

## Relationship between Entrepreneurial Orientation and Business Performance in MSMEs: The Mediating Role of Market Orientation

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### Abstract

Micro, small, and medium enterprises (MSMEs) operating in the processed food sector have great potential in supporting the local economy, but still face challenges in improving competitiveness and business performance, especially related to innovation, market response, and mastery of business strategies. This phenomenon indicates the need for more adaptive and responsive managerial strategies, particularly through entrepreneurial and market orientation approaches. This study uses a quantitative approach with an explanatory design, data were collected through a census technique using questionnaires from 51 MSME entrepreneurs and analyzed using SEM-PLS with the help of the SmartPLS application. The research results show that entrepreneurial orientation has a positive and significant effect on business performance. Additionally, market orientation also has a direct influence on business performance while partially mediating the relationship between entrepreneurial orientation and business performance. These findings recommend the importance of integrating entrepreneurial spirit and market understanding as a strategy to enhance the performance and sustainability of SMEs amidst increasingly competitive competition.

**Keywords:** Business Performance; Entrepreneurial Orientation; Market Orientation; UMKM

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## INTRODUCTION

Micro, small, and medium enterprises (MSMEs) play a very strategic role in the Indonesian economy, both in terms of contribution to gross domestic product (GDP) and in providing employment opportunities. In East Java, the MSME sector has shown significant contributions to the national economy, although its contribution to exports remains relatively low. In East Java Province, MSMEs contribute 57.25% to the provincial GDP, making them one of the main pillars of the regional economy ([Dinas Koperasi dan UKM Provinsi Jawa Timur, 2023](#)).

One of the MSME subsectors that has experienced significant growth is the processed food industry, including tempeh chips, which have become one of the culinary icons and flagship products of Malang. However, despite having enormous potential to develop in the domestic and international markets, MSMEs in the Sanan Tempe Chips Industry Center still face various challenges in improving

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competitiveness and business performance, especially in terms of market mastery, product innovation, and adaptation to the dynamics of consumer demand and digital technology. This situation underscores the importance of a deeper understanding of the factors influencing the business performance of SMEs, particularly in terms of entrepreneurial orientation and market orientation. The improvement of business performance in the SME sector is often influenced by complex internal and external factors, which must be managed well to survive in the global competition ([Wiklund & Shepherd, 2005](#)).

Entrepreneurial orientation, which includes dimensions such as innovation, proactivity, risk-taking, autonomy, and competitive aggressiveness, is considered an important factor influencing a company's ability to innovate and adapt in a competitive market ([Lumpkin & Dess, 1996](#)). Entrepreneurial orientation is also believed to enhance the competitiveness and performance of MSME businesses, due to its nature that encourages courage in decision-making and innovation in facing market challenges. ([Rauch et al., 2009](#)) show that entrepreneurial orientation has a positive impact on company performance, especially in creating new opportunities and facing market uncertainties. Various previous studies have confirmed that entrepreneurial orientation can enhance company performance by introducing innovative ideas and providing a quick response to market changes ([Wiklund & Shepherd, 2005](#)). However, the direct influence of entrepreneurial orientation on business performance is often not maximized without the support of a strong market orientation. Market orientation, which includes understanding customer needs, competitor positioning, and cross-functional coordination within the organization, becomes a key element in driving business success. ([Slater & Narver, 2000](#)) explain that companies with a good market orientation are better capable of creating greater value for customers and achieving superior performance. This conclusion is also in line with the research findings of ([Han et al., 1998](#)) which show that companies with a high market orientation can achieve more sustainable competitive advantages.

Although many studies have examined the relationship between entrepreneurial orientation and business performance, it is often influenced by various external and internal factors that are not yet fully understood. Previous research has shown that entrepreneurial orientation has a positive impact on business performance ([Covin & Slevin, 1989, Rauch et al., 2009](#)), but studies examining the mediating role of market orientation in the context of SMEs, particularly in the Tempe Chip Industry Center in Sanan, are still limited. This conclusion highlights the importance of further research to understand how entrepreneurial orientation interacts with market orientation in influencing the business performance of SMEs. The phenomenon faced by tempeh chip entrepreneurs in Sanan is how they can improve business performance amidst intense competition by optimizing these two factors.

