

THE EFFECT OF STRATEGIC ORIENTATION ON THE BUSINESS PERFORMANCE OF CULINARY TRADERS IN BOGOR

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Abstract

This study aims to analyze the effect of entrepreneurial orientation, growth orientation, and market orientation on the business performance of food and beverage business actors in Bogor with brand orientation as an intervening variable. The sample used in this study were all culinary traders in Suryakencana Bogor culinary tourism totaling 97 respondents. This study uses quantitative data analysis methods, the data analysis technique used is Partial Least Square-Structural Equation Modeling (PLS-SEM) using software SmartPLS version 3.3.9. The results of the analysis carried out stated that entrepreneurial orientation and growth orientation had a positive and significant effect on business performance. Market orientation is not having significant effect on business performance. Brand orientation has no mediating effect on entrepreneurial orientation, growth orientation, and market orientation on business performance.

Keywords: Entrepreneurship Orientation; Growth Orientation; Market Orientation; Brand Orientation; Business Performance

INTRODUCTION

The existence of micro, small and medium enterprises (MSEs) has been considered essential. Beyond their significant contribution to the Gross Domestic Product of Indonesia as well as labor absorption [1], MSMEs have greater economic resilience, thereby supporting the financial system and economic stability at a macro level [2]. The level contributed to the overall Indonesian economy reaching 60% and absorbing approximately 97% of the labor force (Mc Kinsey, 2020).

Food and beverage enterprises have become one of the most popular choices among entrepreneurs. This choice is because the food and beverage sectors have a broad target market, low investment in capital, and no obstacles in regulation because this sector has a low entry barrier and high potential profit. In fact, the F & B industry recorded 3,94% YoY growth in the first quarter of 2020. With all the lists of opportunities, the government has to cope with a number of problems to sustain the MSMEs sector, i.e., lack of capital and skills, and regulations related to policy and legislation. Food and beverage MSEs must have a competitive strategy in order to survive.

A number of scholars refer to the theory of competitive advantage postulated by Michael Porter (1985). Competitive advantage is the key to company performance in the midst of increasingly competitive business competition, as well as how companies can use various strategies to be more advanced to face this increasingly competitive competition. In order to have a specific competitive advantage, a firm has to squeeze costs to have a low-cost advantage and make a specific or unique product or service that is hard to imitate (differentiation) that is both low-cost and differentiated [3].

As one of the most famous cities in Indonesia, Bogor is well known for its unique cuisines, such as Asinan Bogor, taugé goreng, bolu talas, Soto Bogor, and others. Taman

Kencana and Surya Kencana are the oldest and most famous places that became the culinary centre of Bogor. To this end, this study investigated the impact of entrepreneurial, growth, and market orientation with brand orientation as mediating variable to the business performance of traders of food and beverage businesses in Bogor at Taman Kencana and Surya Kencana streets.

Strategic orientation consists of many dimensions. They are growth, entrepreneurial, market, brand that can linking to business performance. Entrepreneurial orientation refers to processes, practices and decision making that lead to new inputs and has three entrepreneurial aspects, namely, always being innovative, acting pro-activity and taking risks. Meanwhile, entrepreneurial orientation (EO) is seen as a firm's capability to find new opportunities, innovate, be proactive and risk-averse to sustain business performance [4].

Entrepreneurial orientation plays an important role in improving business performance and becomes an acceptable meaning to explain business performance. Entrepreneurial orientation is an organizational strategic resource that has the potential to generate competitive advantage through entrepreneurial behavior which includes experience in business, being proactive, taking risks, and being flexible [5].

H1: Entrepreneurship orientation has a significant influence on MSE's. business performance

Growth orientation (GO) refers to the readiness and willingness to develop a business, the higher the growth orientation, the more likely the company is to choose a growth-oriented strategy that leads to actual growth [6]. This SO is being key factor for growth, and especially in an uncertain and unstable environment, growth orientation becomes important in explaining the growth of new firms [7]. Growth Orientation has a significant influence on SME Performance

H2: Growth orientation has an impact on MSEs business performance.

Market orientation is a focus on consumer needs this means that companies provide and continue to improve the quality of perceived value and satisfaction with a view to achieving superior business performance, and according to several studies suggest that the key to success in business lies in understanding and providing what it wants and needs. customer needs (marketing concept). market orientation is considered a marketing concept as well as a management strategy [8]. According to [9] market orientation is a business culture that is able to effectively and efficiently create employee behavior in such a way as to support efforts to create superior value for customers. New entrants as well as incumbents must provide products and services that have superior customer value to win the competition. So, beyond entrepreneurial and growth orientation, a firm has to apply market orientation as the implementation of the marketing concept and the organization-wide creation of customer value [10].

