### *The Effect of Product Innovation on Sustainable Competitive Advantage*

Product innovation has a significant and positive impact on long-term competitive advantage. It is clear from the values of t arithmetic  $>$  t table ( $2.578 > 1.96$ ) or p values 0.05 (0.005 0.05). The beta coefficient or parameter value of 0.439 indicates that these variables have a positive influence, indicating that the first hypothesis in this study is supported or accepted.

These findings are supported by research findings from Rokhayati, I., and Suryoko, S. (2019), Satyawati (2019), and Puspita & Hadi (2019), which show a positive relationship between product innovation and long-term competitive advantage. Product innovation is related to the problem of consumer satisfaction, and in order to achieve company goals, every company must create product innovation so that the business being run can increase or maintain the position of the product in its market (Herman, Hady, & Arafah, 2018). This demonstrates that increasing product innovation will have a positive impact on long-term competitive advantage.

### *The Effect of Product Innovation on Business Performance*

Product innovation has a significant and positive impact on business performance. It can be seen from the t arithmetic  $>$  t table ( $1.961 > 1.96$ ) or p values 0.05 (0.025 0.05) values. The beta coefficient or parameter value of 0.414 indicates that these variables have a positive influence, indicating that the second hypothesis in this study is supported or accepted.

Christa, U. R., and Kristinae, V. (2021) conducted a study titled "The Effect of Product Innovation on Business Performance During the COVID-19 Pandemic," and the findings show that product innovation has a significant positive effect. These findings are consistent with the findings of the research conducted at the time of writing. This finding is supported by Herman, Hady, and Arafah (2018) research, which found that while innovation is risky, it is riskier if it is not carried out by the company on its products because consumer desires for products are not limited. If product innovation is not carried out, consumers are likely to abandon the product, resulting in losses for the company that have an impact on business performance.

### *The Effect of Product Quality on Sustainable Competitive Advantage*

Product quality has a positive but not statistically significant effect on long-term competitive advantage. It can be seen from the t arithmetic t table ( $1.121 < 1.96$ ) or p values

greater than 0.05 ( $0.132 > 0.05$ ). The beta coefficient or parameter value of 0.254 indicates that these variables have a positive influence, so the third hypothesis in this study is neither supported nor rejected.

The findings of this study are supported by research conducted by Nimfa et al (2021), who found that quality management can be carried out by policymakers and business owners through strategic business models and encouraging technology adoption to increase customer preferences in improving product quality and sustainable business growth.

#### *The Effect of Product Quality on Business Performance*

Product quality has a small but negative impact on business performance. It can be determined using the t arithmetic t table ( $0.996 < 1.96$ ) or p values greater than 0.05 ( $0.160 > 0.05$ ). Because the beta coefficient or parameter value of -0.262 indicates that these variables have a negative influence, the fourth hypothesis in this study is neither supported nor rejected.

According to Permana, I. (2017)'s research, the results between product quality and business performance are also not significant, because product quality is not related to good or bad business performance. Because improving product quality is not a top priority, businesses must look for other ways to boost business performance. According to Noviani (2020), attractive and innovative features in products are preferred by consumers, so companies must better understand consumer needs in order to produce products. Furthermore, product quality has evolved into a dynamic and interconnected condition related to the specifications of goods or services that can lead to satisfaction in an effort to meet or exceed consumer expectations (Fatmawati & Soliha, 2017).

#### *The Effect of Sustainable Competitive Advantage on Business Performance*

Achieving and maintaining a sustainable competitive advantage has a positive and significant impact on business performance. It can be seen from the t arithmetic  $> t$  table ( $2.837 > 1.96$ ) or p values 0.05 ( $0.002 < 0.05$ ) values. The beta coefficient or parameter value of 0.493 indicates that these variables have a positive influence, indicating that the fifth hypothesis in this study is supported or accepted.

These findings are supported by research conducted by Joon-ho, K. et al (2020), which found that sustainable competitive advantage has a statistically significant positive effect on business performance, indicating that the company provides lower prices, higher quality, and reliability. superior product quality and faster delivery than competitors This advantage will have a positive impact on overall sales and company profitability. The main focus in achieving long-term business performance is increasing social responsibility, values and beliefs, IT managerial resources, and successful IT implementation (Haseeb et al, 2019).

#### *Indirect Effect of Product Innovation on Business Performance through Sustainable Competitive Advantage*

Achieving and maintaining a sustainable competitive advantage has a positive and significant impact on business performance. It can be seen from the t arithmetic t table value ( $1.805 > 1.96$ ) with p values 0.05 ( $0.036 < 0.05$ ). The beta coefficient or parameter value of 0.217 indicates that these variables have a positive influence, indicating that the sixth hypothesis in this study is supported or accepted.

These findings are consistent with the findings of Haryono and Marniyati (2017) and Merakati, Rusdarti, and Wahyono (2017), who found that product innovation through the development of new products is more effective in determining the success and survival of the company, and

thus becomes a source of competitive advantage for companies in improving company performance.

#### *Indirect Effect of Product Quality on Business Performance through Sustainable Competitive Advantage*

Sustainable competitive advantage has a small but positive impact on business performance. It can be seen by looking at the t arithmetic t table (0.999 1.96) or p values greater than 0.05 (0.159 > 0.05). Because the beta coefficient or parameter value of 0.125 indicates that these variables have a positive influence, the seventh hypothesis in this study is neither supported nor rejected. These findings are supported by Suchanek, Richter, and Kralova (2015) research, which found that product quality and the questionnaire must be clearly defined in terms of price, customer service, and specifications. This insignificant result is also explained as the result of the company being too focused on direct customer satisfaction and not paying attention to future customer satisfaction. To maintain business performance, companies must provide product quality assurance and continuously improve the quality of their products in order to achieve long-term business performance.

## **6 Conclusion**

According to the research, innovation has a positive and significant effect on business performance, either directly or indirectly through sustainable competitive advantage. As a result, these findings are critical for businesses to generate new ideas for developing products in response to current and future market developments. Product quality also has a direct and positive impact on long-term competitive advantage. Meanwhile, product quality has no positive and significant impact on business performance, either directly or indirectly through long-term competitive advantage. The dynamic nature of product quality in relation to the specifications of goods or services in an effort to generate customer satisfaction is the factor that causes it to have no effect.

The questionnaires were distributed online and after the Covid-19 pandemic, so they could not be controlled directly by the researcher, and the answers may not reflect the actual situation. Also, the author's lack of understanding in the use of analytical tools necessitates practice and a lengthy search for references.

Suggestions for businesspeople: Product quality does not guarantee improved business performance when compared to product innovation, sustainable competitive advantage, and business performance. As a result, small and medium-sized handicraft industries must consider other factors when competing with similar industries in order to improve business performance. The next researcher hopes that the research is conducted in a larger population and the creative industry sector as a whole so that it can be determined whether it strengthens or weakens the research that has been conducted by researchers at this time.

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