

The Influence of Various Strategic Orientation Dimensions on Micro Business Performance in Depok City

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Abstract

Micro Enterprises are the largest in number (98.68%) and also contribute large employment, namely 89.04%. However, its contribution to GDP is still small, namely only 37.77%. Therefore, in order for the contribution to increase, the performance of micro-enterprises must be improved. The research objective was to analyze the effect of various Strategic Orientation Dimensions on the performance of micro-enterprises in Depok City. This research is a quantitative research, survey method with a causality design. The data used is primary data through filling out questionnaires from 300 micro businesses in the city of Depok. The research design used in this study is a hypothesis test (Testing Hypothesis) using AMOS and SPSS programming. The results showed that all the hypotheses tested gave positive results. Market Orientation, Entrepreneurship Orientation, Technology Orientation and Learning Orientation, partially or simultaneously affect the performance of micro businesses. The conclusion of this study is that strategic orientation has a positive effect on micro businesses. Suggestions from this study are that micro-entrepreneurs run their businesses in accordance with a strategic orientation and the government supports micro-enterprises by conducting coaching based on strategic orientation.

Keywords:orientation, strategic, market, entrepreneurship, technology, learning, performance, micro business

INTRODUCTION

Background

Micro-enterprises in Indonesia are expected to drive the economy, including by increasing economic growth and employment. The Indonesian Ministry of Cooperatives and SMEs (Kemenkopukm, 2018) reports that in terms of the number of units, micro businesses have 63,350,222 business actors or 98.68% of the total business actors in Indonesia. Micro Enterprises are able to contribute to creating employment 89.04% (107,376,540 people) of the total employment. As for economic growth, Micro Enterprises generate 37.77% of the total Gross Domestic Product (GDP).

Based on the data above, there are very large numbers of micro businesses (98.68%), which also contribute to large employment, namely 89.04%. However, the contribution to GDP is still small at 37.77%. For this reason, so that the contribution of micro-enterprises is even greater, it is necessary to carry out coaching efforts so that their performance increases.

In line with Geremewe (2018), micro and small enterprises (UMK) are basically regulated with the aim of alleviating poverty. The city of Depok is the city that has been most successful in reducing the percentage of poverty in West Java (BPS, West Java in Figures, 2019). As an illustration, in the 2018-2019 period when compared to the surrounding cities, all cities/regencies are in the range of 3-7%, while Depok City is in the range of 2%. Following are the details for 2 consecutive years 2018 – 2019 in %; Bekasi Regency 4.37 and 4.01, Bekasi City 4.11 and 3.81, Bogor city 5.93 and 5.77, Kab. Bogor 7.14 and 6.66, Depok City 2.14 and 2.07. According to BPS (depokkota.bps.go.id, 2021), Depok City during the period 2017 – 2020 had the following poverty rates: 2017 2.34%, 2018 2.14%, 2019 2.07%, and in 2020 slightly increased to 2.45%. Meanwhile, one of the poverty alleviation efforts in Depok City is to foster MSMEs. Thus, this research will focus on micro-enterprises fostered by the Depok City Government.

WUB (New Entrepreneur) is a micro-business development program conducted by DKUM City of Depok starting in 2016. Micro-entrepreneurs will receive guidance in the form of business training for 3 days. In 2020, the

realization of the New Entrepreneur (WUB) indicator reached 1,145 people. (DKUM Performance Report, 2020).

Formulation of the problem

Quantitatively, there are very many Micro Enterprises (98.68%). Micro businessable to contribute to employment, namely contributing to 89.04% employment. However, the contribution to GDP is still small at 37.77%. Therefore the government needs to foster micro-enterprises in order to improve their business performance. The Depok City Government has provided guidance through the WUB program. This coaching material is in line with the strategic orientation of Ibrahim and Shariff (2016) which integrates market orientation, technology orientation, entrepreneurial orientation, and learning orientation, in order to improve business performance. However, it is not yet known how the impact of coaching through the WUB program affects the performance of micro-enterprises.

Research purposes

In general, this research is to analyze the effect of various Strategic Orientation Dimensions on the performance of micro-enterprises in Depok City. While specifically for:

1. Analyzing the effect of market orientation on micro business performance.
2. Analyzing the effect of entrepreneurial orientation on micro business performance
3. Analyzing the influence of technology orientation on micro business performance
4. Analyzing the effect of learning orientation on micro business performance
5. Analyze the effect of strategic orientation (market, entrepreneurship, technology and learning, together) on micro business performance

Benefits of research

Theoretically, this research is useful for development of strategic management science, especially the relationship between strategic orientation and company performance. Meanwhile, practically this research serves as input for micro-entrepreneurs to be able to improve their company's performance by increasing strategic orientation. Apart from that,

it is an input for the government as the coach of micro-enterprises, for the guidance and development of micro-enterprises so that they can improve their performance.

