

# THE ROLE OF MARKET ORIENTATION IN MEDIATION THE IMPACT OF ENTREPRENEURSHIP ORIENTATION ON COMPANY PERFORMANCE AND COMPETITIVE ADVANTAGE

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## ABSTRACT

The purpose of this research is to see how the SME Orientation Strategy is implemented in West Sumatra. The strategy uses two parameters, namely entrepreneurial orientation and market orientation. The focus of this research objective is to analyze the role of market orientation in mediating the effect of entrepreneurial orientation on company performance and competitive advantage in SMEs, especially the food industry in Rumah Makan Minang, West Sumatra. The subjects of this study were restaurants registered with the West Sumatra BPS which were surveyed by the Googlemaps team in 11 cities. The sample of this research comes from restaurant owners. Data collection was carried out by distributing 173 questionnaires to restaurant owners or management. The data collection process was carried out by a team of five people who had experience and received training and understanding of the questions in the survey. The data analysis technique is SEM (Structural Equation Model) with the SmartPLS 3.2.8 professional application program.

This study found that market orientation plays a role in mediating the influence of entrepreneurial orientation on company performance, but it is not proven to play a role in mediating the influence of entrepreneurial orientation on competitive advantage in Minang Restaurant MSME in West Sumatra. Other indicators will be discussed in this article.

**Keywords:** *Entrepreneurial Orientation , Market Orientation , Company Performance , Competitive Advantage*

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## INTRODUCTION

The development of the industrial world, business micro, small and medium experience significant change (Maksum et al., 2020). Products and services produced are more diverse and have good market value. Trusted that MSME is one method for changing the growth economy of the public in search of sufficient wealth. Effort proactive going to independent public expected could reduce total facing unemployment fieldwork compared to an increase in the workforce that has not been absorbed entirely (Hilson et al., 2021).

This matter, supported by West Sumatra, has a high potential to force one city to have the most interesting tours in Indonesia. So there is no close possibility that the development of MSME is one solution for reducing unemployment. Therefore, the leadership and effort of government must continue so you can survive and thrive (Siebel, 2019). Central Bureau of Statistics West Sumatra mentioned that in 2017 there were 501,410 MSMEs, consisting of 423,280 businesses micro, 74,410 businesses small, and 3,720 businesses medium and large. It means MSME growth will also help absorb power work from West Sumatra.

Nowadays, travel culinary is taken into account by tourists when they determine their aim journey (Mak et al., 2012). This matter became a support unity for public locals for open effort, specifically the Restaurant of West Sumatra. Home business seat typical of West Sumatra or popular with the designation Restaurant Minang will this no again be looked at only as meet

needs food and not only for attracting local market however now also can become aim tour culinary tourists.

Restaurants generally belong to SMEs. This company is a business entity or business units private growing productivity from the industry house ladder (Holton et al., 2010). In a long period, restaurants had big impacts on the movement of small and medium enterprises in West Sumatra, which later became an important engine economy area.

This does not only require the government to resolve challenges to change dynamics in business. However, entrepreneurs should be able to see what strategy they have selected for the business.

Study Munizu (2010) shows that there is influencing internal and external sources the efficiency of the MSME. The internal factor seen from such fundamental aspects as resource of human resources, fundamental aspects such as source financial, operational engineering and target markets as well as method marketing. Temporary that factor external MSME is also affected by implementation policy government, understanding social environment and culture as well as associated regulatory role with this effort (Peñarroya-Farell & Miralles, 2022).

According to Sarwoko (2017), their research also confirmed that with shared role success effort small and medium becomes two group main, that is group role external and group internal role. Factor external for example e-government role in creating supportive environment growth of MSME, meanwhile Internal factors refer to characteristics and skills entrepreneur or owner effort.

From these internal factors could be read orientation individual that is orientation influencing entrepreneurship success effort small and medium. According to Sarwoko (2017), this orientation could identified through values individuals and characteristics entrepreneur personality and also includes experience of owner or operators. With there by could showed that level success small company could determined and influenced by the characteristics and skills of company operators.

Yen's study (2015) on MSME in developing countries also strengthens this proof that orientation entrepreneurship has a positive significant impact on MSME performance. There is more and bigger orientation for entrepreneurship of someone, then bigger possibility an MSMEs will succeed. Consider matter these and findings research that has described above, then writer do study with title "The Role of Market Orientation in Mediating the Impact of Entrepreneurial Orientation on Company Performance and Competitive Advantage "(Studies on Small and Medium - MSME Restaurant Minangkabau in West Sumatra)".

