
THE ROLE OF COMPETITIVE ADVANTAGE IN MEDIATING THE INFLUENCE OF MARKET ORIENTATION ON INTERNATIONALIZATION AND MARKETING PERFORMANCE: A STUDY ON SILVER CRAFT SMES IN CELUK VILLAGE, BALI PROVINCE

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ABSTRACT

This research focuses on the role of competitive advantage in mediating the influence of market orientation on internationalization and marketing performance. This research utilize the associative quantitative approach by selecting 40 Silver Craft SMEs in Celuk Village, Bali Province as the sample, with the owners or managers as the respondents. Data is collected by questionnaires. The data analysis technique used are path analysis and Sobel test. Hypothesis test result shows that all hypothesis proposed are accepted. Market orientation has positive and significant influence on competitive advantage, internationalization and marketing performance. Competitive advantage has positive and significant influence on internationalization and marketing performance. Competitive advantage is capable of mediating the influence of market orientation on internationalization and marketing performance..

Keywords: Market orientation, competitive advantage, internationalization, marketing performance

1. Introduction

SMEs have an important and strategic role in the development of the national economy in Indonesia. Furthermore, SMEs with various advantages have also shown to be successful in conducting internationalization and is worthy of being considered in the international market (Cahyadi, 2015). In Indonesia, among the types of SMEs that are well known and frequently perform internationalization is the silver craft SMEs in Celuk Village, Bali Province. These SMEs are also known to be the center of silver crafts which largely contribute to the number of silver crafts exports in Bali Province.

The success experienced by the silver craft SMEs was in the past. Over the past few years, the marketing performance and internationalization activities of these SMEs were revealed to experience a fall (Putra and Rahanatha, 2017). The fall in internationalization and marketing performance is shown by the fall in export and total sales of product. Managers of the SMEs also admitted this fall during the pre-research conducted in this research.

To overcome this problem, business practitioners should know and understand what could influence internationalization and marketing performance. Afsharghasemi et al. (2013) in his research stated that businessmen have less market orientation and competitive advantages in influencing internationalization. While many studies have shown that market orientation has positive and significant influence on competitive advantage and internationalization (Armario et al., 2008 ; Chelliah et al., 2010 ; and Javalgi et al., 2011). Moreover, there are studies which revealed that market orientation has positive and significant influence on competitive advantage and marketing performance (Titahena et al., 2012; Pardi et al., 2014 and Usvita, 2015).

Companies that implement market orientation would be capable of creating value and exhibit sustainable superior performance. This statement is supported by Hunt and Lambe (2000) ; Hult et al. (2005) ; and Zhou et al. (2009) who also stated that market orientation is a resource with great potentials for the company to achieve their competitive advantage. Furthermore, the statement regarding the positive and significant influence of market orientation on competitive advantage was also stated by Basuki and Rahmi (2012) ; Setiawan (2012) ; Rosnawintang and Rahayu (2012) ; and Afsharghasemi et al. (2013).

Many researchers found that competitive advantage is able to mediate the influence of market orientation on internationalization and marketing performance (Afsharghasemi et al., 2013 ; Sari and Kerti Yasa, 2016 and Zhou et al., 2009). However, there are also researchers who have stated that competitive advantage is unable to mediate the influence of market orientation on internationalization and marketing performance (Lengler et al., 2013 ; Javalgi et al., 2011 and Basuki and Rahmi, 2012).

Based on the problem experienced by silver craft SMEs in Celuk Village and the existence of research gaps, this research is conducted to identify the influence of market orientation on internationalization and marketing performance which is mediated by competitive advantage, specifically on silver craft SMEs in Celuk Village, Gianyar Regency.

2. Literature review

2.1. Market Orientation

Narver and Slater (1990) stated that companies need to implement the market orientation concept. Wang et al. (2012) defined market orientation as how companies revive, spread, and share information and react appropriately towards the change in market demand to achieve the goals of the organization and to assure the needs and wants of customers, while simultaneously considering all the stakeholders of the company.

