

THE INFLUENCE OF MARKET ORIENTATION, TOTAL QUALITY MANAGEMENT AND ENTREPRENEURIAL ORIENTATION ON BUSINESS PERFORMANCE IN THE AUTOMOTIVE MODIFICATION SECTOR

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ABSTRACT

The development of the automotive modification industry is growing along with the development of the motor vehicle industry. Despite being hit by the Covid-19 pandemic, businesses in the automotive modification sector can still survive and are predicted to be a business sector with positive prospects. The purpose of this research is to examine the impact of market orientation, total quality management, and entrepreneurial orientation on business performance. The sample selection technique in this study used non-probability sampling techniques with purposive sampling and snowball sampling methods. The sample obtained in the study was 80 automotive modification business owners in the Jabodetabek area. The SEM-PLS method was used to analyze the data. The results showed a positive and significant influence on market orientation and entrepreneurial orientation on business performance. But total quality management has no significant effect on business performance.

Keywords: Market Orientation, Total Quality Management, Entrepreneurial Orientation, Business Performance

1. INTRODUCTION

Automotive modification is one of the hobbies that is favoured by many people and knows no age limit. The modification industry is growing along with the development of the motor vehicle industry today. The increasing sales of modified products at the 2020 Indonesia Modification Expo (IMX) demonstrate the growth of the automotive modification sector (Kurniawan, 2022).

The automotive modification business is predicted to be a business sector with positive prospects. For this reason, the performance of the automotive modification business needs to be considered by business actors to maintain the sustainability of their business. Many variables have an influence on the performance of a business, including supply-oriented performance, demand-oriented performance (Rajaguru et al., 2022), brand positioning, brand equity (Ameyibor et al., 2022), market orientation, product innovation, product quality (Haryono and Marniyati, 2017), entrepreneurial orientation (Wahyuni and Sara, 2020), organizational culture (Kwarteng et al., 2022), total quality management (Fikri et al., 2022), services quality (Sampaio et al., 2019) dan strategy (Smith and Reece, 1999). However, in this study, restrictions are made on the variables used: market orientation, total quality management, and entrepreneurial orientation.

Market orientation is an overall strategy that exists in a business to meet sustainable customer needs (Susanto and Soelaiman, 2020). Market orientation can assist a company in gaining advantages from the perspective of its customers, which can impact on the business's sustainability (Narver et al., 1990). Market orientation requires a business to make consumers

a priority. Companies that prioritize consumers will adjust the demands and needs of their consumers to build loyal consumers.

The implementation of total quality management in a business also needs to be considered in improving business performance and sustainability. Total quality management aims to improve the overall quality management of the business. (Kumar et al., 2011). Total quality management is an effective method of handling a business condition (Qasrawi et al., 2017). The overall quality of the business is an important consideration. The quality of products and services will increase consumer trust and satisfaction.

Entrepreneurial orientation is another factor that business owners should consider when formulating a strategy to improve their business performance. Entrepreneurial orientation is the primary basis owned by business actors to develop a business which consists of risk taking, innovation, proactivity, autonomy, and competitive aggressiveness (Lieky and Soelaiman, 2020). Entrepreneurial orientation is needed to create products and services so that a business has superior value and is competitive against its competitors (Cuevas-Vargas et al., 2019). The right strategy is fundamental for a business to maximize its overall performance.

Based on this background, the purpose of this study is to determine the effect of market orientation, total quality management, and entrepreneurial orientation on business performance in automotive modification in the Jabodetabek area.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Market Orientation's Impact on Business Performance

Research on several companies in Ethiopia shows a positive and significant influence of market orientation on a company's performance (Buli, 2017). Market orientation impacts business performance because it influences changes in the market and the intensity of competition between companies or businesses. Other research also shows that market orientation positively and significantly influences on SME performance (Herman et al., 2018). SMEs that prioritize customer satisfaction will encourage repeat purchases and allow for consumer word of mouth promotion. This can assist the company to increase sales and profits.

H₁: Market orientation has a positive influence on business performance.

