

The Influence of Market Orientation, Entrepreneurial Orientation and Innovation on The Performance of Micro, Small and Medium Enterprises (Msmes) In Harapan Baru Sub-District

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ABSTRACT

English This research was conducted to determine the partial or simultaneous influence of the independent variables, namely Market Orientation, Entrepreneurship Orientation and Innovation on the dependent variable, namely MSME Performance. This research uses quantitative methods. The population in this research is MSME business actors in Harapan Baru Village, North Bekasi District, Bekasi City. The number of samples used in this research was 55 respondents. Data collection techniques use questionnaires and data processing and hypothesis testing using Smart-PLS 4.0. The results of this research explain that the Market Orientation variable has no and no significant effect on MSME Performance, the Entrepreneurial Orientation variable has a positive and significant effect on MSME Performance and Innovation has a positive and significant effect on MSME Performance.

ABSTRACT

Penelitian ini dilakukan untuk mengetahui pengaruh secara parsial maupun simultan dari variabel bebas yaitu Orientasi Pasar, Orientasi Kewirausahaan dan Inovasi terhadap variabel terikat yaitu Kinerja UMKM. Penelitian ini menggunakan metode kuantitatif. Populasi dalam penelitian ini adalah pelaku usaha UMKM di Kelurahan Harapan Baru

Kecamatan Bekas Utara Kota Bekasi. Jumlah sampel yang digunakan dalam penelitian ini sebanyak 55 responden. Teknik pengumpulan data menggunakan kuesioner dan pengolahan data serta pengujian hipotesis menggunakan Smart-PLS 4.0. Hasil penelitian ini menjelaskan bahwa variabel Orientasi Pasar tidak berpengaruh dan tidak signifikan terhadap Kinerja UMKM, variabel Orientasi Kewirausahaan berpengaruh positif dan signifikan terhadap Kinerja UMKM dan Inovasi berpengaruh positif dan signifikan terhadap Kinerja UMKM.

PENDAHULUAN

In Indonesia, the UMKM Initiative is now seen as an effective tool to eradicate poverty. UMKM is one of the economic wheel drivers in Indonesia. The rapid growth of UMKM has led entrepreneurs to find ways to compete and survive in the midst of environmental change (Komariah et al., 2022).

Product innovation has a significant impact on UMKM performance. According to Kartawan et al. (2021), entrepreneurship orientation and market orientation influence innovation and profitability in small. A profitability variable is one of the most commonly used indicators of a company's performance. Nizam et al. (2020) showed that entrepreneurship orientation has a positive influence on innovation. According to Hamel & WJaya (2020) market orientation positively affects business performance.

Overall, both entrepreneurial orientation and business performance have a positive relationship, but in part (per dimension, some of them have a negative relationship. The dimensions that have a negative relationship according to the results of Saleh (2022) research are: overall entrepreneurial orientation towards profit dimension; innovativeness dimension towards profit; proactiveness towards profit.

Based on the results of previous research that has been described, several theoretical gaps were found regarding the relationship between entrepreneurial orientation, market orientation, innovation and performance. Entrepreneurial and market orientation, both partially and jointly, have a positive effect on company performance. Entrepreneurial orientation has an indirect effect on company performance through innovation. Entrepreneurial orientation has a negative effect on performance. Innovation provides a change in the introduction of new products that are more effective so that they can attract consumer interest.

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THEORETICAL REVIEW

Market Orientation

Market orientation is an important factor that can affect company performance (Syarifah et al., 2020). Market-oriented companies always use market information to meet current customer needs and predict / anticipate future needs. The speed of accessing market information and responding to market information is related to the company's adaptive ability.

According to Zendrato (2022) market orientation as a series of actions to obtain, analyze and apply information about current and new customers and existing competitors.

Entrepreneurial Orientation

According to Feriyansyah & Febriansyah (2023) entrepreneurial orientation as a tendency or understanding of the need to be proactive about market opportunities and market dynamism, tolerant of risk, and flexible to change. Meanwhile, Drucker (1994) in Nabila (2022) argues that entrepreneurial orientation is the nature, character or characteristics inherent in someone who has the willpower to realize innovative ideas into the real world of business and can develop them resiliently.

