

HOW TO IMPROVE THE COMPETITIVENESS OF SME'S PRODUCTS IN TEGALWARU TOURISM VILLAGE BOGOR

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The aims of this study is how to increase competitiveness micro and small medium enterprises in kampung Wisata Tegalwaru Bogor. This study also examines the effect of entrepreneurial orientation, market orientation, knowledge sharing, competence, to competitiveness with innovation, and creativity as mediating variable. The survey method was conducted by distributing the questionnaires to 104 micro and small medium enterprises. The sampling method used in this study is non probability sampling with purposive technique. The results indicate that entrepreneurial orientation and market orientation were influence on innovation, knowledge sharing and competence are not influence on creativity. Creativity is influence on innovation and innovation is influence on competitiveness and creativity is not influence on competitiveness.

JEL Classification: M10, M12.

Keyword: Entrepreneurial orientation, market orientation, knowledge sharing, competence, creativity, innovation, and competitiveness

Background to the Research

Global economic developments impact economic growth in Indonesia. The growth is characterized by three things; *first*, the increasing and large number of unemployments and underemployments. *Second*, the proportion of workers who work in industrial sector in cities slightly grows and may wane. *Third*, the number of population and its growth rate has been so rapid that the government is not able to provide health care, housing, and adequate transportation. The three things are the distinguishing features of any city experiencing rapid growth in economic activity. The situation creates increasingly tight competition in the business world. In response to these circumstances, the involvement of various parties, including companies, individuals, and other productive sectors such as the Micro, Small and Medium Enterprises (SMEs) is required.

The roles of Micro, Small and Medium Enterprises (SMEs) in the economy of Indonesia are highly important, particularly in providing employment. The data of BPS showed that the number of workers absorbed reached 91,752,381, or 99.5 percent of the total workforce. In the other hand, its contribution to GDP reached Rp 2,123.3 trillion or 53.6 percent of total GDP. In 2011, SMEs can contribute the economic growth of 2.4 percent. Based on the data, SMEs should receive more attention in the economic development of Indonesia.

Some of the inherent characteristics in most SMEs and also the source of problems are: low quality of human resources working in SMEs sectors, low labor

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productivity, relatively low quality of produced goods (not certification/standards), the lack of creativity, the lack of innovation and adoption of new technologies in production, the lack of understanding of the entrepreneurial, and market orientations.

The definition of Small and Medium Enterprises (SMEs), according to the Ministry of Cooperatives and Small and Medium Enterprises, is a business entity with the net worth between Rp. 200,000,000 and Rp. 10,000,000,000 excluding land and building of business and has the annual net sales of approximately Rp. 1,000,000,000. The percentage of small and medium enterprises according to the Indonesian Chamber of Commerce (Kadin) is approximately 99% of the total existing business units in Indonesia; the figure is equivalent to 51.26 million business units.

SMEs have the most important role in driving national economy by contributing 53% of Indonesia's GDP in 2009. In addition, small and medium industrial sectors have contributed significantly to the efforts to deal with the problem of unemployment and the economic problems of urban areas. ILO reported that 60% of workers in the cities of developing countries was absorbed by informal sectors and the activities of small and medium enterprises (SMEs). SME sector is very important because it can create markets, expand trade, manage natural resources, reduce poverty, create jobs, develop communities and support their families without the adequate control and facilities of the local government (ILO, 1991 and Reddy *et.al.*, 2002). Although SMEs have an important role in driving national economy, SMEs have to keep doing continuous innovation in developing their businesses in order not to be eroded by liberalization.

The problems faced by SMEs in general are related to competitiveness. Several attempts to improve the competitiveness of SMEs can be performed by improving the entrepreneurial orientation, market orientation, learning, and improving competence. Besides, the way how SMEs implement product innovation is also very important.

