

# The Relationship among Entrepreneurial Orientation, Learning Orientation and Performance of SMEs: A Case Study on Food SMEs in Padang City

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Received: 13 February, 2022

Accepted: 16 April, 2022

Published: 27 June, 2022

## Abstract

The conditions of intense competition make businesses threatened. As a result, the existence of the business becomes something that must be maintained. It is important that entrepreneurial orientation is owned by every business owner, and is forwarded to a learning orientation so that the performance of the business can be improved. The purpose of this study was to determine the relationship between entrepreneurial orientation and learning orientation, and to determine the relationship between learning orientation and business performance. This research used explanatory research, which is research used to determine has or hasn't the effect exogenous variable on endogenous variables. Meanwhile, the exogenous variables in this study are Entrepreneurship Orientation and Learning Orientation, and the endogenous variables are SME Performance. This study used research method of Structural Equation Modeling (SEM). The collecting data is distributing questionnaires. This study uses a cross-sectional time horizon. The observation unit in this research is the owner of UKM Food in Padang City, while the sample in this research is 30 respondents. The results of the study found that entrepreneurial orientation had a significant effect on learning orientation, while learning orientation had no significant effect on business performance.

**Keywords:** Entrepreneurial orientation; learning orientation; SME performance, business owner, business performance

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## Introduction

Micro, small and medium enterprises (MSMEs) are businesses that produce goods and services using main raw materials based on the utilization of natural resources, talents and traditional works of art from the local area. *Undang-Undang* No. 20

of 2008 stipulates the division of each business classification based on the number of workers, company finances and total assets owned. MSMEs are the spearhead of the national economy, so that the success of MSMEs can sustain national economic growth.

Uncertainty may cause a business will be closed at any point in time. This is a concern for business experts, and they are constantly looking for ways to stay on stand and stable. The commerce does not always last long. This is presumed because there is no added value of a trade so that it fails to survive in competition. This case will not necessarily apply to businesses that have added value that makes them competitive, where they will become stronger and able to solve their problems. The competitive ability arises because added value that is perceived by customer for what has been applied in process of meeting user needs. Suliyanto and Rahab (2012) stated in their investigation that one of activities that can build competitiveness is increase knowledge about business and how to take advantage of market opportunities.

Attention not only concern on activities to find information sources, but also pay attention to ability to process that information. The entrepreneurial orientation is the determining factor of renewal that is created. Subagja et al. (2018) define entrepreneurial orientation as an effort to generate value through the introduction of commercial opportunities, proper risk-taking management, agility in communication-management to mobilize human resources, and financial material resources or other resources needed to produce projects to order applied as well. The trade advantages that apply an entrepreneurial orientation is that it will provide insight into opportunities for new commerce, can determine the development direction, technology adaptation and increase profits.

Serna, Martinez and Martinez added that knowledge must be widely disseminated so that it can delegate these ideas to every division in the company, so that each individual has ability and capacity to make reforms. Learning orientation is a set of organizational values that influence the company's tendency to create and use knowledge about cultural processes with market-oriented learning.

Nowadays, SMEs in West Sumatra province, there is a classification of Small and Medium Enterprises (SMEs). An increase in the number of SMEs was applied in the last 3 (three) years. In 2014, there were 14,841 UKMs. Furthermore, in 2015, this number increased to 18,731 and in 2016 to 21,944. Based on development trend of SMEs in West Sumatra Province, the reviewer predicts that SMEs will continue to develop in West Sumatra.

The growth of SMEs in the last 3 (three) years has shown satisfactory achievements. This is also an achievement indicator for West Sumatra Government in developing SMEs, but reviewers have doubts about the willingness for existing SMEs to competitor or newcomers. This is based on early observation (2020) where there are still SMEs that have never made innovation, even some of them do not know about consumer perceptions on them.

Furthermore, the researcher chosen Padang city as investigation area because it has largest number of SMEs, on the assumption that they can represent SMEs investigation in West Sumatra. The reviewer also chose food classification SMEs because the number of classified SMEs was mostly found in research area, in addition the opinion that food sector is easiest way to implement innovation.

