



The Effect of Entrepreneurial Orientation, Market Orientation, Product Innovation on Business Performance

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Article Info	Abstract
Article History : Received January 2024 Accepted March 2024 Published June 2024 <i>Keywords:</i> <i>Product Innovation,</i> <i>Competitive Advantage,</i> <i>Business Performance,</i> <i>Entrepreneurial Orientation,</i> <i>Market Orientation</i>	Company performance is important matter for the company. This study aims to analyze the effect of entrepreneurial orientation, market orientation, and product innovation on micro-enterprise performance and is strengthened by competitive advantage. This study is quantitative research. The population in this study were 135 water hyacinth handicraft micro-entrepreneurs registered in the Semarang Regency Cooperatives and Small and Medium Enterprises Service. The sampling technique used was cluster proportional random sampling. The data processed in the study used primary data obtained from questionnaires distributed directly to water hyacinth handicraft micro-entrepreneurs in Semarang Regency. The data analysis methods used are descriptive analysis and Structural Equation Model (SEM) with the assistance of the SmartPLS 4.0 analysis tool. The result of this study shows that entrepreneurial orientation, market orientation, and product innovation have a positive and significant effect on the performance of micro-enterprises. Competitive advantage can moderate the effect of entrepreneurial orientation, market orientation, and product innovation on micro-enterprise performance. Suggestions for further research can add moderating variables that have never been studied, such as financial access and market orientation.

INTRODUCTION

One of the businesses in Indonesia that has a strategic role in national economic development is Micro-enterprises since their existence has been proven to be able to strengthen in various economic upheavals (Hidayat & Murwatiningsih, 2018). Micro-enterprises are the basis for economic development as they have a large impact as a driver of economic progress (Cataldo et al., 2019). Currently, the Indonesian economy depends on Micro-enterprises, this is because Micro-enterprises can create jobs for themselves and others so that Micro-enterprises have a positive impact on society. Apart from that, the micro business sector has an important role in strengthening the people's economy. According to (Dwiastanti & Mustapa, 2020), Micro-enterprises are a favored business sector because they can boost the community's economic sector independently and encourage the rate of economic growth, so it needs to improve their business performance so they can compete with other people's businesses. Micro business actors must understand the strengths, weaknesses, opportunities, and threats to their business (Oktaviani et al., 2022).

In Central Java Province, there is Semarang Regency as a district that has many micro business actors, both in the field of trade and creative industries, which would be good to develop because these businesses have potential capabilities. In Semarang Regency, there is a swamp which is used as a potential area that is used by the surrounding community to generate economy. One of the plants that grows in Rawa

Pening is water hyacinth. The famous handicrafts in Semarang Regency are water hyacinth handicrafts because in Semarang Regency there is Rawa Pening so that micro-entrepreneurs in Semarang Regency choose to have water hyacinth handicraft businesses.

Based on Minister of Public Works regulation number 18 of 2010, Revitalization is an effort to increase the value of land/areas through redevelopment in an area that can improve the function of the previous area (article 1 paragraph 1). This revitalization also occurs in Semarang Regency, especially the revitalization of the Rawa Pening area. The revitalization of Rawa Pening is an effort to restore the lake's natural function as a water reservoir through dredging sediment, cleaning water hyacinth weeds, and building embankments including the arrangement of the river basin area so that it can provide benefits to the surrounding community (Setianto & Hartati, 2021).

With revitalization, water hyacinth will not grow in the Rawa Pening area and based on the observation made by the researchers, the water hyacinth in Rawa Pening, Semarang Regency is being cleaned in stages and revitalization is still ongoing. This revitalization is a program from the Ministry of PSDA (Water Resource Management), Public Works, and Regional Government. With the revitalization of the Rawa Pening, micro-entrepreneurs experience a decline in sales and profits in the water hyacinth handicraft business, definitely, this will also affect the performance of the water hyacinth business they run.

Table 1 Water Hyacinth Handicrafts in Semarang Regency 2018-2022

No	Years	Sales Results (Pcs)	Sales Values
1.	2018	278	Rp 24.068.515
2.	2019	265	Rp 22.020.418
3.	2020	176	Rp 19.150.750
4.	2021	170	Rp 17.500.500
5.	2022	150	Rp 15.200.500

Source: Semarang Regency Cooperatives and Small and Medium Enterprises Service.

Table 1. shows the sales volume of pcs, the sales volume of water hyacinth handicrafts in

Semarang Regency in the last 5 years has decreased. In 2018, the sales result was 278 pcs.

