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Article

The Competitive Advantage of Furniture SMEs in East Java: The Role of Aggressiveness in Entrepreneurship Orientation

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Abstract: This paper analyzes the dimensions of entrepreneurial orientation in Furniture SMEs in East Java, Indonesia, towards competitive advantage. This study uses a quantitative approach with the survey method. This study uses primary data that is self-reported using a self-administered survey by distributing questionnaires directly to 84 owners of small and medium enterprises (SMEs) Furniture in Western East Java, Indonesia. A measurement used the structural equation model (SmartPLS 3.0) to analyze data. Five hypotheses were proposed, and only four had positive significant and positive effects on competitive advantage, that is, the influence of entrepreneurial orientation consisting of proactiveness, innovativeness, aggressiveness, and autonomy. In contrast, the hypothesis related to risk-taking towards the competitive advantage of SMEs Furniture has no positive and significant effect. The findings of this study show that the dominant influence of the entrepreneurial orientation dimension is aggressiveness. The theoretical implication of this research is that furniture business players need to continuously improve their aggressiveness in entrepreneurship according to the theoretical findings in this study, such as introducing innovative products made from local materials and following market trends. This research adds to the theory of aggressiveness in entrepreneurship to encourage innovations that will make industries that use local natural resources more competitively and help government policies. Aggressiveness is required by the furniture business to improve competitiveness for a labor-intensive industry with reliable local content to spur economic growth in Indonesia.

Keywords: entrepreneurial orientation; aggressiveness; SME; furniture



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1. Introduction

One of the industries considered for contributing to Indonesia's competitiveness is the furniture industry. The furniture industry can improve the macroeconomy and plays a critical role in a business environment. The development of the national furniture and woodcraft industry has a great potential to develop because it is supported by abundant sources of raw materials and skilled craftsmen. The ability to innovate and collaborate also needs to be improved to increase the marketing competitiveness of small industries, especially wood crafts (Maryono et al. 2021).

This study provides literature to enrich the theory of entrepreneurship orientation in SMEs, especially furniture in Indonesia, to provide input and insight to policymakers to improve the performance of furniture SMEs. Several studies on entrepreneurial orientation related to furniture SMEs in Indonesia have been conducted (e.g., Kusumawardhani 2013; Dirgijatmo et al. 2019; Wibisono et al. 2020; Arifin and Komaryatin 2020), giving different results. Research with an entrepreneurial orientation needs to be explored more deeply, as suggested by Yoon et al. (2018), regarding the appropriate and dominant dimensions of entrepreneurial orientation in SME businesses, especially in developing countries such as Indonesia, to be sustainable in gaining competitive advantage. This study empirically examines SMEs furniture in Western East Java, Indonesia, to achieve a competitive advantage.

Many factors influence the competitive advantage of SME furniture, and entrepreneurial orientation is one of them. Through the entrepreneurial orientation dimensions, sustainable competitive advantage in the SMEs furniture can be obtained by creating value that is beneficial to consumers, difficult to imitate by competitors, and supported by professional company management. If the company can do something better than competitors, this is a competitive advantage (Barney 2002) and (David and Carolina 2011). According to Ong et al. (2010), when a company can do something that a competitor cannot make or has something that competitors highly desire, it can represent a competitive advantage.

This study traces several previous studies (Zeebaree and Siron 2017; Sirivanh et al. 2014; Huang and Wang 2011; Hussain et al. 2015) as a reference for the idea of entrepreneurship orientation theory in SMEs. The literature gap in some previous studies focuses on three major aspects of entrepreneurial orientation: risk-taking, proactiveness, and innovativeness (Mahmood and Hanafi 2013; Zulkifli and Rosli 2013; Sirivanh et al. 2014; Anlesinya et al. 2015; Pau et al. 2018), with a couple of additional aspects including autonomy and aggressiveness (Madhoushi et al. 2011; Hussain et al. 2015; Panjaitan et al. 2021).

