







“Key competitiveness of Indonesian small wooden furniture business”

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KEY COMPETITIVENESS OF INDONESIAN SMALL WOODEN FURNITURE BUSINESS

Abstract

Small wooden furniture businesses in East Indonesia feel pressure from the furniture businesses of the West Indonesia, in particular from Jepara, due to a fierce international rivalry. The study is intended to analyze the effect of market orientation and entrepreneurial orientation on competitiveness with innovation as an intervening variable. The study distributed 189 questionnaires to the small wooden furniture producers in the South and West Sulawesi Provinces. The collected data were analyzed by structural equation modeling using maximum likelihood approach. The study found that market orientation, entrepreneurial orientation, and innovation contributed to leveraging the competitiveness of small furniture producers. With this model, market orientation is found to have a positive and significant effect on innovation and competitiveness, both with a small-medium effect. Interestingly, the relationship between entrepreneurial orientation and innovativeness shows a positive, significant, and the most dominant of all structural causal relationships in the model, with a small-high effect. In contrast, the relationship between entrepreneurial orientation and competitiveness has a positive and significant effect with a smaller path coefficient. The study also found that innovation shows a positive and significant effect on competitiveness with a relatively small impact.

Keywords competitiveness, innovation, entrepreneurial orientation, market orientation

JEL Classification L25, L26, M31, O30

INTRODUCTION

The potential growth and development of small businesses have always been of great interest to researchers. One of them is those small businesses producing wooden furniture found most in developing countries in cities and districts bordering a city, including in Indonesia. These businesses have traditional and unique carve designs (Patria et al., 2019), which require specific skills and absorb labor.

Despite having lower labor costs and more traditional and distinctive designs than those from western countries, local wooden furniture businesses in Indonesia currently face growing competition from Asian nations such as China, Vietnam, and Thailand (Patria et al., 2019). These rival nations can respond swiftly to customer demands because they have advantages in technology, logistics, and the availability of a plentiful supply of raw materials (Susanty et al., 2020). The competition forces small businesses from West Indonesia to move into the domestic market of East Indonesia by adjusting prices to meet local needs (Hasniaty et al., 2019).

This study examines small wooden furniture businesses in East Indonesia, particularly in the South and West Sulawesi Provinces, a proxy for other areas in the east part of Indonesia. Differently in West

Indonesia, local small furniture businesses in the Provinces market their lower middle class within eastern areas of Indonesia at most. Therefore, they rarely had direct competition with other furniture businesses before. However, with the ancient carve method, but somewhat roughly, the local small furniture businesses in the Provinces lately are experiencing competitive exposure from Jepara in West Indonesia. Moreover, there are medium and large furniture businesses that have been exploring the market in eastern areas of Indonesia by adjusting their quality to have the possibility of offering a low price to meet the local needs (Hasniaty et al., 2019), driving impact to a decrease in sales and production (Taufik et al., 2019). Consequently, local furniture has been forced to switch from urban to suburban areas in regencies.

In an attempt to assist small furniture businesses operating within the provinces, the study addresses three issues related to competitiveness (CT), which are market orientation (MO), entrepreneurial orientation (EO), and innovation (IV). These three discussions carry out an essential and complementary strand of competitiveness for local small furniture businesses. These challenges have become a focus of significant research and are widely recognized in the literature. The first two, in particular, are viewed as unique resources that could foster a long-term competitive advantage. In addressing the issues, the paper looks closely at the problems faced in some other countries (Abu et al., 2019) and, at the same time, takes into account the feature characteristics of the local people's culture.

In innovation features, the study adopts innovative creativity by Amabile et al. (1996), focusing on four attributes of innovation: technical innovation, distribution system, market, and creativity. These features have not yet ever been recorded in literature in Indonesia. Recent studies on Indonesia's furniture market focus on several aspects of innovation, such as the capability to develop new products and quality (Mashdurohatun & Ali Mansyur, 2017), and other studies looked at raw material issues as a worry for a business's survival (Pangemanan & Walukow, 2018). In literature in different countries, these attributes have been discussed but are only limited to certain features. Among the researchers are Bumgardner and Nicholls (2020) in the US, Xiong et al. (2020) in China, and Ratnasingam et al. (2020) in Malaysia.

