

Role of Market Orientation in Mediating Effect of Entrepreneur Orientation on Competitive Advantage (Survey of SME's Owner)

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Abstract: The aim of this study is finding the implementation of strategic orientation on Small Medium Enterprise in West Sumatera, a province of Indonesia. There are two parameter focus on strategic orientation, they are market orientation and entrepreneur orientation. The focus on this study is analyzing those effects on competitive advantage of SME in culinary industry. Also, the role of market orientation as mediator of entrepreneur orientation on their competitive advantage. There are 165 restaurants on West Sumatera used as the objects of this study which is located spread through the province. Sample of this study include the owner of the restaurants and being gathered through distributing questionnaire directly to them. These data were analyzed by using frequency distribution, validity and reliability test.

This study found that the entrepreneur orientation positively effect on competitive advantage. Also, this study detected market orientation didn't have any positive effect on competitive advantage. The others indicator will be discussed on this paper.

Keywords:- Market Orientation; Entrepreneurial Orientation; Competitive Advantage; SME Food Industry.

I. INTRODUCTION

In line with the development of the industrial world, Micro, Small and Medium Enterprises experienced significant changes. The products and services produced are increasingly diverse and have good selling points on the market. This MSME is believed to be one of the ways that can bring changes to the economic growth of the community in an effort to achieve an adequate level of welfare of life. This proactive effort of community independence is expected to reduce the number of unemployed people who are faced with the fact that there is limited employment compared to the increase in workforce that has not been absorbed perfectly.

Restaurants in generally are categorized as a type of business in MSMEs. This business is an example of individual productive business or a business entity initiated from the home industry. If seen further, this restaurant business has a significant contribution in the movement of the number of MSMEs in West Sumatra, which will later become a big driving force for the regional economy.

To achieve the goals of economic changes, not only in terms of the government that needs to face the challenges of the dynamics of business change. However, businesses must also be able to see what strategies should be chosen in running their business. This business actor should be able to recognize what aspects will be considered and that affect the performance of his business. Thus the business actor can ensure his performance is right at the goal of his business so as to be able to survive market dynamics.

Sarwako and Endi (2017), on his research also found the success role of small and medium enterprises to be divided into two main groups, namely external groups and internal role groups. External factors that include the role of the government in creating a conducive environment for the growth of small and medium enterprises, while the internal factors related to the characteristics and competencies of business actors / business owners. This orientation can be known through individual values and entrepreneurial personality traits themselves, and also includes the experience of the owner or business actor. Thus it can prove that the success rate of a small business can be determined-influenced by the characteristics and competencies of the business actor.

Likewise according to Panda (2014) which states that entrepreneurial orientation is part of a strategy orientation that is very relevant to the strategy of MSMEs. This is seen in the application of a company that will encourage the growth of the company due to the entrepreneurial nature that always utilizes the opportunities that exist. Furthermore, this research aims to find how the strategic orientation implemented in SMES food industry in order to see how they maintain their competitive advantage.

II. LITERATURE REVIEW

A. Entrepreneurial Orientation

Entrepreneurial orientation can be defined as procedures, practices, and decision-making activities used to increase the value of products and services in response to customer needs which can lead to improved performance (LIU and FU, 2014).

According to the literature, entrepreneurial orientation consist of several dimensions. Rauch et al. (2009) see that the dimensions of risk taking, innovation and proactivity are widely cited by researchers. These three dimensions are considered important for entrepreneurial orientation

(Hakala, 2011). Risk taking refers to the extent to which managers are willing to commit to their resources (Balodi, 2014). Risk factors play a role in the high cost of errors or uncertain results related to the project to be carried out (Wheelen and Hunger, 2015; Sandhu and Khan, 2017).

B. Market Orientation

Market orientation means having an integrated market strategy and the main source of current strategies. Chiou and Chang (2009) state that market orientation is defined as the level at which the implementation of strategies in an organization is obtained and used from customers as a source of information to be developed so as to meet the needs and desires of these customers.

On the other hand, (Slater and Narver, 2000) define market orientation as a cultural organization based on three components: customer orientation, competitor orientation, and functional coordination, and naming this instrument as MKTOR, namely:

- customer orientation is understanding a company to create superior value to the target customer
- Competitor's orientation is the understanding of a company of the short-term strengths and weaknesses, as well as the long-term capabilities of current competitors or potential future competitors.
- coordination between functions is to reflect the company's usefulness in a coordinated manner from all existing resources within the company

This orientation is used to create performance-based fulfillment of consumer needs, which will later be simultaneous to create and build competitive advantage.

C. Competitive Advantage

Competitive advantage is defined as the benefit of a company's strategy by creating higher and more effective business or performance compared to competitors in the same industry or market. According to Syapsan (2019), company resources and capabilities and external factors are referred to as sources of competitive advantage. There are two sources of competitive advantage, tangible and intangible. Intangible resources are financial resources and physical assets that are identified and assessed in financial statements. Intangible assets are assets that are not seen in real reports.

