



# **THE EFFECT OF MARKET ORIENTATION AND DIFFERENTIATION STRATEGY ON COMPETITIVE ADVANTAGES AND COMPANY PERFORMANCE**

**Desak Putu Rahayu Lestari** 

Faculty of Economics and Business, Udayana University, Bali, Indonesia

desakrahayulestari@ymail.com

**I Ketut Rahyuda**

Faculty of Economics and Business, Udayana University, Bali, Indonesia

**I Gusti Ayu Ketut Giantari**

Faculty of Economics and Business, Udayana University, Bali, Indonesia

**Ni Nyoman Kerti Yasa**

Faculty of Economics and Business, Udayana University, Bali, Indonesia

## **Abstract**

*This study aims to determine the effect of market orientation and differentiation strategies on competitive advantage and the performance of Five Star Hotels in the Indonesia Tourism Development Corporation, Nusa Dua. This study was designed using causal explanatory with top-management respondents of five-star hotel. The number of samples is 60. Data processing used SEM-PLS. Results of the study showed that market orientation was proven to have a positive and significant effect on competitive advantage and company performance. The influence of differentiation strategies was also proven to have positive and significant effect on competitive advantage and company performance. In addition, competitive advantage was proven to have a positive and significant effect on company performance. These results indicated that five-star hotels in the ITDC area need to pay attention to competitor orientation, emerging threats both internally and externally, competitive prices, and innovative market share.*

*Keywords: market orientation, differentiation strategy, competitive advantage, performance*

## INTRODUCTION

Almost every national and international media related to tourism always puts Bali as the top tourist destination. Having established itself as the best destination for world tourism, Bali is also increasingly considered as a venue for conferences and world leaders' summit. The island covering an area of 5,632.86 km<sup>2</sup> or 0.29% of all vast of Indonesian archipelago has experience and human resources who are competent and professional in handling national and international events. The number of tourist/guests coming to Nusa Dua also reached hundreds of visitors with details:

Table 1 The development of tourists'/guests' numbers visiting Nusa Dua  
Semester I 2016/2017

Number of Guests	Realization of Semester		Growth (%)
	2016	2017	
International	329.210	377.931	14.80
Domestic	69.207	67.961	(1.80)
<b>Total of Guests</b>	<b>398.417</b>	<b>445.892</b>	<b>9.38</b>

Source: Development Division of Indonesia Tourism Development Corporation, 2017

Bali tourism development is a development with a concept towards balance, wholeness, and harmony that is integrated with relations between human and God, relations between human and human, and relations between human and the environment as stated in *Tri Hita Karana* philosophy. Starting from that Ideas, an idea of tourism development was born, especially in Nusa Dua, Bali. It is Nusa Dua Tourism Area. The construction site of the Nusa Dua Tourism is on unproductive land, but it has a beautiful white sandy beach, underpopulated, closed to Ngurah Rai International Airport, and Nusa Dua land separated from traditional Balinese communities. Those were the reasons why Nusa Dua was chosen as the development site of a tourism area with a list of five-star hotels and facilities in the Nusa Dua Tourism Area (Table 2).

Table 2 List of Five-Star Hotels and Facilities in Nusa Dua Tourism Area  
Indonesia Tourism Development Corporation

Name	Description
St. Regis	Five-Star Hotel
Sofitel	Five-Star Hotel
Nusa Dua Beach Hotel	Five-Star Hotel
Novhotel	Five-Star Hotel

	Melia	Five-Star Hotel
	InayaPutri Bali	Five-Star Hotel
	The Laguna	Five-Star Hotel
	Grand Hyat Bali	Five-Star Hotel
	Courtyard	Five-Star Hotel
	Clubmed	Five-Star Hotel
	Ayodya Resort	Five-Star Hotel
	The Westin	Five-Star Hotel
	Mercure	Four-Star Hotel
	Grand Whiz	Four-Star Hotel
	The Grand Bali Nusa Dua	Four-Star Hotel
<b>Villas</b>	Amarterra	Five-Star Villa
	Awarta	Five-Star Villa
	Amanusa	Five-Star Villa
	Kayumanis	Five-Star Villa
<b>Facilities</b>	Bali National Golf Club	Golf Course
	Bali Nusa Dua Convention Centre	Convention Centre
	Bali Collection & Entertainment Centre	Shopping Centre
	Bali International Medical Centre	Medical Centre
	Bali Nusa Dua Theatre	Theatre and Performing Arts
	Museum Pasifika	Museum
	Spa Healthland	Beauty & Fitness
The Bay Bali	Culinary	

Table 2...

Source: Annual Report- *PT. Pengembangan Pariwisata Indonesia (Persero)*, 2017, Tourism Area

Nusa Dua Tourism Area having a core of culture and environmental management with a Balinese touch is characteristic and regional identity of Nusa Dua. Aside from being an area with good environmental management, Nusa Dua is also one of the favourite destinations for MICE in Bali. Complete facilities owned by Nusa Dua tourism area are in the form of five-star hotels, shopping centres, convention centres, medical centres, entertainment centres, spas, museums, and restaurants serving different services for tourists. Convention tourism or MICE is not only known as a service-related industry, but also as one of the fastest-growing sectors in the tourism industry (Seebaluck et.al., 2014). The activities form in this tour always involves a lot of good human resources, raw materials, money, methods, and ideas to meet human needs in communication (Wisnawa, 2013:1).

