Entrepreneurial Orientation and Market Orientation as Drivers of Micro, Small, and Medium Enterprises (MSMEs) Performance

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**ABSTRACT**

Micro, Small, and Medium Enterprises (MSMEs) contribute up to 40% to the Gross National Income (GDP) and have been creating new job vacancies. Based on Central Agency of Statistics (BPS) (2020), around 25% of the total number of MSMEs in Indonesia must halt operations during the pandemic. In addition, internal problems such as lack of business knowledge, IT updates, and poor understanding of the market have caused low firm performance on most MSMEs. Firm performance is an important part of a company to observe and evaluate the suitability of the results in business activities with the predetermined plan. Some researchers believe that firm performance is affected by entrepreneurial orientation and market orientation. This study was conducted on MSMEs that run their businesses in Malang City, East Java, Indonesia. Data collection used probability method approach with simple random sampling technique. The number of respondents collected in this study amounted to 112, but which can be used in data processing amounted to 101. The data analysis method employed SEM (Structural Equation Modeling) based on Partial Least Square (PLS) using SmartPLS 3.3 software application. This study aims to investigate the role of entrepreneurial orientation and market orientation in improving the performance of MSMEs. The findings note that entrepreneurial orientation and market orientation are proven to have an effect on improving the performance of MSMEs. However, entrepreneurial orientation has no direct effect on improving performance. Entrepreneurial orientation must be supported by market orientation in improving MSMEs performance.

Introduction

Micro, Small, and Medium Enterprises (MSMEs) have a crucial role in improving the Indonesian economy (Machmud & Sidharta, 2016; Kurniawati & Yuliando, 2015; Susana & Andarwati, 2021). MSMEs contribute up to 40% to the Gross National Income (GDP) and have been creating new job vacancies (worldbank.org, 2022; Idris & Primiana, 2015). MSMEs have the resilience in driving the economy even in extreme conditions (Sinuraya, 2020).

The number of MSMEs in Indonesia has continued to increase from 2016 to 2019 (Pemerintah Indonesia, 2020). The increase in number of MSMEs is not directly...
proportional to the growth of MSMEs. Based on the data, the growth of MSMEs from 2017 to 2019 was 4%, 2.1%, and 2%, respectively (Pemerintah Indonesia, 2020). Unfortunately, MSMEs growth continues to decline due to the COVID-19 pandemic. BPS (2022) states that 25% of the total number of MSMEs in Indonesia must halt operations during the Covid-19 pandemic. Several public area closures during the pandemic impacts the productivity and performance of MSMEs (BPS, 2022). In addition, internal problems of business actors, such as lack of business knowledge, weak IT updates, and lack of market understanding have caused low productivity and firm performance in most MSMEs (Sopha & Hestiani, 2018).

Firm performance is an important part of a company identifying and evaluating the suitability of the results of business activities with a predetermined plan (Al-Mamary, 2020; Anwar & Shah, 2020; Sarker & Palit, 2015). Achieving optimal firm performance will lead to increased sales and company competitive advantage (Le & Ikram, 2022; Tjiptono, 2008; Porter, 1996; Anwar & Shah, 2020). The results of the company's performance measurement can bring out its advantages with the aim of being a differentiator from its competitors (Barney, 1995; Amin et al., 2016). This opinion is reinforced by Porter (1996), a company can excel from its competitors if it can create specific, long-lasting differentiating factors, and later improve firm performance. The achievement of optimal firm performance is needed by all companies, especially Small and Medium-size Enterprises (MSMEs) (Amin et al., 2016; Ariasih et al., 2018; Sarker & Palit, 2015; Solikahan & Mohammad, 2019).

The importance of understanding firm performance at the SME level has attracted the attention of many researchers (Amin et al., 2016; Ariasih et al., 2018; Sarker & Palit, 2015; Solikahan & Mohammad, 2019; Acosta et al., 2018; Ali & Hilman, 2019) to measure the cause and effect of firm performance. Some factors that researchers believe affect the company's performance include; entrepreneurial orientation and market orientation (Amin et al., 2016; Al-Henzab, J et al., 2018; Acosta et al., 2018; Al-mamary, 2020; Anwar & Shah, 2020).

