

Improvement of Craft Business: Business Learning and Market Orientation



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ABSTRACT: Objectives - This study aims to test and prove empirically about: First, does business learning have a direct effect on market orientation? Second, whether business learning and market orientation have a direct effect on business performance. Third, does business learning have an indirect effect on business performance through market orientation Design / methodology / approach - The population of this study is the population in this study are all handicraft industries in the Special Region of Yogyakarta. The research sample was 61 respondents who were taken by nonprobability sampling method using a purposive sampling technique. Data analysis in this study used PLS-SEM (Partial Least Square - Structural Equation Modeling).

Findings - The results of the study show that: business learning affects market orientation. Market orientation affects business performance. Business learning has no direct effect on business performance; however, it indirectly affects business performance through market orientation.

Research limitations/implications - This study found no direct contribution of business learning to business performance. Suggestions for future researchers who will take models and concepts of small and medium business performance must pay attention to business sustainability factors in performance measurement. Meanwhile, due to research limitations, this study cannot explain other variables such as innovation. Innovation is considered to strengthen the impact of business learning on business performance.

Originality - This research empirically examines the mediating role of market orientation in the model. The findings show that SMEs must strengthen market orientation to improve business performance.

KEYWORDS: Business learning, Market orientation, Business performance

I. INTRODUCTION

Business learning in organizations responds to changes in the internal and external environment. Referring to Distanont and Khongmalai (2018) learning is needed to be able to adapt to the environment. Learning orientation refers to organizational activities in creating and using knowledge to increase competitive advantage. These advantages include obtaining and sharing information about customer needs, market changes, and competitors' actions, as well as developing new technologies to create new products that are superior to the competition (Mahmoud, Blankson, Frimpong, Nwankwo, and Trang; 2016). Small businesses need to improve organizational learning capabilities to help build relationships with business partners. Meanwhile, Ismail (2013) explained, small businesses that consistently carry out business learning processes will further enhance the competitiveness of companies, especially in the international market.

Company competitiveness can be influenced through the development of a more market-oriented marketing management philosophy to support various marketing mix strategies. Referring to Kajalo and Lindblom (2015) the marketing concept is a basic principle of marketing management that can assist companies in determining wants and needs and how to satisfy consumers. A market-oriented company is one whose actions are consistent with the marketing concept. Juho, Sihvonen, Johanna Frösén, Jaakkola, and Tikkanen (2014) found that profitability is a consequence of market orientation. The main target of market orientation is profitability or economic welfare. Market orientation capabilities will increase the company's effectiveness towards business performance (Mahmoud, Blankson, Owusu-Frimpong, Nwankwo, and Tang, 2016).

Business performance is used to measure the impact of corporate strategy. The company's strategy is always directed at producing performance, both in the form of marketing performance (such as sales volume, market share, and sales growth rate), as well as a financial performance by using financial ratios such as leverage ratio, liquidity ratio, profitability, and efficiency ratio,

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and market value ratio. (Gitman, 2012). Measuring financial performance generally uses profitability to measure management effectiveness as indicated by the comparison between profits generated from sales and company investment. Referring to Van Horne and Wachowicz (2009) profitability ratios can be used to measure the activity efficiency of the ability to generate profits. Activity efficiency from the ability to generate profits is also used to measure the performance of MSMEs. Thus market-oriented business learning can improve MSME business performance.

However, SMEs in Indonesia tend not to do market-oriented business learning to improve business performance. Competition is one of the causes of the low MSME market share index in Indonesia, especially in Java, except for the Special Province of Yogyakarta (Bappenas, 2014: 19-20). DIY's market share index is higher than other regions because it is closely related to the increase in tourism in DIY which has an impact on increasing demand for products including crafts, (Bappenas, 2104: 24). Even though the MSME market share in DIY is higher than other regions, they still have difficulty penetrating the international market (Bappenas, 2014: 20).

One of the MSMEs in DIY that has difficulty penetrating international markets is the handicraft business. (Bekraf, 2017: 5). Craft products are an attraction for tourists and become a tourist icon in the Kotagede area and its surroundings. However, based on preliminary observations, it is known that the handicraft industry is not able to survive in competition with other handicraft products such as copper handicrafts and similar imported products. Weaknesses of handicrafts include less varied designs, less attractive packaging, and distribution not all of which utilize marketing technology (e-commerce). Based on this description, the problem raised in this paper is how market-oriented business learning is carried out by craft entrepreneurs to improve business performance.

