The Influence of Market Orientation, Entrepreneurial Orientation, Knowledge Management and Learning Organization on Performance Mediated by Innovation in Culinary SME’s in Bekasi

M Fadhli Nursal¹, Muhammad Richo Rianto², Eri Bukhari³
Bhayangkara Jakarta Raya University

Corresponding Author: Muhammad Richo Rianto
mrrianto@dsn.ubharajaya.ac.id

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This study aims to see the effect of innovation mediation that connects market orientation, entrepreneurial orientation, knowledge management and organization learning on the performance of MSMEs in the city of North Bekasi. This study uses a quantitative. The unit of analysis in this study is the Culinary SMEs in North Bekasi.

This research was conducted on 231 respondents spread across northern Bekasi and used the SmartPLS 3.3.3 statistical tools. The results of this study further emphasize that innovation can mediate the relationship between market orientation and performance. In addition, entrepreneurial orientation also affects performance mediated by innovation and knowledge management affects performance mediated by innovation but organizational learning has no effect on performance mediated by innovation in UMKM culinary in North Bekasi.

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INTRODUCTION

Bekasi is one of the areas that has the most MSMEs in Indonesia. MSMEs have a high contribution to the economic growth of Bekasi City. Based on the results of the 2016 BPS economic census, the number of MSMEs in Bekasi City is around 203,000 MSME units, as many as 12.186 are types of food and beverage processing trade business with an absorption of 410,000 workers in 2016 (Insani et al., 2021).

![Growth in the Number of MSMEs](image)

**Figure 1**: Data processed from BPS.

Based on the graph above, the number of MSMEs in Bekasi during 2016 to 2021 has increased by 6.1%. Where in 2016 there were 203,056 MSMEs, in 2017 there were 215,620 MSMEs, in 2018 there were 228,960 MSMEs, in 2019 there were 243.127 MSMEs, in 2020 there were 258,170 MSMEs and in 2021 as many as 274.143 MSMEs. This further strengthens that MSMEs are an important sector to study because they provide many contributions both for MSME actors and for improving the regional economy.

Performance is an important part for MSMEs to survive and be sustainable. Improving the performance of a business is driven by innovation efforts that are able to be carried out by business actors (Ryiadi & Yasa, 2016). Business actors who innovate are believed to be able to improve their business performance and can survive in the uncertain business environment (Ryiadi & Yasa, 2016). Speed of innovation refers to an organization’s ability to accelerate the development and commercialization of products or services to achieve competitive advantage (Allocca & Kessler, 2006). In addition to innovation, several other factors that affect performance are market orientation (Arief & Rosiawan, 2009; Iqbal et al., 2019; Masa’deh, 2018; Raj & Srivastava, 2013), entrepreneurial orientation (Sirén et al., 2017)(Shah & Ahmad, 2019), knowledge management (Al-qarioti, 2015; Khalil & Mehmood, 2018; Rianto et al., 2021) and learning organizations (Mohammad, 2019; O. Pratiwi, 2019; Rianto et al., 2021).
THEORETICAL REVIEW

MSME Performance

Performance is defined as the ability to exploit the organizational environment to access and use limited resources. The definition of MSME performance also refers to effectiveness (achievement of goals) and efficiency (efficient use of resources in achieving goals) (Rianto et al., 2021).

Market orientation

Market orientation describes how companies do or run the marketing concept. In another perspective, market orientation can also be understood as an innovative behavior (Arief & Rosiawan, 2009).

Entrepreneurial orientation

Entrepreneurial orientation is a condition where individuals tend to innovate, be proactive, and willing to take risks to start or manage a business (Manahera et al., 2018). According to (Lin et al., 2008) entrepreneurial orientation is an organizational capability that contributes to the creation of unique organizational resources, and positional advantages that affect performance.

Knowledge management

Knowledge management is the process of acquiring, changing, disseminating, applying and reusing knowledge within an organization (Sabri, 2005). The role of knowledge management in organizations is related to creating, organizing, sharing and using knowledge in organizations (Cooper et al., 2016).