1. LITERATURE REVIEW

Competitiveness (CT) is crucial and a constant source of academic research interest. It is thought to have an impact on a firm's ability to remain viable and sustain itself (Kiselařková et al., 2019). It may concentrate on internal advantages of resources and expertise, including raw material supplies, people skills, and distribution channel (Upe & Aswan, 2021), or have the ability to explore new markets (Lestari et al., 2020) reflecting the level of that industry's competitiveness. Each business within an industry has the desire to be superior to its competitors. That is why each company develops its own capability to make its activity unique and different from others (Bogers et al., 2019).

Some condition is treated to increase the degree of competitiveness. The intensity of global trade expansion, liberalization, and changes in customer expectations are all among them (Rismayani et al., 2021). It is even more in a changing environment

(Kiselařková et al., 2019) and an uncertain business condition. Differently, Chen et al. (2019) noted that it is due to the need to increase its bargaining position.

Apart from competitiveness, market condition is critical to leverage competitiveness. Market orientation (EO) is designed to likely gain a sustained competitive position in the market by engaging closely with customers to provide products and services in accordance with their preferences (Narver & Slater, 1990). It is a part of a business culture that drives up the commitment of a company to create superior value for customers by utilizing information obtained from target customers and competitors' capabilities (Crick, 2021). Researchers have noted it as the most effective and efficient culture to promote necessary behaviors for customer value through market intelligence (Narver & Slater, 1990). This method emphasizes the processes and activities in the creation of customer preferences.

Narver and Slater (1990) state that EO consists of three behavioral components: customer orientation, competitor orientation, and inter-functional coordination. These three elements are effectively used to collect market information. Customer orientation is the activity of looking closely at the customer needs that still need to be met, including detecting the current and future needs (Kopalle et al., 2020). To do so, a company must utilize information from customers' responses on the satisfaction of products and services delivered. Understanding competition is also necessary to create customer value (Narver & Slater, 1990). It is a process to analyze activities on the strength and weaknesses of competitors to understand their attitude on the market. A business with a competitive orientation utilizes information from the external environment to gain a better idea of enhancing internal capabilities (Narver & Slater, 1990). Inter-functional coordination is activities based on customer and competitor information and alignment efforts within all organizational functions by management to create superior value to target customers (Narver & Slater, 1990). This enables improvement in the flow of communication and information, allowing for the promotion of collaboration and coordination to improve customer responsiveness (Narver & Slater, 1990).

Attention given to entrepreneurial orientation could provide a competitive position in the wooden furniture business. The wooden furniture business has faced fierce competition lately. The quality and/or innovation of the products are the most concern for customers. To do so, creativity and the ability to design products to fit customer preferences are a concern of this industry. To cope with the matters, it is not solely to have a quality human resource with skills. However, it is an orientation of a business to facilitate people within organizations to undertake entrepreneurial activities for any market opportunity identified.

Small businesses are demanded to focus on the process that could create value or behaviors with a fast response to any opportunity (Chavez et al., 2020). In more specific aspects, literature is a way to focus on the organizational environment's processes, practices, and decision-making activities to support critical persons to act entrepreneurially (Wales et al., 2020). A new entry is established if a

business offers new and improved products, services, or market strategies.

With respect to innovation, many companies achieve success after becoming the first to introduce new products and services to their competitor, and many of them fail due to non-innovative product designs (Carmeli & Dothan, 2017). This indicates that being first in the market in terms of innovation can provide a competitive position. Innovation includes not only the development of new products, services, and processes but also needs a driving change to produce and deliver what is fitted with customer preferences (Wang et al., 2020).

