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Business Strategies Implementation to Enhance Competitive Advantage (A Study of Ikat Weaving in Bali)

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Abstract
This research is conducted with the background that there is a phenomenon of increasingly tight competition since the enactment of Asian Economic Community (AEC) in 2015. Therefore, all efforts, including Micro Small Enterprises (MSEs) sector of ikat weaving industry should anticipate by implementing appropriate business strategies so as to achieve competitive advantage. The objective of this research is to explain the role of business strategy (innovative strategy, differentiation strategy, service strategy, and partnership) to enhance the competitive advantage in Ikat Weaving industry in Bali. To reach such objective, this research took a sample of 115 people who are owners or managers of SMEs in Ikat Weaving industry in Bali by applying *Structural Equation Modelling* (SEM) analysis. The results of the study showed that industrial competition has positive and significant effect on competitive advantage. Industrial competition has positive and significant effect to the implementation of the innovative strategy, differentiation strategy, service strategy, and partnership strategy. Likewise, innovative strategy, differentiation strategy, service strategy, and partnership strategy has positive and significant effect to competitive advantage. The four business strategies are able to enhance competitive advantage.The implications of the study contributes to the owners/managers of SMEs in Ikat Weaving industry in Bali to keep implementing business strategies consisting of innovative strategy, differentiation strategy, service strategy, and partnership strategy comprehensively to enhance competitive advantage.
Keywords: industrial competition, business strategy and competitive advantage.

PRELIMINARY

Asean Economic Community (AEC) has been enacted in 2015, namely, in December 2015. With the enactment of AEC 2015, business industries in Indonesia, including Bali will face increasingly tight competition. To be able to exist in increasingly tight competition, appropriate and proper business strategy is very much required. Therefore, all the existing industries need to plan and implement suitable and appropriate business strategies.

Business strategy is a comprehensive and integrated plan taking into account the external and internal environment in order to achieve the goals and vision of the company (O'Cass and Julian, 2003). A business strategy that can be selected by a business can be varied, inter alia innovation strategy (Li et al., 2010; Govindarajan and Trimble, 2012; Yalabik et al., 2012; and Krishnan, 2012), differentiation strategy (Prajogo, 2007), service strategy (Edelman et al., 2002), partnership strategy (Yasa et. al., 2013), blue ocean strategy (Kim and Mauborgne, 2005a, 2005b; Casadesus-Masanell and Ricart, 2010; and Wubben et al., 2012) in order to escort the businesses achieving their goals.

If observed and based on the result of interviews with some businessman in ikat weaving handicraft industries in Bali, they generally implement innovation strategy, differentiation strategy, service strategy, and partnership strategy. The four business strategies have been implemented by ikat weaving handicraft businesses in Bali to maintain the viability of their businesses and to achieve competitive advantage. The business competitive advantage in ikat weaving handicraft industries in Bali is still stagnant. This is reflected in the achievement of its performance, the foreign exchange earnings from exports of the Balinese Ikat in 2014 slightly decreased in this tight competitive condition, namely, 21.3 million dollars. Compared to the previous year's performance (in 2013) was 21.6 million US dollars. Therefore, to achieve competitive advantage, all businesses in ikat weaving handicraft industries in Bali need to implement appropriate and suitable strategy to be able to deliver their business to achieve enhancement of performance through competitive advantages owned as excellence in product quality, reasonable price, service. The phenomenon of each business strategy implementation has been studied by several researchers, among others, the effect of innovative strategy to competitive advantage or performance of company (Mole and Worrall, 2001; Weerawardena and Coote, 2001; Terzlovski, 2002); the influence of differentiation strategy to competitive advantage or performance of company (Subramaniam and Youndt, 2005; and Hsu, 2011); the influence of service strategy to enhance business performance (Edelman et al., 2002); and the effect of partnership strategy to company performance or competitive advantage (Lee et al., 2007; Wicker et al., 2010; Lee, 2011; Chong et al., 2011; Peng, 2011).

Based on the business issues of ikat weaving handicraft industries in Bali and completed with some of results of empirical studies relating to the existing issues, the motivations of this research are: 1) to study the existing business; 2) to develop previous research by integrating several business strategies implemented by ikat

