The influence of entrepreneurial orientation on competitive advantage, as well as its implications for marketing performance in Bag Msmes in Bogor

Leny Muniroh, Ngadino Surip Diposumarto, Hari Muharam
Doctoral Program in Management Science, Graduate School of Pakuan University, Indonesia

Email Correspondence: lenymuniroh@gmail.com

Abstract. The role of MSMEs currently has an impact on post-pandemic economic recovery and a number of problems faced in the last 3 years on their business performance, potential factors in their business performance include entrepreneurial orientation, knowledge management, and partnership strategies in increasing innovation and adaptability, besides that Knowledge management also plays an important role in improving MSME performance by facilitating knowledge management which is effective. Partnership strategies, especially with parties that have market access and a wide network, can expand market share and increase product exposure. Therefore, the purpose of this study is to understand the influence of each of these factors on MSME marketing performance and how these factors interact in the context of MSMEs in Bogor Regency, a survey of 176 samples of MSMEs in Bogor Regency uses a quantitative approach to prove the research hypothesis through structural equation modeling. The novelty of this research is an analysis of Internal Resources factors, Digital Marketing, and Partnership Strategies that have an impact on Marketing Performance. This study concludes that if the increase in Internal Resources has an impact on marketing performance behavior and provides competitive advantages, besides that digital marketing can also have an impact on strengthening products to be able to compete and partner relationships will have an impact on products, services, and materials produced, this conclusion confirms the importance of quality internal resource management in an effort to achieve success in the bag business. This research posits both theoretical and practical implications, and limitations of the study

Keywords. entrepreneurial orientation, competitive advantage, marketing performance

Introduction:

The MSME Development Department of Bank Indonesia (2016) questions why the performance of Indonesian MSMEs is still relatively below that of several neighboring countries with relatively similar levels of economic development. The results of the study identified that there are two sources of causes of low productivity of Indonesian MSMEs, namely internal and external factors. Internal factors include aspects that determine the company's competitiveness that are internal to the company such as productivity and innovation. Some factors that greatly affect the level of productivity and innovation of the company, namely the quality of human resources, corporate culture, the educational
background of owners and workers and the character of stakeholders in the company. External factors also affect and support the competitiveness of MSMEs. These factors include *ease of doing business*, access to finance and capital, market access, infrastructure, and general macroeconomic conditions.

Meanwhile, LPPI and Bank Indonesia (2015) identified problems faced in the development of MSMEs in Indonesia as internal and external. Problems that are internal or originating from within the MSMEs themselves are as follows. First, business capital, around 60 - 70% of MSMEs have not received access or banking financing. Among its causes, geographical barriers. Not many banks have been able to reach remote and remote areas. Then administrative constraints, MSME business management is still managed manually and traditionally, especially financial management. The manager has not been able to separate the money for household and business operations. Second, human resources (HR), namely lack of knowledge about the latest production technology and how to carry out *quality control* on products. At the level of owners or managers, they generally do not have a strong entrepreneurial orientation and market orientation. MSME owners or actors generally run businesses based on heritage and very rarely dare to take risks to innovate in business operations. The ability to read market needs is still not sharp, so it has not been able to carefully capture the needs desired by the market. Product marketing still relies on a simple way, namely mouth to mouth marketing (word of mouth marketing). In general, MSMEs in Indonesia have not made social media or internet networks as marketing tools. In terms of quantity, MSMEs have not been able to involve more workers due to limited ability to pay. Because MSME owners are still often involved in technical issues, they do not think about their long-term goals or strategic plans. Third, the legal aspect, in general, MSME business actors are still individual legal entities. Fourth, accountability, which does not have a good financial administration and management system.