In addition, a study on the competitive advantages of SMEs has been conducted by Heriyanto et al. (2021). The application of competitiveness is essential in SMEs because the resilience of the SME business is closely tied to the relationship between business actors, academics, practitioners, institutions, and the government in encouraging the development of research related to competitive advantage in SMEs.

As an increase in competitive advantage, a suitable formulation of entrepreneurial orientation is needed to determine the company's position in facing competitors. A proactive attitude and courage in making risky decisions are factors in the success and increase the company's ability. Creative and innovative attitudes are needed in the business environment because the rapidly changing environmental conditions require companies to find innovative ways in business processes to generate profits. Decision-making, actions, and behavior of a company are strongly associated with an entrepreneurial activity, which refers to the entrepreneurial orientation of the company (Kraus et al. 2012). Therefore, entrepreneurial orientation will continuously affect the company's overall behavior and become a mindset for achieving a competitive advantage (Ferreira et al. 2020). In addition, the strategists (top-level managers) have autonomy in determining the company's vision and mission. They are individuals who have the capability, competence, and expertise to read the market opportunities (Kiyabo and Isaga 2020). Therefore, this study wants to confirm the five multidimensional entrepreneurial orientations by Madhoushi et al. (2011) and Hussain et al. (2015). Then, according to Diaz and Sensini's (2020) research, not all entrepreneurial orientation variables significantly influence performance. Our study provides a quantitative approach by using the survey method. The quantitative approach was chosen because the researcher tested the hypotheses that had been developed previously and tested the relationship between the variables that formed the research model so that the SMEs furniture studied can find out the multidimensional influence of entrepreneurial orientation, which is dominant in generating competitiveness.

2. Literature Review

2.1. Risk-Taking and Competitive Advantage

Risk-taking is the commitment and willingness of managers to make risky decisions. In addition, risk-taking is also a level of readiness to deal with any changes and events and uncertain things (Lechner and Gudmundsson 2014). Risk-taking is an explicit action taken when facing uncertainty. Research conducted by Zeebaree and Siron (2017) in small and medium industries in Iraq shows that when a company dares to take risky actions and can be very competitive with its competitors, the company will benefit and gain control of market segments and obtain profitable new opportunities to anticipate uncertainty in the future. The results of the Mahmood and Hanafi (2013) study on female entrepreneurs in Malaysia showed that risk-taking is most influential on business success compared to other dimensions in entrepreneurial orientation.

Furthermore, suppose a company is willing to take risks and able to identify opportunities that exist. In that case, it can support the company's creativity in innovating to develop new products or applying new technology or procedure to the company's internal to produce high competitiveness. By these theories, this study suggests that risk-taking affects the company's superiority in competing, and therefore the hypothesis is:

H1. Risk-taking has a significant positive influence on competitive advantage.

2.2. Proactiveness and Competitive Advantage

Proactiveness relates to an initiative to anticipate problems or changes in the future and look for profitable business opportunities. A proactive attitude is essential in entrepreneurial orientation because a proactive attitude plays a role in seeing the perspective of conditions in the future. A proactive company will become a leader for its followers, and the company is capable of acting as a first-mover compared to its rivals. In addition, companies that are proactive always make good changes, identify opportunities, and have the initiative (Anlesinya et al. 2015). Being proactive is a way of anticipating and action based on the future that controls the market by dominating the distribution channel. Sirivanh et al. (2014) explain that proactive business is the market leader, not a follower. Li and Zhou (2010) support this statement and then explain that proactive companies are companies that are sustainable and have a competitive advantage. Being proactive is very important in developing a new product or idea; companies need to be proactive to find and exploit new opportunities (Lechner and Gudmundsson 2014). Thus, a strategy is needed for companies to find new opportunities. Proactive companies will be able to increase competitiveness and help companies find new opportunities, and then the competitive advantage will be achieved if an innovative step is implemented (Huang and Wang 2011). By these arguments, the hypothesis proposed:

H2. Proactiveness has a significant positive influence on competitive advantage.

