Orientation Entrepreneurial Effects on MSME Performance Facilitated by Surabaya Commerce Department through Marketing Strategy as a Moderating Variable

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Abstract
This research aims to evaluate orientation entrepreneurial impacts on SME performance facilitated by Surabaya commerce department through marketing strategy as a moderating variable. This research is an analytical study employing a quantitative methodology. The population consists of all MSMEs sponsored by the Surabaya Commerce Department, and the samples consist of 50 MSME company owners supported by the Surabaya Commerce Department. The data collection is accomplished by distributing questionnaires. Utilizing structural equation modeling (SEM) and partial least square (PLS) tools for the data analysis. The results of this study indicate that: (1) Entrepreneurial Orientation has a significant effect on MSME Marketing Strategy; (2) Entrepreneurial Orientation does not have a significant effect on MSME performance; (3) Marketing Strategy have a significant effect on MSME performance.

Keywords: Entrepreneurial orientation, marketing strategy, MSME performance

Introduction
Micro, Small, and Medium-Sized Enterprises (MSMEs) play a vital and essential role in national economy development. The MSMEs in Indonesia is 99.99%, or 56.54 million units(Sarwono, 2015).MSMEs play a crucial role in the country economy and state's progress. Gross Domestic Product (GDP) is frequently employed to represent the impact of MSMEs on economic performance. According to (Suci, 2009), MSMEs prove capable of supporting the national economy and resisting the Indonesian financial crisis; this is because small enterprises are extremely adaptable and can swiftly respond to market fluctuations and changes in demand. However, it is difficult for quality MSMEs in Indonesia to develop on the market due to a number of internal issues, namely the low quality of human resources, such as a lack of skilled human resources, entrepreneurial orientation, technology and management mastery, information deficiency, and weak market orientation(Kuncoro, 2006).

Rapid development of MSMEs was also observed in Surabaya, as measured by the yearly increase in the number of MSMEs. According to data from the Surabaya Cooperative and Micro Enterprises Office, the number of small and medium-sized enterprises has already surpassed...
4,800 (Widarti, 2017). It is anticipated that the quantity will continue to increase, but the MSME sector will continue to face challenges as MSME actors respond to changes in environmental factors such as the emergence of global markets and standards for higher product quality, the need for faster delivery times, and closer business partnerships (Setiawan, 2013). Therefore, MSME actors need to understand these challenges. However, the reality of MSMEs in East Java still constrained by some things; including the problem of low-quality human resources (HR), weak business management, product competitiveness, access to capital and not yet optimal business cooperation networks, quality human resources. They can improve productivity and value added of small businesses are superior people who are always oriented to pursue and take advantage of opportunities by creating new goods and services as product development, by creating new organizational forms or processing new raw materials implementing a better and more efficient process will win market competition (Sumiati, 2015).

Still restricted by expanding MSMEs' competitiveness, this elevates the significance of a company's capacity to adopt oriented entrepreneurial activities into its strategy, which will set goals and superior performance creation. Entrepreneurial orientation is the competition of strategic organizational resources with the capacity to achieve greatness. Potential entrepreneurial direction and its effect on company success are dependent on an entrepreneurial orientation's position as a driver or pioneer for organizational capabilities and innovation (Poudel, Carter, & Lonial, 2012). Entrepreneurial perspective is essential for company performance and profitability. Companies with an entrepreneurial mindset will fare better than those that do not (Taylor, 2013); this shows that entrepreneurial orientation is a significant contributor to company success. Orientation entrepreneurship concept developed a multidimensional construct covering dimensions innovation, risk-taking and attitude proactive (Idar & Mahmood, 2011). Entrepreneurship orientation stresses innovative entrepreneurial spirit as a remedy for the business bottlenecks that frequently accompany the initial stages of transformation (Gosselin, 2005; Zhou, Kin, Yim, & Tse, 2005) found that there was a significant relationship between entrepreneurial orientation and company performance.

When MSMEs are able to adopt entrepreneurial orientation and innovation, they must be able to build a competitive company plan. For entrepreneurs of micro, small, and medium-sized enterprises, the capacity to perceive opportunities and dangers in the business environment is vital. Thus, an entrepreneurial approach is necessary for the creation of the sole marketing plan, and the execution of marketing strategies on MSMEs is more likely if company management has an entrepreneurial orientation (Lumpkin & Dess, 1996). Study Andriyani (2005) prove that there is a significant effect on the company's entrepreneurial orientation on marketing strategies.

