The Influence of Entrepreneurial Orientation, Network, Market Orientation on Small Business Performance in West Java Province

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Article Info

Article history:
Received May, 2023
Revised May, 2023
Accepted May, 2023

Keywords:
Business Performance
Entrepreneurial Orientation
Market Orientation
Network

ABSTRACT

This study aims to investigate the effect of entrepreneurial orientation (EO), network, and market orientation on the performance of small businesses (Small Business Performance) in West Java Province. Data was collected from 300 small business owners using a structured questionnaire. The results of multiple regression analysis show that the three independent variables have a significant positive effect on SBP. Market orientation has the strongest effect on SBP, followed by EO and network. The findings show that small business owners who have high levels of EO, network, and market orientation tend to perform better than those who have low levels of these characteristics. Small business owners in West Java Province can improve their performance by investing in developing EO capabilities, networks, and their market orientation. Future research can investigate the role of other variables, such as innovation, technology adoption, and strategic planning, on the performance of small businesses in West Java Province.

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1. INTRODUCTION

Small businesses operate in a highly competitive environment, where they must compete with larger companies, new competitors, and changing customer preferences [1], [2]. Small business owners must adopt strategies that help them stay competitive and improve their performance [3], [4]. Small businesses must adopt competitive strategies to improve their performance in a highly competitive environment [5]–[7]. By differentiating themselves, adopting cost leadership, innovating, focusing on customers, forming strategic partnerships, and having a strong online presence, small businesses can gain a competitive advantage over their competitors and improve their performance [8], [9].

Small businesses are a major driver of economic growth and development globally, and their success is critical to the overall economic prosperity of a country [10], [11]. However, small businesses face many challenges that can affect their performance, including limited resources, intense competition, and an ever-changing market environment [12], [13]. Thus, small businesses must adopt strategies that help them stay competitive and improve their performance. In recent years, research has focused on exploring the impact of various factors on small business performance, including...
entrepreneurial orientation, network, and market orientation.

Small business performance refers to the level of success or achievement of a small business in terms of profitability, growth, market share, customer satisfaction and overall business success [14]. Small businesses are critical to a country’s economic development, as they provide employment opportunities, generate income, and stimulate innovation and competition [15]. However, small businesses face various challenges that affect their performance, including limited resources, lack of access to markets, and intense competition.

Studies have shown that the performance of small businesses is influenced by a variety of factors, including entrepreneurial orientation, network and market orientation. Entrepreneurial orientation refers to the strategic approach adopted by small business owners, with an emphasis on innovation, risk taking and being proactive [16], [17]. Studies have shown that small businesses that show a higher level of entrepreneurial orientation are more likely to identify and exploit new opportunities, which leads to better performance [18]–[20].

Networking, on the other hand, refers to establishing relationships with individuals or organizations who can provide information, resources and support. Studies [21]–[23] it has been shown that small businesses that engage in network activities are more likely to access new markets, form partnerships, and access critical resources, leading to improved performance.

Market orientation refers to the ability of a business to understand and respond to customer needs and preferences. Small businesses that are more market-oriented are more likely to develop and launch products that meet customer needs, leading to increased performance [24]–[28]. Small business performance is also influenced by external factors such as economic conditions, government policies, and industry trends [29], [30]. In times of economic downturn, small businesses may struggle to survive due to reduced consumer spending and decreased demand for their products or services [31], [32]. Likewise, changes in government policies, such as tax reform, can affect the profitability and competitiveness of small businesses [33], [34]. Overall, small business performance is critical to the sustainability and growth of small businesses and the economy in general. Understanding the factors that influence small business performance can help small business owners develop strategies that improve their performance and increase their chances of success.

Small businesses or small and medium enterprises (SMEs) play an important role in the economic development of a country. However, most SMEs still struggle to survive due to various challenges, including fierce competition, limited resources, and lack of access to markets [13]. To address this challenge, SME owners need to adopt an entrepreneurial, network, and market orientation. These strategies help them to identify and capitalize on new opportunities, forge relationships with potential partners, and better understand customer needs and preferences.

So in this research paper, we aim to examine the effect of entrepreneurial orientation, network, and market orientation on the performance of SMEs in West Java Province. Despite the importance of entrepreneurial orientation, network and market orientation in SME performance, little is known about the combined effect of these variables on SME performance in West Java Province. Most research has focused on the individual effects of these variables, ignoring the relationships between the variables. Therefore, this study aims to fill this gap by examining the combined effects of entrepreneurial orientation, network, and market orientation on the performance of SMEs in West Java Province.

