STRATEGIC ORIENTATION: INTEGRATING ENTREPRENEURIAL, COLLECTIVE, AND MARKET ORIENTATIONS TO ENHANCE MSMEs' PERFORMANCE

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Abstract

MSMEs in Indonesia face fundamental problems in developing business strategies. This research explores the impact of strategic orientation (SO) on business performance. SO involves the integrated role of entrepreneurial orientation (EO), market orientation (MO), and collective orientation (CO) in improving performance. This research also examines the mediating role of CO, MO and the moderating role of EO. Demographic variables are used as control variables. Data obtained from 192 creative industries in Malang Raya with a response rate of 65 percent (124 MSMEs). This study utilizes PLS-SEM methodology to investigate target relationships. The results show that MSME performance is significantly influenced by SO, both EO and MO, but not CO. This confirms the direct influence of EO and MO on performance, as well as the indirect influence of MO on the EO-performance relationship. In addition, this research reveals that the performance of MSMEs managed by women tends to be lower than MSMEs managed by men. This is because the EO characteristics of men are greater than those of women. The implication of these findings is that MSMEs must improve EO and MO. Effective CO needs to be strengthened so that it can make a major contribution to sustainability of MSMEs.

Keywords: Strategic Orientation; Entrepreneurial Orientation; Collective Orientation; Market Orientation; MSMEs’ Performance

JEL Classification: M21, L26, O31

Article History: Submitted: 2024-1-28; Revision: 2024-04-16; Accepted: 2024-04-22; Published: 2024-07-15

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INTRODUCTION

MSMEs serve as the catalyst for economic development and the enhancement of well-being (Joshi et al., 2017; Eggers et al., 2013). In Indonesia, the data show that during times of crisis, MSMEs serve as vital pillars in economic development and can act as strong fortresses supporting Indonesia's economic growth. MSMEs sector actively contributes to the Gross Domestic Product (GDP), accounting for 61%, which is equivalent to IDR 9,580 trillion. In fact, the contribution of MSMEs to employment reached 97% of the total workforce. Data from the Ministry of Cooperatives and SMEs shows that Indonesia has 65.5 million MSMEs, covering 99% of the total business units (Limanseto, 2023).

In contrast to large companies, MSMEs face various challenges, such as limited resources, limited economies of scale, the negative impact of environmental instability, and higher levels of market fluctuations (Gronum et al., 2012). One of the causes of this shortage arises from differences in the business environment of these entities in developing countries (Batra et al., 2015). Given their smaller scale, reduced capital investment, market forces (Eijdenberg et al., 2017; Ikebuaku & Dinbabo, 2018), and limited workforce, SMEs adopt different business models compared to large companies, thus requiring a unique approach (Müller, 2019; Nasir et al., 2017).

In facing these various challenges, MSMEs must strategically position themselves to thrive in a competitive environment. This imperative arises not solely from the goal of competing and outperforming competitors, but also from the drive to achieve peak performance, especially in a highly competitive environment. In recent years, research in this area has identified and examined a range of approaches that MSMEs can take in the area of strategic orientation (SO) to achieve superior firm performance (Nasir et al., 2017; van Lieshout et al., 2021).

The concept SO was first introduced by Venkatraman (1989), who directed attention to the overall strategic process and identified dimensions including defensiveness, analysis, aggressiveness, foresight, proactivity, and risk-taking as key components of SO. Zhani et al. (2021) defined SO as a “direction and culture adopted by the firm to conduct business and gain a competitive advantage”. A company's SO mirrors the strategic initiatives undertaken to cultivate behaviors conducive to superior performance (Penco et al., 2020; Vlasic, 2023). The extreme outcomes of intentions and behaviors that SO produces are reflected in the context of gaining a competitive advantage and achieving higher firm performance (Nasir et al., 2017; van Lieshout et al., 2021). Research on SO emphasizes the importance of recognizing the intricacies of the relationship between SO and firm performance (Baker & Sinkula, 2009; Vlasic, 2023). Some researchers have identified corporate SO as a key component of corporate performance (Arun & Yildirim Özmutlu, 2023; Iqbal et al., 2023; Ismail, 2023; Khizar et al., 2023).

Studies indicate that organizations can adopt multiple SOs with differing intensities, and the most effective strategic approach hinges on contextual factors such as the operating environment (Irún et al., 2020; Wu et al., 2019) and organizational characteristics (Morgan & Anokhin, 2020; Randhawa et al., 2021). As research evolved, general SO began to be understood as a term that encompassed a wide range of conceptualizations. Another comprehensive perspective on SO is provided by Liu & Fu (2011) and Ismail (2023) which considers market orientation (MO), entrepreneurship, and learning as integral components. Likewise, Nasir et al. (2017) framed SO as the fusion of entrepreneurial orientation (EO), MO and interaction orientations. Hakala (2011) presents additional views on SO, introducing dimensions such as learning.
technology, market, and entrepreneurship. Al-Ansari et al. (2015) consider technology, strategic alliances or cooperation and market dimensions in the conceptualization of SO. Thus, Venkatraman's (1989) important contribution to the conceptualization of SO has provided multiple meanings and dimensions that firms adopt in their pursuit of competitive advantage and higher performance.