An innovative product is part of a broad aspect that needs a lot of effort, time, and capability (Carmeli & Dothan, 2017). Innovative products in the wooden furniture industry it is not only a breakthrough of the new product but also the services attached to the product (Munizu & Hamid, 2018). It results from creativity and intelligence in generating new ideas and implementing them in the process (Amabile et al., 1996). Innovative activity only occurs when a business allows knowledge to be undertaken or stimulates creativity within an organization (Müller et al., 2021). Most businesses are aware of the importance of product innovation to stimulate innovative efforts as this mechanism generates sustainability, particularly in a dynamic environment. It is a crucial aspect of the increasingly competitive situation.

Creativity relates to the ability of the organizational members to generate novel and valuable ideas. It is widely admitted that individual creativity is crucial for the development of new products and services. Creative work is a result of creative ideas (Amabile et al., 1996). New product development is never born if individuals within an organization do not have well and creatively implementable ideas. Creative ideas are obtained by individuals generated from learning experiences. Accordingly, individual thoughts contribute to organizational performance, including the emergence of new products and systems as well as services.

The new product development process is critical for large and small and medium enterprises (SMEs). Despite its importance to the economy,

new product development in SMEs continues to pose challenges. Design activities, collaboration, sources of innovation, process modeling, tools, and techniques are all critical aspects to consider when designing the new product development process (Iqbal & Suzianti, 2021). When a company creates a new process to develop a new sustainable product, it can guide the products to operate sustainably.

New features capability is associated with the company recognizing the attractive products for customers. It is known that the market has been surrounded by beneficial products that solve the problem at hand. A corporation adept at analyzing market demand becomes more innovative (Chatterjee et al., 2021). Customer demand reaction significantly affects the feature development of innovation (Lisa Yeo et al., 2022).

Market entrants frequently use inventive imitation to challenge the established player. The ability to produce imitation goods is one way for companies to meet consumer expectations as a substitute for genuine features (Wang et al., 2020). As a result, the ability to support an imitation strategy in some organized way would have the benefit of not only mobilizing necessary copycat activities early on but also communicating to the rest of the organization that while innovators are rewarded, creative imitators are as well (Wu et al., 2020).

2. AIM AND HYPOTHESES

The study aims to link and analyze market orientation, entrepreneurial orientation, and competitiveness through innovation as a mediating vari-

ble. Therefore, the study generates five hypotheses to analyze how market and entrepreneurial orientation and innovation could affect small furniture competitiveness in Indonesia, especially in its eastern part:

- H_1 : *The more favorable the market orientation, the better the innovation.*
- H_2 : *The more favorable the market orientation, the higher the competitive position.*
- H_3 : *The better the entrepreneurial orientation, the higher the innovation.*
- H_4 : *The better the entrepreneurial orientation, the more favorable the competitive position.*
- H_5 : *The higher the innovation, the more favorable the competitive position.*

Figure 1 shows the relationship between market and entrepreneurial orientations, innovation, and competitiveness.

3. METHODOLOGY

The study applies a structural equation modeling (SEM) using the maximum likelihood method representing the five relationships among four latent constructs: market orientation (MO), entrepreneurial orientation (EO), innovation (IN), and competitiveness (CV). This test allows an integrated evaluation of the model and tests the degree to which the construct fits the hypothesized causal relationship network. Data were collected by a self-administered questionnaire method in