SMEs have the advantages compared with large businesses that include flexibility and quick adaptation to market changes, are able to absorb relatively numerous labors (unskilled labors). The majority of SMEs produce consumer goods and services with the low elasticity of demand to income. With the majority of Indonesia's population low educational level, the ability of SMEs to absorb unskilled labor is very helpful in creating jobs. However, they are faced with classic problems. Based on the background of the problems above, so the purpose of this study is to build a model that "How to Improve the Competitiveness of SME's Products in Tegalwaru Tourism Village Bogor".

Literature Review

Entrepreneurial Orientation

Entrepreneurial orientation is the organization's tendency to accept entrepreneurial process, practice, and decision-making marked with the preference for

innovativeness, risk taking and proactiveness. Proactiveness is an action of searching for market opportunities continuously and an experiment using potential response to the trend of environmental change. Lumpkin and Dess (1996) state that the company with entrepreneurial orientation is a risk taker, not as a conservative company with the nature to survive and avoid risks in order to protect past success. Dess, Lumpkin and Covin (1997) in their research state that the relationship interaction between entrepreneurial orientation and strategy has the effect on company performance. Concerning entrepreneurial orientation, Solomon (2004) states that there are significant contributions from several authors associated with entrepreneurial orientation from time to time. They found that entrepreneurial orientation has a positive correlation with the performance of small enterprises. The dimensions are independence, innovation, risk taking, competition aggressiveness, and proactivity.

The association between entrepreneurial orientation and performance may depend on the indicators used to assess performance (Lumpkin and Dess, 1996). The efforts with high entrepreneurial orientations can target premium market segment, high selling price, and occupy a market position which is more superior than competitors to generate greater profits and get faster to expand (Zahra and Covin, 1995).

The empirical tests of the association between entrepreneurial orientation and company performance have used different tests. Covin and Slevin (1989) reported that the correlation coefficient between entrepreneurial posture (which is defined as risk taking, product innovation, and proactive / aggressive attitude of top management) and company performance. Their study also found that strategic posture is not a significant independent predictor of company performance. Zahra (1991) found a positive relationship between entrepreneurial orientation and profitability and growth. Smart and Conant (1994) reported that entrepreneurial orientation and performance have significant association. Meanwhile, Covin, Slevin and Schultz (1994) found no significant correlation, while the new studies conducted by Zahra and Covin (1995) reported a significant relationship.

Market Orientation

Narver and Slater (1990) define market orientation as organizational culture, but it has a broader focus; it does not only focus on consumers, but also focuses on competition. The research of Jaworski and Kohli (1990) suggests that the inter-department relationship and marketing-based reward system have a positive effect on the degree of market orientation. Conversely, the higher the conflict and centralization within an organization, the lower the degree of market orientation. Narver and Slater (1994) also conducted a similar research to include the indicator of sales growth and new product success in their research models. The research results show that market orientation has a positive significant correlation to sales

growth and the success of new products. Narver and Slater (2000) also suggest that market orientation has the effect on profitability, using the measurement indicator of Return on Investments (ROI). Narver and Slater also concluded that making and maintaining market orientation is the important key to achieving company's success. Some researchers had proved the existence of positive association between market orientation and business performance (Kohli and Jaworski, 1990). A business with increased market orientation will improve its business performance.

Learning

Learning is an action improvement process through better knowledge and understanding. Learning is an expertise to create, acquire, interpret, transfer and share knowledge, which is aimed at modifying behavior to describe new knowledge and insights. Stata (1989) states that learning occurs through the sharing of insight, knowledge, and mental models built based on past knowledge and experience. Organizational learning is based on the basic principles of learning, i.e.: receiving and gathering information, interpreting it, and acting based on the interpretation of the information. López *et al.* (2005) defines learning as a dynamic process in creating, retrieving, and integrating knowledge to develop the resources and capabilities to contribute to better organizational performance. Learning, according to Seng (1990), is one of the skills that must be owned by organization leaders. Leaders continue to provide the opportunities for every member of organization to learn because learning will improve their skill. Members of organizations share information, create organizational memory in forming mutual trust, assumptions and norms, which will guide the actions of individuals and organization.