## **METHOD**

Based on the background before, this aim is to research how strategic orientation will be applied to the MSME Home entity Eat Minang to be created good business and excellence to compete in West Sumatra. Therefore that approach is quantitatively used in the design of this study. Approach quantitative defined as useful research in analyzing population and sample certain with technique data collection using questionnaire for hypothesis test made in a manner adequate.

### *A. Sample*

Technique used for choosing a sample is purposive sampling. Is one of non random sampling techniques where researchers determine samples with method to determine

characteristic features certain in accordance with aim study so that expected results could answer problem study.

So in study this as a research sample is an effort of micro, small and medium enterprises of West Sumatra engaged in the sector in-agricultural industry category accommodation and suppliers food and Drink sector Restaurant of Minang. Target sample is Restaurant of Minangkabau which is registered at BPS Sumatera Barat , which is also a destination tour collecting food from reviews on TripAdvisor, Jelajah Minang, Wisata Sumbar and other online portals. For aim research, registered restaurants online on Google Maps are also listed.

There is research that this election total sample is studied with the use technique SEM-PLS analysis that is five times the number of items in questionnaire (Hair et al., 2010) multivariate data analysis. Amount question survey in study this is 33 items, so a minimum of  $33 \times 5 = 165$  samples is required.

#### *B. Variables operational*

In accordance with the aim of research, variable free is orientation entrepreneurship. Market orientation plays a role as a mediator while variable dependent MSME business performance and excellence compete. Every variable tested the hypothesis with survey use originating from a questionnaire from a previous study with scale 1-5 with the number of the statement “absolutely not agree” to “strongly agree”.

Orientation Entrepreneur can be measured using three dimensions compiled by Lane & Langkamp Bolton (2012), adapted by al-Mamun & Fazal (2018). Market orientation is measured with MKTOR scale, meanwhile performance business be measured with Morgan (2003) and adjusted with Al Mamun and Fazal (2018), meanwhile superiority competitive adapted from Chen et al (2006), adapted again from (Syapsan, 2019).

## **RESULTS AND DISCUSSION**

In general, the amount of respondents in study this a me with surveyed restaurants, that is 173 respondents.

This data collection done by the team researchers totaling 5 people from 11 regions in West Sumatra. The process seat 17 days time because surveyors don't allowed retrieve current data eat after noon because will bother visitors other. When data collection there are 4 restaurant the owner could contacted as respondents and 4 restaurant already nooperate again. With this, from a total of 173 restaurants, 8 restaurants issued and only 165 data can be processed more carry on.

SmartPLS 3.2.8 was used for data processing in research. Two tests used are analysis factor confirmatory or measurement of the outer model and then the Structural Equation Modeling (SEM) or testing the inner structure of the model.

Variable	Dimensions	Indicators
Entrepreneurial Orientation	1. Risk Taking	1. Take brave action
	2. Innovative	2. Investment time and money
	3. Proactive	3. Act brave in situation risky
		4. Like _ try activity new ones don't normal but no must risky

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		<ul style="list-style-type: none"> <li>5. Like unique approach</li> <li>6. Liketry method alone when learn new things</li> <li>7. Like experiments and approaches original for solving problem</li> <li>8. Act Formerly in anticipation problem</li> <li>9. Plan project forward</li> <li>10. Remind and finish project than wait</li> </ul>
	<ul style="list-style-type: none"> <li>-Customer Orientation</li> <li>-Competitor Orientation</li> <li>-Coordination Between Functions</li> </ul>	<ul style="list-style-type: none"> <li>4. Competitive strategy based on understanding of needs customer</li> <li>5. I often measure satisfaction customer</li> <li>6. I pay attention after-sales and service my effort</li> <li>7. Sales team share information about competitor regularly</li> <li>12. Me and the team communicate information about our customers</li> <li>14. All team understand how business contribute fo rgive mark more on the customer</li> </ul>
Competitive Advantage	The benefits of a company strategy by creating business performance or performance that is higher and more effective than competitors in the same industry or market.	<ul style="list-style-type: none"> <li>1. Good resources</li> <li>2. Not easy to imitate</li> <li>3. Different from others</li> </ul>
Business Performance	Company performance determines how the company maintains long-term relationships with customers	<ul style="list-style-type: none"> <li>1. High customer satisfaction compared to competitors</li> <li>2. Being in a competitive position</li> <li>3. Have enduring customers</li> <li>4. Sales growth</li> <li>5. Return on investment</li> </ul>

In the structural model, endogenous latent variables with  $R^2 = 0.67$  indicate a "good" model,  $R^2 = 0.33$  a "moderate" model,  $R^2 = 0.19$  a "weak" model (Urbach et al., 2010). Table 4.37 below shows the R-squared value of the research model.