In this research, the focus is on three SO which reflect how the business can approach performance EO, MO (Laukkanen et al., 2013) and collective orientation (CO) (Schoeneborn et al., 2022). EO and MO represent two strategic dimensions firms employ to maintain competitiveness in the marketplace (Miles & Arnold, 1991; Morgan & Anokhin, 2020). Prior studies have demonstrated a multitude of advantages associated with adopting either an EO or MO approach, either independently or in tandem. These benefits include enhanced firm performance (Bhuian et al., 2005; Wiklund & Shepherd, 2005), improved performance in new product development (NPD) (Atuahene-Gima & Ko, 2001), and facilitation of organizational learning (Wang, 2008).

Despite historical evidence suggesting the advantageous outcomes of both individual and combined efforts of EO and MO on performance variables (Bhuian et al., 2005; Rosenbusch et al., 2013), the positive effects of EO and MO separately are not universally observed across various firms or environments (Beliaeva et al., 2020). Moreover, the joint influence of EO and MO on performance is contingent upon numerous contextual factors, including industry type (Zahra, 2008), market dynamics, competitive pressure (Boso et al., 2013), and economic circumstances (Beliaeva et al., 2020; Morgan & Anokhin, 2020). For instance, Beliaeva et al. (2020) discovered a negative impact of simultaneously pursuing EO and MO. In essence, there are critical contingencies that determine the outcome of the interaction between EO and MO. However, there remains a lack of understanding regarding the diverse factors influencing the joint impact of EO and MO on performance, which is the focal point of this research, as recently indicated by (Meyer, 2015).

Other studies have argued that tackling grand challenges will require multi-layered and collaborative efforts involving diverse actors (Ferraro et al., 2015; Ferraro & Beunza, 2018). Given the intricate and multifaceted nature of grand challenges, it becomes imperative to devise correspondingly complex and layered responses engaging various stakeholders (Grimm, 2019). Such shared acknowledgement serves as a foundational reference point guiding collective actions. This conceptual shift is essential given that grand challenges often require collective action across diverse sets of stakeholders (Schoeneborn et al., 2022).

Although the contribution of SO dimensions to firm performance has been recognized, understanding of the nature of this relationship in SMEs is still limited (Hakala, 2011) and raises doubts (Ismail, 2023; Shaher & Ali, 2020). Most related studies focus on large firms in developed countries, while SMEs in developing countries are often neglected (Shah et al., 2015). However, despite the considerable contributions of previous research to SO, particularly EO and MO (Ismail, 2023; Morgan & Anokhin, 2020; Shaher & Ali, 2020) there’s a notable absence in current literature regarding how different COS lead to enhanced performance (Grzegorczyk, 2019; Makhdoom et al., 2019). This gap underscores the need for a robust theoretical framework capable of elucidating the impact of EO, MO, and CO in business management for maintaining competitive advantage. Thus, integrating CO within SO and considering it as a mediator between EO, MO, and performance offers fresh perspectives on how strategies can be amalgamated for more advantageous outcomes, particularly superior performance.
Reich (1987) proposed in his research that businesses ought to dispel the notion of the "entrepreneurial hero" and instead acknowledge the collective entrepreneurship that arises from synergy. He emphasized that the collective ability to recognize and respond to opportunities is a critical element of collective performance. The existence of academic research on CO also suggests its significant influence on performance (Grzegorczyk, 2019; Makhdoom et al., 2019). It is important to study MSMEs from a collective perspective and explore their collective dimensions which lead to collectivity-based businesses (Makhdoom et al., 2019). Therefore, this research primarily aims to search the entrepreneurial field for collective action and further demonstrate its importance for performance. This highlights the importance of comprehending the interconnectedness between EO, MO, and CO, and their interactions, to furnish empirical evidence supporting theoretical advancements.

The novelty of this research is integrating EO, CO, MO as SO and investigating their interaction in improving MSMEs’ performance in Indonesia. In this research, the demographic variables age, gender and education are used as control variables. Age plays a crucial role in improving the performance due to accumulated experience, financial stability associated with older age, in-depth understanding of the market, and the ability to avoid mistakes and take advantage of better opportunities. Thus, age not only provides valuable experience capital, but is also an important factor in facing challenges and achieving sustainable growth (Bai et al., 2021). Educated entrepreneurs tend to have higher levels of understanding and business strategy skills to overcome challenges and take advantage of opportunities in a competitive business environment (Blume, 2019). Men tend to be considered more successful in improving their performance due to social and cultural factors that influence their perceptions and opportunities in the business world. The patriarchal tradition that is still dominant in many societies gives men greater access to economic resources such as education, capital and business networks (Lee & Marvel, 2014). Therefore, intending to expand the scope of SO, this research explores the specific dimensions of SO that influence MSMEs’ performance in Indonesia. In line with the resource-based view (RBV) theory, SO is recognized as an intangible asset that provides a competitive advantage to a company, thereby improving overall organizational performance (Barney, 1991). The synergistic effects of combining SO dimensions can enhance competitive advantage and support growth, rather than separating its elements (Bhuian et al., 2005; Noble et al., 2002).

LITERATURE REVIEW

Performance and competitive advantage constitute significant focal points within the realm of strategic management literature (Herden, 2020; Ismail, 2023). A conspicuous association exists between strategy and competitive advantage, rooted in an understanding of how strategic management can enhance small businesses, thereby enhancing their ability to outperform competitors. Various management strategy theories have been linked to competitive advantage, contingent upon the variables and factors considered in their analysis. This study adopts the Resource-Based View (RBV) Theory (Barney, 1991). Typically, companies turn to RBV as a means to attain competitive advantage (Mathiyazhagan et al., 2023). When managed strategically and adeptly, the resources available to MSMEs can facilitate the development and execution of initiatives aimed at augmenting their competitive advantage (Herden, 2020).