The external problems faced by MSMEs in Indonesia are as follows. First, the business climate is still not conducive. Coordination between MSME *stakeholders* is still not cohesive. Government agencies, educational institutions, financial institutions, and business associations run more often respectively. Incomplete handling of aspects of legality of business entities and smooth licensing procedures, arrangement of business locations, high transaction or business costs, infrastructure, and policies in the aspect of funding for MSMEs. Second, infrastructure, namely limited business facilities and infrastructure, especially those related to technological tools. Most MSMEs use technology that is still simple. Third, access, namely limited access to raw materials, so that MSMEs often get low-quality raw materials. Access to technology is also limited, especially when the market is controlled by certain companies or business groups. The technology owned by MSMEs has not been able to keep pace with the rapidly changing consumer tastes, especially for MSMEs that have been able to penetrate the export market, so they are often involved by companies with larger capital. Other major access limitations are access to finance and capital. It has been stated that around 60 - 70% of MSMEs have not received access or banking financing.

Basically, the general problems faced by MSMEs can be simplified into two groups, namely the low ability of business managers, mainly caused by the low quality of human resources (HR) and limited access of MSMEs to productive resources (Azis & Rusland, 2009). HR problems are the most decisive critical factor to achieve success in various activities or businesses, both MSMEs and large businesses. This condition occurs due to the low level of education, knowledge, and experience in the business sector. These limitations that are almost generally applicable for MSMEs are especially prominent in aspects of entrepreneurial
orientation, management, production techniques, planning, quality control, product development, accounting, and marketing techniques. Limited human resources reduce product quality, thus making the ability to penetrate new markets for the business sector. In addition, most MSMEs also face the problem of limited access to productive resources, especially marketing, capital, and technology. Some aspects related to marketing issues are the level of fierce competition both in the domestic market and in the export market. In general, the product quality and productivity level of MSMEs in Indonesia are low, coupled with a business climate that is not yet conducive in the country, which incurs high economic costs, such as expensive licensing arrangements, with long procedures, and many unofficial levies fees also weaken the competitiveness of MSME products.

The second major weakness found in Indonesian MSMEs, including in Cirebon Regency, is that capital is still very limited (Azis & Rusland, 2009). This weakness stems from two conditions. First, in general, the form of MSME business entities in Indonesia is an individual informal business. The majority of MSME owners in Indonesia prefer not to formalize or legalize their business. Simple organization, ease of running a business, complicated taxation procedures are the main reasons to maintain the status as an informal business. Second, MSME access to capital is still low. This problem generally occurs in novice MSME actors, who do not yet have a business license, located in rural areas, with relatively inadequate infrastructure conditions, making it difficult to reach financial institutions. When starting a business, MSME actors rely on their own capital or from loans or assistance from those closest to them. In addition, it must be recognized that it is difficult to obtain financial assistance from banks due to a number of requirements that are difficult for MSMEs to meet, such as the necessity of collateral and various administrative matters that must be prepared, as well as minimal information about existing credit procedures and schemes. Meanwhile, there are also fundamental problems in facilitating export financing. Around 60-70% of MSMEs have not received access or banking financing (LPPI and BI, 2015). Among its causes, geographical barriers. Not many banks have been able to reach remote and remote areas. Then administrative constraints, MSME business management is still managed manually and traditionally, especially financial management. The manager has not been able to separate the money for household and business operations.

Another limitation of MSMEs that is no less important is technological limitations, especially found in micro and small enterprises (Azis & Rusland, 2009). This technological constraint can be caused by many factors, including limited capital to buy new machines to improve or perfect the production process, limited information about technological developments or new production tools, and limited human resources in operating new machines or information technology tools so that it is difficult to make innovations in products and production processes. In the era of free trade and global competition, the use and mastery of modern technology will become more important than natural resource factors to increase competitiveness and comparative advantage into competitive advantage.

Meanwhile, according to the MSME Development Department of BI (2016), Indonesia's MSME business performance, in general, is still relatively low compared to ASEAN countries with relatively similar levels of development, especially in terms of productivity, contribution to exports, participation in global and regional production networks and contribution to added value. Business performance is the ability of a business to achieve planned results measured by desired outputs and incorporates results related to financial performance, market performance, and shareholder results (Richard et al., 2009). Business performance is also seen as a measure of organizational success by paying attention to the value
provided to both internal and external customers (Arisi-nwugballa, Elom, & Onyeizugbe, 2016). Measurement of MSME business performance in developing countries would be better to use perceptual or subjective measures, such as customer and product performance, because these businesses are generally in the informal sector that has not applied accounting strictly in company operations (Arisi-nwugballa et al., 2016).