Learning organization

The learning organization consists of a series of processes oriented towards generating knowledge from both the internal and external environment. Internal learning can arise through methods such as research, development, and production experience while external learning occurs outside the boundaries of the organization and is then integrated into the organization with an internal knowledge base. This learning can occur individually or throughout the organization (Rianto et al., 2021). The effect of market orientation on innovation, that there is a significant positive relationship between components of market orientation which include customer orientation, competitor orientation, inter-functional coordination with innovation (Jiménez-Jímenez et al., 2008).

The same thing was also investigated by (Manahera et al., 2018) Entrepreneur Orientation is an organizational capability that contributes to the creation of unique organizational resources. Entrepreneurial orientation has a significant influence on innovation. Knowledge management is also one of the improvements in innovation. The transferred knowledge will increase new knowledge and skills so that it can increase development in humans themselves and will directly increase innovation (Iqbal et al., 2019). Organizational learning also has an influence on innovation (D. A. Pratiwi & Fanani, 2019). Based on the arguments above, several hypotheses are drawn as follows:
H1. Market orientation has an effect on Innovation
H2. Entrepreneur Orientation has an effect on Innovation
H3. Knowledge Management has an effect on Innovation
H4. Organizational Learning has an effect on Innovation

Innovation

(Siagian & Ikatrinasari, 2019) Innovation in a broad concept is actually not only limited to products because innovation can be in the form of ideas, methods or objects that are perceived by someone as something new, innovation is also often used to refer to changes that are perceived as something new, new by the experienced community. In addition, several factors affect the performance of MSMEs. According to research (Jose, 1997; Khalil & Mehmood, 2018; Shah & Ahmad, 2019) product innovation has a significant effect on MSME performance. Similar research was also conducted by (Manahera et al., 2018) where entrepreneur orientation had an effect on the performance of MSMEs and so was the effect of knowledge management (Khalil & Mehmood, 2018; Rianto et al., 2021) and organizational learning on performance (Mohammad, 2019; Rianto et al., 2021).

Based on the arguments above, the following hypothesis can be drawn:

H5. Market orientation affects the performance
H6. Entrepreneur Orientation affects the performance
H7. Innovation affects the performance
H8. Knowledge Management affects the performance
H9. Organizational Learning Affects Performance

Innovation is considered to have an important role in mediating the relationship between market orientation, entrepreneur orientation, knowledge management and organizational learning on performance. Research (Devara satya komang, 2019; Tesa Asashi, 2017) states that the orientation is on the market with innovation that acts as a mediator to encourage organizational performance. Likewise, entrepreneur orientation towards performance mediated by innovation found that innovation succeeded in mediating the relationship between entrepreneurship and performance (Arief & Rosiawan, 2009). Knowledge management on performance mediated by innovation has a positive influence (Iqbal et al., 2019). Organizational learning will encourage company management to translate every idea that appears in the production line and synergize the ideas that appear on each production line to become a power of ideas for the company (D. A. Pratiwi & Fanani, 2019). Based on the arguments above, the following hypothetical conclusions are drawn:

H10. Market orientation has an effect on performance mediated by Innovation
H11. Entrepreneur orientation has an effect on performance mediated by Innovation
H12. Knowledge Management has an effect on performance mediated by Innovation
H13. Organization Learning has an effect on performance mediated by innovation.

The framework of thought is an important part in the thinking process to describe the relationship of variables in research (Handayani & Rianto, 2021).

![Conceptual Framework](image)

**Figure 2**: Conceptual Framework.

**METHODOLOGY**

This research is a quantitative research using statistical figures as a decision making research results. The unit of analysis in this study is Culinary SMEs in North Bekasi City. The sample used in this study uses (Joseph F. Hair Jr. William C. Black & Anderson, 2014) where the number of indicators is multiplied (X) by the number 5 so that the minimum sample in this study is 210 respondents. Based on the results of distributing questionnaires that have been carried out as many as 231 respondents who returned the questionnaires and all of them can be used in this study. The instrument in this study was adopted from previous research.