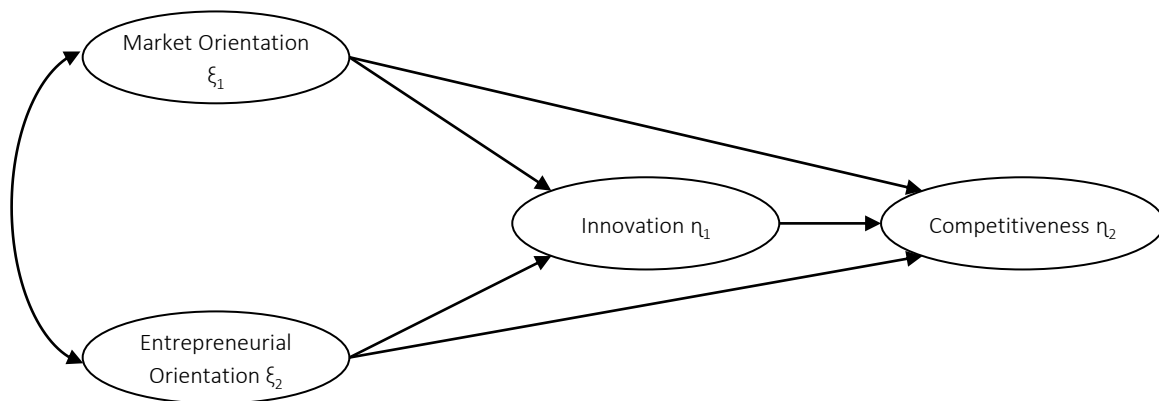


Figure 1. Hypothetical model

selected areas within the South and West Sulawesi Province, referring to the development of the area. Out of two hundred and fifty questionnaires distributed, a total of one hundred eighty-nine were collected, yielding a 75.6% response rate. This sample size meets a respectable response rate to follow recommended guidelines for SEM (Whittaker & Schumacker, 2022). Analyses were taken using LISREL 9.2. In addition, the collected data were examined for missing values to purify the data and reduce systematic error. The outlier identification was also established using Mahalanobis distance (d^2).

Respondents are small producers of wooden furniture products within the South and West Sulawesi Province, as defined by Law no 22 of 2008 imposed by the Department of Industry and Trade concerning assets and annual sales and Central Bureau of Statistics referring to numbers of employee usage. The sample consisted of 189 owners of small furniture businesses within two provinces. In the sample, owners who graduated from an academy or a university were 13.23%, senior high school – 53.97%, junior high school – 17.46%, and

elementary school – 15.34%. In terms of gender, there are 70.37% male and the rest, 29.63%, are female. 47.08% were under forty, and 52.91% were above forty. In general, sales made by the industries were millions of rupiahs, in which 59.78% reported having up to 300 million rupiahs, 29.10% reached 600 million rupiahs, and 11.11% had above 600 million rupiahs. These sales were obtained with the help of fewer than ten workers.

With respect to variable measurement, the four components of the construct design were measured with 17 items using a modified survey questionnaire that have been validated and devised by the literature. MO uses three items, EO has five items, IV has four items, and CT uses five items. Each item was measured using a five-point Likert scale from strongly disagree (1) to strongly agree (5). The indicators of the study can be seen in Table 1.

4. RESULTS

Descriptive statistics of the study are presented in Table 2. Regarding means, all items score above the midpoint (3.00), ranging from 3.217 to 3.899.

Table 1. Measurable items

Latent Constructs	Dimensions	Items	Sources
Market Orientation	Customer Orientation	We have a strong commitment to satisfying our clients	Blankson et al. (2013)
	Inter-functional Coordination	People contribute to customer value based on their skills and activities	
	Competitor Orientation	We target opportunities based on our competitive advantages	
Entrepreneurial Orientation	Autonomy	We support the efforts of individual employees to work autonomously	Zhang et al. (2014)
	Proactiveness	We closely monitor technological trends and identify the future needs of customers	
	Risk-Taking	We emphasize both exploration and experimentation for opportunities	
	Competitive Aggressiveness	We adopt a price-cutting strategy to enhance a competitive position We copy the business practices or techniques of successful competitors to remain in the market	
Innovation	Creativity	Ideas and suggestions are received in an attentive and supportive way	Moultrie and Young (2009)
	Process Development	We emphasize new processes to develop new trend products	Wang et al. (2010)
	New Feature Capability	We respond to customer demand for new features	Henard and Szymanski (2001)
	Imitation ability	We imitate the existing products in the market	Efendi et al. (2020)
Competitiveness	Product Durability	We offer robust, safe, and durable products	Ratnasingam et al. (2020)
	Cost/Price	We offer competitive price	Li et al. (2006)
	Delivery Dependability	We provide dependable delivery	Özgener and Iraz (2006)
	Customer Relationship	We build a consistent relationship with customers	
	Product Variety	We develop a variety of product groups	Jusufi et al. (2020)

