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THE INFLUENCE OF MARKET ORIENTATION, INNOVATION, AND ENTREPRENEURSHIP ON MARKETING PERFORMANCE: A CASE STUDY OF PECEL LELE MSMES AT OKU TIMU

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ABSTRACT

This study analyses market orientation, product innovation, and marketing performance toward competitive advantage. The population used in this study is Pecel Lele MSME actors in East Oku Regency. The number of samples used in this study was 105 respondents. The method of data collection is done through a questionnaire. This study uses Structural Equation Modeling (SEM) with the SmartPLS Software Program analysis tool. The results of this study indicate that market orientation has a positive and significant effect on competitive advantage, product innovation has a positive and significant effect on competitive advantage, and marketing performance has a positive and significant effect on competitive advantage, market orientation has a positive and significant effect on marketing performance, product innovation has a positive and significant effect on marketing performance, entrepreneurial orientation has a positive and significant effect on marketing performance, and competitive advantage has a positive and significant effect on marketing performance.

Introduction

Micro, small, and medium enterprises (MSMEs) are the driving motors for Indonesian economic growth. They must be open to new ideas as part of the company culture (Lovera-Leroux et al., 2015). They can increase employment opportunities and national development and are necessary for distributing development results. Nur et al. (2014) explained that due to the increasing number of MSMEs in the food sector, the researchers would like to analyse if Porter's five forces model and SWOT can influence the business strategy implemented by traditional street vendors. The five forces are threats (posed by competitive rivalry), bargaining (customers' and suppliers' power), potential new entrants, and substitute products (Affendy, Asmat-Nizam, & Farid, 2015). Micro, small, and medium business growth dominates the national economy (Rindrayani, 2016). At the micro-scale, they have the highest growth rates. This condition ultimately makes them uncompetitive. To survive and develop in an increasingly tight business world, the MSMEs' actors must have special skills to work professionally, manage finances well, and innovate in their business activities (Rahmawati & Pandansari, 2016).

Market orientation is an organisational perspective that encourages three main aspects, namely: (1) Customer Orientation, (2) Competitor Orientation, and (3) Inter-Functional. Therefore, parcel entrepreneurs should be more progressive in making

breakthrough product innovations and combining them with market orientation strategies to increase customers' values and contribute to their performance or effectiveness. Market orientation is one of the main concepts in marketing literature. It reflects a company's efforts to implement marketing concepts. Nonetheless, there is evidence that market orientation has substantial conceptual deficiencies warranting a review of how it can be reconceptualised as a more comprehensive management framework.

Innovation is a vital management aspect of marketing. It can also produce quality products at low costs (Merliana & Kurniawan, 2016) and simple but performs effective sales. It does not only talk about business strategy. It also affects the product's physical form. One example of innovation is that entrepreneurs apply lower-cost marketing strategies than their competitors to attract more consumers.

Green Entrepreneurship aims to integrate environmental and social benefits from business to provide competitive advantages for companies (Li, Adewuyi, Lotfi, Landers, & Park, 2018). Entrepreneurship increases output and income per capita and involves introducing or implementing changes in the business and societal structure. In terms of innovative entrepreneurship, many countries, regions, states, and universities have adopted policies for innovation by entrepreneurial firms to facilitate economic growth. Some examples of this policy include location selection and regional and national initiatives to promote start-up companies.

The marketing performance environment consists of tasks and broad environments. Marketing performance measures the product's market performance. Increasing net profits, profit growth, sales, and business capital. To survive increasingly tight business competition, a company must improve its marketing performance in sales turnover, market share, and profitability. (Wibowo, 2019) explained that other business functions carry out marketing tasks. Marketing performance is a series of activities by business institutions to create, communicate, deliver, and provide value for customers, clients, partners, and society.

The companies may achieve competitive advantages by focusing on superior values and a positive culture and climate to improve efficiency and effectiveness. By using effective competitive strategies, organisations discover industry opportunities and learn about customers. All parts of competitive advantage that exist in an organisation (resources and activities) can become competitive advantages through 3 (three) alternative strategies, namely cost leadership, differentiation, and focus.

Based on the explanations above, this research aims to explain the influence of entrepreneurial orientation on market orientation, the influence of market orientation on small and medium enterprises (SMEs) performance, the influence of entrepreneurial orientation on SME performance, and the role of market orientation in mediating the influence of entrepreneurial orientation on performance in SMEs in the culinary sector at OKU TIMUR regency.

Research Methods

Measurement

This research uses some measurements related to the variables adopted from previous studies. Thirty questions examine the Value of Co-creation adapted from (Wang et al., 2013). The market Orientation Variable uses ten questions from Ansary & Nik Hashim et al. (2018). The innovation variable uses five questions from (Bandres-Ciga et al., 2019). Finally, the competitive advantage variable is measured using three questions from (Kusnawati, 2020). All items are measured using a Likert scale with five scales starting from 1 (strongly disagree) to 5 (strongly agree). The total measurement consists of 150 detailed questions in Appendix 2 (operational variables) and Appendix 3 (questionnaire).