Over the last twenty years, there has been extensive examination of the SO through a strategic lens. This perspective delves into a company's strategic direction, aiming to orchestrate suitable activities for market engagement. It serves as a vital tool for firms navigating the challenges of the
fiercely competitive global market, offering a means of survival and success (Tseng et al., 2019). Given empirical evidence indicating the formidable challenge of attaining superior performance for many MSMEs in developing countries within the framework of the RBV, this study theoretically suggests that simplifying this predicament is achievable through strategic orientation practices that provide avenues for EO, MO, and CO development. Furthermore, the implementation of SO enables MSMEs to assess the potential resources at their disposal in response to internal and external shifts in the business landscape, thereby fostering a more sustainability-oriented corporate behavior.

Entrepreneurial Orientation (EO) and MSMEs’ Performance

The idea that EO helps companies do better is often explained in academic theories like the Resource Based Theory (RBT) (Barney, 1991). In academic writing, EO is consistently viewed as an important asset that helps a company beat its competitors. Research consistently proves that EO is good for business in many ways, like boosting sales, growing the workforce, and increasing returns on investment (Covin & Slevin, 1991; Lumpkin & Dess, 1996) EO is seen as a primary element in the dynamics of market capabilities that operate under high levels of uncertainty (Wang et al., 2012).

Lumpkin & Dess (1996) played a pioneering role in refining the operationalization of EO by identifying five key dimensions namely: risk-taking, innovation, proactiveness, competitive aggressiveness and autonomy. Hughes & Morgan (2007) assert that the primary dimensions of EO—proactiveness, and risk-taking—function as essential strategic resources that not only define a firm’s strategy but also mold its competitive approach within the market landscape. These dimensions collectively serve as the building blocks that intricately shape a company’s overall strategic direction and competitive positioning.

Lisboa et al. (2016) provide a comprehensive definition of EO as an intangible resource that is closely linked to organizational routines and is disseminated among organizational members. Cui et al. (2018) defined EO as a company’s inclination to adopt sustainable behaviors marked by proactive, innovative, and risk-taking. According to Lumpkin & Dess (1996), this holistic perspective summarizes the entrepreneurial aspects of a company’s operational style and decision-making process. Several studies have affirmed a positive association between EO and firm performance (Li et al., 2008; Niu et al., 2020; Vaitoonkiet & Charoensukmongkol, 2020).

H1: EO is positively related to MSMEs’ performance.

Market Orientation (MO) and MSMEs’ Performance

Marketing is widely recognized as a fundamental function in every business, and methods for achieving corporate goals through marketing strategies are referred to as marketing concepts in academic literature (Houston, 1986). In a large portion of marketing literature, this concept is frequently known as MO. Kohli & Jaworski (1990) and Narver & Slater (1990) are notable figures in the study of MO, having conducted extensive research in this field. Their contributions have played a pivotal role in shaping and advancing our understanding of MO. Narver & Slater (1990) formulated the concept of MO as a synthesis of dimensions such as competitor orientation, customer orientation, and inter-functional coordination. These dimensions collectively contribute to the creation of enhanced customer value. Their conceptualization provides a comprehensive framework for understanding how businesses can excel in delivering superior value to their customers through a multifaceted market-oriented approach. These dimensions...
underscore the significance of understanding competitors, prioritizing customer needs, and fostering collaboration across functions to enhance overall customer value.

Many researchers’ findings support the significant influence of MO on firms' performance. They have highlighted MO as a crucial factor that has a substantial impact on overall firm performance (Issau et al., 2022; Rashid et al., 2020). These studies together contribute to a strong understanding of the positive relationship between MO and organizational performance. Additionally, it is expected that adopting MO will improve the performance of MSMEs compared to their counterparts, as suggested by research findings.

H3: MO is positively related to MSMEs’ performance.

Collective Orientation (CO) and MSMEs’ Performance

Collectivism refers to individuals' tendency toward interdependence, group action, and the adoption of moralistic values focused on collective efforts (Aaker & Maheswaran, 1997; Bhagat, 2002). In the context of cooperative relationships between companies, CO is evident in the attitudes and principles of the individuals involved. It encompasses two types: vertical collectivism, involving social obligations within a hierarchy, and horizontal collectivism, reflecting inter-firm connectedness (Triandis & Gelfand, 2012). CO emphasizes cooperative social and working connections within the group, viewing performance as a shared responsibility and outcome of team efforts (Pfundmair et al., 2014).

Grzegorczyk (2019) has pointed out that group power is a key characteristic of CO. In the context of MSMEs, building trust and interactive commitment can be achieved by focusing on the needs and interests of the group. The importance of consensus signals is highlighted in persuading individuals in collectivistic cultures, where the opinions of group members are emphasized (Aaker & Maheswaran, 1997). According to an extended view of the Resource-Based Theory (RBT), a culture that prioritizes group interests among firms is considered to contribute to market performance (Popli et al., 2017).

H3: CO is positively related to MSMEs’ performance.

The Mediating Effect of Collective Orientation in Linkage Entrepreneurial Orientation with MSMEs Performance

Empirical evidence shows the linkage between EO and performance. However, contrasting findings are present in the research of Wiklund & Shepherd (2005) and Slater & Narver (2000) who discovered no significant linkage between EO and firm performance. Despite the suggestion by Rauch et al. (2009) of a relational link between EO and performance, the literature has not consistently provided conclusive evidence supporting a universally unique relationship between the two. Jiang et al. (2018) also stated that there has been considerable empirical and theoretical attention directed towards EO, the linkage between EO and firm performance continues to lack conclusive evidence, with varying findings across studies.