## Literature Review

### *Entrepreneurial Orientation*

Entrepreneurial orientation can be applied as a process, practice and activity that allow growth. Entrepreneur also added that entrepreneurial orientation focuses on corporate strategy in which, analysis and commercial design and decisions are in followed company's values and mission. In other words, this understanding of entrepreneurial orientation will be driving force for innovation. Subagja et al. (2018) define entrepreneurial orientation as an effort to realize value through the introduction of commercial opportunities, appropriate risk-taking management, communication skills to move people, and financial-material resources or other resources needed to produce projects so that can be done well.

Cantaleano et al. (2018) explain that entrepreneurship orientation is a process of elaborating / expanding the strategy that is the basis for making entrepreneurial decisions and actions. This is supported by investigation conducted by Suharto et al. (2018) that through entrepreneurial orientation, company owners are able to bring the company to better achievements, company owners can take advantage of the surrounding environment to take advantage of opportunities, and have the courage to take risks because they start business based on creative ideas and an entrepreneurial spirit.

### *Learning Orientation*

Suliyanto and Rahab (2012) define learning orientation as learning to increase knowledge and improve abilities. It is important for companies to acquire and disseminate new knowledge and ideas to increase their survival chances and development; important learning in organizations because tight competition and more choices in the market. Serna, Martinez and Martinez (2016) add that knowledge must be disseminated so that they can delegate these ideas to each division in

company, so that each individual has the ability and capacity to make reforms. Another view states that innovation can arise because of learning, development, and inclusion in decision making.

### *SME Performance*

Leal-Rodríguez and Albort-Morant (2016) stated that achievement is an output of a business and also a strategic goal that has been implemented, therefore achievement will be influenced by many factors. Achievement is formed rather than a business sensitivity to find out its business environment and make it a competitive advantage. Sulyanto and Rahab (2012) stated that business achievement is a follow-up action rather than market demand that has been fulfilled. In order to find out what the market needs, it is necessary to conduct the market orientation. It is also useful in responding to changes in prevailing business environment. Sutapa (2014) adds that business achievement can also be seen from the company's ability to fulfill the market's will, and is the final result of the activities that have been carried out.

Achievement is a continuous and flexible process that involves management and human resources acting as a unit or troop in a framework that determines how they can work together to achieve the required results. Achievement is final result of an activity; this includes the actual results of the strategic management process. Strategic management practice is justified in terms of its efforts to improve organizational performance.

### *Framework and Hypothesis*

*The Relationship Entrepreneurial Orientation and Learning Orientation.* Martinez et al. (2018) states, that learning will promote entrepreneurial efforts to create something new. Pardi et al. (2014) added that entrepreneurial orientation is the most important factor in directing the innovation level to be carried out, when learning will provide knowledge about the development information that will be carried out. H1: It is assumed that Entrepreneurial Orientation has a significant effect on Learning Orientation

*Relationship Learning Orientation and SMEs Performance.* A learning orientation may support companies to study the commercial environment both internally and externally. This will produce a strategy to encourage company performance. Learning orientation provides a collection of important information for innovation creation so that it can offer something new. Some references suggest that learning orientation will be difficult if it directly affects achievement, because learning orientation must collaborate with other variables. H2: It is assumed that Learning Orientation has a significant effect on SMEs performance. From the explanation of the relationship of each variable, a framework can be determined as shown in Figure 1.

