

## THE EFFECT OF ENTREPRENEURSHIP ORIENTATION AND MARKET ORIENTATION ON THE PERFORMANCE OF GROUP MEMBERS THROUGH INNOVATION (CASE STUDY: IKAT WEAVING SUKA MAJU GROUP IN TIMOR TENGAH UTARA (TTU) REGENCY OF EAST NUSA TENGGARA)

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### ABSTRACT

*This study aims to find out and explain: (1) the influence of entrepreneurial orientation on the performance of group members; (2) the effect of market orientation on group member performance; (3) the influence of entrepreneurial orientation on innovation; (4) the effect of market orientation on innovation; (5) the effect of innovation on group member performance. This type of research uses a quantitative approach where the research was conducted on members of the Suka Maju Ikat Weaving Group in North Central Timor Regency, East Nusa Tenggara. The variables used consisted of: Entrepreneurship Orientation (X1), Market Orientation (X2), Innovation (Y1) and Group Member Performance (Y2). The dependent variable in this study was Innovation (Y1) and group member performance (Y2). All variables are measured by a Likert scale. Using a saturated sample with a sample of 50 members of the ikat weaving group like to progress. The method used is descriptive analysis and Partial least square (PLS) by using version 3.0 software smartPLS. The results of the study show that 1) entrepreneurial orientation influences the performance of group members; 2) market orientation affects the performance of group members; 3) entrepreneurial orientation influences innovation; 4) market orientation influences innovation and 5) innovation influences group member performance.*

**Keywords:** Orientation of Entrepreneurship, Market Orientation, Innovation, Group Member Performance

### INTRODUCTION

Today's small and medium micro businesses are quite flexible and adaptable to ups and downs and the direction of market demand. It must be recognized that small industrial sectors contribute to the poverty alleviation process. For example, in 1998, when the economic crisis hit Indonesia, there were around 37 million active SMEs. UKM actually functions as a buffer for the national economy as well as a safety nets during the crisis. Has a big share in reducing the number of people who fall in poverty due to the crisis. During the crisis period, SMEs were the providers of employment for most people, absorbing around 99.4 percent of the total workforce, and also contributed around 40 percent of GDP (Hartarto, 2016). Therefore, business actors or groups are required to keep trying to develop the industry with full confidence that the business will run well and succeed because several elements in the entrepreneurial organization are Need for Achievement, Internal Locus of Control (Control Internal Self), Self-Reliance, Evtroversion.

Performance is the result of work achieved by someone in carrying out their duties on skills, effort, and opportunity (Hasibuan, 2010). Thus the performance can be said as a result achieved by someone in carrying out tasks according to standards and criteria that have been previously set based on skills, experience and sincerity as well as the time set. Entrepreneurship is the result of a discipline, a systematic process of applying creativity and innovation in meeting the needs and opportunities in the market. Entrepreneurship is a job that is capable of planning, taking risks, decisions, and actions to achieve goals that must be flexible and imaginative. The requirement for entrepreneurship is to have the ability to find and evaluate opportunities, must be able to gather the necessary resources, and must be able to act in obtaining these opportunities (Suryana, 2013). In addition to entrepreneurial orientation, market orientation is also an important factor in improving good performance. Market orientation (market orientation) is the orientation of the company that has principles in efforts to satisfy the needs and desires of consumers (Kohli & Jaworski, 1993). In this regard, the efforts made by advanced weaving ikat groups are demanded to continue to be creative in making ikat weaving motifs so as not to give the impression that only certain motifs and ikat weaving groups like to advance also need to be included in various good exhibitions at the local and national level as an effort to anticipate limited access to marketing.

The nature of human beings develops from experience, learning and thinking. Creative and innovative ideas of entrepreneurship sometimes arise through imitation (duplication) and duplication, then develop into a development process, and lead to the process of creating something new and different (innovation). The ability to innovate entrepreneurs is influenced by a variety of personal factors that trigger entrepreneurship is the drive to achievement, strong commitment, personal values, education and experiences that are owned (internalized) (Suryana, 2014).