Based on the development of the import value of food and beverage products which averages 20% per year, it can be stated that the business performance of small and medium enterprises in the food processing sector in Indonesia is still low (Taneo, Setyaningsih, & Lindawati, 2017). The low business performance of small and medium enterprises is closely related to the environment of the food processing industry, innovation capabilities, macroeconomic conditions, and the competitive strategies of these small and medium-scale companies. Because of their size, MSMEs cannot obtain human resources and modern technology to benefit (Rini, Lisnini, Maretha, & Pebrianti, 2020). It goes on to argue that these enterprises should rely on the resources and capabilities of the owners. Thus, these owner skills are critical to the success and survival of small companies. Both market orientation and entrepreneurship not only allow companies to absorb the pressures created by the dynamic and complex business environment, but also help them to reap the benefits of new business opportunities.

The MSME sector in Cirebon, both the food processing sector and other sectors, also faces problems, namely low business performance (Kurniawan, 2019). This low business performance is an obstacle in the development of the MSME sector in Cirebon. There are three main sources that cause the low performance of MSME businesses in Cirebon, namely capital, quality and quantity of human resources, and marketing access (Kurniawan, 2019). Capital is the first biggest obstacle to the achievement of MSME business performance, both in the food processing sector and other sectors in Cirebon. This happens because in general, MSMEs have low access or even no access to banking. Meanwhile, banks consider that MSMEs do not have physical assets with a large value so that they are at high risk when given loan funds for business development. In addition, the income of MSMEs is also unpredictable, which has an impact on the ability of borrowed capital, which is also unpredictable.

Human resources, both quality and quantity, are the second biggest obstacle in achieving high performance of MSMEs. This is because most of the human resources owned by MSMEs are self-taught so that the quality of their abilities and entrepreneurial orientation is uneven. Limited marketing access is the third biggest obstacle for MSMEs, both in the food processing sector and other sectors in Cirebon. MSME players in Cirebon do not yet have broad access to both domestic markets, especially the international market. This limited access is due to production volumes that have not reached the minimum limit of export and import regulations. In addition, MSMEs in Cirebon are still oriented to the domestic market so that the development of creative products is still limited to things that are generally already circulating in the market and sales still use conventional methods.

One of the sub-districts that is the center of food processing MSMEs in Cirebon Regency is Tengah Tani District. In this sub-district, various types of snack food processing MSMEs have developed, including crackers. However, in 2016, the production level of some MSMEs in this sub-district decreased (Layaman & Nurlatifah, 2016). Some MSMEs state that capital is one of the factors causing the decline in the amount of production, in addition to raw materials. Some of the raw materials needed in the cracker production process include the most important ones, namely buffalo skin and flour which are processed into skin crackers and mares crackers, uncertain supply compared to consumer demand so that production results are limited.
Similar conditions also occur in food processing MSMEs in other regions. The number of UMKM in the food processing sector in Semarang City has increased, but the increase is not necessarily accompanied by business success because entrepreneurship is only used as an alternative job in the midst of the difficulty of getting a better job (Krisdanti & Rodhiyah, 2016). In addition, there are obstacles that can cause business failure, namely competition. The number of UMKM engaged in the same field and producing products in the food processing sector, requires UMKM to be able to compete so that the business carried out lasts a long time. There needs to be an increase in the ability to compete with competitors so that business performance increases.

In addition to the furniture and metal industry, MSMEs in the food and beverage processing sector have an important role in the economy of Pasuruan City, both in the number of business units, the provision of jobs, their contribution to community income (Fibriyani & Mufidah, 2018). However, the competitiveness of MSMEs in this area is still low so they have difficulty in improving their business performance. In this context, the role of the government and other related parties is needed so that the performance of MSMEs continues to improve.

