

Entrepreneurial Orientation, Market Orientation, and Organizational Culture on Business Performance

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ABSTRACT

Organizations are required to always think innovatively and dare to take the risks to achieve competitive advantage. The performance of the company is influenced by several factors such as entrepreneurial orientation, market orientation, and organizational culture. This study aimed to determine whether there is an influence of entrepreneurial orientation, market orientation, and organizational culture on business performance in Jakarta. This study used a quantitative method with snowball sampling by distributing online questionnaires. The number of respondents obtained is 100 business owners in Jakarta, which was then processed using the PLS-SEM approach. The results prove that entrepreneurial orientation, market orientation, and organizational culture have positive and significant impacts on business performance in Jakarta. This research is expected to provide benefits for business owners to improve their entrepreneurial orientations, establish market orientations, and maintain good organizational cultures in order to improve their business performance.

Keywords: *Entrepreneurial orientation, market orientation, organizational culture, organizational performance*

1. INTRODUCTION

The Covid-19 pandemic affected economies around the world, including Indonesia. Many companies have difficulties in adapting to the current state due to the impact of the Covid-19 pandemic, thus according to BPS data, 8 out of 19 companies experienced a revenue decline of more than 80% including the food and beverage sector industry, trade, etc. However, there is 14.6% sectors that did not experience a decrease in revenue and 2.55% experienced an increase in revenue [1].

To recover from the current state of economy, entrepreneurship plays an important role and contributes greatly to the country. Companies need to pay attention to the factors that affect business performance for being able to survive in such condition. Performance is a result that has been achieved by an organization. According to Homburg et al [2], business performance includes the effectiveness in achieving business goals, the efficiency in producing output, and the adaptation to a changing environment. The result of good performance can be seen from the way the company is able to innovate. Organizations with high level of innovation will succeed in developing new capabilities that enable them to get the best results [3].

Entrepreneurial orientation is considered to be a key to being able to obtain a better performance. Entrepreneurial orientation can help an organization to develop better solutions [4]. Companies that run entrepreneurial orientation can turn the environmental uncertainty into

corporate profits [5]. With the entrepreneurial orientation, a company is always ready to face competition in a volatile market [6].

In addition to entrepreneurial orientation, market orientation also affects organizational performance. Market orientation means that business owner knows what their customers want regarding the product or service that has been created. Market orientation can be the first contributor for companies to improve their performance in the business environment [7]. According to Narver & Slater [8], market orientation is the most effective and efficient way to create behaviour in creating special value for customers. Thus, companies that adhere to the concept of market orientation can develop customer satisfaction and create superior customer value to achieve extraordinary organizational performance [9].

Not only entrepreneurial orientation and market orientation, the organizational culture can also affect organizational performance. The character of each person is certainly different in determining attitudes and behaviours in acting. Organizational culture is considered to be the most significant determinant of business success [10]. Organizational culture affects the attitudes of its human resources, which can be felt through their attitudes and relationships with the customers [11].

This study aimed to examine whether there is an influence of entrepreneurial orientation, market orientation and organizational culture on business performance in Jakarta. The results of this study are expected to be beneficial for

business owners to know the factors that can help improve their business performance.

2. LITERATURE REVIEW AND HYPOTHESIS

2.1. Resource-Based View Theory (RBV)

The Resource-Based View Theory states that when a company achieves competitive advantage and good performance, it comes from the company's specific capabilities and resources. [12]. The Resource-Based View (RBV) approach emphasizes company resources as an important element to determine what factors that can affect the level of competitive advantage in the market [6].

2.2. Entrepreneurial Orientation

Entrepreneurial orientation is the method, practice, and decision-making style that managers use to act entrepreneurially [13]. Another study stated that entrepreneurial orientation is a corporate decision-making procedure, practice, and activity that is used to raise the products and services values in response to consumer needs, which can direct to increased performance. [14]. Based on some definitions above, it is concluded that entrepreneurial orientation is a process in deciding to develop strategies that can improve company performance.

2.3. Market Orientation

Market orientation is an activity that involves creating market intelligence relevant to the organization's operations, distributing effective and valuable knowledge to make appropriate valuation through market-supportive responses [3]. Another study stated that market orientation is an intangible resource that can increase the management's knowledge regarding customer demand for environmental products [15]. Another study also stated that market orientation is an intangible resource that is recognized as the ability to understand the business situation and use this information to provide appropriate actions, and this is considered a key success factor for an organization [16]. Based on some definitions above, market orientation can be perceived as the ability to understand customer demands by providing appropriate actions in customer service to win the competition.

2.4. Organizational Culture

Organizational culture encompasses the company's values, forms, norms, beliefs, and practices while also describing the organization's or company's psychological image to stakeholders [17]. Another study stated that it is a set of generally-held organizational norms and values [18]. Other studies also stated that organizational culture is the alteration of thoughts, attitudes, and actions as a result of holding

specific beliefs, behaviors, and skills that differentiate certain organizational members from others [19]. Based on such definition, it can be argued that organizational culture is all activities that refer to the behaviour, norms, values, beliefs, habits that exist in an organization.

