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Can Knowledge Absorption Moderate Entrepreneurial Orientation and Corporate Strategy to the Competitive Advantage of Batik Company?

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Abstract

Increased knowledge sharpens entrepreneurial orientation, improves corporate strategy and increases the company's competitive advantage. The aim of this research is to explain the moderation of knowledge absorption in the relationship between entrepreneurial orientation and corporate strategy on the competitive advantage of batik companies. Quantitative research paradigm, type of causal relationship research. The data collection technique uses a questionnaire. The research population was in batik company centers in Banyuwangi, Jember, Bondosowo, Situbondo, Lumajang Regencies. The research sample used a non-probability sampling method. The research respondents were 50 batik company owners. Data analysis uses multiple linear regression. Research findings show that knowledge absorption capacity has not been able to moderate the relationship between entrepreneurial orientation and corporate strategy more strongly on the competitive advantage of batik companies. The research contribution is that the ability to absorb new knowledge is very important for small batik companies to encourage innovation. The study of strategies for absorbing new knowledge for small companies needs to be intensified at the theoretical and practical levels. The limitation of the research lies in the homogeneous population, namely all small companies. Recommendations for future research should be that the research population is heterogeneous. This study serves as a good yardstick for exploring the effects of knowledge absorption on competitive advantage. At the same time, this study is within the Indonesian context, especially in small businesses and the creative industry, namely Batik. It is undoubtedly helpful in the Central European context in discussing entrepreneurial orientation and corporate strategy in small businesses. Knowledge absorption is dispersed over countries depending upon their business culture; this study focuses on strategic management theory and its findings valuable for small businesses and creative industries in Central European countries.

Keywords: *Knowledge Absorption; Entrepreneurial Orientation; Corporate Strategy; Competitive Advantage*

Introduction

Batik is one of Indonesia's intangible world heritages which was recognized by Unesco on October 2, 2009 (Steelyana, 2012). Batik companies continue to grow and absorb many workers. This reality means that competition in the batik industry is very tight. Only batik companies that have the ability to absorb new knowledge, a stronger entrepreneurial

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orientation, and the right corporate strategy, can create competitive advantages. Competitive advantage is a very important concept for batik companies to realize. Competitive advantage is the lifeblood of every company. Without competitive advantage, it is almost impossible to attract and retain customers (Kenyon & Sein, 2015). A company's competitive advantage can be understood as the position of implementing the company's strategy relatively better than its competitors as indicated by the profits obtained above the average. Whether a company's competitive advantage is created or not really depends on its ability to absorb new knowledge, entrepreneurial spirit and corporate strategy. If the company is unable to absorb new knowledge and is unable to develop strategies and does not have entrepreneurial orientation values, the company's competitive advantage will not be created. However, even though a company is able to absorb new knowledge and is able to develop a company strategy, it will not necessarily be able to build the company's competitive advantage if there is nothing new or unique to offer.

Knowledge is the basis for creating competitive advantage (Filippini et.al. 2012). Knowledge is a very important and invaluable asset for every company that needs to be managed well (Omotayo, 2015). The ability to absorb new knowledge is very important to use to increase the company's knowledge base. Reading is a source of knowledge (Woudenberg, 2018). Read and absorb new knowledge from consumers, customers, partners, government policies, the world of education, news, training, competitors, etc. Rapid environmental changes will produce new knowledge needed to create/maintain competitive advantage. However, it is not uncommon to find that companies lack the internal capacity to absorb new knowledge from outside because they believe in the company's current knowledge. Every company needs to think about being able to absorb new knowledge from the external environment on an ongoing basis to increase the company's new knowledge. Companies that are unable to increase knowledge in a sustainable manner and manage it well can be expected to be unable to create competitive advantage. The failure of the capacity to absorb knowledge is caused by the way companies view knowledge as something that is not important. Every company needs to think about being able to absorb new knowledge from the external environment on an ongoing basis to increase the company's new knowledge. Thus, learning absorbs knowledge not only from individuals within the company but also from the company/organization as a learning organization. Companies that are unable to increase knowledge in a sustainable manner and manage it well will certainly not be able to create a competitive advantage.

