



SMEs Performance: Fostering Innovativeness, Market Orientation, and Learning Orientation

Gromyko Bongso¹, Vera Dumonda Silitonga², Cliverrel Heryanto³

^{1,3} Management Department, BINUS Business School Undergraduate Program, Business Creation Program, Bina Nusantara University, Indonesia

² Akademi Kesehatan Gigi Pusat Kesehatan Angkatan Darat (PUSKESAD), STHM

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ABSTRACT

SMEs in Indonesia continue to grow year after year, yet their death rate remains high owing to poor business performance. This research survey was distributed online to a total of 195 respondents, of which 152 matched the research criteria. The respondent data was processed using the SmartPLS application. The findings of this study indicate that there is a favorable association between market orientation, learning orientation, and innovativeness, and business performance. The findings indicate that SME owners must prioritize market orientation and learning orientation to foster innovation, which can improve SME firm performance. SME owners must understand their market orientation, including consumers and competitors.

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Corresponding Author:

Gromyko Bongso,
Management Department / BINUS Business School Undergraduate Program / Business Creation Program,
Bina Nusantara University,
Address (Raya Kb. Jeruk No.27), West Jakarta, Jakarta Capital Special Region, 11530, Indonesia.
Email: gromyko.bongso001@binus.ac.id

1. INTRODUCTION

In this new economic era, SMEs are highly valued in several countries in the world because they have the potential to grow large, productive, and increase investment value, and use technology to be able to adapt to new things. However, the development of SMEs is often overshadowed by the existence of the MNE (Multinational Enterprises) sector which results in many deaths of SM (Mittal et al. 2020). The large number of SMEs that fail is based on a lack of attention to factors in running a business that can improve their business performance (Franco and Haase 2010). A key component in a company's success is the extent of its innovation (Ritter and Gemünden 2004). With innovation, companies can find out solutions to future problems. However, research on the factors that give rise to innovativeness in companies has produced other factors that can influence innovativeness (Carneiro 2000). The importance of market orientation and learning orientation in developing competitive advantage (Suliyanto and Rahab 2012). There is a relationship between market orientation and the success of new products (Baker and Sinkula 2005). There is a relationship between learning orientation and innovativeness, and obtained the results that innovativeness plays a very important role in business performance.

Market orientation has a role in increasing business value because it can provide a competitive advantage by understanding consumer needs (Slater and Narver 1994). Market orientation is said to be the most effective and efficient organizational culture in creating the behavior needed to create higher value for buyers, and the results can make business performance better (Homburg and Pflesser 2000). There is research that looks at market orientation influencing business performance indirectly. However other researchers say market orientation has a positive influence on business performance (Matsuno, Mentzer, and Özsomer 2002). Innovativeness and learning orientation are important for companies in maintaining competitiveness (Rhee, Park, and Lee 2010). With market orientation and innovativeness, companies can find better products and develop products in better directions so that market orientation has a big influence on innovativeness (Augusto and Coelho 2009). Market orientation is closely related to innovativeness, the creation of innovativeness from market orientation factors means companies will make innovations according to market needs. Researchers found that market orientation has a positive relationship with innovativeness. Learning orientation can improve actions through better knowledge and understanding of business performance (Che-Ha, Mavondo, and Mohd-Said 2014). Companies that have a good learning orientation can sustainably create new products and services, maintain a position of competitive advantage, and achieve high business performance (Baker and Sinkula 1999b). Researchers are consistent with theory and provide theory and positive evidence for the relationship between learning orientation and business performance. Learning orientation is known as an important factor in building competitive advantage and increasing innovation (Widyastuti et al. 2017). Innovation requires new information and knowledge so that new ideas can develop, the ability to learn faster than competitors is a company's competitive advantage (Kessler, Bierly, and Gopalakrishnan 2000). Companies that use learning orientation will have a good level of innovation, this is because innovative performance can be achieved when equipped with learning. The existence of a learning orientation in a company will increase the efficiency and effectiveness of its innovation activities (Mahmoud et al. 2016). Research (Wahyono & Hutahayan, 2021) found that learning orientation has a positive relationship to innovativeness in a company, companies can create the ability to innovate from learning. Increasing a company's innovativeness can fix problems and improve business performance (Hult, Hurley, and Knight 2004). Innovation or innovativeness influences the work environment and business performance. Many previous studies show that innovativeness has a positive impact on business performance and business excellence (Ekiz Kavukoğlu and İsci 2023).