Total Quality Management's Impact on Business Performance

Total quality management and business performance are inextricably linked. Total quality management having a positive and significant impact on business performance (Kalogiannidis, 2021). Total quality management can drive quality improvement, increased productivity, and better performance. When a business implements total quality management practices, it will strengthen development to improve performance (Tortorella et al., 2020).

H₂: Total Quality Management has a positive influence on business performance.

Entrepreneurial Orientation's Impact on Business Performance

Entrepreneurial orientation has a significant influence on the performance of a business (Octavia et al., 2020). This relevance is based on business owners' knowledge in forming strategies and decision-making processes that will affect the performance of the business (Cuevas-Vargas et al., 2019).

H₃: Entrepreneurial Orientation has a positive influence on business performance.

Based on the relationship between these variables, the research model is as follows:

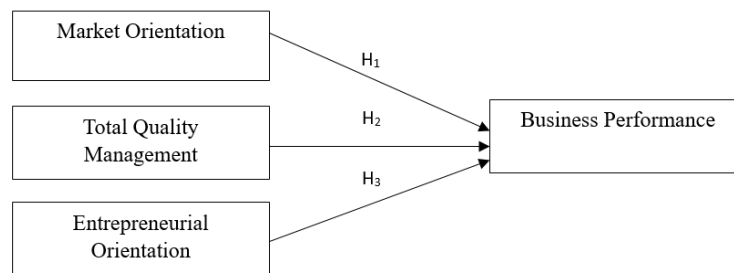


Figure 1 Research Model

3. RESEARCH METHODOLOGY

The research used quantitative and descriptive research designs. Quantitative research is used as a numerical representation that aims to describe and explain a phenomenon resulting from the reflection of observations (Babbie, 2007). The sample selection technique using purposive sampling and snowball sampling so that the respondents who participate in this study follow the applicable criteria and can provide recommendations regarding other respondents who have standards by the research topic (Babbie, 2007). The sample collected in this study amounted to 80 respondents who are business owners in the field of automotive modification in Jabodetabek.

Data was gathered by distributing questionnaires online using the google form platform and conducting direct interviews with business owners offline. The questionnaire distributed to respondents used a Likert scale scoring instrument with a scoring score of 1 (strongly disagree) to 5 (strongly agree).

4. RESULT AND DISCUSSION

The validity test, consisting of convergent and discriminant validity, has been carried out by analyzing the loading factors, average variance extracted, and composite reliability. The validity test results in tables 1 and 2 show that the loading factors and average variance extracted values have values above 0.5, which means that the indicators used in each variable are valid. The results of the reliability test in table 2 show that composite reliability value is above 0.7, which means that the indicators used in each variable are reliable (Hair et al., 2020).

Table 1. Loading Factor Analysis Result

	Business Performance		Total Quality Management		Entrepreneurial Orientation		Market Orientation
KB1	0.839	MKT1	0.556	OK2	0.808	OP1	0.867
KB2	0.899	MKT2	0.531	OK3	0.782	OP2	0.887
KB3	0.855	MKT4	0.889	OK7	0.636	OP3	0.852
KB4	0.838	MKT5	0.824	OK8	0.651		
KB5	0.801	MKT6	0.626	OK9	0.633		
KB6	0.577	MKT7	0.796	OK10	0.708		

Table 2. AVE dan Composite Reliability Analysis Result

	Average Variance Extracted	Composite Reliability
Business Performance	0.653	0.918
Total Quality Management	0.514	0.859
Entrepreneurial Orientation	0.500	0.855
Market Orientation	0.755	0.902

The coefficient of determination (R^2) test is carried out to determine the ability of the independent variable to explain a dependent variable in a study (Hair et al., 2020). The coefficient of determination (R^2) test results has a result of 0.363 which means that the independent variables of market orientation, total quality management and entrepreneurial orientation can explain the dependent variable of business performance by 36.3%.

The effect size test (f^2) is conducted to determine the prediction between the independent and dependent variable in a study (Hair et al., 2020). The results of the effect size test (f^2) of this study indicate that the independent variable market orientation is able to predict the dependent variable of business performance with a value of 0.166 or a moderate effect, the independent variable of total quality management on the dependent variable of business performance with a value of 0.039 or a small effect and the independent variable of entrepreneurial orientation on the dependent variable of business performance with a value of 0.076 or a small effect.