H3: Market orientation has a significant influence on business performance.

In addition, low entry-exit barriers and a low cost of investment create as many players in the particular industry as possible. In this way, brand orientation has an important role in differentiating the products and services we offer to the market since a huge number of products and services are available in markets. Brand orientation is an identity-based approach that differentiates companies through brand-building activities. According to [11] brand orientation is a name or symbol of a trademark that distinguishes

them from other brands and similar brands. Brand-oriented companies are very interested in communication activities. There are several characteristics of a brand-oriented company. Including brands being at the forefront of company development, adopting brands as strategic resources, focusing on the inside-out process in creating strategies, being transparent in dealing with the market. [12] brand orientation shows how much the company's marketing strategies and activities are focused on the brand, with the aim of emphasizing uniqueness.

H4: Brand orientation has a significant influence on business performance

Since that entrepreneurial orientation (EO), growth orientation (GO) and market orientation (MO) directly impact the performance of B2B SMEs. It also reveals that brand orientation (BO) mediates the relationship between EO, GO and MO and performance for B2B SMEs

H5: Brand orientation mediated indirect relationship growth orientation on business performance

H6: Brand orientation mediated indirect relationship entrepreneurial orientation on business performance

H7: Brand orientation mediated indirect relationship market orientation on business performance.

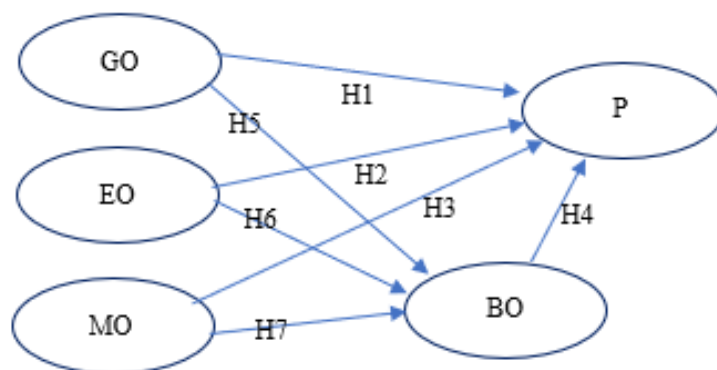


Figure 1. Conceptual Framework

METHODOLOGY

This research uses quantitative method. The data used are primary type and collected using a questionnaire. Measurement of variables using a Likert scale 1 - 5 (Strongly disagree - Strongly agree). The sample used in this study includes probability sampling with a simple random sampling technique and because the exact number of the population is not known, to determine the number of the unknown population, the Cochran formula is used in determining the sample as follows:

$$N_0 = \frac{Z^2 pq}{e^2} = \frac{(1,96)^2 (0.5)(0.5)}{(0.1)^2} = 97$$

The analytical method used consists of descriptive analysis and inferential analysis using the Structural Equation Model. The data is processed using SEM-PLS [14]. Entrepreneurship Orientation, namely creative and innovative abilities that are used as tips and sources for success. The measurement indicators are (1) Identifying and taking

advantage of new business opportunities before their competitors; (2) encouraging and nurturing new ideas (3) daring to enter high-risk businesses for growth opportunities.

Growth Orientation is the ability to achieve business growth. The measurement indicators (1) motivate to grow, identify the desire to grow (2) be inspired by growth (3) identify the increase in sales over a certain period. Market Orientation, namely the ability to be effective in creating superior value for buyers and performance in market competition. Measurement indicators include, (1) we monitor customer needs (2) we observe competitors' movements (3) we coordinate across functions to innovate and create value for our products/services [15].

Brand Orientation is the ability to create a good business brand image. Measurement indicators include (1) we create a unique brand (2) we develop the brand (3) we protect the brand we have built. Business Performance includes the overall achievements achieved by a business in terms of financial aspects and subjective work performance. Performance measurement uses indicators (1) customer satisfaction (2) profit growth (3) employee increase (4) market share.

Convergent Validity is done by reviewing item reliability. From a total of 28 indicators that meet the criteria, 19 items and 9 items were dropped from the model.

