

THE EFFECT OF E-COMMERCE, ENTREPRENEURSHIP ORIENTATION AND MARKET ORIENTATION ON BUSINESS PERFORMANCE

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ABSTRACT

MSMEs have an important role in the Indonesian economy. It is necessary to know the factors that affect the performance of SMEs. The purpose of this research is to test empirically the effect of e-commerce, market orientation, and entrepreneurial orientation on MSME business performance. The research method used is the quantitative method. The population in this study are the owners of MSME Ayam Geprek di Jakarta. The sampling technique uses the purposive sampling method. The Source of data used is primary data. The data analysis tool used was regression analysis which was processed using Partial Least Squares Structural Equation. The results of this study indicate that e-commerce has a positive and significant effect on business performance. Market orientation has a positive but insignificant effect on business performance. Entrepreneurial orientation has a positive and significant effect on business performance.

Keywords: *e-commerce, entrepreneurial orientation, market orientation, business performance*

1. INTRODUCTION

In 1998, there was a multi-dimensional crisis in Indonesia. The crisis occurred in the economic, political, social, and security fields. During the crisis, MSMEs were able to survive compared to big companies. The largest business center in Indonesia is Jakarta. On this basis, it is important to research determining the performance of MSMEs in Jakarta.

MSMEs contribute to the Indonesian economy. The rapid development of MSMEs is needed for the economic growth of a country. MSMEs have a good impact on increasing employment, thereby providing income for the surrounding community (Kadeni, 2020). MSMEs have an important role in the Indonesian economy. The important role of MSMEs in the economy is to balance the economy because MSMEs can reach remote areas and meet the daily needs of the community then can reduce poverty because it can open up new jobs to reduce rising unemployment.

Rapid technological advances have an impact on product life cycles that are getting shorter. The increasingly fierce level of competition greatly affects the business performance of MSMEs. The culinary MSME business emerged and grew rapidly in various regions, including Jakarta. One of the interesting things to study is Geprek MSMEs because food made from chicken is favored by many customers. In Jakarta, there are various types of fried chicken culinary. Here's the data: Ayam Geprek Mas Eko, Ayam Geprek Jarwo, Ayam Geprek Benu, Ayam Geprek Juara, Ayam Geprek Jakarta, Ayam Geprek Sambel Petir, Ayam Geprek Si Gendut, Ayam Geprek Master, Dan Ayam Geprek Qodir Amster.

The growing business concept provides a form of business development (Mancuso & Boroian, 1995). A business that usually uses a franchise system is a business that has been tested and is successful in its field, so it is considered to be able to "guarantee" profits. These factors become

an added value to attract the wishes of the wider community because those who want to start a business do not need to start a business from scratch. The franchise has an integrated system that allows franchisees to run their business well (Hanim, 2011). Related to the above, franchising in the fast food sector is now much favored by business people.

The good or bad of a company is seen from the performance that has been achieved. Performance is the level of effectiveness and efficiency of the efforts made by the organization in achieving organizational goals. Performance measurement is data analysis and control for business (Edison et al., 201). Performance measurement is carried out to improve operational activities to continue the business. Performance measurement is very important so that companies can manage effectively and efficiently (Mulyadi, 2015). Business performance is a concept to measure the market performance of a product (Winata, 2010). Every company is interested in knowing the market performance of its products to reflect the success of its business in the world. Business success is characterized by being able to survive to continue its business operations. MSME performance can be interpreted as a measure of the achievement of a business run by an individual or group that manages a business unit based on predetermined goals or criteria.

The following factors can affect business performance, namely: e-commerce, entrepreneurial orientation, and market orientation. E-commerce affects business performance (Kshetri & Dholakia, 2004), (Kim and Kim, 2008). Generally, MSMEs have weaknesses in marketing products, with e-commerce being able to help to overcome them. Factors that affect business performance are entrepreneurial orientation and market orientation (Buli, 2017). Entrepreneurial orientation refers to processes, practices, and decision-making that encourage new investments, and has three aspects of entrepreneurship, namely being risk-taking, proactive, and always innovative (Lumpkin and Dess, 1996). A high level of entrepreneurial orientation is closely related to the driving force, providing opportunities for entrepreneurs to take advantage of these opportunities and opportunities, which in turn has a positive impact on business performance. Market orientation is a concept that focuses on creating high value for consumers (Craven, 2004).

The problems that are often faced by MSMEs from an individual perspective are a lack of knowledge about business, lack of courage, and lack of innovation in running a business. Indonesian MSMEs are still relatively low in entrepreneurship and market orientation compared to other countries (Kuncoro, 2006). The purpose of this study was to determine the effect of e-commerce, entrepreneurial orientation, and market orientation on the business performance of Geprek Chicken Culinary SMEs in Jakarta.