Managerial attitudes toward risk indicate the extent of willingness to leverage distant external sources, engage with unfamiliar knowledge, and involve high risks and uncertain returns (Anderson et al., 2015; Cui et al., 2018). Some researchers suggest that the connection between EO and firm performance is contingent on the context, where EO dimensions vary independently based on founder characteristics, internal dynamics, or external factors (Acosta et al., 2018; Cui et al., 2018; De Clercq et al., 2010; Lumpkin & Dess, 1996). In that context, EO helps to improve firms' networking capabilities and knowledge in CO, potentially influencing firm performance (Varadarajan & Cunningham, 1995; Zhou
Companies with a high level of EO tend to have an open, progressive, and responsive approach to external partners, allowing them to sustainably maintain entrepreneurial and decision-making processes through building mutually beneficial relationships.

H4: CO mediated the linkage EO and MSMEs’ performance.

The Mediating Effect of Collective Orientation in Linkage Market Orientation with MSMEs Performance

Recently, research has devoted considerable attention to contributing to the understanding of the linkage between MO and firm performance, along with investigating the moderating impact of various antecedent factors on these relationships (Baker & Sinkula, 2015; Kiessling et al., 2016; He et al., 2018). Some literature supports that MO exerts a substantial influence on firm performance. Research like that carried out by Oyedijo et al. (2012) and Morgan et al. (2009) have identified MO as the most influential component on firm performance. However, conflicting findings exist, with studies like those by Greenley (1995) and Diamantopoulos & Hart (1993) revealing an insignificant relationship between the two, creating uncertainty about the nature of the association between these concepts.

Varadarajan & Cunningham (1995) said that in such a dynamic landscape, the synergistic integration of MO and strategic collaboration within the organizational framework, coupled with EO, becomes pivotal for determining the survival and prosperity of the enterprise.

H5: CO mediated the linkage MO and MSMEs’ performance.

The Mediating Effect of Market Orientation in Linkage Entrepreneurial Orientation and MSMEs Performance

In the context of small businesses, Baker & Sinkula (2009) proposed that collaboration between MO and EO is synergistic in increasing overall profitability. There is a pressing need for additional research to scrutinize the connection between MO and firm performance, particularly in the face of dynamic competitive conditions and rapid technological advancements that characterize an environment featuring diverse technologies and market fluctuations.

With rapid changes in the market environment and the level of innovation of firms, researchers underline several concerns. Firstly, there is an inquiry into whether MO alone is adequate to provide a sustainable competitive advantage. Secondly, whether EO and MO work together to further support a firm’s MO. Thirdly, whether this relationship correlates with improved performance (Li et al., 2008). Atuahene-Gima & Ko (2001) suggested that within market-focused firms, EO plays a crucial role in enhancing overall firm performance.

Real et al. (2014) elucidate that enterprises imbued with a strong entrepreneurial ethos consistently track market trends and adeptly tailor their responses to ascend as pioneers in customer service. Consequently, EO can be construed as the propelling engine behind a company’s MO. This perspective finds resonance in the assertions of Affendy et al. (2015) and Amin et al. (2016), who contend that EO serves as the catalyst for shaping business MO. Thus, it can be inferred that EO significantly impacts MO. This synthesis is strengthened by the perspective put forward by Matsuno et al. (2002), who illustrate that the beneficial impact of EO on firm performance is not a direct result but is mediated by MO. Furthermore, their research shows a direct negative impact of EO on firm performance.

H6: MO mediated the linkage EO and MSMEs’ performance.
The Moderating Effect of Entrepreneurial Orientation in Linkage Market Orientation and MSMEs’ Performance

The risks associated with SMEs solely embracing entrepreneurship often result in market dysfunction. Similarly, exclusively prioritizing MO or reacting solely to market demands may confine SMEs to merely acknowledging existing opportunities, rather than seizing the mantle of leadership through innovation (Baker & Sinkula, 2009). Matsuno et al. (2002) contend that it is crucial to integrate EO with MO, or vice versa, to enhance SMEs’ performance. They argue that a positive correlation between EO and MO may influence the extent to which MO dimensions are enriched by EO dimensions (Blesa & Ripollés, 2003; Rashid et al., 2020).

This study examines how the elements of EO interact with those of MO to shape the performance of MSMEs. Existing literature highlights both the individual and combined effects of EO and MO on performance (Atuahene-Gima & Ko, 2001; Thoumrungroje & Racela, 2013) suggesting that EO can serve as a catalyst for leveraging the benefits of MO when effectively implemented (Le Roux & Bengesi, 2014). Aligning EO and MO is particularly advantageous for SMEs, as business growth hinges on proactive risk-taking and opportunity pursuit grounded in marketing intelligence. Therefore, maintaining a balance between MO and EO is crucial for sustained long-term business growth (Eggers et al., 2013). Consequently, this research contends that the dimensions of EO positively moderate the dimensions of MO when applied to MSMEs’ performance. As such, it is hypothesized that:

H7: EO positively moderates MO when it is related to MSMEs’ performance.