There are various kinds of problems faced concerning the innovation of the woven woven fabric businessmen themselves, which is the strong willingness of the IKM to constantly develop new ideas and creativity by looking at the changes that occur in the market and those desired by consumers, through product innovation produced by the woven fabric industry. The innovation of the woven fabric industry needs to be carried out in order to continue to survive. If it is associated with the innovation of woven fabrics of advanced groups, some of the problems that are similar to the general problems faced by SMIs in Indonesia, among

others the skills possessed by advanced weaving groups are handicrafts handed down from generation to generation through formal education rather than through education informal, in the use of raw materials and dyes which are still not of much variation and also the process of making woven fabrics still using simple tools.

Improving the performance of the Ikat Suka Maju Weaving Group in order to survive and be able to compete it must build an entrepreneurial oriented spirit which includes: being able to think of the need for achievement, internal self-control, confidence and openness. Besides that, it can also build a market orientation in increasing commitment to continue to be creative in creating superior value for customers and continue to innovate so that they are seen differently or more unique than what already exists, thus performance will continue to increase. Based on the description, the researcher is interested in conducting research on entrepreneurial orientation, market orientation, which influences the performance of group members through innovation.

### **THEORITICAL FRAMEWORK**

The nature of human beings develops from experience, learning and thinking. Creative and innovative ideas of entrepreneurship sometimes arise through imitation and duplication, then develop into a development process, and lead to the process of creating something new and different (innovation). The ability to innovate entrepreneurs is influenced by a variety of personal factors that trigger entrepreneurship is the drive to achievement, strong commitment, personal values, education and experiences that are owned (internalized) (Suryana, 2014). There are various kinds of problems faced concerning the innovation of the woven fabric businessmen themselves, which is the strong willingness of the IKM to constantly develop new ideas and creativity by looking at the changes that occur in the market and those desired by consumers, through product innovation produced by the woven fabric industry. The innovation of the woven fabric industry needs to be carried out in order to continue to survive.

If it is associated with the innovation of woven fabrics of advanced groups, some of the problems that are similar to the general problems faced by SMIs in Indonesia, among others the skills possessed by advanced weaving groups are handicrafts handed down from generation to generation through formal education rather than through education informal, in the use of raw materials and dyes which are still not of much variation and also the process of making woven fabrics still using simple tools.

#### **Entrepreneurship Orientation**

Entrepreneurial orientation is an organization's strategic resources with the potential to produce competitive advantages. The potential for entrepreneurial orientation and its impact on business performance depends on the role of entrepreneurial orientation as a driver or the pioneer of organizational and innovation abilities (Nuvriasari et al., 2012). Zhi and Jintong (2012) indicate that entrepreneurial-oriented companies are antecedent for the implementation of business strategies, when management applies entrepreneurship through innovation, risk taking and activity in each of its business activities, they tend to be more appropriate implementing strategies to their face is increasingly a dynamic business environment.

#### **Market Orientation**

Market orientation is an organizational culture that leads to the market. There are four components in market orientation, namely, orientation to consumers, orientation to competitors, and the functional and focused term on the long term. According to Kohli & Jaworski (1990) market orientation is defined as gathering market intelligence to meet customer needs now and in the future. Market orientation focuses on understanding customer wants and needs now and in the future. The higher the consumer-oriented company is to pay attention to the needs and desires of consumers, the marketing and activities that are carried out by competitors, and the companies that can satisfy consumer needs better than competitors, thus products or services offered will be superior to competitors.

#### **Innovation**

Innovation was first introduced by Schumpeter, an economist from Vienna, Austria. According to Schumpeter, innovation means an effort to create and implement something into a combination, so that with innovation, one can add value from products, services, work processes, and policies to all stakeholders. Innovation is the key to economic development of any company, region of a country, or the country itself. When technology changed, old products declined sales and old industries experienced a reduction. Discovery and innovation are the structures of the future development of any economic unit. According to reports, Thomas Edison said that innovative intelligence of intelligence consists of 1 percent inspiration and 99 percent hard work. According to Hurley and Hult (1998) defined that innovation as a company mechanism to adapt in a dynamic environment. Therefore companies are required to be able to create new thoughts, new ideas and offer innovative products and service improvements that satisfy customers.