The company must mobilize all its resources to develop a company strategy that is able to create a competitive advantage for the company. Company strategy can be interpreted as ways to realize company goals, namely obtaining increasing profits in a sustainable manner. Growth strategy is the best choice to create competitive advantage. In order to implement a growth strategy, a company can take one or more variants of the differentiation strategy, product development, market development, market penetration. The differentiation strategy can be understood as a choice of strategy by producing products that are relatively different or unique compared to products produced by competitors. Product development strategy can be understood as producing a completely new product or simply modifying an old product. Market development strategy as expanding the market to new markets but not abandoning old markets. Market penetration strategy as exploiting old markets with various vigorous promotion techniques.

Based on the description above, the researcher concludes that the company's competitive advantage variable as a dependent variable is very important for each company to realize in

order to obtain above average profits. Therefore, companies need to have a strong entrepreneurial orientation strategy and values as well as the ability to absorb new knowledge. This research places the capacity to absorb knowledge as a moderator variable in the relation of entrepreneurial orientation and business strategy to the competitive advantage of batik companies. The results of the researcher's search for previous research which placed the capacity to absorb knowledge as a moderator variable in the relationship between entrepreneurial orientation and corporate strategy towards the competitive advantage of batik companies have not been found. This is the gap that exists as well as the targeted novelty. This research was conducted at batik company centers in Banyuwangi Regency, Bondowoso Regency, Jember Regency, Lumajang Regency, and Situbondo Regency, East Java Province, Indonesia. The research approach uses a quantitative approach, causal method research type, statistics are used to process data collected through questionnaires. The aim of this research is to explain the moderation of the capacity to absorb knowledge on the relationship between entrepreneurial orientation and corporate strategy on the competitive advantage of batik companies in Indonesia. The research contribution is that the ability to absorb new knowledge is very important for small batik companies to encourage innovation and enrich strategic management studies in the context of creating competitive advantage for small batik companies in Indonesia.

Literature Review

Competitive Advantage

A company's competitive advantage is the ability to obtain profits from investments made by the company above the average in an industry. Competitive advantage is realized when a company is able to create economic value that exceeds that created by its rivals in the market (Barney and Hesterly, 2015). A company has a competitive advantage when implementing a value creation strategy that competitors do not simultaneously implement or when competitors cannot duplicate the benefits of the strategy (Barney and Clark, 2007). Competitive advantage results from implemented strategic assets (Kamukama et al., 2011). Competitive advantage in the Resource Based View (RBV) perspective depends on resources and capabilities with the assumptions: (a) competitive advantage can be maintained if the company can exploit resources and capabilities that are valuable, rare, inimitable, non-substitutable (VRIN), (b) if VRIN's resources and capabilities can be maintained then competitive advantage can improve company performance. (Barney and Clark, 2007). Competitive advantage is obtained when a company is able to fulfill: (a) what it does is difficult for competitors to imitate, (b) can exploit something commercial with current capabilities, (c) provides significant value for customers, and (d) on time (Hitt et al., 2001). Other experts identify a number of elements that are sources of competitive advantage, namely: inherent strength characteristics, radical innovation, knowledge management, economies of scale, human resources, business management, organizational culture, competitor analysis (Isoraite, 2018). On the other hand, there is a view which states that competitive advantage can be realized if you pay attention to: costs, delivery, product quality, product variety (Lehner and Gudmundsson, 2014). Other experts state that competitive advantage can be obtained when developing a company strategy by analyzing the organization's internal resources (financial, personnel, technical) and capabilities (productivity, innovation, expertise) as well as the organization's external environment, namely the ability to respond quickly to changes in the external environment (Navimipour et al., 2018). On the other hand, there is a view which states that competitive advantage can be realized if you pay attention to:

costs, delivery, product quality, product variety (Lasalewo, et al., 2016) while other experts state that competitive advantage can be obtained if in preparing company strategies analyzing internal resources organization (financial, personnel, technical) and capabilities (productivity, innovation, expertise) as well as the organization's external environment, namely the ability to respond quickly to changes in the external environment (Negulescu, 2019). The process of gaining competitive advantage is as follows: identifying opportunities, choosing exploit strategies, managing the results of exploitation strategies while the sources of gaining competitive advantage are unique services, product services, price/value, features used, consuming experience (Chuchulayna, 2019).

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Knowledge Absorption

Knowledge is everything that is known and unknown. Knowledge is an abstract concept without reference to the real world (Bolisani & Bratianu, 2018). Knowledge is one element of intangible resources that is inherent in individuals, organizations/companies (Barney & Clark, 2007). Other experts use the term intellectual capital (Marr, 2006), (Pierre & Audet, 2011). Knowledge is a very important factor for anyone as a source of innovation and the growth of entrepreneurial values (Drucker, 1985). Knowledge as competitive capital (Teece, 2018). Knowledge as capital to build relationships to improve performance. Knowledge can be tacit knowledge or explicit knowledge (Nonaka and Takeuchi, 1995).