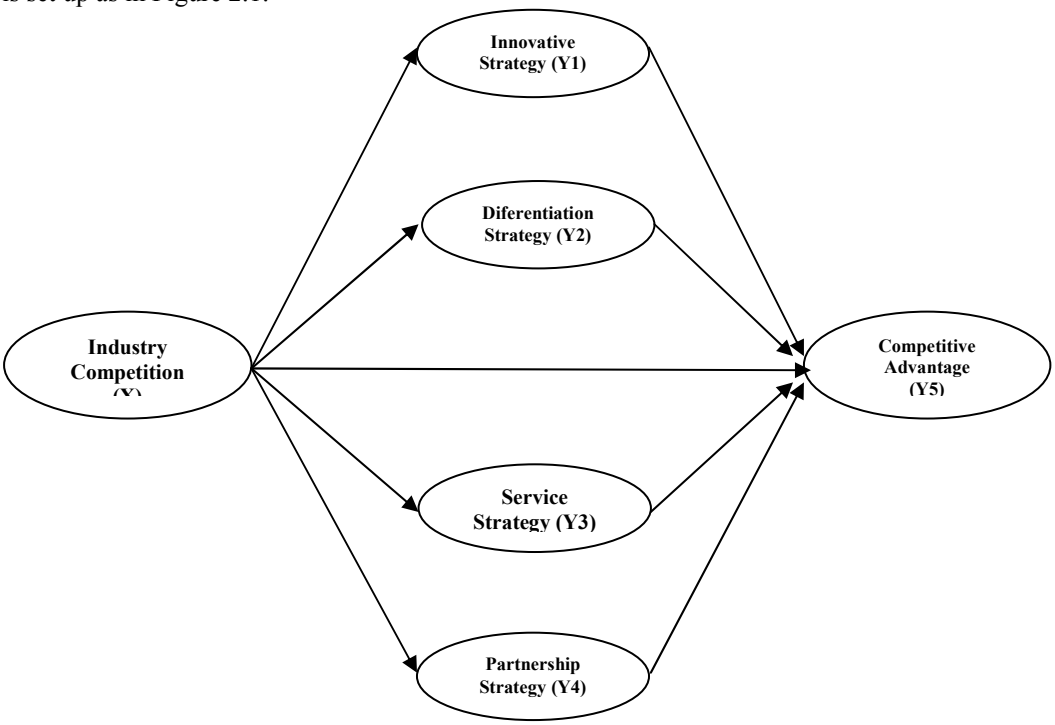
weaving handicraft industries, and 3) to develop a model of suitable and comprehensive business strategy implementation to attain competitive advantage. Therefore, the aim of this study is to elucidate the role of business strategies in encountering industrial competition in order to enhance competitive advantage in ikat weaving handicraft industry in Bali.

FRAMEWORK OF CONCEPT AND RESEARCH HYPOTHESES

The theories applied in this study are the theory of Industry Competition and Business Strategy (Porter, 1985). According to the theory of Industry Competition, (Porter) said that the intensity of an industry competition will be intense if the number of companies coming into play in the industry are getting more and more. Such conditions could lead to the increasingly difficulties in the achievement of competitive advantage. Therefore, one of the ways that can be taken is by implementing suitable and comprehensive business strategies (innovative strategy, differentiation strategy, service strategy, and partnership strategy) for the company to win the competition.

The phenomenon of the tightness of competition intensity in small and medium enterprises as the business scale of the ikat weaving industries, also revealed in the study of Metts (2007); Michael et al. (2014), and Rosa and Pedro (2014). The study of Metts (2007) showed that the competitive pressures which is so sharp in the industry give negative impact on the performance of company including the achievement of competitive advantage. These negative effects try to be eliminated through the activities of strategy set up by the leaders to do strategy-making process. The result of research by Metts (2007) showed that the results of the activity of making strategy has not been able to eliminate the negative effects of competitive pressures in industries, but only decreased the negative effects of it. Furthermore, this study offered a solution by implementing the suitable and comprehensive business strategy (innovative strategy, differentiation strategy, service strategy, and partnership strategy), which is already implemented by SMEs (ikat handicraft industry) for several reasons, among others, (1) business strategy in this case innovative strategy assists the businesses very much to enhance performance by creating new products, new processes, new materials (Abbas, 2014); (2) business strategy, in this case, differentiation strategy according Prajogo (2007) has been regarded as one of the company's strategies in the process of creating value by offering unique products in the eyes of consumers, can reduce the pressure of competition, raise the value of creativity and innovation, differentiation strategy, in this instance, is able to strengthen competitive power of companies according to Bennett and Smith (2002); (3) business strategy, in this regard, service strategy, according to Edelman et. al. (2002), is able to improve the performance of the company; (4) the business strategy, in this case, partnership strategy is to improve the performance of SMEs (Yasa et al., 2013).

Based on the framework explaining the interrelationship of each variable, then a conceptual framework is set up as in Figure 2.1.



