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THE EFFECT OF RISK TAKING ON PRODUCT ADVANTAGE WITH INNOVATIVE AND PROACTIVE AS MODERATING VARIABLES IN CULINARY MSME IN TANGERANG

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Abstract:

This study aimed to examine the effect of risk taking on product advantages with innovative and proactive as a moderating variable on MSMEs in Tangerang. Total of 90-100 MSMEs were studied by taking samples. The sampling technique used was convenience sampling based on the ease and willingness of MSMEs when collecting data. The technique of collecting data was done by distributing questionnaires to respondents who were selected as sample members. The data obtained will be analyzed by SEM using Partial Least Square (PLS). The results showed that there was no effect of risk taking on product advantages with innovative and proactive as a moderating variable in MSMEs. However, there is an effect between being proactive on product advantages.

Keywords: *Risk Taking, Product Advantages, Innovative, Proactive, MSME*

1. Introduction

Micro, Small and Medium Enterprises (MSMEs) are one of the economic backbones of a country. MSMEs are also a big contributor to labor and GDP. Quoted from CNN Indonesia (21/11/2016). Various small industries found in Indonesia, In the course of business, MSMEs face quite tight competition. For this reason, it is necessary to increase product advantages of the resulting product. Product Advantage if interpreted in general is how the product can be useful for consumers. This advantage can be obtained from the characteristics perceived by customers such as intangible value (pride, brand effect, etc.) by using or owning the product (Wong, Stanley Kam Sing. 2012). According to research Henard & Szymanski, (2001). Product advantages is the most potential driver for new product performance. Companies will find it difficult to develop and even tend not to survive if they do not have product advantages and because they are easy to be replaced by other competitors. Miller (2011) explains the superiority of products in entrepreneurial orientation, reflected in the presence of 3 dimensions, namely risk taking, innovative, and proactive.

In general, risk taking is a step that has consequences as a result of uncertainty for the perpetrator but with the aim of achieving success. Doing business (entrepreneurship) is taking a risks (Al-Jinini,2018), these actions produce new products, choices, and views (Sarasvathy, S., Dew, N., Velamuri, S. and Venkataraman, S 2010). Risk taking is measured because of trends within the company, such as the achievement of company goals, one of which is product advantages

Risk is not a single element in determining product superiority. Olsen, J., Lee, B.-C. and Hodgkinson, A. (2006) identify innovation in products resulting in greater company performance

such as increased advantage, market share, productivity, and sales. Companies that are willing to take risks but without being innovative, there will be a lack of opportunities to exploit new brilliant ideas. The products offered will have capabilities that do not meet the needs. On the other hand, risk taking is accompanied by high innovation so that you can stay on top of the competition, trying to develop products that not only meet customer needs, but also the aspirations of the community (Drucker, 2012; Wiklund and Shepherd, 2005). For this reason, innovation can be a moderating variable between the effect of risk taking on product advantages. In addition, the company's proactive attitude steps to pursue new opportunities. A proactive company is one that optimistically pursues its vision and is determined to respond to new business opportunities. Crum, MD (2011) said that proactive attitude can be a moderating variable between the effect of risk taking on product advantages. For this reason, this study aims to find outthe effect of risk taking on product advantage, innovation can moderate the effect of risk taking on the product advantage of MSMEs in Tangerang and proactiveness can moderate the effect of risk taking on the product advantages of MSMEs in Tangerang.

Theoritical review

Innovativeness

Hurley (2014) defines innovative as "*a collective perspective, which is openness to new ideas as a characteristic of an organization's culture*." María José Ruiz-Ortega (2017) considers innovation as "*firm's propensity to pursue new processes, products or business models.*" Innovativeness can be interpreted as an approach, trend, or step to support new ideas (innovations) in the introduction of new products, services, or technologies within the company. The research results of Calantone, Roger J., Chan, Kwong., Cui, Anna S (2014) are to achieve product success through achieving product advantages, and to achieve product advantages is to produce innovative products. In this study, it is also stated that product innovation does not have a direct effect on product success, but through product advantages first.

Risk Taking

Mitchell et al (2004) define risk taking as a willingness and commitment to turn an idea into a business opportunity with uncertain results. Stanley, Kam Sing Wong (2012) in their research explain that risk taking contributes to product advantages. Although the contribution of risk must be strengthened by other variables, there is no doubt that the risk taken is very important for product advantages.