Then, there was a decrease of 265 pcs in 2019. It fell to 176 pcs in 2020. It also decreased to 170 pcs in 2021. It experienced a significant decrease of 150 pcs in 2022. Based on what has been explained previously, this shows that the performance of water hyacinth handicraft micro-enterprises in Semarang Regency is decreasing from year to year.

The sales value of water hyacinth handicrafts in 2018-2022, based on table 1.4, water hyacinth handicrafts in Semarang Regency experienced a significant decline. It can be seen that in 2018, the sales value was IDR 24,068,515. Then, it decreased to IDR 22,020,418 in 2019 and the sales value also decreased to IDR 19,150,750 in 2020. In 2021, the sales value decreased to IDR 17,500,500 and the sales value decreased to IDR 15,200,500 in 2022. Based on the explanation above, sales volume and sales value have decreased significantly, meaning that the performance of water hyacinth handicraft micro-enterprises is still not optimal.

The internal problem often faced by micro-entrepreneurs is entrepreneurial orientation. Entrepreneurial orientation is conceptualized in three core dimensions, which are innovation, proactiveness, and courage to take risks (Amuko, 2023). Entrepreneurial orientation is an organizational strategic resource with the potential to generate a competitive advantage (Aristyo & Murwatiningsih, 2021). With an entrepreneurial orientation, the company will become more autonomous where the company has the ability to leave its safe zone to bring unique ideas and businesses and be better at entering new markets. However, this is different from the water hyacinth handicraft craftsmen who still lack entrepreneurial orientation when running their business.

According to Zuliasanti et al (2020), market orientation is a condition where a company makes decisions based on real conditions in the market and approaches the market by researching and understanding the prevailing values. The indicators for measuring market orientation variables are customer and competitor orientation (Rithmaya et al., 2023). In order for a business to have an advantage, it must have innovation that differentiates its own business from other businesses because according to Sulistyawan

(2022), product innovation can be developed to encourage micro-enterprises. Product innovation among water hyacinth business actors is hampered even though product innovation must be carried out continuously in accordance with the conditions and circumstances of the times since the revitalization of Rawa Pening hampers product innovation because the raw materials are scarce so how can water hyacinth craftsmen innovate, and there is no need going all the way into the innovation process, to make a product in these conditions is already difficult.

Martins & Fernandes (2015) stated that innovation is any action that creates something new and is accepted by the market. In a broad sense, innovation can occur in products or services. According to Katila (2018), product innovation is a new product that is usually a combination of new and existing knowledge. Rarely, new product development only involves existing knowledge or new proprietary knowledge, more often development is achieved by taking existing products. In essence, a typical modification is the integration of innovative components into the product. Successful integration of innovative components into products can provide a company with a significant competitive advantage.

Competitive advantage is a moderating variable in this research. Competitive advantage is the ability of a business to create competitive advantages so that it can compete with competitors. According to Merakati et al (2017), basically, every competing company has the desire to be superior to its competitors. Competitive advantage forms relevant indicators through product uniqueness, product quality, and competitive prices (Abbas, 2024). According to Linanda et al (2023), competitive advantage is a threat to business actors if this is considered trivial and is not immediately addressed to find a solution, then the business they own can lose in the world of competition and experience bankruptcy. There is intense competition between water hyacinth handicraft micro-enterprises in Semarang Regency so if they cannot compete in terms of price, product quality, and product superiority, their business will go bankrupt.

The researchers conducted research on water hyacinth handicraft micro-enterprises in Semarang Regency because, in Semarang Regency itself, there is a swamp which is used as a potential area where this potential is utilized by the local community to produce an economy. The local community utilizes it, it turns water hyacinth weeds into water hyacinth handicrafts which can be used as a source of income.

This research aims to analyze the effect of entrepreneurial orientation, market orientation, and product innovation on the performance of water hyacinth handicraft micro-enterprises which is strengthened by competitive advantage. It is expected that the benefits of this research can prove the validity of the resource-based view theory and strengthen previous research related to micro-enterprise performance. Apart from that, the benefits are also for the water hyacinth handicraft cluster association in Semarang Regency. It can be used as a reference for the water hyacinth handicraft cluster association in Semarang Regency to develop entrepreneurial orientation, market orientation, and product innovation that can encourage the increased performance of micro-enterprises. The benefit of this research is also for the community, that it is expected to be used as a source of information for the community to gain knowledge about the role of competitive advantage as moderation of entrepreneurial orientation, market orientation, and product innovation on micro-enterprise performance.