Market orientation consists of three dimension, namely customer orientation, competitor orientation and coordination among functional groups (Narver and Slater, 1990). Customer orientation emphasizes on understanding customers accurately to create continuous advantage or superior value (Narver and Slater, 1990), competitor orientation focuses on closely observing and examining competitors (Narver dan Slater, 1990), while inter functional group coordination is coordinating all functional groups in the organization and customer operation and market information in the attemptto create value for customers (Taleghani et al., 2013).

2.2. Competitive advantage

According to Barney (1991), a company is deemed to have a competitive advantage if the company is successful in executing strategies with value and those strategies are not performed by other companies, may it be in the current time, or even the future, which results in the company attaining an advantage from the strategy. Companies are also deemed to have a competitive advantage when the companies attain equipment and resources which surpasses their competitors, by providing greater value to their customers (Huang et al., 2012).

The dimensions of competitive advantage by Porter (1985) are cost advantages and differentiation advantages. The cost advantage arise if the company is able to operate with lower cost compared to their competitors and still offer a competitive product. The company can also differentiate themselves using various methods such as by providing superior services, providing innovative options, developing a strong brand, etc. (Porter, 1985).

Li and Zhou (2010) stated that in China, the most important dimension of competitive advantage is on the superior ability of companies to provide rare resources and attain government support which is known as institutional advantage. Li and Zhou (2010) also argued that managerial relationship and market orientation could also help the company to achieve success even though through different methods in which managerial relationship improves the performance of the company through institutional advantage, while market orientation increases company performance by achieving differentiation advantages and cost advantages.

2.3. Internationalization

Internationalization is defined as the process to increase the involvement of international operation, crossing geographical borders of a country (Welch and Luostarinen, 1998). The extent of internationalization for SMEs refers to how far are the regions reachable by the SMEs in the whole world (Lu and Beamish, 2001).

Internationalization consists of many activities including exports, licensing, foreign direct investment (FDI) (Welch dan Luostarinen, 1998). To search for opportunities and to sell products in the international market are among the most frequent and important activities for a company to embark in internationalization (Child and Rodrigues, 2005 ; Filatotchey et al., 2001 ; Zhou et al., 2009).

2.4. Marketing performance

Marketing performance refers to the ability of a company to satisfy and maintain their customers by offering products and services with great quality (Moorman and Rust, 1999). Furthermore, if a company is able to fulfill the demand of the market by providing products or services that are unique and not easily imitated, the company would be able to increase their performance (Hult et al., 2005).

The measurement of marketing performance is developed continuously (O'Sullivan and Abela 2009). Purwasari and Suprpto (2012) stated that the measurement of a company's marketing performance is the function and authority of the marketing department to create, develop, and maintain relationship with customers. The measurement of the marketing performance's success is conducted over a time period determined by the company and the result of measurement is the value of all activities that have been executed (Puspitasari, 2015).

3. Conceptual Model and Hypothesis Development

This research is conducted to explain the influence of market orientation and competitive advantage on internationalization and marketing performance, along with the role of competitive advantage in mediating the influence of market orientation on internationalization and marketing performance of silver craft SMEs in Celuk Village, Gianyar Regency. Based on the review of previous research, the conceptual framework formulated in this research is as follows.