Competitive advantage can be achieved if the company is able to provide more value to customers than what is given by its competitors (Narver& Slater, 1995). Many positive impacts of convention tourism or MICE for the economy such as income, employment, income from tourism businesses, to the utilization of tourism facilities by local communities (Swarbrooke& Horner, 1999: 75). The number of tourists coming to stay in Nusa Dua either to attend a meeting or just take a vacation and choose to stay at a star-rated hotel in Nusa Dua is a challenge to the best quality service for every star-rated hotel in the Nusa Dua tourism area. Competition among star-rated hotels is increasingly tight, and making the company must be able to differentiate and improve marketing performance to be able to dominate the market. According to Kohli&Jaworski (1993: 18), they emphasized that market orientation is a corporate culture that can lead to improved marketing performance.

Nusa Dua Tourism Area has a competitive advantage in MICE (meeting, incentive, convention, exhibition) which are not easily imitated and its position is still as the market leader. Creating competitive advantage can be done by improving company-based performance through a focus on market orientation and differentiation strategies. Competitive advantage is defined as organization's ability to make a defensive position against competitors (Li, Nathan, & Rao, 2006: 111). Nusa Dua Tourism Area can be said to be superior in that regard. The relational architecture of the Nusa Dua tourism area emphasizes the uniqueness of the buildings and hotels emphasizing Balinese architecture. The reputation of the Nusa Dua tourism area is famous for MICE tourism and the atmosphere of a beautiful and calm environment. Nusa Dua tourism area innovation does not only sell environmental beauty, but also governance of tenants, hotels, and interesting events that are always held every year. Strategic Assets develops every year through the addition of several facilities and collaborates with investors and other partners.

The company's strategy is always directed to produce performance in the form of marketing and financial performance. The Nusa Dua Tourism Area which has long been believed to hold national and international conventions needs to be examined in terms of maintaining the quality of service and company performance for tourists whether it remains the same as before or there is an increase or decrease in the provided quality, especially for tourists staying at star-rated hotels in Nusa Dua tourism area. Many researches had been done with the aim to prove whether market orientation generated superior organizational performance (Kara et al., 2005). Some research results had proven a strong relationship between market orientation and performance (Matsuno et al., 2000, Greenley, 1995, Ghosh et al., 1994, Speed & Smith, 1993) while other research results did not support a positive relationship between orientation markets and organizational performance (Han et al., 1998, Jaworski & Kohli, 1993).

Paryanti (2015) stated that the variables of strategy for product differentiation, service differentiation, personnel differentiation, image differentiation, each had interrelated indicators and had a positive effect on competitive advantage. Each star-rated hotel in the Nusa Dua tourism area certainly has a different competitive strategy and examines to be able to dominate the market and become superior in any star-rated hotel competition in the Nusa Dua tourism area.

A good focus of market orientation can affect competitive advantage. Research results conducted by Baker et al. (1999) proved that market orientation had a positive influence on competitive advantage. Likewise, research by Dewi (2006) which stated that there is a significant positive effect of market orientation on competitive advantage. This shows that the company's willingness to implement market orientation strategies will have an impact on the company's ability to compete with other companies.

Performance also has a close relationship with competitive advantage. Research conducted by Harrington et al. (2000) found a relationship between competitive advantage and business performance. Jessica and Devie (2013) also explained that there is an influence competitive advantage on company performance. Increased competitive advantage among star-rated hotels in Nusa Dua tourism area will be able to improve the company's performance as well. Competitive advantage is also created from effective competitive strategies. Market orientation, differentiation strategies, and competitive advantages applied by each of the five-star hotels in Nusa Dua Tourism Area have an influence on the company's performance in that area.

The direct effect of market orientation, differentiation strategies on competitive advantage, and company performance are the focus of this study. The indirect effect in this study is expected to be able to see the role of the competitive advantage variable as an intermediate variable connecting market orientation and differentiation strategies to company performance. Based on this, the researchers wanted to conduct a study of five-star hotels in the Nusa Dua Tourism Area with the research title "The Effect of Market Orientation and Differentiation Strategies on Competitive Advantages and Company Performance (Case Study: Five-Star Hotels in the Indonesia Tourism Development Corporation Area, Nusa Dua)".

Market orientation is an effective and efficient organizational culture to create needed behaviour to create superior value for buyers and superior performance for companies. Market orientation is a corporate culture that can lead to increased marketing performance (Kohli and Jaworski, 1993). Narver and Slater (1995) defined market orientation as the most effective organizational culture in creating important behaviours for creating superior value for buyers as well as performance in business. Market orientation is based on a company performance. This

performance is based on the results of company evaluations on what has been done by the company. Narver and Slater (1995) stated that market orientation consists of three behavioural components namely customer orientation, competitor orientation, and interfunctional coordination.

Characteristics and background of customers need to be recognized more deeply so that an anticipation on the market can be done well. Mainly, companies must serve well and be responsive to the demands of customers and competitors. Based on this, market orientation includes customer orientation, competitor orientation, and interfunctional coordination.

Differentiation is a way of designing meaningful differences to distinguish a company's offer from its competitors' offer (Kotler, 2007). According to Sugiyanto (2007) differentiation means that a product or service has not only differences with existing products or services, but also a point of excellence compared to the others. However, differentiation does not mean 'as long as it's different', so if it is different means it must have the intended point of excellence. By applying the differentiation strategy, the company will be able to obtain the company's differentiative advantage.

Kotler (2007) explained that the competitive advantage of a company is one of them by the differentiation of company offers that will provide more value to consumers than those brought by competitors. Basically, every company always wants to be superior compared to its competitors. The basic thinking that companies can start with is the creation of a competitive strategy starting with developing a general plan for how the business will be developed, what exactly is the goal, and what policies will be needed to achieve that goal.

Competitive advantage is defined as the ability of an organization to make a defensive position against competitors (Liet al. 2006). It consists of capabilities enabling an organization to distinguish itself from its competitors and are the result of critical management decisions (Tracey et al. 1999, Liet al. 2006). Competitive advantage can be described as a company's strategy to work together to create more effective competitive advantage in its market and to become a sustainable competitive advantage to dominate the market.

