

# Establish a Competitive Advantage with Market Sensing Capability, Distinctive Competence and Product Innovation for Performance Marketing and Sustainability Efforts

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**Abstract.** This research is intended to know and to analyze the Sustainability of Small and Medium Enterprises Formed by Competitiveness, Market Sensing Capability and Distinctive Competence. The research used survey method and data was collected not only by questionnaire to respondent but also literature study. The amounts of population in this research consisted of 2455 Small and Medium Enterprises then compress with Simple random sampling until obtained 344 Small and Medium Enterprises to be analysis by path analysis. The research concluded that there are significant influence both of Market Sensing Capability and Distinctive Competence toward Competitiveness and Business Sustainability, either partially or simultaneously. In addition Competitiveness influented to business sustainability as well. Competent and creative Human resources are strongly needed. Therefore, before planning something innovative, it is important for management to increase the knowledge and capabilities of employees in accordance with the development of the company. Because without creative hands, it is impossible for an innovative product to be created.

## 1. Introduction

Small and Medium Enterprises (SMEs) are one of the significant leverage of development and economic growth in the world, especially in East and Southeast Asia, particularly in Indonesia. The existence of small and medium enterprises (SMEs) in Indonesia have very important rule due to national economy. Such as, an important role in the absorption of labor and employee, giving a widely economic market sensing to the public, the apportionment process, and increasing community income. In addition, the activities of SMEs have the potential to extend the production chain and shape up more productive and competitive businesses.

In order to SMEs empowerment, efforts must be made to improve quality of product, market access, and the use of appropriate technology deal with positive impact that can be felt by the surrounding community. As an effort to strengthen the competitiveness of SMEs to be able to penetrate regional and global markets, SMEs must keep to be encouraged. For this reason, Indonesian SMEs need to be encouraged to increase their creativity producing innovative products in which highly competitive. Innovative is the result of creativity, but innovation is an action taken as a form of one's creativity deal with environment being to be renewed. Innovations in business keep happening along with rise up of competitiveness in the modern business environment. The culture of innovation must also be built within the scope of SMEs in the shape up awareness, strong confidence,



and values and norms that included in all business components to keep doing innovation in any aspects.

The existence of goods, services, investment, skilled labor and capital markets liberalization in ASEAN region appear Indonesia on edge anyway due to 242.3 million population or 40 (forty) percent of the total area of the ASEAN Economic Community (AEC) that enough as only a target of market. For Indonesia, the enactment of the AEC at the end of 2015 provides several challenges those are not only internal in the country but also even more competition either within ASEAN countries or other outer ASEAN countries such as China and India. In 2006, the APEC SME Innovation Center conducted a study on the global competitiveness of SMEs in 13 (thirteen) APEC countries (APEC, 2006). As a result, Indonesia is one of the countries in which low competitiveness with scores less than 4 (four).

Tasikmalaya has been known as one of the creative industry cities in West Java which has several advantage commodities such as embroidery, plaiting, batik, handicrafts and footwear. The result of study by Bank Indonesia Tasikmalaya Representative Office in 2017 showed that SMEs in Tasikmalaya have low competitiveness, goods produced by SMEs in Tasikmalaya have not distinctive products in high innovation but those are still maintaining original authenticity of its products reached 67% so that its products are easily found elsewhere. In addition, it is also known that the employee has not been special trained, namely 6%. Bank Indonesia findings also show that products produced by SMEs in Tasikmalaya are imitable or easy to be imitated, 83%.

Innovation is the key to success in increasing business competitiveness. That means, SMEs need to do innovation in order to be able to design their organizations more flexible, which allows adaptation to any changes in market orientation. This condition allows small businesses to compete either to large businesses or invasion of import product. Innovation is a prerequisite for small and medium Enterprises developing and growing. Throughout keeping on innovation, Small and Medium Enterprises can compete and survive as well.

Competitiveness and survival of a company most depend on the ability of the owner to always be innovative in all fields. Innovative vim can be fostered by possessed distinctive competencies and market sensing capability (the company's ability to be sensitive to the market), namely the company's ability to learn about its customers, competitors, and distribution channels. So they have more capabilities than their competitors in seeing market opportunities. Thereby, the company can keep on developing strategies that will make the company can improve its marketing performance.