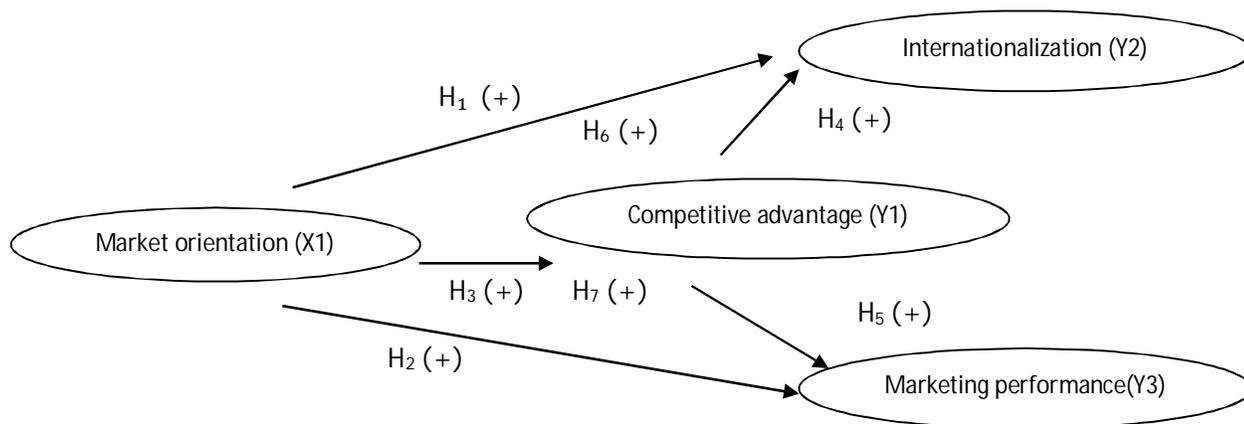


Figure 1 : Conceptual model

3.1. Market Orientation on Internationalization

Knight and Cavusgil (2004) revealed that the company's basis to build relationships with various external markets is due to market orientation. This is supported by Armario et al. (2008) who stated that market orientation can develop and facilitate the study process in the international market. Moreover, companies with a high degree of market orientation are able to develop greater endurance capabilities by opening opportunities for the acquisition of knowledge regarding the international market.

Afsharghasemi (2013) stated that market orientation is able to propel companies to conduct expansions and develop new markets such as the international market. Studies which concluded that there is a positive and significant relationship between market orientation and internationalization are also supported by

Javalgi and Todd (2011) and Sari and Kerti Yasa (2016).

Based on this empirical review, the research hypothesis regarding the influence of market orientation on internationalization is formulated as follows:

H1: Market orientation has positive and significant influence on internationalization

3.2. Market orientation on marketing performance

Organizations that are market-oriented have greater chances to achieve greater satisfaction for customers, maintain customer loyalty, attract new consumers and achieve the expected growth in market share (Homburg and Pflessera, 2000). This statement is supported in the research result which found that market orientation behavior has a positive and significant relationship with market performance (Homburg and Pflessera, 2000).

Subsequent research result was contributed by Titahena et al. (2012) who revealed that an increase in market orientation would result in an increase in marketing performance, vice versa. The positive and significant relationship between market orientation and marketing performance is also supported by Sulisyanto and Rahab (2012); Ahimbisibwe et al. (2013) ; Alrubaie (2013) ; Utaminingsih (2016) ; and Pertiwi and Siswoyo (2016).

Based on this empirical review, the research hypothesis regarding the influence of market orientation on marketing performance is formulated as follows:

H2: Market orientation has positive and significant influence on marketing performance

3.3. Market orientation on competitive advantage

Market orientation is invaluable, scarce, not tradable, not easily imitated, and can be considered as a capability and resource with great potentials to develop competitive advantages (Hult et al., 2005 and Zhou et al., 2009). Zhou et al. (2009) revealed that the higher the market orientation of a company, the better the innovation advantage and market orientation. This result conveys that customer orientation is a dominant factor to achieve competitive advantage.

Subsequent research was conducted by Basuki and Rahmi (2012) who stated that market orientation has positive and significant influence on competitive advantage. The positive and significant relationship between market orientation and competitive advantage was also stated by Setiawan (2012); Rosnawintang and Rahayu (2012); Afsharghasemi et al. (2013); and Sari and Kerti Yasa (2016).

Based on this empirical review, the research hypothesis regarding the influence of market orientation on competitive advantage is formulated as follows:

H3: Market orientation has positive and significant influence on competitive advantage

3.4. Market orientation on internationalization

The research conducted by Afsharghasemi et al. (2013) produced results which show that competitive advantage refers to the creation of valuable strategy to make it possible for SMEs to perform internationalization. This statement is supported in the research result which revealed that competitive advantage positively and significantly influences the internationalization level of SMEs in Malaysia. This research result is also supported by Sari and Kerti Yasa (2016) who stated that the higher the competitive advantage of a business, the higher the ability of the business to perform internationalization.