Small and medium enterprises are experiencing rapid development in Tangerang City and South Tangerang (Prastowo, 2020). In both of these areas, the food processing (especially culinary) and fashion sectors dominate small and medium enterprises. However, the development of small and medium enterprises in these two regions still faces problems, namely the low ability to increase business capacity. This problem is caused by lack of capital, difficulties in product marketing, tight business competition, difficulty obtaining raw materials, lack of technical production capabilities and expertise, lack of competence in business financial management, and licensing bureaucracy and business legislation that are not conducive. The problem is caused by two main factors, namely the problem of internal factors and external factors. Internal factors include human quality, technical aspects and operational capabilities as well as mastery of business or marketing strategies. Meanwhile, external factors are influenced by aspects of government roles and policies, business climate, economic stability conditions, and the influence of global economic competition (Prastowo, 2020).

As one of the tourist monitoring areas in West Java, MSMEs in the food processing sector also have an important role in the economy of Cianjur Regency, both in their contribution to local original income and labor absorption (Gemina & Ginanjar, 2019). However, the business performance of food processing MSMEs in Cianjur Regency shows a declining phenomenon. Some of the problems identified as the cause of the decline in business performance are lack of commitment and competence of business actors, difficulties in marketing products due to marketing that is still more conventional and the business motivation of business actors is relatively low (Gemina & Ginanjar, 2019).

Various studies have been conducted and found that many factors affect the business performance of MSMEs. First, MSME business performance is influenced by the internal and external environment ((Abdissa & Fitwi, 2016); (Indris & Primiana, 2015); (Purwidianti & Rahayu, 2015); (Riyanto, 2018); (Heart & Irawati, 2017); (Eltahir, 2018)). Internal environments that affect the business performance of small and medium-sized businesses include: marketing, finance, operations, human resources, and information systems; While the external environment includes: government policies, socio-cultural and economic aspects, universities, the private sector, and non-governmental organizations.
Research Methods:
Based on its nature, this study is a type of causal research because it aims to examine the influence of one variable on another variable (Sekaran, 2010). The variables tested in this study are variables that affect the creation of competitive advantage, namely entrepreneurial orientation, dynamic capabilities, and market orientation as well as their impact on improving MSME business performance. Based on its use, this research is basic research or pure research. This is because this research aims to increase scientific knowledge or to find new fields of research, meaning that the usefulness of research results is not immediately used but in the long term will be used.

Results and Discussion:
Entrepreneurial orientation ($X_1$) is measured using five dimensions and 12 indicators. The description of the data on the results of measuring entrepreneurial orientation is presented in Table 4.3. The average score of all entrepreneurial orientation indicators was 3.79 or 75.85% of the maximum score. When compared with the average score of all indicators, some indicators have an average score that is lower, equal to, or higher than the average score of the entrepreneurial orientation indicator.

The autonomy dimension ($X_{1.1}$) is measured using two indicators, namely initiative in production activities and initiative in marketing activities. The average score of the initiative indicator score in marketing activities (3.82 or 76.40% of the maximum score) is higher than the average score of all indicators. Meanwhile, initiatives in production activities (3.76 or 75.12%) were lower than the average score of all indicators. Therefore, evaluation and improvement of initiatives in production activities become a necessity in strengthening the autonomy dimension. Efforts to maintain initiatives in marketing activities are also important in order to continue to strengthen the autonomy dimension.