The characteristics of knowledge are as follows: measurable, transferable, and cumulative. Therefore, the ability to absorb knowledge is very important to improve a company's competitive advantage. The concept of the ability to absorb knowledge that is known today has actually experienced the evolution of thought from a number of experts such as (Cohen and Levinthal, 1990), (Marr, 2006), (Lane and Lubatkin, 1998), (Zahra & George, 2002), (Gorynia, 2019), (Lane & Lubatkin, 1998). All the experts above acknowledge the concept given (Zahra & George, 2002). They state that there are four dimensions of capacity to absorb knowledge: acquisition, assimilation, transformation, exploitation.

Acquisition of knowledge & ability to assimilate is categorized as “potential absorbing capacity” while transformation of knowledge & ability to exploit as “real absorbing capacity” (Zornoza & Julian, 2006). Acquisition is defined as the ability to recognize value and acquire critical external knowledge for the company. Assimilation refers to the capacity to absorb external knowledge or is defined as the routines and processes that enable a company to understand, analyze, interpret and incorporate information from external sources. Transformation refers to the company's ability to build & redefine routines that facilitate the transfer & combination of existing knowledge with the acquisition and assimilation of new knowledge. The main objective of this capability is to find solutions to adapt/reconfigure new knowledge to specific and real organizational needs. Exploitation refers to the company's ability to apply new external knowledge commercially to realize organizational goals or refers to routines that allow companies to redefine, expand and leverage existing competencies or create something new by incorporating acquired and assimilated knowledge into company operations. Van Den Bosch et al., 2003, stated that the focus of knowledge absorption is highly dependent on the type of knowledge environment.

Entrepreneurial Orientation

The term entrepreneurship has long been used but there is little consensus regarding its definition (Williams et al., 2010). The most common themes used in the entrepreneurship literature include: wealth creation, business creation, innovation creation, change creation, job creation, value creation, and growth creation (Morris et al., 2008). Entrepreneurship is the process of creating value by bringing together a unique package of resources to exploit opportunities (Morris et al., (2008). Entrepreneurial behavior is not only possible in new ventures, but also in old companies regardless of their size and age (Kraus et al., 2011).

The entrepreneurial activity of an established company will be referred to as 'Entrepreneurial Orientation' (EO). EO refers to the decision-making styles, practices, processes and behaviors that lead to 'entry' into new or existing markets with new or existing goods or services (Lumpkin and Dess 1996; Wiklund and Shepherd 2003; Walter et al., 2006). This definition of EO is consistent with the view that EO leads to new market entry in either new or existing markets, but also explicitly recognizes that this can be achieved with new or existing goods or services. Entrepreneurial orientation as potential ways to revitalize companies (Herath, 2020). There are five elements of entrepreneurial orientation: innovative, proactive, risk-taking, aggressively competitive, and independent (Lumpkin and Dess, 1996). The five elements of entrepreneurial orientation can exist in individuals/workers, business founders, and existing companies but with different emphasis on each element (Certo et al., 2009).

Corporate Strategy

Many strategy concepts have been put forward by experts, for example strategy is creation of a unique and valuable position, strategy is about combining activities and creating a fit between them, strategy is creating fit among a company's activities so as to enable it to position its product in such a way that competitive advantage is clear, strategy is being different-deliberately choosing a different set of activities to deliver a unique mix of value. A good strategy is a strategy that is able to create competitive advantage. (Barney & Hesterly, 2015). Strategy is different from aspirations, more than specific actions, not the same as vision or values, strategy is a company's distinctive approach to competition and competitive advantage in what it stands on. Kotler (2012) suggests that there are a number of important elements to pay attention to in realizing strategic success: creating unique value compared to competitors,

creating a distinctive value chain that is woven into unique value, making clear tradeoffs and choosing what not to do, choosing even though it crosses the value chain as long as it creates joint strength and strengthens each other, a sustainable strategy by continuously improving the realization of the strategy.