Based on the phenomena and findings above, this research aims to answer the question of to what extent entrepreneurial orientation can influence the performance of MSME businesses and how market orientation plays a role in strengthening this relationship. Thus, this research not only deepens the understanding of the impact of entrepreneurial orientation on MSME performance but also provides a new perspective by considering the mediating role of market orientation in the context of MSMEs in the Sanan Tempe Chips Industry Center. Additionally, this research aims to provide recommendations that can be used by MSME entrepreneurs in the Sanan Tempe Chips Center to improve their business performance through approaches based on entrepreneurial orientation and market orientation.

### HYPOTHESES DEVELOPMENT

Entrepreneurial orientation is a concept that describes the attitudes, processes, and strategic decision-making within an organization that reflect entrepreneurial behavior. Entrepreneurial orientation serves as a framework for understanding how an organization adopts entrepreneurial behavior in daily operations and how this behavior affects organizational performance ([Covin & Slevin, 1989](#)). Entrepreneurial orientation can enhance the competitiveness and innovation of a company, especially in competitive and dynamic markets. Entrepreneurial orientation encompasses five main dimensions, namely innovativeness, proactiveness, risk-taking, autonomy, and competitive

aggressiveness, all of which contribute to the creation of new opportunities and the achievement of superior performance in a business environment full of uncertainty ([Lumpkin & Dess, 1996](#)).

Research by ([Covin & Slevin, 1989](#)) shows that entrepreneurial orientation is closely related to the improvement of business performance in the context of small and medium enterprises (SMEs). Companies with strong entrepreneurial orientation tend to respond more quickly to market opportunities and environmental changes and have the ability to act aggressively and innovatively to gain competitive advantages. ([Rauch et al., 2009](#)) in a meta-analysis of 51 studies, concluded that entrepreneurial orientation has a significant positive impact on company performance across various industries, both in stable and dynamic markets. Additionally, entrepreneurial orientation functions as an adaptation mechanism that helps companies overcome market challenges and uncertainties. In the context of SMEs, entrepreneurial orientation enables companies to create new product or service innovations, make bolder decisions in facing competition, and develop proactive strategies to seize emerging opportunities ([Miller, 1983; Wiklund & Shepherd, 2005](#)). The innovation and proactive dimensions of entrepreneurial orientation, for example, lead to the development of new products that are more relevant to market needs, while the risk-taking and competitive aggressiveness dimensions encourage companies to enter new markets and compete more effectively ([Covin & Slevin, 1991](#)).

Several studies also show that entrepreneurial orientation not only directly affects performance but can also enhance the effectiveness of business strategies in the long term. Research by ([Lumpkin & Dess, 1996](#)) shows that companies with high entrepreneurial orientation tend to adopt business strategies that are more growth-oriented and sustainable. This is supported by findings from ([Miller, 1983](#)) which state that companies that develop strong entrepreneurial orientation are more capable of surviving and thriving in competitive markets.

**Hi: Entrepreneurial orientation has a positive and significant impact on business performance**

Market orientation is a concept that describes an organizational culture focused on understanding customer needs and desires, as well as a coordinated response to market information. ([Kohli & Jaworski, 1990](#)) define market orientation as an organizational orientation to gather relevant market information, disseminate it throughout the organizational units, and respond to it in an effective and efficient manner. In its implementation, market orientation not only prioritizes customer satisfaction but also includes attention to the company's competitive position and the ability to adapt to market dynamics. ([Narver & Slater, 1990](#)) further developed this concept by introducing three main dimensions of market orientation: customer orientation, competitor orientation, and cross-functional coordination. The customer orientation dimension refers to the company's ability to understand and meet customer needs, while the competitor orientation encompasses monitoring and analyzing competitor strategies to maintain the company's position in the market. Cross-functional coordination ensures that all parts of the organization work together to create value for customers and respond to market needs effectively.