Company performance is a factor commonly used to measure the impact of a company's strategy. The company's strategy is always directed to generate good performance in the form of marketing performance and financial performance. Marketing performance is one concept that can measure market performance of a product. The company can see its performance both internally and externally which can be known from the market performance of its products. Externally, improvements in company performance can be carried out using a market orientation approach. This is to be able to understand the needs, wants, and market demands. Market orientation has an equally important role and can contribute to improving company performance (Han et al. 1998).

Research conducted by Pribadiyanto et al. (2004), Research of Baker and Sinkula (1999), Han et al. (1998) stated that market orientation is significantly related to company performance. Based on the description above, the hypothesis of this study can be formulated:

H1: market orientation has positive and significant effect on company performance

Research conducted by Dewi (2006) proved that market orientation has a positive effect on competitive advantage. This shows that the company's willingness to implement market orientation strategies will have an impact on the company's ability to compete with other companies. Based on the description above, the hypothesis of this study can be formulated:

H2: market orientation has positive and significant effect on competitive advantage

Research conducted by Dewi (2006), Hajjat (2002), Haksama (2014), Isbala (2015), and Setiawan (2016) stated that companies choosing a differentiation strategy will produce better performance than the company. Based on the description above, the hypothesis of this study can be formulated:

H3: differentiation strategy has positive and significant effect on company performance

Research conducted by Ramadhani (2014), Tampi (2015), and Paryanti (2015) stated that the variable of differentiation strategy has a positive effect on competitive advantage. Based on the description above, the hypothesis of this study can be formulated:

H4: differentiation strategy has positive and significant effect on competitive advantage

Research conducted by Sanchez et al. (2006), Kuntjoroadi and Safitri (2009), and Jessica and Devie (2013) also explained that there is an effect of competitive advantage on company performance. Based on the description above, the hypothesis of this study can be formulated:

H5: competitive advantage has positive and significant effect on company performance

Based on the background, theoretical basis, and conceptual framework of thought above, the conceptual framework in this study was arranged as shown below:

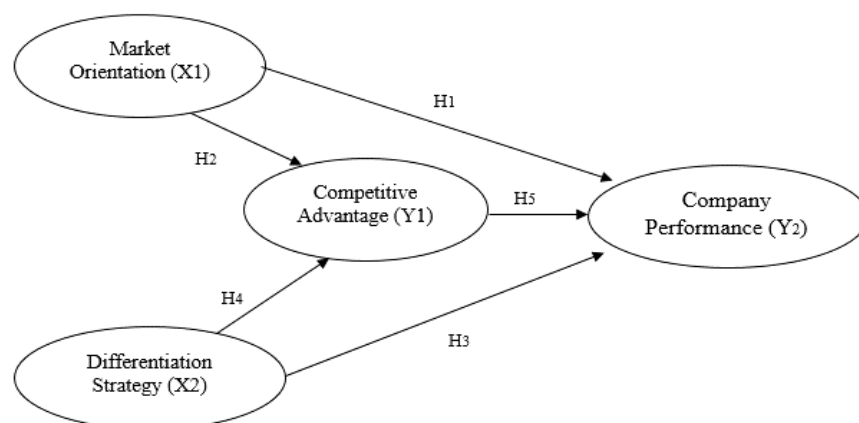


Figure 1. Research Conceptual Framework



## RESEARCH METHOD

This study belongs to the category of explanatory research (causal explanatory) explaining a relationship among variables through hypothesis testing. In this study, the variables used are exogenous variables, namely Market Orientation (X1) and Differentiation Strategy (X2), and endogenous variables, namely Competitive Advantage (Y1) Company Performance (Y2). The four variables included in this study are presented briefly in the following table:

Table 3 Research Indicators

No.	Definition of Variable Operations	Indicator	Sources
1.	<b>Market Orientation (X<sub>1</sub>)</b>	X <sub>1,1</sub> Customer Orientation	Nerverdan Slater (1995),
		X <sub>1,2</sub> Competitor Orientation	Tjijtonoet <i>al.</i> , (2008),
		X <sub>1,3</sub> interfunctional coordination	Zhou <i>et al.</i> (2005)
2.	<b>Differentiation Strategy (X<sub>2</sub>)</b>	X <sub>2,1</sub> Differentiation of Product	Porter (2007)
		X <sub>2,2</sub> Differentiation of Service Quality	
		X <sub>2,3</sub> Differentiation of Personnel	
		X <sub>2,4</sub> Differentiation of Image	
		X <sub>2,5</sub> Differentiation of Distribution Channel	
3.	<b>Competitive Advantage (Y<sub>1</sub>)</b>	Y <sub>1,1</sub> Price	Li <i>et al.</i> 2006
		Y <sub>1,2</sub> Quality	
		Y <sub>1,3</sub> Reliable shipping	
		Y <sub>1,4</sub> Product Innovation	
		Y <sub>1,5</sub> Time to Market	
4.	<b>Company Performance (Y<sub>2</sub>)</b>	Y <sub>2,1</sub> Growth of market share	Li <i>et al.</i> 2006
		Y <sub>2,2</sub> Growth of Profit	
		Y <sub>2,3</sub> Growth of Selling	

In this study, the data were obtained from instruments given to five hotel managers in each of the five-star hotels in the area managed by *PT. Pengembangan Wisata Indonesia (Persero)* or Indonesia Tourism Development Corporation (ITDC).

In this study, the population were the managers of five-star hotel in the area managed by *PT. Pengembangan Wisata Indonesia (Persero)* or Indonesia Tourism Development Corporation (ITDC). The number of five-star hotels in that area were 12 hotels. Each hotel is represented by 5 leaders for each hotel, so that the total population in this study is 60 respondents. This study using total sampling technique where the sample was taken from the total population determined in this study.