Organizational resources are the basis for reaching and maintaining competitive advantage (Alimin, et. al.: 2012: 157). So to increase the competitive advantage of the company, the company has to be able to manage the resources in the company provided. Distinctive Resources and have distinguished values greatly support the company's competitive advantage. For this reason, the company has to be capable to manage all of its resources in order to create competitive advantage, and can achieve superior corporate performance.

Besides being required to have entrepreneurial competencies in order to survive and excel in competition, an enterpriser must also be able to sense the market. With the continuing increase in the number of MSMEs in this era of globalization, this has resulted in a rapid change in the market, such rapid changes can pose new threats to entrepreneurs, so the ability to sense the market for each entrepreneur becomes important. Changes in this market are caused by changes in consumer tastes, consumer needs, socio-economic, technological and competitive activities.

Entrepreneurs should be able to determine the intended market so that consumers and competitors can be analyzed properly. The results of the research of Tognazzo and Gubitta (2012) and Han Min Oo (2013), showed that the variable Entrepreneurial Competence had a less significant influence on Marketing Performance, but instead the research was conducted by Wickramaratne, at. al. (2014), and Marlina (2012) and also Isa (2011) said that the results of his research showed that Entrepreneurial Competence had a significant influence to improve Marketing Performance. There are also differences of opinion regarding the effect of Market Sensing Ability on Marketing Performance, as found in Neil

A. Morgan, Dkk (2008) and John Hulland (2009) found that the Market Sensing Ability variable does not have a significant effect on Marketing Performance, but other findings say that Market Sensing Ability has a significant influence on Marketing Performance as a result of research conducted by Lindblom (2009) and Martin (2010). Furthermore, the results of other studies say that Market Sensing Ability has no significant effect on Competitive Advantage, as the results found by Lee (2010) and Lankinen (2009), but the different results obtained by Theodosiou, et.al. (2010) and Olaverrietta (2009) found the results that Market Sensing Ability has a positive and significant influence on Competitive Advantage. Previous studies used different approaches or point of views to specifying and classifying MS which basically used to identify the firm's opportunities and threats and to understanding the business. Environmental changes of the firms. In literature the resource-based view (RBV) explains the importance of developing valuable and scarce resources and capabilities (Diaz-Fernandez et al., 2015), which are said to be the source of sustainable competitive advantage. From dynamic capability point of view Teece et al. (2009) suggested that resources are developed through specialized routines that create different competencies. Moreover, Teece (2007) defined the deployment of dynamic capability as the process of sensing and seizing market chances and reconfiguring the resource base.

According to Song et al. (2015) the inconsistent empirical evidence in literature about the positive effect of market orientation (MO) on innovation motivates further research to investigate the potential moderating variables in order to explain the unstable relationship between MO and innovation for example study of Wang and Chung (2013), Grinstein (2008), and Wei and Atuahene-Gima (2009). For example Wang and Chung (2013) examined the moderating role of managerial ties in MO and innovation. Likewise, the exchange of MO and firm innovativeness may depend on managerial attitudes towards the natural environment (Dibrell et al., 2011). Furthermore, Wei and Atuahene-Gima (2009) established that the proper reward system design is found to have effect on the exchange of MO and new product performance.

Based on the description above, this research concerns to: Sustainability of Small and Medium Enterprises Formed by Competitiveness, Market Sensing Capability and Distinctive Competencies. Summing up the above argument this study is posits that internal information dissemination would positively affect the relationship between market sensing and innovation capability to enhance market performance, and subsequently present the data and clarify the process by which the hypotheses are tested and intricate upon the findings and their propositions for theoretical and managerial implications.

## 2. Literature review

The success of the company in achieving its goals and objectives is greatly influenced by the company's ability to market its products, for that future market growth is needed. Market sensing capabilities, namely the ability to read, see, and take advantage of market opportunities to increase the company's sensitivity to market conditions so they can find potential markets. We can interpret Market Sensing Capability or the ability of a company to learn about its consumers, competitors, and distribution channels. So that they have more ability than their competitors in seeing market opportunities. Thus the company can continue to develop strategies that will make the company able to improve its marketing performance (Nursyabani et al., 2015: 3).