Senge (1990) states that there are five key disciplines of learning, i.e.: system thinking, mental models, personal mastery, team learning and shared vision. The five dimensions are the important dimensions needed to build organizational learning. Systems thinking is a conceptual underlying all disciplines in learning organizations. System thinking is strongly associated with a shift of mind, which means a shift from partial perspective into holistic one. System thinking is a discipline that views phenomenon as a whole so it is more focused on interconnectedness thinking framework.

Mental models are defined as in-depth assumption or the view that affect how humans perceive the world and how they take action. Mental models are glass windows where we see all, and the windows have to be cleaned so that we can adapt to the phenomena around us. Personal mastery is one's level of mastery against a particular issue. A person who has a high personal mastery can consistently realize his work. The person works diligently on the learning in their own and long-term. Team learning is a vital team strength in creating learning organization. Team learning is basically a process of team building and so that the creation of

results is the embodiment of team's desire and teamwork. Team learning is associated with individual skill and expertise collectively that results in more quality ideas than individual thinking. Through team learning, it will grow a strong sense of togetherness and belonging in which each individual will proactively channel energy to achieve the same goal, vision, and understanding among individuals.

Shared vision is a vision formed from individual vision in order that organization's vision is a reflection individual's vision. Shared vision is essential for learning organizations because vision provides the focus and energy to learning process. Shared vision is not only important for the early establishment of organization in order to be used as guidelines, but it also needs to be maintained and reviewed during the life of organization. Therefore, organization life is influenced by the external factors of an organization. Personal vision power is obtained from the deep concern of the vision, while shared vision power is derived from shared concern.

Competence

Competence approach is derived from the idea of Prahalad and Hamel (1994) on the business advantages that grow in company competence. Various businesses that create added value and excel in competition are basically evolved from the company's core competencies. A core competency can be a Sustainable Competitive Advantage (SCA) when: (1) it allows access to a variety of markets, (2) it makes a significant contribution to product benefits for consumers, (3) it is difficult to imitate, mainly due to the complex combination of skills and knowledge.

Prahalad and Hamel (1994) state that competence is a real knowledge and skills reflected in technological expertise. Competence in some definitions is equated with capability. According to Ferdinand (2003), organizational capability is defined as the ability, knowledge and experience possessed by human resources to carry out the works that can provide added value to an organization. Capabilities include the capabilities related to technology and expertise obtained through learning.

Ferdinand (2003) states that there are three kinds of organization's unique resources that can generate rents, i.e.: (1) physical capital, (2) human capital, (3) organizational capital. Human capital is an invisible asset that can generate organizational capability / competence. Prahalad and Hamel (1994) revealed that competence is an asset that never goes out. This is different from physical assets. The more frequent the competence is used, the better and more valuable it is. Furthermore, competence is the most difficult thing to imitate because it is different and specific for each organization. Competence is believed to be the determining factor in building competitive advantage. The accumulation of existing competencies within an organization can be directed to become a competitive advantage factor for a company.

Based on the above notions, it can be explained that a person with high competence is the individual who have a wide range of capabilities and expertise obtained from past learning and experiences. The competence and skill are the capitals that can be used to perform certain activities. Competence is different from competitive advantage. Competitive advantage in the view of modern management is a function of the competence owned by an organization. Competence is derived from complex processes within an organization. The same type of resources in different context of organizations will result in different competencies.

The research conducted by Virtanen *et al.* (2000) in the field of public services in the United States shows that, for the managers engaged in public service, there are at least five required types of competencies: (1) the competencies related to the field of work, (2) the professional competence related to the field of science, (3) administrative competence, (4) political competence, and (5) ethical competence. The study conducted by Drejer (2000) found that in general competency can be grouped into four generic elements: (1) technological competence, (2) human resource competence, (3) organizational competence, and (4) organization's culture competence. Then, the competencies in leaders are considered from the three main things which are usually attached to the personality of the leaders, i.e.: (1) proactive attitude to existing opportunities, (2) always proactive to existing threats, (3) consisting ethical values which are also open to the values brought by others. This competency includes "tacit knowledge", employee's talent and accumulated experience, education and training obtained.