The data collection used a questionnaire in the form of closed questions that had been provided by researchers. Respondents only need to choose answers consisting of strongly disagree, disagree, neutral, agree, and strongly agree.

This study used two kinds of analysis, namely descriptive statistical analysis and quantitative techniques or inferential statistical analysis. Descriptive analysis was used to describe in more depth each of the variables in this study. Quantitative technique was used to see the strength or weakness of the effect between independent variables and dependent variables, which is by analysing the data that had been given a score in accordance with a predetermined measurement scale, through a statistical formula. Whereas, inferentially, formulated causal relationships in this study uses SEM analysis based on Partial Least Square (PLS) variance.

## RESULTS AND DISCUSSION

This study involved 60 respondents consisting of managerial level in five-star hotels in the Nusa Dua Tourism Area managed by the Indonesia Tourism Development Corporation (ITDC).

Table 5 Frequency Distribution of Respondent Characteristics

No	Characteristic	Total (person)	
1.	Gender	Male	30
		Female	30
		Total	60
2.	Age (Year)	20 – 30 years old	13
		31 – 40 years old	31
		41 – 50 years old	13
		> 50 years old	3
		Total	60
3.	Education	Elementary School	-
		Junior High School	-
		Senior High School	2
		Diploma	35
		Bachelor	23
	<b>Total</b>	<b>60</b>	

Based on the study results showed that the proportion of male and female each 50%, so that the gender composition at the managerial level in all five-star hotels the same. Respondents were in the age range of 20 to over 50 years old. The range of most respondents' age is in 30 to

40 years old. This condition showed that, generally, the respondents are in the mature age group where this age already had the ability to make decisions. Based on the education of the respondents, most of them were diplomas, which is 35 people. This condition indicated that the level of education of respondents having been able to provide opinions and decisions on the matter in question.

Research instrument test of the validity test results showed that all research instruments had a value that meets the requirements if the significance value ( $p$ )  $r$  count was smaller than  $\alpha$  (0.05) and the correlation value was greater than 0.3 (Sinkovics, 2009). All indicators of market orientation variables (X1), differentiation strategy variables (X2), and company performance variables (Y1), show opportunities ( $p$ ) that were smaller than  $\alpha$  (0.05) with  $r$  counts that were greater than  $r$  tables (0.361). Research instruments test in terms of reliability results showed that all research instruments used were reliable with the condition that the cronbach alpha value was greater than 0.6 (Sugiyono, 2014). In table 5.9, all variables already had a cronbach alpha value was greater than 0.6 which means stable results were obtained when measurements were done again.

Table 6 Results of Reliability Calculation

No.	Variable	Total/Item	Cronbach alpha	Description
1.	Market Orientation	12	0,925	Reliable
2.	Differentiation Strategy	20	0,964	Reliable
3.	Competitive Advantage	20	0,967	Reliable
4.	Company Performance	12	0,954	Reliable

A description of the respondent's answers to each statement in each variable can be seen in the following table:

Table 7 Descriptive Statistics

Indicator	Statement	Score for answer					Mean	Description
		1	2	3	4	5		
Customer Orientation	X1.1.1	0	0	0	15	45	4,75	Very Good
	X1.1.2	0	0	0	17	43	4,72	Very Good
	X1.1.3	0	0	1	17	42	4,68	Very Good
	X1.1.4	0	0	1	19	40	4,65	Very Good
	X1.1						4,70	

Competitor Orientation	X1.2.1	0	0	0	22	38	4,63	Very Good
	X1.2.2	0	0	2	26	32	4,50	Very Good
	X1.2.3	0	0	0	24	36	4,60	Very Good
	X1.2.4	0	0	2	14	44	4,70	Very Good
	X1.2						4,60	
Interfunctional coordination	X1.3.1	0	0	0	20	40	4,67	Very Good
	X1.3.2	0	0	0	26	34	4,57	Very Good
	X1.3.3	0	0	2	22	36	4,57	Very Good
	X1.3.4	0	0	0	14	46	4,77	Very Good
	X1.3						4,65	
X1						4,650		
Differentiation of Product	X2.1.1	0	0	0	21	39	4,65	Very Good
	X2.1.2	0	0	1	24	35	4,57	Very Good
	X2.1.3	0	0	3	21	36	4,55	Very Good
	X2.1.4	0	0	1	20	39	4,64	Very Good
	X2.1						4,60	
Differentiation of service quality	X2.2.1	0	0	0	23	37	4,65	Very Good
	X2.2.2	0	0	1	23	36	4,59	Very Good
	X2.2.3	0	0	0	22	38	4,63	Very Good
	X2.2.4	0	0	1	23	36	4,60	Very Good
	X2.2						4,62	
Differentiation of Personnel	X2.3.1	0	0	0	22	38	4,63	Very Good
	X2.3.2	0	0	1	23	36	4,59	Very Good
	X2.3.3	0	0	1	24	35	4,57	Very Good
	X2.3.4	0	0	0	24	36	4,60	Very Good
	X2.3						4,59	
Differentiation of Image	X2.3.1	0	0	0	22	38	4,63	Very Good
	X2.3.2	0	0	1	23	36	4,59	Very Good
	X2.3.3	0	0	1	24	35	4,57	Very Good
	X2.3.4	0	0	0	24	36	4,60	Very Good
	X2.4						4,60	
Differentiation of Distribution channel	X2.4.1	0	0	1	24	35	4,57	Very Good
	X2.4.2	0	0	1	26	33	4,53	Very Good
	X2.4.3	0	0	0	26	34	4,57	Very Good
	X2.4.4	0	0	0	22	38	4,63	Very Good
	X2.5						4,58	
X2						4,596		