Competence is an ability to carry out or do a job or task based on skills and knowledge and supported by the work attitude demanded by the job. Thus, competence shows skills or knowledge that are characterized by professionalism in a particular field as the most important, as the superior of the field (Wibowo, 2013: 324). As distinctive competency, namely a series of unique strengths that enable an organization to achieve a level of efficiency, quality, innovation or customer response, all of which are capable of creating superior value and competitive advantage (Maltis, 2014: 219). Unique competence consists of four variables, namely knowledge (knowledge), abilities (abilities), skills (skills / skills), and attitude (attitude).

The results of Wirawan's study (2009: 10) state that in addition to the company's competency, it can also improve the ability / capability of the company in managing resources to improve its competitive advantage and can improve company performance. In another study conducted by Agha (2012), Nimsith SI, et al. (2016), argues that competence has a positive effect on competitive advantage and also has a positive effect on company performance.

Hubeis (2014: 67) defines innovation as a change or a big idea in a set of information relating to input and output. From these definitions two things are obtained, namely product innovation and process innovation which in an economic sense is called innovation if the product or process is improved, and then it can be the beginning of the sales process in the market. Research conducted by Aang Curatman et al (2016) on the Analysis of the Effect of Product Innovations that Affect Competitive Advantages of SMEs and Beverages in the Harjamukti Area of Cirebon City states that product innovation has a positive influence on competitive advantage. If the company wants to have a competitive advantage, the company can create it through innovation activities on the products it produces.

Porter (2013: 3) describes competing advantages as follows: Competitive advantage basically develops from the value that can be created by a company for buyers that exceeds the company's costs in creating it. Value is what the buyer is willing to pay, and the superior value comes from offering a lower price than the competitor for commensurate benefits or providing unique benefits that are more than just offset the higher price. In the concept of the company there are two types of competitive advantages namely differentiation cost advantages. Competitive advantage illustrates the way companies choose and implement generic strategies (low cost, differentiation, and focus) to achieve and maintain competitive advantage.

The same thing was stated by Cravens (2014: 18) that, the Company obtained a competitive advantage by providing more value to consumers through:

- Lower prices compared to competitors for the same benefits.
- The uniqueness of benefits that can cover high prices

The positive effects of competitive advantage on performance have been proven by sharing research. The results of the Lakhal study (2009) show that a higher level of competitive advantage can lead to an increase in organizational performance. Competitive advantage has a positive influence on organizational performance (Agha et al., 2012). By having a competitive advantage, the company will be able to survive to continue the life of the company. Competitive advantage must absolutely be owned by the company / product to achieve the performance or success of the product produced (Ekawati et al., 2016).

Business sustainability is a condition when a company has sufficient funds to run and develop its business. The business continuity principle is the assumption that an entity will remain in business in the future. The entity will not be forced to stop operations and liquidate assets in the near future (Hilda, 2013: 2). According to Kurniasari (2011: 16) sustainable business has the following characteristics: (1) able to produce goods production continuously, (2) carry out production planning based on prediction of the number of consumer needs, (3) always strive to produce quality products according consumer needs, (4) always strive to fulfill the sales target of increasing sales trends, (5) always take proactive actions to serve consumers, (6) consciously allocate funds for promotion, (7) carry out appropriate and periodic planning of raw material requirements, and (8) always strive to control raw materials carefully, always strive to fulfill the needs of quality raw materials

### 3. Methods

This research is categorized as explanatory research, which aims to explain the causal relationship between variables through hypotheses test. This research approach is a survey approach. The populations in this study were all SMEs owners in Tasikmalaya Regency and City. The data taken about 2455 people from Tasikmalaya Industry and Trade Chamber in 2018 used simple random sampling technique then compressed with formulation to 344 people. The inferential statistical method

used in the data analysis of this research is path analysis. Reasons for using path analysis, consideration that the causal relationship formulated in this study uses a non-simple model that has multiple roles such as variables. This form of causal relationship requires analysis that is able to explain simultaneously about the relationship so that the method used in this study uses path analysis.