A fairly complete definition of corporate strategy is a number of broad, systematic and integrated plans, which link the company's strategic advantages to its external environment and in this relationship the company obtains financial and non-financial benefits. The essence of strategy: answers the question what are the company's goals and how to achieve them? creating relationships with other entities in the company environment, refers to the positioning and competitive advantage achieved by the company, is characterized by stages, applies a time dimension and provides resources for the direction of change, observes consistently (Gorynia, 2019). Strategy types: growth, stability, downsizing with more detailed variations. Types of growth strategies: differentiation, market penetration, market development, product development (Kotler, 2012).

Previous Research Findings

Research findings (Lehner & Gudmundsson, 2014), show that innovativeness has a strong relationship with differentiation strategy. Risk taking and competing aggressiveness are negatively related to differentiation strategy and low-cost leadership. Differentiation strategy and low-cost leadership are positively related to organizational performance. Research findings (Zehir, 2015), show that the differentiation strategy mediates the relationship between entrepreneurial orientation (with its 5 elements) and company performance. This implies an entrepreneurial orientation in relation to a differentiation strategy. Research findings (Zeebaree and Siron, 2017), show that entrepreneurial orientation (innovativeness, proactiveness, risk taking) has a significant positive effect on a company's competitive advantage. Financial support also mediates the positive influence of entrepreneurial orientation on the company's competitive advantage. Research findings (Poernomo et al., 2017) show that entrepreneurial orientation with its 5 elements has a positive effect on a company's competitive advantage. However, the variable capacity to absorb knowledge is not a moderating variable in the relationship between the entrepreneurial orientation variable and the company's competitive advantage.

Research findings (Hosseini et al., 2018), show that when competitive advantage emphasizes the elements of accountability, quality, efficiency, innovation, it has a significant positive relationship with new product development. Research findings (Aziz et al., 2019) show that a company's competitive advantage can be achieved when an entrepreneurial orientation is reflected in someone who is able to make difficult decisions, is proactive, innovative, and dares to take risks amidst environmental uncertainty. Findings (Herath, 2020), show an entrepreneurial orientation (proactiveness, innovativeness, risk taking) moderated by a high capacity to absorb knowledge is related to company performance. Hana (2013)'s research findings in organizations in the Czech Republic state that the knowledge of organizational personnel is related to the creation of innovations to create competitive advantage. Stands reviewing the theory and findings of previous research.

The research hypothesis is as follows: There is a relationship between entrepreneurial orientation and the company's competitive advantage (H1). There is a relationship between corporate strategy and the company's competitive advantage (H2). There is a stronger

relationship between entrepreneurial orientation and a company's competitive advantage which is moderated by the capacity to absorb knowledge (H3). There is a stronger relationship between corporate strategy and the company's competitive advantage which is moderated by the capacity to absorb knowledge (H4).

Method

The research population was all batik companies of Banyuwangi, Jember, Bondowoso, Situbondo, Lumajang Regencies. The research population is based on data from the 5 district service offices, all of which fall into the small business category. The number of research populations is known when the research team conducts field observations. Members of the population as many as 84 batik companies.

The research sample uses the non-probability sampling method with due regard to scientific principles so that it can be accounted for scientifically as well. The consideration set by the researcher is that the batik company has been operating for at least 5 years and has at least 10 batik craftsmen. After studying the field data, 50 batik companies qualified as research samples. The research respondents numbered 50 company owners. The research analysis unit is a batik company organization represented by an owner/manager/leader of the company.

The operational definition of the variable Knowledge Absorbing Capacity is the ability to absorb new knowledge from outside by the owner of a batik company. This is measured by indicators: (a) acquisition of new knowledge, (b) assimilation of new knowledge, (c) transformation of new knowledge, and (d) exploitation of new knowledge. The operational definition of the variable Entrepreneurial Orientation is the behavior of batik company owners to create new things. This is measured by the indicators: (a) proactiveness, (b) innovativeness, (c) daring to take risks, (d) aggressive competition, and (e) independence. The operational definition of Competitive Advantage is cost efficiency, delivery, product quality, product variety. The operational definition of Corporate Strategy is product development, market penetration, market development, differentiation.

The measurement instrument uses a Likert scale with five alternative answers, "strongly disagree" identical value 1, "disagree" identical value 2, "neutral" identical value 3, "agree" identical value 4, and "strongly agree" identical value 5 (five). Data collection using a questionnaire. Data processing uses Multiple Linear Regression with the help of SPSS 26 software.