RESEARCH METHODS

This research uses quantitative methods. The population taken from this research are all water hyacinth handicraft micro-enterprises in Semarang Regency who are registered in the Semarang Regency Cooperatives and Small and Medium Enterprises Service, consisting of 135 water hyacinth handicraft micro-enterprises in Semarang Regency. From determining the sample size using the Slovin formula, the sample size is 100 water hyacinth handicraft micro-entrepreneurs. The sample distribution in this study is determined proportionally based on each cluster of water hyacinth handicraft micro-

enterprises. The sampling technique in this research is cluster proportional random sampling.

The research stage which is testing the instrument in this study is carried out on water hyacinth handicraft micro-entrepreneurs in Semarang Regency. The trial respondents are randomly selected as 30 water hyacinth handicraft micro-entrepreneurs in Semarang Regency. Then, after the validity test, a reliability test is carried out to find out to what extent the measurement results using the same object will produce the same data. Then, data analysis techniques are carried out, this research analysis consists of (1) descriptive analysis, and (2) Structural Equation Modeling (SEM)-Partial Least Square (PLS) 7.0 which consists of outer model evaluation, inner model evaluation, and hypothesis testing.

RESULTS AND DISCUSSION

The Effect of Entrepreneurial Orientation on the Performance of Water Hyacinth Handicraft Micro-enterprises in Semarang Regency

The result of the path coefficient shows that the first hypothesis (H1) states that entrepreneurial orientation has a positive and significant effect on the performance of water hyacinth handicraft micro-enterprises in Semarang Regency. This is based on a t-statistics value of $0.026 < 0.05$. Entrepreneurial orientation has a positive relationship with business performance because seen from the original sample value, the result is positive, which is 0.220, indicating that the first hypothesis (H1) is accepted.

Based on the test result and discussion on theory and previous research, it can be concluded that the higher the entrepreneurial orientation owned by the water hyacinth handicraft micro-enterprises, the higher the performance of the water hyacinth handicraft micro-enterprises in Semarang Regency and vice versa, the lower the entrepreneurial orientation owned by the water hyacinth handicraft micro-entrepreneurs, the lower the performance of the micro-enterprises will be.

The Effect of Market Orientation on the Performance of Water Hyacinth Handicraft Micro-enterprises in Semarang Regency

The result of the path coefficient shows that the second hypothesis (H2) states that market orientation has a positive and significant effect on the performance of water hyacinth handicraft micro-enterprises in Semarang Regency. This is based on a t-statistics value of $0.020 < 0.05$. Entrepreneurial orientation has a positive relationship with business performance because seen from the original sample value, the result is positive, namely 0.277, indicating that the second hypothesis (H2) is accepted.

Based on the test result and discussion on theory and previous research, it can be concluded that the higher the market orientation of the water hyacinth handicraft micro-enterprises, the higher the performance of the water hyacinth handicraft micro-enterprises in Semarang Regency and vice versa, the lower the market orientation owned by water hyacinth handicraft micro-enterprises, the lower the performance of water hyacinth handicraft micro-enterprises in Semarang Regency.

The Effect of Product Innovation on the Performance of Water Hyacinth Handicraft Micro-enterprises in Semarang Regency

The result of the path coefficient result shows that the third hypothesis (H3) states that product innovation has a positive and significant effect on the performance of water hyacinth handicraft micro-enterprises in Semarang Regency. This is based on a t-statistics value of $0.007 < 0.05$. Entrepreneurial orientation has a positive relationship with business performance because seen from the original sample value, the result is positive, namely 0.255, indicating that the third hypothesis (H3) is accepted.

Based on the test result and discussion on theory and previous research, it can be concluded that the higher the product innovation owned by the water hyacinth handicraft MSMEs, the higher the performance of the water hyacinth handicraft MSMEs in Semarang Regency and vice versa, the lower the product innovation owned by water hyacinth handicrafts micro-entrepreneurs, the lower the performance of water hyacinth handicraft MSMEs in Semarang Regency.

The Effect of Competitive Advantage on the Performance of Water Hyacinth Handicraft Micro-enterprises in Semarang Regency

The result of the path coefficient shows that the fourth hypothesis (H4) states that competitive advantage has a positive and significant effect on the performance of water hyacinth handicraft micro-enterprises in Semarang Regency. This is based on a p-value of $0.044 < 0.05$. Entrepreneurial orientation has a positive relationship with business performance because seen from the original sample value, the result is positive, namely 0.218, indicating that the fourth hypothesis (H4) is accepted. Based on the test result and discussion on theory and previous research, it can be concluded that the higher the competitive advantage owned by the water hyacinth handicraft micro-enterprises, the higher the performance of the water hyacinth handicraft micro-enterprises in Semarang Regency and vice versa, the lower the competitive advantage owned by water hyacinth handicraft micro-enterprises, the lower the performance of water hyacinth handicraft micro-enterprises in Semarang Regency.