#### 4. Results

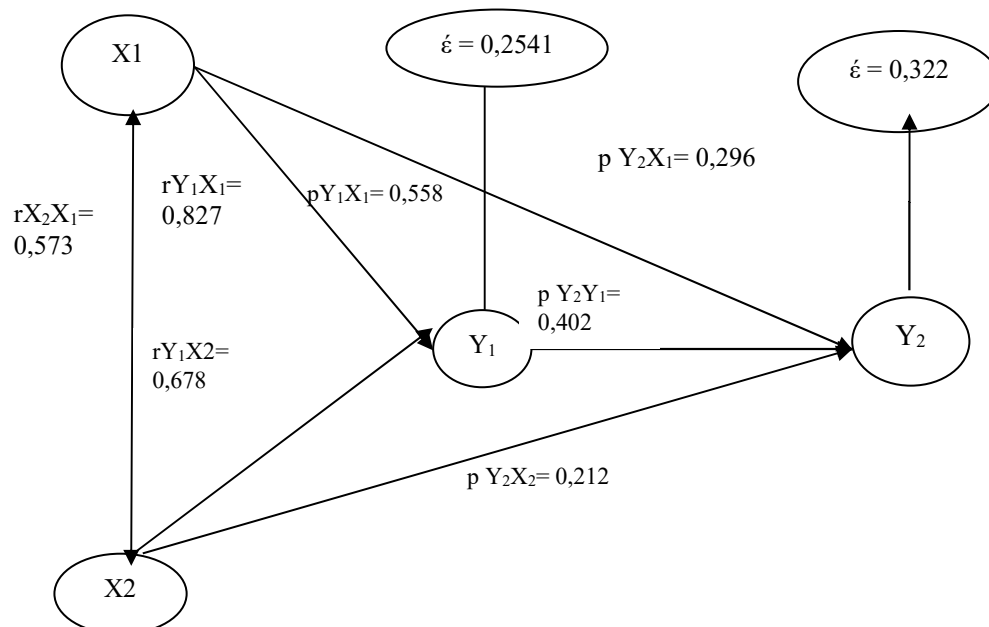
Variable of Market Sensing Capability ( $X_1$ ) and Distinctive Competence ( $X_2$ ) on Competitiveness ( $Y_1$ ) and its impact on Sustainability ( $Y_2$ ) can be seen in the following table:

**Table 1.** Market Sensing Capability ( $X_1$ ) and Distinctive Competence ( $X_2$ ) to Sustainability ( $Y_2$ ) Through Competitiveness ( $Y_1$ )

Model	Coefficients <sup>a</sup>			T	Sig.
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta		
(Constant)	5.832	2.280		2.558	.012
Market Sensing	.212	.074	.296	2.880	.005
Distinctive Competence	.179	.067	.212	2.690	.008
Competitiveness	.498	.142	.402	3.499	.001

a. Dependent Variable: Sustainability

Based on the data in Table 1 above, the relationship between Market Sensing Capability ( $X_1$ ) and Distinctive Competence ( $X_2$ ) to Sustainability ( $Y_2$ ) through Competitiveness ( $Y_1$ ) as followed:



**Figure 1.** Based on the data above can summarize the model parameter estimation results as followed:

**Table 2.** Path Koefficient

Model	Path Koefficient	t	ρ	r <sup>2</sup>
Sub Structural 1 (X <sub>1</sub> , X <sub>2</sub> Ke Y <sub>1</sub> )				
X <sub>1</sub> (pY <sub>1</sub>  X <sub>1</sub> )	0,558	10.434	0,000	0,746
X <sub>2</sub> (pY <sub>1</sub>  X <sub>2</sub> )	0,334	4.879	0,000	
Sub Structural 2 (X <sub>1</sub> , X <sub>2</sub> Ke Y <sub>2</sub> )				
X <sub>1</sub> (pY <sub>2</sub>  X <sub>1</sub> )	0,296	2.880	0,005	0,678
X <sub>2</sub> (pY <sub>2</sub>  X <sub>2</sub> )	0,212	2.690	0,008	
Y <sub>1</sub> (pY <sub>2</sub>  Y <sub>1</sub> )	0,402	3.499	0,001	