Proactive

Lumpkin and Dess (2011) define proactive, namely, "*an opportunity seeking, forward-looking perspective involving introducing new products or services ahead of the competition and acting in anticipation of future demand to create change and shape the environment*". Crum, MD 2011 found that a proactive attitude can strengthen the achievement of a product's success. The proactive attitude in question is interacting with consumers, taking advantage of existing opportunities, and finding what is needed and filling it rather than making products and selling them. In this study also found that a proactive attitude has a greater influence on the product than a responsive market orientation.

Product Advantage

Song and Montoya-Weiss (2001) define product superiority from a competitive point of view that *"a product's perceived superiority relative to competitive products*". Product advantages is defined as "*a critical determinant of the success of new products and services*" (Hultink and Hart, in Ledwith, Ann., O'dwyer, Michele, 2008; 2), added by Langerak, F., Hultink, EJ and Robben, HSJ in Ledwith, Ann., O'dwyer, Michele, (2008, p 2) "*product advantage is to lead to superior new product performance and organizational performance*" Hsieh, MH, Tsai, KH and Wang, JR (2008) defines product advantages as *"a certain product's predominance providing customers' superior than competitors benefits. These benefits are quality, features, technical performance and the capability to satisfy consumer needs".*

Based on the above definition, product advantages is defined as the value or ability of a product to meet consumer needs better than competitors and have high competitiveness in the market.

Research Hypothesis

H1: Innovation has no significant effect on product advantages.
H2: Innovative can be a moderating variable in the effect of risk taking on product advantages.
H3: Proactive can be a moderating variable in the effect of risk taking on product advantages
H4: Risk taking has no significant effect on product advantages.
H5: Proactive has a significant effect on product advantages.

2. Research Method

This research was conducted on business people who classified as Micro, Small and Medium Enterprises (MSMEs) in the Tangerang area. With different business categories. It is a home industry that has been active for the last five years. Still active when the data collection of this research was conducted. The population in this study are all business people who have a minimum of five years of business which from Tangerang. The exact number of businessmen is not known. Therefore, this study uses a sample with a convenience sampling technique, where the selected sample has criteria determined by the researcher. Sampling was based on the element of ease in meeting businessmen as many as 90 MSMEs spread across the Tangerang area.

To measure the dependent and independent variables, referring to previous research.

Table 1. Risk Taking Variables

Variable	Indicator	Scale
Risk Taking	Our business dares to take risks to get higher profits.	ordinal
	Our business takes aggressive action to achieve its goals.	
	Our business has a bold and aggressive attitude to maximize and take advantage of potential opportunities.	
	Our business supports risk-taking behavior.	

Innovative	Our business emphasizes innovation in product development	ordinal
	Our business has a new product line in the past three years	
	Changes and additions to our product line usually attract consumers	
	Our business supports innovative behavior and activities.	
Proactive	Our business takes the initiative to take action against competitors	ordinal
	Our business is frequent and fast in introducing new products.	
	Our business is always based on a competitive strategy	
	Our business supports risk-taking behavior.	
Product advantages	The products we provide to consumers have a difference	ordinal
	Our products are superior to competitors	
	Our products offer consumers benefits that cannot be found in competitors' products	
	Our products have better quality than competitors	

Source: Stanley, Kam Sing Wong (2012)

3. Results and Discussion

3.1. Results

Respondent Profile

This research questionnaire was given to SMEs in South Tangerang. A total of 90 respondents. If viewed from the gender respondents who gave an assessment from the questionnaire, more MSMEs were female as much as 70%,at the age of the most above / more than 40 years.Most have high school education and below that is as much as 55.6%. The type of business with the most culinary is 50%.

Data analysis

In this study, the Effect of Risk Taking on Product advantages with Innovative and Proactive as Moderating Variables in MSMEs in Tangerang. will be analyzed using PLS analysis. PLS model specifications that will be estimated in this study are as follows:

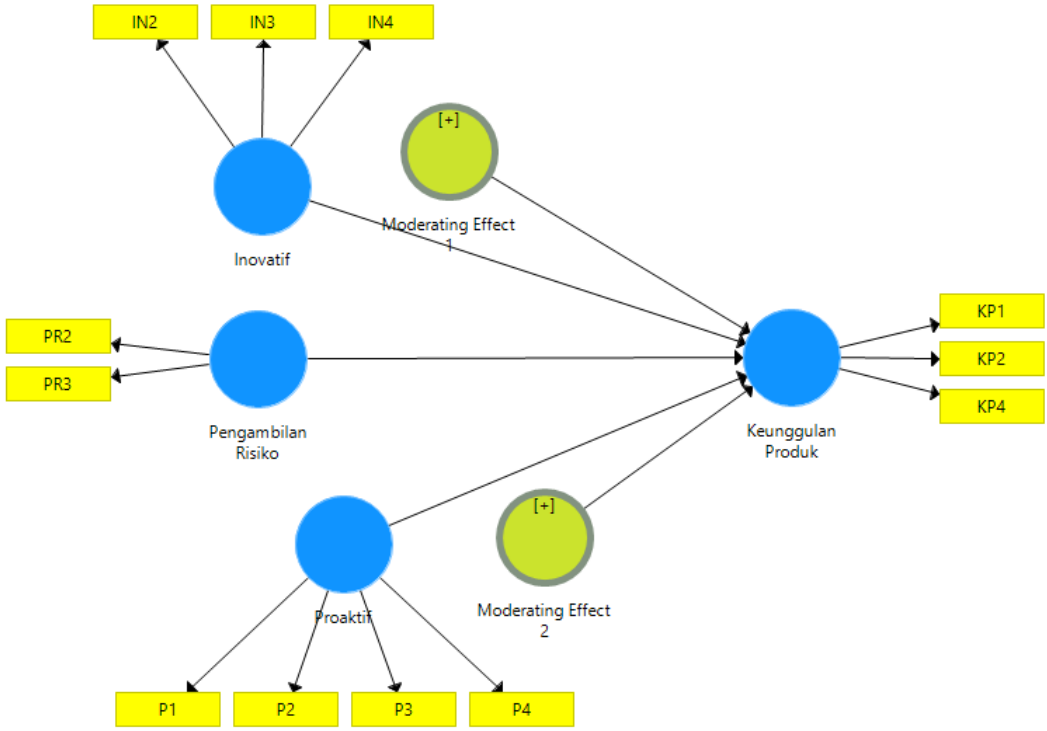

Figure 2. PLS Model Specifications

Outer Model

Based on the analysis of the results of the measurement model (*Outer Model Analysis*) it was found that all the indicators used to measure the research variables were valid and reliable so that they could represent the research variables and were trustworthy and reliable.

a. Convergent Validity

Table 2. Results of AVE . Value

Variables / Dimensions	***Average Variance Extracted***
Innovative	0.675
Product advantages	0.608
Moderating Effect 1	1,000
Moderating Effect 2	1,000
Risk Taking	0.816
Proactive	0.670

It is known that the AVE value of each variable has a value above 0.5 which has met the convergent validity criteria as measured by the AVE value. This shows that the variables in this study have met the criteria.

b. The results of the discriminant validity test are obtained as follows:

Table 3. Discriminant Validity

	Innovative	Product advantages	Moderating Effect 1	Moderating Effect 2	Risk Taking	Proactive
Innovative	0.821					
Product advantages	0.420	0.780				
Moderating Effect 1	-0.167	-0.098	1,000			
Moderating Effect 2	-0.113	-0.081	0.423	1,000		
Risk Taking	0.413	0.400	0.023	0.311	0.903	
Proactive	0.320	0.772	-0.096	-0.162	0.292	0.818

Discriminant validity is seen from the *Heteroit-Monotrait Ratio* (HTMT) approach. A good HTMT value is 0.85 (Henseler et al., 2015), the threshold value is still acceptable if it is less than 0.90 (<0.90), if the HTMT exceeds 0.90 then the HTMT indicates a lack of discriminant validity. From the results of the discriminant validity analysis in the table it shows that the value of the Heteroit-Monotrait Ratio on each indicator variable has a value less than 0.90 (<0.90) so that all indicators of each variable can be accepted.

Composite Reliability

Table 4. Reliability

Variable	***Cronbach's Alpha***	***Composite Reliability***
Innovative	0.762	0.862
Product advantages	0.675	0.823
Moderating Effect 1	1,000	1,000
Moderating Effect 2	1,000	1,000

From the results of the reliability analysis shows that the value of Cronbach's Alpha and Composite Reliability on each variable indicator has a value greater than 0.60 (> 0.60) so that all indicators of each variable have met the requirements and are declared reliable.

Inner Model
Coefficient of Determination Test (R2)
The Result of the Coefficient of Determination

The value of R-Square (R2) is used to determine the coefficient of determination and measure the level of variation of changes in the independent variable to the dependent variable. The R-Square value has 3 criteria, namely as follows: a value of 0.75 – 1 indicates (the influence is strong), a value of 0.5 – 0.74 indicates (the influence is moderate), then a value of 0.25 – 0, 49 indicates (the influence is weak).

