

Strategic Orientation and Business Performance in West Sumatera

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ABSTRACT

Competition during this period of disruption was getting higher and spread to the Micro, Small, and Medium Enterprises (MSMEs) level. With good and sustainable business performance growth, this provides an opportunity for MSMEs to become large businesses or even go public. Businesses must be managed strategically and systematically to put the benefits of good business performance. Business performance needs to be improved due to rapid environmental changes, market mechanisms that are increasingly open, competitive, and market domination. One measure of strategic orientation and business performance achievement can be seen from the overall production and marketing activities originating from MSMEs.

The purpose of this study was to analyze: (1) The effect of entrepreneurial orientation on the business performance of Micro, Small, and Medium Enterprises in West Sumatera, and (2) The effect of market orientation on the business performance of Micro, Small, and Medium Enterprises in West Sumatera.

The object of this research is focused on MSMEs in West Sumatera. The population of this study is all MSMEs in the cities of Padang, Bukittinggi, and Payakumbuh. The research sample consisted of 100 MSMEs, using proportional cluster random sampling. This type of research is causative. The analysis tool is a Structural Equation Model (SEM) using the Smart PLS version 2.0 application.

Keywords: *Strategic Orientation, Business Performance.*

1. INTRODUCTION

Competition during this disruption was getting higher, including the level of Micro, Small and Medium Enterprises (MSMEs). MSMEs With the growth of good and sustainable business performance, this provides an opportunity for MSMEs to become large businesses or even go public.

In general, MSMEs in West Sumatera are not yet unique as a competitive advantage. In several cities in West Sumatera itself, MSMEs have always experienced a significant increase every year. According to data from the West Sumatera Cooperatives and UMKM Office (2020), the total number of MSMEs in West Sumatera from 2016-2019 increased in succession, namely: 539,100 UMKM, 602,493 UMKM, 611,832 UMKM, and 621,315 UMKM.

According to Yunia (2017) [1], this phenomenon of MSME performance can be found in every province in Indonesia, especially in West Sumatera Province, whose

economic base is driven by the regional superior MSME sector, especially in the field of leading industries including cracker business and the like, embroidery / embroidery business. , cakes / snacks, tempeh / tofu, furniture business, printing, and others. MSMEs have made entrepreneurship orientation an organizational culture that will be based on external basic needs, wants and market demands as the basis for strategic orientation for MSMEs. According to Imma (2014) [2], entrepreneurial orientation has a significant effect on the performance of SMEs.

Market-oriented MSMEs will follow any changes that occur in the market. According to Narver and Slater (1990) [3], market orientation is the organizational culture that's most successful in making behaviors essential to creating superior value for buyers and performance in business. Meanwhile, Lindblom (2015) [4] states that market orientation places the highest priority on staying close to the market and creating superior value for MSMEs. Furthermore, according to Kohli and Jaworski (1990) [5], market orientation may

be a corporate culture that can lead to increased marketing performance.

2. CONTENT AND METHOD

2.1. Business Performance

According to Zimmerer and Norman (2008: 57) [6], business performance is a result of the capacity to create modern thoughts and to discover better approaches of seeing issues and openings and the capacity to apply creative solutions to problems and opportunities. to improve or to enrich people's lives. Furthermore, Agusty (2000) [7] states that business performance is one of the factors that is often used to measure the impact of the business strategy that the company has implemented. Good business performance is generated through the strategic orientation of MSMEs.

Factors that can affect business performance according to Nurdasila (2013: 10) [8] are: (1) internal environment which includes entrepreneurial orientation, ownership and access to resources, control and utilization of information technology, management systems, cultural culture, capital strength, partnerships, and business networks with parties outside the business, (2) the external environment, including those related to government policies, legal aspects, conditions of market competition, social conditions, infrastructure conditions, and how to empower infrastructure conditions, community education levels, and changes global economy. Meanwhile, according to Best (2009) [9], the achievement of marketing capabilities and performance is also supported by strong entrepreneurial orientation abilities.