R Square
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CA	0.130
COMPT	0.495
CUST	0.787
INTRVS	0.616
MO	0.222
PB	0.318

The original average construction samples show the coefficient values for each row. The significance level of hypothesis testing is reflected in the path coefficient values or the internal model. Coefficient path values or internal models are expressed as t-statistics. It must be greater than 1.96 for the two-tailed hypothesis and greater than 1.64 for the one-tailed hypothesis to test the hypothesis at an alpha of 5 percent (Hair et al., 2010).

	<b>Original Sample (O)</b>	<b>Sample Means (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T Statistics ( O/STDEV )</b>
<b>EOs -&gt; CAs</b>	0.313	0.334	0.050	6,270
<b>EO -&gt; MO</b>	0.471	0.498	0.042	11.319
<b>EO -&gt; PB</b>	0.512	0.558	0.042	12,221
<b>MO -&gt; CA</b>	0.204	0.240	0.131	1,560
<b>MO -&gt; PB</b>	0.267	0.278	0.090	2,963

This study uses one of the moderating variables, namely market orientation (OM) to examine the effect of entrepreneurial orientation on business performance and competitive advantage in Minang restaurants in West Sumatra. This discussion presents the results of the indirect effect which shows how the effect of MO mediates the relationship between the independent variable and the dependent variable. The results are presented in the following table:

	<b>Original Sample (O)</b>	<b>Sample Means (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T statistics ( O/STDEV )</b>
<b>EO -&gt; MO -&gt; CA</b>	0.096	0.124	0.068	1,421
<b>EO -&gt; MO -&gt; COMPT</b>	0.332	0.350	0.041	8,074
<b>EO -&gt; MO -&gt; CUST</b>	0.418	0.439	0.040	10.542
<b>EO -&gt; MO -&gt; INTRVS</b>	0.370	0.389	0.035	10.673
<b>EO -&gt; MO -&gt; PB</b>	0.126	0.139	0.049	2,540

Therefore, based on the results of data processing it can be concluded that the results of this research hypothesis are described in the table below:

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Direct Influence			
	hypothesis	T grade	Results
H1	<i>Influential Entrepreneurial Orientation positive for market orientation</i>	11.319	Significant
H2	<i>Entrepreneurial orientation has a positive effect on business results</i>	12,221	Significant
H3	<i>Entrepreneurial orientation has a positive effect on competitive advantage.</i>	6,270	Significant
H4	<i>Market orientation has a positive effect on business performance</i>	2,963	Significant
H5	<i>Market orientation has a positive effect on competitive advantage.</i>	1,560	Not significant
Indirect Influence			
	hypothesis	T grade	Results
H6a	<i>Market orientation mediates the positive effect of entrepreneurial orientation on business performance.</i>	2,540	Significant
H6b	<i>Market orientation mediates the positive effect of entrepreneurial orientation on competitive advantage.</i>	1,421	Not significant

From the results of the indirect effect hypothesis above, it can be concluded that market orientation does not have a mediating effect on the relationship between Market Orientation and Competitive Advantage.

Based on the results of the hypothesis above, there is a positive correlation between entrepreneurial orientation and market orientation. In other words, the more entrepreneurial orientation a person has, the more market orientation is formed. This is because there will be complementary factors between business orientation and market orientation, in this case, a response to the market is needed to support the development of the business's strategic direction.

This study tests that entrepreneurial orientation has a significant positive effect on business results. This means that if someone has an entrepreneurial-strategic orientation, the company's performance is usually better. Looking more closely at the dimensions, the items with the highest response test scores and validity in this study were those related to proactivity. This

proactive dimension refers to an individual's ability to seize opportunities, have a clear vision for the future, always be active and think about what they can do to improve themselves and explore potential gains in the market.

The research conducted shows that there is a positive correlation between entrepreneurial orientation and competitive advantage. In other words, if the company implements an entrepreneurial strategy orientation, it can gain a competitive advantage. The competitive advantage here means when a company is able to maintain characteristics or resources that make it stand out in the same industry.