Based on this empirical review, the research hypothesis regarding the influence of competitive

advantage on internationalization is formulated as follows:

H4: Competitive advantage has positive and significant influence on internationalization

3.5. Competitive advantage on marketing performance

Dewi (2006) in her research found that competitive advantage has a positive influence on marketing performance. This research is also supported by Titahena et al.(2012) and Djobjobo and Tawas (2014). This means that if there is an increase in competitive advantage, the marketing performance would also increase, vice versa. This research result is supported by Pardi et al. (2014) and Usvita (2015).

Based on this empirical review, the research hypothesis regarding the influence of competitive advantage on marketing performance is formulated as follows:

H5: Competitive advantage has positive and significant influence on marketing performance

3.6. Competitive advantage in mediating the influence of market orientation on internationalization

Javalgi et al. (2011) stated that competitive advantage is insignificant in mediating the influence of market orientation on internationalization. This research result is also supported by Lengler et al. (2013). However, the latest research conducted by Afsharghasemi et al. (2013) revealed that competitive advantage mediates the relationship between market orientation and internationalization. Furthermore, Sari and Kerti Yasa (2016) in their research also found that competitive advantage is able to significantly mediate the influence of market orientation on internationalization.

Based on this empirical review, the research hypothesis regarding the role of competitive advantage in mediating the influence of market orientation on internationalization is formulated as follows:

H6: Competitive advantage significantly mediates the influence of market orientation on internationalization

3.7. Competitive advantage in mediating the influence of market orientation on marketing performance

Zhou et al. (2009) and Narastika and Kerti Yasa (2017) stated in their research that differentiation advantage fully mediates the influence of competitor orientation, which is a part of market orientation, on marketing performance. Zhou et al. (2009) in their research further explained that differentiation advantage partially mediates the influence of customer orientation on marketing performance.

Based on this empirical review, the research hypothesis regarding the role of competitive advantage in mediating the influence of market orientation on marketing performance is formulated as follows:

H7: Competitive advantage significantly mediates the influence of market orientation on marketing performance

4. Research methodology

4.1. Research design and location

This research utilize a associative quantitative design in order to discuss and examine the relationship between the variables of market orientation, competitive advantage, internationalization and marketing performance. The research location is in Celuk Village which is the center of silver craft SMEs in Bali Province.

4.2. Population, sample, and sampling method

The population in this research are silver craft SMEs in Celuk Village, Bali province that have performed internationalization with a total number of 65 SMEs. The total population is obtained from the Directory of Small and Medium Industries in Bali Province 2015. During the research, many of these SMEs were found to have ceased their operations. With this in consideration, the total sample is determined using the Roscoe rule of thumb in the book by Sugiyono (2014 :165), which multiplies the total number of research variables by 10. Thus, the sample taken is 40 SMEs. The total sample is deemed reasonable because it is within the range of 30 to 500 samples which is the feasibility range of sample amount (Sugiyono, 2014:164).

The sampling method utilized is the probability sampling using the simple random sampling technique. The selection is conducted randomly through draws without considerations of the strata within the population. The respondents in this research are owners or managers of the silver craft SMEs in Celuk Village, Gianyar Regency, that have been selected as sample.

4.3. Data collection method and questionnaire design

The data collection method utilized is through questionnaires which consist of open-ended questions regarding the identity of respondents and information related to the identity of the SME they operate, along with close-ended questions which consists of question items to attain answers which is measured using the Likert scale. This study utilized a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree, to measure the data.

4.4. Indicators used and the research instrument test

The indicators of market orientation in this research is attained by adopting and modifying the research indicators utilized by Li and Zhou (2010); Liu et al. (2011); and Afsharghasemi et al. (2013), the indicators of competitive advantage is adopted and modified from the research conducted by Zhou et al. (2009); Li and Zhou (2010); and Afsharghasemi et al. (2013), the indicators of internationalization is adopted and modified from the research conducted by Liu et al. (2011); Zahra et al. (2000); Zhou et al. (2009); and Afsharghasemi et al.(2013), the indicators to measure marketing performance is adopted and modified from the indicators used by Moorman and Rust (1999); Zhou et al. (2009); and Narastika and Kerti Yasa (2017). The full list of indicators used in this research is attached in the appendix. The research instruments are tested using the instrument validity test and reliability test.