Product Innovation

Innovation can be defined as a way to continually build and develop organizations that can be achieved through the introduction of new technologies and applications in the form of a new organization and provide added value for customers. In line with this definition, Hurley and Hult (1998) state that there may be an industry which does not constantly require to innovate and be oriented in order to adapt to the dynamics of the environment, especially the market.

Innovations are new creations (in material and intangible) that have significant economic value and are generally performed by companies or sometimes by individuals (Edquist, 2000). Innovation is a company mechanism to adapt to the dynamic environment (Hurley and Hult, 1998). Therefore, companies are required to create new ideas, processes, and products to meet customer needs.

Innovation is the first dimension of entrepreneurial orientation. Innovation refers to the tendency of new ideas, novelty, experimentation, and creative process that result in new technology, services, and product processes. Therefore, Innovation is similar to a climate, culture, or orientation, not the result. According to Lumpkin and Dess (1996), innovation occurs along a continuum; the example of trying a new product line or conducting trials of new products, and trying to master a latest

technology. Nelson and Winter (1992) argue that some companies benefited more from imitation rather than innovation. Dess and Lumpkin (2005) further suggest that innovation would lead to a trap because spending on new product development can be a waste of resources when the effort is unsuccessful. The research results of Frishammar and Horte (2007) show that innovation has positive effect on the performance of new product development.

The research conducted by Cooper *et al.* (2004) state that a culture that fosters creative process development is a central mainstay for new product development performance. Innovation must consider product uniqueness, so it enables different product creation from its alternative rival considered by customers to improve SME's performance. One effort that can be performed by SMEs in product innovation is through the creation of environmentally friendly products, for example, the making of environmentally friendly plastic bags that can be biodegraded so that they do not pollute the environment. Apart from product side, innovation can be performed in terms of the technology used, such as, using environmentally friendly equipment during the production process, and so forth.

Damanpour (1991) defines technical and administrative innovations as follows: (1) Technical innovation is an innovation related to products, services, production process technology. The innovations are directly related to the activity of basic work in an organization and determine production processes and outputs. (2) Administrative innovation is related to organizational structure and administrative processes. The innovations are not directly related to the activity of basic work in an organization.

Creativity

Creativity is an activity that results in new, useful, and understandable things. Creativity emphasizes on three (3) skills; the skill to combine, problem-solving skill, and creative operational skill (Munandar, 1992). Creativity is an ability to develop new ideas and to find new ways to solve problems to deal with business opportunities. The research of Williams (1980) focused on creative personality with the dimensions of attitudes, motivations, interests, thinking styles, and habits of conduct. Meanwhile, the research of Vandeleur (2001) found that creativity indicators include: group interaction, prior knowledge, value cultural influence, motivation, and self-esteem. Creative activities affect company's operations. Creativity indicators include adopting several new products, processes, and administration creativity. Meanwhile, the research results of Chang et al (2010) on new product creativity found that creativity indicators consist of novelty and significance.

Competitiveness

Analytical approach called resource-based view emphasizes the improvement of competitive advantage derived from organization strategic resources. Competitive

advantage enables companies to get advanced performance in a given period. The core of resourced-based view is that companies are fundamentally different because they have a set of resources. The most effective achievement of competitive advantage is the use of organizational competence or capability.

The approach of resourced-based view states that company can achieve sustainable competitive advantage strategy and gain superior advantage by having or controlling strategic assets both tangible and intangible. According to the approach of resourced-based view, company is a set of strategic and productive resources which are unique, rare, complex, complementary and difficult to imitate by competitors that can be used as the elements to maintain.

