Market and Environmental Orientation, Characteristics of Entrepreneurs, Broadscope Information on Performance of Smes in Palembang

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Abstract: The purpose of this study was to determine the influence of market orientation, environmental orientation, characteristics of individual entrepreneurs and broadscope information on the performance of SMEs in Palembang city through entrepreneurship orientation as mediated variable for SMEs that had only been established for three years. The population in this study were SMEs located in Palembang which were registered on the Ministry of Cooperatives and SMEs which had only been running for three years or had only been established for three years. Data collection techniques in this study were carried out using questionnaire method. Data analysis in this study would use multiple regression with path analysis technique. This study resulted in: only market orientation and broadscope information which had a significant and positive relationship with entrepreneurship orientation partially.

1 INTRODUCTION

MSME growth during 2014 to 2015 reached 25.38 percent or as many as 14,623 units. The significant growth has been able to encourage the development of economic sectors for creating new jobs and managed to absorb 56 796 workers with an investment of not less than Rp 513 billion (Anonymous, 2016). The potential of the e-commerce industry in Indonesia is also quite significant, based on Ernst & Young's analysis data, the growth of the value of online business sales in the country every year increases 40 percent. There are approximately 93.4 million internet users and 71 million users of smartphone devices in Indonesia. It will be interesting if it is connected with a newly established SME, considering how the choice of market orientation in the beginning will increasingly determine its business performance (Risnawati and Noerijati, 2008). Two variables showed that market orientation proved to have a significant positive effect on company performance. Similarly, (Setiawan, 2012) also shows that market orientation is shown to have a significant positive effect on business performance.

On the other hand, environmental change requires managerial and strategic capabilities of SME players.

Environmental changes, especially the economic environment make some SMEs forced to close down. But some SMEs can still survive because they are able to anticipate these changes. Environmental analysis needed for SMEs which were able to determine preventive measures and anticipate the changes that occur, so that it can quickly adapt and able to survive in any environmental conditions. SMEs can make appropriate strategic decisions for the survival of the company. The ability of SMEs to dominate and control the dynamic environment will affect the performance of the business, the researcher is interested to see the orientation of the environment in the newly established SMEs.

Individual characteristics are interests, attitudes and needs brought by someone in work or business. Individual characteristics are internal (interpersonal) factors that move and influence individual behavior. Human resources in organizations have a variety of individual characteristics that differ from one another. This difference in individual characteristics will affect the attitude and work behavior of members of the organization which will also affect the performance and job satisfaction of each member of the organization (Robins, 2009). Characteristics of individual entrepreneurs can be seen from education,

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training, age, business experience, ethnic origin, family background, and other aspects. (Nurhayati, 2011) in her research found that entrepreneurial psychological characteristics significantly and positively influence entrepreneurial competence and business performance. This shows the importance of building entrepreneurial characteristics because entrepreneurial characteristics determine business success.

Characteristic of SMEs is key to increase the usage efficiency of economic competitiveness development factors, enabling SMEs to have a more positive mindset, establish the sensitivity of the market and the creation of creativity and innovation in business. The importance of characteristics influence of individual entrepreneurs specifically on SMEs who have just stood up to their business performance, the researchers include research variables. While one of the other important roles for SMEs is the availability of information for the right people in the right way and at the right time. Information received by management varies greatly in form and function.

The entrepreneurial orientation itself reflects the extent to which companies tend to innovate, take risks, and are proactive (Frishammar and Horte, 2007). In the context of SMEs, entrepreneurial orientation shows a strong relationship to SME performance (Y.Li and Liu, 2008). SMEs have the ability to respond quickly to threats and business opportunities (Chen and Hanbrick, 1995). This ability is the foundation capital for SMEs to survive and improve their performance. SMEs must understand how new opportunities and threats arise as a result of changes in the industrial environment and develop appropriate strategies to respond. Companies in different industries often respond to changes in the industrial environment concerned because of the ability to understand current external issues and external factors.