2.5. Organizational Performance

The ability of a firm to accomplish anything to reach its goals and objectives with the support of administration, excellent governance, and constant re-dedication to achieve organizational goals is referred to as organizational performance [20]. Another study stated that organizational performance is used to assess how well businesses are run and the values they bring to customers and other stakeholders [21]. Another study also stated that organization's success may be measured by its organizational performance, which refers to the capacity to effectively implement the plans to meet institutional objectives [22]. Based on some definitions above, it can be concluded that organizational performance is the ability of each organization in carrying out its duties to achieve a set of organizational goals.

2.6. The Correlation between Entrepreneurial Orientation and Organizational Performance

Entrepreneurial orientation is very important, because it captures the process by which organizations explore opportunities for innovations that lead to market entry and profit [23]. Entrepreneurial orientation is known as a new approach in updating company performance [24]. If organizations have a high ability to innovate, are proactive, and dare to take the risks, then they will gain competitive advantage and achieve high performance [25]. According to previous research conducted by Sahoo and Yadav [26], which examined the connection between these two variables, it was stated that entrepreneurial orientation has a positive and significant role in organizational performance. From the explanations above, the first hypothesis (H_1) is as follow:

H_1 : Entrepreneurship Orientation has a positive and significant effect on Organizational Performance

2.7. The Correlation between Market Orientation and Organizational Performance

Market orientation is critical in assisting firms in properly understanding the market and developing suitable product and service strategies to fulfill consumer demands and objectives. [27]. Market orientation guarantees a customer-centric approach for generating market information, which is managed through coordinated cross-functional marketing initiatives to promote a long-term corporate success. According to some experts, there is a positive connection between market orientation and business performance. Market orientation, according to Julian et al [28], is the most important marketing technique that firms may adopt to increase their performance. Market orientation has a

favorable and considerable influence on organizational performance, according to study by Bamfo & Kraa [20]. The second hypothesis (H_2) based on the aforementioned explanations, is as follow:

H_2 : Market Orientation has a positive and significant effect on Organizational Performance

2.8. The Correlation between Organizational Culture and Organizational Performance

A strong organizational culture, according to Krefting and Frost (in Agbejule) [29], may provide a competitive advantage by setting organizational boundaries based on personal interactions and the capacity to process information. According to Ogbana [30], an organization's

widely-held and shared values assist the management to forecast employees' responses to particular strategic decisions, reducing the breadth of unintended repercussions. Competitive and inventive cultural qualities were found to be directly associated with the performance [31], however, social and bureaucratic cultural features were not. Garca-Fernández et al [32] discovered that organizational culture has a favorable and significant influence on organizational performance. According to the preceding explanations, the third hypothesis (H_3) can be developed as follow:

H_3 : Organizational Culture has a positive and significant effect on Organizational Performance

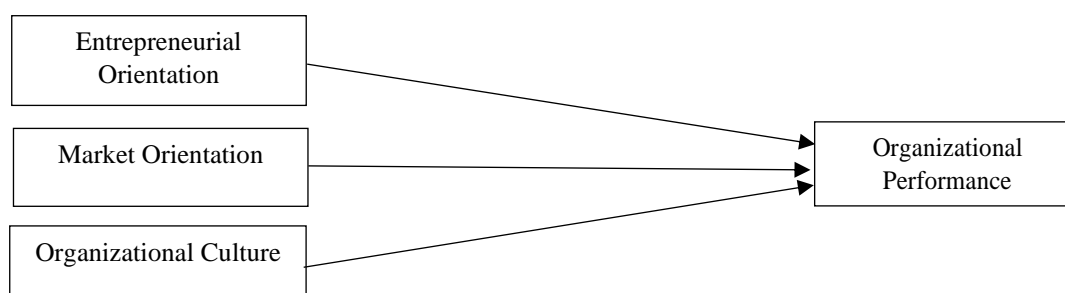


Figure 1 Research Model

3. RESEARCH METHOD

This research was conducted using a descriptive approach. Descriptive research was used to obtain the information on the phenomenon of variables. A cross-sectional approach by collecting data on the subject variables using a purposive sampling technique, namely is a sampling technique based on certain considerations to provide information that is in accordance with the needs of the researcher. Initially, this research utilized a snowball-sampling technique, which is a sampling technique that is initially small in number and then becomes larger. The sample uses the Slovin formula with a confidence level of 90% and an error-rate of 10%. The sample in this study amounted to 100 respondents who were male (50%) and female (50%). Based on the domicile, the majority of the businesses are located in South Jakarta (50%), with the majority of the businesses being < 2 years and 2-5 years (42%), the majority of businesses being culinary (53%), and the number of employees < 10 being 76%.