2.3. Innovativeness and Competitive Advantage

Innovativeness is creativity supported by the company to provide new services and products and new things in research and development to develop something new. In addition, innovation can be interpreted as a new idea, new practice, or new object (Zulkifli and Rosli 2013). Hussain et al. (2015) also said that innovation consists of processes that go through many stages with different activities. Innovation focuses on applications and develops creative solutions that arise in the general business environment. Entrepreneurial orientation requires a commitment to innovate. According to Alarape (2013), innovation reflects that a business tends to be involved in supporting processes related to new ideas, new technologies, and experimenting creatively to create new products and services. Based on research conducted by Zeebaree and Siron (2017) on small companies in Iraq, competitive advantage and innovation have a positive relationship. The results of research conducted on SMEs in Malaysia show a positive link between innovation and competitive advantage (Mahmood and Hanafi 2013). Results were also highlighted by the study conducted by Madhoushi et al. (2011) in the small and medium industries, which also showed significant results between innovation and company competitive advantage. Entrepreneurial orientation is an approach that focuses on innovation and the tendency for companies to be pioneers in innovation. When a company has an entrepreneurial orientation, the process and frequency of innovation will be better, resulting in being more effective for companies to achieve competitive advantage. From these theories, hypotheses are:

H3. Innovativeness has a significant positive influence on competitive advantage.

2.4. Aggressiveness and Competitive Advantage

Aggressiveness is how the company deals with competitors and how it responds to the demand in the market. It can be described as an organization that competes for market demand. Another reason for competitive aggressiveness is being ready to compete and win

the competition in the market (Madhoushi et al. 2011). Aggressiveness is how companies respond to business conditions, especially to competitors, and respond to requests on the market. The research conducted by Huang and Wang (2011) on companies in China state that there are many profitable business opportunities in a dynamic business environment, and aggressive companies are faster and more effective than competitors in responding to business opportunities. Research by Hussain et al. (2015) shows that the performance of SMEs in Malaysia is affected by competitive aggressiveness. Organizations that want to challenge their competitors need to make aggressive strategies to excel in the market by maintaining a solid market position against the efforts made by competitors. Aggressiveness can change market trends that can place the organization's survival by introducing innovative products with the best features compared to competitors' products, providing something new to the market, and using information about products and services before competitors do. Competitive aggressiveness also encourages organizations to become pioneers in the market and outperform their competitors (Madhoushi et al. 2011). These arguments lead to the following hypothesis:

H4. *Aggressiveness has a significant positive influence on competitive advantage.*

2.5. *Autonomy and Competitive Advantage*

Autonomy is a future action regarding business concepts created by a team or individually. Hussain et al. (2015) stated that the basis of entrepreneurial and innovative behavior is autonomy. Madhoushi et al. (2011) define autonomy as the ability and willingness to work independently to seek opportunities when there is a challenge. The principle of autonomy is dependent on management style and business structure in decision making. Managerial attitude related to entrepreneurial orientation is oriented to the decision-making process as a basis for actions and decisions in entrepreneurship. Alarape (2013) states that innovative behavior in entrepreneurship is the basis of autonomy. Self-confidence is crucial for entrepreneurs to make decisions to ensure the organization's survival. Madhoushi et al. (2011) explain through entrepreneurial orientation and the principle of autonomy that is owned. The company can increase its capability to transform existing knowledge into innovation and make it more effective in increasing its competency and generating competitiveness. Autonomy refers to a person's independence in creating ideas, then presenting and implementing them to the organization. The achievement of a vision starts from autonomy. Entrepreneurs can identify the market and follow the opportunities by maximizing organizational resources to take advantage of opportunities. Research by Hussain et al. (2015) shows that autonomy helps companies create new businesses and improve business processes to achieve competitiveness. Autonomy is a prerequisite to stimulating innovation in starting a new business, increasing organizational effectiveness and increasing company profitability. Thus, autonomy is a driver of change in entrepreneurial processes and activities within the organization. By that, the hypothesis is:

H5. *Autonomy has a significant positive influence on competitive advantage.*

3. Methodology

The research location is a furniture business in the western part of East Java, Indonesia. Determination of the sample was done using variance-based partial least square (PLS) by convenience sampling and nonprobability sampling with purposive sampling technique, as suggested by Wong (2010).