Table 2. Descriptive statistics

Latent Construct	Measurable Variables	Mean	Standard Deviation	Skewness	Kurtosis
Market Orientation	MO1	3.799	0.990	-1.530	-2.099
	MO2	3.429	1.048	-0.545	-2.344
	MO3	3.519	1.024	-0.571	-2.756
Entrepreneurial Orientation	EO1	3.582	0.922	-0.231	-2.547
	EO2	3.772	0.885	-0.838	-2.332
	EO3	3.603	0.909	-0.319	-2.629
	EO4	3.640	1.035	-1.150	-2.076
	EO5	3.529	1.013	-0.471	-2.430
Innovation	IV1	3.688	0.975	-1.012	-2.159
	IV2	3.899	0.902	-1.571	-1.582
	IV3	3.714	1.017	-1.291	-2.255
	IV4	3.751	1.003	-1.160	-2.350
Competitiveness	CT1	3.577	0.923	-0.232	-2.763
	CT2	3.439	0.901	0.200	-2.259
	CT3	3.333	0.917	0.506	-2.611
	CT4	3.217	0.888	0.865	-2.277
	CT5	3.630	0.973	-0.819	-2.057

The standard deviations range from 0.885 to 1.048. The study examines 189 samples that exhibited a high degree of normality, indicated by two different tests: univariate and multivariate normality tests. The skewness and kurtosis statistics indicate acceptable scores when referring to Kline (2011), who recommends skewness not exceed 3 and kurtosis not exceed 10. In addition, the study conducted a QQ plot for multivariate normality evaluation.

Assessment related to loading weight scores is conducted using confirmatory factor analysis to evaluate whether the items can be used to define the construct. The result showed that all loading weight parameters are in acceptable values ranging from 0.65 to 0.85, as Hair et al. (2010) suggested, indicating that a value of 0.50 is acceptable to define the construct. Furthermore, by taking together the four constructs in the model, the standardized loading weights are also acceptable ranging from 0.66 to 0.84, as given in Table 2.

A convergent validity test was conducted using average variance extracted (AVE) and composite reliability (CR) to evaluate each item and whether it can be used to properly measure the construct (Hair et al., 2010). AVE is the average amount of variance of items that a construct can explain. AVE is considered adequate when the value equals or is above 0.50, as suggested by Hair et al. (2010). To composite reliability, a score of 0.70 or higher was acceptable, as recommended by Hair

et al. (2010). Table 3 shows that the scores of AVE and CR were adequate.

Discriminant validity is assessed to identify the amount of variance in items correlating to another construct. This measures how far a construct is different from another, and each is independent as a construct. This considers adequate when the score of average variance extracted (AVE) is greater than the square correlation of two constructs indicating an uncorrelated construct or that is satisfied for discriminant validity. With the use of the square of the covariance matrix to compare with AVE, it shows that the square roots of the correlation matrix of the latent variables, ranging from 0.338 to 0.521, are smaller than those of AVE scores, ranging from 0.537 to 0.579, indicating satisfactory discriminant validity.

Concerning the goodness of the model for structural equation, Table 4 shows a variety of indices used to evaluate a comprehensive model fit, as suggested by Hair et al. (2010). The results indicate that the conceptual model adequately fits the data as all the other criterion values are in the acceptable range. The non-normed fit index (NNF), incremental fit index (IFI), goodness fit index (GFI), and comparative fit index (CFI) scored above 0.90, as suggested by Hair et al. (2010). The ratio chi-squares (χ^2) is 129.242 (p-value = 0.14086), which is above 0.001, as recommended by Kline (2011). This indicates that the sample covariance matrix