Market orientation has proven to be an important foundation in achieving competitive advantage and sustainable business performance. ([Slater & Narver, 2000](#)) argue that companies with a strong market orientation are able to create superior value for customers and, in turn, improve the company's performance. Their research shows that organizations that are capable of integrating market orientation into their culture and strategy have a higher competitive advantage, which directly impacts superior business performance. In addition, several empirical studies also support the positive relationship between market orientation and business performance. For example, ([Han et al., 1998](#)) found that market orientation enhances the effectiveness of innovation, which ultimately contributes to the company's performance. In the context of the manufacturing industry, market orientation serves as a foundation for developing products that better align with market demand, enhancing the company's ability to compete and create value for customers. ([Ou & Zhang, 2015](#)) added that market orientation drives strategic sharpness in facing global competition through responsiveness to customer needs.

In another study, ([Grinstein, 2008](#)) concluded that market orientation is positively related to company performance across various sectors, including the service and manufacturing sectors. This

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study highlights that customer orientation and cross-functional coordination play a key role in enhancing the organization's effectiveness in responding to market needs and creating products or services that align with customer expectations. Thus, market orientation not only improves the quality of customer service but also enhances operational efficiency, which ultimately contributes to increased profitability. In the context of SMEs like the Sanan tempe chips industry, implementing an appropriate market orientation strategy can optimize business performance by enhancing product competitiveness in both local and global markets.

### **H<sub>2</sub>: Market orientation has a positive and significant impact on business performance**

Although entrepreneurial orientation can directly enhance business performance, many studies indicate that this relationship can be strengthened through the mediating role of market orientation. ([Grinstein, 2008](#)) argues that in the organizational context, market orientation acts as a bridge connecting the entrepreneurial values held by the company with more measurable marketing strategies based on a deeper understanding of customer needs. Companies with a high level of entrepreneurial orientation, characterized by innovative attitudes, proactivity, and risk-taking, tend to be more capable of developing and implementing market strategies that are more responsive to market dynamics.

In an increasingly competitive business world, entrepreneurs who adopt entrepreneurial orientation not only rely on their ability to innovate and act quickly but also on a better understanding of customer needs and competitor advantages through the effective implementation of market orientation ([Narver & Slater, 1990](#)). Therefore, market orientation serves as a link between entrepreneurial policies and the achievement of superior business performance. With a good market orientation, companies can optimize their response to market changes, create greater customer value, and improve operational and financial performance ([Slater & Narver, 2000](#)). ([Boso et al., 2013](#)) in their research, show that in the context of developing countries, such as Indonesia, market orientation plays an important role in optimizing the influence of entrepreneurial orientation on business performance. They state that a strong market orientation enables companies to be more responsive to changes in market needs and competitor information, which in turn strengthens the outcomes derived from entrepreneurial orientation. In other words, although entrepreneurial orientation drives innovation and risk, achieving better performance heavily depends on how the company understands and responds to the ever-evolving market needs.

Furthermore, research by ([Grinstein, 2008](#)) shows that market orientation not only helps companies improve market performance but also integrates organizational functions more effectively to respond to market demands. Better cross-functional coordination (one dimension of market orientation) can accelerate decision-making, support faster innovation, and enhance operational efficiency. Furthermore, ([Langerak, 2003](#)) findings indicate that market orientation has a direct impact on the market position and financial performance of the company. This suggests that market orientation helps companies to increase market share, improve profitability, and enhance customer satisfaction, all of which are important indicators of business performance.

H<sub>3</sub>: Market orientation significantly mediates the influence of entrepreneurial orientation on business performance.