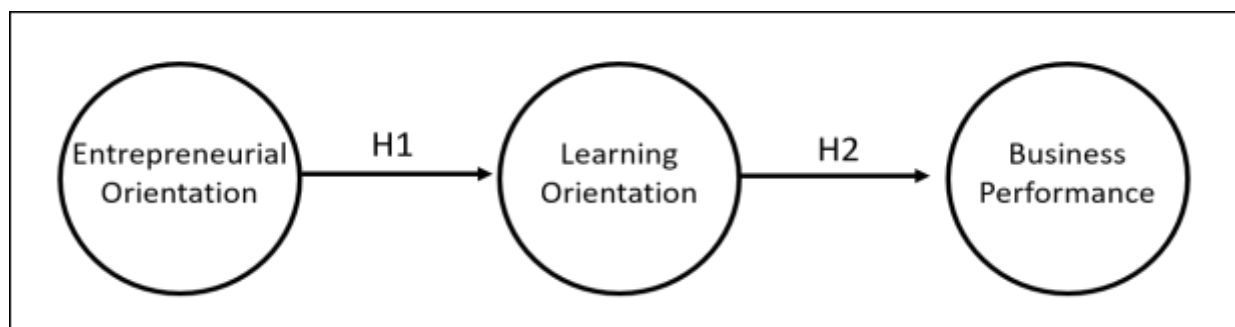


Figure 1. Research Framework

## **Methodology**

### *Explain on Research Design/Approach*

This study is descriptive research, which is a study that attempts to explain there is has or has not relationship between the independent variable and the dependent variable through hypothesis testing. The endogenous variable is business performance, while the exogenous variable is entrepreneurial orientation and learning orientation.

### Population and Sample

The population in this research consisted in food SMEs sector in Padang City, West Sumatra Province which were listed in Small and Medium Industry Statistics Book of West Sumatra published by West Sumatra Central Statistics Department (BPS) and supported by data from City Small and Medium Industry Statistics Book. Padang.

Instead of the number of SMEs in West Sumatra Province, districts and cities that have the largest number SMEs in 2016 will be selected. The Padang city has a total 2,149 SMEs.

Food SMEs are selected by Purposive sampling, in which samples are taken randomly, without concern to stages in population. Where the sample is determined on the type of medium business. Researcher use 30 respondents in this research.

### Descriptive Analysis

Table 1. Respondents Characteristics

No	Characteristics	Description	Frequency	Percentage
1	Age	a. 26-30 years	6	18.8%
		b. 31-35 years	12	37.5%
		c. 36-40 years	6	18.8%
		d. > 40 years	8	25%
2	Gender	a. Male	13	40.6%
		b. Female	19	59.4%
3	Marital Status	a. Unmarried	3	9.4%
		b. Married	29	90.6%
4	Educational	a. Junior high school	0	0%
		b. Senior high school	6	18.8%
		e. Diploma	8	25%
		e. Bachelor	16	50%
		f. Post graduated	2	6.3%
5	Occupation	a. Student	3	9.4%
		b. Employee in same field	1	3.1%
		c. Employee in another field	17	53%
		d. Other business owners in the same field	1	3.1%
		e. Other business owners in the different field	3	9.4%
		f. Profesional	2	6.2%
		g. Others	0	0
6	Position in Company	Owner	28	87.5%
		Manager	4	12.5%
7	Have got trainee	The training held by Disperindag	3	9.4%
		The training held by BPOM	1	3.1%
		Have not	29	87.5%

Source: 2020 Primary Data Processing Results

### Types and Data Sources

The type of data in this investigation is primary data, that is, data collected directly by researcher. The probing review questions are used to find out the remarks or owners' responses or food sector managers SMEs in Padang City regarding the

factors that are investigated in an investigation that produces quantitative data. The data source for this investigation is the owner or food management SMEs sector in Padang City.

### *Test Instruments and Data Analysis*

The pilot test is used to measure the instruments that are variables in this study. The pilot test was carried out on SMEs entrepreneurs in Padang city, West Sumatra. The data obtained from pilot test will be tested for validity and reliability data, now (2015) adds that an instrument that can be trusted is an instrument that when used several times to measure the same object will produce same data. The instrument of trustworthiness in this investigation was measured by two criteria, namely the value of composite reliability and Cronbach alpha for each indicator block in reflective coaching. The rule of thumb for composite reliability value must be greater than 0.7 although value of 0.6 is still acceptable, then survey research questions can be used in this study and distributed to respondents.

This research uses data analysis application SmartPLS 2.00 software. PLS is a variant-based structural equation analysis that can simultaneously test, measurement model as well as test structural model. The measurement model is used to test validity and reliability, while structural model used to test causality (hypothesis testing with predictive models). Ghazali (2014) explains that PLS is a soft modeling analysis method because it is not based on assumptions that data must be on a measurement scale, data distribution (distribution free) and a certain samples number, which means that samples number can be small (under 100 samples). The method of data analysis in this study is divided into two, namely descriptive analysis, the statistics used to analyze data by describing the collected data as it is without making any conclusions that apply to generalization. Descriptive statistics in this study include: data preparation in form of tables, graphs, calculation of median, mean, standard deviation, percentages calculation, and others. Data analysis, is a statistical testing technique used to analyze sample data and results are applied to population. In accordance with the formulated hypothesis, in this study inferential statistical data analysis was measured using SmartPLS software starting from measurement model (outer model), the structure model (inner model) and hypothesis testing.