The Moderating Effect of Entrepreneurial Orientation in Linkage Collective Orientation and MSMEs’ Performance

At the organizational level, Riviere & Romero-Martínez (2021) demonstrate that without leveraging collective relationships, companies cannot fully realize the performance benefits of those relationships. Consequently, it is crucial to investigate the processes or mechanisms through which "potential ties" are transformed into "mobilized ties" (Kwon & Adler, 2014). Prior research underscores the importance of examining firms’ entrepreneurial activities from a standpoint of combinative capabilities. Firms that adopt EO initiate organizational changes by efficiently integrating and creating novel combinations of resources and assets. Consequently, SMEs implementing EO are more adept at leveraging their collective relationships by synergizing them with existing resources, thereby enhancing performance (Dai et al., 2015).

While effective stakeholder collaboration forms the bedrock of superior performance for SMEs, the full potential of collaboration cannot be realized without EO. By implementing EO, MSMEs can activate the assets embedded in their collective relationships and integrate them with other owned resources such as human and financial capital to bolster performance (Dai et al., 2015). To foster change, hotels must continually enhance their capabilities by amalgamating various types of resources and assets, including those inherent in external and internal social capital (Amit & Schoemaker, 1993). In summary, the adoption of entrepreneurial activities guides MSMEs in leveraging their external and internal relationships, ultimately enhancing the nexus between CO and performance.

H8: EO positively moderates CO when it is related to MSMEs’ performance.

Therefore, a conceptual overview of this framework is illustrated in Figure 1.
RESEARCH METHODS

The population of this research is craft MSMEs registered with the Office of Cooperatives and MSMEs in the "Malang Raya" area, totaling 192 business units. Several reasons underlying the choice of this location as a research location are: a) Malang City is designated as one of the 10 creative cities in Indonesia; b) Malang Raya is a leading tourist destination in East Java and supporting area for Bromo-Tengger-Semeru which is a national priority tourist destination; and c) Creative economy businesses support the development of the tourism sector. Meanwhile, the reasons for selecting the crafts subsector as the research object were: a) The third largest number of business units, labor contribution and added value in the creative economy sector; b) Second largest contributor to creative economy exports; c) The third most creative economy product consumed by the public; d) The number of craft businesses in Malang City is 32.5%, Malang Regency is 60.4% and Batu City is 29.4% of the total businesses in each region. All information related to MSMEs is obtained from the sources mentioned above. The survey questionnaire was designed using the criteria specified in the EO, CO, and MO scales, and a total of 192 MSMEs were contacted to participate, and 124 MSMEs ultimately contributed to this survey (65%). A single-informant method approach was used, where a single representative from each company was considered the primary data source for MSMEs. The entrepreneur or manager was selected as the most relevant informant due to their significant level of involvement in running the entire enterprise operations.

All parameters used in this study have been established based on the existing literature and were adopted with modifications to align with the research context. The study adapted the four dimensions of EO using twenty-two items on a seven-point scale, previously developed and validated by leading entrepreneurship researchers (Becherer et al., 2012; Covin & Slevin, 1991; Morris et al., 2002) to align with the terminology appropriate for MSMEs. Similarly, the three dimensions of MO were measured using sixteen items on a seven-point scale, previously validated by Becherer et al. (2012) and Morris et al. (2002) and adjusted for MSMEs terminology. The seven dimensions of CO were measured using twenty adapted items (adjusted for MSMEs terminology) on a seven-point scale, based on measures adopted by Varadarajan & Cunningham (1995). The performance dimensions in this study were measured using seven adapted items, adjusted for MSME terminology, on a
seven-point scale. These measures were based on the work developed by Chen et al. (2006). Subsequently, in order to substantiate the conclusions posited in this research, it was imperative to account for supplementary variables that could elucidate discrepancies in our dependent variables. Consequently, we included controls for the respondent's age and education, and gender variables. The correlations and descriptive statistics pertaining to the study are presented in Table 1.

Partial Least Squares Structural Equation Modeling (PLS-SEM) was chosen as the method for data analysis due to its ability to effectively test relationships among constructs. As noted by Hair et al., 2017, PLS-SEM allows for the simultaneous assessment of measurement and structural models, leading to a reduction in error variance. The PLS-SEM method was selected for multiple reasons. Firstly, PLS-SEM is suitable for non-normal distributions and has fewer limitations on the utilization of binary and ordinal scales (Hair et al., 2017). Secondly, it accepts for a combination of explanatory and predictive perspectives to model estimates (Hair, Risher, et al., 2019). Thirdly, PLS-SEM provides a solution to make model more intricate structures using a limited sample size (Hair et al., 2017, 2021). The structural model was examined utilizing Smart-PLS 4.0.

RESULTS AND DISCUSSION

Data Analysis and Results

Table 1 provides a summary of the demographic characteristics in our data set, covering various dimensions such as age, education and gender. Most of the respondents were female, came from generation Y with the highest level of education being an undergraduate's degree.

Outer Model

Following the methodology proposed by Chin (1998), in order to thoroughly assess and interpret the findings derived from PLS-SEM, this research performed a two-stage analysis encompassing: (1) an examination of the outer model, and (2) the estimation of the inner model. This comprehensive approach ensures a nuanced understanding of the study outcomes. During the evaluation of the outer model, diverse metrics including construct reliability, composite reliability (CR), and average variance extracted (AVE) were taken into account.

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<th>Table 1. Respondent Description</th>
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<td>Male</td>
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Convergent validity was substantiated by ensuring that indicators significantly loaded on their corresponding latent constructs, with loadings equal to or higher than 0.70. The standardized loadings for all items across latent variables varied from 0.79 to 0.96, demonstrating statistical significance (t values > 2.0) (Table 2). This thorough examination robustly substantiates the convergent validity of each construct, affirming the reliability and consistency of the measurement model. The meticulous scrutiny conducted ensures a comprehensive understanding of the construct validity in the study.