Literature review

According to Pearce and Robinson (2011) internal and external factors affect the performance of a company. Internal factors cover the internal business environment that exists in the organization and usually have direct and specific implications for the business. Internal factors in business include: (1) aspects of human resources; (2) financial aspects; (3) technical and operational aspects; and (4) market and marketing aspects. External factors are conditions that occur outside the business being run, but also have the potential to affect the business. External factors include, (1) Government Policy, (2) Social, Cultural and Economic, (3) Role of Related Institutions.

Ibrahim and Shariff (2016) provide views regarding the dimensions of strategic orientation by integrating market orientation, technology orientation, entrepreneurial orientation, and learning orientation and elaborating how these orientations interact with others.

Gatignon and Xuereb (1997) explain that the concept of strategic orientation is an activity that can be used to develop and improve superior business performance. This is because, the interaction between different strategic orientations can provide a competitive advantage that can improve performance (Hult et al., 2005).

Some previous research states a positive relationship between the dimensions of strategic orientation and micro business performance.

Table 1. Previous Research

Connection	Previous research
Market Orientation → Business Performance	Long, 2013; Laukkanen et al., 2013; Suliyanto & Rahab, 2012; and Huhtala et al., 2014.
Entrepreneurial Orientation → Business Performance	Brothers et al., 2014; Aziz et al.,

Performance	2014; Hakala, 2013; and Al-Dhaafri et al., 2013;
Technology Orientation → Business Performance	Salavou, 2010; Mu & Di Benedetto, 2011; Spanjol et al., 2011, Hakala & Kohtamaki, 2011; and Hortinha et al., 2011.
Learning Orientation → Business Performance	Hakala, 2013; Mahmoud & Yusif, 2012; Farrell et al., 2008.
Strategic Orientation → Business Performance	Hult et al., 2005; Grinstein, 2008; Kim et al., 2013; Ibrahim & Shariff, 2016;

Based on the literature review above, this research can be described with the following Conceptual Framework:

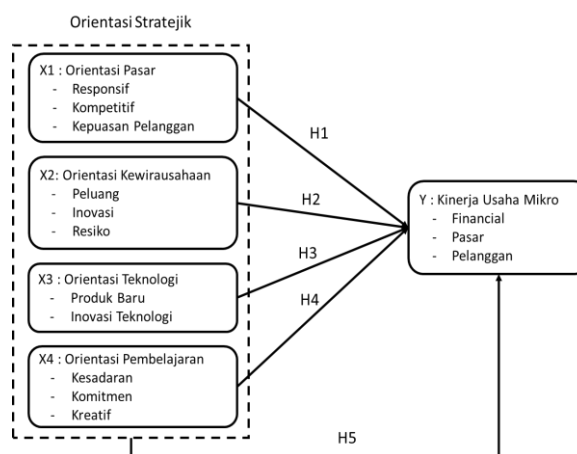


Figure 1. Research Conceptual Framework

METHOD

This research is a quantitative research, survey method with a causality design. The data used is primary data through filling out questionnaires. The research design used in this study is a hypothesis test (Testing Hypothesis).

The population surveyed was all micro-entrepreneurs in the city of Depok who had participated in the WUB coaching program during 2017-2020 by the Department of Cooperatives and Micro Enterprises (DKUM) Depok City, namely a number 1,145 people. The sample in this research is 300 respondents.

The data obtained were analyzed using the SEM AMOS and SPSS statistical tests in order to find facts from each of the variables studied and to know the effect of the independent variable on the dependent variable.

RESULTS AND DISCUSSION

Characteristics of Respondents

The research results show that Respondents are dominated by the culinary business sector (85%), women (88.7%), capital less than 500 million (97.7%), age more than 45 years (49.3%), graduated from high school (46%) and D3/S1 graduates (44.3%), have been in business for more than 5 years (43%) and have an annual turnover of less than IDR 500 million (93.7%).

Hypothesis test

Hypothesis testing was carried out 2 times, namely hypothesis testing to test partial variable relationships (H1 - H4) using AMOS SEM and hypothesis testing to test simultaneous variable relationships (H5) using SPSS.