Mustikowati (2016) in Aswandy & Mariyanti (2022) explains entrepreneurial orientation as one that is involved in product-market innovation, does little risky business, and first comes up with 'proactive' innovations, as well as giving a blow to beat competitors.

Innovation

Innovation is an introduction of equipment, systems, laws, products or services, new production process technology, a new administrative structure or system, or a new planning program for an organization to adopt (Komariah et al., 2022).

According to Erningsih (2024) innovation is an idea, idea, practice or object / object that is realized and accepted as new by a person or group to be adopted. Innovation can also be interpreted as individual creative thinking that can generate ideas for the company, these ideas are used to create new thoughts in order to strategize to deal with existing customers, competitors, and markets. Innovation is not only about products, but can also be a system that already exists in the company regarding distribution channels and payment systems.

Performance

Performance is an important factor in the success of a company. Performance is the company's top priority that all activities in the company must be improved, grown, and the company must be able to show its strength (E. C. Putri et al., 2024).

According to (Dharma et al., 2022) business performance can be defined as how well an organization achieves its goals. In addition, performance can be determined by how much the organization can cope with changing environmental factors such as profit, productivity, employee satisfaction, social responsibility, and business continuity.

Conceptual Framework

According to Atmodjo (2018) in (Kusumawaty et al., 2022) the conceptual framework is a framework of relationships between concepts that will be measured or observed in a study. A conceptual framework must be able to show the relationship between the variables to be studied.

This assumption framework shows how Market Orientation (X1), Entrepreneurial Orientation (X2) and Innovation (X3) affect the performance of MSMEs.

Hypothesis

The Effect of Market Orientation on MSME Performance

Market orientation can be associated with various strategies implemented by small businesses such as customer orientation which relates to the company's willingness to understand the needs and desires of customers. The results of research from Komariah et al. (2022) say that market orientation affects the performance of culinary SMEs in Bekasi.

H1: It is suspected that market orientation affects the performance of MSMEs.

The Effect of Entrepreneurial Orientation on MSME Performance

Wiwoho (2019) research on the effect of market orientation on company performance shows that market orientation has a positive and significant effect on company performance. Market orientation is the most effective corporate culture for providing added value to customers and increasing company costs, such as the cost of conducting marketing research and paying marketing experts. Market orientation also has a positive and significant impact on marketing activities, company orientation, and competitiveness. advantages over MSME marketing activities.

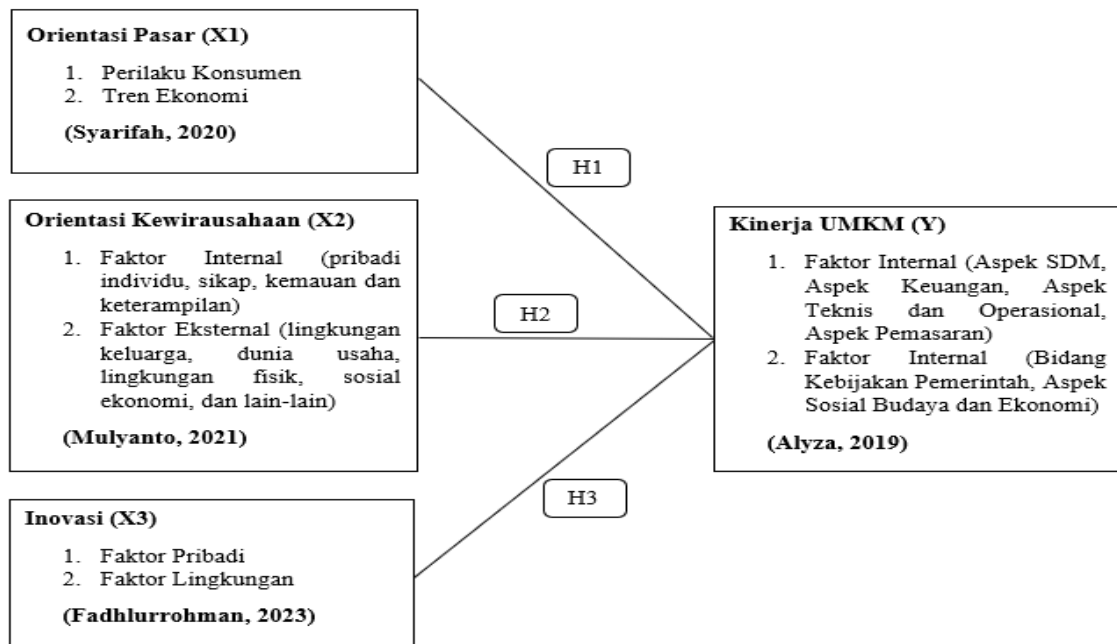
H2: It is suspected that entrepreneurial orientation has an influence on the performance of MSMEs.