II. LITERATURE REVIEW

Learning is a process of continuous improvement through increased knowledge and better understanding. Learning in an organization is the organization of creativity, skill, and knowledge transfer which is then expected to be able to improve behavior as an elaboration of new insights and knowledge. Learning can help improve the ability of an entrepreneur in solving problems, both structured and unstructured and high risk in carrying out business activities. Generally, entrepreneurs learn from the experience of setting up and managing a business including the learning process, the ability to recognize problems that occur, and the ability to overcome them. The acquisition of these abilities is the result of the learning process. Therefore, entrepreneurs who study hard tend to be more successful in their businesses compared to entrepreneurs who do not study (Park, Oh, and Kasim, 2017).

Learning can bring about a behavior change that will lead the organization to improvement and performance improvement. Business learning is a determining factor for business growth (Mahmoud, MAC Blankson, NO Frimpong, S. Nwankwo, TP Trang., 2016). The studies conducted concluded that organizational learning can improve business performance (Machado, 2016). Every organization needs effective learning capabilities if it is to succeed in a complex, competitive, and challenging world. Likewise, business learning that is carried out continuously will improve the company's ability to carry out market orientation (Sangmi, Choi. 2014). Based on this description, the research hypothesis is formulated as follows:

H1: The better the implementation of business learning, the market orientation ability will increase.

H2: The better the implementation of business learning, the business performance will increase.

Companies that can carry out market intelligence and competitor intelligence well will be able to know the market and consumer needs to be able to provide better service to consumers. Market orientation at a business unit level (1) obtains and uses information from customers, (2) describes a strategy that can meet customer needs, and (3) implements strategy by listening to customer needs and deficiencies. Some research results state that the success of a business's performance is determined by market orientation. From the results of the research that has been done, it is found that there is a positive relationship between market orientation and business performance (Kajalo, ArtoLindblom, 2015; Tina Gruber-Muecke Katharina Maria Hofer, 2015). On the other hand, a company's learning orientation tends to indirectly influence organizational performance by improving the quality of market-oriented behavior. This shows that the ability to market orientation will increase the effectiveness of learning toward business performance. (Mahmoud, Blankson, Owusu-Frimpong, Nwankwo, & Trang, 2016).

H3: The higher the ability of market orientation, the business performance will increase.

H4: A high market orientation capability can increase the effect of business learning on business performance will increase.

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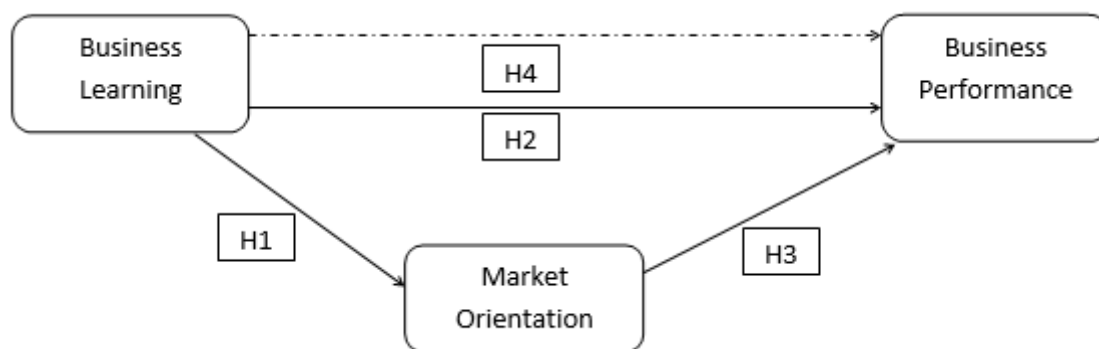


Figure 1: Conceptual Framework

III. RESEARCH METHODS

The approach used in this study is quantitative. The quantitative approach bases the study on empirical rational principles, so it is necessary to formulate problems and hypotheses before conducting research. (Creswell, 2014). This study examines the causal relationship between business learning and market orientation with business performance in handicraft industry SMEs in the Special Region of Yogyakarta. For this reason, this research requires direct data from the field.