## **METHOD**

This research uses a quantitative approach with an explanatory research design to analyze the relationships between variables, namely entrepreneurial orientation, market orientation, and business performance at the Tempe Chips Industry Center in Sanan, Malang City. The quantitative method with an explanatory design allows for an objective understanding of the cause-and-effect relationships between the existing variables ([Hair et al., 2014](#)). The research was conducted at the Sanan Tempe Chips Industrial Center, Malang City, which is a center for tempe chips production with a relatively small but active and developing number of entrepreneurs. The population in the study consists of all registered and active entrepreneurs in tempe chips production at the Sanan Tempe Chips Industrial Center, totaling 51 people. With a limited population, this study used a census technique, meaning the entire

population will be sampled for the research, with data collection conducted through the distribution of questionnaires.

The instrument used consists of three main parts to measure the dimensions: 1) entrepreneurial orientation including autonomy, innovativeness, risk-taking, proactiveness, and competitive aggressiveness; 2) market orientation including customer orientation, competitor orientation, and cross-functional coordination; and 3) business performance including profitability, market response, and market position value. This instrument is designed based on relevant theories ([Lumpkin & Dess, 1996](#); [Slater & Narver, 2000](#); [Lee et al., 2001](#)). The data collected will be examined using SmartPLS (Partial Least Squares) to check the structural equation model (SEM) and find out the direct and indirect effects between the hidden variables involved. This method also allows for the more efficient testing of complex multivariate models ([Hair et al., 2014](#)). Thus, it is expected that this research can provide more in-depth and reliable findings regarding the influence of entrepreneurial orientation and market orientation on business performance in the Sanan Tempe Chips Industry Center, Malang City.

## RESULTS

### Respondent Characteristics

The characteristics of the Sanan tempe chip business operators in Malang City, as shown in Table 1, provide an overview and reflect the dynamics and trends in micro, small, and medium enterprises (MSMEs) in the area. The majority of entrepreneurs are women (72.55%), indicating that women have a significant contribution in the Sanan tempe chip industry sector. The study provides an overview of the role of women in community-based and traditional household businesses, where female entrepreneurs are more involved in the processed food sector. From the age perspective, the majority of entrepreneurs are in the productive age range (30-49 years), with a dominance in the 40-49 year age group (37.25%). This finding indicates that the business is managed by individuals who are quite experienced, mature in decision-making, and capable of adapting to market changes. This result also indicates that the management of the Sanan tempe chip business is likely in the hands of a generation that has a thorough understanding of running a business. On the educational side, most business operators have a fairly adequate educational background, with 49.02% of respondents having a high school/vocational school education and 29.41% having a diploma or bachelor's degree. This shows that these entrepreneurs rely on practical skills and have a good basic understanding of management and business administration.

**Table 1:** Recapitulation of Respondent Characteristics

Description	Percentage (%)
Gender	
Male	27.45%
Female	72.55%
Age	
< 30 years	11.76%
30–39 years	33.33%
40–49 years	37.25%
> 50 years	17.65%
Last Education	
Primary School / Equivalent	7.84%
Junior High School / Equivalent	13.73%
Senior High School / Equivalent	49.02%
Diploma / Bachelor's Degree and Above	29.41%
Business Tenure (Years)	
< 5 years	15.69%

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Description	Percentage (%)
5–10 years	35.29%
11–15 years	25.49%
> 15 years	23.53%
Market Served	
Local (within city)	29.41%
Regional (East Java)	47.06%
National	23.53%
Technology Adoption in Production/Marketing	
Fully Manual	25.49%
Using Simple Machines	19.61%
Employing Semi-Modern Production Equipment	9.80%
Engaging in Digital Marketing (e.g., Instagram, Shopee, Tokopedia, etc.)	45.10%

From the perspective of business experience, it also appears quite diverse, with the majority (35.29%) of business operators having 5–10 years of experience, indicating a fairly good level of business stability in this sector. Most entrepreneurs focus on the regional market (47.06%), indicating potential growth to expand their market reach nationally and internationally. Along with the trend of digitalization, the use of technology in marketing is also quite high, with 45.10% of entrepreneurs already utilizing digital platforms such as Instagram, Shopee, and Tokopedia. This survey shows that entrepreneurs in the Sanan Tempe Chip Center rely on traditional methods and strive to adapt to technological developments to expand their market reach and enhance the visibility of their products. However, there are still about 25.49% of entrepreneurs who run their businesses manually without the support of machines or advanced technology, which can be a challenge to improve efficiency and productivity. Overall, this data indicates that entrepreneurs in Sanan Tempe Chip possess a strong foundation in experience, education, and technology adoption; however, there are still opportunities to improve their competitiveness, particularly by expanding the market and further leveraging technology.

