

# The Effect of Entrepreneurship Orientation and Market Orientation on MSME Performance in Bandung City West Java

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## ABSTRACT

Performance can be interpreted as an achievement obtained from certain work results. Every organization that carries out business activities will expect to always get the best performance results even though the global situation will always fluctuate. MSMEs as organizations that carry out business activities will also have the hope of having good and increasing performance so that the goals of MSMEs will be achieved. This writing uses a quantitative research approach. The focus of the research is orientation and market orientation on the performance of MSMEs. This research was conducted in Bandung in West Java, Bengkulu. Based on the discussion, 1) entrepreneurial orientation has a positive and significant effect on the performance of MSMEs, 2) market orientation has a positive and significant effect on the performance of MSMEs, and 3) entrepreneurial orientation and market orientation simultaneously influence the performance of SMEs. The suggestions and recommendations to related parties are for MSMEs in Bandung City. In West Java, it is expected to be able to improve market orientation and orientation to improve MSME performance.

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## 1. INTRODUCTION

MSMEs, or micro, small and medium enterprises, are one of the main engines of Indonesia's economic growth. The expansion and employment of the MSME sector are significant. MSMEs can generate jobs faster than large industrial sectors. Although their contribution is much smaller than large corporations, MSMEs are also very varied and contribute significantly to exports and trade, making them some of the country's foreign exchange-earners. There is no denying the growth and importance of MSMEs to the Indonesian economy. Due to the unstoppable

technological advances, a company's products will eventually become so similar that it is difficult to tell them apart. The level of competition that is so high directly or indirectly can have an impact on how well a company does marketing. Two factors, namely market orientation, and entrepreneurial orientation need to be considered by actors to improve the performance of an MSME. MSME actors must first understand these two concepts to be able to implement them.

According to data from the Central Statistics Agency (BPS), the City of Bandung in West Java reached the target of having 60 million units and 97% of the country's total MSME workforce in 2018. MSMEs in Bandung City, West Java, contribute IDR 850 trillion per year to GRDP, but in 2018 it was found that MSMEs in the city of Bandung, West Java experienced a decline. The sluggishness of the trade and industrial sectors also contributed to the decline in the performance of MSMEs in Bandung City, West Java, which resulted in a reduced contribution to the local economy in West Java. The success of the production growth of the micro and small industry sector in the second quarter of 2017 as of August 2017 was only 2.5%, which shows a decrease from the achievement in the previous period which was reported to have grown by 6.56%. These statistics show a decline in the performance of MSMEs in Bandung, West Java.

Performance can be seen as the level of results achieved for the achievement of the objectives of commercial activities, while performance in work-related activities can be described as the level of achievement obtained for certain work results. Even though the state of the world will continue to change, every company involved in business operations will anticipate receiving the best performance results at all times. MSMEs, like companies conducting commercial operations, will also expect good and improved performance to achieve their goals.

Other factors considered important in influencing the performance of MSMEs are entrepreneurial orientation and market orientation. The first factor is entrepreneurial orientation. In entrepreneurship, several factors influence whether a business will succeed or fail. The first is to focus on entrepreneurship. In the field of entrepreneurship studies, the notion of an entrepreneurial orientation has become well known. It refers to a company's strategic orientation based on certain entrepreneurial processes and behaviors and defines how a business identifies and exploits new possibilities long before its competitors.

The capacity of an entrepreneur that is used as a basis for finding opportunities for success is specifically known as entrepreneurial orientation. An important factor that drives competition and business performance is entrepreneurial orientation. The strategic direction of a company and its capacity to incorporate certain entrepreneurial traits into its decision-making processes, procedures, and practices are referred to as its entrepreneurial orientation. In addition, those who have an entrepreneurial orientation have a tendency to innovate, take initiative, and take risks when starting or running a business.

The second factor is market orientation, especially market orientation, which significantly improves performance. Because market orientation understands consumers, is aware of competitors' plans, and coordinates among company departments, it is very important to improve company performance. An evolving component for increasing business success is an entrepreneurial orientation. Entrepreneurial orientation refers to how a business owner manages his own business. An entrepreneur's ability to master managerial skills will increase if they have a strong drive to achieve their goals, a belief that success is possible with perseverance, great confidence in all their actions and decisions, and openness to their environment.

## 2. THEORETICAL FRAMEWORK

### 2.1 *Entrepreneurship Orientation*

A resource and foundation for creating opportunities for success, entrepreneurial orientation is creative and imaginative talent. The ability to produce something new and distinctive by thinking creatively and acting innovatively to create opportunities is at the core of the entrepreneurial spirit. One of the factors that have a significant effect on businesses seeking opportunities in the business sector is entrepreneurship [1]. The ability to create, be proactive, and be willing to take risks to start or manage a business that is used as a basis and

resource to pursue the possibility of success is known as entrepreneurial orientation [2].

