

CHAPTER I

INTRODUCTION

1.1 Background

The progress of the economy in Indonesia is inseparable from the existence of MSMEs. Most of the areas in Indonesia have an economic structure in the MSME area that adheres to the corporate and business economic system. Micro, Small, and Medium Enterprises (MSMEs) have a demand for dynamic capabilities and also, techniques that are anticipated to enable individuals to comprehend and recognize potential prospects, and possess the competence to envision possibilities for enhancing businesses (Amrulloh, 2017). MSMEs have been proven to be resilient against any disruptions, including their ability to survive the economic crisis that hit Indonesia in 1998. Businesses in this category play a crucial role in improving the economy of both the community and the country. (Tanzil et al., 2021).

A business can be a good platform for job creation, thus contributing to the economy and ultimately increasing per capita GDP (Halim, 2020). A business needs to receive attention from all parties by considering the potential that exists in each region. Therefore, it is important for a business to have good performance.

Business performance is crucial in a company as it represents the performance of a company in achieving its goals (Sidiqqoh & Alamsyah, 2017). Market orientation and entrepreneurial orientation are crucial factors which influence performance in business. This is because these factors become a

competitive advantage in a business organization (Fauni & Agus, 2017). Market orientation, if used properly, can help a company achieve superior organizational performance and gain competitive advantages (Purwianti, 2021). Market orientation focuses on the needs of consumers, where a company can provide and improve the quality of perceived value and satisfaction to achieve superior business performance. One of the main factor' to a company's success lies in understanding and meeting the needs of consumers. Market orientation is considered a marketing concept and a management strategy (Udegbe, 2017).

Entrepreneurial orientation is a crucial contributor to a company's success. Entrepreneurial orientation is considered one of the resources and capabilities that a company possesses in influencing business performance (Kharisma et al., 2020). With entrepreneurial orientation consisting of proactive, innovation, and risk-taking elements, companies can compete actively by using corporate strategies (Franco & Haase, 2013). A proactive attitude is demonstrated by seeking information from competitors to identify good opportunities, innovation is done by initiating new relationships in the supply chain. Risk-taking involves the courage to accept risks in making the right decisions in investment (Tuan, 2015).

Network capability is also important in the business of understanding information for profit. Network capability is a form of developing a company's capability in communicate, collaborate, and handle business relationships. It has a

significant impact in expanding sales volume or profits, attaining entry into new markets, and developing innovation (Hidayanti & Alhadar, 2021).

In accordance with the explanation above, the author chooses the title “Analysis of the Influence of Market Orientation, Network Capability, and Entrepreneurial Orientation on International Performance”.

1.2 Research Question

Here are the research questions based on the background problem above:

1. Does entrepreneurial orientation have a positive effect on market orientation?
2. Does entrepreneurial orientation have a positive effect on network capability?
3. Does market orientation have a positive effect on business performance?
4. Does network capability have a positive effect on business performance?
5. Does entrepreneurial orientation have a positive effect on business performance?
6. Does market orientation mediates the effect of entrepreneurial orientation on business performance ?
7. Does network capability mediates the effect of entrepreneurial orientation on business performance.

1.3 Research Objective

Based on the research questions that have been presented, this research has the following objectives:

1. To determine the positive influence of entrepreneurial orientation on market orientation.
2. To determine the positive influence of entrepreneurial orientation on network capability.
3. To determine the positive influence of market orientation on business performance.
4. To determine the positive influence of network capability on business performance.
5. To determine the positive influence of entrepreneurial orientation on business performance.
6. To determine the positive influence market orientation mediates the effect of entrepreneurial orientation on business performance.
7. To determine the positive influence network capability mediates the effect of entrepreneurial orientation on business performance.

1.4 Scope of Study

This research was conducted namely entrepreneurs in the city of Tangerang. This research includes the variables market orientation, network capability,

entrepreneurial orientation, and international performance. This research was conducted to find out how entrepreneurs are in terms of market orientation, network capability, entrepreneurial orientation, and international performance. Respondents in this research were entrepreneurs engaged in the food and beverage industry.

1.5 Research Contribution

The benefits of this research include:

a. Theoretical Benefits

This research is expected to provide insight and increase knowledge of the variables used. The variables in this research are market orientation, network capability, entrepreneurial orientation, and international performance.

b. Managerial Benefits

This research is an input for entrepreneurs to investigate the factors of market orientation, network capability, entrepreneurial orientation, and international performance.

1.6 Research Outline

Overall, the systematic structure of this research consists of five chapters, including the following:

a. CHAPTER I INTRODUCTION

The first chapter contains a discussion of the background of the problem, problem formulation, research objectives, research benefits, research scope, and research systematics.

b. CHAPTER II - LITERATURE REVIEW

The second chapter contains a discussion of the explanation of the first chapter based on the theoretical basis and also a review of the literature which is the variable and hypothesis used by the author in this research.

c. CHAPTER III - RESEARCH METHODS

The third chapter contains an explanation of the research method that will be used to measure the data and the measurement model that contains the variables in it.

d. CHAPTER IV - RESEARCH RESULTS AND DISCUSSION

The fourth chapter contains a discussion of the results of the data processing that has been processed and obtained based on the explanation and analysis discussed in the previous chapter.

e. CHAPTER V - CONCLUSIONS AND RECOMMENDATIONS

The fifth chapter is the last chapter which contains conclusions, limitations of the researcher, and also suggestions for further research.