Entrepreneurial orientation can encourage the improvement of MSME performance. Entrepreneurial orientation attitudes are closely related to policies and real work/basic practices to develop entrepreneurial actions (Martens et al., 2017). Shan et al. (2016) state that entrepreneurship orientation can describe the company's process of entering new markets through an innovative, risk-taking, and proactive attitude (Shan et al., 2016; Miller, 1983; Amin et al., 2016; Shafer & Ali, 2020). Decision-makers need entrepreneurship orientation to explore business strategies and capture opportunities that other companies cannot take advantage of (Ali et al., 2019; Acosta et al., 2018; Narver & Slater, 1990). In line with this, entrepreneurship orientation is closely related to the formation and achievement of firm performance (Amin et al., 2016; Baker & Sinkula, 2009).
Several previous studies have found that entrepreneurial orientation has a significant effect on Firm performance (Ahmad et al., 2019; Amin et al., 2016; Madhoushi et al., 2011, Amin et al., 2016; Al-Henzab, J et al. 2018; Acosta, A.S. et al., 2018). Research conducted by Kraus et al. (2012), Amin et al. (2016), Al-Henzab, J et al. (2018), and Acosta, A.S. et al. (2018) also reveal that the company's proactive behavior will contribute to improving MSMEs performance, or in other words, the innovative attitude of MSMEs plays an essential role in improving MSMEs performance.

However, other findings show that entrepreneurial orientation does not have a significant effect on improving performance (Solikahan & Mohammad, 2019). The inconsistency of the results of the entrepreneurial orientation is reinforced by the research of Rezaei & Ort (2018), which finds that the entrepreneurial orientation with the risk-taking dimension has a negative relationship with production performance. Lekmat et al. (2018) find that entrepreneurial orientation has no direct effect on performance. Entrepreneurial orientation will have an influence on performance when mediated by market orientation. Market orientation becomes a perfect mediator in improving firm performance through entrepreneurial orientation. The ability of business actors to innovate and take risks must be supported by their ability to understand consumers and competitors (Lekmat et al., 2018). Strong market orientation helps companies better understand customer needs, both directly and indirectly, so that companies are better prepared to face dynamic market changes to achieve company goals (Baker & Sinkula, 2009; Zahra, 2008).

Thus, the relationship between entrepreneurial orientation, market orientation, and performance improvement is still an interesting discussion to be explored, especially at the MSME scale (Montiel-Campos, 2018). This study aims to investigate the role of entrepreneurial orientation and market orientation in improving the performance of MSMEs. The findings are expected to enrich the scientific literacy of marketing strategies and provide information about the condition of small and medium business actors in Malang City.

Literature Review

Relationship between Entrepreneurship Orientation (EO) and Market Orientation (MO)

EO is one of the keys for companies to expand market reach and increase company productivity (Lumkin & Dess, 1996). The willingness of business actors to be creative, proactive, and dare to take risks, accompanied by their sensitivity to seeing the opportunities available in the market both from the consumer side and from the competitors' side, will have a positive impact on improving the performance and profitability of MSME's (Amin et al., 2016; Al-Henzab, J et al. 2018; Acosta et al., 2018; Sarker & Palit 2015). An entrepreneurial orientation will encourage companies to set
priorities in identifying and exploiting emerging market opportunities (Ali & Hilman, 2019; Masa'deh, 2018; Baker & Sinkula, 2009). Customer and competitor orientation are part of measuring market orientation (Amin et al., 2016; Montiel-Campos, 2018). The ability of business managers to take risks, innovate, and be proactive with competitors cannot be optimized without sensitivity and knowledge of the market. The manager's ability to analyze consumer needs and desires will determine the product's success in being accepted by the market (Montiel-Campos, 2018; Sarker & Palit, 2015; Tang & Baker, 2016). Previous research (Al-Henzab, J et al., 2018; Acosta et al., 2018; Montiel-Campos, 2018; Sarker & Palit, 2015; Amin et al., 2016; Baker & Sinkula, 2009; Roskos & Klandt, 2007) have found a significant relationship between EO and MO. The stronger the EO, the more MO the company will have (Al-Henzab, J et al., 2018; Acosta, A.S. et al., 2018; Lekmat et al., 2018; Amin et al., 2016; Baker & Sinkula, 2009; Roskos & Klandt, 2007).

