Entrepreneurship Orientation and Market Orientation Effect on Marketing Performance through Product Innovation: a Case Study of Snack Small and Medium-Sized Enterprises in Tangerang

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Abstract. Micro, small, and medium-sized enterprises (MSMEs) are important for improving and growing regional economic growth. This research is a quantitative study that involves analyzing both primary and secondary statistics. The main method of collecting information was questionnaires and utilizing the Likert scale as a measuring tool. The population for this study consists of all Tangerang-based small- and medium-sized snack food business owners who still need to optimize their advertising and marketing strategies. This study utilized purposive sampling to gather data from 76 respondents concurrently. The study examined the data using T-tests, regression analysis, and mediator variable analysis. Based on the analysis result, it can be concluded that in snack food SMEs in Tangerang: a) marketing performance is affected significantly by market orientation; b) innovation is significantly affected by Entrepreneurial orientation; and c) the marketing performance is both positively and significantly affected by product innovation.

Keywords: Entrepreneurship Orientation, Market Orientation, Product Innovation, Marketing Performance.

1 Introduction

Significant challenges arise in local business enterprises due to rapid technological changes, customer demands, and product characteristics. As a result, companies should focus on identifying and expanding their strategies for competing effectively [1]. This also applies to MSMEs, which significantly increase national financial conditions [2]. Product quality is no longer the sole contributor to marketing success, as market orientation, entrepreneurship, and innovative strategies also play a significant role [3].

The Law (UU) Number 20 of 2008 concerning Micro, Small, and Medium-sized Enterprises stipulates that small organizations must own Rp.50 million to Rp.500 million in assets with annual sales ranging from Rp.300 million to Rp.2.5 billion. On the other hand, medium-sized companies must have Rp.500 million to Rp.10 billion in assets, with annual sales ranging from Rp.300 million to Rp.100 billion. In the current regional autonomy period, many provinces, cities, and regencies encounter internal and external challenges in financial development, including inequality and globalization, thus forcing them to compete domestically and internationally [4]. Micro, Small, and

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Medium-sized Enterprises (MSMEs) are crucial in developing countries. This is not only because the MSMEs employ more people than big corporations, as in developing countries, but also because their Gross Domestic Product (GDP) contribution is far more significant compared to big corporations' GDP contribution [5].

The most common form of commercial enterprise is buying and selling, which accounts for 56.5%. Many traders in Tangerang sell primary and secondary needs and small-scale industries, as well as snacks, along the side of the road. At the same time, only 5.1% of businesses fall into this category [6]. It demonstrates that the significance of the industry is not always crucial. MSMEs operating in agriculture and farm animals-related businesses have the lowest numbers [7]. This is due to the densely populated area of Tangerang, which limits the availability of vacant land for additional snack sellers.

2 Literature Review

The more people are interested in making money, the willingness to compete is rising in improving innovations in the business world. Therefore, home-based businesses should have more emphasis on market orientation [8]. Three elements contribute to a market-oriented approach: purchaser orientation, competitor orientation, and feature coordination [9]. One advertising method involves balancing customer and competitor orientations rather than focusing on just one aspect, as described in [10]. According to various research, having a market-oriented approach is crucial for performance improvement through innovation [11].

Entrepreneurial orientation indicates the tendency to respond proactively to market opportunities, have risk toleration, and have change adaptability. Incorporating innovation and taking calculated risks in their marketplace and product strategies often benefit Entrepreneurial-minded organizations [12]. An entrepreneurial mindset can strengthen one's ability to think and act proactively [13]. MSME proprietors must have the ability to ensure business continuity [14]. In order to improve marketing performance, proprietors should concentrate on market trends, consumer needs, and opportunities for innovation [15].

Overall advertising performance is a measuring tool for evaluating the company’s or organization’s marketing strategies effectiveness [16]. Assessing a company's marketing and financial strategy is commonly done through evaluating marketing performance. [17]. Three metrics are utilized to assess the effectiveness of marketing campaigns: sales revenue, income growth, and market share [18]. This study holds the hypotheses below:

H1: Market orientation positively affects innovation in snack food SMEs in Tang rang.

H2: Entrepreneurial orientation positively affects innovation in snack food SMEs in Tangerang.

H3: Innovation positively affects the marketing performance of snack food SMEs in Tangerang.

3 Methodology

A quantitative study is conducted in this research and uses both primary and secondary information for analysis. Primary information was collected through the questionnaire technique [19]. The instrument used is a questionnaire, and the Likert scale is used as the measuring scale. The study population included all small and medium-sized snack food business owners in Tangerang who had not yet optimized their advertising. 76 participants acted as samples, which were selected using purposive sampling. The data was analyzed using T-tests, regression analysis, and examination of mediating variables.