Table 2. Partial Hypothesis Test Results (H1-H4) with AMOS SEM

Y variable	X variable	Esti mati	SE	CR	P	hypothesis
Micro Business Performance	← Market Orientation	0.133	0.059	2,269	0.023	Significant Positive
Micro Business Performance	← Entrepreneurial Orientation	0.198	0.032	6,217	0.000	Significant Positive
Micro Business Performance	← Technology Orientation	0.149	0.050	2,965	0.003	Significant Positive

Y variable	X variable	Esti mati	SE	CR	P	hypothesis
Micro Business Performance	← Learning Orientation	0.255	0.041	6,164	0.000	Significant Positive

Table 3. Simultaneous Hypothesis Test Results (H5) with SPSS

Variable	B	beta	count	Sig t	Ket
(Constant)	0.231				
Market Orientation	0.163	0.163	3,595	0.000	Significant
Entrepreneurial Orientation	0.260	0.260	8,042	0.000	Significant
Technology Orientation	0.279	0.279	4,449	0.000	Significant
Learning Orientation	0.317	0.317	8,922	0.000	Significant
F count	204,311				
Sig F	0.000				
R square	0.735				
Dependent Variable	Micro Business Performance				

Research Results and Discussion

1) Relationship of Market Orientation to Micro Business Performance

Table 2 shows the estimated parameter value of the standardized regression weight coefficient obtained at 0.023 and a CR value of 2.269. This means that the relationship between Market Orientation and Micro Business Performance is Positive. Testing the relationship between the two variables shows a probability value of 0.023 ($p < 0.05$).

The results of this study are in line with several studies which state a positive

and significant relationship between market orientation and company performance (Long, 2013; Laukkanen et al., 2013). Likewise, several studies have used market orientation to examine firm performance (Suliyanto & Rahab, 2012; Huhtala et al., 2014).

Market Orientation is carried out with directions to make micro-entrepreneurs responsive, competitive and customer satisfaction oriented. The responsiveness of micro-entrepreneurs is reflected in the speed with which they handle complaints and react to competitors' strategies. Competitiveness can be reflected from being active in participating in all promotional facilities such as bazaars and exhibitions. Meanwhile, customer satisfaction can be formed due to a limited market, making them have to keep their customers satisfied to be loyal.

The implication is that micro businesses must begin to map out who their competitors are in the same target market. The Depok City Government should classify events/bazaars that micro businesses can participate in, for example by dividing events into silver (starters), gold (turnover) and platinum (looking for investors).

2) Relationship of Entrepreneurial Orientation to Micro Enterprise Performance

Table 2 shows the estimated parameter coefficient value of the standardized regression weight obtained at 0.000 and a CR value of 6.217. This shows that the relationship between Entrepreneurship Orientation and Micro Business Performance is positive. Testing the relationship between the two variables shows a probability value of 0.000 ($p < 0.05$).

The results of this study are in line with several studies which state a positive and significant relationship between entrepreneurial orientation and company performance (Brouthers et al., 2014; Aziz et al., 2014; Hakala, 2013; Al-Dhaafri et al., 2013).

Micro-enterprises in Depok City are developed through training, where in the WUB, the dimensions of looking for opportunities for an entrepreneur include Entrepreneurial Mindset, Products and Customers. Meanwhile, the innovation dimension was developed more after the

WUB training, when interacting in the community. The challenge is in the risk dimension, in general the level of acceptance is still low. This is because the capital they have is limited, so they are careful in managing their business so as not to lose money.

The implication is the need to increase acceptance of risk. The greater the risk that can be accepted, the greater the opportunity to grow. Meanwhile, the City Government of Depok, should carry out a massive introduction of risks in business to business actors. The government can create forums that raise awareness of business risks on a regular basis to reach all MSME community groups, for example by inviting banking/financial institutions.

3) The Relationship between Technology Orientation and Micro Business Performance

Table 2 shows the estimated parameter coefficient value of the standardized regression weight obtained at 0.003 and a CR value of 2.965. This shows that the relationship between Technology Orientation and Micro Business Performance is positive. Testing the relationship between the two variables shows a probability value of 0.003 ($p < 0.05$).

The results of this study are in line with several studies which state a positive and significant relationship between technology orientation and company performance (Salavou, 2010; Mu & Di Benedetto, 2011; Spanjol et al., 2011). Also, several studies have used technology orientation to investigate firm performance (Hakala & Kohtamaki, 2011; Hortinha et al., 2011).