### **Discussion**

The average age respondents are in range 31-35 years, where in this range there are 12 respondents from 32 respondents. While others are in other age ranges such as youngest in 26-30 years range, and oldest in age range > 40 years. The data already represents a trend that occurs in MSMEs, where the majority of owners of MSMEs are in the age range of 31-35 years. Average business has been around for 5 years, where the SMEs are owned by owners in age range 31-35 years.

The gender SMEs owners' respondents were mostly female, namely as much as 59.4% compared to men as much as 40.6%. This is in line with data available in Padang City in Figures (2019) which shows that SME owners are more dominated by women. This also underlies research that discusses female entrepreneurship, because in several studies it is stated that there are differences in business performance especially between a female or a male owner. Whereas in this SMEs type are mostly owned by women, this is due to pleasure and woman ability to create preferred food recipes or to be more disciplined to post in mass media.

On average, respondents are married, if it is related to gender, more female owners are married. Meanwhile, 9.4% of respondents were still unmarried, dominated by respondent's age under 30 years. This is also related with education respondent's levels, who on average have graduated from undergraduate or even postgraduate level. While some of them graduated from high school. This also relates to work before running a business, namely as an employee at a different company. If you think about it further, it takes time to complete undergraduate studies, and on average before becoming an entrepreneur already work too in another place.

Respondents are business owners or managers, but it can be seen from the data that there are more business owners. This aims to make the owner more relevant to provide information related to business, while the manager does not necessarily know fully company information.

### *Test Research Instruments*

The outer loading test results show that all validity discriminant values are all valid, this indicates that each indicator has been able to explain and measure variable. The AVE value of each variable has exceeded requirement value is 0.5, so it can be said that Average Variance Extracted (AVE) value is said to be convergent valid. Because feasibility of the AVE value, the next analysis can be carried out, namely square root of the AVE value with correlation value between constructs.

Table 2. Validity Test

Indicator	Entrepreneurship Orientation	Learning Orientation	Business Performance	AVE
OK2	0.794892			
OK4	0.794331			
OK5	0.841285			
OK6	0.694874			0.613357
OP1		0.809351		
OP2		0.906983		
OP3		0.929481		
OP4		0.904452		
OP5		0.927576		
OP6		0.689285		0.749191
KB1			0.883694	
KB2			0.693640	
KB3			0.672272	
KB4			0.650367	
KB5			0.842325	
KB6			0.737344	0.565028

To find out extent the measurement tool has consistent accuracy from time to time, a reliability test is carried out. The instrument reliability in this study was measured by two criteria, namely value of composite reliability and Cronbach's alpha for each indicator block in reflective construct. The rule of thumb for composite values must be greater than 0.7. A construct is said to be reliable if composite reliability and Cronbach's alpha values are above 0.7. The composite reliability of each variable studied can be seen in following table:

Table 3. Reliability Test

Variable	Cronbachs Alpha	Composite Reliability	R-Square
Entrepreneurial Orientation	0.787882	0.863312	
Learning Orientation	0.931949	0.946644	0.427610
Business Performance	0.872001	0.884913	0.342019

The final result after estimation, the reliability test of composite reliability shows final result that meets requirements where composite reliability value is more than 0.7. Furthermore, in Cronbach's alpha test, it appears that it has a value above 0.7, so it can be said that each indicator can support the variable well, so that further tests can be carried out. From the Cronbach's alpha test and composite reliability, it is illustrated that each indicator has been reliable in measuring the variable, it is stated that each test value has passed required value.

Table 3 shows the testing of structural model which is carried out by looking at R-Square value which is goodness-fit model test. The table above shows influence model of entrepreneurial orientation on learning orientation is 42.76. Taken together, entrepreneurial orientation and learning orientation can affect business performance by 34.2% while the other 65.8% are influenced by other variables not in this study.