**Table 3.** The influence due to each independent variable on the dependent variable on those both directly and indirectly the author presents below:

Notice	Value
<b>Influence <math>X_1</math> on <math>Y_1</math></b>	
Direct Influence $X_1$ on $Y_1$	0,3113
Influence Indirect $X_1$ On $Y_1$ through $X_2$	0,1068
<b>Influence Total <math>X_1</math> on <math>Y_1</math></b>	<b>0.4181</b>
<b>Influence <math>X_2</math> on <math>Y_1</math></b>	
Influence direct $X_2$ On	0,1116
Influence Indirect $X_2$ On $Y_1$ through ( $X_1$ )	0,1068
<b>Influence total (<math>X_2</math>) on <math>Y_1</math></b>	<b>0,2184</b>
<b>Total Influence <math>X_1, X_2</math> on <math>Y_1</math></b>	<b>0.6365</b>
<b>Influence <math>X_1</math> on <math>Y_2</math></b>	
Influence direct $X_1$ On $Y_2$ =	0.0876
Influence Indirect $X_1$ On $Y_2$ through $X_2$	0.0359
Influence Indirect $X_1$ On $Y_2$ through $Y_1$	0.0984
<b>Influence Total <math>X_1</math> on <math>Y_2</math></b>	<b>0.2220</b>
<b>Influence <math>X_2</math> on <math>Y_2</math></b>	
Influence direct $X_2$ On $Y_2$	0.0499
Influence Indirect $X_2$ On $Y_2$ through ( $X_1$ )	0.0359
Influence Indirect $X_2$ On $Y_2$ through $Y_1$	0.0984
<b>Influence Total <math>X_2</math> on <math>Y_2</math></b>	<b>0.1842</b>
<b>Total Influence <math>X_1, X_2</math> on <math>Y_2</math></b>	<b>0.4062</b>
Influence $Y_1$ On $Y_2$	0.1616
Total Influence $X_1, X_2$ , dan $Y_1$ On $Y_2$	0.6780
Epsilon	0,3220

## 5. Discussion

### 5.1 Influence Market Sensing Capability and Distinctive Competence on Competitiveness

Based on the results of the calculation, the value of t arithmetic is  $3.040 > t$  table 1.67, so the mediation coefficient is significant. It means that Distinctive Competencies can mediate Influence Market Sensing Capability on Competitiveness. The success of the company in achieving its goals and objectives is strongly influenced by the company's ability to market its products; therefore market growth in the future is needed. Analyzing market opportunities is also needed to make decisions whether the company will continue to carry out its activities by increasing its productivity or having to quit from the market.

Companies that have the ability mengindera market will be able to accurately predict the value of the different resources, allowing them to avoid paying more than the resources required. Companies

with high market mengindera abilities are also able to identify the sensitivity of the pricing, customers, and prospeknya, thus enabling an undertaking providing a higher price for a profit. Market sensing capability also gives new insight to how the company's products and services offered can provide great value for customers and distribution channels. Competitive advantage which has been achieved by perpetrators of small medium enterprises which have managed to increase the power saingnya in the market usually reflected increased sales of where sales growth is an indicator to measure the performance of marketing in an attempt.

The resources of the Organization are the basis to achieve and maintain competitive advantage. So to increase the competitive advantage of the company then the company should be able to manage the resources that exist in the company. Resources that are unique and differentiating value highly support the competitive advantage of the company. For that, the company should be able to manage all its resources in order to create a competitive advantage, and can achieve a superior corporate performance. Resources in your organization can optimize in improving organizational performance and competitive advantage is all the competencies within the organization. In General, the competence of a greater emphasis on the productive behavior that should be owned and peragakan by a person in the exercise of an occupation in order to be an outstanding achievers

Companies with a valuable competence and rare will result in a competitive advantage that is larger than its competitors, who then produce superior financial performance. Competitive advantage and performance of the resulting company is a consequence of the competency and specialized resources. Thus it can be said that the companies should have the ability to mengkordinasikan with good strategic resource, as are key in building the competence and ultimately the achievement of high performance. The company's ability in mengindra market didasari by the presence of sensing market activity that affects the existence of activities which refer to sensing and then bring up the response. Thus it was able to increase profit and growth performance of the company. In addition it is hoped companies capable of delivering satisfaction against customers, and recognize the ability and advantage its competitors sehingga company is able to be "market drives firm", i.e. a company that always puts customer orientation and competitors in other words harmoniously with the company able to mengorientasi target market.