Based on the existing conceptual framework, the research hypothesis can be set is as follows:

H1: Industry competition has positive and significant effect to the implementation of the innovative strategy
H2: Industry competition has positive and significant effect to the implementation of differentiation strategy
H3: Industry competition has positive and significant effect to the implementation of the service strategy
H4: Industry competition has positive and significant effect to the implementation of the partnership strategy
H5: Industry competition has negative and significant effect on the implementation of competitive advantage
H6: Innovation strategy positive and significant impact on competitive advantage
H7: differentiation strategy is positive and significant impact on competitive advantage
H8: service strategy positive and significant impact on competitive advantage
H9: Strategic partnership positive and significant impact on competitive advantage

RESEARCH METHODS

Seen from the nature of the problem, this research includes in the type of causal research, meaning that this research is aimed to examine the causal relationship between variables of industrial competition, business strategy and competitive advantage. This study will be conducted in all regencies in Bali, namely: Gianyar, Klungkung, Karangasem, Buleleng, Jembrana, Tabanan, Badung Regency and Denpasar City.

The population of this study are the entire ikat weaving handicraft businesses in Bali Province. The sample of this research are 115 SMEs of Ikat Weaving Handicraft Industries. The determination of sample in this study applied Slovin formula. In this way, it is expected that the entire samples are representative to represent the ikat weaving handicraft businesses in each regency/city and finally able to represent the ikat weaving handicraft industries of Bali as a whole.

The variable indicator of industry competition, business strategy (innovative strategy, differentiation strategy, service strategy, and partnership strategy, as well as the competitive advantage are measured through the perception of owners or managers of ikat weaving handicraft businesses as the strategists using a Likert scale of five levels, from very disagree = 1, disagree = 2, quite agree = 3, agree = 4, and very agree = 5.

The data were collected in two ways, namely through questionnaires and interviews with the owners or managers ikat weaving handicraft businesses, observer/academician of ikat weaving handicraft businesses. Basically, conducting a research is measuring the phenomen of the research. A tool to measure such phenomenon is called instrument. The indicators of this research are taken from the measurements that had been done by some researchers. The measurement of Industry Competition is adopted from measurements made by Metts (2007); the measurement of innovative strategy is adopted from the measurement of Palmetier et. al. (2006) and Velnampy & Sivesan (2012); the measurement of differentiation strategy is adopted from the measurement of Porter (2009) and Yasa et al. (2014); the measurement of service strategy is adopted from the measurement of Edelman et al. (2002); and the measurement partnership strategy variable is adopted from Yasa et. al. (2013); and Competitive Advantage variable is adopted from the measurements that had been done by (Zhou et al. 2007) and Afsharghasemi et al. (2013). The form of instrument applied in this study is a list of questions or questionnaire as the nature of this research is survey which requires primary data. The questionnaire used was tested before the entire study was conducted with a sample size of thirty people in order to represent each region in all regencies/municipalities in Bali.

The instruments used are tested for validity and reliability in order to measure what is intended to measure and to find out the consistency of reponses given by the respondents. Testing for the validity of the instrument applied Pearson product moment correlation with the minimum threshold r - 0.3 (Sugiyono, 2014: 150). Testing for reliability of the instrument is performed by calculating the reliability coefficient of Cronbach's Alpha with a minimum limit of Alpha coefficients>0.6 (Sekaran, 2003: 312). Both of these tests applied SPSS computer program.

The causal relationships defined in this study applied a model that is not simple, the variables in the model form a recursive relationship. The form of this causal relationship requires an analytical instruments which is able to explain the relationship, so the inferential statistical methods used in the analysis of this research is *Structural Equation Modeling* (SEM).

RESULTS AND DISCUSSION

The characteristics of respondents for this study are age, sex, education level, marital status and family dependents. Age can show experience, productivity, and maturity of the respondents' thought. The age of respondents of SME managers of Ikat Weaving in Bali varies from the youngest age of 25 years up to the oldest age reaching the age of 67 years. The range age of the respondents can be seen in Table 1. Based on Table 1, it can be seen that the age of SME managers of Ikat Weaving in Bali having the age up to 30 years is 8.70 percents,