The data in this study are primary and are obtained by researchers directly from the object under study. The primary data in this study included questionnaires prepared by the researchers and distributed to the research sample (business owners/managers). Determination of the sample of this study using a purposive sampling technique. The population is 145 small and medium-scale craftsmen in Yogyakarta. The handicraft businesses studied were those that met the following criteria: included in the MSME category by Law No. 20 of 2008 article 6 and carried out handicraft production activities in their business. Based on these criteria, the number of entrepreneurs in DIY that were used as research samples was 75 entrepreneurs. All of these entrepreneurs will be used as respondents. The selected respondents are managers or business owners who are expected to be able to answer the questionnaire. The questionnaire distributed to respondents was 75 copies, 70 copies returned and 61 copies met the requirements for analysis

The contents of the questionnaire were developed based on the research variable indicators, namely:

Learning orientation. Learning orientation is a manifestation of an organization's tendency to learn and adapt to the environment. Business learning orientation is measured based on four indicators, namely commitment to learning, shared vision, open-mindedness, and intra-organizational knowledge sharing (Mahmoud, et al., 2015).

Market orientation. Market orientation is the behavior of entrepreneurs in maintaining their business to meet market needs. Market orientation uses indicators developed by Narver and Slater (1990) which were adopted by Juho, et al. (2014); Chin, et al. (2008); Mandhachitara and Allapach (2017), namely customer orientation, competitor orientation, inter-functional coordination business performance. Business performance refers to the level of achievement or achievement of the company in a certain period. Business performance variables use measurements of sales growth, profit growth, and asset growth (Dubihlela and Dhurup, 2014); Tina Gruber-Muecke Katharina Maria Hofer, (2015), Mahmoud (2016); Juho et al (2014).

Answers to questions and statements in this study were measured using a Likert scale. Construct measurements are measured from 1 to 5 (1 = strongly disagree, 2 = disagree, 3 = disagree or agree, 4 = agree, 5 = strongly agree). The results of the respondents' answers are then used to test validity and reliability.

Construct validity test is done in two ways, convergent validity test, and discriminant validity test. An instrument that is declared to meet the convergent validity test has a loading factor above 0.6. Discriminant validity was assessed using cross-loading with the following criteria: if the loading value of an item in the related variable is greater than the loading value of an item in another variable, then the item is declared valid in the variable assessment. Construct reliability test is used to consistently test the accuracy and precision of the instrument in assessing the construct. The test criteria in this analysis are that Cronbach's alpha value must be greater than 0.6 and the composite reliability value must be greater than 0.7 to declare the construct criteria as reliable. Furthermore, the research data is used to test the research hypothesis. Analysis of research data using statistical analysis Partial Least Squares-Structural Equation Modeling (PLS-SEM),

PLS-SEM is a model used to test the effect of exogenous variables on endogenous variables. In mediation research, many researchers use the results of PLS-SEM analysis. The test of the mediating variable is carried out based on the analysis of the model involving the mediating variable. The mediation assessment uses the Sobel test instrument. is one of the instruments

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that can be used in mediation analysis where significant criterion data in this test is p-value <0.05 which indicates that there is an effect of the mediating variable (M) on the correlation test between X to Y (Hair, 2014).

IV. RESULTS AND DISCUSSION

Construct validity testing shows the loading value for all items used to measure business learning, market orientation, and company performance variables is greater than 0.7. Therefore, the questionnaire items are declared valid for measuring variables. The cross-loading assessment of all items used for business learning, market orientation, and business performance produces a loading value that is greater than the loading value on other variables. Thus, each item can assess the latent variables associated with that item. The results of the reliability test for business learning variables, market orientation, and business performance variables show Cronbach's alpha value is greater than 0.6 and composite reliability is greater than 0.7. This means that all items are declared reliable in assessing latent variables.

