

**THE EFFECT OF MARKET ORIENTATION ON THE MARKETING PERFORMANCE OF
MSMES WITH SUPPLY CHAIN MANAGEMENT STRATEGIES AS A MEDIATION
VARIABLE (STUDY ON MSMES IN MAKASSAR CITY)**

Nurul Fadilah Aswar

Faculty of Economics and business,
Makassar State University

Correspondence author email: nurul.fadilah.aswar@unm.ac.id

Hasmyati

Faculty of Sports and Health Sciences,
Makassar State University

hasmyati@unm.ac.id

Nur Indah Atifah Anwar

Faculty of Sports and Health Sciences,
Makassar State University

nurindah@unm.ac.id

Abstract

This study aims to evaluate the application of market orientation to marketing performance, taking into account the SCM strategy as an intervening variable in small and Medium Enterprises (SMEs) in Makassar. Data collection was conducted by distributing questionnaires of 70 copies to managers or owners of SMEs in Makassar. The collected Data were analyzed using structural Equation Model (SEM) analysis method using Smart Pls program. The results found several significant things, namely: 1) there is a significant positive influence between market orientation and marketing performance. 2) there is a significant positive influence between market orientation and SCM strategy. 3) there is a significant positive influence between SCM strategy and market performance. 4) there is a positive and significant influence between market orientation and marketing performance of the company through the practice of SCM on SMEs in the city of Makassar.

Keywords: Market Orientation, Supply Chain Management, Marketing Performance.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the economy in Indonesia. MSMEs contribute to job creation, poverty reduction, and economic growth. The role of MSMEs for Indonesia's economic growth is very significant, with the number reaching 99% of all business units. In 2023, MSME business actors will reach around 66 million. The contribution of MSMEs reached 61% of Indonesia's Gross Domestic Income (GDP), equivalent to Rp 9,580 trillion. MSMEs also absorb about 117 million workers, or 97% of the total workforce.

Makassar city is the capital of South Sulawesi province which has abundant Micro, Small, and medium enterprises (MSMEs). Based on the report of the

Department of Cooperatives and MSMEs of Makassar City, there are approximately 19,000 MSMEs. Most of these MSMEs are dominated by the culinary sector, which reaches around 5,000 business units. Although the number of MSMEs is counted a lot, MSMEs in Makassar City are classified as marginal types of businesses. This is due to the use of relatively simple technology, low capital levels, limited access to credit, and a tendency to be oriented to the local market.

MSMEs in Makassar, in order to win in the competition, must make an effective strategy. Manufacturers today not only rely on product quality alone, but also rely on the strategy implemented by the company. Related to that, there are two strategies that companies generally use, namely market orientation and supply chain management strategies. The success of market orientation in improving the company's performance is strongly supported by strategies in its supply chain management.

Based on this phenomenon, the researchers are interested in conducting research with the aim to determine the effect of market orientation on market performance, to determine the effect of market performance on financial performance, to determine the effect of market orientation on SCM strategy, to determine the effect of SCM strategy on market performance and to determine the effect of SCM strategy in mediating the relationship between market orientation and market performance.

RESEARCH METHOD

This study is a survey study conducted on large and small populations, but the data studied are data from samples taken from these populations, so that relative events, distributions, and relationships between variables are found. The variables in this study are market orientation with indicators of business objectives driven on customer satisfaction, monitoring the level of commitment and orientation to serve customer needs, strategies for competitive advantage based on understanding customer needs, often measuring customer satisfaction systematically, focusing more on customers than its competitors, and conducting feedback to customers at least once a year to assess the quality of products and services.

Mediation variables in this study are supply chain management strategies with indicators of creating greater levels of trust among all members of the supply chain, identifying and participating in additional supply chains, establishing more frequent contact with all members of the supply chain, creating compatible communication with all members of the supply chain, and involving all members of the supply chain in the company in the product marketing plan. The dependent variable in this study is the performance of the market with indicators of average growth in market share over the past three years, the average growth in sales volume over the past three years, and the average sales growth over the past three years.