4.5. Data analysis technique

The analysis technique used is the inferential statistic analysis, namely the path analysis and Sobel test. The analysis tool utilized is the Statistical Packages for Social Sciences (SPSS) for Windows.

5. Data analysis

5.1 Characteristics of respondents

The total amount of respondents is 40 people. The respondents are mostly women, at the age range of 21-30 years old, the last education level of respondents are mostly high school, and America is the dominant export destination country of most respondents in operating silver craft SMEs in Celuk Village, Gianyar Regency

5.2 Instrument test results

5.2.1. Instrument validity test

The validity test is conducted to measure the validity of the research instrument. The research instrument is deemed valid if the Pearson correlation value on the total score is above 0,30. The validity test result of this research shows that all instruments have Pearson correlation values greater than 0,30. This means that all the instruments in this research fulfill the requirement of instrument validity.

5.2.2. Instrument reliability test

The instrument is deemed reliable if the Alpha Cronbach value is greater than 0,60. All instruments in this research have Alpha Cronbach values greater than 0,60. Hence, it can be concluded that all instruments in this research are reliable.

5.3. Path Analysis Result

Path analysis is an extension of the multiple linear regression analysis to test the causality relationship between two or more variables. The steps of the path analysis in this research is as follows

5.3.1. Formulation of the research model

Figure 2 is a path diagram model of the relationship between variables in this research

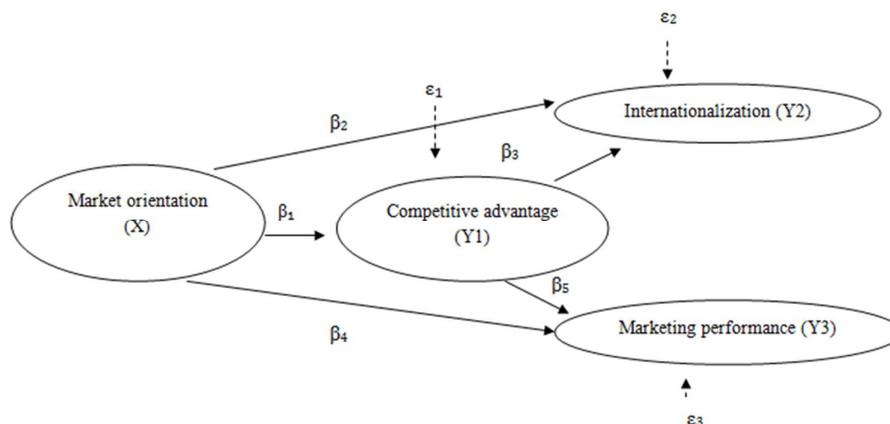


Figure 2. Path Diagram Model

5.3.2. Path coefficient calculation

Based on calculations using SPSS for Windows, the equation result of sub structure 1, 2, and 3 are as follows.

Sub structure 1

$$Y1 = \beta_1 X1 + \varepsilon_1$$

$$Y1 = 0,681 X1 + \varepsilon_1$$

$$\varepsilon_1 = \sqrt{1 - R^2}$$

$$\varepsilon_1 = \sqrt{1 - 0,463^2}$$

$$= 0,733$$

Sub structure 2

$$Y2 = \beta_2 X1 + \beta_3 Y1 + \varepsilon_2$$

$$Y2 = 0,437 X1 + 0,520 Y1 + \varepsilon_2$$

$$\varepsilon_2 = \sqrt{1 - R^2}$$

$$\varepsilon_2 = \sqrt{1 - 0,770^2}$$

$$= 0,480$$

Sub structure 3

$$Y3 = \beta_4 X1 + \beta_5 Y1 + \varepsilon_3$$

$$Y3 = 0,494 X1 + 0,408 Y1 + \varepsilon_3$$

$$\varepsilon_3 = \sqrt{1 - R^2}$$

$$\varepsilon_3 = \sqrt{1 - 0,685^2}$$

$$= 0,561$$

5.3.3. Coefficient of determination (R^2) calculation

The total influence of the market orientation variable, competitive advantage and internationalization has a coefficient of determination as follows.