31years old to 40 years old as much as 34.78 percents, 41 years old to 50 years old as much as 47.82 percents, and over the age of 50 years old as much as 8.70 percents. Of the existing distribution, the dominant range of age is the range of 31 years old to 50 years old, as many as 82.50 percents. The age of 31 years old to 50 years old is the range of age that is still strong to work and is suitable to be an innovative business doers because it requires strong power and thought. The distribution of sex of SME managers in Bali can be seen in Table 4.1. Approximately 60.87% of the respondents are females. It shows that women are very suitable for the work as managers who need the ability of creativity, innovation and excellent service quality. However, it does not mean that men are not suited to a career as Ikat Weaving SME businessman since there are still about 39.13% of the respondents are males. This amount, although still less than the female respondents, but in the future, it is expected to be more and more men become Ikat Weaving SME businesses. The education level of Ikat Weaving SME managers describes level of knowledge, abilities, and skills in innovation. The distribution of respondents' education level can be seen in Table 4.1. Most business persons of SMEs in Bali are high school educational background, about 60.87% of the respondents. This number illustrates that the quantitative education level of SME business persons in Bali have a fairly good knowledge. From Table 4.1, it can also be noted that the status of SME business persons in Ikat Weaving handicrafts sector in Bali are dominantly is married. Married status reflects that the emotional stability of people will have a positive impact to the achievement of performance of SMEs since those people having emotional stability are generally more patient in work those having no emotional stability. The number of dependents of SME businesses in Bali are those mostly bearing the family members of 2 to 3 persons, which is about 69.57 percents.

The Result of SEM Analysis

Theoretical models on the conceptual framework of the study is said to fit if it is supported by empirical data. The results of SEM analysis (Appendix 6) shows that the test results overall *goodness of fit model* is to determine whether the hypothetical model was supported by empirical data contained in Figure 1.

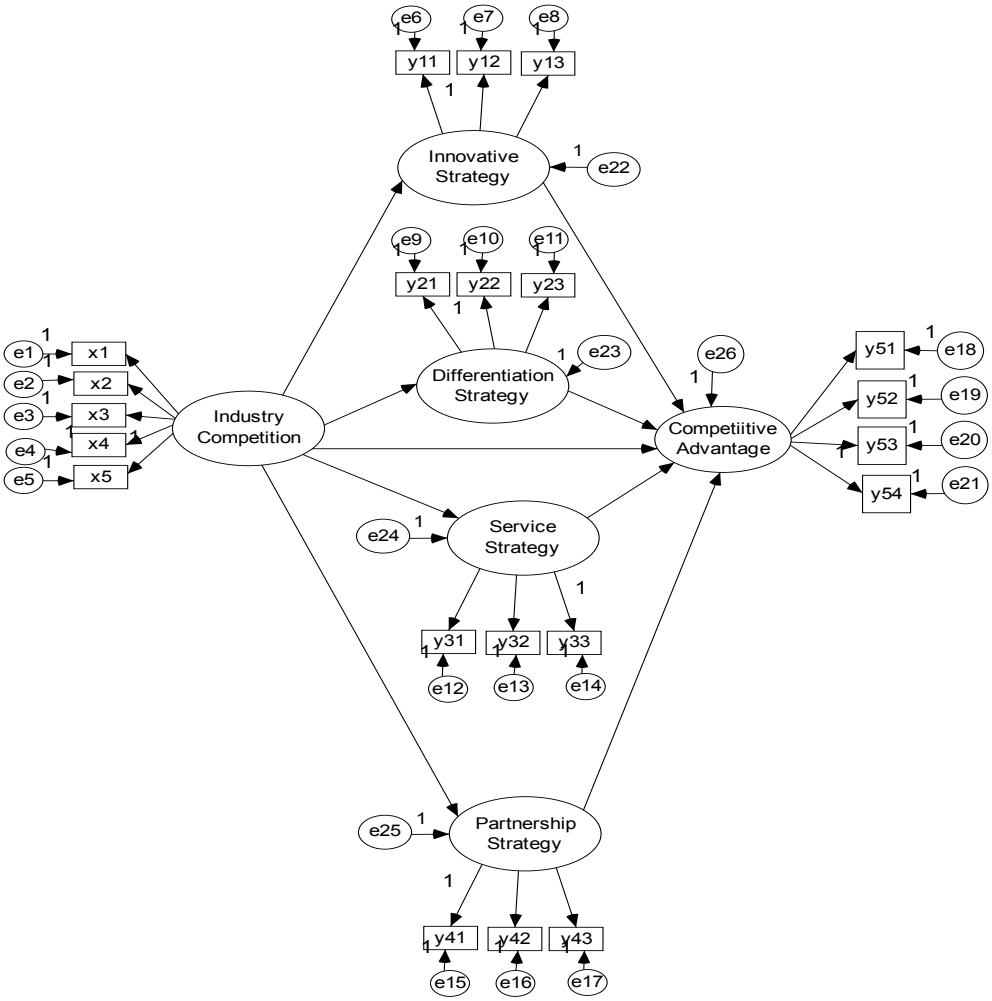


Figure 1. **SEM Model**

Table 1. Test Result of *Goodness Of Fit Overall Model*

Criteria	*Cut-of value*	Result of Model	Remarks
Chi Quadrate	Kecil	187,387	Good Model
p-value	≥ 0,05	0,338	
CMIN/DF	≤ 2,00	1,041	Good Model
GFI	≥ 0,90	0,865	Marginal Model
AGFI	≥ 0,90	0,826	Marginal Model
TLI	≥ 0,95	0,991	Good Model
CFI	≥ 0,95	0,992	Good Model
RMSEA	≤ 0,08	0,019	Good Model

Based on Table 1, of the eight criteria of *Goodness of Fit Overall Model*, six criteria stated the model is good, therefore the model can be used.