#### **Group Member Performance**

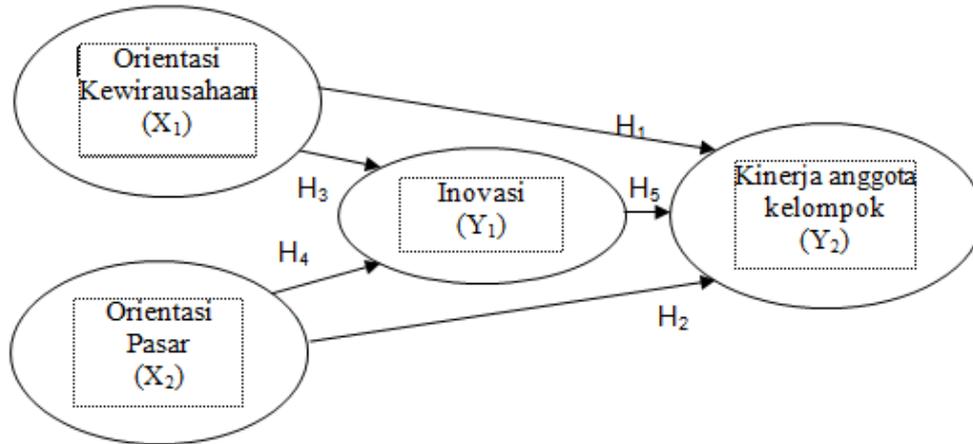
Performance is the result of work that can be achieved by a person or group of people in the organization, in accordance with the authority and responsibility of each in order to achieve organizational goals (Suyuhadi, 1999). The aim of the company is to survive (profit) to obtain profits and can develop, and can be achieved if the company has a good performance. Improving the performance of an organization or business can be demonstrated through a performance appraisal process consisting of productivity of employees, teams and the organization as a whole.

Hasibuan (1990) argued that work performance is the result achieved by a person in carrying out tasks assigned to him based on skills, experience, excellence and time. It can be said that work performance is a combination of three important factors, namely the ability, interest of a worker and the level of motivation of a worker. Performance has a broader meaning, not only expressing it as a result of work, but also how the work process takes place.

**CONCEPTUAL FRAMEWORK**

The conceptual framework is understanding or understanding of a phenomenon which is a basic element of the thought process. This research is motivated by entrepreneurial orientation and market orientation towards group member performance through innovation.

**Gambar 3.1 Kerangka Konseptual Penelitian**



X<sub>1</sub>→Y<sub>2</sub>: the stronger the entrepreneurial orientation will be able to improve the performance of group members.

X<sub>2</sub>→Y<sub>2</sub>: the stronger market orientation will be able to improve the performance of group members.

X<sub>1</sub>→Y<sub>1</sub>: the stronger the entrepreneurial orientation will be able to increase innovation.

X<sub>2</sub>→Y<sub>1</sub>: the stronger market orientation will be able to increase innovation.

Y<sub>1</sub>→Y<sub>2</sub>: the stronger innovation will be able to improve the performance of group members.

**METHODOLOGY**

The research method applied in this study is explanatory research with a quantitative research approach. Quantitative research methods are defined as research methods that are based on positivist understanding, used to examine certain populations or samples, data collection uses research instruments, quantitative / statistical data analysis, with the aim of testing predetermined hypotheses (Sugiyono, 2015).

**Population and Samples**

Population is a generalization area consisting of: objects / subjects that have certain qualities and characteristics set by the researcher to be studied and then conclusions drawn (Sugiyono, 2017). So, the population is a group of people, events or things that have certain characteristics possessed by a subject or object. The population of this study were 50 members of the Ikat Suka Maju Weaving Weaving group in TTU Regency. Samples are part of the number and characteristics possessed by the population (Sugiyono, 2013). Therefore, samples taken as much as possible must represent the population studied. The sample technique used by researchers in this study is saturated samples (census sampling). Saturated Sampling is a technique of determining samples if all members of the population are used as samples (Sugiyono, 2013). In sampling, the study used 50 samples which were all members of the weaving ikat group who like to advance in TTU District.