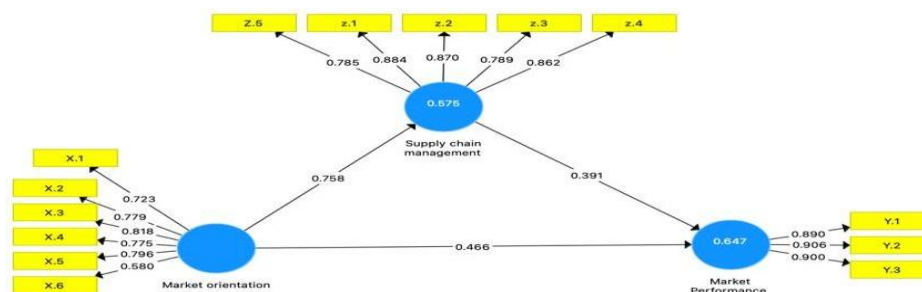
This study was conducted on manufacturing SMEs in the city of Makassar, which are SMEs engaged in manufacturing and producing from raw materials to finished goods products. The sampling technique used is purposive sampling with sample criteria are managers who work in manufacturing SMEs in Makassar for at least 1 year. In this study, the number of samples taken using the formula $5 \times \text{number of indicators}$, $5 \times 14 = 70$ SMEs.

Data analysis techniques in this study using Structural Equation Model (SEM) with SMART PLS program. The Data that has been collected based on the questionnaire is then processed to produce information that can be analyzed in accordance with the needs and problems that have been determined.

RESULT AND DISCUSSION

3.1 Outer Models

This study calculates the effect arising from the relationship between Variables processed from the data collection of respondents using PLS-SEM. This study uses one independent variable is market orientation (X) while the intervening variable is Supply Chain Strategy (Z) and the dependent variable is marketing performance (Y).



The Model above shows the relationship of the four variables that are related by several paths. The stage in SmartPLS analysis evaluates the outer reflective model using 4 criteria, namely testing the validity and reliability of variables by looking at Cronbach's Alpha, Composite Reliability, and Average variance Extranced (AVE) on each variable. Four test criteria as follows:

a. Convergent Validity

Convergent validity is the value of the outer loading or loading Factor. An indicator is declared to meet convergent validity in the good category if outer loadings > 0.70 . Here is the value of the outer loading of each indicator on the variables of the study:

Variable	Indicator	Factor Loading
Market Orientation (X)	X.1	0.779
	X.2	0.818
	X.3	0.775
	X.4	0.796
	X.5	0.780
	X.6	0.723
Supply Chain Strategy (Z)	Z.1	0.785
	Z.2	0.884
	Z.3	0.870
	Z.4	0.789
	Z.5	0.862
Marketing Performance (Y)	Y.1	0.890
	Y.2	0.906
	Y.3	0.900

b. Discriminate Validity

Discriminate Validity can be known through the Average Variance Extracted (AVE) method for each indicator must have criteria > 0.5 to be valid.

Variable	Average variance extracted (AVE)	Description
Market Orientation (X)	0.808	Valid
Supply Chain Strategy (Z)	0.562	Valid
Marketing Performance (Y)	0.704	Valid

Based on the data in the table above, it can be seen that the Ave value of all variables above > 0.5 .

c. Composite reliability test

Variables can be said to meet the composite reliability if the value of the composite reliability of each variable value > 0.70 . The following are the Composite Reliability values of each variable:

Variable	Composite reliability	Description
Market Orientation (X)	0.927	Valid
Supply Chain Strategy (Z)	0.884	Valid
Marketing Performance (Y)	0.922	Valid

Based on the data in the table above, it can be seen that the value of Composite Reliability of all greater > 0.7 .

d. Cronbach ' S Alpha

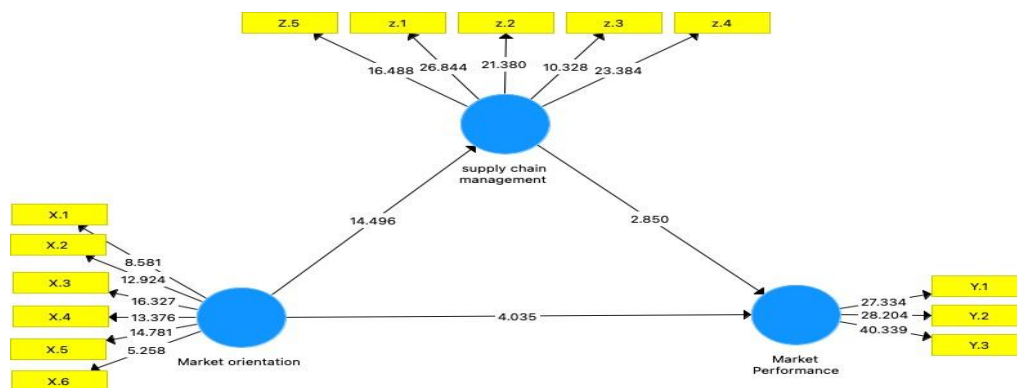
A variable can be said to be reliable if it has Cronbach's Alpha > 0.70. Here is Cronbach's Alpha value of each variable.