The hypothesis is tested by applying t-test on each line of direct effect partially. The results of the analysis are completely contained in the results of SEM analysis, which can be seen in Table 2 presenting the results of hypothesis testing on the direct effect.

Table 2. The Result of Direct Effect Hypotesss

Free Variable	Bound Variable	Line coeficient	*p-value*	Remarks
The Intensity of Industrial Competition (X)	Competitive Advantage (Y5)	0,241	0,043	significant
The Intensity of Industrial Competition (X)	Innovative Strategy (Y1)	0,373	0,002	significant
The Intensity of Industrial Competition (X)	Diferentiation Strategy (Y2)	0,619	0,000	significant
The Intensity of Industrial Competition (X)	Service Stratgey (Y3)	0,294	0,018	significant
The Intensity of Industrial Competition (X)	Partnership Strategy (Y4)	0,370	0,000	significant
Innovative Strategy (Y1)	Competitive Advantage (Y5)	0,191	0,042	significant
Differentiation Strategy (Y2)	Competitive Advantage (Y5)	0,273	0,032	significant
Service Strategy (Y3)	Competitive Advantage (Y5)	0,236	0,010	significant
Partnership Strategy (Y4)	Competitive Advantage (Y5)	0,366	0,000	significant

Hypothesis 1: The Intensity of Industrial Competition (X) has direct effect to the Competitive Advantage (Y5)

The results of SEM analysis of the Intensity of Industrial Competition variable (X) to Competitive Advantage (Y5) shows path coefficient of direct effect of 0.241 and *p-value* of 0.043. As p-value is <5%, then the hypothesis "the Intensity of Industrial Competition (X) has direct effect to SME Competitive Advantage (Y2) is accepted. Given the path coefficient is positive (0.241), it means that the relationship between the two variables is positive, meaning that the higher the intensity of Industral Competition (X), the higher the competitive advantage (Y5) will be. Conversely, the lower Intensity of the Industrial Competition (X), the lower the competitive advantage of Ikat Weaving SMEs (Y5) will be.

Hypothesis 2: The Intensity of Industrial Competition (X) has direct effect to the Innovative Strategy (Y1)

From the result of SEM analysis of the effect of the Intensity of Industrial Competition (X) to the Innovative Strategy (Y1), it is obtained path coefficient of direct effect of 0.373 and p-value of 0.002. Since p-value is <5%, then the hypothesis on "the Intensity of Industrial Competition (X) has direct effect to Innovative Strategy (Y1)" is acceptable. As the path coefficient is positive (0.373), it means that relationship between the two variables is positive, meaning that the higher the intensity of Industrial Competition (X), the higher the implementation of the Innovative Strategy (Y1) will be.

Hypothesis 3: The Intensity of Industrial Competition (X) has direct effect to Differentiation Strategy (Y2)

From the result of SEM analysis of the Intensity of Industrial Competition (X) variable to Differentiation Strategy (Y2) it was obtained path coefficient of direct effect of 0.619 and p-value of 0.000.

Since p-value <5%, then the hypothesis on "the Intensity of Industrial Competition (X) has direct effect to Differentiation Strategy (Y2)" is acceptable. Given the path coefficient is positive (0.619), it means that relationship between the two variables is positive, meaning that the higher the intensity of the Industrial Competition (X), the higher the implementation of the strategy of differentiation (Y2) will be, and vice versa.

Hypothesis 4: The Intensity of Industrial Competition (X) has direct effect to Service Strategy of the (Y3)

From the result of SEM analysis of the Intensity of Industrial Competition (X) variable to Service Strategy of SMEs (Y3), it was obtained path coefficient of direct effect of 0.294 and p-value of 0.018. As p-value is <5%, then the hypothesis on "the Intensity of Industrial Competition (X) has direct effect to Service Strategy (Y3)" is acceptable. Given that the path coefficient is positive (0.294), it means that the relationship between the two variables is positive, meaning that the higher the intensity of the industrial competition (X), the higher the implementation of the service strategy (Y3) will be, and vice versa.