2 METHODOLOGY

The population in this study were SMEs located in Palembang which were registered with the Ministry of Cooperatives and SMEs. The population limited to Palembang city because the development of medium-sized micro businesses in Palembang City contributed to 14% of the total growth of the national micro business. The data of the SMEs were 124 business units (BPS, 2014). Meanwhile, the characteristics of the sample in this study were 1. The SME has only been running for three years or has only been

established for three years, or 2. The annual sales result is at most Rp. 300,000,000.- (three hundred million rupiahs).

Data collection techniques in this study were carried out using questionnaire. Where researchers will prepare a number of questionnaires which are then distributed directly to the respondents in this study. The questions were made using a Likert scale 1 - 5. The sampling technique used was purposive sampling, namely the selection of elements to be sampled based on certain considerations. Questions asked to respondents regarding market orientation, environmental orientation, characteristics of individual entrepreneurs and broadscope information on the performance of SMEs in Palembang through entrepreneurship orientation as mediation for new SMEs standing three years.

The questionnaire adapted was based on the framework:

Table 1: Research variable indicator

Market Orientation	customer orientation, competitor orientation, interfunctional coordination
Environmental Orientation	Complexity, dynamic, and friendliness perceived by small and micro entrepreneurs
Characteristics of Individual Entrepreneurs	education, training, age, business experience, ethnic origin, family background
Broadscope Information	External information, non-economic information, non-financial information, future-oriented information
Performance of SMEs	Revenue, Sales Volume, Marketing Area
Entrepreneurship Orientation	innovation, independence, risk taking, leadership and aggressive competition

2.1 Research Framework
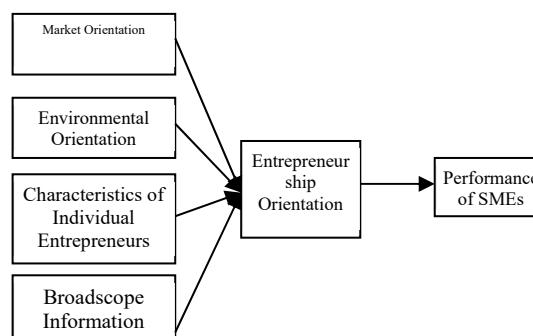
Source: Processed Data, 2018

Figure 1: Reseach framework

2.2 Hypothesis

The hypotheses proposed in this study are:

H1: There is an influence of Market Orientation on the Performance of SMEs

H2: There is an influence of environmental orientation on the performance of SMEs.

H3: There is an influence of individual entrepreneurs characteristics on the performance of SMEs.

H4: There is the influence of broadscope information on the performance of SMEs.

H5: The influence of market orientation, environmental orientation, characteristics of individual entrepreneurs and broadscope information on the performance of SMEs through entrepreneurship orientation as mediating variables.

2.3 Data Analysis Technique

Data analysis in this study would use path analysis techniques with the help of SPSS version 23 software, as for the series of tests to be carried out:

2.3.1 Descriptive Analysis

Descriptive analysis is an analysis of the characteristics of a state of the object under study. Descriptive statistics analyze data by selecting it in the form of a table (tabulation). The analysis in this study provided a detailed description of the profile of respondents, namely: type of business, number of workers, source of business capital, distribution, the amount of company turnover in a month, the level of education and experience of SME actors/owners, and information media used by SMEs. The analysis would be carried out using the help of statistical application software, SPSS.

2.3.2 Path Analysis

Path Analysis was developed by Sewal Wright in 1934. Bohrnstedt defined path analysis as "a technique for estimating the effect of a set of independent variables that have been on a dependent variable from a set of observed correlations, given a set of hypothesized causal asymmetric relating among the variables (Sunjoyo et al, 2013). Path analysis is an extension of multiple regression that is used to estimate causal relationships between variables that have been predetermined, and test the contribution or contribution of each exogenous variable to endogenous variables (Ghozali, 2011).

The steps in carrying out path analysis in this study are as follows: Describe path diagrams, calculation of path coefficients, calculation of the coefficient of determination, calculate variables outside the variables studied, and simultaneous testing. In testing the causal relationship which is based on a theory that does state that the variables studied have a causal relationship.