The Effect of Innovation on MSME Performance

Research conducted by Tejawulan (2021) on the impact of innovation on company performance shows that innovation capability has a significant influence on operational performance. Innovation

refers to new ideas, products, information technology, institutions, behaviors, values and practices that are not yet known, accepted and used by society, business actors or competitors, or that can be utilized or encouraged to change. In all aspects, innovation can increase the productivity, efficiency, and effectiveness of the company.

H3 : It is suspected that innovation has an influence on the performance of MSMEs.



METHOD

This research uses the concept of quantitative research methods. The method used in this research is a survey method, where respondents fill out a survey in the form of a questionnaire using Google Form.

Research Population

According to Sugiyono (2019: 126) in (Devi Yuliantini, 2023) Population is a generalization area consisting of objects or subjects that have certain quantities and characteristics determined by researchers to study and then draw conclusions. The population in this study were UMKM Harapan Baru Village.

Research Sample

According to Sugiyono (2019: 127) in (Devi Yuliantini, 2023) The sample is part of the main population included in the research and the research results are used as a benchmark for the entire population. Samples are formed because researchers have limitations in terms of time, financial resources and a very large population when conducting research, so researchers must take samples that are truly a reference (representative).

By using Accidental Sampling, researchers conducted research on the effect of market orientation, entrepreneurial orientation and innovation on the performance of SMEs in Harapan Baru Village. Researchers collected data from Harapan Baru Village by randomly asking MSME actors. However, this does not mean that the sample results are random, so conclusions cannot be drawn arbitrarily.

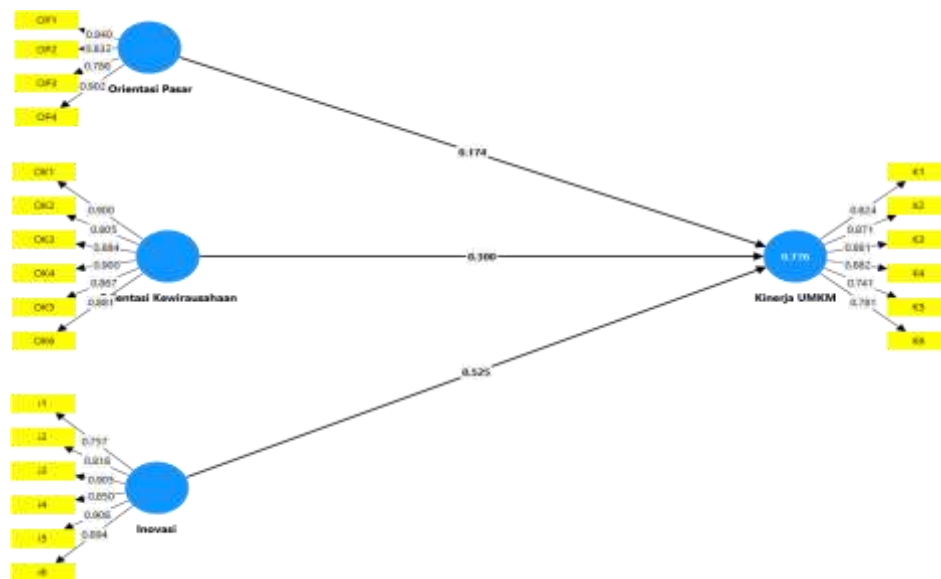
Determination of the number of representative samples according to Hair et al. (Beckett et al., 2017) is depending on the number of indicators multiplied by 5-10. The sample size in this study is: Sample = number of indicators x 5. Which means $11 \times 5 = 55$. Based on these calculations, it can be obtained for the sample using 55 respondent samples. The sample used in the Harapan Baru Village area.