### Measurement Model

Evaluation of the measurement model is conducted to ensure that each construct in the model has adequate validity and reliability before proceeding to the structural testing phase.

**Table 2:** Validity and Reliability Testing

Variable	Indicator	Outer Loadings	Cronbach's alpha	rho_A	Composite Reliability (CR)	Average Variance Extracted (AVE)
Entrepreneurial Orientation (EO)	EO1	0.723	0.914	0.922	0.936	0.747
	EO2	0.874				
	EO3	0.892				
	EO4	0.914				
	EO5	0.904				
Market Orientation (MO)	MO1	0.862	0.809	0.812	0.887	0.723
	MO2	0.857				
	MO3	0.832				
Business Performance (BP)	BP1	0.824	0.829	0.833	0.898	0.746
	BP2	0.895				
	BP3	0.870				

Based on the test results in Table 5, all indicators in the three constructs, namely entrepreneurial orientation, market orientation, and business performance, have outer loading values above 0.7. This result indicates that each indicator is able to validly represent the latent construct, as they have met the minimum threshold recommended by (Hair et al., 2014), yaitu 0.7 which is 0.7 for indicator reliability. From the perspective of internal reliability, all constructs show very good consistency. The Cronbach's alpha and composite reliability (CR) values for each construct entrepreneurial orientation, market orientation, and business performance exceed the minimum threshold of 0.6, indicating that the indicators within each construct have strong internal correlations and form a reliable measurement unit. Thus, the constructs in the model have high internal reliability and are suitable for further analysis in the structural model. Additionally, the evaluation of convergent validity shows satisfactory results. The average variance extracted (AVE) values for each construct of entrepreneurial orientation, market orientation, and business performance exceed the minimum threshold of 0.5, which means that more than 50% of the indicator variance is successfully explained by their latent constructs (Hair et al., 2014). This means that each construct has a high ability to explain its constituent indicators. Since all evaluation criteria are met, such as indicator validity, internal reliability, and convergent validity, we can say that the measurement model in this study is statistically suitable for testing the relationships between constructs in the structural model.

### Hypothesis Testing

**Table 3:** Hypothesis Testing Results

Description	$\beta$	T-values	p-values	Supported
Entrepreneurial Orientation				
→ Business Performance	0.547	9.162	0.000	Yes
Market Orientation				
→ Business Performance	0.205	3.311	0.001	Yes
Entrepreneurial Orientation				
→ Market Orientation				
→ Business Performance	0.130	3.288	0.001	Yes

The findings from the hypothesis testing shown in Table 6 reveal that all connections in the structural model are very statistically significant at the 95% confidence level. All hypotheses in this study are accepted because the p-values are each  $< 0.05$ , as recommended by (Hair et al., 2014), which states that a hypothesis can be accepted if  $p < 0.05$ . The first hypothesis ( $H_1$ ), which looks at how entrepreneurial orientation affects business performance, shows the strongest results with a coefficient of  $\beta = 0.547$ , a t-value of 9.162, and a p-value of 0.000, meaning that as entrepreneurial orientation increases, the business performance of SMEs improves. Next, the second hypothesis ( $H_2$ ) about how market orientation affects business performance is also accepted, showing a value of  $\beta = 0.205$ , t-value = 3.311, and p-value = 0.001, which means that having a strong market orientation can greatly improve business performance. Finally, the third hypothesis ( $H_3$ ), shows a significant indirect effect of entrepreneurial orientation on business performance through market orientation, with a  $\beta$  value of 0.130, t-value of 3.288, and p-value of 0.001. These results support the mediating role of market orientation in strengthening the relationship between entrepreneurial orientation and business performance; thus, it can be concluded that all hypotheses of this study are statistically significant (Hair et al., 2014). Market orientation here plays a role as partial mediation because, in the model, it is found that entrepreneurial orientation has a significant direct effect on business performance and an indirect significant effect through market orientation. This means that entrepreneurial orientation still directly contributes to business performance, but this influence is partially strengthened and explained by market orientation. Thus, the best strategy to improve the business performance of SMEs is to combine entrepreneurial spirit with a strong market understanding.

