

# Role of Entrepreneurial Orientation and Market Orientation on Competitive Advantage Through Marketing Performance: The Study at Marine-Based Food Processing Industry in Central Java

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## ABSTRACT

Entrepreneurial orientation refers to the processes, practices, and making of decision to encourage new outcomes that have a specific entrepreneurial aspect. The action of an entrepreneurial refers to behaviors in decision on conditions of uncertainty, with swift actions seeing the opportunities to obtain maximum results. The capability of entrepreneurial actions is important for business players in developing ne products, new processes, new organizational managing through modification or reconfiguration of resources, and also in overcoming the speed of market change. Whereas, market orientation is the most effective organizational culture in creating the behaviors required to create superior value for buyers and produce superior performance for the organization. These two variables become strong capital in strengthening competitive advantage and towards achieving marketing performance.

The phenomenon business of marine and fisheries business in Central Java is potential. As for the small and medium business centers of marine products are scattered in several cities in Central Java. Demak Regency, Semarang City, and Pekalongan Regency as the centers of marine-based food processing business were chosen for this study.

This empirical study is expected to contribute theoretically and be useful in the managerial practice and can be used as material of consideration and policy for the government and the business players. Test of empirical analysis shows that entrepreneurial orientation and market orientation have a positive significant impact on competitive advantage, whereas competitive advantage gives a positive significant impact on marketing performance. The business players in marine-based food processing industry affirm that there is full awareness of the importance of dynamic movement in the entrepreneurial orientation and market orientation in order to maintain the sustainability of the existing business. The ability to look at the market conditions is an effort to keep the business sustains and develops, which greatly impacts on marketing performance as measured by sales volume and the increasing number of customers. Some weaknesses of this study are also discussed as a note for future research.

**Keywords:** *entrepreneurial orientation, market orientation, competitive advantage, marketing*

## 1. INTRODUCTION

The capability of entrepreneurial actions is important for business players in developing new products, new processes, new organizational structure through modification or reconfiguration of resources, and also in overcoming the speed of market change [1-3]. [4] assert that entrepreneurial orientation and the velocity to adapt with changes provide an opportunity for the sustainability of small and medium businesses.

According to [5], market orientation is a corporate culture that can lead to increased marketing performance. Market orientation is the most effective and efficient organizational culture to create behaviors required to generate superior value for buyers and produce superior performance for the firm. A firm that has made market orientation as organizational culture will base on external basic needs, market wish and demand as the basis for composing strategies for each business units within the organization, and will determine the success of the firm. In terms of business phenomenon, small and medium enterprises have provided evidence as the business that is

able to survive in the competitive situation dynamics [6-8]. Whereas, small and medium enterprises engaged in marine-based food processing also grow in large numbers, especially in Central Java. Wealth and local wisdom in the processing of marine-based food can improve the strength and welfare of the community [9, 10].

The phenomenon of marine and fisheries business in Central Java is enormous, 33 small islands are scattered in the Java Sea and 331 northern coastal villages and 95 coastal villages in the South Sea, with a total of 172,214 fishermen and 8761 units of fisheries processing SMEs. As for, the centers of marine processing SMEs are spreaded in Semarang City, Demak Regency, Pekalongan, Rembang, Tegal, Brebes, and Cilacap [11]. Various issues faced by small-scale marine processing industries are constrained by products that do not yet have PIRT (Home Industry Food), are not quite marketable, minimum in equipment and technology for processing and packaging, have not been able to diversify the flavors and packaging to be marketed in several segments, limited access to market expansion and promotion media, unorganized market networks, and the limited knowledge in processing marine products and in small business management. Internal and external weaknesses color the development of this small business. These weaknesses require the human resources to become the main social capital.

Empirical studies of entrepreneurial orientation and market orientation on competitive advantage and marketing performance of medium and small enterprises and the business phenomenon in improving the performance of fish processing industry have made this study crucial and relevant to be done. This study intends to empirically examine a research model that has been previously conducted related to entrepreneurial orientation and market orientation on competitive advantage to lead to optimal marketing performance. The urgency of this study is to provide a theoretical and empirical contribution in looking at different relationships among variables in the field of this marine-based food processing business.