Hypothesis 5: The Intensity of Industrial Competition (X) has direct effect to the Partnership Strategy (Y4)

From the result of SEM analysis of the Intensity of Industrial Competition (X) variable to Partnership Strategy (Y4), it was obtained path coefficient of direct effect of 0.370 and p-value 0.000. As p-value is <5%, then the hypothesis on "the Intensity of Industrial Competition (X) has direct effect to the Partnership Strategy (Y4)" is acceptable. Given the path coefficient is positive (0.370), it means that the relationship between the two variables is positive, meaning that the higher the intensity of the industrial competition (X), the higher the implementation of the partnership strategy (Y4) will be, and vice versa.

Hypothesis 6: Innovative Strategy (Y1) has direct effect to Competitive Advantage (Y5)

From the result of SEM analysis of Innovative Strategy (Y1) variable to SME Competitive Advantage (Y5), it was obtained path coefficient of direct effect of 0.191 and p-value of 0.042. As p-value is <5%, then the hypothesis on "the Innovative Strategy (Y1) has direct effect to the SME Competitive Advantage (Y5)" is acceptable. Given the path coefficient is positive (0.191), it means that relationship between the two variables is positive, meaning that the higher the implementation of an Innovative Strategy (Y1), the higher the SME Competitive Advantage (Y2) will be, and vice versa.

Hypothesis 7: Differentiation Strategy (Y2) has direct effect to Competitive Advantage (Y5)

From the result of SEM analysis of Differentiation Strategy (Y2) variable to SME Competitive Advantage (Y2), it was obtained path coefficient of direct effect of 0.273 and p-value of 0.032. As p-value is <5%, then the hypothesis on "Differentiation Strategy (Y2) has direct effect to SME Competitive Advantage (Y5)" is acceptable. Given the path coefficient is positive (0.273), it means that relationship between the two variables is positive, meaning that the higher the implementation of the Differentiation Strategy (Y2), the higher the SME Competitive Advantage (Y5) will be, and vice versa.

Hypothesis 8: Service Strategy (Y3) has direct effect to Competitive Advantage (Y5)

From the result of SEM analysis of Services Strategy (Y3) variable to SME Competitive Advantage (Y5), it was obtained path coefficient of direct effect of 0.236 and p-value of 0.010. As p-value is <5%, then the hypothesis on "the Service Strategy (Y3) variable has direct effect to SME Competitive Advantage (Y5)" is acceptable. Given that the path coefficient is positive (0.236), it means that relationship between the two variables is positive, meaning that the higher the implementation of service strategy (Y3), the higher the SME Competitive Advantage (Y2) will be, and vice versa.

Hypothesis 9: Partnership Strategy (Y4) has direct effect to Competitive Advantage (Y5)

From the result of SEM analysis of Partnership Strategy (Y4) variable to SME Competitive Advantage (Y5) it was obtained path coefficient of direct effect of 0.366 and p-value of 0.000. Because p-value is <5%, then the hypothesis on "the Partnership Strategy (Y4) has direct defect on SME Competitive Advantage (Y2)" is acceptable. Given the path coefficient is positive (0.366), it means that the relationship between the two variables is positive, meaning that the higher the implementation of the Partnership Strategy (Y4), the higher the SME Competitive Advantage Ikat Weaving in Bali (Y5) will be, and vice versa.

Discussion of Research Results

From the calculation of validity and reliability, it can be seen that each indicator has been able to measure the variables and concepts tested as well as between one concept to the other one is independent. By doing the confirmatory factor analysis (*goodness of fit test* and test of factor quality significance), it is shown that the observed variables may reflect factors being analyzed. With the overall suitability test model (goodness of fit test and causal test regression weight) it has been proved that the overall models fit and causal relationship formed can be tested.

Effect of Competition Intensity to SME Competitive Advantage of Ikat Weaving in Bali

Based on Table 2, it can be seen that the Industrial Competition variable has a significant effect to SME Competitive Advantage of Ikat Weaving. These results if proved by the p-value of 0.043 which is smaller than 0.05. The relationship between the Industrial Competition variable and SNE Competitive Advantage variable of Ikat Weaving demonstrates positive effect characterized by the inner weight of 0.241. These results can be

interpreted that the tighter the intensity of competition the higher the competitive advantage of Ikat Weaving industries in Bali. In this research, the indicator of Industrial Competition formed by the indicator of the existing competitive variables, the newcomers, their substitutes, bargaining power of suppliers, bargain power of buyers have an important role to increase the competitive advantage of Ikat Weaving industries in Bali. The results are consistent with the conditions faced by SMEs of Ikat Weaving industries in Bali. Industrial competition has led the competitive advantage of SMEs of Ikat Weaving industries in Bali is increasing.