Also, in order to increase competitiveness in the face of intensifying competition, each MSMEs must devise a plan to achieve its goals, so that the intended results of competitiveness and high profitability may be achieved. Without the proper governmental support, it will be impossible for MSMEs to survive in the face of competition. A strategy is a sequence of basic choices and activities taken by senior management and implemented at all organizational levels to achieve
the organization's goals(Siagian, 2005)(Siagian, 2005). Several techniques can be combined in the planning and implementation of strategies to create optimal performance(Karnelis, 2015).

Marketing strategy is one of the key strategies to help improve the companies competitiveness faces the globalization and liberalization era (Karnelis, 2015). A marketing strategy based on market orientation and technological orientation will result in high marketing performance and product performance, hence increasing the company's performance. In contrast, marketing performance and low product performance suggest that the company's performance is poor.

Based on theoretical and empirical literature review, this research aims to evaluate orientation entrepreneurial impacts on SME performance facilitated by Surabaya commerce department through marketing strategy as a moderating variable.

**Literature Review**

Entrepreneurship is a creative and imaginative skill that serves as a foundation and resource for pursuing success prospects. The premise of entrepreneurial orientation is to discover and utilize opportunities(Lumpkin & Dess, 1996)(Lumpkin & Dess, 1996), orientation entrepreneurship are a characteristic and value that embraced by entrepreneurs that own that is the unyielding nature, dare to take risks, speed, and flexibility(Liao & Sohmen, 2001)(Liao & Sohmen, 2001). Entrepreneurial orientation emphasizes the innovative spirit of individuals as a remedy for the business congestion that frequently accompanies the earliest stages of transformation(Zhou et al., 2005). In other words, the necessity of being proactive toward new prospects helps the company's capacity to develop goods that are not just one step ahead of rivals, but also one step closer to comprehending consumer demands (Sumiati, 2015).

Miller in Mustikowati & Tysari (2014) describes entrepreneurial orientation as one involved in product-market innovation, making a little risky effort, and first coming up with 'proactive' change, and give a blow to beat competitors. Entrepreneurial orientation indicates the extent to which businesses can recognize and capitalize on undiscovered possibilities. A corporation is considered to have an entrepreneurial mindset if it can be the first to introduce new items to the market, if it has the confidence to take risks, and if it is constantly proactive in responding to changing consumer demand (Nuvriasari, Wicaksono, & Sumiyarsih, 2015).

**Marketing strategy**
The strategy is a multidimensional notion that incorporates all of a company's essential operations and gives unity of direction and purpose, as well as facilitates required environmental adjustments(Karnelis, 2015). Tadepolli and Ramon are describing the requirements for establishing a marketing plan that is straightforward, original, innovative in design, robust, clear, and executable(Karnelis, 2015). Harper, Arville and Jean Claude said that the success of the company determined by two aspects of strategic compatibility, namely: First, the marketing strategy must match the needs and constraints of the market environment. Second, companies must be able to implement the policy effectively(Karnelis, 2015).
According to Kotler & Keller (2016), a marketing strategy is a marketing mentality that will be utilized to accomplish marketing objectives. Marketing plans include a detailed method for the target market, as well as positioning, marketing mix, and marketing expenditures. Tull and Kahle define marketing strategy as a key instrument used to accomplish business objectives. The way to do this is by creating sustainable competitive advantages through the market entered and marketing programs used to serve the target market. In essence, marketing strategies provide guidance regarding variables such as market segmentation, target market identification, positioning, marketing mix elements, and marketing mix costs. (Tjiptono, 2007).

**MSME Performance**
Ferdinand (2002) states that frequently, business performance is used to gauge the effectiveness of a company’s executed plans. The corporate strategy is constantly geared toward achieving excellent marketing and financial results. In addition, Ferdinand argued that strong company performance is reflected by three major metrics: sales value, sales growth, and market share. Performance is an action composed of several components and not instant outcomes.

Performance is a multifaceted notion, and the link between entrepreneurial orientation and performance might vary according to the performance metrics employed. (Sumiati, 2015). The business performance represented through performance. The economy consists of market share, premium growth, and profitability (Olivares & Lado, 2008).

**Conceptual framework**

Figure 1. Conceptual Framework
Hypothesis

H₁: Entrepreneurship orientation has a significant and positive effect on the Marketing Strategy for SMEs Fostered by the Surabaya Commerce Department.

H₂: Entrepreneurship orientation has a significant and positive effect on the performance of SMEs fostered by the Surabaya Commerce Department.

H₃: Marketing Strategy has a significant and positive effect on the performance of SMEs fostered by the Surabaya Commerce Department.

Companies that have competence in the fields of marketing, manufacturing and innovation can make its as a source to achieve competitive advantage (Daengs GS, et al. 2020:1419).

To find out the results of the data, the technique of data analysis is also used to test the hypotheses put forward by the researchers, because the analysis of the data collected to determine the effect of the independent variables on the related variables is use multiple linear statistical test. (Enny Istanti, et al, 2020:113).