Table 3. Results of the measurement model

Latent Construct	Measurable Variables	SLF (>0.50)*	t-Value ^a	R ²	AVE ^b (>0.50) ^b	CR ^c (>0.70) ^c
Market Orientation	MO1	0.73	10.68	0.530	0.573	0.801
	MO2	0.74	10.87	0.545		
	MO3	0.80	12.09	0.641		
Entrepreneurial Orientation	EO1	0.76	11.79	0.584	0.537	0.852
	EO2	0.75	11.39	0.556		
	EO3	0.66	9.74	0.440		
	EO4	0.78	12.03	0.601		
	EO5	0.71	10.56	0.497		
Innovation	IV1	0.76	–	0.585	0.579	0.845
	IV2	0.74	10.04	0.544		
	IV3	0.84	11.45	0.704		
	IV4	0.70	9.53	0.494		
Competitiveness	CT1	0.72	–	0.525	0.543	0.859
	CT2	0.83	10.80	0.693		
	CT3	0.76	9.94	0.582		
	CT4	0.68	8.82	0.458		
	CT5	0.70	9.18	0.496		

Note: *indicates an acceptable level of standardized loading parameter, by Hair et al. (2010), above 0.50. a. t-Value (critical ratio) with a significant score at the level of 0.05. b. AVE: average variance extracted ($\sum\lambda^2/n$). c. CR: composite reliability = $(\sum\lambda)^2/(\sum\lambda)^2 + (\sum\lambda)$. d. Coefficient.

and population covariance matrix are the same. The chi-squares per degree of freedom are 1.144, less than five, as referred to by Kline (2011). The root mean square of approximation (RMSEA) score is 0.0276, which is in the acceptable range of less than 0.08, as indicated by Hair et al. (2010). The standardized root mean square residual (SRMR) is 0.0384, which is less than 0.05, as advised by Whittaker and Schumacker (2022).

The study uses the maximum likelihood method to test five structural causal hypotheses: path values of 0.2 are considered small, those with 0.50 are medium, and values of 0.8 and above are considered large (Cohen, 1988). Based on the findings, the statistical results show that the standardized path coefficient of the relationship between entrepreneurial orientation (EO) and innovativeness (IV) is the

most dominant of all structural causal relationships in the model. The relationship has a closely medium positive effect on the innovation construct with a standardized path coefficient of 0.48 and a t-value of 5.22. The market orientation construct shows a small medium impact on innovativeness (IV) with a positive and small medium path coefficient of 0.38 and a t-value of 4.20. The third dominant in the model is the relationship between market orientation (MO) and competitiveness (CT), also having a positive and small medium path coefficient of 0.35 and a t-value of 3.59. The result also indicates that innovativeness (IV) positively affects competitiveness (CT) with a small-medium path coefficient of 0.30 and a t-value of 2.71. Interestingly, with a positive association, entrepreneurial orientation (EO) has a small size path coefficient of 0.28 and a t-value of 2.71 when related to competitiveness (CT).

Table 4. SEM fit indices

Model fit indices	Value	Recommended guidelines	References
χ^2	129.242	>0.001	Kline (2011)
χ^2/df	1.144	< 3	Kline (2011)
NNFI	0.923	> 0.90	Hair et al. (2010)
CFI	0.989	> 0.90	Hair et al. (2010)
IFI	0.990	> 0.90	Hair et al. (2010)
GFI	0.928	> 0.90	Whittaker and Schumacker (2022)
RMSEA	0.0276	< 0.08	Hair et al. (2010)
SRMR	0.0384	< 0.05	Whittaker and Schumacker (2022)