Path analysis is not intended to reduce causal theory, but in its use, it must be based on a theory which states that the relationship between these variables is causal. Thus, the strong weakness of the theory used in describing the causal relationship determines in the preparation of path diagrams and influences the results of analysis and scientific implementation (A Widiyanto, 2013).

The structural equation of the causality relationship is as follows:

Endogenous Variable = Exogenous Variable +Endogenous Variable + Error

Substructure Equation I

$$Y1 = a + PX1 + PX2 + PX3 + PX4 + \zeta1 \text{........ (Equation 3.1)}$$

Substructure Equation II

$$Y2 = a + Y1 + \zeta2 \text{............(Equation 3.2)}$$

Description :
X1 = Market Orientation
X2 = Environmental Orientation
X3 = Characteristics of Individual Entrepreneurs
X4 = Broadscope Information
Y1 = Entrepreneurship Orientation
Y2 = Performance UKM
e1 = Correlation coefficients outside the model
e2 = Correlation coefficients outside the model

2.3.3 Coefficient of Determination (adjusted R^2)

The coefficient of determination is used to measure how far the ability of the model is to explain the variation of the dependent variable. The greater the coefficient of determination of a model, the greater the ability of independent variables in explaining the variation of the dependent variable.

This study used adjusted R^2 ranging from 1 - 0. The closer to 1, the better the ability of the model to explain the dependent variable (Ghozali, 2011).

2.3.4 Model Feasibility (F Statistical Test)

F statistical test is used to determine whether the regression model is feasible or good to use. In this study criteria would be used if the probability is below 0.05, then an alternative hypothesis is accepted which states that the regression model is feasible or good for use in research.

2.3.5 Significance of Individual Parameters (T Statistical Test)

T statistical test is performed to show how far the influence of an independent variable individually in explaining the dependent variable.

To find out whether the hypothesis is rejected or accepted, the criteria are used if the significance calculation value is below 0.05, so the alternative hypothesis is accepted which states that individually independent variables affecting the dependent variable can be accepted (Ghozali, 2011).

3 RESULT AND DISCUSSION

3.1 Characteristic of Respondent

Details of the distribution and return of questionnaires are presented in Table 2. Based on the data in Table 2 the 116 questionnaires were processed meaning that the usable response rate was still quite high at 93.55%.

Table 2: Details of the distribution and return of questionnaires

Description	Number of Questionnaire
Distributed Questionnaires	124
Returned Questionnaires	121
Unreturned Questinnaires	3
Uncompleted Questionnaires	2
Processed Questionnaires	116
Usable Response rate (129/134 x 100%)	93.55%

Source: Processed Research Data

The description of respondents in number and percentage, by sex, age, length of business, number of workers, education, and type of business, is described in Table 3.

Table 3: Variable statistical description

Description	Total	Percentage
Gender		
Female	53	45.69
Male	63	54.31
Total	116	100
Age		
18-19 years old	11	9.48
20-21 years old	21	18.10
22-23 years old	35	30.17
24-25 years old	49	42.24
Total	116	100
Length of Business		
Less than 1 - 1 year	27	23.28
Between 2-3 years	89	76.72
Total	116	100
Number of Workers		
1-3 worker(s)	64	55.17
4-5 workers	52	44.83
Total	116	100
Education		
High school	45	38.79
doing D3/S1	26	22.41
D3/S1 Graduated	32	27.59
S2 Graduated	13	11.21
Total	116	100
Type of Business		
Craft	27	23.28
publishing and printing	24	20.69
computer services and software	25	21.55
Advertising, Video and photography	11	9.48
Fashion	29	25
Total	116	100

Source: Processed Primary Data

Sample respondents in this study were dominantly male, aged between 24-25 years, business length between 2 -3 years, with the number of workers as many as 4-5 people, education level is high school/equivalent, and with business group type is from craft.

3.2 Correlation between Variables

The results of the correlation between variables in the study are presented in Table 4.