The Effect of Competitive Intensity to Innovative Strategy

Table 2 shows that the Industrial Competition has significant effect to Innovative Strategy. These results are proved by the p-value obtained of 0.002 less than 0.05. The relationship between the Industrial Competition and Innovative Strategy showed a positive effect characterized by the inner weight of 0.373. These results can be interpreted that the higher the Industrial Competition the more intensive the implementation of SME Innovative Strategy of Ikat Weaving Industries in Bali. The result of this study is consistent with the field conditions that the stronger the Industrial Competition the more intensive the mplementation of Innovative Strategy will be. In this study, the indicator of Industrial Competition formed by the indicator of the existing competitive variables, the newcomers, their substitute products, bargaining power of suppliers, and the bargaining power of buyers have an important role to intensify the implementation of Innovative Strategy.

The Effect of Competitive Intensity to Differentiation Strategy

Table 2 shows that the Industrial Competition has significant effect to Differentiation Strategy. These results are proved by the p-value of 0.000 which is smaller than 0.05. The relationship between the Industrial Competition variable and Differentiation Strategy variable shows the positive effect characterized by the inner weight of 0.619. These results can be interpreted that the higher the Industrial Competition, the more intensive the implementation of SME Differentiation Strategy of Ikat Weaving Industries in Bali. The result of this study is consistent with the conditions in the field that the stronger the Industrial Competition, the more intensive the implementation of Differentiation will be. In this study, the indicators of Industrial Competition formed by the indicator of the existing competition variable, the newcomers, their substitute products, bargaining power of suppliers, and the bargaining power of buyers have an important role to intensify the implementation of Differentiation Strategy.

The Effect of Competitive Intensity to Services Strategy

Table 2 shows that the Industrial Competition has significant effect to Services Strategy. These results are proved by the p-value obtained of 0,018 smaller than 0.05. The relationship between the Industrial Competition variables and Service Strategy shows positive effects characterized by the inner weight of 0.294. These results can be interpreted that the higher the Industrial Competition, the more intensive the implementation of SME Service Strategy of Ikat Weaving in Bali. The result of this study is consistent with the conditions in the field that the stronger the Industrial Competition the more intensive the implementation of Service Strategy will be. In this study, the indicators Industrial Competition formed by the indicator of the existing competitive variables, the newcomers, their substitute products, bargaining power of suppliers, and the bargaining power of buyers have an important role on the more intensive implementation the service strategy.

The Effect of Competitive Intensity to Partnership Strategy

Table 2 shows that the Industrial Competition has significant effect to Partnership Strategy. These results are proved by the p-value of 0.000 which is smaller than 0.05. The relationship between the Industrial Competition variable and Partnership Strategy variable showed positive effects characterized by inner weight of 0.370. These results can be interpreted that the higher the Industrial Competition, the more intensive the implementation of SME Partnership Strategy of Ikat Weaving in Bali. The result of this study is consistent with conditions in the field that the stronger the Industrial Competition, the more intensive the implementation of Partnership Strategy will be. In this study, the indicators of Industrial Competition formed by the indicator of the existing competition variables, the newcomers, their substitute products, bargaining power of suppliers, and the bargaining power of buyers have an important role to intensify the implementation of Partnership Strategy.

The Effect of Innovative Strategy to SME Competitive Advantage

Table 2 shows that the Innovative Strategy has a significant effect to SME Competitive Advantage of Ikat Weaving in Bali. These results are proved by the p-value of 0.042 which is smaller than 0.05. The relationship between the Innovatove Strategy variables and SME Competitive Advantage variable indicates positive effect characterized by the inner weight of 0.191. These results can be interpreted that the more intensive the Innovation Strategy the higher the SME Competitive Advantage of Ikat Weaving in Bali will be. In this study, the indicator of Innovative Strategy formed by the indicator of innovative raw material variables, innovative

process, and innovative design have an important role to SME Competitive Advantage of Ikat Weaving in Bali.

The Effect of Differentiation Strategy to SME Competitive Advantage

Table 2 shows that the differentiation strategy has no significant effect to SME Competitive Advantage. This result is proved by the p-value of 0.032 which is smaller than 0.05. The relationship between the the Differentiation Strategy variable and SME Competitive Advantage variable of Ikat Weaving shows positive effect characterized by the inner weight of 0.273. These results can be interpreted that the more intensive the Differentiation Strategy the higher the SME Competitive Advantage of Ikat Weaving in Bali will be. In this study, the indicators of Differentiation Strategy formed by the indicator of process differentiation variables, service differentiation, image differentiation have an important role to SME Competitive Advantage of Ikat Weaving in Bali.