1. What is the relationship between entrepreneurial orientation and the performance of SMEs in West Java Province?
2. What is the relationship between the network and the performance of SMEs in West Java Province?
3. What is the relationship between market orientation and SME performance in West Java Province?
4. What is the combined effect of entrepreneurial orientation, network and market orientation on the performance of SMEs in West Java Province?

2. LITERATURE REVIEW

2.1 Entrepreneurial Orientation
Entrepreneurial orientation (EO) is a strategic approach adopted by small business owners that emphasizes innovation, risk taking and being proactive. Several studies have shown that small businesses that show higher EO rates tend to outperform their competitors. Some research from [18], [19], [35]–[38] found that higher EO levels were positively related to small business performance in terms of sales growth and profitability. So are [24], [39], [40] found that small businesses that exhibit higher levels of EO are more likely to identify and take advantage of new opportunities, leading to better performance. In West Java Province, several studies have explored the impact of EO on small business performance. Like [41], [42] found that a higher level of EO is positively related to the financial performance of small businesses in this province. So are, [43] found that small businesses that exhibit higher EO rates are more likely to achieve higher sales growth and profitability.

2.2 Networking
Networking refers to forming relationships with individuals or organizations who can provide information, resources, and support. Networking has been found to have a positive impact on small business performance by providing access to important resources, such as information and funding, and facilitating the development of partnerships and collaboration [44]–[46]. Several studies have explored the impact of networking on the performance of small businesses in West Java Province. Studies [47]–[49] found that networking has a positive impact on the financial performance of small businesses in the West Java province. So are, [44], [50], [51] found that networking is positively related to sales growth and small business profitability.

2.3 Market Orientation
Market orientation refers to the ability of a business to understand and respond to customer needs and preferences. Small businesses that are more market-oriented are more likely to develop and launch products that meet customer needs, leading to better performance [28], [40], [52], [53]. Several studies have explored the impact of market orientation on the performance of small businesses in West Java Province. One of them, [54] found that market orientation has a positive impact on the financial performance of small businesses in West Java province. So are, [55] found that market orientation is positively related to sales growth and small business profitability in West Java province.

2.4 Entrepreneurial Orientation, Networking, and Market Orientation on Small Business Performance in West Java Province
Research has shown that entrepreneurial orientation, networking, and market orientation have a positive impact on the performance of small businesses in West Java Province. However, the magnitude of the impact can vary depending on the industry, size, and age of the small business. For example, [41], [56] found that the impact of EO on small business performance was more significant in the manufacturing industry compared to the service industry. As well as, [22], [57], [58] found that the network has a more significant impact on the financial performance of micro and small enterprises compared to medium enterprises. Besides that, [59]–[61] found that market orientation has a more significant impact on the financial performance of service-based small businesses compared to manufacturing-based small businesses.

In addition, this research base sees that the combination of these three factors can have a synergistic effect on small business
performance, that the combination of EO, network, and market orientation has a more significant impact on small business performance than individual factors alone and can have a positive impact on sales growth and small business profitability in West Java Province.

3. METHODS

The purpose of this research is to investigate the effect of entrepreneurial orientation (EO), network, and market orientation on the performance of small businesses in West Java Province. This section will describe the research methods used in this study, including the study design, population and sample, data collection, and analytical procedures. The research design for this study is a quantitative research design [62]. This study will use a survey questionnaire to collect data from a sample of small business owners in West Java Province. The questionnaire will be designed to collect data on EO, network, market orientation and small business performance.

The population for this study are small business owners in West Java Province. The sample for this study was 300 business owners selected using a multistage sampling technique. The first stage of sampling will involve selecting several districts within the province at random. The second stage will involve random selection of small businesses from each district.

Data for this study will be collected using a structured questionnaire. The questionnaire will consist of two parts: the first part will collect demographic information about the respondent, including age, gender, education level, and years of business. The second part will gather information on small business EO, network, market orientation and performance.

Data collected from the questionnaire will be analyzed using descriptive statistics and inferential statistics. Descriptive statistics will be used to describe sample characteristics, including the distribution of demographic variables and means, standard deviations, and ranges of variables related to EO, network, market orientation, and small business performance. Inferential statistics, including correlation analysis and multiple regression analysis, will be used to test hypotheses and determine the relationships between the variables.

The following hypotheses will be tested in this study:

Hypothesis 1: There is a positive relationship between EO and the performance of small businesses in West Java Province.

Hypothesis 2: There is a positive relationship between network and small business performance in West Java Province.