The goodness of fit model is used to determine the ability of endogenous variables to explain variations in exogenous variables or to determine the contribution of exogenous variables to endogenous variables. The goodness of fit model in the PLS analysis is carried out using Q-Square predictive relevance (Q²). Q² is based on the determination of all endogenous variables. Q² has a value range of $0 < Q^2 < 1$, which means that the closer to 1, the better the model will be obtained. shows that the R-square variable market orientation is 0.870 or 87.0%. This means that variations in market orientation variables can be explained by business learning variables of 87.0 %; while the remaining 13% is the contribution of other variables not examined in this study. The R-square of the business performance variable is 0.911 or 91.1 %. This means that variations in business performance variables can be explained by business learning and market orientation variables of 91.1 %; while the remaining 8.9% is a contribution from other variables not examined in this study. The goodness of fit model on Q-Square predictive relevance (Q²) has a value of 0.899 or 89.9 %. This means that the accuracy or precision of this research model can explain various business learning variables with market orientation and business performance variables simultaneously by 89.9% or business learning variables contributing to market orientation and business performance simultaneously by 89.9% while the rest of 10.1% is the contribution of other variables not examined in this study.

Hypothesis test

In testing the hypothesis, this study used the t-test for each path of direct and indirect effects through mediating variables. Therefore, this hypothesis test was chosen in two parts, direct effects and indirect effects through mediating variables. The following are the results of the direct and indirect effects between variables.

The direct effect test in this study explains hypothesis 1, hypothesis 2, hypothesis 3, and hypothesis 4. By using test criteria where the statistic is greater than 1.96 or p-value <0.05, this shows a significant effect of the variable exogenous to endogenous variables in each of the hypotheses specified. The results of hypothesis testing on the direct effect are presented in Table 1 below:

Table 1. Immediate Effect Test

Hipotesis	Koefisien	T Statistics	P Values	Note	
H1	Business Learning → Market Orientation	0,933	69,416	0,000	accepted
H2	Business Learning → Business Performance	0,135	0,963	0,336	rejected
H3	Market Orientation → Business Performance	0,827	6,443	0,000	accepted

Based on table 1, it shows that the results of the hypothesis can be explained as follows:

H1: business learning is influenced by market orientation

There is a significant influence of business learning on market orientation. This result is indicated by a statistical value of $69.416 > 1.96$ or $P\text{value} = 0.000 < 0.05$. The path coefficient is positive which means it is in the same direction. Thus, it means that better business learning will improve market orientation. Therefore, hypothesis 1 is confirmed that better business learning will increase market orientation.

H2: business learning affects business performance

There is a significant influence of business learning on business performance. This result is indicated by a statistical value of $0.963 < 1.96$ or $p = 0.336 > 0.05$. Thus it can be concluded that better business learning will not improve business performance. Therefore, hypothesis 2 is confirmed that better business learning will improve business performance.

H3: market orientation is affected by business performance

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There is a significant effect of market orientation on business performance. This result is indicated by a statistical value of $6.443 > 1.96$ or $p\text{-value} = 0.000 < 0.05$. The path coefficient is positive which means it is in the same direction. Thus, it means that better market orientation will improve business performance. Therefore, hypothesis 3 is confirmed that better market orientation will improve business performance

Indirect effect testing explains exogenous variables to endogenous variables through mediating variables. In testing this mediating effect, it was carried out using the additional instrument the Sobel test. A variable can be declared as a mediating variable seen from the extent to which the influence of exogenous variables on endogenous variables. The results of hypothesis testing on the indirect effect are presented in Table 2 below:

Table 2. Hypothesis Test of Indirect Effect

Hypotesis	Exogenous Variables	Endogenous Variables	Mediating Variables	T Statistics	P-value	Note
H4	Business Learning	Business Performance	Market Orientation	6,279	0,000	accepted

Based on Table 2, a statistical hypothesis test is presented which can be explained as follows:

H4: business learning affects business performance through market orientation.

This test was conducted using the Sobel test to determine the indirect effect of business learning on business performance through market orientation. The results showed a statistical value of $6.279 > 1.96$ or $p\text{-value} = 0.000 < 0.05$. Therefore, hypothesis 4 is confirmed that better business learning will improve business performance through market orientation. In other words, the better the market orientation of business learning, the better the effect on business performance.