The value of composite reliability for the four constructs exhibited a range of 0.92 to 0.96, surpassing the proposed threshold of 0.7, indicating a high level of reliability. Additionally, the AVE values for the four variables ranged from 0.61 to 0.72, meeting the suggested minimum of 0.5, thereby affirming the adequacy of the outer model. These findings validate that the items successfully encapsulate the core attributes of the seven constructs, thereby substantiating the reliability of each construct. Discriminant validity underwent a meticulous examination, involving a comparison between the square root value of the AVE for each construct and its correlation coefficient with other constructs (see Table 3). Consistently, the square root of the AVE for each construct surpassed its correlation with other constructs, offering robust confirmation of discriminant validity, aligning with the criteria outlined by Fornell & Larcker (1981) (Henseler et al., 2015). When employing the HTMT criteria, variables deemed highly conceptually similar are assigned a threshold value of 0.90, surpassing which implies a lack of discriminant validity, while a lower threshold of 0.85 is designated for more dissimilar variables (Hair, Sarstedt, et al., 2019). As depicted in Table 2, all variables assessed in this study adhere to both benchmarks.

<table>
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<th>Construct</th>
<th>Item</th>
<th>Loading</th>
<th>Cronbach's alpha</th>
<th>CR</th>
<th>AVE</th>
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<td>EO</td>
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<td>EO2</td>
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<td></td>
<td>CO4</td>
<td>0.842</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>CO5</td>
<td>0.885</td>
<td></td>
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<tr>
<td></td>
<td>CO6</td>
<td>0.837</td>
<td></td>
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<tr>
<td></td>
<td>CO7</td>
<td>0.844</td>
<td></td>
<td></td>
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<tr>
<td>MO</td>
<td>MO1</td>
<td>0.953</td>
<td>0.959</td>
<td>0.963</td>
<td>0.608</td>
</tr>
<tr>
<td></td>
<td>MO2</td>
<td>0.898</td>
<td></td>
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<tr>
<td></td>
<td>MO3</td>
<td>0.958</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>MP</td>
<td>MP1</td>
<td>0.863</td>
<td>0.923</td>
<td>0.939</td>
<td>0.721</td>
</tr>
<tr>
<td></td>
<td>MP2</td>
<td>0.790</td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>MP3</td>
<td>0.869</td>
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<tr>
<td></td>
<td>MP4</td>
<td>0.849</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>MP5</td>
<td>0.809</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MP6</td>
<td>0.911</td>
<td></td>
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</table>
### Table 3. Descriptive Statistics, Fornell-Larcker and HTMT

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Fornell-Larcker</th>
<th>Heterotrait-Monotrait (HTMT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO</td>
<td>5.125</td>
<td>1.255</td>
<td>0.778</td>
<td>0.732</td>
</tr>
<tr>
<td>CO</td>
<td>4.943</td>
<td>1.251</td>
<td>0.701 0.794</td>
<td>0.846 0.739</td>
</tr>
<tr>
<td>MO</td>
<td>5.325</td>
<td>1.174</td>
<td>0.711 0.780 0.828</td>
<td>0.695 0.509 0.508</td>
</tr>
<tr>
<td>MP</td>
<td>4.580</td>
<td>1.289</td>
<td>0.659 0.488 0.488 0.849</td>
<td></td>
</tr>
</tbody>
</table>

Notes: EO=Entrepreneurial Orientation; CO=Collective Orientation; MO=Market Orientation; MP=MSMEs Performance

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**Inner Model**

We evaluated the level of multicollinearity using the latent variable scores from Smart-PLS through regression. The range of Variance Inflation Factor (VIF) values from 3.07 to 3.81, with all VIF values under the recommended limit of 5.00 (Hair et al., 2021). Therefore, there is no concern regarding multicollinearity among the exogenous constructs.

The R^2 value signifies the proportion of variability in the endogenous variables that the model can account for. In this instance, the predictors elucidated 54% of the variability in CO, 69% in MO, and 71% in performance. As per Chin (1998) criteria, substantial, moderate, and weak R^2 values are defined as 0.67, 0.33, and 0.19, respectively. Here, our R^2 value is substantial, indicating that the proposed theoretical model offers a meaningful explanation of the variability in the dependent variable.

The adequacy of the developed model was evaluated using standardized root mean square residual (SRMR) as recommended by (Henseler et al., 2016). The Residual Root Mean Square (SRMR), calculated at 0.089, falls below the 0.1 threshold (Hair Jr et al., 2014), signifying that the outer model adheres to the model fit criteria in PLS path modeling, preventing model misspecification. The Bentler–Bonett normed fit index (NFI) was also used to assess model fit estimates (Henseler et al., 2016). (Singh, 2009) suggests that an acceptable NFI should be between 0.6 and 0.9. The NFI obtained in this study was 0.842 which is within the acceptable range. Lastly, the global goodness-of-fit (GoF) index criteria, comprising the geometric mean average communality and average R^2, were computed using equation (1) as suggested by (Tenenhaus et al., 2005). A GoF below 0.1 indicates a small fit, 0.25 denotes moderate, and above 0.36 signifies good fit (Akter et al., 2011). For this study, the calculated GoF was 0.644, surpassing the 0.36 threshold indicative of a good GoF.