$$R^2_{m1} = 1 - (e_1)^2 (e_2)^2$$

$$R^2_{m1} = 1 - (0,733)^2 (0,480)^2$$

$$R^2_{m1} = 0,876$$

Based on the total coefficient of determination calculations, the data variation is 87,6 percent explained by the model or in other words, 87,6 percent of the information contained in the data can be explained by the model which consists of market orientation variable, competitive advantage, and internationalization. The remaining 12,4 percent is explained by other variables or variables not included in this model.

The total influence of market orientation, competitive advantage and marketing performance has a coefficient of determination as follows.

$$R^2_{m2} = 1 - (e_1)^2 (e_3)^2$$

$$R^2_{m2} = 1 - (0,733)^2 (0,561)^2$$

$$R^2_{m2} = 0,831$$

Based on the total coefficient of determination calculations, the data variation is 83,1 percent explained by the model or in other words, 83,1 percent of the information contained in the data can be explained by the model which consists of the market orientation variable, competitive advantage and marketing performance. The remaining 12,4 percent is explained by other variables or variables not included in this model.

5.3.4. The simultaneous relationship between variables

The simultaneous relationship of market orientation, competitive advantage and internationalization is shown by the F value of 61,944 with a t significance level of $0,000 < 0,05$. This result can be interpreted as market orientation and competitive advantage simultaneously have significant influence on internationalization of silver craft SMEs in Celuk Village, Gianyar Regency.

The simultaneous relationship of market orientation, competitive advantage and marketing performance is shown by the F value of 40,188 with a t significance level of $0,000 < 0,05$. This result can be interpreted as market orientation and competitive advantage simultaneously have significant influence on marketing performance of silver craft SMEs in Celuk Village, Gianyar Regency.

5.3.5. The individual relationship between variables

The individual relationship between variables of this research summarized in Table 1.

Table 1. Individual relationship between variables

Relationship between variables	Beta coef.	Statistic t	Sig. t	Description
Market orientation -> internationalization	0,437	4,060	0,000	+ Significant
Market orientation -> marketing performance	0,494	3,918	0,000	+ Significant
Market orientation -> competitive advantage	0,681	5,729	0,000	+ Significant
Competitive advantage -> internationalization	0,520	4,827	0,000	+ Significant
Competitive advantage -> marketing performance	0,408	3,239	0,003	+ Significant

Source : *Processed data, 2018*

The test result shows that the beta coefficient value and t-statistics of all the individual relationships between variables are positive with a level of significance lower than 0,05. This value is interpreted as all the individual relationships between variables are positive and significant.

5.3.6. Summary and conclusion of path analysis

Based on the structure analysis calculation result, the summary of influences between variables are displayed in Table 2.

Table 2. The Direct Influence, Indirect Influence, and Total Influence of Market Orientation (X1), Competitive Advantage (Y1), Internationalization (Y2), and Marketing Performance (Y3)

Influence of Variables	Direct Influence	Indirect Influence through Competitive advantage	Total Influence
Market orientation → competitive advantage	0,681		0,681
Market orientation → internationalization	0,437	0,354	0,791
Market orientation → marketing performance	0,494	0,278	0,772
competitive advantage → internationalization	0,520		0,520
competitive advantage → marketing performance	0,408		0,408

Source : *Processed data, 2018*

In picture, the final path diagram model of this research is illustrated in Figure 3.