Table 4: Result of the correlation between variables

Description		X1	X2	X3	X4	Y1	Y2
X1	r	1					
	Sig. **						
X2	r	.908**	1				
	Sig. **	.000					
X3	r	.700**	.732**	1			
	Sig.**	.000	.000				
X4	r	.159	.210*	.515**	1		
	Sig.**	.089	.024	.000			
Y1	r	.837**	.818**	.725**	.386**	1	.
	Sig.**	.000	.000	.000	.000		
Y2	r	.410**	.378**	.450**	.269**	.413**	1
	Sig.**	.000	.000	.000	.003	.000	

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

A good regression model should not have a correlation between the independent variables. Detection of the presence or absence of multicollinearity is by analyzing the correlation matrix of independent variables. The display of SPSS output in table 4. shows the correlation between independent variables below the tolerance limit of 90%.

3.2.1 Result of Substructure Model I

The Substructure I Equation is stated as follows:

$$Y1 = a + PX1 + PX2 + PX3 + PX4 + \zeta1$$

Table 5 presents the ANOVA test results for the equation of Substructure I.

Table 5: ANOVA test results for substructure I equation

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regressi on	643.165	4	160.791	96.29 6	.000b

a. Dependent Variable: Entrepreneurial_orientation
b. Predictors: (Constant), Broadscope_information, market _orientation, IW_characteristics, Environmental_orientation

Based on table 5, the significance value of ANOVA Test or F test produced F calculated of 96.296 with a significance level of 0.000. Because the significance probability is much smaller than 0.005, the regression model can be used to predict the performance of SMEs or it can be said that market orientation, environmental orientation, characteristics of individual entrepreneurs and broadscope information on entrepreneurship orientation. While the t-test results are presented in the following Table 6.

Table 6. T-Test result of substructure I equation

Model		Unstandardized Coefficients		Standard ized Coeffici ents		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.532	.926		2.736	.007
	X1	.568	.110	.565	5.141	.000
	X2	.320	.169	.215	1.895	.061
	X3	.049	.066	.060	.747	.457
	X4	.243	.061	.220	3.965	.000

The results show that the market orientation and broadscope information variables had a positive and significant influence on entrepreneurship orientation (sig value < 0.05). While other variables (environmental orientation and individual entrepreneurial characteristics) had no significant effect on entrepreneurship orientation.

The results of the Path Analysis substructure model 1 are presented as follows:
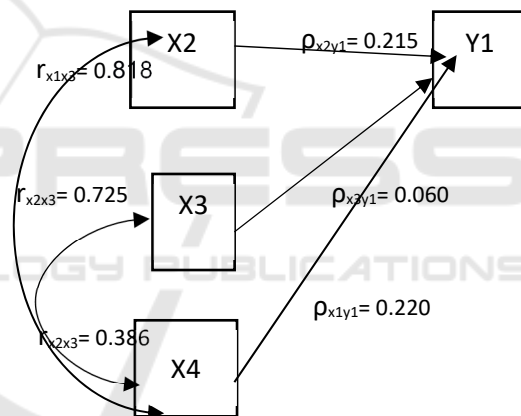

Figure 2: Results of the path analysis substructure model I

Based on Figure 2. can be stated as follows:

H1: There was a significant relationship between market orientation and entrepreneurship orientation.

The results show that the coefficient for X1 ➔ Y is 0.565 with a prob value (0.000) where the prob value is less than alpha 5%, there was a significant and positive relationship between expectations of market orientation and entrepreneurship orientation.

H2: There was a significant relationship between environmental orientation and entrepreneurship orientation.

The results for X2 ➜ Y of 0.215 with a prob. value (0.061) where the small prob. value is large at 5% means that there was no significant and positive relationship between environmental orientation and entrepreneurship orientation.

H3: There was a significant relationship between characteristics of individual entrepreneurs on entrepreneurship orientation.

The results obtained show for X3 ➜ Y of 0.347 with a prob value (0.457) where a small prob value of 5% means that there was no significant and positive relationship between characteristics of individual entrepreneurs and entrepreneurship orientation.

H4: There was a significant relationship between broadscope information and entrepreneurship orientation.

The results obtained show that for X4 ➜ Y of 0.220 with a prob value (0.000) where the small prob value of 5% means that there was a significant and positive relationship between broad scope information and entrepreneurship orientation.