RESULTS

Model Measurement Analysis Results (Outer Model)

The measurement model (Outer Model) is carried out to assess the validity and reliability of the model, while the measurement model for the validity and reliability test for the equation model can be obtained by carrying out the PLS Algorithm process in the Smart-PLS software.

Outer Model Picture



Judging from the outer loading picture above, the results can be concluded that the items of all statements in this study are considered valid and can be continued because they have an outer loading value > 0.7.

In addition, Discriminant Validity can be known through other methods by looking at the Average Variable Extracted (AVE) value. Indicators can be declared to meet Average Variable Extracted (AVE) if they have a value > 0.5.

Variabel	AVE
Orientasi Pasar	0.707
Orientasi kewirausahaan	0.763
Inovasi	0.734
Kinerja	0.692

Source: data processed by researchers (2024)

Judging from the table above, the results can be concluded that the variables in this study are considered valid and can be continued because they have a value > 0.5.

Cronbach Alpha is used in qualifying reliability or strengthening the reliability test with a value above 0.7 (Muhson, 2022) as in the following table:

Variabel	Hasil	Standar Cronbach's Alpha	Kesimpulan
Orientasi Pasar	0.862	0,7	Reliabel
Orientasi Kewirausahaan	0.938	0,7	Reliabel
Inovasi	0.927	0,7	Reliabel
Kinerja UMKM	0.910	0,7	Reliabel

Source: Data processed by researchers (2024)

Based on the table above, it can be seen that all variables have met the standard requirements for the Cronbach Alpha value, which is above 0.7 and can be declared to have a fairly good level of reliability.

Results of Structural Model Analysis (Inner Model)

At this stage the measurement of the inner model can be started by looking at the R-Square, Q-Square, and F-Square values of each variable. Inner Model measurement analysis in this study used Smart PLS 4.0.

R-Square: At this stage to explain the strength of the independent latent variable on the dependent latent variable with a measurement standard of 0.75 stated as strong, 0.50 stated as moderate, and 0.25 stated

as weak lemah (Jessica Glory Asteria, Ekra Sanggala, 2023) Based on the data processed using Smart PLS 4.0, the R-square is obtained as follows:

Variabel	R-square
Kinerja UMKM	0.776

Source: Data processed by researchers (2024)

Judging from the table above that the R-Square value on the MSME Performance variable is 0.776 (77.6%), this shows that the independent variable has a strong influence on the dependent variable.

Q-Square: The Q-Square value is categorized as strong if 0.35, declared moderate if 0.15 and can be declared weak if 0.02, with the formula $1-(1-R^2)$ Gozali, I., & Latan, H. (2015). The Q-Square value is as follows:

Variabel	(Q ²)
Kinerja UMKM	0.776

Source: Data processed by researchers (2024)

It is known that the Q-Square of MSME Performance is 0.776, so it can be stated that the Independent variable has a strong influence > 0.35 on the dependent variable.

F-Square: F-Square can be used to see the relative impact of the independent variable on the dependent variable. The F-Square value can be declared small if the value is 0.02, declared moderate or moderate if the value is 0.15 and said to be large if the value is 0.35 Gozali, I., & Latan, H. (2015). The F-Square results can be seen in the following table:

Variabel	F-Square
Inovasi -> Kinerja UMKM	0.657
Orientasi Kewirausahaan -> Kinerja UMKM	0.174
Orientasi Pasar -> Kinerja UMKM	0.072

Source: Data processed by researchers (2024)

Based on the table above, it can be seen from the results of the Innovation variable on Performance, which is 0.657, which means it has a large impact or effect, the value of the Entrepreneurial Orientation variable on Performance is 0.174, which means it has a moderate impact or effect, and the value of the Market Orientation variable on Performance is 0.072, which means it has a small impact or effect.