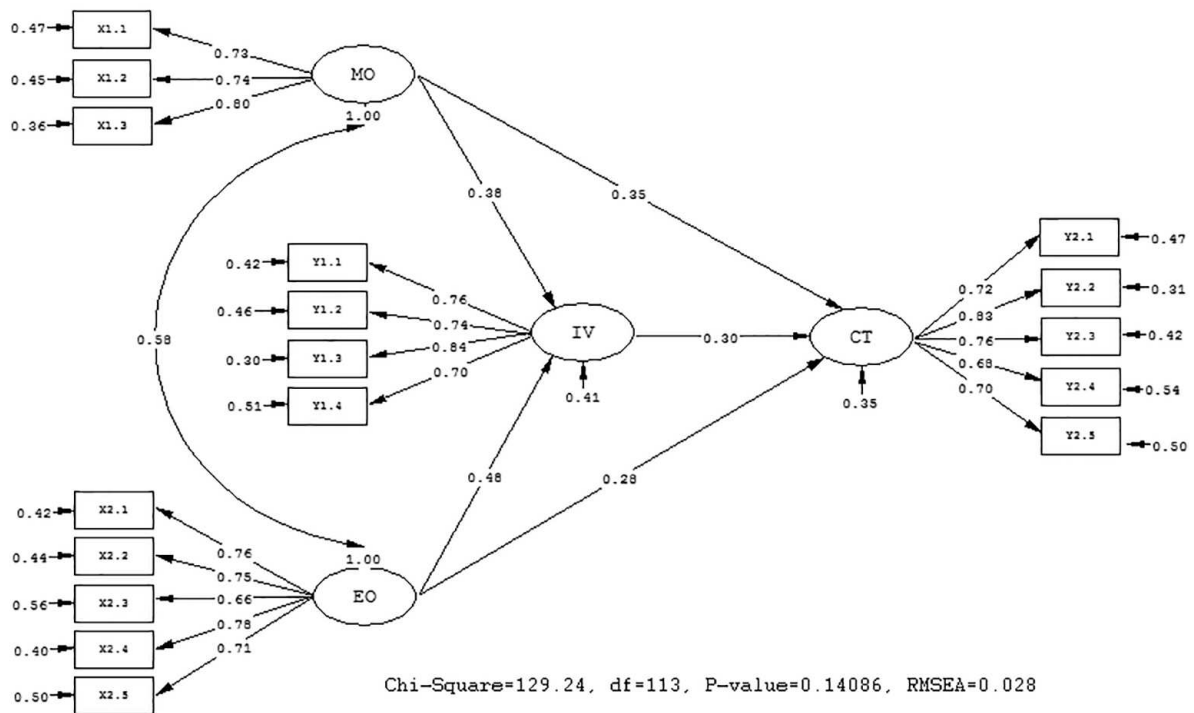


Figure 2. Structural equation modeling of competitiveness for small wooden furniture businesses in Indonesia

Concerning the hypotheses, since the result show a positive and significant relationship of MO to IV and CT, EO to IV and CT, and IV to CT, all hypotheses generated (H_1 , H_2 , H_3 , H_4 , and H_5) are accepted. The details of each hypothesis can be seen in Table 5.

Table 5. Hypotheses testing results

Hypothesis	Path	Path Coefficient*	t-value	Result
H_1	MO → IV	0.38	4.20	Supported
H_2	MO → CT	0.35	3.59	Supported
H_3	EO → IV	0.48	5.22	Supported
H_4	EO → CT	0.28	2.84	Supported
H_5	IV → CT	0.30	2.71	Supported

Note: *standardized path coefficient parameter.

5. DISCUSSION

This study analyzes the impact of competition faced by local small furniture producers in East Indonesia from West Indonesian producers. An integrated model of two constructs is related to innovativeness and three constructs characterize competitiveness. The study found that market orientation (MO) positively and significantly affects competitiveness (CT). The findings suggest that products produced by local

small furniture businesses are still in demand, but in particular community groups. The findings show that to compete with producers from the West Indonesian or furniture items shipped from the western countries, local furniture has introduced various efforts. One of them focuses on lower-class consumers. With different wood qualities, such as white teak, as well as rougher carvings, local producers offer relatively lower prices that are affordable for the lower class. This is also supported by literature, which explains that small businesses can survive and compete with large companies because they offer products and services that have not been optimally served by competing producers, such as in price differences (Lukiewska & Brelik, 2021). This is in line with the fact that to serve the needs of the lower classes of society, local producers move to urban areas or, at the district-city level, to districts that are relatively far from urban areas. Such places have more consumers and relatively cheap raw materials. Several pieces of literature have described the concept of this strategy, including Sedliačiková et al. (2021) in Slovakia and Ogawa (2018) in Tanzania. The existing local business producers that survive in urban areas still have customers.