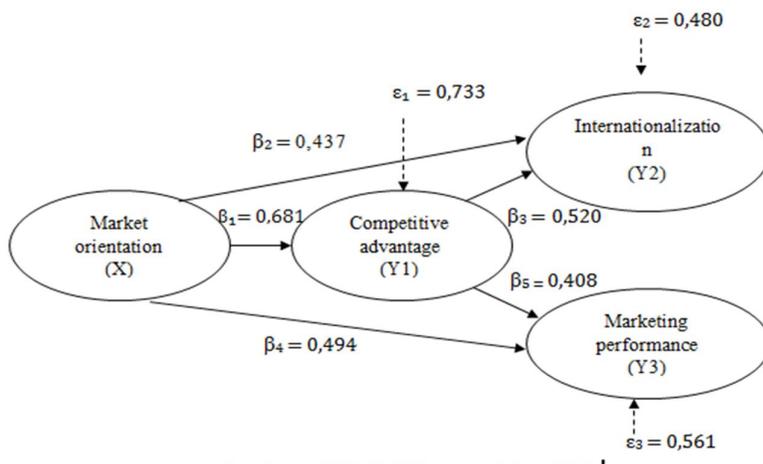


Figure 3. Final Path Diagram Model

5.4. Sobel Test Result

The Sobel test has a purpose to examine the significance of the indirect relationship between the exogenous variable and the endogenous variables which is mediated by the mediator variable. The Sobel test is calculated using the Microsoft Excel 2007 application with the conditions if the value of calculus Z is greater than 1,96 (with a confidence level of 95 percent), the mediator variable is deemed to significantly mediate the relationship between exogenous variable and endogenous variables (Preacher and Hayes, 2004). The Sobel test equation formula is shown below.

$$Z = \frac{ab_1}{\sqrt{b^2s_a^2 + a^2s_{b_1}^2 + s_a^2s_{b_1}^2}}$$

The influence of market orientation on internationalization mediated by competitive advantage.
Annotation : a = 0,681 ; b1 = 0,520 ; Sa = 0,131 ; Sb1 = 0,133

$$Z = \frac{(0,681)(0,520)}{\sqrt{(0,520)^2(0,131)^2 + (0,681)^2(0,133)^2 + (0,131)^2(0,133)^2}}$$

$$Z = 3,088$$

The influence of market orientation on marketing performance mediated by competitive advantage.
Annotation : a = 0,681 ; b2 = 0,408 ; Sa = 0,131 ; Sb2 = 0,159

$$Z = \frac{(0,681)(0,408)}{\sqrt{(0,408)^2(0,131)^2 + (0,681)^2(0,159)^2 + (0,131)^2(0,159)^2}}$$

$$Z = 2,267$$

Based on the calculation result, the Z value result of the Sobel test on the influence of market orientation on internationalization mediated by competitive advantage is 3,088 or greater than 1,96 and the influence of market orientation on marketing performance mediated by competitive advantage is 2,267 or greater than 1,96.

6. Research Findings and Discussions

6.1. Hypothesis one (H1) : Market orientation has positive and significant influence on internationalization

Table 2 shows that the beta coefficient value is positive 0,437 with a significance level of 0,000 or lower than 0,05. This value has a meaning that H1 which states that market orientation has positive and significant influence on internationalization is accepted. This means that the market orientation developed by silver craft SMEs in Celuk Village, Gianyar Regency will be able to encourage internationalization activities. Thus as there is a higher degree of market orientation, internationalization activities of SMEs would also increase.

6.2. Hypothesis two (H2) : Market orientation has positive and significant influence on marketing performance

Table 2 shows that the beta coefficient value is positive 0,494 with a significance level of 0,000 or less than 0,05. This value can be interpreted as H2 which states that market orientation has positive and significant influence on marketing performance is accepted. This means that the market orientation developed by silver craft SMEs in Celuk Village, Gianyar Regency will be able to increase marketing performance. Thus, the higher the degree of market orientation, the higher the marketing performance of SMEs.

6.3. Hypothesis three (H3) : Market orientation has positive and significant influence on competitive advantage

Table 2 shows that the beta coefficient value is positive 0,681 and the significance level is 0,000 or less than 0,05. This value can be interpreted as H3 regarding market orientation has positive and significant influence on competitive advantage is accepted. This means that the market orientation developed by silver craft SMEs in Celuk Village, Gianyar Regency is able to increase their competitive advantage. Hence, the higher the market orientation, the higher the competitive advantage of the SME.