The importance of market orientation factors has been proven to improve business performance. This view has been supported by previous studies that show that market orientation is positively related to business performance (Mahmoud 2011). In market orientation, there is a lot of good evidence about the role of market orientation in influencing business performance (Sandvik and Sandvik 2003). Market Orientation emphasizes the importance of a company's ability to detect and respond appropriately to changes in the surrounding market environment, with a primary focus on company performance (Jaworski and Kohli 1993). Not only market orientation, the importance of learning orientation, namely the ability to learn faster than competitors, is one of the sustainable competitive advantages. Learning orientation is a way to overcome uncertainty and risk in business (Wang 2008). Previous researchers said that one way for SMEs to adapt to have a growing business is with a learning orientation (Altinay et al. 2016). A business can achieve a competitive advantage by having resources and capabilities that are valuable, unique, and difficult for others to match (Zahra and Das 1993). However, the sustainability of competitive advantage depends on the company's innovation capabilities (Mady et al. 2023). Not only innovation but the importance of market orientation and learning orientation in influencing increased business profits has been well documented (Baker and Sinkula 1999a). Small and medium enterprises also cannot achieve competitive advantage if they only prioritize material assets, without seeking efforts to improve market orientation regarding their business resources and learning orientation in corporate learning. Companies strive to improve their business performance and compete with other businesses by focusing on variables such as market orientation, learning orientation, and innovativeness.

2. RESEARCH METHOD

Data collection using non-probability sampling. This research uses non-probability sampling because not all of the population can be sampled for this research. Respondents who can be used as samples for this research are SME business owners, so if the business owner already has a turnover that exceeds the SME criteria then he also cannot be a research respondent. Distribution of the questionnaire was carried out using Google Forms. In this research, questionnaires were distributed via Google Forms. Getting a total of 195 respondents, but not all respondents is a criterion in this research. The criteria needed to become a respondent in this research are having a business and having a turnover on the SME scale. This research states that a monthly turnover of more than 1 billion is no longer an SME business. Of the 162 respondents who have businesses, 9 of them are no longer businesses on the SME scale. So only 153 valid respondents remain, but because 1 respondent did not fill in at the time of data collection, only 152 respondents were used for this research. Characteristics of respondents in this study were 77 respondents aged 18-28 with a percentage of 77.2% of the total research sample. Ages 29-39 were 14 respondents with a percentage of 8.6% of the total research sample. Ages 40-50 were 13 respondents with a percentage of 8% of the research sample. Age >50 years were 10 respondents with a percentage of 6.2% of the research sample. In this research, there are also turnover characteristics to find out whether the business owned by the respondent is in the SME sector or is no longer in the SME criteria. Turnover <25 per month is a micro-scale category of 98 respondents with a percentage of 60.5% of the total research sample. Turnover >25 – 200 million per month is a small-scale category with 39 respondents with a percentage of 24.1%. Turnover >200 million – 1 billion is a medium-scale category with 16 respondents with a percentage of 9.9% of the total research sample. Turnover >1 billion is no longer categorized as SMEs as many as 9 respondents with a percentage of 5.6% of the total research sample, where these 9 respondents are invalid.

3. RESULTS AND DISCUSSIONS

The following are the results of testing the research model using SmartPLS.

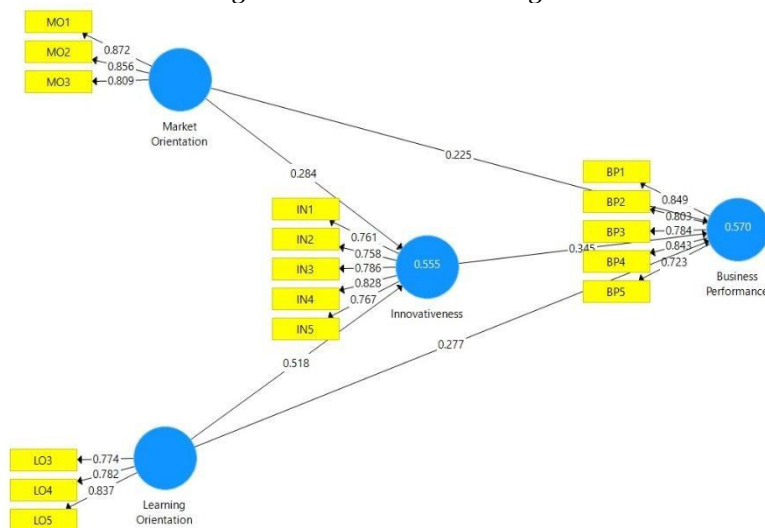


Figure 1. Research Model Testing Results

Based on Figure 1, it can be seen that all manifest variables are valid because they have loading factor values above 0.600. So that next, hypothesis testing will be carried out, which can be seen in the following table:

Table 1. The performance of ...

