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Achieving Marketing Performance through Orientation Innovation and Entrepreneurial Orientation

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Abstract

Research aims: The purpose of this study is to examine the connection between innovation orientation and entrepreneurial orientation and its role in mediating marketing orientation to achieve marketing performance specifically focusing on MSMEs in the culinary sector in Banyumas, Purbalingga, Cilacap and Kebumen (Barlingmascakeb).

Design/Methodology/Approac 21 Data was collected from 100 food industry businesses in Barlingmascakeb. Structural equation modeling (SEM) uses Smart PLS to analyze data 5

Research findings: The results showed that innovation orientation has a positive effect on entrepreneurial orientation and marketing performance. EO which mediates the relationship between IO and MP which acts as a partial position of flediator.

Theoretical Contribution/Originality: This study contributes to the management study literature which has built an empirical model that encourages MSME marketing performance through investigating the relationship between IO, EO and MO to support MSME marketing performance.

Practitioners/Policy Implications: This study provides insight for culinary MSME entrepreneurs to focus on innovation orientation and not ignore market

drientation as a supporter of innovation and marketing performance.

Research Limitations/Implications: This research only focuses on MSMEs in the culinary sector so that generalizations and findings are limited. Therefore, future studies are expected to combine larger and more diverse samples.

Keywords: MSMEs, Business Performance, Marketing Orientation, Creative Industries, Innovation

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Introduction

Data from the Central Statistics Agency (BPS) recorded that the proportion of micro-small scale industries (IMK) in the food sector in Indonesia reached 36% of all national IMK. MSMEs in the culinary sector are growing rapidly in Indonesia and contribute greatly to economic growth, but globalization and rapid competition make it difficult for MSMEs to adapt to dynamic market changes. MSMEs have also not been able to survive side by side with large companies (Banterle et al, 2008). Marketing in small-scale businesses such as MSMEs is very important to understand especially with regard to innovation, consumer engagement, entrepreneurial

approaches and market orientation (Jones & Rowley, 2011). Market orientation (MO) has been identified as having a role and contributing significantly to business performance (Narver and Slater, 1990); (Jaworsi and Kohli, 1993). In fact, several studies have identified that low performance levels and high business failures are due to the neglect of MO in MSME practices (Alpkan et al, 2007); (Brooksbank et al, 2004). From previous research gaps, encourage the author to bridge these problems by adding innovation orientation (IO) as an intervention. Altuntas (2013) states that IO is very dependent on MO and acts as a mediator that drives marketing performance (MP). Yadav, Tripathi (2019); Morant (2016) explains that innovation successfully mediates the varaibel relationship of IO and MP.

The low ability to innovate and entrepreneurship is a fundamental problem so that MSMEs have not been able to compete in the domestic and global markets (Indriastuti, 2020), although in practice they can agilely take advantage of changes in quality-oriented consumer demand patterns. Innovation, creating new products, creativity, new ideas and processes are important fuels for MSMEs to maintain their business and grow in the market (Wang &Chen 2018). The ability to innovate is a strategic way to deal with market dynamism and maintain their competitive position in the market (Tuan, Nhan, Ngok 2016). Innovation encourages MSMEs to increase their sales (Indriastuti, 2017). However, several studies have obtained different findings, innovation has not been able to improve the MP of MSMEs (Boermasns 2015, Ichwan 2019). The difference in the results of previous studies allows for intervening variables that bridge the relationship between IO and MP, so the author is encouraged to add EO to bridge the gap. To the author's knowledge, there is still very little research that portrays entrepreneurial orientation (EO) as a mediator of the relationship between IO and MP. Hanif et al (2022) stated that there is no research moda that adds EO variables as variables that mediate innovation in MP so that the results of this study will fill the gap.

The superiority of a small-scale organization is determined by the role of the entrepreneur, whereas in small organizations it is easier to embed EO into the organizational culture (Zanto and Anderson, 2004). Wiklund (2003) states entrepreneurship is a process of policy-making strategy that allows entrepreneurs to act and run the organization according to what is planned and refers to new things. In this case, entrepreneurs are the main actors in executing the policies and strategic plans of

the organization. As the market changes, the concept of entrepreneurship develops into entrepreneurial marketing which involves the roles of entrepreneurs and consumers in creating shared value which is used as a tool of organizational strategy in the 21st century in overcoming a dynamic marketing environment (Hills et al., 2008); (Morris et al., 2002). However, the problem (Jones & Rowley, 2011) states that there is overlap between the dimensions of EO that was built previously and suggests that research is needed to investigate the relationship between IO and EO to ensure the level of alignment of concepts built in the etgoreneurial marketing orientation (EMO) model. This study investigates and analyzes the relationship between IO and EO, so that the results of the study will answer the gap and how it is implemented in MSME business practices.