Market Sensing Capability can be interpreted as the company's ability to learn about consumers, competitors, and distribution channels. So they have more capabilities than their competitors in seeing market opportunities. Therefore the company can keep going to develop strategies that will make the company can improve its marketing performance (Nursyabani et al, 2015: 3).

The results of Wirawan's research (2009: 10) explained that not only the company's competency but also the company's capability/capability in managing resources should improve its competitive advantage then finally could improve the company's performance. In other studies conducted by Agha (2012), Nimsith SI, et al. (2016), stated that positive influences on competitive advantage and company performance.

In accordance with Day (1994; 2002), market sensing can be divided into three subprocesses: (i) sensing, (ii) sense-making, and (iii) response. In short, sensing refers to acquisition of information on consumers, competitors and other channel members, whereas sense-making refers to the interpretation of gathered information against past experiences and knowledge. Response refers to utilization of the gathered and interpreted information in decision-making. In other words, through response, the intangible information and knowledge is turned into visible marketing action. Day (2002) underlines that the processes for market-sensing are more systematic, thoughtful, and anticipatory in market-oriented firms than they are in other firms, in which these processes tend to be ad hoc, reactive, constrained, and diffuse. The elements of market sensing capability and their interrelatedness, as well as their link to the firm performance.

According to Day (2002), mastery of the complete market-sensing process is rather demanding and rare. Most firms suffer disabilities at one or more stages of the process. Their inquiries may be constipated, their mental models myopic, the circulation of information constricted, or the collective

memory afflicted by amnesia. The cost of these disabilities is high and mounting rapidly in markets experiencing accelerating rates of change. Yet, organizations can learn to sense their markets better by understanding each step in their process, critically assessing their market learning capability, and then correcting the learning disabilities. Therefore, mastering each stage in the market-sensing capability model is of utmost importance. In the empirical part of the study, the degree of market-sensing capability among the studied retail entrepreneurs, and the nature of the relationship between business performance and market-sensing capability of the retail entrepreneurs, is investigated more profoundly.

The organization capacity requires the experience of several individuals to be integrated with capital goods, technology, and other resources. The organizational capacities of the enterprise can be classified according to the value chain since they are oriented to generate value for the final client (Grant, 2005). Thus some can be considered as primary, since they are the tasks that generate value in a direct way for the client and others of support, since they are common to all the process of value generation. Among the support capacities literature has made special mention to the management capacities that in addition present special characteristics for the SME.

Generally the enterprises make use of all of them (Roth and Morrison, 1992) to generate distinctive competencies. In a certain way Grant's Determination of Distinctive Competencies in SMES: The Case of Vigo and its Area of Influence (Spain) "Visión de Futuro" Año 7, Nº2 Volumen Nº14, Julio - Diciembre 2010 amplified model is confirmed which is the strategy the one that allows it to establish the competitive advantages from the internal and external factors of the enterprise, but it also indicates to us that a competitive enterprise must know how to take advantage of all the resources and capacities available in some way since combining them efficiently they can improved their situation in the market, For the SMEs it is important to consider the territory (Vázquez Barquero, 1999) as they assign to it one of the distinguishing competencies. Although that resource is not directly a common competitive advantage to all the analyzed enterprises, if it does that in an indirect way, through the innovation, clearly fomented by means of cooperation and the relation with clients and suppliers (Verhees and Meulenberg, 2004). In that sense it is important for the SME to foment the constitution of cluster enterprise that facilitates the innovation of the enterprises (Porter, 1990). The intellectual capital of the enterprise is assigned to different distinctive competencies but a great part of it is concentrated in the management of the human and technological resources and in the innovation. Consequently and, in agreement with numerous authors (Bontis et al., 2000), the investment in intellectual capital on behalf of the enterprise is going to be key in the development of its competitive advantages.