Results

Description of Research Respondents

Respondent identity data includes data on gender, status, ethnicity, age, education level and number of dependents. This data is presented in appendix 2. Appendix 2 shows that 68 percent (34 people) of female respondents and 32 percent (18 people) of male respondents. There are female respondents in Lumajang (7 people), Jember (9 people), and Situbondo (9 people). There were 7 male respondents in Banyuwangi Regency. This shows that batik companies can be identified with women as business actors. Batik business requires not only firmness and expertise in managing the business as a characteristic of male entrepreneurs, but also patience in making designs, carrying out the process of attaching to cloth and determining the harmony and color composition of batik cloth, which is inherent in female business actors.

Appendix 2 also reveals the fact that 90 percent of respondents (45 people) are married and 10 percent (5 people) are unmarried. Respondents with married status were in Lumajang and Situbondo, while those who were not married were in Jember (1 person), Bondowoso (2 people) and Banyuwangi (2 people). This shows that the batik company has become one of the respondents' livelihoods as a business worth pursuing to earn income to support the family. This opinion is reinforced by data on the number of dependents of respondents, where in appendix 2, it is revealed that 40 people (80 percent) of respondents have between 1-3 dependents. There are 7 people (14 percent) of respondents who have 4-6 dependents in Jember, Banyuwangi, Bondowoso and Situbondo and there is 1 respondent in Situbondo who is able to support his family of 8 from the batik business.

Respondents ethnic Javanese 33 people (66 percent), in Jember and Lumajang, as well as in Banyuwangi. The Madurese dominate in Situbondo and Bondowoso. It is interesting to note that there were 4 respondents from the Osing tribe in Banyuwangi (3 people) and Situbondo (1 person). This shows that batik is a universal product, not dominated by certain tribes in its production.

The facts show that the respondents had a junior high school education level and most of them had graduated from high school and college. Appendix 2 data shows that there are only 5 people (10 percent) of respondents with junior high school education in Jember, Bondowoso and Lumajang. Respondents with high school education were 24 people (48 percent) and university graduates were 21 people (42 percent). The largest distribution of high school graduates in Jember and Bondowoso is 6 people, followed by Banyuwangi with 5 people. The highest number of college graduates who are involved in this business are in Situbondo (7 people) and followed by Lumajang (6 people). This shows that the batik business is not only attractive to respondents with secondary education but has attracted the interest of college graduates as a business that has sustainable prospects.

The sustainability of the batik business can be seen not only from the education level of the respondents, but also from the age of the respondents. Appendix 2 shows that respondents are at the productive age level, namely between 20 years and 50 years old, with a total quantity of 38 people or covering 76 percent of the total 50 respondents and 24 percent (12 people) are over 50 years old. The largest age distribution of respondents was 40 to 50 years old with a percentage reaching 38 percent (19 people), followed by respondents in the 30 to 40 years age range, totaling 11 people or 22 percent of the total respondents. Table 4.1 also reveals that there are 8 respondents with an age range of 20-30 years who cultivate batik. There were 1 person in Jember, 4 people in Bondowoso and 3 people in Banyuwangi. The relative age of the respondents who are in this productive period, implicitly has a relationship with the sustainability of this business in the future and also implies that the batik business has the opportunity to continue to exist so that it is suitable to be used as a business that will continue to develop and be able to provide income for the respondents and his family.

The description above shows that the majority of respondents are women who are married with 1-3 dependents. Appendix 2 also reveals that the majority of respondents come from the Javanese tribe and have an educational level of high school and college graduates, with a very productive age range of 40 to 50 years to maintain the sustainability of the batik business.

Portrait of Batik Business

The portrait of the respondent's batik business includes the type of batik produced, the type of the respondent's role, the type of training he has received, and the amount of gross income per

month. An overview of these four things is presented in appendix 3. The highest distribution of respondents who also act as business managers is in Lumajang, Bondowoso and Jember. In these three locations, the respondent is an entrepreneur whose business is batik and understands this business but does not have the ability or expertise in batik. Meanwhile, respondents in Banyuwangi (9 people) and Situbondo (8 people) stated that they had expertise in batik and also did business in this field. This description implies that there are respondents who only manage and coordinate batik craftsmen at their business locations, without them having expertise as batik craftsmen. On the other hand, there are respondents who understand batik very deeply, even to the point of making batik, which includes designing, processing batik products and simultaneously managing their business.