The Effect of Service Strategy to SME Competitive Advantage

Table 2 shows that the Service Strategy has a significant effect to SME Competitive Advantage of Ikat Weaving in Bali. These results are proved by the p-value of 0.010 which is smaller than 0.05. The relationship between the Service Strategy variables and SME Competitive Advantage variable indicates positive effect characterized by the inner weight of 0.236. These results can be interpreted that the more intensive the Service Strategy, the higher the SME Competitive Advantage will be. In this study, the indicator of Service strategy formed by the indicator of variable of providing the best services, providing services in accordance with the order, and delivery services have an important role to SMEs Competitive Advantage of Ikat Weaving in Bali.

The Effect of Partnership Strategy to SME Competitive Advantage

Table 2 shows that the Partnership Strategy has a significant effect to the SME Competitive Advantage of Ikat Weaving in Bali. These results are proved by the p-value of 0.000 which is smaller than 0.05. The relationship between the Partnership Strategy variable and SME Competitive Advantage variable of Ikat Weaving demonstrates positive effect characterized by the inner weight of 0.366. These results can be interpreted that the more intensive the Partnership Strategy, the higher the SME Competitive Advantage will be. In this study, partnership strategy formed by the indicator of variables of partnerships with suppliers, partnerships with buyers, and partnerships with competitors have an important role to SMEs competitive advantage of Ikat Weaving in Bali.

Research implications

As elaborated in the analysis and discussion that this research could theoretically find a relationship between the latent variables of Industrial Competitive Intensity and Business Strategy (Innovative Strategy, Differentiation Strategy, Service Strategy, and Partnership Strategy), as well as SME Competitive Advantage.

This research can contribute ideas for SME business doers of Ikat Weaving. The idea contribution is that SMEs must constantly maintain and strengthen the implementation of the Business Strategies in a comprehensive manner through various strategies such as innovative strategy, differentiation strategy, service strategy, partnership strategy to enable to build SME competitive advantage.

Research Constraints

Various constraints are also found in this study which was primarily due to the following: 1) This study only used one SME manager or business doer of as respondent of Ikat Weaving in Bali so the result of this research cannot be thoroughly generalized. 2) The mediating variables studied were variables of Innovative Strategy, Differentiation Strategy, Service Strategy, and Partnership Strategy, which turns out in this study to have significant effect to Competitive Advantage, therefore it is necessary to choose mediating variables of other SME business strategies in the future, such Promotion Strategy, Export Marketing Strategy, and other business strategies. 3) In addition, it can also be included other variables that could affect the implementation of business strategies such as: management characteristics, company characteristic, and the company resources, especially, resources on Information Technology.

CONCLUSION

Based on the results of research, discussion and interpretation described in the previous chapter referring to several theories and previous research results, then some conclusions can be taken as follows: 1) the Intensity of Industrial Competition has negative and significant effect to SME Competitive Advantage, meaning that the higher the intensity of competition faced by Ikat Weaving SMEs in Bali Province, the competitive advantage of SMEs will decline. 2) The Intensity of Industrial Competition has positive and significant effect to the Innovative Strategy, meaning that the higher the intensity of industrial competition faced by Ikat Weaving SMEs in Bali, then the implementation of the Innovative Strategy will be also higher. 3) The Intensity of Industrial

Competition has positive and significant effect to Differentiation Strategy, meaning that the higher the intensity of industrial competition faced by Ikat Weaving SMEs in Bali Province, the implementation of Differentiation Strategy will be also higher. 4) The Intensity of Industrial Competition has positive and significant effect to Service Strategy, meaning that the higher the intensity of industrial competition faced by Ikat Weaving SMEs in Bali Province, the implementation of the Services Strategy will be also higher. 5) The Intensity of Industrial Competition has positive and significant effect to Partnership Strategy, meaning that the higher the intensity of industrial competition faced by Ikat Weaving SMEs in Bali Province, the implementation of Partnership Strategy will be also higher. 6) the Innovative Strategy has positive and significant effect to SME Competitive Advantage, meaning that the more intensive the implementation of the Innovative Strategy will cause SME Competitive Advantage of Ikat Weaving in Bali Province is getting increased.7) Differentiation Strategy has positive and significant effect to SME Competitive Advantage, which means that the more intensive the implementation of Differentiation Strategy, the competitive advantage of Ikat Weaving SMEs in Bali Province will be more increasing. 8) The Service Strategy has positive and significant effect to SME Competitive Advantage, which means that the more intensive the implementation of the service strategy, the competitive advantage of Ikat Weaving SMEs in Bali Province will be more increasing. 9) The Partnership Strategy has positive and significant effect to SME Competitive Advantage, meaning that the more intensive the implementation of Partnership Strategy, the competitive advantage of Ikat Weaving SMEs in Bali Province will be more increasing.

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