### **2.2 Entrepreneurship Orientation Indicator**

Following [1] there are several indicators of entrepreneurial orientation as follows:

#### 1. Innovativeness

Innovative behavior or way of thinking is very important to keep the company successful. In general, business actors who have an entrepreneurial orientation will be more daring and successful in controlling their innovative ideas.

#### 2. Proactive attitude

Proactive, business owners must take the initiative, act without delay, think strategically, have short and long-term plans, be open to learning from mistakes and be receptive to criticism and suggestions.

#### 3. Dare to take risks

Dare to take risks refers to business people who take calculated risks while considering the potential rewards for their company.

### **2.3 Market Orientation**

According to [3] Market orientation refers to the point of view held by business executives who emphasizes the need for businesses to coordinate targeted marketing activities to be able to achieve the goals and objectives of providing customer satisfaction by offering services that are by company goals so that company goals will be achieved. achieved in the long term. According to Pertiwi and [4], companies must continue to focus on the market as global competition intensifies and client demand fluctuates, making market orientation even more important.

### **2.4 Market Orientation Indicator**

According to [4] claim that market orientation is a single construction consisting of the following three dimensions:

#### 1. Customer orientation

This is an organizational culture that is constantly seeking information about customer needs and wants and working to fulfill those needs and wants.

#### 2. Competitor orientation

It is part of the business culture to constantly research the designs and goods provided by competitors in an attempt to beat them.

#### 3. Coordination between functions.

Coordination between connected functions is shown through the transmission of market information to members of the organization and the involvement of HR in marketing activities and product expansion.

### **2.5 MSME Performance**

According to [5] performance is the fulfillment of certain job requirements, which in turn has a direct impact on the number and quality of the products produced. The resulting output could be tangible or not. According to [6] Performance is characterized as the result of a person's efforts shown by the possession of certain talents and behaviors in certain circumstances. Work performance is the result of the interaction between effort, talent, and job perception. Motivation generates effort, which indicates the amount of energy (physical or mental) that a person uses to complete a task.

### **2.6 MSME Performance Indicators**

Performance describes the achievements made by individuals or organizations over a certain period. The performance that has been analyzed is used to determine the factors in this study [7]. The following are performance indicators:

1. Sales increase
2. Capital expansion
3. Increase workforce every year
4. Market expansion and promotion
5. Increase in income or operating profit.

### 3. METHOD

This writing uses a quantitative research approach. The focus of this research is the influence of market orientation and entrepreneurial orientation on the

performance of SMEs. The location of this study was held in the city of Bandung in West Java.

### 4. RESULTS AND DISCUSSION

#### 4.1 Multiple Regression Test

Table 1. Multiple Regression Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.009	.731		-.012	.990
	Entrepreneurship Orientation_X1	1.164	.042	.262	3.851	.000
	Market Orientation_X2	2,074	.932	.149	2.227	.027
a. Dependent Variables: MSME Performance_Y						

The following is the regression equation in this study:

$$Y = b_0 + b_1X_1 + b_2X_2 + e$$

$$Y' = 1.009 + 1.164X_1 + 2,074X_2 + 0.731$$

Information:

- Y = MSME Performance
- b0 = constant/reciprocal value
- X1 = Entrepreneurship Orientation
- X2 = Market Orientation
- b1,2 = Regression coefficient,
- e = Standard error

The following is an explanation of the regression equation:

1. The constant 1.009 indicates that the value of MSME Performance (Y) is 1.009 if entrepreneurship Orientation(X1) and market Orientation(X2) are both 0.
2. The regression coefficient of 1,164 owned Variable Entrepreneurship Orientation

(X1) indicates that if the value of the other independent variables continues to decrease in units, the MSME Performance (Y) will also decrease by 1.164. The positive coefficient value indicates that MSME performance has a positive effect.

3. Variable Market Orientation (X2) has a regression coefficient of 2,074 which shows that if the value of the other independent variables continues to decrease in units, the performance of MSMEs (Y) will decrease by 2,074. The positive coefficient value indicates that MSME performance has a positive effect.
4. The standard error value is used to reduce the error, making the value of e in this case 0.731

#### 4.2 T-test

Table 2. t-test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.009	.731		-.012	.990
	Entrepreneurship Orientation_X1	1.164	.042	.262	3.851	.000
	Market Orientation_X2	2,074	.932	.149	2.227	.027
a. Dependent Variables: MSME Performance_Y						

The results of the t-test (partial) statistical test revealed that:

1. Entrepreneurship Orientation has a significant positive impact on the performance of MSMEs as indicated by the variable(X1) i.e. entrepreneurial orientation has a value significance (Sig)0.000 in the Coefficients table with a value of (degree of significance) of 0.05 which means  $0.000 < 0.05$ , then the t-count

value is greater than the t-table as evidenced by the result of  $3.851 > 1.66039$ .