<table>
<thead>
<tr>
<th>Table 1. Description of Entrepreneurship Orientation Data ($X_1$)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dimension</strong></td>
</tr>
<tr>
<td>Autonomy ($X_{1.1}$)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Innovation ($X_{1.2}$)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Willingness to take risks ($X_{1.3}$)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Proactiveness ($X_{1.4}$)</td>
</tr>
</tbody>
</table>
### Efforts to expand the target market (X1.4.2)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Score</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efforts to expand the target market</td>
<td>3.78</td>
<td>75.60</td>
</tr>
</tbody>
</table>

### Efforts to expand marketing territory (X1.4.3)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Score</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attempts to win the competition</td>
<td>3.79</td>
<td>75.77</td>
</tr>
<tr>
<td>Efforts to grow customers</td>
<td>3.81</td>
<td>76.19</td>
</tr>
</tbody>
</table>

### Aggressiveness in competition (X1.5)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Score</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attempts to win the competition</td>
<td>3.79</td>
<td>75.77</td>
</tr>
<tr>
<td>Efforts to grow customers</td>
<td>3.81</td>
<td>76.19</td>
</tr>
</tbody>
</table>

### Variable Average Score

<table>
<thead>
<tr>
<th>Score</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.79</td>
<td>75.85</td>
</tr>
</tbody>
</table>

Source: Data Processing Results (2023)

The dimension of innovation (X1.2) is measured using two indicators, namely new ideas or techniques in production activities and new ideas or techniques in marketing. The average score of the indicator of a new idea or technique in marketing activities (3.79 or 75.89% of the maximum score) is equal to the average score of all indicators and higher than that of a new idea or technique in production activities (3.74 or 74.70%). Therefore, the enrichment of new ideas or techniques in production activities is important for MSME players to increase innovation in business operations. Enrichment of new ideas or techniques in marketing activities will be able to maintain the dimension of innovativeness.

In measuring the dimension of willingness to take risks (X1.3), it was found that the average score of the indicator score of accepting risky orders or orders was 3.81 or 76.19% of the maximum score, higher than the average score of all indicators and the highest compared to the other two indicators. The average score of the indicator of efforts to get a great opportunity is the same as the average score of all indicators, which is 3.79 (75.71% of the maximum score). Meanwhile, the measurement of the risk-taking courage reward indicator was 3.77 or 75.48% lower than the average score of all indicators and the lowest compared to the other two indicators. Therefore, increasing willingness to take risky orders can be suggested for strengthening the risk-taking dimension in addition to increasing efforts to obtain large opportunities as the second highest indicator. Conversely, evaluation of the reward of risk-taking courage can also be suggested in order to support the strengthening of risk-taking willingness.

Using three indicators, the measurement of the proactivity dimension (X1.4) found that attracting new customers was an indicator that had an average score higher than the average score of all indicators, which was 3.84 or 76.79% of the maximum score and the highest compared to the average score of the other two indicators. Meanwhile, efforts to expand the target market are indicators with an average score lower than the average score of all indicators, which is 3.78 or 75.60% of the maximum score and the lowest compared to the average score of the other two indicators. Therefore, increasing efforts to attract new customers can be suggested for strengthening the proactivity dimension in addition to increasing efforts to expand marketing areas as the second highest indicator. Conversely, evaluation of efforts to expand the target market can also be suggested in order to support the strengthening of proactivity.

The measurement of the dimension of aggressiveness in competition (X1.5) found that the average score of the indicator of efforts to increase subscribers was 3.81 or 76.19% of the maximum score, higher than the average score of all indicators and indicators of efforts to win
the competition, which was 3.79 or 75.77% of the maximum score. Therefore, increasing efforts to increase customers can be suggested for strengthening the dimension of competitive aggressiveness. Evaluation of efforts to win the competition can also be suggested in order to support the strengthening of competitive aggressiveness

**Conclusion:**

Based on the results and discussion, in general, it can be concluded that improving MSME business performance can be done by creating competitive advantages and increasing the dynamic capabilities of MSME actors or managers. The creation of competitive advantage requires having a strong entrepreneurial orientation and market orientation as well as high dynamic capabilities by MSME actors or managers. As an answer to the problems and objectives of the study, specifically, the results of this study can be concluded that entrepreneurial orientation has a positive and significant effect on the competitive advantage of food processing MSMEs. Having a strong entrepreneurial orientation by MSME actors or managers is very necessary to create and maintain the competitive advantage of the businesses they manage. This strong entrepreneurial orientation is especially related to proactivity which is realized by efforts to expand the target market in business operations.

**Bibliography:**