Porter (1994) states that competitive advantage is basically evolved from the values which are able to be created by a company so that consumers are willing to purchase products at a cost incurred by a company in creating them. Meanwhile, value is what a buyer is willing to pay and superior value is derived from lower prices than competitors for equivalent benefits or providing unique benefits which are more than an offset of higher price.

Kotler (1999) states that competitive advantage is a company's ability to administer one or more competing activities which can not or will not be able to be matched by competitors. Companies can create their competitive advantage through quality, service, cost control, speed, and innovation.

Theoretical Framework

The concept of market orientation consists of customer orientation and competitor orientation. The businessmen oriented to consumers will seek to meet the desires and needs of consumers. Likewise, businessmen oriented to competitors will seek information about competitors. Consumer and competitor orientation are the two main pillars in market orientation, whereas the courage to make decisions and proactive are the two pillars of entrepreneurial orientation. The interaction of entrepreneurial and market orientations will influence the decision of new product innovations that can ultimately affect products competitiveness. Market and entrepreneurial orientations will encourage product innovation. It means that the higher the degree of market and entrepreneurial orientations of a person, the more innovative he is. Product innovation provides opportunities for companies to attract consumers. Innovation activities require company resources to develop and implement new ideas and the freedom for employees to develop their own ideas.

The earning in the form of experience will affect one's creativity. Someone who is willing to learn from previous experiences will be the capital as a basis to develop creativity. Business failure experience will make it as a valuable lesson to be more creative in the future. Learning will improve one's competence. Competence is a person's ability that can be obtained from learning, training, and experience. Competence and learning are the valuable assets for a person to develop

creativity. When someone has the competence, both technical and managerial competence plus experience, it will be easier to develop creativity. Creativity is a creative effort to produce the things different from others. Creative ones will be encouraged to make innovations in their businesses.

Research Method

Type and Design of Research

This research includes the study of causality as it aims to test the hypotheses on the causal relationships of one variable with other variables. The research model is expected to explain the causal relationship between the variables in the study and to generate the results that can be used to develop science, especially marketing management. Therefore, this study was included in fundamental research. This study was conducted in two phases over two years. The study design for each phase was as follows:

Phase I (Year I): Phase I was conducted to see an overview of creativity, innovation, market orientation, entrepreneurial orientation, the competitiveness of micro enterprise products. After viewing the description of micro enterprise, and then the problems faced by small enterprises were identified. Next, the analysis conducted was to analyze the variables that affect the competitiveness of micro enterprise products in Tegalwaru Tourism Village Bogor.

Phase II (Year II): Phase II was conducted to see an overview of creativity, innovation, market orientation, entrepreneurial orientation, and the competitiveness of small enterprises. After seeing the description of a small enterprise, and then the problems faced by small enterprises were identified. Next, the variables that affect the competitiveness of small enterprise products were analyzed. In phase II, the comparison was also made to find the meaningful difference between the competitiveness of micro enterprise products and the competitiveness on small enterprise products.

Population and Sample

The populations in this study were all micro and small enterprises located in Tegalwaru Tourism Village Bogor. Based on the data from the Department of Cooperatives and SMEs of Bogor district, there were 739,409 micro enterprise units and 365,504 small enterprise unit. Meanwhile, in Kota Wisata, there were 250 micro enterprise units and 170 small enterprise units. The sample size was determined in accordance with the opinion of Hair et al (1995) which states that a representative sample size for the analysis of Stuctural Equation Modeling (SEM) is ranged from 100 to 200. In this research, the number of samples specified was 100 micro enterprise units. The sampling method used the purposive sampling method. Purposive sampling method is a sampling method by which the researcher has a specific purpose or criteria of the sample to be examined (Indriantoro, 1999). The criteria used in this study were the managers/owners of micro-enterprises (SMEs) who have the adequate knowledge about the condition of the micro

enterprises (SMEs). The reason of the researcher to use the purposive sampling method in this study was that the researcher really obtained the information needed from the right objects. The subjects of this research were micro enterprise owners in Bogor Tourism Village. The selection of research subject was based on the consideration that they had the knowledge about the overall management of micro enterprises both human and capital resources.