The Effect of Competitive Advantage in Moderating Entrepreneurial Orientation on the Performance of Water Hyacinth Handicraft Micro-enterprises in Semarang Regency

Path coefficient test of the moderating effect of competitive advantage moderates the effect of entrepreneurial orientation on the performance of water hyacinth handicraft micro-enterprises in Semarang Regency. Based on the moderating effect, competitive advantage has a positive and significant relationship between entrepreneurial orientation and micro-business performance, seen from the original sample value which has a positive result, namely 0.339 and obtains a significant p-value of $0.011 < 0.05$ so that the fifth hypothesis, H5, is accepted. Based on this result, it can be concluded that competitive advantage can moderate the effect of entrepreneurial orientation on micro-business performance.

Based on the test result and discussion on theory and previous research, it can be concluded that the higher the competitive advantage owned by the water hyacinth handicraft micro-enterprises,

the higher the performance of the water hyacinth handicraft micro-enterprises in Semarang Regency and vice versa, the lower the competitive advantage owned by water hyacinth handicraft micro-enterprises, the lower the performance of water hyacinth handicraft micro-enterprises in Semarang Regency. Competitive Advantage can be a factor in improving the performance of micro-enterprises in the water hyacinth handicraft business because competitive advantage can strengthen entrepreneurial orientation in improving the performance of micro-enterprises.

The Effect of Competitive Advantage in Moderating Market Orientation on the Performance of Water Hyacinth Handicraft Micro-enterprises in Semarang Regency

Path coefficient test of the moderating effect of competitive advantage moderates the effect of entrepreneurial orientation on the performance of water hyacinth handicraft micro-enterprises in Semarang Regency. Based on the moderating effect of competitive advantage, market orientation has a positive and significant relationship with micro business performance, seen from the original sample value, the result is positive, namely 0.447, and obtains a significant p-value of $0.000 < 0.05$ so that the sixth hypothesis, H6, is accepted. Based on this result, it can be concluded that competitive advantage can moderate the effect of market orientation on micro-business performance.

Based on the test result and discussion on theory and previous research, it can be concluded that the higher the competitive advantage owned by the water hyacinth handicraft micro-enterprises, the higher the performance of the water hyacinth handicraft micro-enterprises in Semarang Regency and vice versa, the lower the competitive advantage owned by water hyacinth handicraft micro-enterprises, the lower the performance of water hyacinth handicraft micro-enterprises in Semarang Regency. Competitive Advantage can be a factor in improving the performance of micro-enterprises in the water hyacinth handicraft business because competitive advantage can strengthen market orientation in improving the performance of micro-enterprises.

The Effect of Competitive Advantage in Moderating Product Innovation on the Performance of Water Hyacinth Handicraft Micro-enterprises in Semarang Regency

Path coefficient test of the moderating effect of competitive advantage moderates the effect of product innovation on the performance of water hyacinth handicraft micro-enterprises in Semarang Regency. Based on the moderating effect of competitive advantage, product innovation has a positive and significant relationship with micro business performance, seen from the original sample value, the result is positive, namely 0.252, and obtains a significant p-value of $0.020 > 0.05$ so that the seventh hypothesis, H7, is accepted. Based on this result, it can be concluded that competitive advantage can moderate the effect of product innovation on micro-business performance.

Based on the test result and discussion on theory and previous research, it can be concluded that the higher the competitive advantage owned by the water hyacinth handicraft micro-enterprises, the higher the performance of the water hyacinth handicraft micro-enterprises in Semarang Regency and vice versa, the lower the competitive advantage owned by water hyacinth handicraft micro-enterprises, the lower the performance of water hyacinth handicraft micro-enterprises in Semarang Regency. Competitive Advantage can be a factor in improving the performance of Micro-enterprises in the water hyacinth handicraft business because competitive advantage can strengthen product innovation in improving the performance of micro-enterprises.

CONCLUSION

Based on the results of the research and discussion described previously, the following conclusions can be drawn: entrepreneurial orientation, market orientation, product innovation, and competitive advantage have a positive and significant effect on micro business performance, competitive advantage can strengthen entrepreneurial orientation on micro business performance, competitive advantage is able to strengthen market orientation on the performance of Micro Business, competitive

advantage is able to strengthen product innovation on the performance of water hyacinth handicraft micro- enterprises in Semarang Regency. Suggestions for further research could be to add moderating variables that have never been studied, such as financial access and market orientation.

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