## 5.2 Influence Market Sensing Capability and Distinctive Competence on Sustainability

Based on the results of the calculation, the t count value is  $3.557 > t$  table 1.67, so the mediation coefficient is significant. This means that Distinctive Competencies could mediate Influence Market Sensing Capability on Sustainability. The positive effects of competitive advantage on performance have been proven by sharing research. The results of Lakhal's research (2009) showed that a higher level of competitive advantage can lead to an increase in organizational performance.

The competence of an entrepreneur or self-employment is one of the important factors in determining success in entrepreneurship. The entrepreneurial capabilities in managing their business well and should be driven by science are quite good also will act as a source of Labor which becomes vital objects in the implementation of activities of the company. In order for the success of the company or the desired maximum effort in the company must be supported by an entrepreneur or entrepreneurial competency itself. A very entrepreneurial competencies required by the company/business and

If it is not implemented, it is feared will cause various problems for companies/ businesses that impact on the success of the company itself or the effort that is being executed. To achieve a success



in entrepreneurship can be done in various ways, one of which is the existence of a competent in the field of entrepreneurship, the need or purpose of a business will be easily achieved.

Competent entrepreneurial course have high motivation to manage its business properly, have the knowledge, skills and quality of the individual anyway, because to achieve a success of the business is not easy to done when not accompanied by the willingness and ability to achieve it all. Small business offender's ability to survive and develop its business affected some factor in entrepreneurship, creativity and innovation. Creativity and innovation that make up the entrepreneurial competence and sustainability can help small businesses. Entrepreneurship is needed in the ability of the mengindera market, measuring the likelihood of losses that might arise as well as acquire and take advantage of opportunities in a certain way. Small businessmen can benefit from the competence and experience of their efforts to be able to get a competitive advantage. The perpetrators of the culinary field for small business can grow their businesses by leveraging competency catch opportunities and ability in keeping commitments so as to gain the confidence of partners. Sustainability effort can be obtained that ultimately was able to gain the competitive advantage of excellence owned the small businessmen

Competitive advantage could significantly influence on organizational performance (Agha et al., 2012). By having competitive advantage, the company will be able to survive to continue the life of the company. Competitive advantage must be owned by the company or product to achieve the performance or succeed the product produced (Ekawati et al., 2016).

Business sustainability as a translation of "sustainable livelihood" can be defined as the one's effort of people to fulfill the needs of life and the sustainability of his life by using those all the capabilities, knowledge, access and demands and wealth owned locally and globally and continue to improve his ability to collaboration each other, innovating, competing, in order to survive in any conditions of change and achieving equalization (Kurniasari, 2011: 16).

According to Kurniasari (2011: 16) sustainable business has the following characteristics: (1) capable to produce goods continuously, (2) do production planning based on the prediction of the number of consumer needs, (3) always strive to produce quality products accordingly consumer needs, (4) always striving to meet the sales target of increasing sales trends, (5) always taking proactive actions to serve consumers, (6) allocating funds for promotion consciously, (7) planning appropriate and periodic raw material requirements, and (8) always striving to control raw materials carefully and meet the needs of quality raw materials.

However in Nguyen et al. (2016) market performance focuses on financial and customer performance. Second, the focus of this study is to examine the moderating effect of information dissemination between MS and innovation, this study was not exploring other possible antecedents to the relationship between innovation and market performance. So, future research has to take this into consideration by examine the moderating effect of information dissemination or any other antecedent in innovation – performance relationship. Third, the study utilized a one-dimensional measure of innovation at the time Nguyen et al. 2016) recommends future studies should examine whether the quality of the innovation (incremental or radical) has any influence on the market performance.

Market sensing is an important part of business success. If SMEs can sense the condition of the market environment well, they will be capable of seeing the market needs, market trend, and business environment change. The ability of SMEs in sensing market conditions will improve company performance (Fang, Chang, Ou, & Chou, 2014; Lindblom, Olkkonen, Kajalo, & Mitronen, 2008; Tseng & Lee, 2014). However, there are also studies explaining that market sensing has negative effect on performance (Olavarrieta & Friedmann, 2008).