## DISCUSSION

### **The Influence of Entrepreneurial Orientation on Business Performance**

Entrepreneurial orientation has a positive and significant impact on business performance in the SMEs that produce Sanan tempe chips in Malang City. This effect can be seen from the obtained p-value of 0.000, indicating a strong and significant relationship between the two variables. This means that the higher the level of entrepreneurial orientation among MSME actors, the higher their perception of their business performance achievements, both in terms of profitability, market response, and market position. These findings support the ideas of ([Lumpkin & Dess, 1996](#)) dan ([Rauch et al., 2009](#)) which emphasize that entrepreneurial orientation, consisting of innovative, proactive, risk-taking, autonomous, and competitive aggressiveness dimensions, plays a crucial role in driving organizations to create new opportunities and maintain competitive advantage. Entrepreneurial orientation serves as a strategic attitude that enables entrepreneurs to act quickly, innovatively, and aggressively in responding to dynamic market challenges, thereby directly contributing to the improvement of business performance.

The results of this research were obtained because tempeh chip entrepreneurs in Sanan have a strong tendency to act quickly in responding to the market and actively compete with other entrepreneurs, where the entrepreneurs make proactive and competitive attitudes their main strengths in improving their business performance. Moreover, the majority of the entrepreneurs are in the productive age range of 40–49 years with an education level of high school and above. This information indicates that the entrepreneurs are quite mature in terms of experience and possess adequate managerial knowledge to implement entrepreneurial principles in their daily operations. Additionally, most entrepreneurs have been running their businesses for more than 5 years, which strengthens their potential for stability in taking risks, innovating, and anticipating significant market changes. These findings are also in line with the research by ([Wiklund & Shepherd, 2005](#)) which found that entrepreneurial orientation positively affects the growth and profitability of small businesses in dynamic environments. Similar findings were reported by ([Miller, 1983](#)) and ([Covin & Slevin, 1989](#)) who also showed that companies with a high level of entrepreneurial orientation are better able to survive and thrive in competitive environments. In line with the findings of ([Boso et al., 2013](#)) it is also supported that in developing countries, entrepreneurial orientation becomes a key strength in improving the performance of MSME businesses when combined with adaptive market strategies.

### **The Influence of Market Orientation on Business Performance**

Market orientation has a positive and significant impact on business performance among Sanan tempe chip SMEs in Malang City. This can be seen from the p-value obtained, which is 0.001, indicating a strong and significant relationship between the two variables. This means that the higher the entrepreneurs' ability to understand the market, customers, and competitors, the higher their business performance will be. This finding is supported by the market orientation theory developed by ([Kohli & Jaworski, 1990](#)) and ([Narver & Slater, 1990](#)). According to this theory, market orientation encompasses three main dimensions: customer orientation, competitor orientation, and cross-functional coordination. Companies that can effectively manage all three can create a sustainable competitive advantage because they can respond to changes in market needs quickly and strategically. In the context of SMEs, market orientation becomes a crucial determinant in strengthening market position and enhancing responsiveness to customer demand, which directly impacts business performance.