The purpose of this study is to understand whether there is a significant relationship or influence between IO on EO and MP. In addition, this study also investigates the influence of MO on IO and EO. Test and analyze whether IO and EO act as mediators to encourage MSME performance. This study contributes to the management study literature which builds an empirical model that encourages MP through investigating the relationship between IO, EO and MO to support MP.

Literature Review and Hypotheses Development

Theoretical and Conceptual Background

The theory of Resource Based View (RBV) and Market Based View (MBV) underlies the construction of the model in this study where it is explained that the success of the organization is influenced by internal factors of the company which includes the resources it has (Barbey, 1981). The responsibility of the organization is to exercise control over the resources it has to improve its marketing performance. Organizations must leverage their ability to create new innovations (Crook, 2011). In other words, the organization must utilize its resources which include human resources, in this case it is entrepreneurial orientation and also innovation orientation. This theory is relevant to be used in this study because the internal resources of MSMEs are very important to achieve business performance. Based on RBV theory, this study applies two variables, namely IO and EO to support MP.

The concept of MBV was developed by Porter (1980) with a competitive force model which explains that an organization's business performance can be achieved with an emphasis on MO (Porter, 1985); (Hoskisson et al., 2004). New innovations created by MSMEs must be in accordance with market needs and consumer desires, so that small-scale businesses such as MSMEs must not ignore the dimension of MO in innovating. Based on MBV theory, MO is applied as a variable that exerts an impact on IO and EO.

Marketing Performance (MP)

According to Rauche et al. (2009), an organization's success is measured by its potential to develop, but Schulze & Bövers (2022) determine performance by an organization's propensity to make a profit. High marketing performance, which is shown in rising sales volume, a sizable market share, and rising profits, is a sign of good business success (Urban, 2018). If the company can enhance productivity, creativity, and innovation with its current resources, it is deemed to be performing well. Performance can be measured

by comparing the outcomes with the goals set by the business unit within a specific timeframe (Sumiati, 2019).

Innovation Orientation (IO)

The culinary sector industry needs innovative producers who have creativity in exploring new ingredients and processes created from customer engagement that provide positive suggestions that trigger better MP. Innovative MSMEs will tend to be more creative, understand customer needs and desires so that new innovations created can be accepted in the market. It can be said that IO is very important for MSMEs because it is very possible as a support for MSME marketing performance. Several research findings explain that IO has a positive impact on MP (Altuntas et al 2013); (Indriastuti 2020).

Small-scale industries such as MSMEs require the role of entrepreneurs to support creativity and innovation. EO refers to decision-making, risk-taking, innovative and proactive processes (Miller & Friesen, 1982). Innovation is a supporter of EO as explained by Covin and Wales, 2019 who stated that EO is an organizational feature that reflects proactive and innovative attitudes and behaviors built to create organizational performance. In this case, IO is the driver of the reation of EO. Although in previous empirical studies, it is still very rare for research to investigate the relationship of IO to EO, but the hypothesis of this research is built on the proposition of Jones and Rowley (2011) which states the positive impact of IO on EO. This study aims to fill this gap by providing empirical evidence of the IO relationship to EO that is consistent with previous research suggestions.

New innovations created by MSMEs must be in accordance with market needs and consumer desires, so that small-scale businesses such as MSMEs must not ignore the dimension of MO in innovating. Marketing is a dimension that plays an important role in supporting the creation of innovations that are in accordance with ever-changing consumer preferences, so that organizations can face increasingly fierce competition (Hughes, 2009). The findings of Harif et al (2022) show that innovation is the main source of improving organizational performance and sales profits. To support the influence of MO on MP, in this study IO is used as a mediator of the relationship between the two, with the hope that IO can mediate OI and EO.

From these explanations and arguments, this study hypothesizes that:

H1a: IO positively affects EO.

H1b: IO positively affects MP.

H1c: IO mediates the relationship of MO to MP.