Measurements

The variables in this study were: entrepreneurial orientation, market orientation, learning, competence, innovation, creativity, and competitiveness. The measurement of variables and the research indicators used in this study were: (1) entrepreneurial orientation was measured by the indicators of: risk-taking, proactive, own business, and change; (2) market orientation was measured by the indicators of: commitment to satisfy consumers, quick response to consumer complaint, attention to competitor strategy, and information search for the needs of consumers; (3) learning was measured by the indicators of: learning experience, information search, and training; (4) competencies was measured by the indicators of: plan competence, coordination competence, competence to mobilize subordinates, and supervision competence; (5) innovation was measured by the indicators of: new product variations, the use of appropriate technology, new ideas, improvement initiative, service innovation; (6) creativity was measured by the indicators of: product experiment, idea development, unique products, and diversification; (7) Competitiveness was measured by the indicators of: quality product, unique product, competitive price, famous product, competent human resources, and customer loyalty.

Sources and Data Collection Method

The data sources in this study consisted of primary and secondary data. Primary data is the data obtained directly from respondents through questionnaire answers and observation. The primary data in this research was the data on the respondents related to the variables examined. The data collection methods in this research were as follows:

Questionnaires; it is the data collection through questionnaires filled out by respondents. The data obtained through questionnaires is the data on the respondents related to the variables examined.

Observation; it is the data collection through direct observation to research object. The data obtained through observation is the data about the field conditions of the object examined.

Data Analysis

The data was obtained through questionnaire questions. To analyze the question results, SPSS version 16.00 was used with the Structural Equation Modeling (SEM) using AMOS (Analysis of Moment Structure) 16:00 version.

Discussion

The discussion results on the respondents' answers conducted using the data analysis by index number. It was conducted to find the description on the degree of respondents' perceptions of the research variables. Based on descriptive analysis, it showed that almost all of the variables had an average value of medium. It means that the MSMEs had moderate competitiveness since they lacked of entrepreneurial orientation, market orientation, experience, competence, creativity, and innovation less. The results are as follows in Table 1.

TABLE 1: DESKRIPTIVE

No	Variable	Mean	Result
1	Entrepreneurial Orientation	2.67	Quite Good
2	Market Orientation	2.74	Quite Good
3	Knowledge Sharing	2.57	Quite Good
4	Competence	2.71	Quite Good
5	Creativity	2.79	Quite Good
6	Innovation	2.79	Quite Good
7	Competitiveness	2.65	Quite Good]

The Analysis of Full Model SEM

Based on the output analysis of full model SEM, the results are as follows:

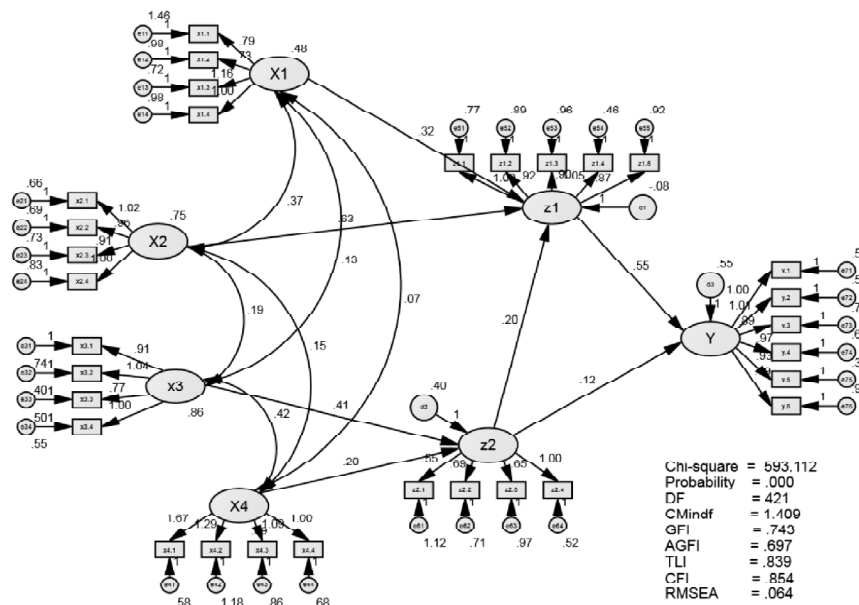


Figure 1: Structural Model

Goodness of Fit

Model Goodness of Fit indicates that the constructs in research model correspond (fit) with research data. The summary of the goodness of fit test results are shown in Table 2.

TABLE 2: GOODNESS OF FIT MODEL

<i>Goodness-of-fit Index</i>	<i>Cut-of-Value</i>	<i>Analysis Result</i>	<i>Model Evaluation</i>
X ² Chi-Square	Expected small (DF = 421)	593,112	Good
Probability	≥ 0,05	0,000	Bad
CMIN/DF	≤ 3,00	1,409	Good
GFI	≥ 0,90	0,743	Marginal
AGFI	≥ 0,90	0,697	Marginal
TLI	≥ 0,95	0,839	Marginal
CFI	≥ 0,95	0,854	Marginal
RMSEA	≤ 0,08	0,064	Good

Based on the Goodness of Fit test, it was found that the model was included in the marginal category because DF = 421 is too large (the expected figure was 140.169), or in other words N sample is too small. Statistically, it does not reject the hypothesis, but the model has the potential to estimation bias. The determinant value (GFI) of 0.743 shows that the product competitiveness (Y) can be explained by the variations in innovation and creativity. A total of 26.7% was explained by the other variables which were not examined (the assumption of *ceteris paribus*). Given the non-parametric SEM data, it is generally difficult to obtain the determinant in accordance with the GFI critical scale of 90%.

Hypothesis Test

The significance of causal relationship in the SEM analysis was tested through the null hypothesis indicating that the causal relationship coefficient among the variables is zero through t-test commonly used in regression. Based on the analysis output of full model SEM, the summary of the causal relationships among the variables in this research is shown in Table 3.

TABLE 3: HYPOTESIS TESTING

	<i>Estimate</i>	<i>CR</i>	<i>P</i>	<i>Hypotesis</i>
z2 ← x3	.406	1,86	.063	Not Supported
z2 ← X4	.202	0,65	.514	Not Supported
z1 ← X1	.322	2,15	.032	Supported
z1 ← X2	.634	4,70	***	Supported
z1 ← Z2	.196	2,14	.032	Supported
Y ← z1	.548	2,98	.003	Supported
Y ← z2	.123	0,67	.505	Not Supported

Note: X1: Entrepreneurial Orientation, X2: Market Orientation, X3: Knowledge Sharing, X4: Competence, Z1: Innovation, Z2: Creativity, Y: Competitiveness

Based on the analysis above, the findings in this study are:

The Effect of Entrepreneurial Orientation on Product Innovation

The research results show that entrepreneurial orientation has positive effect on product innovation. It means that the higher the entrepreneurial orientation of MSMEs to consumer needs, the higher the innovation of the products created. These findings support the theory that company's ability to be proactive and courage to take risks make the company has the ability to create innovative products ahead of their competitors so that they are able to satisfy customers (Zahra and Covin, 1995).

The Effect of Market Orientation on Product Innovation

The study found that market orientation has positive effect on product innovation. It means that the higher the orientation of the MSMEs to the needs of consumers, the higher the product innovation created. The findings support the theory that the corporate culture that emphasizes the importance of the company to pay attention to the market (market-oriented) will lead to strengthening the company's competitive advantage (Bharadwaj, 1993).