Market orientation research instrument was adopted from (Narver & Slater, 1990) with 5 statement items, entrepreneur orientation was adopted from research (Lumpkin & Dess, 1996) with 5 statement items. Knowledge management was adopted from research (Darroch & Darroch, 2015) with 14 statement items and organization learning was adopted from research (Rianto et al., 2021) with 7 statement items. The statement for innovation was adopted from the research (Chang et al., 2007) with 6 statement items. Performance adopts research (Rianto et al., 2021) with 7 statement items. This study uses a scale of 1-5 following the research of (Rianto et al., 2022). This study uses the Smartpls statistical tool by testing the outer model and inner model to make research decisions (Ghozali & Latan, 2015).
RESULTS

Result of Outer Model Test

Test results in this study used the results of the outer model test. Based on the results of the validity test, all statement items meet the requirements > 0.7 and there are several items from the statement that must be eliminated because they do not meet the validity requirements.

<table>
<thead>
<tr>
<th>Table 1: SmartPls 2022 data processing.</th>
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<tr>
<td><strong>Cronbach’s Alpha</strong></td>
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<tr>
<td>ENTREPRENEUR ORIENTATION</td>
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<td>INNOVATION</td>
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<td>KNOWLEDGE MANAGEMENT</td>
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<td>MARKET ORIENTATION</td>
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<td>ORGANIZATION LEARNING</td>
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<td>SMES PERFORMANCE</td>
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Based on the results above, it can be concluded that the Cronbach’s Alpha value for all variables is above 0.8, meaning that this study meets the reliability requirements.

Results of Hypothesis - Inner model

The results of hypothesis testing in this study indicate a relationship between the independent and dependent variables indicated by the following path model:

<table>
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<th>Table 2: SmartPls 2022 data processing.</th>
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<td><strong>Original</strong></td>
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<tr>
<td>ENTREPRENEUR ORIENTATION -&gt; INNOVATION</td>
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<td>ENTREPRENEUR ORIENTATION -&gt; SMES PERFORMANCE</td>
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<td>ORGANIZATION LEARNING -&gt; SMES PERFORMANCE</td>
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</table>

Based on the results of the inner model above, it can be concluded that market orientation has an effect on innovation with a value P-value 0.000 < 0.05 H1 is accepted. Entrepreneur orientation influences innovation with a p-value of 0.000 <0.05 H2 is accepted. Knowledge management has an effect on innovation with a p-value of 0.000 <0.05 H3 is accepted, and organization learning has no effect on innovation where 0.796 > 0.05 H4 is rejected. Market orientation has an effect on performance with p-value 0.000 < 0.05 H5 is accepted, entrepreneur orientation has an effect on performance with a p-value of 0.000 <0.05 H6 is accepted, Innovation has an effect on performance with a p-value of 0.007 < 0.05 H7 is accepted, knowledge management has an effect on Performance with a p-
value of 0.000 < 0.05 H8 is accepted and organization learning has an effect on performance with a p-value of 0.787 > 0.05 H9 is rejected.

Mediated by innovation with p-value 0.012 < 0.05 H10 accepted, Entrepreneur orientation effect on performance mediated by innovation with p-value 0.011 < 0.05 H11 is accepted and Knowledge management affects performance mediated by innovation where p-value 0.012 < 0.05 H12 is accepted. However, different results on organization learning have no effect on performance mediated by innovation with a p-value of 0.809 > 0.05 H13 is rejected.

DISCUSSION

Based on the results of the inner model test above, H1 is accepted, where market orientation has an effect on innovation. This study strengthens the previous research conducted by (Jiménez-Jimenez et al., 2008) because with a market orientation, culinary SMEs will be able to identify the needs of the market. By knowing the needs of the MSME market, it will be easy to innovate both in terms of products and services as well as marketing strategies. The same findings are also in H2 where entrepreneur orientation has an effect on innovation. This finding is also in line with research conducted by (Manahera et al., 2018) that the entrepreneurial orientation attitude possessed by an entrepreneur will help entrepreneurs to find ways to continue to develop their business. The development of the business will certainly lead to the use of resources, business processes which will then emerge Innovation as a force to compete. A culinary entrepreneur must certainly can have an entrepreneurial orientation so that it will increase innovation in his business, in the form of product and service innovation.