Entrepreneurial Orientation (EO)

EO is the tendency of organizations to act independently, be willing to take risks and act proactively when facing market uncertainty (Cuevas-Vargas &; Parga-Montoya, 2022). The way companies exploit new business opportunities is what underlies the entrepreneurial orientation analysis (Ferreras-Méndez et al., 2021). This research refers to findings (Miller, 1983) which introduced the dimension of EO with three indicators, namely innovation, proactivity and courage to take risks. According to (Lumpkin &; Dess,

2001) Innovation is the development of new products through the process of experimentation or creativity while proactivity is a prospective characteristic, namely having future insight by looking for opportunities and anticipating future demand. Dare to take risks is the company's readiness for actions and decisions that have been taken based on speculation that may cause personal, financial and business risks

MSMEs have a very creative tendency to look for market opportunities that exist in various conditions and must have an entrepreneurial pattern to rejuvenate their business and get new opportunities. These activities increase the company's potential to achieve marketing work (Silvia, 2015). Based on an analysis of 37 studies, Rauch et al 2004 concluded that there is a considerable relationship between EO and performance. Previous findings show that entrepreneurial-oriented companies have the ability to compete and drive better company marketing performance (Kusa et al., 2021); (Rachmania et al., 2012); Based on the explanation above, the research hypothesis is formulated as follows:

H2a: EO positively affects MP.

H2b: EO mediates the relationship of IO to MP.

Market Orientation (MO)

Marketing literature has noted that market orientation is a key concept in marketing strategies (Balodi, 2014); Hagen (2017). Naver and Slater (1990) mean that MO is the most effective and efficient culture to shape behavior that is required to create superior value. Based on this approach, this research refers to the dimensions of MO according to Naver Slater (1990) which includes competitor orientation, customer orientation and coordination between functions. The emergence of innovation is motivated by market demand, consumer needs and desires, so MO must be considered to create innovations that are in accordance with customer preferences. Several empirical studies confirm the positive impact of MO on innovation and EO (Balodi, 2014); Acosta (2018); Haryanto et al 2018. This study investigates the influence of MO on IO and EO which ultimately supports MP. Based on this explanation, the formulation of this research hypothesis is:

H3a: MO positively affects IO. **H3b:** MO positively affects EO.

Research Methods

The survey using an online questionnaire was conducted to evaluate the innovation and marketing performance of MSMEs in the culinary sector. The questionnaire questions relate to general company data, innovation, entrepreneurship, market orientation and marketing performance achievements. A total of 100 culinary MSMEs in the Banyumas, Purbalingga, Cilacap and Kebumen areas with criteria have been operating for one year. Questionnaires are distributed via email and phone numbers to business owners or managers.

To find out the characteristic picture of MSMEs, data is analyzed using SPSS discriptive statistics. Test validity and republity using SmartPLS with a success measure of loading factor value above 0.6 and average variance extracted (AVE) value of more than 0.5 (Ghozali, 2015). Reliability is measured by composite reliability and cronbanch alpha values above 0.7 (Chin, 1998). The relationship between variables is analyzed by looking at the inner model and the results of the path coeficient from the boothstraping process using SmartPLS.

Results and Discussion

Data was analyzed and showed that from 100 samples, as many as 70% of women were MSME business owners in this study. The majority of MSME owners in the culinary sector are women and this shows that the role of women in entrepreneurship is increasing in society (Ramadhani, anggadwita, 2017). Respondent data are presented in full in Table 1.

abel 1 Data Responden			15
Variable	Classification	Total	Percentage
Gender	Male	30	30%
	female	70	70%
Age	20-29	38	38%
	30-39	37	37%
	40-50	20	20%
	> 50	5	5%
Education	SD	0	0%
	SMP	2	2%
	SMA	33	33%
	Diploma	15	15%
	Bachelor	50	50%
Length of Business	1-5	74	74%
	6-10	17	17%
	10-15	6	6%
	>15	3	3%
Venture Capital (Rupiah)	< 5 million	46	46%
	5-10 million	23	23%

	11-20 miliion	11	11%
	21-30 million	3	3%
	>30 million	17	17%
Official business license	Yes	43	43%
	Not	57	57%
Source of capital	Owner's equity	85	85%
	Loan	6	6%
	Loan and personal capital	9	9%

As many as 74% of MSMEs have been in business for 1-5 years. They started a business with a capital of less than 5 million with business capital sourced from private. This shows that the culinary industry is included in the category of small industries that do not require large capital sourced from the owner's personal finances.

This study uses the structural equation model (SEM), namely SMARTPLS, to analyze measurements and structural models.