Villages around labor-intensive industrial areas generally prefer locally made furniture products because they are cheap and can meet their household needs. Others who survive in urban areas offer their products in the border areas between cities or district borders.

It has been discovered that MO and IV have a positive relationship. The findings imply that strengthening market orientation can improve business performance innovation. The creativity of furniture entrepreneurs is shown in producing, where product design ideas are slightly different from existing products. The contribution of everyone in every company is needed in the product development process that will generate the latest trends. Furthermore, seeing the critical points from customers is significant, considering that in order to grow demand, furniture producers must always look at market needs. Along with that, all workers must be able to imitate products from outside the island of Sulawesi to compete on the market. As the market orientation culture grows, so does the organization's ability to collect and apply knowledge about competitors and customers in order to improve the firm innovation capability (Singh et al., 2022).

It is found that there is a positive relationship between MO and EO. The findings suggest that small business furniture commonly utilizes information from its consumers and competitors when designing its products to fit customer preferences. It occurred since there are differences in target consumers between small business furniture and its competitors (medium and large furniture businesses). Therefore, it allows offering low-priced furniture products for the lower-middle class while still producing a trending model design using different materials. This is in line with the findings explaining that implementing innovative products that meet consumer preferences can be generated using information obtained from consumers and competitors (Riswanto et al., 2020).

Furthermore, there is a positive relationship between entrepreneurial orientation and competitiveness. The study suggests that the businesses that are able to survive are those with a

strong entrepreneurial orientation. In order to stay competitive, small local producers are focused on serving a different consumer segment, the lower-end consumer segment, by offering lower prices. For example, the type of wood and the use of paint are generally applied differently from products from Java, but the durability of the product is almost the same. Another strategy is to address the limitations of consumers; some small producers focus on serving in remote villages, either by maintaining business operations in cities or by moving operations to rural areas if the distance between the operating area and consumers is significant. Efforts to stay on the markets by moving to potential markets have been widely discussed (Beckmann et al., 2021).

The relationship between entrepreneurial orientation and innovation was also found to be positive. Although many furniture design models are found on the market, internet, products being worked on, or existing finished products, small furniture is open to a new design model. Small furniture businesses generally give autonomy to its employee to be creative in generating new models. This is also echoed by Pattnaik and Sahoo (2021), who stated that creativity is generated by autonomy. Employees can recommend a new design feature or use the design consumers want. It is also a fact that it takes time to apply a new model or carving design; a small furniture business generally facilitates experimental efforts for its employee in making a new engraving design or model, as cited by Danu et al. (2020).

Finally, this study found a positive relationship between innovation and the company's competitive position. The paper suggests that the competitive position of the furniture industry cannot also be excluded from innovation. The attribute of furniture products is one of the demanding signals for the customer to buy the product. Even with the different quality offered relative to Jepara furniture products, different preferences for each market and prices can provide customer attractiveness. It is in line with Sánchez-Gutiérrez et al. (2019), who noted that innovation from the operational perspective could generate competitiveness.

CONCLUSION

The study aimed to link the effect of market orientation and entrepreneurial orientation on innovation and competitiveness. It also investigated the association between innovation and competitiveness.

The present study found that market and entrepreneurial orientations contributed to innovation and competitiveness. The findings demonstrate the highest and closely medium structural relationship between entrepreneurial orientation and innovation. It is the same but with a small effect when linking entrepreneurial orientation and competitiveness. Entrepreneurial orientation is crucial for small furniture producers to generate innovation. However, innovative design is not always accepted in the market and may not stay long to attract consumers.

It is also contributed but with a small effect when relating market orientation and innovation as well as market orientation and competitiveness. Innovative products result from market and competitor information, but design innovation still needs to be improved. This also affects the producers' competitive position by only serving target consumers in a limited and focused area. The small effect is also found for innovation and competitiveness. Small wooden business furniture is forced to produce innovative products to attract consumers, but the design is still relatively limited and rough due to technology and human resource capacity.

AUTHOR CONTRIBUTIONS

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