Market sensing capability is an important part of learning process about consumer, competitors, and others parties in the business environment (Day, 2002; Olavarrieta & Friedmann, 2008). Olavarrieta and Friedmann (2008) noticed that substantive facet in market sensing include: (1) defining the market (identifying specific needs and segments); (2) monitoring competition (analysis of competitors and performance measurement); (3) assessing customer value (methods of assessing value and construction of value models); and (4) gaining customer feedback (assessing customer

satisfaction, perceptions of return on quality, and other forms of input from various stakeholders). Day (2002) divided market sensing into three activities: sensing activities, interpreting activities of any information that are found from sensing activities, and evaluating activities. Market sensing is different from market research. Piercy (2008) explained that market sensing describes organization process on enhancing understanding about external environment generally. Market sensing is not data collecting or data interpretation activities (Cravens, Piercy, & Baldauf, 2009). Market research tends to focus on data collecting and reporting technique (survey, observation, market experiment, etc.).

Market sensing capability is capability owned by SMEs to observe the market condition and surrounding environment. In that process, SMEs conduct observation to the need and trend existing in the market. From that observation, SMEs will be able to follow the tendency of innovation wanted by the market. SMEs who have sensing capability will increase their product innovativeness (Zhang & Wu, 2013). Market sensing relates with learning process, which Day (2002) believed is based on three activities of sensing, interpreting any information found from sensing activities, and evaluating.

Market competence is one crucial element of core competence and defined as the process in which firms can deploy collective knowledge, skills and firm resources in line with the market that they operate which in turn add value to its products and services and then, meet customer needs and wants. Thus, firms they are operating based on customers current and future needs, expectations and perceptions, preferences, competitors action and reactions (Kohli & Jaworski, 1990). Therefore, firms are able to response customer needs, enhance channel of communications, and hence act on market information in a timely which in turn lead to attainment and sustainability of competitive advantage (Wang & Lo, 2003).

The concept of core competencies emerged from the resource- based view of the firm which highlight the fact that competitive advantage rests on the firm's possession of unique difficult to imitate skills, knowledge, resources and competencies (Wernerfelt, 1984). Thus, to compete in international markets, core competence recognised as the major source of competitive advantage, which will produce a distinguished product (unique and difficult to imitate by competitors) (Kabue & Kilika, 2016; Matusik & Hill, 1998). Furthermore, Hill (1998) suggested that if a firm seeks to possess a core competence, then it should possess tangible and intangible resources which are unique. Additionally, the competence needs to create value as well as the capabilities to exploit their source and a unique capability in manage resources to productive uses. Core competence is the skills that empower firms to achieve the basics of customer benefits through the establish, improve, renovation and use of resources leading to sustainable competitive advantage (Williams, 1992). While Prahalad and Hamel (1990) indicated that there are at least three requirements that can be applied to identify core competence within the organization, which are: (a) capability to provide potential access to a variety of markets, (b) provide significant value to the end product and (c) unable imitation by competitors. Similarly, (Barney, 1995, 2001) who claim that resources and capabilities are crucial for the firms when it is to possess value, rare and difficult to imitate. These four dimensions of competence are value added, rare, difficult to imitate, ability to exploit, which are critical indicators in determining whether a competitive advantage can be sustained or not. More clearly, a central concept in the formulation of a technology strategy is a core competence. A firm's core competence could be in a technology, product, process, or the way it integrates its technological assets (Khalil, 2000). Technically, core competence is the production of a product or service with unique value to customers. Firms might have core competence in marketing with its capability to access and manage markets in a unique way. Operationally, core competence is a firm's infrastructure that allows managing operations in a uniquely efficient and effective way. Core competence may also be the human knowledge or skill of a firm's employees (Chumaidiyah, 2011).

## 6. Conclusion

- Market Sensing Capability and Distinctive Competence influenced on Competitiveness, either partially or simultaneously
- Market Sensing Capability and Distinctive Competence influenced on Business Sustainability, either partially or simultaneously
- Competitiveness influenced on Business Sustainability partially.

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