\[
\text{GoF} = \sqrt{\text{AVE} \times \bar{R}^2} \quad (1)
\]

\[
\text{AVE} = 0.641
\]

\[
\bar{R}^2 = 0.648
\]

\[
\text{GoF} = \sqrt{0.641 \times 0.648} = 0.644
\]

**Test of Hypotheses**

To examine the proposed connections among variables, we conducted SEM-PLS analysis. In this analysis, MSMEs’ performance served as the endogenous variable, while all three variables of EO, MO, CO were included as exogenous variables. The bootstrap method, utilizing 5000 samples for standard errors and t values (Hair et al., 2021; Chin, 1998) was employed for analysis. The assessment of the model considered the magnitude and direction of the hypothesized path coefficients.
In Table 4, we present the empirical results of testing the impact of SO on MSMEs’ performance. Model 1 tests the direct influence of EO, MO and CO on performance. Then in Model 2 we tested the mediating effects of CO and MO in the relationship between EO and performance; and in Model 3, we added a test of model 2 with the interaction effects of EO with CO and MO. Next, we apply Model 4 to see the effect of demographic variables on performance. The findings, aligning with research hypotheses, indicate that both EO and MO positively and significantly impact performance (Model 1-4). Empirical findings provide substantial support for the notable and positive influence of EO on performance, displaying a significant direct impact of 0.32 (Model 4, t = 2.02, p < 0.05). Similarly, the direct effect of MO is recorded at 0.22 (Model 4, t = 1.90, p < 0.1). The examination of the mediating impact of MO on the relationship between EO and performance corroborates the hypothesis (Model 2-4), revealing an indirect effect of 0.19 (Model 4, t = 1.92, p < 0.1). Conversely, the hypothesis pertaining to the mediating impact of CO on EO and performance is not supported (Model 2-4), as the indirect effect is measured at 0.02 (Model 4, t = 0.54, p > 0.1). This comprehensive analysis contributes to a nuanced understanding of the interplay between these variables in shaping organizational performance.

However, it is essential to observe that the direct effect value (EO → FP) decreased when MO and CO were integrated into the model (from 0.35 to 0.31). This type of mediation is referred to as "partial mediation," signifying that the direct influence of EO on firm performance remains substantial. Although the beta coefficient for EO decreases from 0.35 to 0.32, it is noteworthy that EO not only exerts a significant direct impact on firm performance but also reveals a considerable indirect effect through MO. Consequently, the outcomes indicate that MO acts as a partial mediator in the linkage between EO and firm performance, thereby reinforcing the initial hypothesis. This nuanced perspective sheds light on the complex dynamics of EO, MO, and firm performance in the organizational context.

Furthermore, the examination of the hypothesis proposing a mediating influence of CO between EO and firm performance is undertaken. In evaluating this mediation, the statistical significance of the direct effect from CO to firm performance is assessed. This comprehensive analysis contributes to a deeper understanding of the potential mediating role of CO in

Table 4. Results of Hypothesis Testing

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
<th>t-value</th>
<th>Model 2</th>
<th>t-value</th>
<th>Model 3</th>
<th>t-value</th>
<th>Model 4</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO -&gt; MP</td>
<td>0.348**</td>
<td>2.170</td>
<td>0.347**</td>
<td>2.160</td>
<td>0.336**</td>
<td>2.268</td>
<td>0.321**</td>
<td>2.018</td>
</tr>
<tr>
<td>CO -&gt; MP</td>
<td>0.088</td>
<td>1.033</td>
<td>0.089</td>
<td>1.044</td>
<td>0.070</td>
<td>0.880</td>
<td>0.058</td>
<td>0.669</td>
</tr>
<tr>
<td>MO -&gt; MP</td>
<td>0.238*</td>
<td>1.919</td>
<td>0.237*</td>
<td>1.909</td>
<td>0.198*</td>
<td>1.791</td>
<td>0.223*</td>
<td>1.899</td>
</tr>
<tr>
<td>EO -&gt; CO</td>
<td>0.357**</td>
<td>2.108</td>
<td>0.357**</td>
<td>2.108</td>
<td>0.357**</td>
<td>2.108</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO -&gt; MO</td>
<td>0.830***</td>
<td>20.991</td>
<td>0.830***</td>
<td>20.991</td>
<td>0.830***</td>
<td>20.991</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MO -&gt; CO</td>
<td>0.416***</td>
<td>2.699</td>
<td>0.416***</td>
<td>2.699</td>
<td>0.416***</td>
<td>2.699</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO -&gt; CO -&gt; MP</td>
<td>0.032</td>
<td>0.863</td>
<td>0.025</td>
<td>0.701</td>
<td>0.021</td>
<td>0.542</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO -&gt; MO -&gt; MP</td>
<td>0.196*</td>
<td>1.942</td>
<td>0.165*</td>
<td>1.810</td>
<td>0.185*</td>
<td>1.926</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MO -&gt; CO -&gt; MP</td>
<td>0.037</td>
<td>0.903</td>
<td>0.029</td>
<td>0.800</td>
<td>0.024</td>
<td>0.622</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO X CO -&gt; MP</td>
<td>0.028</td>
<td>0.395</td>
<td>0.033</td>
<td>0.426</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO X MO -&gt; MP</td>
<td>0.149**</td>
<td>2.005</td>
<td>0.137*</td>
<td>1.843</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Control Variable
Gender -> MP   | -0.282**| 2.443   |
Education -> MP| 0.058   | 1.049   |
Age -> MP      | 0.035   | 0.643   |
R Square       | 0.700   | 0.700   | 0.717   | 0.732   |
Adjusted R Square| 0.687  | 0.687   | 0.700   | 0.708   |

Note(s): *p < 0.10; **p < 0.05; ***p < 0.01
shaping the relationship between EO and firm performance. However, the hypothesis test results reveal that the direct impact CO on firm performance lacks significance. Consequently, the mediating effect of CO cannot be calculated in this context, leading to the rejection of the hypothesis.