Effect of business learning on market orientation and business performance

The results of the study show that business learning has a direct, positive, and significant effect on market orientation. This means that the better the implementation of business learning, the market orientation ability will increase. The results of this study are consistent with the research of Zhou, Hu, & Shi (2015).

Business learning is considered an important aspect of entrepreneurship activities for entrepreneurs in the Special Region of Yogyakarta. Business learning is described as an effort to help improve the ability of an entrepreneur in solving problems, both structured and unstructured, and high risk in carrying out business activities. Generally, entrepreneurs learn from the experience of setting up and managing a business including the learning process, the ability to recognize why a problem occurs, and the ability to overcome it. The acquisition of these abilities is the result of the learning process. Therefore, entrepreneurs who study earnestly tend to be more successful in their business compared to entrepreneurs who do not study. Business learning can be done by undergoing educational training, mentoring, or learning from experience. Entrepreneurs get entrepreneurship skills from the learning process, especially if business ownership is obtained from family inheritance.

Entrepreneurs in the Special Region of Yogyakarta have been able to demonstrate the sustainability of their business from generation to generation, not only to their biological children. Employees already have their businesses when they decide to leave their jobs as subordinates to the previous entrepreneur. Entrepreneurs have been able to provide learning to their heirs and the surrounding community, especially employees. This is what makes entrepreneurs survive for decades. has become an icon for the Special Region of Yogyakarta, especially the Kotagede Region which is known as the city. Kotagede's status as a city has provided its market value. Domestic and foreign tourists will come to Kotagede if they want to buy souvenirs. Tourism excellence for Kotagede enables business owners to prioritize market knowledge, disseminate information and formulate market strategies. The market is available and the Government pays great attention to Kotagede as one of the contributions to tourism development in the Special Region of Yogyakarta.

However, the research results show that business learning cannot directly improve business performance. Previous research has shown that business learning will improve business performance if there is an innovation orientation (Mahmoud et al., 2016). The business experience gained does not increase the business owner's ability to improve business performance. Product innovation needs to be improved so that business learning by entrepreneurs can improve business performance. Aspects of business performance in this study are sales growth, profit growth, and asset growth. Business owners tend to be less oriented towards these three aspects of performance. Intense competition among business owners teaches business owners not to be performance oriented but rather to continue their business, even though their business is not growing. from year to year.

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Business continuity can be used as a focus of business learning, especially for family businesses (Lockamy III, Carson, & Lohrke, 2016).

The effect of market orientation on business performance and the role of market orientation in mediating the effect of business learning on business performance.

The results of the research show that market orientation has a direct positive and significant effect on business performance. This means that the higher the ability of market orientation, the business performance will increase. Companies that can carry out market intelligence and competitor intelligence well will be able to know the market and consumer needs to be able to provide better service to consumers. The results of this study are consistent with research (Zhou et al., 2015), (Barbara Stöttinger, Bodo B. Schlegelmilch, 2015). The results of this study have also tested empirically the relationship between market orientation and business performance.

The results of this study indicate that market orientation can increase the effect of business learning on business performance. Business learning conducted by entrepreneurs will improve market orientation skills. Market orientation capabilities can improve business performance. Business learning can increase company capabilities so that it influences business performance. It is also explained that learning can strengthen a company's competitive position by always adopting developments in market knowledge. This strengthens the statement that market orientation capabilities will increase the effectiveness of learning toward business performance (Mahmoud et al., 2016).

V. CONCLUSION AND RECOMENDATION

Based on the results of the analysis that has been carried out in this study, the following are the conclusions of the research: first, business learning directly has a positive and significant effect on market orientation. Increased business learning has a good effect on market orientation. Second, business learning has no direct significant effect on business performance. The higher increase in business learning will not affect business performance. Third, market orientation has no direct significant effect on business performance. A higher increase in market orientation will not affect business performance. Fourth, business learning indirectly has a significant effect on business performance through market orientation. An increase in market orientation that is higher from the aspect of business learning will have a good effect on business performance.

Suggestions for future researchers who will take models and concepts of small and medium business performance must pay attention to business sustainability factors in performance measurement. Meanwhile, due to research limitations, this study cannot explain other variables such as innovation. Innovation is considered to strengthen the impact of business learning on craft business performance.

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