In field research, the respondents themselves justify the intense competition with the emergence of restaurants with different tastes, so that their business is no longer the main "choice". This is influenced by many factors, within the consumer. However, with this competitive advantage comes the proactive factor of finding good business opportunities.

The results show that market orientation has a significant positive relationship with company performance. That is when a businessman implements his business with market orientation, the quality of business performance will increase. In market orientation, there are 3 dimensions, namely customers, competitors, and the coordination between these functions is very consistent with how customer satisfaction can be achieved.

Market orientation has a strategic path from internal to external orientation. the point is how an entrepreneur can develop a strategy for his business so that the benefits eventually flow to his customers. If the customer is satisfied, a good business indicator is fulfilled. In the case study of this research, returning to the context of the example, namely the Minang Restaurant, the owner must know that when he gets a very reasonable price and taste, the customer will be satisfied. Measured against indicators or variable positions of business performance, the highest point is the level of surviving customers. In other words, business is good when a restaurant has customers who either order from it or keep coming back to eat (repurchases).

From the profile of the company's founding period, it can be seen that the company has been established on average for more than 3 years. Enough cycles to get repeat customers while maintaining the quality and quantity of food served. But in reality, there are still many restaurants in this industry whose business cycle curve is decreasing due to the increasing competition around them. This can also be shown by the market orientation of competitors who are very inferior. So it is not surprising that MSME restaurants cannot react actively to changes in their competitors. Awareness among competitors is still quite low.

This study does not show any significant positive or negative effect of market orientation on competitive advantage. That is, there is no correlation between the fact that restaurant owners use market orientation to gain their competitive advantage. In line with the existing market orientation dimension, competition orientation. Owners usually pay too little attention to the growth of competitors in their market environment. So it cannot be denied that competitive advantage will not be damaged as a result.

One indicator of competitive advantage is having good resources, including restaurant workers. If the coordination of internal operations has the least value, it means that the owner is not empowering his employees to respond to market changes.

The mediating role of market orientation in the relationship between entrepreneurial orientation and overall success entrepreneurial is moderate. At a P value of  $0.023 < 0.05$ , market orientation moderately mediates entrepreneurial orientation on company performance.

In other words, the role of business orientation becomes more important when the market orientation strategy is revised first to show good business results.

Previous tests also prove that there is a significant relationship between the independent variables and the mediator and a significant relationship between the mediator and the dependent variable. From this, it can be concluded that the real role of market orientation in the relationship between entrepreneurial orientation and business performance can be found in Minang MSME restaurants in West Sumatra.

The results of this study indicate that market orientation as a mediator of entrepreneurial orientation and competitive advantage does not play a role in this case study. There are several factors that make this role non-existent. First, there is no significant relationship between the mediator variable (market orientation) and the dependent variable (competitive advantage). Thus it can be stated that market orientation does not play a mediating role between entrepreneurial orientation and competitive advantage. Second, as discussed above, there are several indicators of market orientation that are not fulfilled in terms of parameters that make the Minang Restaurant MSME business a competitive advantage compared to industry competitors.

## **CONCLUSION**

Based on the questionnaire distributed to the owners of MSME Minang restaurants in West Sumatra, it can be concluded that the results of this study indicate that 5 of the 7 proposed hypotheses are accepted as significant. The accepted hypothesis indicates that there is a significant positive relationship between entrepreneurial orientation and market orientation, entrepreneurial orientation and entrepreneurial success, entrepreneurial orientation and competitive advantage, market orientation and firm success, and market orientation as a mediator between entrepreneurial orientation and firm success.

1. Market orientation variable that has the greatest influence on customer orientation. This means that the owners of the Minang Restaurant in West Sumatra have made meeting the needs of their customers one of their business goals. This understanding must be applied to all business owners in order to continue to improve their business performance.
2. On the entrepreneurial orientation variable, the proactive dimension factor has the greatest influence. In other words, there is an urgent need to understand how owners must be able to react and anticipate market changes so that their businesses can survive long business cycles.
3. In the variable Business Performance, the most important reflection is the form of customer satisfaction with the product/service received. The goal is to achieve good business performance with customer satisfaction being very important.
4. Competitive Advantage

In this variable, the value of the competitiveness of MSME restaurants is a good resource. Good measurement shows that the company is able to measure itself continuously against other competitors in the same industry.

Given the role of market orientation as a mediator between entrepreneurial orientation and firm performance, a related indicator is customer orientation, which can be correlated with entrepreneurial orientation. The conclusion is that the company's business performance increases when changes in customer needs are anticipated.

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