Hypothesis Test Results

In this section discusses the results of empirical tests of each problem formulation and hypothesis, based on the results of descriptive analysis and varificative analysis, then compared with the theory and results of previous research. The discussion is carried out, in addition to using the results of the questionnaire answers, the results of discussions with respondents at the time of distributing the questionnaires are also used. The following is a table of hypothesis test results:

Variabel	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Inovasi -> Kinerja UMKM	0.525	0.517	0.118	4.445	0.000
Orientasi Kewirausahaan -> Kinerja UMKM	0.300	0.290	0.122	2.453	0.014
Orientasi Pasar -> Kinerja UMKM	0.174	0.191	0.106	1.645	0.100

Source: Data processed by researchers (2024)

DISCUSSION

Based on the results of data analysis that has been carried out on Market Orientation, Entrepreneurial Orientation and Innovation on the Performance of MSMEs in Harapan Baru Village, it can be explained through the following discussion:

The Effect of Market Orientation on MSME Performance: There are several obstacles related to market orientation in business performance, if entrepreneurs do not apply market orientation in their business results, there will be several obstacles such as business actors not always realizing what their

consumers' needs are, so guidance or knowledge must be given to them before other competitors realize it. Business actors must be able to identify these needs, they cannot determine for themselves the best way to respond to customer satisfaction (Prasetyo & Wijaya, 2019).

This is in accordance with research conducted by Saleh (2022) in his research combining entrepreneurial orientation viewed from uni-dimensional and multi-dimensional aspects, in the sense that he examines how entrepreneurial orientation correlates as a whole and how orientation correlates per dimension to the business performance of small and medium enterprises. Overall, both entrepreneurial orientation and business performance have a positive relationship, but per dimension some of them have a negative relationship. The dimensions that have a negative relationship according to the results of Saleh (2022) research are: overall market orientation negatively affects the profit dimension; innovativeness dimension to profit; proactiveness to profit; and proactiveness dimension to employment growth dimension.

The Effect of Entrepreneurial Orientation on MSME Performance: Entrepreneurial orientation has a significant influence on the performance of MSMEs. The results of this study are in line with Ginsberg's (2011) theory in (Nurhartani et al., 2019) entrepreneurial orientation is the tendency of individuals to innovate, be proactive and ready to take risks when starting a business. So that the company can effectively develop / improve the efficiency and competitiveness of the company.

Based on research conducted by Fahriyai (2018) with a unit of analysis of small and medium enterprises in Mazandaran Province, Iran, it shows that there is a positive, significant and direct influence between entrepreneurial orientation and performance. The indirect relationship in his research is through knowledge management as a mediating variable.

The Effect of Innovation on MSME Performance: Innovation has a significant effect on the performance of MSMEs. The more often entrepreneurs innovate in their business, the more their business will develop. The products produced are not always monotonous so that there is always something new, but they do not leave the company's management function. The creativity of an entrepreneur is very important to use for business development. Entrepreneurs must know how to analyze opportunities, what to do when those opportunities exist. Therefore, it can be concluded that if entrepreneurs often renew their business activities, their business will continue to develop in such a way that the performance of SMEs will also increase or improve. (Trisnawati et al., 2020).

Based on the explanation above, it is in line with research conducted by (Purwianti, 2023; Santoso & Kurniawati, 2023) which states that Market Orientation and Innovation act as mediators that drive organizational effectiveness. Similarly, Entrepreneurial Orientation to Performance found that Innovation successfully mediates the relationship between entrepreneurship and performance (Sidayan, 2024).

CONCLUSION

This research was conducted with the aim of investigating and understanding the effect of Market Orientation, Entrepreneurial Orientation and Innovation on the Performance of Micro, Small and Medium Enterprises (MSMEs) in Harapan Baru Village, after analyzing the data and discussing the results of the study, the researchers drew the following conclusions: 1) Market Orientation has no effect and is not significant on the Performance of Micro, Small and Medium Enterprises (MSMEs) in Harapan Baru Village. 2) Entrepreneurial Orientation has a positive and significant effect on the Performance of Micro, Small and Medium Enterprises (MSMEs) in Harapan Baru Village. 3) Innovation has a positive and significant effect on the Performance of Micro, Small and Medium Enterprises (MSMEs) in Harapan Baru Village.

SUGGESTION

Based on the conclusions that have been described, there are suggestions that researchers can make, including: 1) For MSME players in Harapan Baru Village. It is recommended that they be better able to understand the current needs of target customers, not start a business hastily without market research first, and learn a little more about market orientation in the hope that the business will be able to develop much more accompanied by good turnover. 2) For future researchers. It is recommended to take a larger sample, this aims for better data accuracy in the research, the addition of other variables such as Consumer Orientation, Service Innovation or can add mediating variables, and is expected to use different research locations such as Harapan Jaya Village, Bekasi City or Bekasi Regency.

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