The role in business management is reflected in the question item regarding the type of batik produced by the respondent. Appendix 3 reveals that there were 38 respondents (76 percent) who stated that they produced mixed batik, namely written batik and stamped batik which were combined into one piece of batik cloth or separately as production in their batik business. Most of this type of batik was produced by respondents in Lumajang, Banyuwangi, Bondowoso and Situbondo. Meanwhile, respondents in Jember produce more written batik, compared to stamped batik or other types of batik. Only 1 respondent in Jember stated that he produces mixed batik.

Appendix 3 also describes the respondent's time period in managing the batik business. Eighteen (36 percent) respondents stated that they had been involved in the batik business for a period of 10-15 years. Most of these respondents were in Jember (7 people) and Situbondo (6 people). In addition, there were 32 percent or 16 respondents who stated that they had been in the batik business for 6-10 years, these respondents were spread almost evenly in Lumajang 2 people, Jember and Banyuwangi 4 people, and Situbondo 1 person, with the highest number in Bondowoso 5 people.

Facts also show that there are 4 respondents in Banyuwangi whose business experience exceeds 15 years and some have even been in business for 26 years. This reveals that the respondents have had a long time in the batik business, so they know exactly the ins and outs of doing business in that business, so that many respondents have entered this market, namely entrepreneurs who have just run this business in a span of about 5 years as many as 12 respondents (24 percent).

There were 16 respondents who only attended production training and 26 respondents stated that they attended many types of training. The types of training that very few respondents participated in were marketing training and financial training. Respondents who only participated in marketing and finance training were 5 respondents and 21 respondents who stated that they had attended all types of training, bringing a total of 26 respondents who attended marketing and financial training. However, there are facts that were revealed that 7 respondents or 14 percent of respondents had never attended managerial training at all. The distribution of respondents who had never attended managerial training was the highest in Situbondo (3 people), followed by respondents in Banyuwangi (2 people) and 1 respondent in Jember and Bondowoso.

Appendix 3 provides evidence that 30 respondents (60 percent) earned a gross income of more than IDR 5,000,000 per month. This number was almost evenly distributed throughout the study locations with the highest number of respondents who earned this income were in Lumajang and Banyuwangi with 8 respondents each and in Bondowoso 7 respondents,

meanwhile in Jember and Situbondo there were 4 and 3 respondents respectively. There was one respondent who only earned a gross income of under IDR 1,000,000 namely respondents in Situbondo and Bondowoso Regencies. Furthermore, the second largest average gross income is in the range of IDR 2,000,000 – IDR 3,000,000 with a percentage of the number of respondents as much as 16 percent (8 people) spread across Jember 5 people and the remaining 1 person each in other research locations. This shows that there are still many respondents whose gross income from their business is below IDR 5,000,000, with a percentage of 40 percent of respondents.

The description above describes that most of the respondents are entrepreneurs/managers who produce mixed batik, the ability of the respondents to manage their business has been strengthened by their participation in managerial training in the areas of production, marketing, finance and business management. Furthermore, the data also shows that the average respondent has been doing business for 10-15 years with a gross income per month of more than IDR 5,000,000.

Questionnaire Validity and Reliability Test Results

The results of the validity test of the questionnaire with Pearson's correlation showed that all question items were valid.

Table 1: Pearson Correlation Value of the Questioner Validity Test.

	Description	KA	CS	EO	CA
KA	Pearson Correlation	1	.483**	.559**	.700**
	Sig. (2-tailed)		.000	.000	.000
	N	50	50	50	50
CS	Pearson Correlation	.483**	1	.739**	.651**
	Sig. (2-tailed)	.000		.000	.000
	N	50	50	50	50
EO	Pearson Correlation	.559**	.739**	1	.737**
	Sig. (2-tailed)	.000	.000		.000
	N	50	50	50	50
CA	Pearson Correlation	.700**	.651**	.737**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	50	50	50	50

Notes: **. Correlation is Significant at the 0.01 Level (2-Tailed).

Source: SPSS Output.

The results of reliability testing using the Cronbach alpha method show that all question items are reliable.

Table 2: Cronbach Alpha Value of the Questioner Reliability Test.

Research Variable	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
KA	164.12	344.353	.624	.804
CS	132.62	219.424	.754	.611
EO	102.04	97.753	.813	.708
CA	134.80	251.673	.774	.649

Source: SPSS Output.