Variable	Cronbach's alpha	Description
Market Orientation (X)	0.882	Valid
Supply Chain Strategy (Z)	0.841	Valid
Marketing Performance (Y)	0.894	Valid

Based on the data in the table above, it can be seen that the value of Cronbach's Alphabet of all variables has a value > 0.7.

3.2 Inner Models

Evaluation of this model is done using Coefficient Determination (R^2), goodness of Fit Test, and hypothesis test (Direct Effect and Indirect Effect), testing the inner model is by doing bootstrap testing, the picture below shows the results of the bootstrapping process.



a. Coefficient Of Determination (R^2)

The result of R^2 of 0.67 and above for the dependent latent variable in the structural model identifies the influence of the independent variable (which affects) to the dependent variable (which is affected) is included in the good category. Meanwhile, if the result is 0.33-0.67, it belongs to the medium category, and if the result is 0.19-0.33, it belongs to the weak Category.

Variable	R Square	R Square Adjusted
Supply Chain Strategy (Z)	0.647	0.636
Marketing Performance (Y)	0.575	0.569

R-Square Table (1) is used to see the influence of market orientation and Supply Chain Strategy variables on Market Performance with a value of 0.647 and stated to have a medium value. Then R-square (2) is used to see the effect of market orientation variables on Market Performance with a value of 0.575 and stated to have a medium value.

b. Goodness of Fit

Good fit is measured by the Q-square. The value of Q-Square has the same meaning as the coefficient determination (R-Square) in regression analysis, where the higher the Q_Square, the model can be said to be better or more fit with the data, as for the calculation of Q-Square as follows:

$$\begin{aligned}
 \text{Q Square} &= 1 - [(1 - R_{21}) \times (1 - R_{22})] \\
 &= 1 - [(1 - 0,647) \times (1 - 0,575)] \\
 &= 1 - (0.353 \times 0.425) \\
 &= 1 - 0.150025 \\
 &= 0.849975
 \end{aligned}$$

Based on the above calculation, obtained Q-Square value of 0.85 or 85% this shows the amount of diversity of research data that can be proposed by the research model of 85%, while the remaining 15% is explained by other factors that are outside this study. Thus, from these results, this research model can be stated to have a good goodness of fit.

c. Direct Influence

Direct influence testing using bootstrapping analysis techniques. Through the results of T-statistics obtained, can be obtained the influence of the level of significance between the independent variable to the dependent variable. When the value of T-statistic > 1.96. (=TINV (0.05,50) (T-table significance 5%) then the effect is significant. Furthermore, through the results of the value of P value obtained when the value of P Value in each variable < 0.05 then H₀ rejected.

variabel	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Market orientation ->Market Performance	0.466	0.468	0.116	4.035	0.000
Market orientation - > supply chain management	0.758	0.760	0.052	14.496	0.000
supply chain	0.391	0.394	0.137	2.850	0.005

management -> Market Performance					
-------------------------------------	--	--	--	--	--

The results prove that there is a significant positive influence of market orientation on market performance with a p value of 0.00. This means that the better the market orientation, the better the market performance. Market orientation includes sales and competitor orientation, which involves various activities to obtain information about buyers and competitors in the intended market, as well as distribute it through the business. Customer orientation, on the other hand, refers to an adequate understanding of the needs and preferences of target customers, with the aim of creating superior value for them in a sustainable way. This understanding covers the entire buyer value chain, both in the present and in the future. In addition to customer orientation, orientation to competitors is also important. The salesperson will attempt to gather information about competitors and share it with various functions within the company, such as the product research and development division, or to discuss with company leaders the strengths of competitors and the strategies they are developing. By understanding competitors well, companies can take appropriate actions in the face of competition in the market, the results of this study are in line with the research the results of this study are in line with the research which found that market orientation has a significant positive effect on organizational performance.

The results prove that there is a significant positive influence of market orientation on SCM strategy. This means that the better the market orientation, the better the SCM strategy. Market orientation as the most effective and efficient organizational culture to create the behaviors needed to create superior value for buyers and produce superior performance for the company, especially in a competitive environment. In a highly competitive environment, only companies with more value will survive, explained that companies that have made market orientation as an organizational culture will focus on external market needs, desires and market demand as a basis in the preparation of strategies for each business unit in the organization, and determine the success of the company. Companies will seek to increase customer confidence, identify and participate in additional supply chains, make frequent contacts and create communication with supply chain members, as well as involve supply chain members in product marketing plans, the results of the results of this study are in accordance with research which found that market orientation has a significant positive effect on supply chain performance.