Table 1. Outer Loading, AVE and CR

Item	Outer Loading	AVE	CR
EO1	.709		
EO2	.813		
EO4	.737	.574	.843
EO5	.768		
GO1	.893		
GO3	.781	.720	.885
GO4	.867		
MO1	.774		
MO2	.848		
MO3	.800	.639	.876
MO5	.772		
BO1	.768		
BO2	.777		
BO3	.821	.641	.877
BO4	.834		
BP4	.781		
BP5	.800		
BP6	.733	.580	.847
BP7	.731		

Proceed with SEM-PLS 3.3

Table I display outer loading as well as AVE. All constructs show outer loading are greater than 0.7 and AVE values greater than 0.50. All constructs have a composite reliability (CR) value above 0.70. Thus, each has met the required criteria.

Table 2. Discriminant Validity

	BO	BP	EO	GO	MO
BO	.801				
BP	.399	.762			
EO	.553	.488	.758		
GO	.346	.368	.391	.848	
MO	.543	.404	.393	.270	.799

Proceed with SEM-PLS 3.3

Table II show the square root value of AVE for each construct is greater than the correlation value so that the constructs in this research model meet the test criteria.

RESULTS

Descriptive Statistics

The research was carried out by distributing questionnaires to 97 food and beverage business owners at Suryakencana Culinary Tourism Bogor. Demographics of respondents who traded for less than 1-5 years were 37 people or 38.1%, who traded for 5-10 years were 17 people or 17.6%, who traded for 10-15 years were 20 people or 20.6% , while those who traded for 15 years and over amounted to 23 people or 23.7%.

Descriptive analysis was conducted to describe respondents' perceptions of statements related to the research variables used. Descriptive analysis is calculated based on the percentage of respondents' answers to the research statement by using the average value (mean) of each proposed indicator to describe the perceptions of all respondents.

The average value of the Entrepreneurial Orientation is 4.194, thus the respondents in this study can be categorized as good towards entrepreneurial orientation. The indicator of being able to create food or beverage products that are different from competitors has the highest score of 4,392 while the indicator of being able to take high risks to get a chance has the lowest score of 3,948.

The average score of Growth Orientation is 4,441, thus the respondents in this study can be categorized as either growth orientation. The indicator "growth is very important for business" has the highest score of 4,629 while the indicator "growth of business sales continues to increase in a certain period" has the lowest score of 3,959.

The average score of the Market Orientation variable is 4.229, thus the respondents in this study can be categorized as good towards market orientation. The indicator "able to respond to feedback from customers so that they can provide better service" has the highest score of 4,330 while the indicator "anticipates changes in competitors' strategies" has the lowest score of 3,969.

The average score of the Brand Orientation variable is 4,447, thus the respondents in this study can be categorized as good towards brand orientation. The business stand indicator reflects the brand of my business having the highest score of 4,588 while the indicator of a good customer experience can reflect the strength of the business brand having the lowest score of 4,175.

The average score of the Business Performance variable is 4.105, thus the respondents in this study can be categorized as good for business performance. The business indicator that has built strong customer loyalty has the highest score of 4,258 while the operating profit indicator continues to increase every month having the lowest score of 3,866.

Hypothesis Testing

Table III shows the direct and indirect research hypothesis tests using the t-statistics value. The test results show that only hypothesis 1 (H1) and hypothesis 2 (H2) are supported whereas H3, H4, H5, H6 are not supported.

Original Sample value explains the magnitude of the influence of the independent variable on the dependent. The figures in the table show that entrepreneurial orientation has a stronger influence than market orientation.

Table 3. Direct and Indirect Hypothesis

Relationship	Original Sample	t-Stat	Result
EO → BP	.308	2,494	Supported
GO → BP	.173	2,227	Supported
MO → BP	.205	1,896	Not Supported
BO → BP	.058	.477	Not Supported
EO → BO → BP	.021	.459	Not Supported
GO → BO → BP	.006	.342	Not Supported
MO → BO → BP	.021	.466	Not Supported

Proceed with SEM-PLS 3.3

Table IV shows the R-square value in which entrepreneurial orientation, growth orientation and market orientation are able to explain the variability of the brand orientation construct by 44%, and the remaining 56% is explained by other constructs outside those studied in this study. While entrepreneurial orientation, growth orientation, market orientation, and brand orientation are able to explain the variability of business performance constructs by 32% and the remaining 68% is explained by other constructs outside those studied in this study.

Table 4. R-Squared

Variable	R-square
Brand Orientation	.441
Business Performance	.320

Proceed with SEM-PLS 3.3

DISCUSSION

Micro and Small and Medium Enterprises (MSEs) are required to have dynamic capabilities and strategies that are able to capture opportunities and renew the market. Global business pressures and competition affect Small and Medium Enterprises (SMEs), such as globalization, technological improvements, demographic and social changes, the ability to innovate, financial support, and entrepreneurship.