Tabel 2 Convergent Validity							
Variables	Indicators	Loading	Loading	Cronbach's	AVE	Composite	
		Factors	factors	Alpha		Reliability	
17		Running 1	Running 2				
Market	MO1	0.634	0.774	0.741	<mark>0</mark> .555	<mark>0</mark> .788	
Orientation	MO2	0.718	0.812				
(MO)	MO3	0.283	Rejected				
	MO4	0.443	Rejected				
	MO5	0.807	0.823				
	MO6	0.648	0.791				
Entrepreneurial	EO1	0.773	0.774	0.834	<mark>0</mark> .548	0.878	
Orientation	EO2	0.819	0.817				
(EO)	EO3	0.746	0.744				
	EO4	0.681	0.680				
	EO5	0.604	0.608				
	EO6	0.797	0.798				
Innovation	101	0.760	0.760	0.752	0.571	0.788	
Orientation (IO)	102	0.698	0.709				
	103	0.852	0.866				
	104	0.669	0.675				
	105	0.436	Rejected				

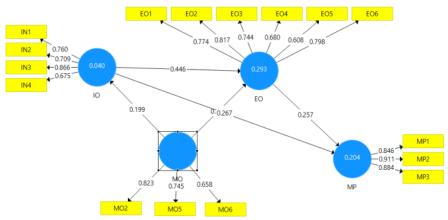
Marketing	MP1	0.842	0.846	0.861	0.776	0.912
Performance	MP2	0.908	0.911			
(MP)	MP3	0.889	0.884			

Table 2 shows the results of the outer model measurement where there is a correlation value of < 0.6 in running 1 so that the MO3, MO4, and IO5 indicators must be excluded from the model. Boothstraping is repeated and obtained a load factor value of >0.6 and a croncabch alpha and AVE value of > 0.7 in order to claim that the construct has a high convergent validity value.

Tabel 3 Hasil R-Square

Variable	R Square	Adjusted R Square
Marketing Performance (MP)	0.204	0.188
Innovation orientation (IO)	0.040	0.030
Entrepreneiural orientation (EO)	0.293	0.278

The R-square values hown in Table 3 show how the structural model foresees the association between latent variables. According to Chin (1998), an R-square value of 0.67 is considered strong, 0.33 is considered medium, and 0.19 is considered weak. The MP variable may be explained by the IO and EO variables by 20.4%, according to the R-square marketing performance value of 0.204 in the medium category > 0.19. The R-square of the EO variable of 0.293 in the medium category means that the EO variable can be explained by the MO and IO variables of 29.3%. IO can be explained by a MO variable of 4%.



Gambar 1. Model Persamaan Struktural

Hypothesis testing is measured by looking at the value of significance p-value, if it is below 0.05 then the results of the study support the hypothesis and if the p-value value is above 0.05 then the results do not support the hypothesis (Hair et al, 2022). The findings of H1a,

H1b, H2a, H2b and H3b support the hypothesis while H1c and H2b do not support the hypothesis. EO mediates the relationship between IO and MP. IO is unable to mediate the relationship between MO and EO. The full results of hypothesis testing are presented in Table 4.

Tabel 4 Hasil Inner Model

Hypothesis	Relationships	Original Sampel	T.Statistic	P-Value	Result
H1a	IO → EO	0.446	5.444	0.000	Supported
H1b	$IO \rightarrow MP$	0.267	3.117	0.002	Supported
H1c	MO→ IO→EO	0.089	1.645	0.101	Unsupported
H2a	$EO \rightarrow MP$	0.257	2.359	0.019	Supported
H2b	$IO \rightarrow EO \rightarrow MP$	0.114	2.201	0.028	Supported
НЗа	$MO \rightarrow IO$	0.199	1.751	0.081	Unsupported
НЗЬ	$MO \rightarrow EO$	0.231	2.427	0.016	Supported

The hypothesis (H1a) of this study is accepted, evidenced by the palue (p-value = 0.000 < 0.05, t-statistical value = 5.444 and O = 0.446) meaning that IO has a significant positive effect 12 EO. This finding explains that the higher the degree of IO, the higher the degree of EO. The results of this study answer the proposition of Simpson et al's (2006) statement which states that companies that are highly innovation-oriented will lead their industries in steps determined by companies where in this case the company's policy decision making is managers or owners of companies oriented towards entrepreneurship. Innovation-oriented MSMEs will be able to explain the advantages of their products in markets where the products are designed to meet market desires. IO strongly involves the role of EO so that the strategic steps determined are the best weapons to face market competition.

