CASUAL RELATIONSHIPS AFFECTING COMPETITIVE ADVANTAGE OF SMALL AND MEDIUM ENTERPRISES

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Abstract - The purpose of this study is to explore relationships and factors affecting competitive advantage of small and medium enterprises. Literature review indicates that factors which affect competitive advantage of small and medium enterprises are entrepreneurial orientation, marketing capability, and innovativeness. By entrepreneurial orientation, there are 4 significant aspects such as autonomy, proactiveness, competitive aggressiveness, and risk taking. Moreover, marketing capability consists of 4 aspects such as product capability, channel capability, price capability, and marketing promotion capability. There are 2 aspects of innovativeness such as product innovativeness and process innovativeness. However, competitive advantage of small and medium enterprises is affected by 3 important factors, including cost leadership, differentiation, and quick response. Literature review in this academic article will suggest a framework of the study for further business benefits.

Index Terms - Entrepreneurial Orientation, Marketing Capability, Innovativeness and Competitive Advantage of Small and Medium Enterprises.

I. INTRODUCTION

Nowadays, small and medium enterprises play an important role in terms of being a sustainable development foundation and a key mechanism for economic recovery and economic development, including a mechanism for solving the problems of poverty. However, in the past, what entrepreneurs had to face are the uncertainties from many environments such as economic environments, market volatility, and complexity of business. This resulted in a situation where entrepreneurs must learn and be ready to change.

[1] Thus, entrepreneurs were unable to stand still to thrive their business for a greater advantage. Because if there was no business development, enterprises would not compete with other competitors and survive.

[2] Given this reason, researchers were interested in studying causal relationships affecting competitive advantage of small and medium enterprises. By which its results will benefits academic scholars in the future, and the entrepreneurs will understand how to improve their competitiveness and ways to increase their business performance.

II. PURPOSE OF THE STUDY

To explore relationships and factors affecting competitive advantage of small and medium enterprises.

III. METHODOLOGY

This study used literature review, document analysis, and analytical description.

IV. DATA ANALYSIS

This study is based on the basic theory of the Resource Based View (RBV). This theory emphasizes the details that bring competitive advantages to the enterprise by combining the resources that an organization creates or differentiates outstandingly from the competitors. This will result a better long-term process of an organization sustainably. [3] Researchers defined the scope of the study, particularly the three capability factors, including entrepreneurial orientation, marketing capability, and innovativeness. The analysis indicates how and in what ways these factors relate to competitive advantage. From the academic documents, literature review suggests as follows.

A. Entrepreneurial Orientation

Entrepreneurial orientation refers to the process of decision-making activities that lead to new entrants. [4] Based on the study of entrepreneurial orientation, it can be divided into 3 groups. The first group consists of 2 aspects as according to a study by Rhee, et al. (2010) [5]: risk taking and proactiveness. The second group consists of 3 aspects as according to a study by Lee and Hsich (2010) [6]: innovativeness, proactiveness, and risk taking. And, the third group consists of 2 aspects: competitive aggressiveness and autonomy, as according to Dess and Lumpkin (2005) [7].

In this case, entrepreneurial orientation should be able to reflect processes, methods, and management patterns as being the representation of any activities in the enterprise. Of which the factors are selected to use depends on a proper environments and business context [8]

B. Marketing Capability

Marketing capability is a format of using combined abilities, knowledge, and resources in an organization in order to respond to market demand for valuing products and services, thus the enterprises will be more able to compete [9], [10]. There are many researchers who studied the aspects of marketing capability factors as follows. The notion by Lee and Hsich (2010) suggested 4 marketing capabilities such as customer services, sales, marketing analysis, and product differences.

These capabilities can help marketing process more effective and provide a dominant competitive advantage. However, Tan and Sousa (2015) [11] proposed a notion of marketing capabilities which are considered important to build a sustainable competitive advantage. There are 4 capabilities such as product capability, price capability, channel capability, and marketing promotion capability.

C. Innovativeness

Schumpeter (1934) [12] was the first who introduced innovation theory, for which has been significant to economic development and growth. Wang and Ahmed (2014) [13] defined the meaning of innovativeness that it is the overall capability of an enterprise for introducing new products or new markets through combination of strategies, innovation behaviors, and processes.

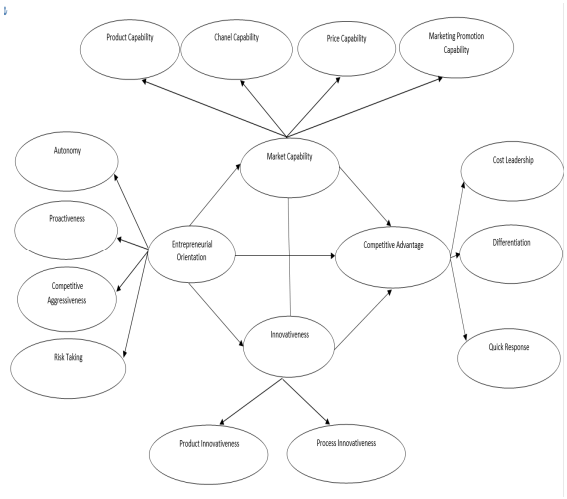
The following studies suggest many types of capability of innovativeness. Lyon, Lumpkin, and Dess (2000) [14] categorized it into 2 types: product innovativeness and process innovativeness. In addition to this, Lynch, Walsh, and Harrington (2010) [15] identified innovativeness in 5 themes: creativity, openness to new ideas, intention to innovate, willingness for risk taking, and capacity to innovate.

D. Competitive Advantage

Competitive advantage means that organizations which prefer to survive or remain in the market need to make a unique advantage in relation to competitors. Hall suggests 2 major approaches for unique advantage such as lowest cost and most differentiation position in the perspectives of consumers [16].

While Porter (1985) [17] stated that competitive advantage is the value of a business, which can be created for non-competitors' consumers, increasing satisfactions, many scholars argued by their studies as follows. Porter (1985) discussed competitive advantage is expanded by cost leadership strategy, differentiation strategy, and focus strategy. Moreover, Miller and Dess (1993) [18] also provided the concept consisting of differentiation, cost leadership, quick response, and market focus.

V. CONCEPTUAL FRAMEWORK



CONCLUSION

As the literature review showed, it is found that factors which affect competitive advantage of small and medium enterprises are entrepreneurial orientation, marketing capability, and innovativeness. Furthermore, aspects are extracted from the factors including as follows.

Entrepreneurial orientation consists of 4 key aspects such as autonomy, proactiveness, competitive aggressiveness, and risk taking.

Marketing capability consists of 4 key aspects such as product capability, channel capability, price capability, and marketing promotion capability.

Innovativeness consists of 2 key aspects such as product innovativeness and process innovativeness.

Competitive advantage of small and medium enterprises consists of 3 key aspects such as cost leadership, differentiation, and quick response.

DISCUSSION

The elements of the casual relationships affecting competitive advantage of small and medium Enterprises can be discussed the findings from a literature review in the path of the influence is as follows:

- Entrepreneurial orientation has positive influence on innovativeness [12], [19], [20]
- Entrepreneurial orientation has positive influence on marketing capability [6], [21], [22], [23]
- Marketing Capability has positive influence on innovativeness [6], [24], [25]
- Entrepreneurial orientation has positive influence on competitive advantage [21], [26], [27], [28]
- Marketing capability has positive influence on competitive advantage [29], [30], [31], [32]

- Innovativeness has positive influence on competitive advantage [6], [19], [33], [34]

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