2. Market orientation has a positive and significant impact on the performance of SMEs which can be proven by the variable(X2) i.e. market orientation has a significant value of (Sig.) 0.027 can be seen in the Coefficients table with a value of (degree of significance) 0.05 which means  $0.027 < 0.05$  and the t-count value is greater than the t table, namely  $2.227 > 1.66039$ .

**4.3 F Uji test**

Table 4. F Test Results ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1446,848	3	482.283	16,975	.000b
	Residual	5227,690	184	28,411		
	Total	6674,539	187			

a. Dependent Variables: Performance\_MSME\_Y

b. Predictors: (Constant), Market\_Orientation\_X2, Entrepreneurial\_Orientation\_X1

The hypothesis in this study is accepted, because it is based on data from the F-count table 16.975 and sig 0.000 which can be interpreted as F-count > F-table ( $16.975 > 2.42$ ) and sig 0.05 ( $0.000 < 0.05$ ), so it can be concluded as well that the variables of market orientation and entrepreneurial orientation play a role and have a simultaneous impact on the performance of MSMEs. Therefore, it can predict the performance variables of SMEs for the estimation of the two independent variables.

**4.4 The Effect of Entrepreneurship Orientation on MSME Performance**

The discussion in this study shows that entrepreneurial orientation has a positive and significant impact on the performance of MSMEs as indicated by the entrepreneurial orientation variable, namely (X1) has a significance value (Sig.) 0.000 which is indicated by the Coefficients table with a value of (degree of significance) 0.05 which means  $0.000 < 0.05$  and the t-count is greater than the t-table which is  $3.851 > 1.66039$ .

The ability to create, be proactive, and be willing to take risks to start or manage a

business that is used as a basis and resource for pursuing the possibility of success is known as entrepreneurial orientation. The higher the performance of MSMEs, the more entrepreneurial orientation will be.

Performance is the result of one's efforts, as evidenced by the presence of certain skills and behaviors in certain circumstances. Work performance is the result of the interaction between effort, talent, and job perception. Motivation generates effort, which indicates the amount of energy (physical or mental) that a person uses to complete a task.

**4.5 The Effect of Market Orientation on MSME Performance**

The discussion in this study finds that market orientation has a positive and significant impact on the performance of MSMEs as indicated by the market orientation variable (X2) which has a significance value (Sig.) of 0.027 which is indicated by the Coefficients table with a value of (degree of significance) 0.05 which means  $0.027 < 0.05$  and the t-count value is greater than the t-table, namely  $2.227 > 1.66039$ .

Market orientation refers to the point of view held by business executives who emphasizes the need for businesses to coordinate targeted marketing activities to be able to achieve the aims and objectives of providing customer satisfaction by offering services that are in line with company goals so that the company goals will be achieved in the long term. The more market orientation increases, the performance of MSMEs will also increase.

Performance is the result of one's efforts, as evidenced by the presence of certain skills and behaviors in certain circumstances. Work performance is the result of the interaction between effort, talent, and job perception. Motivation generates effort, which indicates the amount of energy (physical or mental) that a person uses to complete a task.

#### ***4.6 The Influence of Entrepreneurship Orientation and Market Orientation on MSME Performance***

The hypothesis in this study is accepted, because it is based on data from the F-count table 16.975 and sig 0.000 which can be interpreted as  $F\text{-count} > F\text{-table}$  ( $16.975 > 2.42$ ) and  $\text{sig } 0.05$  ( $0.000 < 0.05$ ), so it can be concluded as well that the variables of market orientation and entrepreneurial orientation play a role and have a simultaneous impact on the performance of MSMEs. Therefore, it can predict the performance variables of SMEs for the estimation of the two independent variables.

The processes, practices, and decision-making activities or personal propensity to innovate, be proactive, and be willing to take risks to start or run a business

that is used as the foundation and resources for uncovering the possibility of success is known as entrepreneurial orientation. Second, market orientation is the point of view of business leaders who emphasize the need for businesses to coordinate marketing initiatives that are directed to achieve the goals and objectives of providing customer satisfaction by offering services that are in line with company goals so that company goals will be achieved in the long term. The more entrepreneurial orientation and market orientation increase, the performance of MSMEs will also increase.

Performance is the result of one's efforts, as evidenced by the presence of certain skills and behaviors in certain circumstances. Work performance is the result of the interaction between effort, talent, and job perception. Motivation generates effort, which indicates the amount of energy (physical or mental) that a person uses to complete a task.

## **5. CONCLUSIONS AND RECOMMENDATIONS**

Based on the discussion, 1) MSME performance is positively and significantly influenced by entrepreneurial orientation; 2) MSME performance is positively and significantly influenced by market orientation, and 3) SME performance is influenced simultaneously by entrepreneurial orientation and market orientation. The suggestions and recommendations to related parties are for MSMEs in Bandung City in West Java, which is expected to be able to improve MSME performance towards market orientation and entrepreneurial orientation.

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