Knowledge management has an effect on Innovation so that H3 is accepted. This research is in line with research conducted by (Iqbal et al., 2019) where good knowledge management within the company will increase innovation. Knowledge is a resource that is difficult to imitate so that the ability to manage knowledge will have a positive impact on business innovation. Organization learning has no effect on innovation so H4 is rejected. This research is not in line with research conducted by (D. A. Pratiwi & Fanani, 2019) where businesses that have good organizational learning should always provide important input for businesses. However, with the dynamics of rapid and abnormal changes in the business environment, the company is unable to improve innovation from previous experiences.

Market orientation has an effect on the performance of culinary SMEs, meaning that the H5 hypothesis is accepted. This research is in line with research conducted by (Tesa Asashi, 2017) as well as entrepreneurial orientation, innovation, and knowledge management that affect the performance of culinary SMEs so that hypotheses H6, H7 and H8 are accepted by this study in line with research conducted by (Iqbal et al., 2019; Khalil & Mehmood, 2018; Mohammad, 2019; Rianto et al., 2021; Shah & Ahmad, 2019). Where the higher the entrepreneurial orientation, innovation and knowledge management, the higher the performance of culinary SMEs. However, something different about the results of organization learning which has no effect on performance, this research is not
in line with research (Mohammad, 2019; Rianto et al., 2021) this happens because changes in the business environment that are fast and unpredictable make the business experience impossible. affect business performance.

Findings on the mediating role of innovation in improving performance have a positive influence that connects market orientation to the performance of culinary SMEs in North Bekasi City. This research is in line with research conducted by (Devara satya komang, 2019; Tesa Asashi, 2017). The same finding on the mediating role of innovation that connects entrepreneurial orientation to research performance is in line with research conducted by (Arief & Rosiawan, 2009) This means that innovation in the culinary business will affect the relationship between market orientation and entrepreneurial orientation on culinary business performance. Through innovations formed by business actors who come from their entrepreneurial orientation abilities and market orientations built by culinary businesses, they can find new things from products or services so that they have an impact on improving the performance of culinary SMEs.

The same result also applies to the role of innovation in the relationship of knowledge management to performance, where knowledge management through innovation can improve performance. This study is in line with research conducted by (Iqbal et al., 2019; Rehman et al., 2019) These findings further clarify the important role of innovation in linking knowledge management to performance. With new ways and new innovations in receiving, managing and disseminating knowledge, it will improve the performance of culinary SMEs. However, different things occur in the role of innovation in the relationship of organizational learning to the performance of SMEs where innovation has no effect in mediating the relationship of organizational learning to the performance of culinary SMEs. This research is not in line with the research conducted (D. A. Pratiwi & Fanani, 2019). This can happen due to changes in the business environment and tight competition as well as changes in the environment that cannot, such as massive digitalization and covid 19, make culinary businesses unable to adapt quickly to extraordinary and unprecedented circumstances.

CONCLUSIONS AND RECOMMENDATIONS

Overall market orientation, entrepreneurial orientation and knowledge management affect innovation but organizational learning has no effect on innovation. The direct influence of market orientation has an effect on the performance of culinary SMEs. In the same way, entrepreneurial orientation affects the performance of culinary SMEs and knowledge management affects the performance of culinary SMEs. However, organizational learning has no effect on the performance of culinary SMEs in the city of Bekasi. The indirect effect of market orientation on performance is mediated by innovation, as well as entrepreneurial orientation on performance mediated by innovation. Knowledge management gets similar results that affect performance mediated by innovation. However, the results are different where organizational learning has no effect on performance mediated by innovation.
FURTHER STUDY
This research is still far from perfect. This research is limited to the mediating role of innovation. Therefore, future research is expected to be able to add relevant variables such as the mediating role of social media orientation or technology orientation.

REFERENCES