### *Hypothesis Testing*

The next step is to compare calculated t value with t table. The hypothesis will be said significant if it has a value t count greater than t table with significance at alpha 0.05 where it will be known that statistical value is 1.96. The following description is test results, from table 4.16 it can show that almost all hypotheses can be accepted because they have a value of  $t >$  from t table. However, there is an insignificant influence between learning orientation on business performance because it has a t statistic value of 0.56 where this value is lower than t table value.

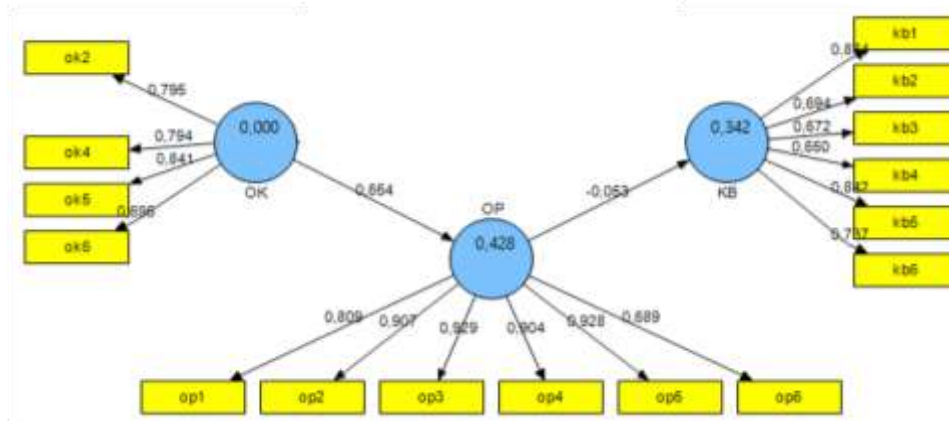


Figure 2. Hypothesis Result

Table 4. Path Coefficients (Mean, STDEV, T-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
<b>IN -&gt; KB</b>	0.294457	0.302740	0.105633	0.105633	2.787543
<b>OK -&gt; IN</b>	0.649620	0.644035	0.065548	0.065548	9.910615
<b>OK -&gt; KB</b>	0.386718	0.389894	0.101401	0.101401	3.813748
<b>OK -&gt; OP</b>	0.653919	0.658210	0.049684	0.049684	13.161543
<b>OP -&gt; KB</b>	-0.052621	-0.059416	0.093953	0.093953	<b>0.560070</b>

Entrepreneurial orientation can significantly influence learning orientation with t statistic 13.16143. This value is highest than relationship path with other variables. This can be a strong consideration for further analysis. Meanwhile, learning orientation variable does not have a significant effect on business performance with a statistical t value of 0.56 which is lower than t table. However, the learning orientation is feasible for further analysis by making this variable a link between entrepreneurial orientation and business performance, this is because entrepreneurial orientation directly has a significant effect on learning orientation and on business performance.

*The Influence of Entrepreneurial Orientation and Learning Orientation*

Based on the hypothesis test, it can be seen that entrepreneurial orientation has a significant effect on learning orientation because it has a t-statistic value (13.16) greater than t-table value is 1.96. These results indicate that more entrepreneurial orientation is improved, the better the learning orientation is. The influence magnitude shown is driven by several factors. First, entrepreneurs always strive to improve competence in order to create new breakthroughs or make right business decisions.

*The Effect of Learning Orientation on SME Performance*

Based on hypothesis test, it is stated that the fifth hypothesis is not accepted because it has an insignificant effect, namely the t-statistical value (0.56) is smaller than t-table (1.96). The results are in line with research of Suliyanto & Rahab (2012) which states that there is a negative and insignificant influence between learning orientation and business performance, this is because learning orientation cannot directly affect business performance but through other variables first such as competitive advantage. Research conducted by strengthens the results of this study, namely presence of a negative and insignificant influence between learning orientation on business performance, but also suggests that learning orientation can be used as continuous learning, and commitment to disclosing information.

**Conclusion**

The first hypothesis is accepted because entrepreneurial orientation can have a significant effect on learning orientation, while second hypothesis is rejected because learning orientation cannot have a significant effect on SME performance. Meanwhile, suggestions that can be given to business actors are to find out information from consumers, owners / managers of SMEs, need to be proactive in asking consumers to provide comments, need to know information on strategies used by competitors, and need to innovate and share knowledge about vision with employees.

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