3.2.2 Result Substructure Ii Model

Substructure II equation is stated as follows:

$$Y2 = a + Y1 + \zeta 2............$$

Table 7: ANOVA test results of substructure equation II

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regress ion	61.898	1	61.898	23.457	.000^b

a. Dependent Variable: SME performance
b. Predictors: (Constant), Entrepreneurial_orientation

Table 8: Model summary result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.413^a	.171	.163	1.62442	1.548

a. Predictors: (Constant), Entrepreneurial orientation
b. Dependent Variable: SME performance

Based on Table 8, the significance value of ANOVA Test or F test produced F calculated of 23.457 with a significance level of 0.000. Because the probability of significance is much smaller than 0.005, the regression model can be used to predict the performance of SMEs or that entrepreneurship orientation influenced the performance of SMEs.

The magnitude of the influence of entrepreneurial orientation on the performance of SMEs was 0.171, meaning that it was only 17.1 percent while the rest (82.9%) was influenced by other factors outside the model. While the t-test results are presented in Tabel 9.

Table 9: T-test result of substructure II equation

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.671	1.063		6.275	.000
	Entrepreneurial_orient ation	.273	.056	.413	4.843	.000

The entrepreneurship orientation variable had a positive and significant effect on the Performance of SMEs (sig value < 0.05).

Result of Path Analysis of the substructure II model is presented as follows:
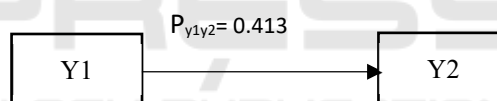

Figure 3: Result of path analysis of the substructure II model

H5: Entrepreneurship orientation would significantly influence the performance of SMEs.

The results obtained show for Y ➜ Z of 0.413 with a prob. value (0.000) where the prob. value is smaller than alpha 5%, meaning that there is a significant and positive relationship between entrepreneurship orientation on the performance of SMEs. Result of path analysis which combined from analysis of substructure 1 model and substructure 2 model is as follows:
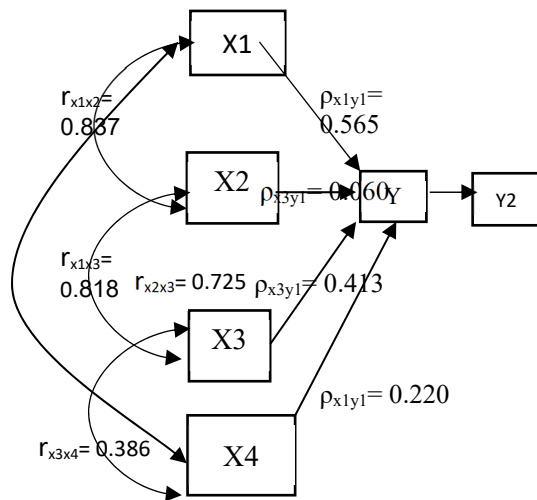
Figure 4: Result of path analysis which is combined from analysis of substructure I model and substructure II model

The companies that have entrepreneurship orientation have better performance than not adopting entrepreneurship orientation (Covin and Slevin, 1989), especially financial performance. In the context of SMEs, entrepreneurship orientation shows a strong relationship to the Performance of SMEs (Y.Li *et al*, 2008). This is because SMEs have the ability to respond quickly to threats and business opportunities (Chen and Hanbrick, 1995). This capability is the basic capital of the newly established SME $\leq$ 3 years to survive and improve its performance.

4 CONCLUSION

There was significant and positive relationship between market orientation and entrepreneurship orientation, there was no significant relationship between environmental orientation and entrepreneurship orientation, there was no significant relationship between characteristics of individual entrepreneurs and entrepreneurship orientation, there was a significant and positive relationship between broad scope information and entrepreneurship orientation, there was a significant and positive relationship between entrepreneurship orientation and the performance of SMEs.

The next researchers consider including other variables such as behavioural control and perceived usefulness. It would be better if the number of samples in subsequent studies is added to be more representative so that the results can be generalized.

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