**RESULTS**

**Tabel 5.16 Pengujian Hipotesis**

Pengaruh	Koefisien	Std Error	T Statistics	P-value	Keterangan
X <sub>1</sub> -> Y <sub>2</sub>	0.117	0.022	5.282	0.000	Signifikan
X <sub>2</sub> -> Y <sub>2</sub>	0.049	0.021	2.372	0.018	Signifikan
X <sub>1</sub> -> Y <sub>1</sub>	0.350	0.053	6.655	0.000	Signifikan
X <sub>2</sub> -> Y <sub>1</sub>	0.611	0.053	11.429	0.000	Signifikan
Y <sub>1</sub> -> Y <sub>2</sub>	0.841	0.030	28.258	0.000	Signifikan

Sumber: Data Penelitian Diolah (2019)

### **The Effect of Entrepreneurship Orientation on Group Member Performance**

The results of testing the hypothesis the value of the path coefficient is 0.117 with a statistical t value of  $5.282 > 1.96$ . Therefore, it is stated that Entrepreneurship Orientation has a significant positive influence on the Performance of Group Members, meaning that the better the Entrepreneurship Orientation will have a better impact on Group Member Performance. In research on weaving groups like to advance entrepreneurial orientation that is very well-owned by referring to the need for achievement, internal self-control, self-confidence and openness of group members who are able to encourage weaving groups to move forward to continuously improve group member performance.

Theoretically, entrepreneurial orientation is an organization's strategic resources with the potential to produce competitive advantage. The potential for entrepreneurial orientation and its impact on business performance depends on the role of entrepreneurial orientation as a driver or pioneer of organizational and innovation abilities (Nuvriasari et al., 2012). This is in line with Lumpkin and Dess's (1996) study that there are 5 dimensions that influence corporate / corporate performance, namely freedom, innovation, willingness to take risks, proactive, and competitive aggressiveness.

Lumpkin and Dess (1996) stated that the main key of the entrepreneurial orientation dimension is to include actions that can be carried out freely or not dependent on other parties, meaning that there is a willingness to carry out reforms and be willing to take risks, tend to be more aggressive than competitors, and proactive in business see or predict and anticipate opportunities that exist in the market. A high entrepreneurial orientation is also needed to improve performance. Therefore members of the ikat weaving group believe that this success is due to their own efforts, high self-esteem and openness that can increase sales, or increase assets and increase profit growth.

### **The Effect of Market Orientation on Group Member Performance**

The results of testing the hypothesis the value of the path coefficient is 0.049 with a t value of statistical  $2.377 > 1.96$ . Therefore it is stated that Market Orientation has a significant positive influence on the Performance of Group Members which means that the better Market Orientation will have a better impact on the Performance of Group Members. Market orientation is a cultural basis that shows the extent to which knowledge of woven ikat groups to create superior value for customers and that knowledge base comes from customers and competitors to improve group member performance.

If the performance of group members wants to increase, it must do market orientation which is a fundamental corporate culture by establishing principles of behavior relating to customers and competitors. With market orientation, companies can know, understand and answer the needs and expectations of customers and also know the weaknesses and strengths of competitors.

Market orientation is the most effective and efficient organizational culture in creating the behaviors needed to create superior value for customers so that it can produce superior business performance on an ongoing basis. This is in line with the research of Satwika & Dewi (2018) which states that market orientation influences business performance by paying attention to the three dimensions of market orientation, namely customers, competitors and coordination between functions within the company that can improve business performance. From these findings it is necessary to recommend a strategy that supports the improvement of the performance of group members based on market orientation.

### **The Effect of Entrepreneurship Orientation on Innovation**

The results of testing the hypothesis the value of the path coefficient is 0.350 with a statistical t value of  $6.655 > 1.96$ . It was stated that the Entrepreneurship Orientation has a significant positive effect on Innovation, which means that the better the Entrepreneurship Orientation will have a better impact on Innovation. One important component in developing a business is entrepreneurial orientation. Therefore the entrepreneurial orientation carried out by the weaving group likes to progress very well, resulting in the belief that the entrepreneurial orientation that has been carried out by the ikat weaving group is highly competitive with the desire for achievement, the belief that success is due to self-effort itself (internal locus of control), self-confidence (self reliance), and openness (extroversion).