Table 4. Coefficient of Determination *R-Square*

Variable	R-square
Product advantages	0.646

Based on the test results of the coefficient of determination (R2) shown in the table, it can be explained that the R-square value for the Product Advantage variable is 0.646 which means that 64.6% of the dependent variable Product Advantage can be explained by the variables in this study, the remaining 35.4% is explained by other variables not examined in this study.

Inner Model Test

Results from the boostrapping is:

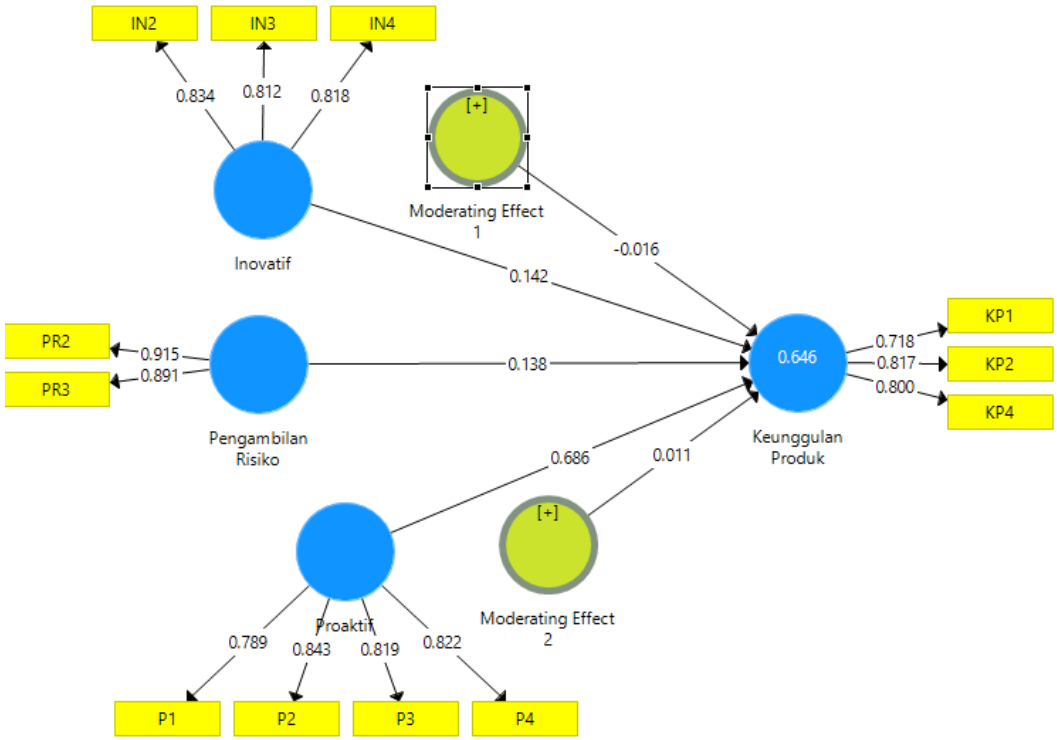

Figure 2. PLS Model Estimation Results (Bootsrapping)

Based on the estimation results of the PLS model using the bootstrapping technique above, the T value of the entire path has exceeded 1.96. The complete significance test results can be seen in the following table:

Table 5. Result of Direct Effect Significance Test

	Original Sample (O)	***Sample Mean (M)***	***Standard Deviation (STDEV)***	***t-statistics***	***p-values***
Innovative -> Product Advantage	0.142	0.135	0.083	1,713	0.087
Moderating Effect 1 -> Product Advantage	-0.016	0.001	0.078	0.200	0.841
Moderating Effect 2 -> Product Advantage	0.011	0.021	0.082	0.135	0.892
Risk Taking -> Product Advantage	0.138	0.163	0.085	1,624	0.105
Proactive -> Product Advantage	0.686	0.680	0.068	10,098	0.000

Based on the results of testing the hypothesis above, the following test results are obtained:

1) In the path that shows the effect of *Innovative* on *Product advantages*, the p value obtained is 0.087 with a T statistic of 1.713 and a positive path coefficient of 0.142. Because the path p value > 0.05, T statistic < 1.96 and the path coefficient is positive, it can be concluded that *Innovative* has no significant effect on *Product advantages*. This shows that research hypothesis 1 which says "*Innovation has a significant effect on product advantages*" is not accepted.
2) In the path that shows the effect of Moderating Effect 1 on Product advantages, the p value obtained is 0.841 with a T statistic of 0.200 and a positive path coefficient of -0.016. Because the path p value > 0.05, T statistic < 1.96 and the path coefficient is negative, it can be concluded that the Moderating Effect 1 has no effect on the superiority of the product. This shows that research hypothesis 2 which says "Risk taking has a significant effect on product advantages with Innovative as a moderating variable" is not accepted.
3) In the path that shows the effect of Moderating Effect 2 on Product advantages, the p value obtained is 0.892 with a T statistic of 0.135 and a positive path coefficient of 0.011. Because the path p value > 0.05, T statistic < 1.96 and the path coefficient is negative, it can be concluded that the Moderating Effect 1 has no effect on the superiority of the product. This shows that research hypothesis 2 which says "Risk taking has a significant effect on product superiority by being proactive as a moderating variable" is not accepted.
4) In the path that shows the effect of risk taking on Product advantages, the p value obtained is 0.105 with a T statistic of 1.624 and a positive path coefficient of 0.138. Because the path p value is > 0.05, T statistic is < 1.96 and the coefficient the path is marked positive, it can be concluded that risk taking has no effect on the superiority of the product. This shows that research hypothesis 4 which says "Risk taking has a significant effect on product superiority" is not accepted.
5) In the path that shows being proactive towards Product advantages, the p value obtained is 0.000 with a T statistic of 10,098 and a positive path coefficient of 0.686. Because the path p value < 0.05, T statistic > 1.96 and the path coefficient is positive, it can be concluded that proactiveness has a significant effect on product advantages. This shows that research

hypothesis 5 which says "proactivity has a significant effect on product superiority" is accepted.

3.2. Discussion

The success of a business lies primarily in its ability to analyze and forecast market opportunities and to design the organization of resources to seize these opportunities. This ability has been conceptualized by Miller (2011) into three dimensions in entrepreneurial orientation, namely risk taking, innovative, and proactive.The results of research by Calantone, Roger J., Chan, Kwong., Cui, Anna S (2014), Chen (2012) innovative products are a support in gaining product advantages. However, to support product advantages as a whole, other variables need to be balanced. Highly innovative products can create more opportunities for differentiation and competitive advantage, because dominant innovation can also establish the company as a dominant player in the market (Drucker, 2012). The results of this study indicate a difference with previous research, where there is no influence between innovation and product advantages. This condition can also be caused by the lack of samples that become research respondents. In addition, there are not various types of businesses from each respondent, who have different business scales.

In general, risk taking is a step that has consequences as a result of uncertainty for the perpetrator but with the aim of achieving success. Companies that are willing to take risks but are not innovative will find a lack of opportunities to exploit bright ideas. The products offered will have capabilities that do not meet the needs. On the other hand, risk taking is accompanied by high innovation so that you can stay on top of the competition, trying to develop products that not only meet customer needs, but also the aspirations of the community (Wiklund and Shepherd, 2005). Based on this, innovation can be a moderating variable between the effect of risk taking on product advantages. In contrast to the results of this study, it was found that innovation cannot be a moderator between risk taking and product advantages. Likewise, directly risk taking no effect to Product Advantage.

Taking risks is not a decision based on intuition alone. The risks taken must be supported by a willingness to seek opportunities that are between obstacles (Crum, MD 2011). Proactivity is generally defined as a company initiative to pursue new opportunities. Proactive companies are companies that are optimistically pursuing their vision and are determined to respond to new business opportunities (Wiklund and Shepherd, 2005, p.Alvarez, 2013). Being proactive is often associated with being one of the drivers to achieve product advantages (Baker and Sinkula, 2009). Risk taking can affect product advantages well if it is strengthened by proactive variables. Lack of proactiveness will make companies not understand the dynamics of market competition. So that there will be obstacles in creating products that meet customer needs. On the other hand, companies with a high level of proactivity will think from the customer's point of view which makes their relationship with customers closer and can respond well to market trends (Wiklund and Shepherd, 2005). Based on this, the proactive attitude can be a moderating variable between the effect of risk taking on product advantages. This is not in line with this study where the results of the study show that proactiveness cannot be a moderating variable between risk taking and product advantages. However, a proactive attitude directly has an influence on product advantages.

4. Conclusion

Based on analysis result, it can be concluded that:

1) Innovation has no significant effect on product advantages.
2) Innovative is not a moderating variable in the effect of risk taking on product advantages.
3) Proactive is not a moderating variable in the effect of risk taking on product advantages
4) Risk taking has no significant effect on product advantages
5) Proactive has a significant influence on product advantages.

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