The research design is a plan to determine the resources and data that will be used to be processed in order to answer the research question. (Asep Iwa Soemantri, 2020:5).

Time management skills can facilitate the implementation of the work and plans outlined. (Rina Dewi, et al. 2020:14)

Standard of the company demands regarding the results or output produced are intended to develop the company. (Istanti, Enny, 2021:560).

Saat mengumpulkan sumber data, peneliti mengumpulkan sumber data berupa data mentah. Metode survei adalah metode pengumpulan data primer dengan menggunakan pertanyaan tertulis( Kumala Dewi, Indri et all, 2022 : 29).

Data analysis in the study was carried out through descriptive analysis method, which is defined as an attempt to collect and compile data, then an analysis of the data is carried out, while the data collected is in the form of words.(Kasih Prihantoro, Budi Pramono et all, 2021 : 198).

Research Methods

This research using quantitative data analysis and questionnaire data collection methods. The research design is a plan to determine the resources and data that will be used to process for answer research questions. The population in this study were all MSMEs fostered by the Surabaya Commerce Department. This study uses a total sampling method, which is a sample determination technique if all members of the population employed as samples, so the example used in this study were 50 MSME.

The variables observed in this study are:
1. Entrepreneurship Orientation (x), with indicators (a) Need for Achievement, (b) Internal Locus of Control, (c) Self Reliance, (d) Extroversion (Suci, 2009).
2. Marketing Strategy (z), with indicators (a) Price advantage, (b) Quality excellence, (c) Time advantage, (d) Service flexibility, (e) Relationship relationships, (f) Alliance (Listyarso, 2005).
3. MSMEs Performance (y), with indicators (a) Sales turnover, (b) Sales return, (c) The range of marketing areas, (d) Increased sales (Setiawan, 2013).

Data collection technique use is a survey method, using a questionnaire with a Likert scale, translated back into the form of sub-variables, where the sub-variables reinterpreted into components that can be measured.

The analysis technique chosen to analyze the data and test the hypothesis in this study is The Structural Equation Model (SEM). Partial Least Square (PLS) is used to answer the assumption. The calculation model is using Smart PLS tools because this study has a multipath relationship and formative and reflective. Reflective model is a model that shows the relationship of the latent variable to the index.

**Analysis and Discussion**

**Inner Model Evaluation**
An inner model which is sometimes also called (inner relation, structural model and substantive theory) specifies the effect between research variables (structural model).

**Inner Model Testor Structural Model Test**
In assessing the model with PLS begins by looking at R-square for each latent dependent variable. Changes in R-square values can be used to evaluate the effect of certain independent latent variables on the latent dependent variable whether it has substantive effect. For endogenous latent variables in a structural model that has an $R^2$ of 0.67 indicates that the "good" model, $R^2$ is 0.33 indicates that the "moderate" model, $R^2$ is 0.19 indicates that the model is "weak" (Ghozali & Latan, 2015).

Entrepreneurship Orientation variable that affects the Marketing Strategy variable has an $R^2$ value of 0.567 which indicates the "moderate" model. Then, for variables Entrepreneurial Orientation and Business Strategy that affect the MSMES Performance variable has an $R^2$ value of 0.540 which indicates a "moderate" model. Thus, the suitability of the structural model can be seen from $Q^2$, as follows:

$$Q^2 = 1 - [(1-R1) * (1-R2)]$$

$$= 1 - [(1-0.567) * (1-0.540)]$$

$$= 1 - [(0.433) * (0.460)]$$

$$= 1 - [0.199]$$
= 0.801

The results of the structural conformity analysis model built show that the overall model is "relevant" to explain the variables studied and their effects on each variable. Calculation of the value of \( Q^2 \) gets a value of 0.0801 or exceeded the critical limit of 0.5. Thus the structural model has been declared suitable and appropriate.

![Figure 2. Inner PLS model](image.png)

There is an exogenous variable in the inner model studied, namely Entrepreneurship Orientation, then the intervening variable in the inner model studied is the Marketing Strategy and the endogenous variables in the inner model studied are MSME Performance. The results of the inner weight value in Figure 2 above show that the Marketing Strategy variable is influenced by the Entrepreneurship Orientation variable while the MSME Performance variable affected by Entrepreneurship Orientation and The Marketing Strategy shown in the following equation:

\[
Z = 0.753 X \\
Y = 0.213 X + 0.561 Z
\]
Hypothesis Testing Results

Hypothesis 1 (H₁)
The first hypothesis in the study is proven to be true because data analysis result showed that t-value of 11.536 which means higher than 1.96, so it can be said that the Entrepreneurship Orientation has a significant effect on the Marketing Strategy. The direction of the relationship between the two variables is positive which means that the better the entrepreneurial orientation will be able to improve marketing strategies to have a significant effect of 0.753.

