



The influence of market orientation on SME performance: A case study in the field of food and beverage business in Tanah Datar Regency, West Sumatra Indonesia

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Abstract

West Sumatra as one of the tourist destinations is very able to pamper the tongue of tourists with a variety of food and beverages that are very distinctive. SMEs engaged in food and beverages compete with each other in increasing sales, one of the ways that are done in increasing sales is by conducting market orientation. SME performance is also greatly helped by the market orientation, the government is also very serious in improving the performance of SMEs with various facilities provided. The issue raised is whether market orientation affects the performance of SMEs in Tanah Datar Regency? The method used is a simple regression, where the results obtained state that the market orientation does not have a significant effect on the performance of SMEs in the food and beverage business in Tanah Datar Regency, West Sumatra.

Keywords: market orientation, SME performance

Introduction

The contribution of Small and Medium Enterprises (SMEs) to the national economy is not just a supporter. But it has an important and strategic role. The existence of the government in terms of improving the performance of SMEs is serious, as evidenced by the provision of soft credit to business owners to be able to improve the capabilities of SMEs.

Many types of local food and beverages are the attraction of consumers in and outside the region. Making SMEs in this field is mushrooming. SMEs engaged in food and beverages in Tanah Datar Regency are very large, the number recorded in the Cooperative, Industrial and Trade Office (KOPERINDAG) in 2020 was recorded at 2,033 units for small businesses and 277 units for medium-sized businesses engaged in food and beverages. With the increasing number of similar SMEs, of course, there is a competition that occurs inevitably. The competition that occurs, making SMEs must have a good strategy and a strategy that can increase the advantage of these SMEs in the eyes of consumers and competitors. One strategy that can be done is of course with market orientation. (BPS, 2021) ^[2].

The market orientation carried out by SMEs illustrates the extent to which SMEs create superior value for customers to realize organizational culture, and entrepreneurs-oriented SMEs, the extent to which SMEs build identification and exploit untapped opportunities as the principle of SME organizing. (Arief, Muhammad Thoyib, Armanu, Sudiro, Achmad & Rahman, 2013) ^[1]. Market orientation is related to competitor orientation, customer, and coordination between functions.

Literature Review

1. Market Orientation

Market orientation as a single construct consisting of three dimensions, namely (1) Customer orientation, can be expressed through the breadth of monitoring of employee commitment to customers or the development of competing strategies that are emphasized in: a) Understanding of the needs and management of how businesses can create customer value. b) Customer orientation produces another logic that is as a result of the intensity of market-oriented policy development, the company has the opportunity to be able to shape customer perception of the values it builds and the values that are felt it will produce customer satisfaction. c) Marketing, the company must know what the customer wants and fulfill it by putting customer satisfaction and values as the main thing and transactions as the basis of analysis. (Kotler, P & Kevin, 2016) ^[4].

(2) Competitor orientation, can be said through monitoring information about competitors and disseminating various information about competitors, and disseminating various information on all functions in the company. Companies that are oriented to competitors, will always use most of their time to track the use of competitors' strategies and market share and find strategies to fight them. (Kotler, P & Kevin, 2016) ^[4].

(3) Coordination between functions, must be directed to understand the needs between functions in the organization to understand the needs of customers by providing the best value compared to their competitors, to create satisfaction for their customers. Coordination between functions identifies the capabilities required by the organization which includes key and supporting activities. (Kotler, P & Kevin, 2016) ^[4].

2. SME Performance

Micro Small and Medium Enterprises have an understanding under the Decree of the Minister of Finance No. 40 / KMK 06 / 2003 is a business that has a turnover of smaller or equal to Rp 100 million / year. While small businesses, according to article 5 of Law No. 9 of 1995, are having a net worth of at most Rp 200 million, excluding land and business buildings; or have annual sales of at most IDR 1 billion; belonging to Indonesian citizens; stand-alone, not a subsidiary or branch of a company owned, controlled or affiliated either directly or indirectly with a medium enterprise or large business; in the form of the efforts of individuals; business entities that are not incorporated, or incorporated business entities, including cooperatives. (Djodjoko, Cynthia Vanesa, & Tawas, 2014)

Performance is an achievement of certain requirements that can finally be directly reflected from the output carried out both in quantity and quality. (Simamora, 2013) ^[6]. there are several performance indicators, namely: compliance with all the rules that have been established in the company can carry out its duties without errors (the lowest error rate).

Research methods

The type of quantitative research with its population is SMEs in Tanah Datar. The sample taken was all food and beverage SMEs in Tanah Datar, West Sumatra. Data analysis techniques use data analysis techniques using simple regression tests.

Result

The data validity test for market orientation variables produces valid data in its entirety, while in the SME performance variable there are two invalid questions. For reliability tests, the limit value is 0.60, while the market orientation variable gets a Cronbach alpha value of 0.671 and an SME performance variable of 0.619. Then it can be concluded that each variable is declared reliable, and data processing can be continued.

Table 1: Hypothesis Testing Results

Variable	t-hit	Sig	Alpha	conclusion
Market orientation	-0,309	0,758	0,05	Insignificant

Source: SPSS processed data

To prove the influence of market orientation variables on SME performance variables, an at-statistics test is conducted. The result obtained is a sig value of 0.758 > alpha 0.05, so the decision is that market orientation has no significant effect on the performance of SMEs.

Conclusion

The results obtained explained that the market orientation in SMEs in Tanah Datar Regency had an insignificant effect on the performance of these SMEs. This is not following the results of research from Mustikowati, *et al*, which stated that market orientation has a significant effect on the company's performance, from the results of research obtained that the market orientation in SMEs aimed at exports in Malang regency significantly affects the company's performance. (Mustikowati, R.i dan Tysari, 2015) ^[5].

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