In MSMEs, resources must work together to carry out their duties. Included in resources are organizational capabilities, namely the ability of companies to disseminate resources for desired results. Organizational capabilities can be classified based on the value chain because they are designed to create value for customers. New MSMEs made to survive can have slow growth and a new management system.

Zeebare and Shiron (2017) stated that competitive advantage can be defined as the result of process strategy formulation adopted by the firm with the purpose of providing added value (differentiation and low-cost) to

customers resulting in an advantageous position to the firm over its competitors for a period of time. They found that all dimension that include on entrepreneurial orientation has a positively influence on competitive advantage.

Talaja et al (2017) also found that there is a positive influence market orientation to the firms' competitive advantage on medium and large enterprise. The more a firms implemented their market orientation, the higher competitive advantage will be.

Also, as has been done by the research by Masa'deh et al (2018), entrepreneurial orientation is a complementary factor where market orientation will be greatly influenced by the responsiveness of a business to dynamic changes in its market.

Based on the literature review above, this research will build the hypothesis like the statement below:

- *H1: Entrepreneurial orientation has a positive influence on market orientation*
- *H2: Entrepreneurial orientation has a positive influence on competitive advantage.*
- *H3: Market orientation has a positive influence on competitive advantage.*
- *H4: Market orientation mediates the positive influence of entrepreneurial orientation on competitive advantage.*

III. METHOD

Based on the previous background, this study wanted to see how the orientation of applied strategies in MSME units at Rumah Makan Minang was able to create good competitive advantage in West Sumatra. Then the design of this study will use a quantitative approach.

A. Sample

What will be used as a sample in taking the object of research in this study is the West Sumatra Micro Small and Medium Enterprises unit that operates in the non-agricultural industry in the accommodation category and provider of drinking food, in the area of traditional restaurant. Samples that will be used as objects are Minangkabau restaurants that have been recorded in BPS West Sumatra and also become culinary tourist destinations collected in accordance with reviews from *TripAdvisor*, *Explore Minang*, *West Sumatra Tourism* and other online portals.

B. Variable Operational

Entrepreneurship orientation was measured through 3 dimensions compiled by Bolton and Lane (2012) then adapted by Al Mamun and Fazal (2018). Whereas market orientation is measured through MKTOR Scale, while competitive advantage is adapted from Chen et al (2006) which was re-adapted by Syapsan (2019).

IV. RESULT AND DISCUSSION

Processing data in this study using SmartPLS 3.2.8. There are two tests used, namely Confirmatory Factor Anays or measurements from the outter model, and then Structural Equation Modeling (SEM) or testing the structure of the inner model. At the beginning of the objective of this

study, the data from the questionnaire was tabulated and used the CSV (Comma Delimited) format for subsequent processing in the SmartPLS.

After data testing through validity and reality test, the items that going to be used in finding the relationship between those variables are like bellows:

Variabel	Dimension	Indicator
Entrepreneurial Orientation	1. Risk Taking 2. Innovative 3. Proactive	1. Take bold action 2. Investment in time and money 3. Acting bravely in risky situations 4. Likes to try new activities that are unusual but not necessarily risky 5. Likes a unique approach 6. Like trying your own way when learning new things 7. Like experiments and original approaches to problem solving. 8. Act first in anticipating problems 9. Future project plan 10. Reminds and completes projects rather than waiting
Market orienta-tion	-Customer Orientation -Competitor Orientation -Coordintion Intra Function	1. My competitive strategy is based on understanding customer needs 2. I often measure customer satisfaction 3. I pay attention to my after-sales and business services 4. My sales team shares information about competitors regularly 5. I and the team communicate information about our customers 6. All my teams understand how my business contributes to giving more value to customers
Competitive Advantage		1. Good resources 2. Not easy to imitate 3. Different from the others

Tabel 1:- Instrument

On the SmartrPLS data analysis, the data gathered through questionnaire have R square like the below table:

	R Square
CA	0,130
comp	0,498
cust	0,785
intrvs	0,616
mo	0,221

Tabel 2:- R Square

In the structural model, the endogenous latent variable which has R2 = 0.67 shows "good model", R2 = 0.33 shows the "moderate" model, R2 = 0.19 shows the "weak" model (Urbach et al., 2010). Based on the table above it can be seen that CA (Competitive Advantage) or Competitive Advantage is very weak influenced by the dimensions of market orientation and entrepreneurial orientation, with the remainder influenced by factors or other variables.

The original sample between constructs shows the coefficient value of each row. The level of significance in hypothesis testing can be seen in the path coefficient or model inside. The path coefficient or inner model score is indicated by the T-statistic value. It must be above 1.96 for the two-tailed hypothesis and above 1.64 for the one-tailed hypothesis to test the hypothesis at alpha 5 percent (Hair et al., 2001). This study uses a one-tailed hypothesis test, where the tested relationship is directed to positive so that the use of parameters in the Total Effect is > 1.64.