2.2. Entrepreneurial Orientation

According to Casson (2002) [10], entrepreneurial orientation is an effort to learn about a person's values, abilities and behavior in an effort to create and innovate. Meanwhile, according to Mahmood and Hanafi (2013) [11], the entrepreneurial orientation of an entrepreneur is considered to have a significant role in the success of a business, so that the business can perform healthily. To measure entrepreneurial orientation, indicators developed from research by Brouthers, Nakos, and Dimitratos (2015) [12] are used, namely: risk-taking, innovative, proactive, competitive aggressiveness, and autonomy.

2.3. Market Orientation

According to Masa'deh, et al (2017) [13], market orientation provides the largest contribution to company performance compared to alternative strategic orientations, such as: innovation, learning, and entrepreneurial orientation. " Meanwhile, Lindblom (2015) [3] states that it is not market orientation that

affects performance, but uses market orientation in developing marketing capabilities to improve performance. Furthermore, according to Narver and Slater (1990) [4], market orientation is a business culture in which organizations create behaviors to continue to be creative in creating superior value for customers to focus on long-term interests and profitability. Market orientation indicators adopted from Narver and Slater (1990) [3] include: (1) Customer orientation, (2) Competitive orientation, and (3) Interfunctional coordination.

3. METHOD

This type of research is a causal survey explanatory research. The instrument to be used is a questionnaire containing statements using a Likert scale of 1 to 5 given to respondents personally (self-administered survey). This research was conducted in West Sumatra Province in 3 districts / cities, namely: Padang, Bukittinggi, and Payakumbuh, in 2020.

The population in this study were all of the Micro, Small and Medium Enterprises (MSMEs) in West Sumatra, totaling 621,315 units. Samples were taken using proportional cluster random sampling technique with a total of 100 people. Before distributing the questionnaire, the researcher first tested the instruments used, including validity and reliability tests.

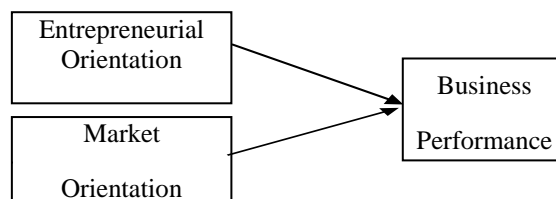


Figure 1 Research Model

3.1. Instrument Testing

According to Suharsimi (2010) [14], a survey is said to be substantial on the off chance that the questions on the survey are able to uncover something that will be measured by the survey. The validity of the instrument was calculated using SPSS version 24. The reliability of the constructs in this study was measured using composite reliability. Composite reliability also referred to as internal consistency is translated similar to Cronbach's Alpha.

3.1. Data Collection and Analysis Techniques

The data in this study, the data collection technique is done by collecting primary data which is done by using a questionnaire, using a survey technique. Data

analysis was performed using PLS (Partial Least Square). The software used is Smart PLS version 2.0.

4. RESULT AND DISCUSSION

The first hypothesis in this study is that there is an influence between entrepreneurial orientation and MSME business performance in West Sumatra. Based on Table 12, the value of $t_{count} < t_{table}$ ($0.3725 < 1.9858$) is obtained with a sig. 0.000 which is smaller than $\alpha = 0.05$ (Sig. 0.000 < 0.005), then H_0 is rejected and H_a is accepted. Thus, the first hypothesis can be accepted. This means that there is an influence between entrepreneurial orientation (X_1) on MSME business performance in West Sumatra. This means that the entrepreneurial orientation obtained affects the business performance of MSMEs in West Sumatra.

The second hypothesis in this study is that there is an influence between market orientation and MSME business performance in West Sumatra. Based on Table 8, it is obtained the value of $t_{count} < t_{table}$ ($0.5835 < 1.9858$) with a sig. 0.000 which is smaller than $\alpha = 0.05$ (Sig. 0.000 < 0.005), then H_0 is rejected and H_a is accepted. Thus, the second hypothesis can be accepted. This means that there is an influence between market orientation (X_2) on MSME business performance in West Sumatra. This means that the market orientation obtained affects the performance of the MSME business in West Sumatra.

5. CONCLUSION

There is an influence between entrepreneurial orientation and MSME business performance in West Sumatra. This means that entrepreneurial orientation affects the business performance of MSMEs in West Sumatra.

There is an influence between market orientation and MSME business performance in West Sumatra. This means that market orientation affects the performance of MSME business in West Sumatra.

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