The results of this study were obtained because tempeh chip entrepreneurs in Sanan are very focused on consumer needs and are able to integrate this information into their marketing strategies, where the majority of entrepreneurs have 5–10 years of experience, indicating that they have gone through a sufficient business cycle to understand market dynamics. In addition, most entrepreneurs have also utilized digital marketing platforms such as Shopee, Tokopedia, and Instagram, reflecting a strong drive to be more adaptive to modern consumer behavior. The adoption of this technology is part of behavior aligned with the principles of market orientation, which emphasizes the importance of a quick response to external changes. These results are consistent with previous research conducted by

(Slater & Narver, 2000) which stated that market orientation positively influences business profitability. (Han et al., 1998) emphasized that market orientation supports innovation effectiveness and directly impacts organizational performance. In the context of developing countries, (Ou & Zhang, 2015) emphasize that responsiveness to customers and cross-functional integration are important assets for facing global competition. Thus, the results of this study reinforce the literature that market orientation is a strategic variable capable of significantly driving the growth and sustainability of MSME performance.

### **The Influence of Entrepreneurial Orientation on Business Performance through Market Orientation**

Market orientation significantly mediates how entrepreneurial orientation affects business performance for MSME actors involved in Sanan tempe chips in Malang City. Market orientation serves as a partial mediator, meaning that market orientation strengthens some of the influence of entrepreneurial orientation on business performance, but entrepreneurial orientation still has a direct independent influence on business performance. Theoretically, these results reinforce the position of market orientation as a strategic mechanism that transforms entrepreneurial values into more measurable and responsive marketing strategies. (Grinstein, 2008) asserts that market orientation acts as a bridge between entrepreneurial behavior and achieving superior performance. In practice, innovative and proactive entrepreneurs (characteristics of market orientation) will be more successful if they have a strong market orientation to understand customers, competitors, and industry trends. Thus, market orientation enables MSME actors to transform the potential of entrepreneurial orientation into concrete actions that enhance customer satisfaction, sales volume, and business image.

The results of this study were obtained because tempeh chip entrepreneurs in Sanan are ready to respond to and lead the market, and they already possess a strong entrepreneurial spirit and understand the importance of customers. Additionally, with the majority of entrepreneurs educated at the high school level and above and already using digital platforms, MSME actors have the potential to achieve higher performance if they strengthen internal coordination and market strategies based on customer data and information. This result is in line with the research by (Boso et al., 2013) which emphasizes that in developing countries like Indonesia, entrepreneurial orientation will only be optimal in improving business performance if it is balanced with a strong market orientation. Research by (Slater & Narver, 2000) also shows that market orientation is an important element in mediating the relationship between internal strategy and external performance. Therefore, in the context of Sanan tempe chip SMEs, the integration of entrepreneurial orientation and market orientation is an effective strategy in strengthening competitiveness and achieving sustainable business performance.

### **CONCLUSION**

This study concludes that entrepreneurial orientation has a positive and significant impact on the business performance of SMEs in the Sanan Tempe Chips Industry Center. The finding reflects that a proactive attitude, innovation, risk-taking, and high competitiveness are strategic factors that drive business performance in terms of profitability, market responsiveness, and business image. UMKM actors who are able to effectively apply entrepreneurial principles have a greater opportunity to grow and survive in a competitive business environment. However, entrepreneurial orientation alone is not enough to guarantee overall business success. This research also shows that market orientation not only has a direct impact on business performance but also partially mediates the relationship between entrepreneurial orientation and business performance. The evidence indicates that understanding customer needs, monitoring competitor strategies, and internal coordination between business functions play a crucial role in strengthening the effectiveness of the entrepreneurial attitude possessed by MSME actors. Therefore, the combination of entrepreneurial spirit and market-oriented strategies becomes the most effective approach to creating sustainable competitive advantages, especially in the context of local SMEs engaged in the processed food sector, such as the tempeh chip industry in Sanan. Additionally, simple training related to market analysis and digital-based marketing strategies will be very helpful for business actors. These results are also expected to serve as a basis for developing an

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integrated entrepreneurship mentoring program with strategic marketing training and strengthening inter-departmental cooperation in small businesses to encourage the improvement of competitiveness and performance of MSMEs for local governments and related institutions.

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