The research uses primary data. It is the data obtained or collected directly through interviews and a list of questions given to the sample respondents. This research uses a survey to obtain the necessary data. The data collection methods are interviewing and distributing a list of questions to the respondents. The sample for this research is selected using the Simple Random Sampling method. To obtain more useful findings, the data must be processed and analysed first before decision-making for culinary customers in Oku Timur Regency who have implemented Value Co-creation in their business (Soelton et al., 2020).

Research Population, Sample, Site, and Time

The respondents are pecelle lele (deep-fried catfish) street vendors selected using a purposive sampling method, with the sample criteria that all are pecelle street vendors in OKU TIMUR regency. The research is located in Oku Timur Regency and conducted from January to April 2023. According to Malhotra et al. (2010), the sample size can be set by multiplying the number of indicators by 5. Therefore, there are 150 respondents in this study. The data collection process starts with distributing an initial questionnaire (pre-test) to 30 respondents.

Data Analysis

This is a quantitative research using SEM (Structural Equation Model). SEM is a multivariate statistical technique that combines all aspects of factor analysis, path analysis, and regression. Therefore, the analysis results will be more complete. The researcher uses a Variance-based analysis technique (SEM-PLS) with SMARTPLS 3.0 software in this study. It is a causal approach that aims to maximise the variation in the criteria of the latent variables explained by the latent predictor (Halim et al., 2014).

The pre-test uses 30 samples to set the validity and reliability. The results show that the indicator is valid if the reflexive measures correlate higher than 0.5 (Chin, 1998). Discriminant validity and composite reliability function to check if a variable is reliable if it has a composite reliability value higher than 0.7. (Hair et al., 2019; Leguina, 2015).

The pre-test results explain that 8 (eight) indicators have a loading factor value lower than 0.5, including OR1, INO6, OK6, OK14, KB3, KB5, KP19, and KP20. However, they are not removed and are still considered in the subsequent main-test analysis. Next, the reliability test shows that all variables have a composite reliability

value higher than 0.70. Thus, the questionnaire is reliable (Appendix 1 PLS Algorithm pre-test output).

Results and Discussion

The research respondents are pecel lele vendors in the Oku Timur area of South Sumatra province. Of the 150 respondents, 75% are men, and 25% are women. Most of them have a high school education (80%), bachelor's degree (10%), junior high school (3%), and elementary school level (2%).

Validity and Reliability tests of the reflective measurement model construct are based on Chin's (1998) recommendations where the loading factor value required in SmartPLS 3.0 is ≥ 0.50. In this research, measuring construct validity states that only 1 (one) indicator has a loading factor value lower than 0.5, namely OK14, with an outer loading of = 0.271. It means the indicator is invalid.

Thus, OK14 is removed from the model, and construct validity measurements are rerun without the OK14. The measurement result without OK14 is declared valid because all indicators for each variable have a loading factor value higher than 0.5. The Composite Reliability (CR) calculation results also have met the requirements. According to Hair et al. (2014), the required value of CR is ≥ 0.70. The CR calculation result for the Market Orientation variable is 0.863 for each dimension, namely Customer Orientation (CR = 0.852), Competitor Orientation (CR = 0.908), and Inter-Functional Coordination (CR = 0.908).

Structural test analysis aims to determine the R2 value for each equation. The R2 value shows how much the independent variable can explain the dependent one. The analysis results show that the Marketing Performance variable (Y2) is simultaneously influenced by the variables of Market Orientation (X1), Innovation (X2), Entrepreneurial Orientation (X3), and Competitive Advantage (Y1) with an R2 value of 0.710. Therefore, 71% of the variance in Marketing Performance (Y2) can be explained by Market Orientation (X1), Innovation (X2), Entrepreneurial Orientation (X3), and Competitive Advantage (Y1). Meanwhile, the rest (29%) is explained by other variables.

Also, the Competitive Advantage variable (Y1) is simultaneously influenced by the Market Orientation (X1), Innovation (X2), and Entrepreneurship Orientation (X3), with an R2 value of 0.560. Thus, 56% of the variance in Competitive Advantage (Y1) can be explained by Market Orientation (X1), Innovation (X2), and Entrepreneurship Orientation (X3). Meanwhile, the rest (44%) is explained by other variables.