Table 3. Path Coefficient Analysis Result

	Original Sample (O)	p-Values	Effect Size (f^2)	Description
Market Orientation → Business Performance	0.373	0.001	0.166	Positive, significant, medium effect
Total Quality Management → Business Performance	0.164	0.095	0.039	Positive, not significant, small effect
Entrepreneurial Orientation → Business Performance	0.256	0.023	0.076	Positive, significant, small effect

The path coefficient test is conducted to determine the significance of the relationship between an independent variable and the dependent variable in a study. (Hair et al., 2020). The results of the path coefficient test between market orientation and business performance obtained an original sample value of 0.393, which has a positive meaning, with a t-statistics value of 3.188 (greater than 1.96) and a p-value of 0.001 (smaller than 0.05) which means a significant effect. Market orientation has a positive and significant impact on business performance. This finding is consistent with prior research, which indicates that market orientation has a positive and significant impact on business performance (Buli, 2017). Adjustment to trends that are in demand by the market is effective in the automotive industry. In this case, market orientation is needed to know the trends and demands of the market to attract the attention of consumers from among automotive modification enthusiasts.

Path coefficient test results between total quality management and business performance obtained the original sample value of 0.164, which means positive, the t-statistics value of 1.669 (smaller than 1.96) and the p-value of 0.095 (greater than 0.05) means no significant effect. Total quality management has a positive but insignificant impact on business performance. The data processing and analysis results align with previous research, which shows that total quality management has an insignificant effect on business performance (Danyen and Callychurn, 2015). Total quality management has not been the main factor supporting performance. This can be caused by the fact that modification services do not have a standardized Standard Operating Procedure (SOP), so modification services are only subjectively adjusted to consumer needs.

The results of the path coefficient test between entrepreneurial orientation and business performance obtained an original sample value of 0.256, which has a positive meaning, a t-statistics value of 2.275 (greater than 1.96), and a p-value of 0.023 (smaller than 0.05) which means a significant effect. Entrepreneurial orientation has a positive and significant effect on business performance. The findings of the data processing and analysis are consistent with previous research, which indicates that entrepreneurial orientation has a positive and significant impact on business performance (Octavia et al., 2020). Entrepreneurial orientation carried out by a business must be balanced with the courage to take risks, proactive attitudes, and innovative attitudes. Regarding risk-taking, business owners in the automotive modification sector have dared to take risks to bring in, sell, and become distributors for new products. This is also related to innovation, where bringing in new products and selling them in the Indonesian market will make automotive modification products more innovative so that they have an advantage over competitors. Business owners with an entrepreneurial orientation will be more courageous and aggressive in conducting research and development related to modification services, especially with the many types of new vehicles today.

5. CONCLUSION

Established on the research results, here are some points that are the conclusions of this study. Two variables positively and significantly affect business performance for automotive modification. They are market orientation and entrepreneurial orientation. Meanwhile, this research found that total quality management does not substantially affect business performance for automotive modification in Jabodetabek.

In this study, the market orientation variable is the variable that has the most significant influence on business performance in the modification sector in Jabodetabek. The modification business, which is prone to changes in trends and consumer demand, requires businesspeople to constantly adjust and maintain their business debut in the automotive modification sector.

6. LIMITATIONS AND SUGGESTION

Researchers have several limitations in carrying out research, including the non-use of dimensions in the independent variables of market orientation and entrepreneurial orientation, which allows for differences in accuracy in the analysis. For future research, it is recommended that researchers add other variables that can affect business performance.

It is recommended that business practitioners in the automotive modification field focus on total quality management especially in this industry where service quality is essential. Business owners need special training programs for production workers, implement product quality

standards, and listen to customer feedback. Regarding market orientation, modification businesses should be careful in adjusting to trends and consumer needs. In addition, in carrying out an entrepreneurial orientation, automotive modification business owners must act boldly and prepare themselves for all measurable risks.

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