3.1. *Sample and Data*

Respondents in this study were furniture producers and sellers in Western East Java with an analysis unit of 70 male and 14 female furniture owners. The owner or leader is an individual who knows most of the furniture business activities carried out and the resources they have. The number of furniture business that operated for more than three years was 73, and 11 SMEs furniture had been operating less than three years. In addition,

58 SMEs furniture had many employees between 16–20, and 26 SMEs had employees under 16. The primary data used in this study is self-reported using a questionnaire (Cooper 2010). In this study, the questionnaire distributed to furniture entrepreneurs included in the sample was 84 questionnaires, and the number of questionnaires returned fulfilled the requirements and was feasible to be analyzed. Analysis and measurement of data used a structural equation modeling approach (PLS version 3.0) with the analysis of models outer, inner, and testing the hypotheses (W. W. Chin 2010).

3.2. Validity and Reliability Testing

In line with a suggestion by Wong (2010), an analysis of the model outer was performed to ensure that the measurement used was a decent measurement (valid and reliable). Tests conducted on the outer model consist of a test of convergent and discriminant validity, composite reliability, and Cronbach alpha (Chin et al. 2013). Instrument to measure the constructs of risk-taking, proactivity, innovation, aggressiveness, and autonomy adopted from Madhoushi et al. (2011) and Hussain et al. (2015). In contrast, the instrument for measuring competitive advantage is adopted from Zeebaree and Siron (2017) and Sirivanh et al. (2014). Due to the absence of convergent validity problems, Hair et al. (2010) suggest the next test is the problem related to discriminant validity. According to Ghozali (2008), the method used to test discriminant validity is to look at the loading of items, as shown in Table 1.

Table 1. Construct, item loading, average variance extracted (AVE), composite reliability, and Cronbach's alpha.

Construct	Item	Loading	Average Variance Extracted (AVE)	Composite Reliability	Cronbachs Alpha	Description
Risk Taking (RT)	RT1	0.517	0.454	0.803	0.713	Valid and Reliable
	RT2	0.792				
	RT3	0.630				
	RT4	0.636				
	RT5	0.758				
Proactive (PRO)	PRO1	0.757	0.500	0.803	0.752	Valid and Reliable
	PRO2	0.662				
	PRO3	0.862				
	PRO4	0.766				
	PRO5	0.631				
Innovative (INNO)	INNOV1	0.895	0.617	0.889	0.846	Valid and Reliable
	INNOV2	0.791				
	INNOV3	0.682				
	INNOV4	0.818				
	INNOV6	0.723				
Aggressive (AGG)	AGG1	0.769	0.474	0.815	0.736	Valid and Reliable
	AGG2	0.801				
	AGG3	0.547				
	AGG4	0.600				
	AGG5	0.690				
Autonomy (AUTO)	AUTO1	0.821	0.587	0.876	0.824	Valid and Reliable
	AUTO2	0.831				
	AUTO3	0.754				
	AUTO4	0.757				
	AUTO5	0.656				
Competitive Advantage (CA)	CA1	0.643	0.509	0.837	0.755	Valid and Reliable
	CA2	0.659				
	CA4	0.662				
	CA5	0.737				
	CA7	0.847				

Wong (2010) explains that after no problems related to the measurement, the next step is to evaluate the outer models (unidimensionality test model). The average variance extracted (AVE), composite reliability, and Cronbach's alpha was used to test unidimensionality. For these indicators, the cut-off value is 0.5 so that all statement items in these variables are reliable (Hair et al. 2010). Table 1 shows the composite reliability and Cronbach alpha in the constructed value above 0.6. Therefore, there are no problems in the reliability and unidimensionality test. The subsequent analysis tests the inner or structural models (Ghozali 2008), as shown in Figure 1.

