

THE EFFECT OF ENTREPRENEURIAL ORIENTATION AND MARKET ORIENTATION ON JAKARTA'S CULINARY BUSINESS PERFORMANCE

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ABSTRACT

Entrepreneurial and market orientation have an essential role in encouraging increased business performance. Entrepreneurial orientation is the business's strategic orientation to perform and decide to strengthen its competitive position. Market orientation is a strategy and approach to respond to the market to meet customer needs. The purpose of this study was to determine the effect of entrepreneurial orientation. Entrepreneurial orientation consists of 5 dimensions: risk-taking, innovativeness, proactiveness, competitive aggressiveness, and autonomy, and the effect of market orientation on the performance of culinary businesses in Jakarta. This study used a sample of 100 culinary business owners in Jakarta who were selected by purposive sampling. The PLS-SEM method is used to analyze data in this study. According to study's research results, entrepreneurial and market orientation have a positive impact on the performance of Jakarta's culinary businesses.

Keywords: *Entrepreneurial Orientation, Market Orientation, Performance of Culinary Business*

1. INTRODUCTION

Entrepreneurship plays a vital role in economic development, especially in increasing purchasing power and the prosperity of society. This is because entrepreneurs can identify beneficial and employment opportunities for consumers [1]. A type of business in high demand is a business in the culinary field, resulting in competition in this business that has reached a high level [2].

Every business strives to achieve competitive advantage as the key to survival. Business performance needs attention to drive the level of competition in the market [3]. The concept of business performance is diverse and has attracted the attention of many researchers to find the most appropriate performance measurement approach [4].

Some studies suggest that businesses adopting entrepreneurial and market orientation will perform better [5]. Entrepreneurial orientation is the strategic orientation of the company to capture certain entrepreneurial aspects of decision-making styles, methods, and practices. [6]. Companies with a strong entrepreneurial orientation are constantly observing and monitoring their operating environment to identify new opportunities and strengthen their competitive positions. In carrying out an entrepreneurial orientation, the value of learning can affect the company's tendency to create, use knowledge and apply it to entrepreneurial action behavior [7].

Entrepreneurial orientation has five multidimensional constructs: risk-taking, innovativeness, proactiveness, competitive aggressiveness, and autonomy [5]. Many studies state that entrepreneurial orientation has a significant positive influence on business performance [6], [8], [9]. In contrast, the results of research conducted by Souisa [10] show no significant influence between entrepreneurial orientation and business performance.

Market orientation also has an essential role in determining the performance of a business. Market orientation is a form of strategy and approach companies take in promoting and responding to the market to meet customer needs [11]. Market orientation strongly correlates to improved performance as it seeks to be more responsive to market information to create and sustain customer value [5]. Several studies have shown that market orientation influences business performance [12], but in other research, Shehu & Mahmood [2] show that market orientation does not significantly affect business performance.

Based on the introduction, the purpose of this study is to investigate the impact of entrepreneurial orientation and market orientation on business performance in the Jakarta culinary industry.

Literature Review & Hypothesis

The Effect of Entrepreneurial Orientation on Business Performance

Entrepreneurial orientation and business performance have received much attention over the past two decades. Entrepreneurial orientation is the tendency of business owners to take business-related risks, to be able to innovate, to adapt to changes to compete aggressively and to outperform their competitors [13]. Many researchers have theorized that a business that applies a robust entrepreneurial orientation creates better performance compared to companies that do not apply an entrepreneurial orientation [7].

Entrepreneurial orientation has five-dimensional constructs that support the success of the entrepreneurial process: risk-taking, innovativeness, proactiveness, competitive aggressiveness, and autonomy [5]. The tendency of a company to engage in high-risk projects and bold actions to achieve company goals is referred to as risk-taking [14].

Businesses also need innovation skills to sustain their business. Innovativeness refers to a company's ability to implement creativity and original ideas to produce novelty in products, processes, supplier development, and resources [15]. Innovation is essential and positively affects business performance [16].

Business actors require a proactive attitude in entrepreneurial orientation. Proactivity is the ability to make strategic decisions in a progressive direction in order to dominate the market by recognizing market changes earlier than competitors. [15]. Proactiveness leads to improved business performance due to continually seeking opportunities outside current operations [17].

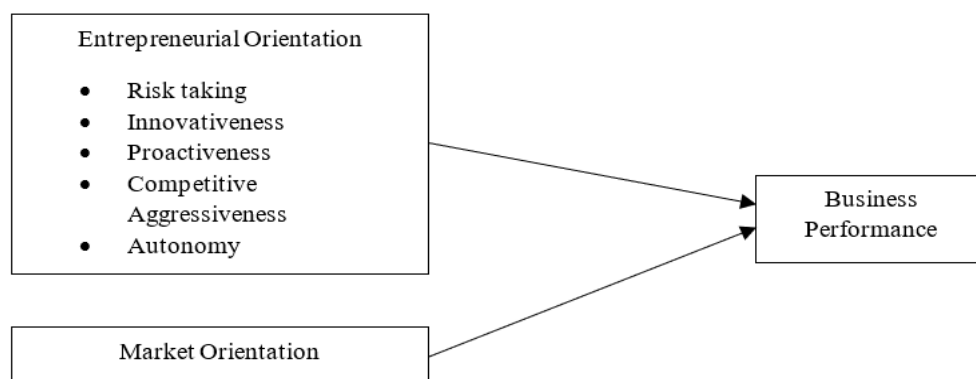


Figure 1. Research Model

Aggressiveness is also required in entrepreneurial orientation. Competitive aggressiveness is the action of a company to outperform and undermine its competitors by building an advantage through sustained offensive tactics [18].