2. LITERATURE REVIEW

The Effect of E-Commerce on Business Performance

In the era of information technology, it is important for companies to adopt e-commerce to improve their business performance. The results showed that internal factors and external organizational factors affect the performance of SME wireless networks by using technology related to marketing and perceived competition which has an impact on company efficiency (Crespo and Bosque, 2008). Internet use in business is beneficial for both customers and entrepreneurs (Kshetri and Dholakia, 2004). The benefits of using the internet in business include price advantage, product variety, product value, customer convenience, and easy access to information. Companies that adopt technology can improve their performance in the form

of increased efficiency. Some studies reveal that companies that adopt e-commerce can significantly reduce transaction costs (Lohrke et al., 2006).

MSMEs that adopt e-commerce can improve the efficiency of internal business processes and product supply chains (Kim and Kim, 2008). However, two major challenges that these firms face are their smaller size and lack of resources, compared to larger firms. Therefore, the adoption of the internet in business can help identify and develop a wider customer base and surpass global competition (Loane, 2005) by increasing global visibility, attracting new customers from different geographical locations (Martin, 2005), and serving more efficiently due to interactions that are now possible anytime and anywhere (Beck et al., 2001); (Johnston and Wright, 2004). In addition, the needs of current and potential customers are better understood and met by businesses that adopt the internet (Auger, 2005). Based on the results of these studies, it shows that companies that implement e-commerce can improve their business performance. Thus, the following hypothesis can be formulated:

H1: E-commerce affects business performance

The Effect of Entrepreneurial Orientation on Business Performance

Entrepreneurship literature so far has no consensus on the operationalization of the entrepreneurial orientation construct at the dimension level (Kilenthong et al., 2016). It is still a matter of debate whether entrepreneurial orientation is viewed as a unidimensional or multidimensional construct (Rauch, et al., 2009). Some groups of researchers view entrepreneurial orientation as unidimensional, while others state that the dimensions of entrepreneurial orientation are multidimensional. Each dimension of the research variable can describe aspects of a multidimensional concept.

Some researchers suggest using the dimensions of entrepreneurial orientation or in other words, treating entrepreneurial orientation as a multidimensional concept. As a multidimensional concept, entrepreneurial orientation can have different impacts on firm performance. This suggestion may lead to different results, where each dimension in entrepreneurial orientation may show different relationships with organizational performance. The use of entrepreneurial orientation dimensions can make a unique contribution to all levels of firm performance (Kreiser et al., 2002). Researchers should always treat entrepreneurial orientation as a multidimensional construct (Miller, 2003). Based on this explanation, the following hypothesis can be formulated:

H2: Entrepreneurial orientation affects business performance.

The Effect of Market Orientation on Business Performance

The market is a potential and actual buyer. A managed company that can meet and even exceed the value required by customers or the market can improve its business performance. Decision making by companies in the marketing field to determine products, prices, distribution, and marketing communications through active customer involvement reflects the application of an entrepreneurial marketing approach (Morrish et al., 2010). Small-scale companies are generally less competitor-oriented than large-scale companies (Mika and Leminen, 2018). Companies that implement entrepreneurial marketing must be competitor-oriented so that what competitors do is a concern and consideration in making marketing decisions (Mika and Leminen, 2018). The business environment is constantly changing, this makes entrepreneurs have an important role in dealing with business competition and identifying opportunities and threats. Companies whose category is classified as small scale need to pay more attention to

competition both directly and indirectly to build a sustainable competitive business in order to achieve superior business performance (Mancuso & Boroian, 1995). Market-oriented companies that pay attention to customer service, product quality, and customer value have a positive effect on business performance (Hempenius, 2012). Based on this explanation, the following hypothesis can be made.

H3: Market orientation affects business performance

Based on the research objectives, literature review, and hypothesis development, the research model can be presented in Figure 1 as follows:

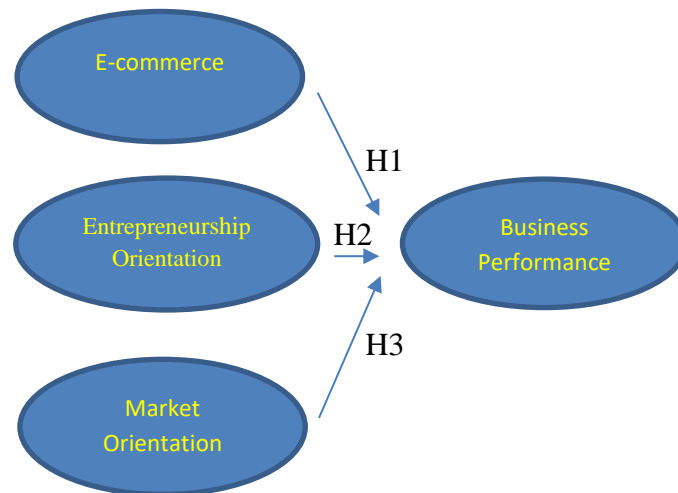


Figure 1 Research Model

3. METHODOLOGY

The research method used is a quantitative method with a causal research design. The population of this study is the owner of Geprek chicken MSMEs in Jakarta. The sampling technique used was purposive sampling with criteria for MSME owners in Jakarta that had been operating for 1 year or more. The number of samples in this study was 50 respondents. Methods of data collection using a questionnaire.

Operationalization of variables for business performance variables is measured by indicators: customer relations, service quality, customer involvement, brand / company reputation, customer loyalty, customer retention, customer service, product / service awareness, and market share. E-commerce is measured by indicators: innovation, proactiveness, risk-taking, competitive aggressiveness, and autonomy.

Indicators to measure entrepreneurial orientation include service to consumers, product development based on information from customers, and competitors, customer value, product differentiation, customer focus, and creating the best product. Market orientation variables are measured by indicators: business goals driven by customer satisfaction, measuring customer satisfaction regularly, company response to competitive activities that threaten the company, top management discussing foreign strategies regularly, integrated company in providing

services to the needs of the target market. Hypothesis testing using regression analysis with SmartPLS software.

4. RESULTS AND DISCUSSION

The following is a table showing the results of the validity and reliability tests in this study.

Table 1. Test the Validity of Business Performance Variables

Number of Question Item	Outer Loading	Criteria	Description
BF1	0.94	> 0.7	Valid
BF2	0.895	> 0.7	Valid
BF3	0.912	> 0.7	Valid
BF4	0.949	> 0.7	Valid
BF5	0.945	> 0.7	Valid
BF	0.912	> 0.7	Valid
BF7	0.950	> 0.7	Valid

Source: Output from SmartPLS

Viewed from Table 1, it is known that the value of outer loading > 0.7 so all question items for this business performance variable can be said to be valid. Next are the results of validity testing for the e-commerce variable.

Table 2. E-Commerce Variable Validity Test

Number of Question Item	Outer Loading	Criteria	Description
EC1	0.894	> 0.7	Valid
EC2	0.879	> 0.7	Valid
EC3	0.89	> 0.7	Valid
EC4	0.895	> 0.7	Valid
EC5	0.89	> 0.7	Valid

Source: Output from SmartPLS

Viewed from Table 2, it is known that the value of outer loading > 0.7 so all question items for this e-commerce variable can be said to be valid. Next are the results of validity testing for the entrepreneurial orientation variable.

Table 3. Test the Validity of Entrepreneurial Orientation Variables

Number of Question Item	Outer Loading	Criteria	Description
EO1	0.878	> 0.7	Valid
EO2	0.893	> 0.7	Valid
EO3	0.852	> 0.7	Valid

EO4	0.915	> 0.7	Valid
EO5	0.922	> 0.7	Valid
EO	0.934	> 0.7	Valid
EO7	0.85	> 0.7	Valid

Source: Output from SmartPLS

Judging from Table 3, it is known that the outer loading value is > 0.7 so all question items for this entrepreneurial orientation variable can be said to be valid. Next are the results of validity testing for the market orientation variable.

Table 4. Market Orientation Variable Validity Test

Number of Question Item	Outer Loading	Criteria	Description
MO1	0.887	> 0.7	Valid
MO2	0.920	> 0.7	Valid
MO3	0.88	> 0.7	Valid
MO4	0.883	> 0.7	Valid
MO5	0.919	> 0.7	Valid

Source: Output from SmartPLS

Viewed from Table 4, it is known that the outer loading value is > 0.7 so all question items for this market orientation variable can be said to be valid.

Table 5. AVE Results

Variable	AVE	Criteria	Description
E-Commerce	0.78	> 0.5	Valid
Market Orientation	0.809	> 0.5	Valid
Entrepreneurial Orientation	0.800	> 0.5	Valid
Business Performance	0.85	> 0.5	Valid

Source: Output from SmartPLS

Seen in Table 5. it is known that the AVE value > 0.5 so that all question items for all variables can be said to be valid. Next are the results of the reliability test:

Table 6. Reliability Test Results

Variable	Cronbach's Alpha	Composite Reliability	Description
E-Commerce	0.932	0.948	Reliable

Market Orientation	0.941	0.9	Reliable
Entrepreneurial Orientation	0.958	0.9	Reliable
Business Performance	0.974	0.948	Reliable

Source: Output from SmartPLS

Viewed from Table 6, it can be seen that each variable in this study has a value greater than 0. so it is said to be reliable.