This is in line with the research (Helia et al., (2015) which stated that entrepreneurial orientation has a positive effect on product innovation by taking risks in terms of producing more products than existing orders and more actively introducing products to the public. Covin and Slevin, 1991 which stated that an increasingly entrepreneurial orientation will enhance the company's ability to market its products towards better business performance. In addition to entrepreneurial orientation, innovation is also one of the most important components in the development of the ikat weaving group business. without advancing without innovation in advanced weaving weaving groups, it will be difficult to compete with other businesses, members of the ikat weaving group will be satisfied with the results of work when they continue to make innovations in ikat weaving.

### **The Effect of Market Orientation on Innovation**

The results of testing the hypothesis the value of the path coefficient is 0.611 with a statistical value of  $11.429 > 1.96$ . Therefore it is stated that Market Orientation has a significant positive effect on Innovation, which means that the better Market Orientation will have a better impact on Innovation. This is a success achieved by the weaving group that likes to progress because advanced weaving weaving groups are able to understand superior customer value not only for now but also in the continuous development of customers in the future.

In addition to the orientation of the customer weaving groups like to advance also understand competitors in the short and long term by continuing to innovate. Therefore, advanced weaving weaving groups can understand well the changes made by competitors which eventually are used as a formula to continue to innovate.

In line with research (Helia et al., 2015) which stated that market orientation has a positive and significant effect on product innovation using four dimensions namely customer orientation, competitor orientation, coordination between functions, and

profit orientation. Market orientation in a business is said to be good if the innovations carried out are also good. And in this study it was proven that market orientation was very influential on the innovation of weaving groups like to advance. Both the customer orientation and the orientation of the competitively advanced weaving group competitors have been able to carry out it well through the weaving innovations.

#### **The Effect of Innovation on Group Member Performance**

The results of testing the hypothesis the value of the path coefficient is 0.841 with a statistical t value of 28,258 > 1.96. Therefore, it is stated that Innovation has a significant positive effect on the Performance of Group Members, which means that the better the Innovation, the better the Group's Performance will be. In an innovation effort as a source of life to determine a future effort. The performance of members of the ikat weaving group likes to progress very well because the true value of innovation is expressed in a product such as the tie weaving product. This is done by weaving groups like to advance through product innovation and innovation in the weaving process. With the introduction of product innovations and innovations in the weaving process, weaving products are increasingly in demand by customers.

Theoretically, innovation is a basic need which in turn will lead to increased performance (Wahyono, 2002). Innovation is also seen as a mechanism for companies to adapt to their dynamic environment. This is in line with research (Gunday, et al. 2011) which states that the dimensions of innovation (product, process, marketing and organization) affect performance. therefore innovation is a strategy to improve the performance of group members.

#### **CONCLUSION**

Based on the formulation of the problem, the purpose of the study, the results of the analysis and testing of hypotheses that have been carried out in previous chapters, conclusions can be made as follows:

- a. Entrepreneurial orientation can improve the performance of members of the weaving group like to advance. The entrepreneurial orientation represented by the most dominant indicator of Internal Locus of Control encourages improvement in group member performance.
- b. Market orientation can improve group member performance. It is evident that in running a business, weaving groups like to be advanced to be able to apply customer orientation and competitor orientation by prioritizing customers to improve group member performance.
- c. Entrepreneurial orientation can increase innovation. This is a character that has been inherent in the weaving group, which likes to move forward in order to continue innovating by being able to create new ideas or breakthroughs so that it can achieve the performance of good group members.
- d. Market orientation can increase innovation. The market orientation that has been applied in the weaving group likes to move forward and has succeeded in looking at competitors and customers so as to encourage the weaving group to continue to innovate.
- e. Innovation can improve the performance of group members. This shows that innovations carried out by advanced-like weaving groups have succeeded in improving the performance of advanced group members. This means that in the performance of a business it can be said to be good if it continues to innovate which is a tool for improving the performance of group members.

#### **SUGGESTION**

Entrepreneurship orientation in advanced weaving groups needs to be increased to improve current performance by needing to believe that success is now a self-effort. Weaving groups like to go forward must improve market orientation to be better by applying customer orientation and competitor orientation. The weaving group must continue to make innovations to look different from before as a tool to increase the performance of existing group members.

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