The output results from 150 samples generate the path diagram image in Figure 1 below:

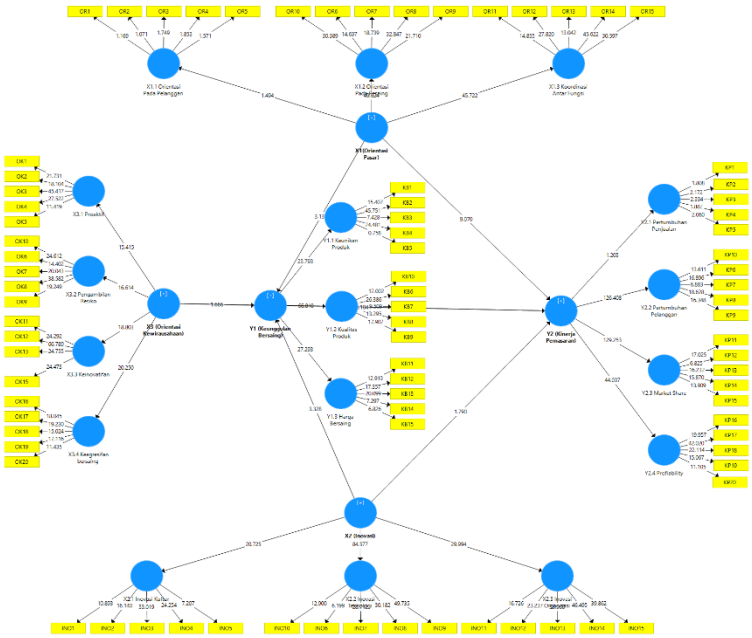

Figure 1: T-Value Path Diagram

The Quality Model test results show a good fit. This is because R Square and Q Square Redundancy have values higher than zero. Appendices 5 and 6 show more complete data. Meanwhile, the Structural Model test results are in the form of Path Coefficients.

Based on the results of the T-Value Path Diagram in Figure 2 above, the following table describes the confirmation of the research hypothesis.

Table 1

Results of Research Hypothesis Testing

Hypothesis	Statement	T-Value	P-Value	Note
H1	Market orientation has a positive influence on competitive advantage	3,133	0,001	The data support the hypothesis
H2	Innovation has a positive influence on competitive advantage	3,328	0,000	The data support the hypothesis
H3	Entrepreneurial orientation has a positive influence on competitive advantage	1,666	0,048	The data support the hypothesis
H4	Market orientation has a positive influence on marketing performance	9,070	0,000	The data support the hypothesis
H5	Competitive advantage has a positive influence on marketing performance	4,511	0,000	The data support the hypothesis
H6	Entrepreneurial orientation has a positive influence on marketing performance	0,104	0,459	The data do not support the hypothesis

The hypothesis testing table above shows that the hypotheses H1, H2, H3, H4, and H5 have a T-value higher than 1.645 and a P-value lower than 0.05. Therefore, the data support the proposed hypothesis, or the research hypothesis is accepted. Meanwhile, hypothesis H6 has a T-value value ≤ 1.645 and a P-value value ≥ 0.05, so the data do not support the research hypothesis or the hypothesis is rejected.

The results show that the first hypothesis (market orientation positively influences competitive advantage) is accepted. This is in line with other findings that better market orientation can positively affect service quality and impact the performance of MSME players. This is because competitive advantage consistently identifies price or cost, quality, delivery, and flexibility as vital competitive capabilities.

The results show that the second hypothesis (innovation positively influences competitive advantage) is accepted. This aligns with past studies, which found that innovation provides creative ideas to create opportunities and develop new products to attract consumers. This is because competitive advantage also creates higher economic values for stakeholders and customers and innovates in processes, product characteristics, and easier transactions.

The results show that the third hypothesis (entrepreneurial orientation positively influences competitive advantage) is accepted. This is similar to entrepreneurial orientation as a strategy to increase profits and measure business performance. This is because competitive advantage can be created by providing the means to outperform competitors and paying attention to external factors (Pardi et al., 2014).

The results show that the fourth hypothesis (market orientation positively influences marketing performance) is accepted. This is done by researching market orientation as the search for information about the market related to consumers' current or future wants and needs. This is because marketing performance for business continuity uses marketing strategies to increase profits.

The results show that the fifth hypothesis (competitive advantage positively influences marketing performance) is accepted. This is similar to other findings, which explain that each company must have a competitive advantage to achieve the best product performance (Ekawati et al., 2016). This is because marketing performance is more objective and focuses on the profitability and productivity of marketing decisions.

The results show that the sixth hypothesis (entrepreneurial orientation positively influences marketing performance) is accepted. This is by researching entrepreneurial orientation to develop ideas and realise them in the form of new products and services, participate in risky projects, predict future needs, and discover new market opportunities. This is because marketing performance aims to measure a product's market performance.

Conclusion

The research findings conclude some following points:

1) Entrepreneurial orientation has a positive but not significant effect on innovation
2) Market Orientation has a positive and significant effect on product innovation.
3) Entrepreneurial orientation has a negative but insignificant effect on competitive advantage.
4) Market Orientation has a positive and significant effect on competitive advantage.
5) Innovation has a positive and significant effect on competitive advantage.

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