Research Hypothesis Testing

Hypothesis testing in this study uses multilevel regression whose output results of SPSS™ 22 are presented in table 3 model summary and table 4 coefficients. Table 3 presents 3 models, namely models 1 to 3 which are models for analyzing hypotheses 1-4. Model 1, which only tests the entrepreneurship orientation and firm strategy variables, results in an F value of 34,260 ($p=0.000$, $p<0.05$), meaning that entrepreneurship orientation and firm strategy have a significant effect on competitive advantage (H1 and H2 are proven), with a prediction contribution of 59.3% (see R-square value). This significance is reinforced by model 2 which includes the moderating variable knowledge absorption in the prediction model also shows a significant effect, but this significance causes the F value to drop to 11.095 ($p=0.002$, $p<0.05$), although its contribution to the competitive advantage variable has increased from 7.9% to 67.2% (see R-square value).

Table 3: Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.770 ^a	.593	.576	2.80485	.593	34.260	2	47	.000
2	.820 ^b	.672	.651	2.54483	.079	11.095	1	46	.002
3	.821 ^c	.675	.638	2.59210	.002	.169	2	44	.845

a. Predictors: (Constant), Entrepreneurship Orientation, Corporate Strategy

b. Predictors: (Constant), Entrepreneurship Orientation, Corporate Strategy, Knowledge Absorption

c. Predictors: (Constant), Entrepreneurship Orientation, Corporate Strategy, Knowledge Absorption, Entrepreneurship Orientation Knowledge Absorption, Corporate Strategy Knowledge Absorption

Furthermore, model 3 in Table 3 shows a change in the F value of 0.169 and an increase in the contribution of the moderating variable knowledge absorption to 67.5%. However, the increase in the R-squared value resulted in the moderating variable being insignificant ($p=0.845$, $p>0.05$). More clearly, the insignificance of the moderating value of knowledge absorption on the entrepreneurial orientation and firm strategy variables can be seen in table 4 of model 3. Table 4 model 3 shows that knowledge absorption has no significant effect in moderating firm strategy ($p = 0.826$, $p>0.05$) and in moderating entrepreneurship orientation ($p=0.845$, $p>0.05$) on competitive advantage. In other words, H3 and H4 are not proven.

Table 4: Coefficients Value.

Model	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.160	3.867		3.144	.003
	Corporate Strategy	.213	.109	.301	1.952	.057
	Entrepreneurship Orientation	.289	.088	.508	3.294	.002
2	(Constant)	4.360	4.218		1.034	.307
	Corporate Strategy	.117	.103	.166	1.138	.261
	Entrepreneurship Orientation	.229	.082	.402	2.802	.007
	Knowledge Absorption	1.210	.363	.363	3.331	.002
3	(Constant)	-19.072	42.117		-.453	.653
	Corporate Strategy	.347	1.140	.490	.304	.762
	Entrepreneurship Orientation	.418	.900	.734	.464	.645
	Knowledge Absorption	2.949	3.136	.884	.940	.352
	Entrepreneurship Orientation Knowledge Absorption	-.016	.081	-.475	-.197	.845
	Corporate Strategy Knowledge Absorption	-.014	.066	-.581	-.221	.826

a. Dependent Variable: Competitive Advantage

Discussion

Based on data processing using statistics, it proves that the first hypothesis (H1) which states that entrepreneurial orientation has a significant positive influence is proven. This can be interpreted that the higher the entrepreneurial orientation of the respondents, the higher the competitive advantage of their batik companies. The values of this entrepreneurial orientation are proactive, innovative, dare to take risks, aggressively compete and be independent. Proactivity is shown by respondents always trying to follow developments in batik models, fashions, designs and motifs as well as taking part in exhibitions about batik. Innovative indicated by the existence of batik product innovation from respondents. The courage to take risks is shown by the courage to invest in land for the batik production process. Aggressive competition is demonstrated by participating in a number of exhibitions, selling products by utilizing digital marketing (Facebook, Instagram, WA) in addition to using non-digital marketing. Independence is shown in making decisions on matters related to the batik business not under the control of other parties.

The respondents' entrepreneurial orientation values did not come suddenly but rather through a long learning process resulting in the accumulation of knowledge and experience in managing batik businesses over time. This is proven by the fact that the average respondent has sufficient experience in managing a batik business, which is more than 5 years. When viewed at the formal education level of the respondents, it is sufficient to manage a batik business. In addition, respondents also attended training related to batik business management organizations. The batik business managed by the respondents still uses simple technology which is done manually so they do not yet use sophisticated technology in the batik production process. The design of batik products has not yet taken advantage of computer technology. Technology that can be said to be quite sophisticated is when doing marketing, namely using digital technology such as Instagram and others.