H1: Entrepreneurial Orientation has a significant effect on Market Orientation

Relationship between Entrepreneurship Orientation (EO) and Firm Performance

EO is defined as an organization's willingness to discover and accept new opportunities and subsequent changes to implement them as a result (Miller, 1983). The concept of EO shows that companies must have entrepreneurship to achieve superior performance. EO is part of strategy making in the planning process in companies (Amin et al., 2016; Masa'deh, 2018; Acosta, 2018; Baker & Sinkula, 2009; Covin & Lumpkin, 2011). Implementing entrepreneurial orientation is an important part of Miller's (2011) entrepreneurship research. Soares & Perin (2020) found that EO plays a major role in improving performance. EO also encourages decision-makers to aggressively launch product innovations, explore opportunities, and support new product development activities (Baker & Sinkula, 2009). Omiskin et al. (2016) stated that innovative people tend to support innovation in creating new products and services. Innovation-oriented companies will be able to come up with new ideas that aim to develop products or services so that they can improve the firm performance (Amin et al., 2016). Many researchers agree that EO contributes to firm performance (Amin et al., 2016; Soares & Perin, 2020; Madhoushi et al., 2011; Shaher & Ali, 2020; Acosta, A.S. et al., 2018; Amin, M. et al., 2016; Al-Henzab, J et al, 2018; Ali, G. A. et al., 2020; Khan, A. J., Tufail, S., & Ali, A., 2021; Rezaei, J., & Ortt, R., 2018; Kraus et al., 2012).

H2: Entrepreneurial Orientation has a significant effect on Firm Performance

Relationship between Market Orientation (MO) and Firm Performance

MO can be used as leverage for firm performance (Amin et al., 2016; Acosta et al., 2018; Solikahan & Mohammad, 2018). Customer satisfaction is also an important indicator that determines the firm performance. Therefore, the role of consumers
cannot be separated from every decision made by the company (Anwar & Shah, 2020; Al-mamary et al., 2020). MO mainly focuses on fulfilling consumers' needs and desires (Amin et al., 2016, Acosta et al., 2018). Previous studies have identified the effect of MO on business performance (Amin et al., 2016; Al-Henzab, J et al., 2018; Acosta, A.S. et al., 2018; Lekmat et al., 2018; Baker and Sinkula, 2009; Jaworski and Kohli, 1990; Narver and Slater, 1990; Wang et al., 2009; Ferarresi et al., 2012). For instance, Wang et al. (2009) found that MO has a significant relationship with subjective and objective firm performance. Decision-makers in companies are advised to focus more on increasing innovation, with particular emphasis on MO practices to improve MSMEs performance (Amin et al., 2016; Al-Henzab, J et al., 2018; Acosta, A.S. et al., 2018).

H3: Market Orientation has a significant effect on Firm Performance

The Relationship of Entrepreneurial Orientation (EO) to Firm Performance Through Market Orientation (MO)

In business or company organizations, MO can encourage competition with competitors, so MO has an important role in increasing business success (Husein et al., 2018). In a dynamic environment, MO will help organizations to achieve competitive advantage and better firm performance. Several empirical studies state that there is a positive relationship between MO and firm performance (Ali et al., 2020; Masa’deh et al., 2018; Lekmat et al., 2018; Ullah et al., 2019). In addition, MO is one of the keys to meeting customer needs and desires, which reflects the business' ability to provide superior products. MO is also a significant mediator in improving firm performance through EO (Lekmat et al., 2018). EO cannot improve firm performance without going through the role of MO (Lekmat, 2018). These findings form the basis of this study to explore the role of MO in mediating EO on firm performance, especially for MSMEs.

H4: Entrepreneurial Orientation has a significant effect on Firm Performance mediated by Market Orientation

Method

Participants and Data Collection

This study was conducted on MSMEs that produce and run businesses in Malang City, East Java, Indonesia. Malang City has the largest number of MSMEs in East Java after Surabaya City (BPS, 2022). Not only that, but Malang City is also one of the most favorite tourist destinations and also an Educational City in Indonesia (Fauziyah, 2022). The development of MSMEs in Malang City is also supported by its municipal government. Malang City has received an award in the event of Creative Cities and Districts in Indonesia (Hayati, 2022). The population in this study is based on ranking data from the Department of Cooperatives, Trade, and Industry of Malang City. Based on the Slovin Formula (Hair et al., 1998), the minimum number of samples...
is 82 MSMEs. The data collection employed a probability approach aside from a simple random sampling technique. The number of respondents collected in this study is 112 respondents. However, the data that can be used in data processing amounted to 101 respondents. The data collection method in this study utilized a questionnaire which was distributed face-to-face to the respondents to reduce research bias.