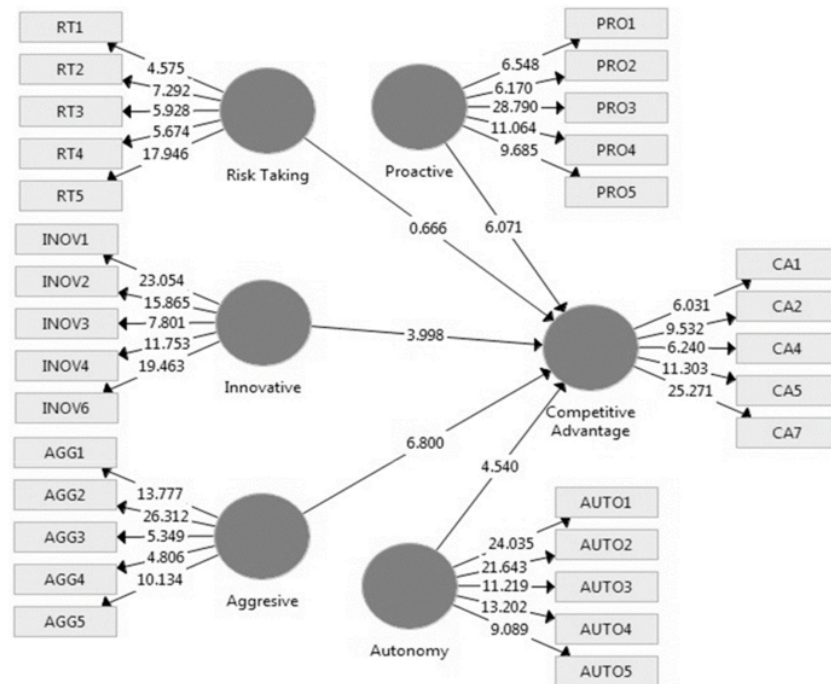


Figure 1. Structure Model of Inner Model Analysis.

4. Results and Discussion

The success of a business can be influenced by risk-taking, which is an entrepreneurial orientation dimension. The superiority company's competitiveness will be achieved when the company identifies existing opportunities and dares to take risks. The results of data analysis for hypothesis 1 (Figure 1 and Table 2) show that risk-taking does not affect competitive advantage. This result is the same as the research conducted by Stephen et al. (2019)—that risk-taking does not affect the competitive advantage of SMEs in Nigeria. This indicates that the studied furniture business is not ready to deal with all forms of change and things full of uncertainty. We argue that the furniture business is also less prepared to take risks and identify opportunities, making it less competitive against its competitors. Furniture businesses surveyed also felt less trying to explore new markets; besides, the research of furniture business did not switch to using huge resources (human and financial) and was less involved in a large and risky project. The competitive advantage SMEs studied furniture is not influenced by risk-taking. These results do not support research by Mahmood and Hanafi (2013) and the theory put forward by Lechner and Gudmundsson (2014) and Zeebaree and Siron (2017).

Table 2. Path Coefficient.

	T Statistics	p Value	Result
Risk Taking → Competitive advantage	0.666	0.506	Rejected
Proactive → Competitive advantage	6.071	0.000	Accepted
Innovative → Competitive advantage	3.998	0.000	Accepted
Aggressive → Competitive advantage	6.800	0.000	Accepted
Autonomy → Competitive advantage	4.540	0.000	Accepted
R Square: CA = 0.923 (92.3%)			
Significant: t = 1.663 (sig.5% **)			