Hypothesis 3: There is a positive relationship between market orientation and small business performance in West Java Province.

Hypothesis 4: The combination of EO, network, and market orientation has a synergistic effect on the performance of small businesses in West Java Province.

Data collected from the questionnaire will be analyzed using SPSS software. Descriptive statistics will be used to summarize the data, including the mean, standard deviation, and range of variables. Correlation analysis will be used to determine the relationship between variables, including correlation coefficients between EO, network, market orientation, and small business performance. Multiple regression analysis will be used to examine the relationship between the independent variables (EO, network, and market orientation) and the dependent variable (small business performance) while controlling for the effects of demographic variables.

4. RESULTS AND DISCUSSION

4.1 Descriptive statistics

A total of 300 small business owners in West Java Province participated in this study. Most of the respondents were male
(68.3%), and the average age of the respondents was 39 years. The average education level of the respondents was SMA (46.7%), followed by SMK (32.7%) and tertiary education (20.7%). Respondents have an average of 8 years experience in their business. The mean and standard deviation of variables related to EO, network, market orientation, and small business performance. The mean value for EO is 3.62, indicating that respondents have a moderate level of EO. The mean value for the network is 3.54, indicating that the respondents have a moderate network level. The mean value for market orientation is 3.75, indicating that respondents have a high level of market orientation.

Next, correlation analysis was used to determine the relationship between EO, network, market orientation, and small business performance. The results of the correlation analysis show that there is a significant positive relationship between EO, network, market orientation, and small business performance. The correlation coefficient between EO and small business performance is 0.522** (sig < 0.01), indicating a moderate positive relationship. The correlation coefficient between network and small business performance is 0.528** (sig < 0.01), indicating a moderate positive relationship. The correlation coefficient between market orientation and small business performance is 0.544** (psif < 0.01), indicating a moderate positive relationship.

Finally, multiple regression analysis was used to examine the relationship between EO, networking, market orientation, and SBP. The results of multiple regression analysis show that the independent variables (EO, networking, and market orientation) collectively explain 47.1% of the SBP variance (R² = 0.471, F(3,296) = 77.42, sig < 0.01). The three independent variables have a significant positive effect on SBP (sig < 0.01). Entrepreneurial orientation has a beta coefficient of 0.217, which indicates that for every increase of one EO unit, there is an increase of 0.217 in SBP, while keeping other variables constant. Networking has a beta coefficient of 0.199, which indicates that for every increase of one networking unit, there is an increase of 0.199 in SBP, keeping other variables constant.

4.2 Discussion of Findings

The findings from this study provide empirical evidence that EO, networking, and market orientation have a significant positive effect on SBP in small businesses in West Java Province. The results show that small business owners who have high levels of EO, networking, and market orientation are more likely to perform well than those who have low levels of these characteristics. Entrepreneurial orientation was found to have a positive effect on SBP, which is consistent with previous studies [16]–[18], [24], [36], [56], [63].

Entrepreneurial orientation involves a tendency to take risks, be innovative, and be proactive, which are important for small businesses to achieve long-term success.[63]–[66]. Therefore, small business owners who share these characteristics are more likely to create innovative products or services, enter new markets, and take measured risks, which can lead to increased performance.

Networking was also found to have a positive effect on SBP, which is consistent with previous research[22], [45], [46], [67], [68]. Networking can give small business owners access to resources, information, and knowledge that can improve their business performance. Networking can also help small businesses build relationships with suppliers, customers and other stakeholders, which can lead to increased sales and profitability[50], [51].

Market orientation was found to have the strongest positive effect on SBP, which is in agreement with previous research [24]–[26], [40]. Market orientation involves focusing on customer needs and preferences, competitor analysis, and continuous improvement [2], [27], [28], [53]. Market-oriented small businesses are more likely to respond quickly to changing customer demands and preferences, create products or services that meet customer needs, and differentiate themselves from competitors [2], [69]. Small businesses with a high level of
market orientation are more likely to achieve higher levels of performance.

5. CONCLUSION

The results of this study suggest that small business owners in West Java Province can improve their business performance by adopting entrepreneurial orientation, networking, and market orientation. Small business owners who share these characteristics are more likely to create innovative products or services, build relationships with suppliers and customers, and respond quickly to changing customer demands and preferences. Therefore, small business owners should invest in developing their EO capabilities, network and market orientation to improve their business performance. Future research can investigate the role of other variables, such as innovation, technology adoption, and strategic planning, on the performance of small businesses in West Java Province.

REFERENCES


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