Technology orientation has 2 dimensions, namely new products and technological innovation. In giving birth to new products, where in WUB there is Product Development material. Meanwhile, in the Product Innovation dimension, business actors also receive guidance on food processing, proper health, packaging and appropriate technology to strengthen product technology skills.

for micro-enterprises in Depok City, it is expected that business actors often seek the latest information about developments in

product technology in their business fields. Meanwhile, the City Government of Depok, should increase the number of MoUs in collaboration with the industrial world (especially F&B) and the research world such as BRIN (National Research & Innovation Agency) so that MSME product research gets support.

4) The Relationship of Learning Orientation to Micro Enterprise Performance

Table 2 shows the estimated parameter coefficient value of the standardized regression weight obtained at 0.000 and a CR value of 6.164. This shows that the relationship between Learning Orientation and Micro Business Performance is positive. Testing the relationship between the two variables shows a probability value of 0.000 ($p < 0.05$).

This result is in line with research that considers learning orientation as a variable that improves company performance (Hakala, 2013; Mahmoud & Yusif, 2012). Other research considers learning orientation as a variable that enhances firm performance (Farrell et al., 2008).

Learning Orientation has 3 dimensions namely awareness, commitment and creativity. The dimension of learning awareness is evident from the always full classes held by both the government and other stakeholders. Learning commitment needs to be a concern. This is reflected in the fact that micro business actors are given business assistance for 6 months, however, the number of participants who take part in consistent assistance continues to decrease.

The implications for micro-enterprises in Depok City are that they are expected to be actively involved in the MSME community. It is also hoped that micro-entrepreneurs will open themselves up with other learning resources, for example reading books, free and paid seminars, attending business forums which often increase knowledge. As for the Depok City Government, it is important to embrace the MSME community in its development program. A strong community will become a magnet for members and continue to maintain a commitment to learning together.

5) Influence Market Orientation, Entrepreneurship Orientation, Technology Orientation, and Learning Orientation on Micro Business Performance

Table 3 shows that there are results of Simultaneous Hypothesis Testing (Test f) with a significance value of 0.000 ($0.000 < 0.05$). This value can prove the hypothesis is accepted, which means that "There is influenceMarket Orientation, Entrepreneurship Orientation, Technology Orientation, and Learning Orientation on Micro Business Performance"

The results of this study are in lineWhile the marketing and strategic management literature has revealed that a company's strategic orientation is a significant indicator of performance (Grinstein, 2008), some literature also shows that strategic orientation encompasses several different strategic focuses in various studies and the effects of different focuses on performance differ between studies. (Kim et al., 2013). The linkages between different strategic orientations can give companies a competitive advantage which can result in better performance (Hult et al., 2005). Also research that market orientation, technology orientation, entrepreneurial orientation, and learning orientation are the most important company resources that can give companies a competitive advantage and result in better performance (Ibrahim & Shariff, 2016).

Micro business performance in this study refers to the financial, market and customer retention dimensions. In the financial dimension, business processes have generated profits/profits consistently from time to time. However, sales figures are difficult to increase. This means that the business is running, profitable, but not growing. In the market dimension, this study illustrates that even though we continue to enter new markets, market share has not increased. This means that previous customers / target market left / abandoned as new customers are acquired. This is increasingly confirmed by the third dimension, namely retaining customers (customer retention). In this study the level of customer satisfaction tends not to increase,

so that customer retention also does not increase.

The implication is that micro businesses must increase customer satisfaction and increase customer retention. One way is to improve the quality of products and services / service. For the City Government of Depok, the same point needs to be made in order to increase customer satisfaction and maintain customer retention. In terms of product quality, this can be in the form of continuous product curation and training to maintain quality, as a condition for obtaining other service facilities, for example to obtain halal certification support, the product must be curated. Whereas in terms of service, the form of activity can include a service curriculum in the training roadmap, involving the service industry (hotels, banking) to foster services for business actors.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the research above, it can be concluded that Strategic Orientation (Market, Entrepreneurship, Technology and Learning) both partially and collectively has an effect on the Performance of Micro Enterprises in Depok City. The effect that occurs is directly proportional. This means that if the Strategic Orientation is high, then the Performance of Micro Enterprises in Depok City is also high. Vice versa, if the Strategic Orientation is low, then the Performance of Micro Enterprises in Depok City is also low.

Suggestions based on this research are that micro-entrepreneurs can run their businesses based on strategic orientation, the government supports micro-enterprises by conducting training based on strategic orientation and for further researchers to be able to examine other relevant variables such as social media orientation and its effect on micro-business performance.

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