Results

The following is the test result of the outer model using SmartPLS. Table 7 shows the results of the hypothesis testing

Table 7. Structural Model Results

Hypothesis		Path Coefficient	t-Statistics	p-Values
H1	E-Commerce → Business Performance	0.44	2.328	0.010
H2	Entrepreneurial Orientation → Business Performance	0.397	2.522	0.044
H3	Market Orientation → Business Performance	0.121	0.398	0.345

Source: Output from SmartPLS

From Table 7 it is known that the p-value of the e-commerce variable is 0.010 (< 0.05), so the test results support H₁. The positive e-commerce coefficient value is 0.44. So, there is a positive influence of e-commerce on the performance of the Ayam Geprek MSME business in Jakarta. The p-value of the entrepreneurial orientation variable is 0.044 (< 0.05), so the test results support H₂. The coefficient value of positive entrepreneurial orientation is 0.397. This means that there is a significant positive influence of entrepreneurial orientation on the business performance of Ayam Geprek SMEs in Jakarta. The p-value of the market orientation variable shows 0.345 (> 0.05) so the test results support do not support H₃. Furthermore, the coefficient value of the positive market orientation variable is 0.121. So, there is a positive influence that is not significant market orientation on the business performance of UMKM Ayam Geprek in Jakarta.

The results of the R-square test show the number 0.900 while the adjusted R square is 0.893. This means that all independent variables, namely e-commerce, entrepreneurial orientation, and market orientation, can affect the dependent variable, namely business performance by 90%. The independent variable that significantly affects business performance is 89.3% and the remaining 10.7% is influenced by other variables.

Discussion

The significance value for the e-commerce variable is below 0.05 with a positive coefficient value so that the test results support H₁. Based on this test, there is a positive effect of e-commerce on business performance. This is in line with previous research that the adoption of e-commerce in MSMEs increases efficiency in internal business processes and product supply chains (Kim and Kim, 2008). Similarly, internet businesses can help identify and develop a wider customer base and outpace global competition (Loane, 2005) by increasing global visibility, attracting new clients from different geographic locations (Martin, Matlay, 2003), and serving more efficiently as interaction is now possible any time or place (Beck et al., 2001); (Johnston and Wright, 2004). Also, the needs of current and potential customers are better understood and fulfilled by Internet businesses (Auger, 2005). The results of this study also support the results of research conducted by Lohrke et al. (2006) which revealed that e-commerce significantly reduces transaction costs so that it can improve business performance.

The significance value for the entrepreneurial orientation variable is below 0.05 so the empirical data test results are cloudy H₂. So there is an influence between entrepreneurial orientation on the business performance of the Ayam Geprek MSME in Jakarta. The results of this study support the results of previous research conducted by Kreiser et al. (2002). Indicators of entrepreneurial orientation variables that need to be considered by entrepreneurs in order of greatest influence are customer focus, product differentiation, customer value, product development based on information from customers, and competitors, and creating the best products, and services for consumers.

The significance value for the market orientation variable is below 0.05 so the results of the empirical data test do not support H₃. So there is no influence of market orientation on business performance. The results of this study do not support research that states that customer orientation in the form of customer service, product quality, and customer value has a positive effect on entrepreneurial marketing (Hempenius, 2012). The results show that small-scale companies are generally less competitor-oriented than large-scale companies (Mika and Leminen, 2018). Competitor orientation is deemed necessary for companies that implement entrepreneurial marketing, so competitor orientation must also be a concern in entrepreneurial marketing (Mika and Leminen, 2018). The UMKM Ayam Geprek in Jakarta generally has a relatively small business scale, which means that market orientation does not have a significant effect on business performance.

5. CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the results of the data analysis, the following conclusions can be drawn. E-commerce has a positive effect on business performance. Entrepreneurial orientation has a positive effect on business performance. Market orientation has no positive effect on business performance.

Suggestion

Based on the results of the analysis that has been carried out, it has theoretical and practical implications. For the next researcher, they can conduct research on culinary businesses whose business size scale is classified as middle to upper. Statistical test results may support the hypothesis that market orientation can affect business performance. Furthermore, practically,

the results of this study can be used as a consideration for improving the business performance of UMKM Ayam Geprek in Jakarta so that they apply an entrepreneurial orientation and use e-commerce.

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