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
eo -> ca	0,313	0,339	0,070	4,487	0,000
eo -> comp	0,332	0,349	0,044	7,568	0,000
eo -> cust	0,417	0,428	0,047	8,782	0,000
eo -> intrvs	0,369	0,377	0,043	8,658	0,000
eo -> mo	0,471	0,481	0,052	9,112	0,000
mo -> ca	0,204	0,215	0,100	2,041	0,050
mo -> comp	0,706	0,726	0,040	17,606	0,000
mo -> cust	0,886	0,891	0,016	54,518	0,000
mo -> intrvs	0,785	0,784	0,030	26,354	0,000

Tabel 3:- Total Effects

The above table shows the value of total effects of the variables that involve in this research. Furthermore, we also

need to see the indirect effect value of the research, like on the table below:

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
eo -> ca	0,096	0,104	0,049	1,970	0,058
eo -> comp	0,332	0,349	0,044	7,568	0,000
eo -> cust	0,417	0,428	0,047	8,782	0,000
eo -> intrvs	0,369	0,377	0,043	8,658	0,000
eo -> mo					
mo -> ca					
mo -> comp					
mo -> cust					
mo -> intrvs					

Tabel 4:- Total Indirect Effects

Based on those tables, we can see that the result of hypothesis will be:

market orientation. That is, the greater a person has a entrepreneurial orientation, the greater the market orientation will be formed. This is because there will be complementary factors between entrepreneurial orientation and market orientation, where market responsiveness is needed to support the development of the orientation of the entrepreneurial strategy.

	Hypothesis	Result
H1	Entrepreneurial orientation has a positive influence on market orientation	Accepted
H2	Entrepreneurial orientation has a positive influence on competitive advantage.	Accepted
H3	Market orientation has a positive influence on competitive advantage.	Rejected
H4	Market orientation mediates the positive influence of entrepreneurial orientation on competitive advantage.	Rejected

Tabel 5:- Results

Based on the results of the hypothesis from the indirect effects above, it can be concluded that there is no mediating influence Market orientation towards the relationship Entrepreneurship Orientation and Competitive Advantage.

This research has shown a positive relationship between entrepreneurial orientation and competitive advantage. That is, when a business adopts an entrepreneurial strategy orientation, they will be able to gain competitive advantage. Understanding of competitive advantage here is when the business is able to obtain the characteristics or resources they have better performance in the same industry business.

Based on the results of the hypothesis above, there is a positive relationship between entrepreneurial orientation and

This study does not prove the existence of a significant positive or negative influence on market orientation to competitive advantage. That is, there is no correlation between a restaurant owner applying market orientation to competitive advantage. In line with the dimensions that exist in market orientation, about the orientation of competitors. Owners tend not to give too much attention to the growth of competitors in the market environment. So it is not

impossible this will cause no effect on competitive advantage.

Also, the results of the study indicate the absence of a market orientation role mediating entrepreneurial orientation and competitive advantage in this case study. There are several factors that cause the absence of this role. First, there is no significant relationship between mediator variables (market orientation) on the dependent variable (competitive advantage). Then it can be ascertained that market orientation does not have a mediating role on entrepreneurial orientation and competitive advantage. Second, as explained earlier, there are several indicators of market orientation that are not fulfilled for the parameters of making a UMKM business in Minang Restaurant having a competitive advantage against competitors in the industry.

V. CONCLUSION

When viewed on the role of market orientation mediating entrepreneurial orientation on competitive advantage, we can see the related indicator is the customer orientation dimension that can be correlated with entrepreneurial orientation. There is some absence that respondent didn't have about. However, there are several factors that have not been fulfilled to achieve a competitive advantage that can make these MSMEs more sustainable and superior. Among others are:

- In entrepreneurial orientation, the lowest dimension is about risk taking. The owners tend not to be brave in taking risks and making changes in their business. The impact is that not a few restaurants have stopped developing and entered the decline phase. Then there should be an understanding developed in their entrepreneurial spirit regarding the principle of high risk high return. Where when an entrepreneur makes a new investment in their business, then the possibility of developing and succeeding becomes higher. So that creates new and fresh things in the eyes of customers.
- In market orientation, the lowest dimension is in the competitor's orientation dimension. Facts in the field say they are constrained by competitors who have just come to their industry. But seen further, the indicators say they are unable to see the changes in innovation that their competitors are doing. There is no quick response to market changes. They are fixated only on how they can keep customers from coming to their restaurant. So forget, that they need change in response to the innovations made by their competitors.
- Regarding the dimensions of the competitor, lack of indifference to competitors also has a domino effect on competitive advantage. By not realizing the competitor's movements, the business will be very easy to be weak and even lose in the competition. Because customers have 'choices' in determining their needs. So this is very plausible if it is associated with the absence of a mediating role of market orientasty towards competitive advantage in Minang Restaurant in West Sumatra.

So we can conclude that, the more SME's owner have the entrepreneurial orientation, the more market orientation and competitive advantage will be. But there is no relationship yet, between market orientation and its role mediating to the competitive advantage on SME's in West Sumatera.

In this study, the author found it difficult to meet with large restaurant owners with franchises that had spread throughout Indonesia. The author can only meet with the management of the restaurant. Thus, the strategy orientation of several large restaurants is not too reflected in the responses from the questionnaire given. The variables used are only mediating variables without considering moderator factors such as age and gender of the MSME owners.

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