The results prove that there is a significant positive influence of SCM strategy on market performance. This means that the better the SCM strategy, the better the market performance. when the company emphasizes the strength of the SCM strategy

as a marketing strategy that focuses on satisfying the needs of the end customer or who is the final member of the supply chain management section. When the SCM strategy is getting better, it will try to satisfy customers, so that the company's market share is getting better, so that its market performance will increase. The lowest indicator of an SCM strategy is frequent contact with members of the supply chain. We recommend that manufacturing SMEs build a good and smooth communication network with all members of the supply chain, both customers, suppliers and distributors, so that the production process can run smoothly, and the distribution of goods to customers is also effective. If information flows from upstream to downstream and vice versa downstream to upstream, it can provide benefits for SMEs to create new strategies so that performance increases.

D. Indirect influence testing (mediation Test)

Variabel	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Market orientation -> supply chain management -> Market Performance	0.296	0.298	0.105	2.831	0.005

The results of this study prove that supply chain management strategies have a positive influence in mediating the relationship between market orientation and marketing performance. In other words, the stronger the market orientation, the more the supply chain strategy will improve, and this will also have an impact on improving financial performance. This finding is in line with research conducted by [12], which found that SCM strategies significantly mediate the relationship between market orientation and company performance, emphasizing the important role of supply chain management in improving the performance of manufacturing companies. One way to improve efficiency is to integrate the company's supply chain activities, so as to avoid obstacles in the supply chain operational planning process.

The practice of SCM serves as a means to gain competitive advantage, primarily through cost reduction and revenue enhancement. Therefore, SCM plays an important role in improving performance both in the market and financially. The concept of supply chain management (MRP) is able to integrate various management functions in a relationship between organizations, forming an integrated and mutually supportive system [13] Supply Chain Management (MRP) or Supply Chain Management (SCM) is a series of approaches applied to efficiently integrate suppliers, entrepreneurs, warehouses, and other storage places. Thus, the products produced can be distributed in the right amount, place, and time, so as to minimize costs and satisfy consumers.

CONCLUSION

This study proves that market orientation has an s influence on market performance, it shows that the better the market orientation, the market performance will also increase. Market orientation includes an understanding of customer needs and information about competitors, both of which contribute to improving the company's performance, while market orientation has also been shown to have an influence on SCM strategy. Companies that adopt market orientation as an organizational culture will focus more on the needs and demands of the external market, which helps in crafting an effective SCM strategy.

A good SCM strategy has a positive impact on market performance. An SCM strategy that focuses on end customer satisfaction will increase the company's market share and market performance. Manufacturing SMEs are advised to establish a good communication network with all members of the supply chain to improve performance. The results showed that the SCM strategy mediates the relationship between market orientation and market performance. In other words, a strong market orientation enhances the SCM strategy, which in turn improves market performance.

BIBLIOGRAPHY

- Bahri, A., Mulbar, U., & Suliana, A. (2019). The study of MSME empowerment in Makassar city as an effort to improve the welfare of business actors. *Journal of innovation and Public Service Makassar*, 1(1), 37-53.
- Chamber of Commerce and Industry (Kadin) Indonesia. (2023). Data on the number of MSMEs by sector in 2023. Jakarta.
- Chin, W. W. (1998). The Partial Least Squares Approach to Structural Equation Modeling. In *Modern Methods for Business Research* (pp. 295-336).
- Green Jr, K. W., McGaughey, R., & Casey, K. M. (2006). Does supply chain management strategy mediate the association between market orientation and organizational performance? *Supply Chain Management: An International Journal*, 11(5), 407-414.
- Ghozali, I., & Latan, H. (2015). *Partial Least Squares: concepts, techniques, and applications with the Smart PLS 3.0 Program*. Semarang: Diponegoro University.
- Ghozali, I. (2016). *Multivariate analysis application with IBM SPSS Program*. Semarang: Diponegoro University Publishing Board.
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2014). *Multivariate Data Analysis (New International Edition)*. New Jersey: Pearson.
- Hart, J. (2011). *Business Research Methodology: misperceptions and experiences*. Yogyakarta: BPFE.
- Mutakin, A., & Hubeis, M. (2011). Measurement of supply chain management performance with SCOR model 9.0 (case study in PT Indocement Tunggal Prakarsa Tbk). *Journal of Management and organization*, 2(3), 89-103.

- Narver, J. C., Slater, S. F., & Tietje, B. (1998). Creating a market orientation. *Journal of Market-Focused Management*, 2, 241-255.
- Sekaran, U., & Bougie, R. (2016). *Research methods for business: A skill building approach*. John Wiley & Sons.
- Tukamuhabwa, B. R., Eyaa, S., & Derek, F. (2011). Mediating variability in the relationship between market orientation and supply chain performance: A theoretical approach.