Price	Y1.1.1	0	0	0	23	37	4,62	Very Good
	Y1.1.2	0	0	0	24	36	4,60	Very Good
	Y1.1.3	0	0	3	26	31	4,47	Very Good
	Y1.1.4	0	0	0	24	36	4,60	Very Good
	Y1.1						4,58	
Quality	Y1.2.1	0	0	0	19	41	4,68	Very Good
	Y1.2.2	0	0	3	20	37	4,57	Very Good
	Y1.2.3	0	0	2	24	34	4,53	Very Good
	Y1.2.4	0	0	0	19	41	4,69	Very Good
	Y1.2						4,62	
Reliable shipping	Y1.3.1	0	0	2	21	37	4,58	Very Good
	Y1.3.2	0	0	1	23	36	4,58	Very Good
	Y1.3.3	0	0	0	20	40	4,67	Very Good
	Y1.3.4	0	0	0	20	40	4,67	Very Good
	Y1.3						4,62	
Product Innovation	Y1.4.1	0	0	2	23	35	4,55	Very Good
	Y1.4.2	0	0	2	18	40	4,63	Very Good
	Y1.4.3	0	0	1	20	39	4,63	Very Good
	Y1.4.4	0	0	0	13	47	4,78	Very Good
	Y1.4						4,65	
Time to Market	Y1.5.1	0	0	0	20	40	4,67	Very Good
	Y1.5.2	0	0	4	20	36	4,53	Very Good
	Y1.5.3	0	0	0	19	41	4,68	Very Good
	Y1.5.4	0	0	3	18	39	4,60	Very Good
	Y1.5						4,62	
	Y1						4,617	
Growth of Market Share	Y2.1.1	0	0	0	23	37	4,62	Very Good
	Y2.1.2	0	0	0	22	38	4,63	Very Good
	Y2.1.3	0	0	2	23	35	4,55	Very Good
	Y2.1.4	0	0	0	20	40	4,67	Very Good
	Y2.1						4,62	
Growth of Profit	Y2.2.1	0	0	0	28	32	4,53	Very Good
	Y2.2.2	0	0	1	18	41	4,67	Very Good
	Y2.2.3	0	0	0	22	38	4,63	Very Good
	Y2.2.4	0	0	0	20	40	4,67	Very Good
	Y2.2						4,62	

Growth of Selling	Y2.3.1	0	0	1	18	41	4,67	Very Good
	Y2.3.2	0	0	2	15	43	4,68	Very Good
	Y2.3.3	0	0	0	14	46	4,77	Very Good
	Y2.3.4	0	0	0	18	42	4,70	Very Good
	Y2.3						4,70	
	Y2						4,649	

Table 7 above showed that market orientation variables measured by three indicators were an average value of 4,650. Based on the table, the customer orientation indicator was the highest results compared to other indicators showing 4.70. Respondents' perceptions toward the achievements of the lowest market orientation results in the competitor orientation indicator was 4.60. Overall, the respondents' perceptions toward market orientation were in very good condition.

Table showed that the differentiation strategy variables measured by five indicators were an average value of 4.596. Based on the table, the indicator of differentiation of service quality was the highest results compared to other indicators showing 4.62. Respondents' perception toward the achievement of the lowest differentiation strategy results in differentiation of distribution channel indicator was 4.58. Overall, respondents' perceptions of differentiation strategies were in very good condition.

Table showed that the competitive advantage variables measured by five indicators were an average value of 4,617. Based on the table above, the indicator of product innovation was the highest results compared to other indicators showing 4.65. Respondents' perception toward the achievement of the lowest competitive advantage results in the price indicator was equal to 4.58. Overall the respondents' perceptions of competitive advantage were very good.

Table showed that variables of company performance factor measured by three indicators were an average value of 4.649. Based on the table, the indicator of sales growth was the highest results compared to other indicators showing 4.70. Respondents' perception of the lowest company performance results in the market share growth indicator was 4.62. Overall, respondents' perceptions regarding company performance were in very good condition.

Test of inner model or structural model was done to see the relationship among constructs. This test shows a significant relationship and significant between each latent variable. The analysis results on the inner model can be seen in the Table 8.

Table 8 Path coefficient in the inner model

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	t-Statistics ( O/STERR )
Competitive Advantage → Company Performance	0,415745	0,412988	0,047620	0,047620	8,730569
Market Orientation → Competitive Advantage	0,202283	0,207289	0,041591	0,041591	4,863637
Market Orientation → Company Performance	0,376863	0,380712	0,057105	0,057105	6,599493
Differentiation Strategy → Competitive Advantage	0,730871	0,725964	0,041853	0,041853	17,462717
Differentiation Strategy → Company Performance	0,592633	0,589051	0,058416	0,058416	10,145063

Based on the table, the structural model equations can be arranged as follows:

$$\text{Company Performance (Y2)} = 0,416 \text{ Competitive Advantage (Y1)} + 0,048$$

$$\text{Competitive Advantage (Y1)} = 0,202 \text{ Market Orientation (X1)} + 0,042$$

$$\text{Company Performance (Y2)} = 0,377 \text{ Market Orientation (X1)} + 0,057$$

$$\text{Competitive Advantage (Y1)} = 0,731 \text{ Differentiation Strategy (Y2)} + 0,042$$

$$\text{Company Performance (Y2)} = 0,593 \text{ Differentiation Strategy (X2)} + 0,058$$

Based on Table 8, all the equation of relationships among these variables had been significant to t-statistics values which was greater than 1.96. In conclusion, all the relationships between variables hypothesized were significant.