However, when the researcher places the variable capacity to absorb knowledge as a moderator variable to test the relationship between entrepreneurial orientation and competitive advantage, the results are not able to strengthen this relationship, so the third hypothesis (H3) is not proven. This means that there is a dysfunction or failure of the capacity to absorb knowledge as a moderator variable in strengthening the relationship of entrepreneurial orientation to the competitive advantage of the batik business. Likewise, data testing using statistics proves that the second hypothesis (H2) which states that corporate strategy has a significant positive effect on competitive advantage is proven. This can be interpreted as the batik business strategy that has been implemented by respondents so far has been able to create a real competitive advantage for their batik business. The simplest evidence is that the respondent's batik business still exists and has even developed until now. The indication can be seen from the increase in the number of craftsmen and the amount of production. The strategy can be in the form of market penetration, market development, product development, product differentiation. The market penetration strategy is demonstrated by intensifying the promotion and sale of products to existing market segments, which have not been fully explored properly. The strategy for developing or expanding the market is indicated by entering into new markets geographically or by creating new market segments. The product development strategy is shown by the existence of batik product design innovations that have been carried out by respondents so far. The differentiation strategy is indicated by the characteristics of the resulting product that can be identified by the producer by consumers, especially customers.

However, when the researcher placed the variable capacity to absorb knowledge as a moderator variable to test the relationship between corporate strategy and competitive advantage, the results were not able to strengthen this relationship, so the fourth hypothesis (H4) was not proven. This means that the capacity to absorb knowledge as a moderator variable fails or is dysfunctional in strengthening the relationship between the company's strategy and the competitive advantage of the batik business. This study reinforces the previous study from Setiawan & Hartanto (2020) on 150 respondents in the garment and textile industry in Indonesia that the capacity to absorb knowledge does not have a positive impact on competitive advantage. On the other hand, the findings of this study do not support the findings of this study which states that the variable capacity to absorb knowledge is fragile as a moderator variable in strengthening the relationship between corporate strategy and competitive advantage.

The findings of this study do not mean that respondents do not have the ability to absorb knowledge. They must have the capacity to absorb knowledge which is then able to sharpen their entrepreneurial orientation and translate it into their business strategy. Without knowledge or without having the ability to absorb knowledge outside the external environment or within the business, it is impossible for the respondent's batik business to survive until now. Knowledge, thus, remains a very important resource as the following statement states: "competitive advantage can be achieved depending on employee knowledge, experience, creative activity, and qualifications, focus on continuous learning and conducting research and improvement" (Hana, 2013). The simple explanation is that the entrepreneurial orientation values that exist in the respondent already contain the respondent's knowledge. That is, the knowledge possessed by respondents is the result of the ability to absorb knowledge that forms entrepreneurial orientation values and corporate strategy. In short, the values of entrepreneurial orientation and corporate strategy are expressions of the knowledge of the respondents.

The position of capacity to absorb knowledge is fragile when placed as a moderator variable in the relationship between entrepreneurial orientation and competitive advantage and the relationship between corporate strategy and competitive advantage. Therefore, future studies should be careful to place the capacity to absorb knowledge as a moderator variable in the relationship between entrepreneurial orientation, corporate strategy, and competitive advantage in small-scale companies.

Conclusion

The findings of this study show that the ability to absorb new knowledge has not been able to further strengthen the relationship between entrepreneurial orientation and corporate strategy towards competitive advantage in small batik companies. The entrepreneurial orientation and strategy of small batik companies have been formed based on old knowledge to build a competitive advantage that has proven to be able to survive until now. However, this cannot be maintained along with the increasing competition in the batik industry. A new awareness is needed for batik small firms to absorb new knowledge to strengthen their entrepreneurial orientation and corporate strategy, which in turn will further strengthen their sustainable competitive advantage.

The contribution of this study lies in the view that small batik firms need to develop a more open, visionary and wise attitude to absorb new knowledge to sustainably strengthen entrepreneurial orientation and corporate strategy. Without that, the company will be in danger of going out of business because knowledge is the source of creativity and innovation. The

limitations of this study examine the capacity to absorb knowledge as a moderator variable in small-scale batik companies. Future research is recommended to expand the scope of the company in order to gain a comprehensive understanding.

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