## **2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

### **2.1. Literature Review**

#### **2.1.1. Entrepreneurial Orientation: Supporting Strengths in Transformation**

This concept has dimensions of risk taking, innovativeness, and proactiveness in assisting the business players to take advantage of opportunities and face the dynamics of change. [12] first initiated this entrepreneurial orientation and the continued by the next initiators [13, 14]. [15] added two additional dimensions, i.e. autonomy and aggressive competition. Entrepreneur orientation has received a great deal of attention by researchers and is associated with its

forming dimensions as well as its influence on strategy orientation, financial performance, competitive advantage over competitors or management culture [16-18].

#### **2.1.2. Market Orientation**

The focus of market orientation is the efforts to arrive at the creation of corporate image to its ability to obtain sympathy from the customers for capable of providing what the customers want optimally; hence, the customer satisfaction is manifested [5]. [19] define market orientation as the most effective organizational culture in creating behaviors required for the creation of superior value for buyers and providing superior performance for the organization. Different dimensions in market orientation have been clearly explained by [19] namely the existence of customer orientation, competitor orientation, and cross-functional coordination; while [20] are on the dimensions of focus to customer and coordinated marketing.

#### **2.1.3. Competitive Advantage**

Benefits and maintaining long-term sustainability are obtained from the manifestation of superior strategies and are not easy to imitate by competitors to take the position [21, 22]. Innovation is the key to competitive advantage; added value makes it difficult for competitor to take over the firm's position. Maintaining the advantage requires resources that enable to guarantee the superior position, readiness to accept changes so the firm has a tendency to invest in order to confine competitors' attacks. The dimension of competitive advantage can be in several forms such as the advantage in cost and differentiation [23], rare-valuable-not imitable-not substitutability [22], image-position-managerial capabilities [24], or innovation differentiation-marketing differentiation [25].

#### **2.1.4. Marketing Performance**

The performance of different functional management will be reflected in the marketing performance that shows its position in the market. The indicators of measuring marketing performance cover human resources performance, production performance, and financial performance [26]. The measurement of performance itself can be divided into two groups namely measurement of financial performance and measurement of non-financial performance. In the category of non-financial performance, how good are the level of human resources productivity, the level of creativity and innovation in the organization, and the high quality of products and services as reflected by the acquisition of market share and marketing profitability. The performance measurement of small and medium enterprises can be carried out by employing growth approach since small firms generally have rather unorganized financial statements and are quite hard to

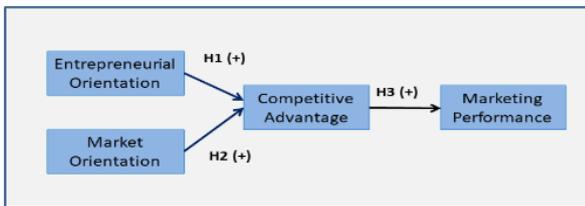
interpret. Some that can be measure from the marketing performance of small and medium enterprises can be seen from sales value, sales volume, increasing number of customers, and growth of market area [ 27, 28].

**2.2. Hypothesis Development**

*2.2.1. Model of research developed in this study is as follows:*

The research model can be illustrated as follows:

**Figure 1.** Research Model



Source: Model Development (2019)

The hypotheses tested based on the literature review discussed are as follows:

*H1: Entrepreneurial Orientation has a positive impact on competitive advantage*

*H2: Market orientation has a positive impact on competitive advantage*

*H3: Competitive advantage has a positive impact on marketing performance*

**3. RESEARCH METHOD**

**3.1. Research Subject and Location**

As a maritime region, Indonesia has a bright prospect in the marine-based food processing industry. Central Java as an area surrounded by oceans has growth in the business players of sea food processing field. The fisheries industry is growing in Indonesia since it is a maritime country. As for the centers of marine products processing SMEs are scattered in Semarang City, Demak Regency, Pekalongan, Rembang, Tegal, Brebes, and Cilacap [11]. Food processing that has been carried out in a variety of diversified food processing has a great opportunity to be further developed. Respondents of this study were spread in three regions in Central Java, i.e. Semarang City, Pekalongan Regency, and Demak regency. These three areas are business centers of marine-based food processing.

**3.2. Population and Sample**

Population of this study covers business players of marine-based food processing industry in Central Java, specifically in Demak Regency, Pekalongan Regency, and Semarang City. The official data of entrepreneurs for this small and medium business is unavailable; hence, 80 samples of respondents were taken. The sampling technique used purposive sampling in which the small and medium entrepreneurs in marine-based processing industry with a minimum of one-year experience as an attempt to obtain qualified information according to the needs of research variable indicators.