### Evaluation Results of Goodness of Fit Criteria

#### 1) Validity Test by Convergent Validity

The results of all the data test in which most of the indicators affecting latent variables were highly correlated. It means that the respondent did not experience a misunderstanding of used indicators. PLS output for outer loading gave the results presented in Appendix 6 showing that outer loading gave a recommended value of 0.50.

## 2) Validity Test by Discriminant Validity

Discriminant validity function is to ensure that each indicator has become a good comparison for latent variables. To see discriminant validity is to look at the value of square root of average extracted variance ( $\sqrt{AVE}$ ). The recommended  $\sqrt{AVE}$  value was greater than 0.50 indicating that variable indicators had good discriminant validity.

Table 9 Validity test of Discriminant using AVE

Variable	AVE	$\sqrt{AVE}$	Description
Competitive Advantage	0,805	0,897	Valid
Company Performance	0,837	0,915	Valid
Market Orientation	0,719	0,848	Valid
Differentiation Strategy	0,723	0,850	Valid

In Table 9, it can be seen that all four variables have a value of  $\sqrt{AVE}$  above 0.50. This means that the discriminant validity test using  $\sqrt{AVE}$  shows that all of the above variables are good/valid.

## 3) Reliability Test of Composite Reliability and Cronbach Alpha

Evaluation of composite reliability was done by looking at the composite reliability value of the indicator block that measures the construct and the Cronbach alpha value. The reliability composite value will show a satisfactory value if it is above 0.70, and the recommended Cronbach alpha value is above 0.60. It can be seen the value of composite reliability and Cronbach alpha in the following table 10:

Table 10 Reliability Estimation

Construct	Composite Reliability	Cronbachs Alpha	Description
Competitive Advantage	0,953717	0,939320	Reliable
Company Performance	0,938839	0,902220	Reliable
Market Orientation	0,884803	0,804444	Reliable
Differentiation Strategy	0,928711	0,904037	Reliable

Table 10 showed that the composite reliability values of the four latent variables were above 0.70, and the results of the evaluation of the Cronbach alpha value were above 0.60. The



highest composite reliability value in the competitive advantage construct (Y1) was 0.954, and the lowest value in the market orientation construct (X2) was 0.885. This means that all constructs on the estimated model were reliable.

Test on structural models was done by looking at the value of R-Squares (R<sup>2</sup>) which is a test of the goodness of fit model for each variable as the predictive power of the structural model. In addition to seeing the value of R-Squares (R<sup>2</sup>), evaluation of the PLS structural model can also be done with Q<sup>2</sup> predictive relevance or often called predictive sample reuse. The results of the model test can be seen in the following Table 11:

Table 11 Evaluation Result of *Goodness of Fit - R-square* value

Variable	R <sup>2</sup>	Q <sup>2</sup>
Competitive Advantage (Y <sub>1</sub> )	0,851	0.9905
Company Performance (Y <sub>2</sub> )	0,936	

Description:

$$Q^2 = 1 - (1 - R^2) (1 - R^2)$$

$$= 1 - (1 - 0,851) (1 - 0,936) = \mathbf{0,9905}$$

Table 11 showed the results of the equation model above, R<sup>2</sup> values obtained for company performance variables and competitive advantage respectively was 0.851 and 0.936 which can be categorized as strong, (Chin, 1998), the standard R<sup>2</sup> value was 0.67 = strong; 0.33 = moderate; and 0.19 = weak. This means that the value indicates that the variable competitive advantage can be explained by the construct variables of market orientation and differentiation strategies by 85.1%, while the remaining 14.9% was influenced by other variables not contained in the research model. The value of R<sup>2</sup> on the company performance variable was 0.936 in which it can be explained by the construct variables of market orientation and differentiation strategies by 93.6%, while the remaining 6.4% was influenced by other variables not contained in the research model.

Evaluation results of Table 11 showed that the structural model had proven that Q<sup>2</sup> value was 0.351. (Chin, 1998) The magnitude of Q<sup>2</sup> has a range value of 0 < Q<sup>2</sup> < 1, the closer to 1, the better structural model of a study will be. This indicated that the structural model of the evaluation results provided evidence that the structural model had sufficient goodness of fit.

### Hypothesis Test Results

Hypothesis test of structural equation models that have been arranged can be seen in Figure 3 below:

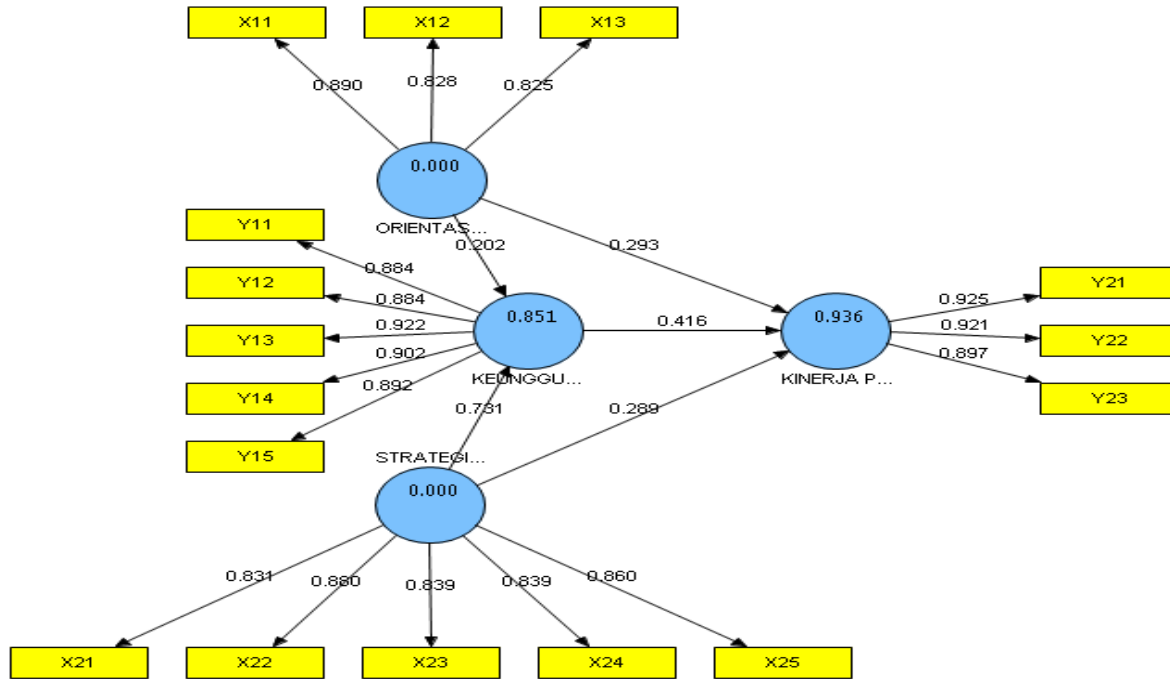


Figure 2Hypothesis Test of the Structural Equation Model

Based on the model created, the analysis by PLS carried out the stage of direct influence from the exogenous construct of market orientation on the endogenous constructs of company performance. Structural path coefficient test was done to answer the research hypothesis and also to find out the magnitude of the effect of market orientation variables on company performance variables. The results of the model test and hypothesis can be seen in the following description:

Table 12Structural Path Coefficient of Market Orientation and Company Performance

Relationship Among Variables	Original Sample (O)	Standard Error (STERR)	t-Statistics ( O/STERR )	Description
Market Orientation → Company Performance	0,376863	0,057105	6,599493	Positive and significant

Based on Table 12, market orientation (X1) was proved to have positive and significant effect on company performance (Y2). This showed that the relationship between market orientation and company performance gave value of path parameter coefficient which is positive showing 0.377 with a t-statistic of 6.599 (t-statistics > 1.96) so that the first hypothesis of market orientation having positive effect on company performance was accepted. It is in line with research conducted by Pribadiyanto et al. (2004) stated that the better market orientation of a company reflected in customer orientation, market information dissemination, and Interfunctional coordination, the more positive the effect of company services quality. Baker and Sinkula's study (1999) stated that market orientation is significantly related to company performance, whereas Han et al. (1998) stated that market orientation has a positive but not significant effect on performance, but, in his research, it is stated that market orientation has a significant effect on performance through innovation as an intervening variable.

Table 13 Structural Path Coefficient of Market Orientation and Competitive Advantage

Relationship Among Variables	Original Sample (O)	Standard Error (STERR)	t-Statistics ((O/STERR))	Description
Market Orientation → Competitive Advantage	0.202283	0.041591	4.863637	Positive and significant

Based on Table 13, market orientation (X1) was proven to have positive and significant effect on competitive advantage (Y1). It showed that the relationship of market orientation and competitive advantage gave a positive path parameter coefficient showing 0.202 with t-statistics of 4.864 (t-statistics > 1.96) so that the second hypothesis of market orientation having positive effect on competitive advantage was accepted. It is in line with research from Baker et al. (1999) proving that market orientation has positive effect on competitive advantage. The results of research conducted by Dewi (2006) proving that market orientation has positive effect on competitive advantage. This showed that the company's willingness to implement market orientation strategies will have an impact on the company's ability to compete with other companies.

Table 14 Structural Path Coefficient of Differentiation Strategy and Company Performance

Relationship Among Variables	Original Sample (O)	Standard Error (STERR)	t-Statistics ((O/STERR))	Description
Differentiation Strategy → Company Performance	0.592633	0.058416	10.145063	Positive and significant

Based on Table 14, the differentiation strategy (X2) was proven to have positive and significant effect on company performance (Y2). This showed that the relationship of differentiation strategy and company performance gave positive path parameter coefficient value showing 0.593 with a t-statistic of 10.145 (t-statistic > 1.96) so that the third hypothesis which is the differentiation strategy having a positive effect on company performance was accepted. It is in accordance with research from Dewi (2006) which stated that small and medium companies that formally have a strategic plan, produce above average performance compared to companies that do not have a strategic plan. Research conducted by Hajjat (2002) stated that the differentiation strategy significantly influenced company performance through the quality of hospitality services. Haksama (2014) stated that adequate strategic planning will improve the performance of Muhammadiyah Lamongan hospital. Isbala (2015) stated that strategic planning has a positive and significant effect on the performance of PT Kereta Api Indonesia (Persero) in Surabaya. Setiawan (2016) stated that companies those choose the differentiation strategies will produce better financial performance than the companies that apply cost leadership strategies.

Table 15 Structural Path Coefficient of Differentiation Strategy and Competitive Advantage

Relationship Among Variables	Original Sample (O)	Standard Error (STERR)	t-Statistics ( O/STERR )	Description
Differentiation Strategy → Competitive Advantage	0.730871	0.041853	17.462717	Positive and significant

Based on Table 15, the differentiation strategy (X2) was proven to have positive and significant effect on competitive advantage (Y1). This showed that the relationship of differentiation strategy and competitive advantage gave a positive path parameter coefficient value of 0.731 with a t-statistic of 17.463 (t-statistic > 1.96) so that the fourth hypothesis which is the differentiation strategy having positive effect on competitive advantage was accepted. This is in accordance with research from Ramadhani (2014) stating that an increase in differentiation strategies by differentiating service quality can affect an increase in competitive advantage. Tampi (2015) stated that the effect of product differentiation on competitive advantage was partially significant. Paryanti (2015) stated that the strategy variables of product differentiation, service differentiation, personnel differentiation, image differentiation, each have interrelated indicators and have a positive effect on competitive advantage in the Resty Menara Pekanbaru hotel.