** significant level at 5% $p < 0.05$.

Being proactive is important for the company to find and exploit new opportunities and shape innovation in order to enhance the company's competitiveness. The data analysis for hypothesis 2 (Figure 1 and Table 2) shows that being proactive has a significant positive effect on competitive advantage. The furniture business studied always took the initiative to look for opportunities, and the future market needs to be a follow-up and anticipated. The furniture business is also always looking for new opportunities in other lines of operations (products and markets), and distribution channels can be dominated by controlling the market. The proactive furniture business is considered a market leader, not a follower, by always exploring potential and sustainable market benefits, having competitive advantages, and always making better changes. This study supports the research conducted by Li and Zhou (2010), Huang and Wang (2011), Sirivanh et al. (2014), and (Kuo et al. 2021). In line with Diaz and Sensini's research (2020), the proactive dimension significantly influences performance. These results give policymakers helpful information about the proactive factors that must be kept to help new businesses start and grow.

Innovation reflects the tendency of companies involved in supporting the process of creativity and finding new things and ideas. An approach that focuses on innovation will create a more effective competitive advantage. Then, for the analysis of data in hypothesis 3 (Figure 1 and Table 2), the results show that innovation has a significant positive impact on competitive advantage. This indicates that the studied furniture business is always willing to experiment with new products, support creativity and new things, and find creative business solutions. This supports the theory of Alarape (2013) that innovation is a creative process with new ideas and experiments in delivering new products, services, and technologies. Research conducted by Ferreira et al. (2020) shows that innovation capability significantly affects the competitive advantage of SMEs in Portugal. For example, research by Chaithanapat et al. (2022) in Thailand explains that the quality of innovation is important in small and medium enterprises (SMEs) and customer knowledge management and leadership. When a company has an entrepreneurial orientation, the process and frequency of innovations will be better, resulting in being more effective for companies to achieve competitive advantage. These results support the study finding by Madhoushi et al. (2011), Mahmood and Hanafi (2013), and Zeebaree and Siron (2017). According to Ortigueira-Sánchez et al. (2022), innovation is the primary ability to drive a sustainable competitive advantage.

The concept of aggressiveness encourages organizations to become market pioneers and outperform competitors. Aggressiveness is done to change market trends and provide product-related services using information technology in eccentric ways before competitors. The explanation is supported by Sutejo and Silalahi (2021)—that the variable of competitive aggressiveness strongly affects company performance. Data analysis for hypothesis 4 (Figure 1 and Table 2) shows that aggressiveness significantly impacts competitive advantage. Aggressiveness can change market trends that can place the organization's survival by introducing innovative products with superior features that the competitors do not perform. The researched furniture business always reacts to competitors, follows the trends and demands of the market, and is always intensely finding out about the closest competitors. Furniture businesses are also always ready to compete to outperform their competitors.

These results support the theory of [Madhoushi et al. \(2011\)](#)—that the concept of competitive aggressiveness also encourages organizations to become pioneers in the market and outperform their competitors. The results support findings by [Huang and Wang \(2011\)](#) and [Hussain et al. \(2015\)](#). In addition, research conducted by [Panjaitan et al. \(2021\)](#) also found that competitive aggressiveness affects business performance at private universities in Indonesia. In order to support this result, aggressiveness can be carried out with the entrepreneurial process of creating new businesses through a psychoanalytic approach to entrepreneurial behavior, which is identified with three stages: dreams, business ideas, and the creation of new businesses [Metallo et al. \(2021\)](#). This entrepreneurial process will produce individuals who have ideas for creating new and competitive businesses.

Autonomy is one of the bases for innovative behavior and entrepreneurship that refers to independence in presenting ideas or making and implementing decisions that bring improvements in business processes to achieve competitiveness ([Alarape 2013](#)). Finally, the data analysis for hypothesis 5 (Figure 1 and Table 2) shows that autonomy significantly affects competitive advantage. The researched furniture business has a clear vision and mission, has a clear organizational structure, is very confident in making decisions, has its management style, and continuously increases effectiveness. Entrepreneurial orientation is the managerially oriented attitude in the decision-making process and strategic actions in entrepreneurship. Entrepreneur holds the right to make decisions, and therefore self-confidence is crucial to ensure the organization's survival. This study supports the theory suggested by [Madhoushi et al. \(2011\)](#) and the study by [Hussain et al. \(2015\)](#). Coupled with the findings, [Benneth Uchenna et al. \(2019\)](#) reveal that entrepreneurial orientation consisting of autonomy drives SMEs' performance in the State of Abia, Nigeria.