Hypothesis 2 (H₂)
The second hypothesis on research is proven to be true because data analysis result shows that t value is equal to 1.192 which means smaller than 1.96, so it can be said that the Entrepreneurship Orientation does not have a significant effect on the SMEs performance. However, the second between the entrepreneurial orientation variables and MSME performance has a positive correlation way which means that the better the entrepreneurial orientation will be able to improve the MSMEs performance by having an effect of 0.213.

Hypothesis 3 (H₃)
The third hypothesis in the study is proven to be true because data analysis result shows that t value is equal to 3.167 which means higher than 1.96, so it can be said that the Marketing Strategy have a significant effect on the MSMEs performance. The direction of the correlation between the two variables is positive, which means that the better the marketing strategy will be able to improve the MSMEs performance by having an effect of 0.561.

Discussion
Data analysis results show that the Entrepreneurship Orientation had a significant effect on the Marketing Strategy which was evident from the t value of 11.536 which means higher than 1.96. Therefore, it can be explained that an increase in marketing strategies of MSMEs can be formed through the adoption of a proper entrepreneurial orientation. The effect of entrepreneurial orientation on marketing strategies is positive which shows that the better the entrepreneurial orientation will be able to improve the marketing strategy in MSMEs. Thus, the first hypothesis which reads "Entrepreneurship Orientation has a significant and positive effect on Marketing Strategy on SMEs Fostered by the Surabaya Commerce Department" was declared acceptable.

Findings in this study show that entrepreneurial orientation has an imperative role in the marketing strategy improvement on SMEs; this is similar as Andriyani (2005) which states that the application of marketing strategies to SMEs is more likely to occur if company management has an entrepreneurial orientation. Likewise with (Kaur & Mantok, 2015) which noted that entrepreneurial orientation is the basis for implementing marketing strategies. Companies that adopt an entrepreneurial orientation will have an entrepreneurial policy that is better than those who do not approve; this means that if the MSMEs fostered by the Surabaya Commerce Department want to improve their marketing strategy, it is necessary for the MSMEs assisted by the Surabaya Commerce Department to pay attention to their entrepreneurial orientation. This result is in line with the results of (Andriyani, 2005) study which proves that there is a significant influence on the company's entrepreneurial direction on marketing strategies. The results of this
study also support the findings of research conducted by Histiarini, Setyawan, Wajdi, & Wahyudi (2017) which proves that entrepreneurial orientation has a significant direct influence on strategic marketing in the manufacturing business in Magetan.

From data analysis result found that the Entrepreneurship Orientation did not have significant influence but had a positive direction towards MSMEs performance as evidenced by the t value of 1.192 which means smaller than 1.96, this shows that improving business performance in MSMEs may not necessarily be formed through entrepreneurial orientation by MSMEs. However, the influence that occurs between entrepreneurial orientations variables on the performance of SMEs is positive. Thus, the second hypothesis which reads "Entrepreneurship Orientation has a significant and positive effect on the performance of SMEs under the auspices of the Surabaya Commerce Department" can be declared not accepted.

The results of the data analysis carried out also found that the marketing strategy has a significant influence on the performance of SMEs which is evident from the t value of 3.167 which means that it is greater than 1.96, this shows that improving business performance in MSMEs can be formed through the existence of a good marketing strategy by MSMEs. The influence of marketing strategies on the performance of MSMEs is positive which shows that the better the marketing strategy which implemented will further improve the performance of MSMEs fostered by the Surabaya Commerce Department. Thus, the third hypothesis which reads "Marketing Strategy has a significant and positive influence on the performance of SMEs under the guidance of the Surabaya Commerce Department" can be declared acceptable.

Findings of this study indicate that marketing strategies have an essential role in improving business performance at MSMEs, such as Karnelis (2015) stated that in the preparation and implementation of approaches. They can be done by combining several methods to produce more optimal performance; this means that if the MSMEs fostered by the Surabaya Commerce Department wants to improve performance, then it is indispensable for the MSMEs to be guaranteed by the Surabaya Commerce Department to pay attention to the marketing strategy implemented. The results of this study are in line with the results of research conducted by Andriyani (2005) which found that marketing strategies can trigger improvements in SME performance. The results of this study also support the findings of research conducted by Histiarini et al., (2017) which proves that marketing strategies have a significant effect on the performance of small manufacturing businesses in Magetan.

**Conclusion**
1. Entrepreneurial Orientation has a significant effect on MSME Marketing Strategy;
2. Entrepreneurial Orientation does not have a significant effect on MSME performance;
3. Marketing Strategy have a significant effect on MSME performance.
References