Data Analysis

The data analysis method employed SEM (Structural Equation Modeling) based on Partial Least Square (PLS) that used SmartPLS 3.3 software application. This study consists of three variables: entrepreneurial orientation, market orientation, and firm performance. The measurement of entrepreneurial orientation is reflected in three dimensions: risk-taking, innovation power, and proactive power, which is adapted from the research of Amin, M. et al. (2016); Al-Henzab, J et al. (2018); Ali, G. A. et al. (2020); Khan, A. J., Tufail, S., & Ali, A. (2021); and Rezaei, J., & OrttR., (2018). Market orientation is measured through customer orientation (Habib et al., 2020; Masa’deh et al., 2018; Narver & Slater, 1990), competitor orientation (Ali et al., 2019; Acosta et al., 2018; Narver & Slater, 1990), and coordination between functions (Amin et al., 2016; Acosta et al., 2018; Narver & Slater, 1990). Performance measurement in MSMEs is measured by using a non-financial approach. The non-financial approach is based on the application of Total Quality Management. Firm performance measurement was adopted from research by Ahmad Zabri (2016), Al-mamary (2020), and Anwar & Shah (2020). Non-financial indicators to measure performance in MSMEs consist of customer satisfaction with the use of products and services (customer satisfaction), sincerity of employees to do all the work (worker loyalty), and the quality of the products and services produced (Quality of Products or Services) (Al-Mamary, 2020; Anwar & Shah, 2020).

Descriptive statistics

Based on the results of descriptive statistical analysis, it was found that the research respondents were dominated by female. From the total respondents (101), female respondents were 65 (64%) while male respondents were 36 (36%). Based on age, respondents aged between 18-27 were 19 people (19%), aged >27-37 years were 21 people (21%), aged >37-47 years were 36 people (36%), and age>47 were 25 people (24%). Most of the profits of business actors ranged from Rp3 million-5 million per month (61%) and majority of the businesses have been operating for 2-4 years (31%). Research respondents came from the first generation (98%).

Result and Discussion

Research items were tested using the Convergent Validity and Discriminant Validity tests to measure the loading factor. The indicator variable with a loading factor
value below 0.6 is invalid and must be removed from the research model. Valid indicators are indicated by the outer loading value above 0.6, as shown in Table 1.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Outer Loading</th>
<th>Validation</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO 1</td>
<td>.661</td>
<td>Valid</td>
</tr>
<tr>
<td>EO 2</td>
<td>.710</td>
<td>Valid</td>
</tr>
<tr>
<td>EO 3</td>
<td>.696</td>
<td>Valid</td>
</tr>
<tr>
<td>EO 4</td>
<td>.758</td>
<td>Valid</td>
</tr>
<tr>
<td>EO 5</td>
<td>.726</td>
<td>Valid</td>
</tr>
<tr>
<td>EO 6</td>
<td>.773</td>
<td>Valid</td>
</tr>
<tr>
<td>MO1</td>
<td>.735</td>
<td>Valid</td>
</tr>
<tr>
<td>MO2</td>
<td>.813</td>
<td>Valid</td>
</tr>
<tr>
<td>MO3</td>
<td>.760</td>
<td>Valid</td>
</tr>
<tr>
<td>MO4</td>
<td>.721</td>
<td>Valid</td>
</tr>
<tr>
<td>MO 5</td>
<td>.760</td>
<td>Valid</td>
</tr>
<tr>
<td>MO6</td>
<td>.809</td>
<td>Valid</td>
</tr>
<tr>
<td>FP 1</td>
<td>.767</td>
<td>Valid</td>
</tr>
<tr>
<td>FP 2</td>
<td>.671</td>
<td>Valid</td>
</tr>
<tr>
<td>FP 3</td>
<td>.761</td>
<td>Valid</td>
</tr>
<tr>
<td>FP 4</td>
<td>.816</td>
<td>Valid</td>
</tr>
<tr>
<td>FP 5</td>
<td>.781</td>
<td>Valid</td>
</tr>
<tr>
<td>FP 6</td>
<td>.804</td>
<td>Valid</td>
</tr>
<tr>
<td>FP 7</td>
<td>.614</td>
<td>Valid</td>
</tr>
<tr>
<td>FP 8</td>
<td>.686</td>
<td>Valid</td>
</tr>
<tr>
<td>FP 9</td>
<td>.730</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Furthermore, the research indicators were tested for reliability with Cronbach’s Alpha value must be > 0.6; Composite Reliability > 0.7; and AVE > 0.5. All items used to measure the variable have a value above the standard of reliability measurement. Thus, the research items are reliable for measuring research variables. The results of the reliability test are shown in Table 2:

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>rho_A</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Orientation</td>
<td>.816</td>
<td>.820</td>
<td>.867</td>
</tr>
<tr>
<td>Firm Performance</td>
<td>.895</td>
<td>.902</td>
<td>.915</td>
</tr>
<tr>
<td>Market Orientation</td>
<td>.860</td>
<td>.863</td>
<td>.895</td>
</tr>
</tbody>
</table>
Evaluation of the Inner Model can be seen from several indicators, including the coefficient of determination (R2) and the Goodness Of Fit Index (GoF) (Hussein, 2015). Based on the value of R2, entrepreneurial orientation has an effect on market orientation by 0.224 (22.4%), while entrepreneurial orientation and market orientation have an effect on Firm Performance by 0.371 (37.1%). Goodness of Fit (GoF) in this study was calculated using the equation $Q^2 = 1 - (1-R12) \times (1-R22) = 1 - (1-0.224) \times (1-0.371) = 0.511$. A score of 0.511 > 0 in the Q-Square calculation shows that the model in this study can be said to have a suitable and appropriate use.

<table>
<thead>
<tr>
<th>Relationship Between Variable</th>
<th>Path Coefficient</th>
<th>T Statistics</th>
<th>P Values</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Entrepreneurial Orientation -&gt; Market Orientation</td>
<td>.473</td>
<td>4.947</td>
<td>.000</td>
<td>Significant Accepted</td>
</tr>
<tr>
<td>H2 Entrepreneurial Orientation -&gt; Firm Performance</td>
<td>.110</td>
<td>1.112</td>
<td>.267</td>
<td>Not Significant Decline</td>
</tr>
<tr>
<td>H3 Market Orientation -&gt; Firm Performance</td>
<td>.549</td>
<td>6.857</td>
<td>.000</td>
<td>Significant Accepted</td>
</tr>
<tr>
<td>H4 Entrepreneurial Orientation -&gt; Firm Performance</td>
<td>.260</td>
<td>3.796</td>
<td>.000</td>
<td>Accepted (Perfect Mediation)</td>
</tr>
</tbody>
</table>

Notes: t-values > 1.65*(p < 0.10); t-values > 1.96**(p < 0.05)

Based on these findings, entrepreneurial orientation has a significant effect on Market orientation with a path coefficient of 0.473, T statistic 4.947 > 1.96, and a p-value of 0.000 (under the critical value of 0.05) so that H1 was accepted. Entrepreneurial orientation has no significant direct effect on firm performance, with a path coefficient of 0.110, T statistic 1.112 < 1.96, and a p-value of 0.267 (above the critical value of 0.05), so that H2 was rejected. Market orientation has a significant effect on the firm performance, with a path coefficient of 0.549, T statistic 6.857 > 1.96, and a p-value of 0.000 (under the critical value of 0.05), so that H3 was accepted. Market orientation has significant mediation effect on the relationship between entrepreneurial orientation and firm performance, with a path coefficient of 0.260, T statistic 3.796 > 1.96, and a p-value of 0.000 (under the critical value of 0.05), so that H4 was accepted.
Discussion

This study shows that uni-dimensional entrepreneurial orientation and market orientation have an effect on improving MSMEs’ performance. Entrepreneurial orientation can only increase firm performance if it is through market orientation. This study provides a new perspective on the role of entrepreneurial orientation and market orientation in improving the performance of MSMEs in Malang City as an area in Indonesia with a high distribution and growth of MSMEs. Although the findings in this study are not focused on the relationship between each variable dimension, this study note that the entrepreneurial orientation and market orientation variables can help MSMEs to allocate resources to their business units while increasing their business management capabilities to optimize the performance of MSMEs in Malang city. This study finds explicitly that market orientation is the full mediation between entrepreneurial orientation and firm performance. Entrepreneurial orientation does not impact increasing firm performance without an understanding and knowledge of the market. Based on these findings, the role of market orientation has proven to be very important as leverage to increase firm performance through entrepreneurial orientation.