The H1b hypothesis of this study is accepted, evidenced by the Youe (p-value = 0.002<0.05, t-statistic value = 3.117 and O = 0.267) meaning that IO has a significant positive effect on This finding explains that the higher the degree of IO, the higher the degree of MP. The results of this study are supported by Gu and Su (2017) who have investigated the relationship of IO to the success of MP with positive and significant results. MSMEs must actively innovate to face competition. IO allows MSMEs to be able to study and track customer needs, so that MSMEs can develop new products or new services that suit consumer desires. This can be done in the implementation of internal processes that aim to increase understanding of customer needs and product development so that MSME businesses can achieve better MP.

The hypothesis (H2a) of this study is accepted, evidenced by the $\frac{1}{2}$ ue (p-value = 0.019<0.05, t-statistic value = 2.359 and O = 0.257) meaning that EO has a significant

positive effect on MP. The results of this study are supported by (Ferreras-Méndez et al., 2021); (Hernández-Perlines et al., 2021); (Wardi et al., 2017) which states that EO is needed to create better MP. MSMEs can survive in various uncertain conditions because they are very creative in looking for market opportunities. This research uses indicators of the dimensions of innovation, proactivity and courage to take risks which are the main factors that encourage MSMEs to improve MP (Kusa et al., 2021). It takes an innovative and creative mindset and the courage to take risks so that MSMEs can survive even in very difficult conditions.

The value (p-value = 0.0160.05, t-statistic value = 2.427, and O = 0.231) indicates that the H2b hypothesis is accepted and that EO serves as a partial mediator of the association between IO variables and MP. The inclusion of the EO variable as an intervening variable also exhibits a substantial positive direction, indicating that EO mediates the relationship between the two. IO directly positively influences MP. The results, however, indicated that IO could not mediate the association between MO and EO, as shown by the values (p-value = 0.081>0.05, t-statistic value = 1.751, and O = 0.199), which indicated that the H1c hypothesis was rejected. MP benefits directly from MO, while IO is unable to act as a mediating factor in the interaction between MO and EO.

The hypothesis (H3a) of this study was rejected, evidenced by the value (p-value = \$120.05, t-statistic value = 1.751 and O = 0.199) meaning that MO has no effect on IO. The results of this tudy are different from Haryanto's (2016) research which supports the hypothesis. But the results of this study are in line with Jansen's 2017 which does not support the hypothesis. The difference in the results of this study can be explained that MO, which is a supporting factor for IO, has not been considered by MSMEs. The ability to anticipate market changes is an absolute requirement for creating innovation has not been the focus of MSMEs. MSMEs only try to survive with existing conditions because they have internal weaknesses, namely limited technology and information capabilities so that they cannot move quickly to adjust to market changes (Violinda, 2018). MSMEs have also not been able to adapt to changes in behavior and consumer culture that change very quickly following the development of trends.

The study's hypothesis (H3b), according to which MO positively affects EO, is approved. Karnowati and Handayani (2022) back up this conclusion. This clarifies that the degree of EO increases with the degree of MO. MSMEs are encouraged to actively develop and set strategies to face competition through analysis of MO, which includes orientation to consumers and rivals as well as speed of cooperation across departments. Business people are strongly motivated to be EO oriented in order to accomplish greater MP by the dynamic and difficult market conditions (Karnowati &; Handayani, 2022).

Conclusion

This suddy's primary goal was to demonstrate the relationship between IO to EO and MP. From the results of the study, it can be concluded that IO has a positive influence on EO, this is evidence that there is a causality relationship between the two and at the same

time answers the statement of Jones and Rowley (2011) who provide suggestions to investigate the relationship between IO and EO to ensure the level of alignment of ancepts built in the EMO model. IO has a positive effect on EO and MP, meaning that IO plays an important role in supporting the creation of EO and MP. These results show that MSMEs must pay more attention to IO in their business processes, because of the importance of IO's role in creating EO and MP. Research findings also show the role of EO which mediates the relationship between IO and MP which acts as a partial position of mediator. However, a different finding is that IO is unable to mediate the relationship between MO and EO, this shows that IO has not been a concern for small-scale MSMEs and still tends to be ignored. This study contributes to the management study literature which has built an empirical model that encourages MSME marketing performance through investigating the relationship between IO, EO and MO to support MSME marketing performance.

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