The response to the question, "What variables influence the long-term growth of small and medium-sized businesses (SMEs)?" is still disjointed. While prior research has focused on a firm's entrepreneurial orientation (EO) as a major driver of SME growth, contextual elements are often disregarded in order for EO to be effective in delivering sustained growth in SMEs.

A study conducted by [14] the cause of the weak performance and productivity of SMEs is strongly suspected because of the weak entrepreneurial character and the not yet optimal managerial role in managing businesses in a rapidly changing business environment. To be able to develop high-performing businesses, companies rely on many capabilities. This research finds a same pattern that entrepreneurial orientation has crucial role to firm performance

Brand orientation is a strategic mindset that focuses on creating, developing, and maintaining brand identity across consumer and stakeholder touch points on an ongoing basis. It entails viewing the brand as a strategic tool that is central to the entire

organization. It facilitates processes throughout the organization. Brand orientation is not the same as market orientation. Brand orientation is a strategy in which the organization's processes revolve around the creation, development, and protection of brand identity in an ongoing interaction with target customers in order to achieve long-term competitive advantages in the form of brands. Brand orientation emphasizes the importance of brand development. It is centered on brand identity and views the brand as a strategic hub and valuable resource for the company. Brand orientation as a complex phenomenon and further provides understanding of its relations to brand-building behavior and brand identity of the domesticated SMEs.

Brand orientation is an inside-out, identity-driven approach in which brands serve as a hub for a business and its strategy. Market orientation is also an outside-in, image-driven approach. Brand orientation and market orientation appear to be two distinct strategic possibilities at first glance. Though synergistic combinations are possible, they have not been researched or identified as part of branding practice and philosophy.

Brands are a strategic resource at a time when many people still thought of them as a "add-on" to a product, and second, to impart information about how to properly manage a brand at a time when brands were mostly managed by marketing departments. The formation of brand orientation theory should thus be viewed through the lens of the role that brands were assigned and how they were regarded within the current market orientation paradigm.

Culinary traders in the Suryakencana Bogor culinary tourism have the courage to enter culinary entrepreneurship even though there are already several similar traders. They (the traders) highlight the strength or superiority of the product, especially in diversification and competitive prices so as to improve their business performance.

Currently, there are still many business actors, especially MSMEs, who are not aware of the role of brands in increasing business power. They have not thought about the brand when starting a business even when the business is growing. The reluctance to own a brand is caused partly by lack of knowledge. Among MSME business actors who are already aware of the role of brands, it turns out that relatively many are still unable to do it themselves. Therefore, efforts need to be made to increase awareness of brand development among MSME business actors

A significant limitation in the existing literature is that the dominant theoretical approaches to explaining firm growth have been the resource-based approach that argues firms with greater resource endowments will be better able to achieve firm growth. The main theoretical approach to understanding company growth in the current literature has been the resource-based approach, which contends that firms with bigger resource endowments will be better equipped to achieve firm expansion. Because SMEs lack resources, strategic orientation has less explanatory power in explaining SME growth. Because SMEs lack excess resources to cushion against the possible disadvantages that risk-taking activities may produce [16,17], small organizations should be more careful in how they employ their limited resources and embark on hazardous projects for firm growth.

CONCLUSION

EO has been proposed as a significant factor of MSE's performance since only some SMEs devoted to EO are able to turn risks into opportunities with their aggressive attitudes for change. EO is defined as "the processes that provide businesses with a

foundation for entrepreneurial decisions and actions."

Growth orientation has a positive and significant impact on business performance. Culinary traders in the Suryakencana Bogor culinary tourism have the motivation to expand their business even with the limited resources they have.

Market orientation does not have a significant effect on the business performance of culinary traders in Suryakencana Bogor culinary tourism. The orientation of culinary traders in Suryakencana Bogor still does not prioritize customer satisfaction and does not understand the needs and desires of customers well so that it does not encourage increased business performance in the culinary business in the Suryakencana Bogor culinary tourism.

Brand orientation does not have a significant influence on the business performance of culinary traders in the Suryakencana and Taman Kencana areas. The awareness of business actors to build a brand is low because they do not know the importance of brands to develop their businesses.

Brand orientation does not mediate the indirect effect of entrepreneurial orientation and growth orientation. The low awareness of brand building among traders creates price competition among traders. The weakness of price competition is the low margin that will be obtained by business actors.

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