Hipotesis	Path Analysis	Path Coefficient	T Statistik	P values
H1	MO -> BP	0.255	0.011	0.011

H ₂	MO -> INV	0.284	0.000	0.000
H ₃	LO -> BP	0.277	0.022	0.022
H ₄	LO -> INV	0.518	0.000	0.000
H ₅	INV -> BP	0.345	0.001	0.001

In testing the hypothesis all variables must be declared valid and reliable. Then another bootstrapping test was carried out to obtain statistical t values and p values to determine the hypothesis of the relationship between variables. The statistical t-value obtained must exceed >1.96, while for p-values, the p-value must be below 0.05. When the t statistical value exceeds >1.96 and the p-value is below 0.05 then the hypothesis is declared accepted. Hypothesis 1 states that market orientation has a positive relationship with business performance. In testing this hypothesis, the t statistical result of 2.552 is greater than the t table value of 1.96 and the p-value of 0.011 is smaller than the value of 0.05, so it can be said that hypothesis 1 is accepted. The path coefficient has a result of 0.225 which shows the hypothesis has a positive relationship. This indicates that the hypothesis (Ali et al., 2020) has the same results as this research, namely that Market Orientation has a positive relationship with Business Performance.

According to Hypothesis 2, market orientation correlates positively with innovativeness. In testing this hypothesis, the t statistical result of 4.023 is greater than the t table value of 1.96, and the p-value of 0.000 is less than 0.05, indicating that hypothesis 2 is accepted. The path coefficient is 0.284, indicating a favorable association with the hypothesis. This indicates that the hypothesis (Sahibzada et al., 2022) has the same results as this research, namely that market orientation has a positive relationship with innovativeness. Hypothesis 3 states that learning orientation has a positive relationship with business performance. In testing this hypothesis, the t-statistic result of 2.290 is greater than the t table of 1.96 and the p-value result of 0.022 is smaller than the value of 0.05, so it can be said that hypothesis 3 is accepted. The path coefficient has a result of 0.277 which shows the hypothesis has a positive relationship. Learning orientation has a positive relationship with business performance.

Hypothesis 4 indicates that learning orientation correlates positively with innovativeness. In testing this hypothesis, the t statistical result of 7.666 is more than the t table of 1.96, and the p-value of 0.000 is less than 0.05, indicating that hypothesis 4 is accepted. The path coefficient is 0.518, indicating a favorable association. This indicates that the hypothesis (Wahyono & Hutahayan, 2021) has the same results as this research, namely that learning orientation has a positive relationship with business performance. Hypothesis 5 states that innovativeness has a positive relationship with business performance. In testing this hypothesis, the t-statistic result of 3.432 is greater than the t table of 1.96 and the p-value result of 0.001 is smaller than the value of 0.05, so it can be said that hypothesis 5 is accepted. The path coefficient has a result of 0.345 which shows the hypothesis has a positive relationship. This indicates that innovativeness has a positive relationship with business performance.

4. CONCLUSION

The importance of market orientation for SME businesses is so that SME businesses know clearly about their market, both customers and business competitors. By improving market orientation, businesses can create strategies to attract customers and compete with competitors. Not only that, businesses can also find out how to satisfy their customers by conducting market analysis. Learning orientation is also important for SME owners to be able to learn how to be good sellers for consumers, and continue to learn ways to increase their business sales. Of course, these two aspects can also increase innovativeness and business performance. With market orientation and learning orientation, innovative strategies will emerge, including how to become a good seller, improving products to be competitive, and company strategies in attracting customers. These variables will have an impact on business performance because the quality of service is good and the business can satisfy its customers. Of course, this can increase business growth and achieve business sales targets. In this research, all hypotheses from the research framework have a positive relationship. For future research, it is recommended to look for other variables to test in improving business performance so that other

variables can emerge in improving business performance. Not only that, for more valid data, it is also recommended to look for more samples and a wider coverage area so that the research has more accurate results.

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