Finally, autonomy is required to allow for the freedom to gain the skills, exercise creativity, respond to opportunities, and seek out new ideas, all of which are necessary for effective entrepreneurial activity. [19]. Autonomy is important for boosting performance because companies can respond quickly to environmental changes [18].

H1: There is a positive influence between Entrepreneurial Orientation on Business Performance.

The Effect of Market Orientation on Business Orientation

Market orientation is a view that makes customers the focus of attention in business activities [20]. Marketing orientation will affect customer satisfaction, employee loyalty, and business performance [12]. A market-oriented company will be able to collect and handle good market information to identify needs and changes accurately and quickly in the market accurately and quickly. Market-oriented companies respond quickly and precisely to the needs and desires of consumers [2].

H2: There is a positive influence between Market Orientation on Business Performance.

2. RESEARCH METHOD

The method used in this research is quantitative, with a descriptive research design. Descriptive research describes symptoms, facts, or events in a structured and accurate manner, regarding the nature of the population or certain areas [21].

This study used a cross-sectional design, where data were collected only once. Data were collected using a questionnaire designed using a Likert Scale ranging from Disagree (1) to Strongly Agree (5). The population in this study were business owners engaged in the culinary field in Jakarta. The sample collection method uses a purposive sampling technique, requiring the respondent to have been running his business for at least two years. The number of respondents collected for this study was 100 culinary business owners.

This study uses data analysis with the Structural Equation Modeling-Partial Least Square (SEM-PLS) approach. Partial Least Square (PLS) is a method that has been frequently used in research, especially in the context of PLS-based structural equation modeling (SEM) models [22]. A similar explanation was also put forward by Hanseler et al. [23], which states that SEM has been frequently used in social fields, making it a popular data analysis method to accept or reject a theory through hypothesis testing.

The collected data is processed with the SmartPLS 3.3.3 application with the the outer model being measured first to test validity and reliability. Furthermore, the inner model measurement is continued to verify study's assumed hypothesis.

The variables used in this study are entrepreneurial orientation, market orientation, and business performance. For entrepreneurial orientation variables, five dimensions are used, namely risk-taking, innovativeness, proactiveness, competitive aggressiveness, and autonomy. The risk-taking dimension uses four indicators [5][9], the innovativeness dimension uses three indicators [5], the proactiveness dimension uses four indicators [5][9][24], the competitive

aggressiveness dimension uses three indicators [5], and the autonomy dimension uses four indicators [5]. The market orientation variable uses six indicators [5][24] and the business performance variable uses seven indicators [3] [26].

The use of dimensions in this research causes the research model to use second-order constructs where the measurement of an indicator on the first-order factor is also used as a measurement indicator on the second-order factor.

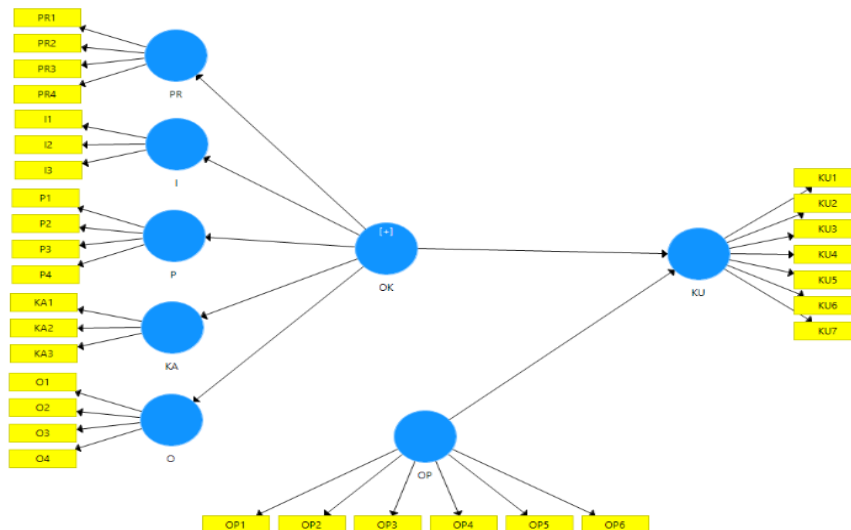


Figure 2. Structural Model

3. RESULTS & DISCUSSIONS

Based on the data collected, the description of the subjects of this study is as follows: Most respondents were 54% female, 47.3% of respondents were between 20-30 years old, and 56% of respondents had been running a business for 2-3 years. 43% of respondents run a culinary business with Indonesian food, followed by western food 21% and other Asian foods such as Japanese and Korean 11%.