6.4. Hypothesis four (H4) : Competitive advantage has positive and significant influence on internationalization

Table 2 shows that the coefficient beta value is positive 0,520 and the significance level is 0,000 or less than 0,005. This value can be interpreted as H4 regarding competitive advantage has a positive and significant influence on internationalization is accepted. This means that the competitive advantage possessed by the silver craft SMEs in Celuk Village, Gianyar Regency is able to encourage internationalization activities. Thus the higher the competitive advantage owned, the more the internationalization activities of the SME.

6.5. Hypothesis five (H5) : Competitive advantage has positive and significant influence on marketing performance

Table 2 shows that beta coefficient value is positive 0,48 with a significance level of 0,003 or less than 0,05. This value can be interpreted as H5 regarding competitive advantage has positive and significant influence on marketing performance is accepted. This means that competitive advantages owned by the silver craft SMEs in Celuk Village, Gianyar Regency will be able to increase their marketing performance. Thus, the higher the competitive advantage owned, the higher the marketing performance of the SME.

6.6. Hypothesis six (H6) : Competitive advantage significantly mediates the influence of market orientation on internationalization

The analysis result shows that the Z value is 3,008 or greater than 1,96 on the Sobel test. Therefore, H6 is of this research is accepted. This means that competitive advantage significantly mediates the influence of market orientation on internationalization. The competitive advantage of silver craft SMEs in Celuk Village, Gianyar Regency will be able to increase the influence of market orientation on internationalization. The higher the competitive advantage owned based on the development of market orientation, the more the SMEs would be propelled to perform internationalization.

6.7. Hypothesis seven (H7) : Competitive advantage significantly mediates the influence of market orientation on marketing performance

The analysis result shows that the Z value is 2,267 or greater than 1,96 on the Sobel test. Therefore, H7 of this research is accepted. This means that competitive advantage significantly mediates the influence of market orientation on marketing performance. The competitive advantage of silver craft SMEs in Celuk Village, Gianyar Regency will be able to increase the influence of market orientation on marketing performance. Thus, the higher the competitive advantage owned based on the development of market orientation, the higher the marketing performance of the SME.

7. Research Implication

This research result has theoretical and practical implications. The theoretical implication of this research seen in the result shows that market orientation has positive and significant influence on competitive advantage, internationalization, and marketing performance. Competitive advantage also has positive and significant influence on internationalization and marketing performance. This research also revealed that competitive advantage is able to positively and significantly mediate the influence of market orientation on internationalization and marketing performance.

The practical implication of this research is that managers of silver craft SMEs in Celuk Village must develop market orientation in order to create competitive advantages to propel themselves towards internationalization and achieve higher marketing performance for their business. Some ways are recommended, among others are by being more oriented towards customers and competitors, always conduct inter functional group coordination, create competitive advantages by differentiation or cost advantage and always active in the search for markets and to sell the products in the international field.

8. Research limitation

The limitation of this research is the scope of this research which only research silver craft SMEs in Celuk Village, Gianyar Regency. This means that this research result can not be used for generalization purpose for silver craft SMEs other than in Celuk Village, Gianyar Regency. Moreover, this research is only conducted within one time period (cross section), while the environment has a dynamic characteristic. Thus this research is expected to be conducted again in the future.

9. Conclusion

The problem faced by silver craft SMEs in Celuk Village, Bali Province is the decrease in internationalization activities and marketing performance. To overcome this problem, SMEs must consider the factors which influence internationalization and marketing performance.

The result of this research shows that market orientation has positive and significant influence on competitive advantage, internationalization and marketing performance. Competitive advantage has positive and significant influence on internationalization and marketing performance. Competitive advantage is able to mediate the relationship of market orientation with internationalization and marketing performance of silver craft SMEs in Celuk Village, Gianyar Regency.

Based on this result, silver craft SMEs in Celuk Village, Gianyar Regency must always develop market orientation in order to increase competitive advantage to encourage more internationalization and able to achieve continuous increases in marketing performance

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