Table 16 Structural Path Coefficient of Competitive Advantage and Company Performance

Relationship Among Variables	Original Sample (O)	Standard Error (STERR)	t-Statistics ((O/STERR))	Description
Competitive Advantage → Company Performance	0.415745	0.047620	8.730569	Positive and significant

Based on Table 16, competitive advantage (Y1) was proven to have positive and significant effect on company performance (Y2). This showed that the relationship of competitive advantage and company performance gave a positive path parameter coefficient value of 0.416 with a t-statistic of 8.731 (t-statistic > 1.96) so that the fifth hypothesis which is competitive advantage having positive effect on the company performance was accepted. This shows that the higher competitive advantage, the higher the company performance. This is in line with research from Sanchez et al. (2006) found a relationship between business performance and sustainable competitive advantage. Kuntjoroadi and Safitri (2009) stated in their research on Garuda that Garuda has a competitive advantage and has longrun growth opportunities, namely Garuda will have a relatively high market share in the relatively high growth of the air transportation industry market and also seen from the company performance, especially in marketing. Jessica and Devie (2013) also explained that there is an effect of competitive advantage on company performance.

## CONCLUSIONS AND SUGGESTIONS

Market orientation was proven to have positive and significant effect on company performance. This showed that the higher market orientation, the higher the performance of five-star hotels in Nusa Dua Tourism Area. Market orientation was proven to have positive and significant effect on competitive advantage. This showed that the higher market orientation, the higher the competitive advantage of five-star hotels in Nusa Dua Tourism Area. The differentiation strategy was proven to have positive and significant effect on company performance. This showed that the higher differentiation strategy, the higher the performance of five-star hotels in the Nusa Dua Tourism Area. The differentiation strategy was proven to have positive and significant effect on competitive advantage. This shows that the higher differentiation strategy, the higher the competitive advantage of five-star hotels in Nusa Dua Tourism Area. Competitive advantage was proven to have positive and significant effect on company performance. This shows that the higher competitive advantage, the higher the performance of five-star hotels in the Nusa Dua Tourism Area.

Based on the results, it is necessary to focus on increasing competitor orientation indicators on market orientation variables, threat indicators of substitute products on differentiation strategy variables, price indicators on competitive advantage variables, and market share growth indicators on company performance variables. That is because the average value of the indicator is at the lowest value compared to other indicators.

## LIMITATIONS AND FURTHER STUDIES

This research is only conducted on one company in a tourist area, so it cannot be used as a concrete reference to assess the performance of a company in other regions, because every company certainly has other indicators used in assessing a company's performance. Further research besides using the questionnaire method can use interview methods and deeper observation in order to deepen the results of further research.

## REFERENCES

- Baker, William E & James M. Sinkula, 1999. The Synergistic Effect of Market Orientation and Learning Orientation on Organizational Performance, *Journal of The Academy of Marketing Science*, Vol 27, No 4. pp. 411-127.
- Chin, W.W. 1998. The Partial Least Squares Approach to Structural Equation Modeling. *Modern Methods for Business Research*. pp. 295-336.
- Dewi, Tribuana. 2006. Analisis Pengaruh Orientasi PasardanInovasi Produk Terhadap Keunggulan Bersaing UntukMeningkatkanKinerjaPemasaran (Studi pada Industri Batik di Kota dan Kabupaten Pekalongan). Semarang, Penerbit Universitas Diponegoro.
- Ghosh, B. C., H.P. Schoch., D.B. Taylor., W, Kwan, & T.S. Kim, 1994. Top Performing Organization of Australia, New Zeland and Singapore: Comparative Study of Their Marketing Effectiveness, *Marketing Intelegence And Planning*. Vol 12, No 7. pp. 39-48.
- Greenley, G. 1995. Market Orientation and Company Performance, Empirical Evidence From UK Companies. *British Journal of Management*, Vol 6, No 1. pp. 1-13.
- Haksama, NurhapnaSetya. 2014. PengaruhPerencanaanStrategis Terhadap Kinerja Di RumahSakit – Effect of Strategic Planning on The Hospital Performance. *Journal Administrasi Kesehatan Indonesia*, Vol 2, No. 2 April-Juni 2014.
- Hajjat, Mahmood M. 2002. Customer Orientation: Construction and Validation of the Custor Scale, *Journal Marketing Intelligence and Planning*, Vol 20, No 7. pp. 428-441.
- Jaworski, B.J. & Kohli, A.K. 1993. Market Orientation: Antecedents and Consequences, *Journal of Marketing*, Vol 57. pp. 53-70.
- Kara, Ali John E., Spillan., & Oscar W. Deshields. 2005. An Empirical Investigation of The Effect of A Market Orientation on Business Performance: A Study of Small-Sized Service Retailers Using MARKOR Scale, *Journal of Small Business Management*, Vol. 43, No 2. pp.105-118.
- Kotler, Philip. 2007. *Manajemen Pemasaran Jilid 2*. Edisi 12, Penerbit PT Indeks.
- Li, S., Ragu-Nathan., T.S. & Subba Rao, 2006. The Impact of Supply Chain Management Practise on Competitive Advantage and Organizational Performance, *Journal Omega*, Vol 34, No 1. pp. 107 – 124.
- Sugiyono. 2014. *Metode Penelitian Bisnis (Pendekatan Kuantitatif, Kualitatif, dan R&D)*, Bandung, Penerbit Alfabeta.
- Slater, S. F & Narver, J. C. 1995. Market Orientation and The Learning Organization, *Journal of Marketing*, Vol 59. pp .63-74.
- William E Baker & James M, Sinkula. 1999. Learning Orientation, Market Orientation, and Innovation, *Journal of Organizational Performance*, Vol 4. pp. 295-308.