Based on the convergent validity analysis results, it can be concluded that the cross-loading factor on all indicators is above 0.5. This indicates that each indicator used in this study is valid. Similarly, with the reliability analysis results, it can be concluded that the composite reliability of each variable is above 0.6, which means that all variables are reliable.

The measurement of the coefficient of determination R^2 in this study is 0.454, which means that the dependent variable can be explained by the independent variable of 0.454 or 45.5%, and other variables outside this study can explain 54.6%. Furthermore, the value of Goodness of Fit (GoF) is 0.501, which means that this study has a large research model fit.

Table 1. Data Analysis of Loading Factor, Composite Reliability, and AVE

Variable	Indicator	Loading Factor	Composite Reliability	AVE	
Entrepreneurial Orientation	PR_1	0.750	0.846	0.580	
	PR_2	0.721			
	PR_3	0.864			
	PR_4	0.700			
	I1	0.880	0.906	0.764	
	I2	0.885			
	I3	0.857			
	P1	0.798	0.844	0.575	
	P2	0.759			
	P3	0.706			
	P4	0.769			
	Market Orientation	KA_1	0.835	0.871	0.693
		KA_2	0.859		
		KA_3	0.802		
		O1	0.833	0.863	0.614
		O2	0.689		
O3		0.838			
O4	0.765				
Business Performance	OP_1	0.764	0.910	0.628	
	OP_2	0.796			
	OP_3	0.767			
	OP_4	0.784			
	OP_5	0.879			
	OP_6	0.759			
Business Performance	KU_1	0.875	0.943	0.701	
	KU_2	0.883			
	KU_3	0.811			
	KU_4	0.836			
	KU_5	0.839			
	KU_6	0.840			
	KU_7	0.772			

Source: Data Processed by Using SmartPLS version 3.3.3

Table 2. Data Analysis of Discriminant Validity

Fornell-Larcker Criterion	I	CA	BP	A	EO	MO	P	RT
Innovativeness	0.874							
Competitive Aggressiveness	0.244	0.832						
Business Performance	0.329	0.620	0.837					
Autonomy	0.265	0.290	0.373	0.783				
Entrepreneurial Orientation	0.636	0.785	0.642	0.507	0.575			
Market Orientation	0.402	0.624	0.583	0.146	0.672	0.793		

Proactiveness	0.516	0.632	0.566	0.344	0.883	0.550	0.759	
Risk Taking	0.334	0.576	0.397	0.124	0.755	0.622	0.579	0.761

Source: Data Processed by Using SmartPLS version 3.3.3

Table 3. Path Coefficient

Hypothesis	Original Sample	t-statistics	P-Value	Result
Entrepreneurial Orientation → Business Performance	0.455	3.610	0.000	Supported
Market Orientation → Business Performance	0.277	2.017	0.044	Supported

Source: Data Processed by Using SmartPLS version 3.3.3

Based on the results of hypothesis testing, it shows that entrepreneurial orientation has a positive influence on business performance ($\beta = 0.455$; $p = 0.000$), thus the first hypothesis is supported, which means that an increase in entrepreneurial orientation will contribute to improving business performance. The hypothesis results also show that market orientation has a positive influence on business performance ($\beta = 0.277$; $p = 0.044$) so that the second hypothesis is also supported, implying that greater market orientation leads to greater business performance. The findings of this study are consistent with the findings of previous studies [2], [5], [6], [9], [17], [28].

4. CONCLUSIONS AND RECOMMENDATIONS

Several conclusions were drawn based on the findings of the data analysis. First, in Jakarta, there is a positive and significant relationship between entrepreneurial orientation and culinary business performance. Entrepreneurial orientation directly relates to business performance through its contribution to growth and competitiveness [5]. If broken down by dimension, culinary business owners who dare to take measured risks will have the opportunity to perform better than their competitors. The second, in the innovative dimension, as time goes by, many things change, one of which is trends and consumer tastes. Innovative plays an essential role in the sustainability of the business in the future by creating new opportunities to open a broader market. Third, the proactive dimension is one of the keys to being innovative. Business owners with a proactive tendency can make strategic decisions involving new things. Fourth, culinary businesses need to have competitive aggressiveness to outperform existing competitors. Lastly, autonomy is needed to encourage market expansion, creating new opportunities that cannot be obtained in one place.

This study also found a positive and significant influence between market orientation and business performance. Companies embracing market orientation have broader market information, so they can quickly and accurately predict changes and market needs quickly and accurately [27]. Market orientation leads to greater customer satisfaction, so the impact on business performance tends to increase. Customers are the main target of a business. Therefore, increasing market satisfaction is one of a business's main objectives to improve business performance.

Based on the findings of this study, it can be formulated that the performance of culinary businesses in Jakarta can be improved if they apply entrepreneurial orientation and market orientation in their work process. In this case, culinary business owners in Jakarta have realized this importance and applied it in their business processes.

Limitations and Suggestions for Future Research

This study has several limitations, such as the limited number of samples due to time constraints. For future research, it is hoped that more respondents can be reached to represent culinary business owners in Jakarta.

Future research can develop several other aspects that can improve business performance, such as entrepreneurial culture, business environment, and information technology.

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