The research results also support the theory that manager's ability to see the future needs of the customers/ markets and distributed throughout the organization as well as the ability to be proactive and courage to take risks make the company has the ability to create innovative products ahead of their competitors (Anshori, 2010).

The Effect of Learning on Creativity

The study shows that learning does not have the effect on SME's creativity. One of the factors that foster creativity is when they always make learning process. The more one learns, the higher the creativity. However, this condition did not occur in the MSME entrepreneurs. Their learning process intensity is high, but it has not been able to improve their creativity. This happened because, to be able to be creative more quickly, they achieved it by trial and error. The research results do not support the research conducted by Ward, T.B. (2004).

The Effect of Competence on Creativity

The research results indicate that competence does not have the effect on the creativity of MSMEs. Someone with a high competence is the individual who had a wide range of capabilities and expertises obtained from learning and past experiences. The competence is the capital that can be used to perform certain activities so that someone will be more creative. However, the study found that the competency of the SMEs had no effect on their creativity. These findings do not support the previous studies conducted by Van Den Broeck, H, Cools, E. and Maenhout, T. (2008).

The Effect of Creativity on Product Innovation

Creativity is defined by the ability to develop new ideas and find new ways of looking at problems and opportunities, and innovation is the ability to find creative solutions to problems and opportunities to improve or enrich life (Zimmerer, 2008). Creativity is thinking of something new (Suryana, 2003). Product and process innovations are very important for an organization, and it will determine the success of the organization (Nusair, 2012). Creative thinking should have the basis for creative mindset that will help solve problems in order to find a solution. Creative mindset is able to come up with ideas, thoughts, opportunities and new inspiration to find innovative solutions (Hendro, 2011). Creativity is the main foundation of being innovative (Mubarok, 2013).

The Effect of Product Innovation on Competitiveness

The research results support the theory that company's ability to continue to innovate on its products will keep the product remains in accordance with the wishes and needs of customers. Thus, product innovation can be used as a source of company's competitive advantage (Bharadwaj, 1993). Innovation is able to create the development of market segments, to position corporates in a good position, and to increase company's growth (Keeh, 2007). Competitiveness is an asset for a company.

The Effect of Creativity on Competitiveness

The study found that creativity does not have the positive effect on SME's competitiveness. Business opportunities will be obtained when businesses have the ability and knowledge, such as the ability to produce new products, to generate new added value and techniques, and to develop new organization. Creativity finds new original ideas and worthy to be implemented effectively and efficiently, and it will improve company's competitiveness. However, this condition was different from the object of this study. The research results do not support the previous research that a company without creativity and innovation will not compete and survive in an era of increasingly tight competition (Larsen, 2007).

Conclusion

This research have several that some eliminate pathways, so that are many ways: *first*, that the strongest effect to improve SME's competitiveness was market orientation. This was reflected in the strong commitment in satisfying customers, responding quickly when there were consumer complaints, and always looking for information on the consumer's needs. *Second*, that the factor influencing the improved competitiveness of the SMEs is entrepreneurial orientation. The entrepreneurial orientation of SMEs was proved to be able to create their product innovations. This was reflected that they always made changes, always proactive

to their businesses, and had the courage to take risks. They were all the characteristics of the entrepreneurs' businesses. *Third*, that learning has no effect on creativity, and *the fourth*, that competence has no effect on creativity, and *the end* that that creativity has no effect on competitiveness of SMEs.

Recommendations

Based on the conclusion, it is suggested to improve the competitiveness of Micro, Small and Medium Enterprises (SMEs) in Tourism Village in Bogor, as follows:

1. The competitiveness of SME's products in Tourism Villages can be improved through increased market orientation, particularly in terms of sustainably looking for the information on the strategies used by competitors.
2. Innovation can be improved by enhancing the ability to create new products, product diversification, and product differentiation.
3. Entrepreneurial orientation can be improved by always trying independently and not waiting for guidance from other parties. This way will be a true entrepreneurial trait or characteristic.

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