Theoretical Contribution

Research on the performance of MSMEs in developing countries have been done extensively during the pandemic. It is because the MSMEs’ resilience during a crisis in a country is an interesting phenomenon to be discussed. However, only limited research had been done in specific areas in developing countries. The findings of this study can enrich literacy on the performance of MSMEs in certain areas in developing countries. The main objective of this study is to fill the research gap by examining the influence of entrepreneurial orientation on firm performance mediated by market orientation. This study provides a significant contribution to the development of strategic marketing management research. First, entrepreneurial orientation has a direct effect on market orientation. In this sense, the effect of entrepreneurial orientation on market orientation has strengthened the previous research (Acosta et al., 2018; Ariasih et al., 2018; Amin et al., 2016; Ahmad et al., 2019; Lekmat, 2018; Shaher & Ali, 2020). Entrepreneurial orientation can be used as leverage to develop the target market. The ability to innovate, the courage to take risks, and proactive behavior are needed to take advantage of emerging market opportunities. Entrepreneurial orientation cannot be optimized without the sensitivity and knowledge of business actors to the market. Market knowledge is needed to analyze consumer needs and desires, which are then used as the basis for making decisions and business innovations. Second, this study found that entrepreneurial orientation has no effect on increasing firm performance. This finding supports the research findings of Solikahan & Mohammad (2019), Rezaei & Ortt (2018), and Lekmat et al. (2018) but contradicts
many others previous findings (Acosta et al., 2018; Ariasih et al., 2018; Amin et al., 2016; Ahmad et al., 2019; Shaher & Ali, 2020). Entrepreneurial orientation will encourage business actors to find and accept new opportunities. However, the attitude of business actors to take risks, innovate, and be proactive does not have an impact on performance without being accompanied by stimulus from other factors such as understanding the market, managing resources, and understanding the company’s external and internal environment. These three studies found that market orientation plays a major role in improving firm performance. Market orientation has a direct effect on improving MSMEs performance. This finding reinforces previous findings stating that market orientation is the key to improving MSMEs performance (Habib et al., 2020; Amin et al., 2016; Ariasih, 2018; Ahmad et al., 2019; Anwar & Shah, 2020). Market orientation is needed to identify customer desires, competitors’ strategies, and the coordination process between functions within the company. The results of identifying the market, competitors, and companies can be used to formulate strategic planning that leads to improving the performance of MSMEs. Finally, this study provides strong support for the role of market orientation in mediating the relationship between entrepreneurial orientation and firm performance. This finding supports the research of Lekmat et al. (2018) and Wang et al. (2009), who found market orientation to be the perfect mediation in improving firm performance. The attitude of business actors to apply an entrepreneurial orientation with the courage to take risks, be innovative, and be proactive cannot directly improve the performance of MSMEs. Therefore, business actors must be supported by an understanding of customers, competitors, and inter-functional coordination processes.

Conclusion

Entrepreneurial orientation and market orientation are proven to have an effect on improving the performance of MSMEs. However, entrepreneurial orientation has no direct effect on firm performance. Entrepreneurial orientation must be supported by market orientation in improving MSME performance. Market orientation has a close relationship with entrepreneurial orientation, especially in improving the performance of MSMEs. Therefore, the ability of MSME actors to take risks in every opportunity that arises, to innovate, and to be proactive are important component to be improved. Furthermore, activities to increase the understanding of MSME actors regarding competitors, customers, and coordination between functions are very much needed. Thus, the role of entrepreneurial orientation, supported by market orientation, has a significant effect on improving the performance of MSMEs.

Limitations and Future Research Development

This study used a uni-dimensional construct which causes limitations in explaining the role of each variable dimension. Future research is expected to strengthen research findings by measuring the role of each variable dimension. The
sample used in the study was not specific enough. The researchers have not done clustering specifically on the type or line of business of MSMEs. Different types or fields of business allow for different findings and the opportunity to provide new views on entrepreneurial orientation, market orientation, and firm performance in certain industries. Researchers have not revealed demographic differences such as age, education, or income influencing respondents’ answers. So further research is suggested to do so. The company’s performance is not only influenced by entrepreneurial orientation and market orientation but also by other variables that are not mentioned in this study, so further development is needed to enrich strategic marketing management literacy.

References