4 Result and Discussion T-Test

Each independent variable's effect on the structure variable is measured by the t-test by comparing the t-value to a t-table [20]. Instead, using the Stepwise testing approach as an alternative would be more feasible. The purpose of this test is to disprove specific speculation. The following outcomes resulted from conducting the test:

Table 1. T-test result

			Test results		
No.	**Hypothesis testing**	**Correla-tion**	**Determination**	**t-count**	**Hypothesis Description**
1.	Market Orientation towards Innovation	0.838	70.5%	13.255	H1 accepted
2.	Entrepreneurial Orientation to Innovation	0.891	79.3%	16.799	H2 accepted
3.	Innovation on Performance Marketing	0.465	21.6%	4.503	H3 accepted

Source: Data processed, 2021

As presented in Table 1, the t-test (partial correlation analysis) results reveal that: a) a strong and significant impact indicated by t-value (13.255) > t-critical (1.666) for Market orientation on innovation; b) as t-value (16.799) > t-critical (1.666) for Entrepreneurial orientation on innovation reveals there is a positive and significant effect; and c) a significant and large impact with t-value (4.503) > t-critical (1.666) for Innovation on marketing performance.

4.1 Regression Analysis

In assessing the relationship between one or more independent variables (X) and one dependent variable (Y), this research is applying regression analysis. In conducting research, the researcher usually determines the independent variable (X).

Table 2. Results of Two-Stage Regression Analysis (First Stage)

	Model	Unstandardized - Coefficients		Standardized - Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	1.648	1.384		1.192	.237
1	Market Orient	.104	.080	.166	1.304	.096
	Orientation Entrepreneurship	.465	.080	.739	5.794	.000

Dependent variable: Innovation

Table 2 shows that the regression coefficient of the marketplace orientation and business orientation variables is favorable for evaluating innovation. This means that market and entrepreneurship orientation have a positive relation to innovation. Thus, The stronger the market and entrepreneurship orientation, the more innovation is promoted. The second regression model includes a primary regression that lowers the innovation variable for the marketing variable. Results of the hypothesis testing for the second regression model with simple linear regression analysis are depicted in Table 3 below.

Table 3. Results of Two-Stage Regression Analysis (Second Stage)

	Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
I	(Constant)	11.352	1.858		6.644	.000
	Innovation	2.015	.448	.465	4.503	.000

Dependent variable: Marketing Performance

As shown in Table 3, the second regression equation indicates the innovation variable has a significant value of regression coefficient, precisely 0.465. This suggests a clear relationship between the innovation variable and advertising and marketing performance. In other words, the more innovative a product is, advertising performance will also be better.

4.2 Mediator Variable Analysis

A mediator variable affects the relationship between two other variables, one of which is unbiased and the other one structured. According to the mediating model, the independent variable influences the dependent variable through the mediator variable. The following table revealed the outcomes of the analysis conducted on the mediator variables:

Table 4. Mediation Test

No	Model	Z score	p
1.	Market Orientation → Innovation → Marketing Performance	2.5595	0.016
2.	Entrepreneurship Orientation → Innovation → Marketing Performance	2.0293	0.043

Source: Processed primary data, 2021

Based on the mediation check, as presented in Table 4, market orientation has a significant indirect effect on advertising performance through innovation, proofed by a Z value of 2.5595, which is greater compared to the t-table value of 1.666, and a small p-value of 0.05. Additionally, the second equation suggests that entrepreneurial orientation also has an indirect effect on advertising performance through innovation, with a Z value of 2.0293, which is larger compared to the t-table values of 1.666 and a p-value of 0.042. The results show that the innovation variable roles as a partial mediator, as both effects are significant.

5 Discussion

5.1 The Market Orientation's Effect on Product Innovation

The hypothesis suggests that market orientation significantly affects the overall performance of advertising and marketing. This means that in snack food SMEs in Tangerang, the market orientation significantly impacts their marketing performance. The study's results exhibit that the market performance of snack SMEs in Tangerang will be improved through customer-oriented strategies, competition, and inter-functional cooperation.

5.2 The Entrepreneurial Orientation's Effect on Innovation

Hypothesis H2 suggests that the entrepreneurial orientation's impact on innovation is universal. This means that in snack food SMEs in Tangerang, innovation is influenced significantly by entrepreneurial orientation. This study's results indicate that snack food products will be more innovative if the snack food SMEs have a better comprehension of entrepreneurial orientation through a goal-oriented approach, situation analysis, and capability assessment, the more innovative their snack food products will become. Entrepreneurial orientation plays a substantial part in creating inventions, as entrepreneurs are naturally proactive in taking available opportunities. through customers and market observations, businesses can make product updates and improvements.

5.3 The Effect of Product Innovation on Marketing Performance

Hypothesis H3 suggests that product innovation significantly and positively impacts Tangerang SMEs' overall advertising and marketing performance. This widely accepted hypothesis indicates that snack food SMEs can improve their marketing performance by continuously innovating their products, developing new and attractive designs, introducing new products whenever possible, and actively enhancing the quality of their offerings. The study results imply that SMEs that innovate frequently and effectively are likelier to experience better marketing outcomes.

6 Conclusion

Based on the analysis results, the following conclusions can be summarized as follows:

1. a) Market orientation significantly and positively impacts the advertising performance of snack food SMEs in Tangerang.
2. b) The innovation in snack food SMEs in Tangerang is substantially and positively affected by Entrepreneurial orientation.
3. c) The marketing performance of snack food in Tangerang is significantly impacted by product innovations. Despite having excellent ideas and practices in product development, the owners have not fully maximized their potential due to issues with their distribution systems. To improve, they could take more risks by experimenting with different raw materials and producing larger quantities than the orders received. Additionally, they should be able to adapt quickly to market trends to stay ahead of the competition.

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