All data obtained was then analyzed using the PLS-SEM model with the SmartPLS tool. There are 26 indicators used

in this study, consisting of 6 indicators of entrepreneurial orientation variables, 6 indicators of market orientation variables, 8 indicators of organizational culture variables, and 6 indicators of organizational performance variables. The instrument used in this study was a questionnaire using a 5-point Likert scale, that ranges from "Strongly Disagree" to "Strongly Agree". After analyzing the validity and reliability, there are only 19 indicators that meet the validity requirements.

4. RESULT AND DISCUSSION

Based on the results of validity test, the AVE for each variable is greater than 0.5 after removing several statement items, so the AVE of each variable is categorized as valid and the loading factor is greater than 0.5. Thus, they meet the criteria of convergent validity. Furthermore, the results of the reliability analysis show that all variables meet the reliability requirements with the composite reliability greater than 0.7. The results of the validity and reliability tests are described in Table 1 and Table 2.

Table 1 Convergent Validity and Reliability

Variable	Item	Loading Factor	AVE	Cronbach's alpha
<i>Entrepreneurial Orientation</i>	OK1	0.568	0.537	0.771
	OK2	0.869		
	OK3	0.660		
	OK5	0.872		
	OK6	0.640		
<i>Market Orientation</i>	OP2	0.791	0.525	0.704
	OP3	0.765		
	OP4	0.678		
	OP6	0.654		
<i>Organizational Culture</i>	BO2	0.806	0.549	0.727
	BO4	0.707		
	BO6	0.771		
	BO8	0.673		
<i>Organizational Performance</i>	KO1	0.683	0.513	0.809
	KO2	0.806		
	KO3	0.728		
	KO4	0.633		
	KO5	0.725		
	KO6	0.713		

Furthermore, the path coefficient test was carried-out to determine whether the independent variable partially has a

significant effect on the dependent variable. Following are the results of hypothesis testing using the bootstrap method.

Table 2 Path Coefficient Analysis Result

Hypothesis	Path Coefficient	p-Values	Result
H ₁ : <i>Entrepreneurial Orientation</i> → <i>Organizational Performance</i>	0.161	0.000	Supported
H ₂ : <i>Market Orientation</i> → <i>Organizational Performance</i>	0.461	0.012	Supported
H ₃ : <i>Organizational Culture</i> → <i>Organizational Performance</i>	0.428	0.000	Supported

Depending on the path-coefficient-test findings in Table 2, it is possible to conclude that market orientation has the largest coefficient on organizational performance (0.461), followed by organizational culture with a coefficient of 0.428 and the entrepreneurial orientation variable which has a coefficient of 0.161. The results in Table 2 can also prove that H₁, H₂, H₃ have significant effects. The first hypothesis was tested, and the results demonstrate that entrepreneurial orientation has a positive and significant effect on organizational performance (H₁).

The results of this study are aligned to the research performed by Sahoo and Yadav [25], which stated that there is a positive and significant effect of entrepreneurial orientation on organizational performance. Entrepreneurial orientation is one of the most essential factors in identifying

new company possibilities and improving business performance.

Furthermore, hypothesis testing on the market orientation variable on organizational performance was performed, which revealed that market orientation has a positive and significant effect on organizational performance (H₂). The findings of this study are consistent with those of Bamfoo and Kraa [20], who found that market orientation has a positive and significant effect on organizational performance. In this context, market orientation plays an important role in meeting customer needs so that business owners become more sensitive to their customers' wants and needs. Market orientation will guide a business to develop products and services under customer expectations. The next hypothesis testing on organizational culture variable on organizational performance shows that

organizational culture has a positive and significant effect on organizational performance (H_3). The findings of this study are consistent with those of Garcia-Fernández [32], who found that organizational culture has a favorable and substantial effect on organizational performance. Employee attitudes that are seen by consumers might be influenced by their organizational culture. The existence of a strong culture, that can be seen from teamwork, communication, employee involvement, and others will improve business performance.

5. CONCLUSION AND IMPLICATION

Based on the findings of this study, it is possible to infer that entrepreneurial orientation, market orientation, and organizational culture all have positive and significant effects on business performance in Jakarta. Business owners emphasize that entrepreneurial orientation is important for them to achieve competitive advantage. The findings have the potential to considerably boost managers', practitioners', and decision-makers' awareness of the need to improve their organizational performance. Entrepreneurial orientation needs to be a concern for business actors to always think innovatively and act proactively, and dare to take the risks for their businesses so that they can find new opportunities for business development. Business owners also need to pay attention to market orientation in running their businesses to give satisfaction to customers. No less important is the organizational culture that will shape the human resources in an organization to always provide the best so that it can be experienced by their customers.

6. LIMITATION AND SUGGESTION

This research was conducted during the Covid-19 pandemic so that the data collection was only performed by distributing questionnaires online, thus the number of respondents who responded to the questionnaires was limited. Suggestions for future study are anticipated to increase the number of samples collected and broaden the breadth of sampling region. In addition, it is expected to expand the research variables and narrow the type of business so that the results is expected to be more accurate.

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