The analysis (Table 2) shows the value of R Square (R^2) of 0.923 for competitive advantage. It means that 92.3% of competitive advantage is influenced by risk-taking, proactiveness, innovativeness, aggressiveness, and autonomy, while 7.7% of the competitive advantage variable is influenced by other variables outside the variables not contained in the research. The value of R^2 obtained by more than 0.5 indicates that the model has a good measure of goodness of fit ([Hair et al. 2010](#)).

5. Conclusions

This study provides several important things that can be considered in making decisions related to furniture SMEs. SME should focus on three factors: time for innovation, speed of innovation, and networking by developing company capabilities even before market changes ([Hilmersson and Hilmersson 2021](#)). SMEs need to be aware of the importance of international markets. SMEs need to work closely with external partners to strengthen their technological innovation capabilities to improve their performance internationally ([Ryu et al. 2021](#)). In addition, SMEs need to be proactive in alliances, and relational capital is a key factor for international cooperation. So that they can be competitive, they need to improve their ability to develop and use new technologies.

Thus, this can be an input for the government, especially the Ministry of Industry of Indonesia and the Indonesian Creative Economy Agency (BEKRAF), to increase the competitiveness of Indonesian furniture globally by providing incentives for SMEs furniture actors in Indonesia. Besides that, the SMEs furniture understudy needs to be oriented to entrepreneurship strategically in making decisions and actions and becoming more proactive, innovative, aggressive, and autonomous, as well as taking risks to excel in competition. As supported in research by [Hoque \(2018\)](#), [Bernoster et al. \(2020\)](#), and [Fan et al. \(2021\)](#), the relationship of entrepreneurial orientation drives company performance in achieving competitiveness. In addition, the SMEs furniture should formulate and implement strategies that lead relative to superior performance facing competitors in the same industry and provide more added value to customers. The growth of the wood and craft furniture industry spread throughout Indonesia has great potential to grow and develop in a long time, as do the research results conducted by [Maryono et al. \(2021\)](#) on the woodcraft industry.

Managerial Implication

Entrepreneurial orientation is required by SMEs furniture in East Java, Indonesia. The dimensions of entrepreneurial orientation that have the most dominant influence in this study are aggressiveness. Aggressiveness is the company's reaction to the trends and demands of competition in the market (Sutejo and Silalahi 2021) and (Panjaitan et al. 2021). Therefore, the SMEs furniture needs to maintain and increase aggressiveness intensely by responding to requests and competing to reach demand in the market. The furniture industry is a labor-intensive industry that needs to be aggressive because the furniture business has reliable local content. Besides, the role of investment is also very important (Lewandowska 2021) in influencing the competitiveness of SMEs, such as investment in machinery and equipment, investment in marketing activities, intellectual property protection, and investment in training, which need to be increased. The resources of the furniture industry are mainly from local natural resources (wood and rattan) combined with handicraft products and typical Indonesian culture, so the furniture industry has excellent prospects to spur economic growth in Indonesia.

Future research needs to dig deeper into the theory of aggressiveness in SMEs that we have implemented in this research. There is more focus on looking at the aggressive side than aggressively introducing innovative products into the market, giving eccentric surprises to the market, and aggressively exploiting product and service information. Besides that, the aggressiveness seen needs to include, for example, how to follow market trends and demands aggressively and how to consistently and intensely find out about competitors. In addition, future research needs to pay attention to the scope of the study because this research is still limited to one area, namely the province of East Java in Indonesia, so it cannot be compared with other regions in the same period with a broader sample.

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