**3.3. Data Analysis Method**

Regression analysis was done to test the hypotheses. Tests of validity and reliability were carried out prior to the hypothesis testing. Indicators of each variable include: 9 items for entrepreneurial orientation, 4 items for market orientation, 4 items for competitive advantage, and 4 items for marketing performance. The processing of reliability and validity tests is shown in the following table:

**Table 1.** Validity and Reliability Test

Variable	Validity	Cronbach's Alpha	Information
Market Orientation	Item 1-9 (> 0.6)	0.800	Reliable
Entrepreneurial Orientation	Item 1-4 (> 0.6)	0.690	Reliable
Competitive Advantage	Item 1-4 (> 0.6)	0.781	Reliable
Marketing Performance	Item 1-4 (> 0.6)	0.727	Reliable

Source: Primary data, processed (2019)

The table indicates that all indicators are said to be valid since the results are higher than the value of r table. For the reliability, all the results show reliable numbers since the values are higher than the standard 0.6 as required.

**4. RESULTS AND DISCUSSION**

The description of respondents in this study is summarized in the following table:

**Table 2.** Description of Respondents

Basic Classification	Classification	Total	Percentage (%)
Business Age	1 – 5 years	14	17,5
	6 – 10 years	25	31,25
	11 – 15 years	13	16,25
	16 – 20 years	18	22,5
	21 – 25 years	8	10
	25 – 30 years	2	2,5
Gender	Male	47	58,75
	Female	33	41,25
Education	Elementary School	48	60
	Junior High School	13	16,25
	Senior High School	2	2,5
	Associate’s Degree (D3)	28	35
Business Category	Small	63	78,75
	Medium	17	21,25

Source: Primary Data, Processed (2019)

From the table, the general descriptions obtained are that most respondents are small-scale business with 6-10 years of business age, male with elementary school level of

education. Meanwhile, the products of fish processing produced are: fish crackers, smoked fish, shrimp paste, fish jerky, fish meatballs, fish nuggets, fish siomay, presto milkfish, many other products.

Whereas, the validity test shows that each variable has met the requirements and is said to be valid; where the variables of innovation, market orientation, competitive advantage, and marketing performance exceeded the required r table of 0.219. For the reliability, all variables have Cronbach Alpha value higher than 0.6, in which entrepreneurial orientation 0.690, market orientation 0.800, competitive advantage 0.781, and marketing performance 0.727.

The testing results for hypotheses H1 and H2 with path analysis for independent variables of entrepreneurial orientation and market orientation are shown in the following table:

**Table 3.** Testing of Hypotheses H1 and H2

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8,652	1,894		4,567	,000
	Entrepreneurial Orientation (X1)	,230	,040	,594	5,706	,000
	Market Orientation (X2)	,202	,101	,207	1,992	,032

a. Dependent Variable: Competitive Advantage (Y1)

Based on the table above, it can be concluded that: entrepreneurial orientation has a significant effect on Competitive Advantage (Y1) as indicated by significance level of 0.000 which is lower than 0.05 and Market Orientation (X2) has a significant effect on Competitive Advantage (Y1) as indicated by significance level of 0.032 which is lower than 0.05.

**Table 4.** Testing of Hypothesis H3

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5,381	1,794		2,999	,004
	Competitive Advantage (Y1)	,149	,040	,417	5,388	,000

Dependent Variable: Marketing Performance (Y2)

From the table above, it can be seen that Competitive Advantage (Y1) has a significant impact on Marketing Performance (Y2) as indicated by significance level of 0.000 which is lower than 0.05

## 5. CONCLUSION

The results of analysis for all of the hypotheses are supported and in line several previous studies. The result of empirical analysis testing shows that entrepreneurial orientation and market orientation have significant positive impact on competitive advantage, whereas competitive advantage provides a positive significant impact on marketing performance. The business players in marine-based food processing industry affirm that there is full awareness of the importance of dynamic movement in the entrepreneurial orientation and market orientation in order to maintain the sustainability of the existing business. The ability to look at the market conditions is an effort to keep the business sustains and develops, which greatly impacts on marketing performance as measured by sales volume and the increasing number of customers. Some weaknesses of this research is that it has not more specifically observed this marine-based food product processing in categories such as the length of business, types of products produced, and more in-depth exploration related to specific competitive advantage owned by the business players. The policy of policy holders here in from the pertinent institutions like government has not been explored more deeply. It can be explored further in the future studies to contribute to the existing knowledge and business practices in the same field.

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