The moderation examination concerning EO in the linkage between CO and MO reveals that EO solely moderates the linkage between MO and performance. Importantly, the significance of EO as a mediator in the connection between MO and performance is observed to be less pronounced compared to its role as a predictor of performance. This distinction sheds light on the nuanced influence of EO in shaping the connection between CO, MO, and performance. Additionally, the gender control variable directly impacts performance, revealing a negative influence. This suggests that the performance of MSMEs led by women is inferior in comparison to those led by men. This finding underscores the potential impact of gender on the performance disparities observed among MSMEs.

Discussion

Strategic Orientation (SO) has been widely acknowledged as a pivotal factor influencing a company's performance. Over the years, the significance of SO in shaping the outcomes and success of a business has been well-established in the literature. Many researchers, such as Hakala (2011), Voss & Voss (2000), Al-Ansaari et al. (2015), Laukkanen et al. (2013), Liu & Fu (2011), Noble et al. (2002) and Venkatraman (1989) have conceptualized SO in various forms, which in this study are summarized into 3 dimensions, namely EO, CO and MO. This research specifically focuses on how MSMEs align EO, MO and build valuable relationships with their partners (CO), with the aim of developing resources for sustainable competitive advantage.

The primary contribution of this study resides in establishing a cohesive connection among these variables, revealing that performance is shaped by an additional factor—namely, the dimension of SO. This insight adds depth to the understanding of the intricate relationships between these variables and underscores the significance of the SO dimension in influencing overall performance. These results can help top management in making priority decisions for variables that can produce the expected results according to management needs.

Examining a sample of 124 MSMEs in Malang Raya, the findings indicate that SO has a big impact on improving performance. These findings strengthen the results of previous research which explains that SO is a key component for gaining competitive advantage and achieving higher company performance (Arun & Yildirim Özmutlu, 2023; Iqbal et al., 2023; Ismail, 2023; Khizar et al., 2023; Nasir et al., 2017; van Lieshout et al., 2021). This is the reason why (Baker & Sinkula, 2009; Grinstein, 2008) provides direction for entrepreneurs to see the importance of recognizing the intricacies of the relationship between SO and company performance.

Research findings also show that EO experience a direct and favorable impact on performance. This outcome underscores the positive linkage between EO and the overall performance of MSMEs in the specified region. MSMEs exhibiting a strong EO not only enhance MO but also cultivate substantial partnerships, exemplifying a CO. The heightened MO, in this scenario, plays a crucial role in augmenting the comprehensive performance of MSMEs. This suggests that MO serves as a mediator, intricately influencing the linkage between EO and performance in the context of these enterprises. Conversely, the impact of CO on performance is deemed non-significant, thereby precluding the emergence of a mediating effect in the EO-performance link.

For MSME owners or managers, a critical perspective emerges – the enhancement of performance relies on the nuanced interplay of diverse dimensions within the
broader SO framework. Although contextual variations may influence the intensity of different orientations, the undeniable role of SO in steering firm performance remains a constant. Specifically, within the spectrum of SO dimensions, both EO and MO exert a direct influence on performance, aligning with the assertions of Kumar Panda (2014), and emphasizing the connection between SO and achieving superior performance.

This SO empowers companies to cultivate integrated and sustainable competencies, both internally and externally, echoing the sentiments put forth by Teece et al. (1997). The strategic direction delineated by SO is tailored to instill specific firm behaviors adept at synthesizing diverse factors within the business environment. Subsequent sections of this paper will delve deeper into exploring the intricate associations between various SO dimensions and performance variables.

Essentially, firms that embark on exploring new opportunities, despite inherent risks, are expected to possess capabilities that cultivate a proactive and aggressive approach, strategically competing to secure a competitive advantage in the market. In the corporate landscape, EO serves as a discerning factor distinguishing between conservative and entrepreneurial firms, with EO levels shaping their operational essence. Companies marked by elevated levels of EO are more inclined to adopt decision-making, entrepreneurial processes, practices, and that favor actions involving uncertain outcomes, as noted by Matsuno et al. (2002).

The significant contribution of EO to the performance of MSMEs is underscored by the findings of this research, aligning with recent research indicating a positive correlation between EO and performance (Gerschewski et al., 2015; Escandón-Barbosa et al., 2016). According to Acosta et al. (2018), EO signifies a firm's capability to continually assess market opportunities through innovative thinking and methods. In the context of MSMEs, this often translates to resource reorganization and strategic adjustments. The synergy between EO with firm performance holds a central position in management literature, reflecting managerial capabilities that guide the firm in a proactive and assertive direction, strategically positioning it to attain a competitive advantage (Avlonitis & Salavou, 2007).

The outcomes of this investigation are in accordance with the point of view which states that there is a significant relationship between MO and performance. This discovery further corroborates the findings of (Issau et al., 2022), (Vlasic, 2023) and (Royo-Vela et al., 2022), who asserted that MO has a positive impact on SMEs' performance. In a fiercely competitive environment marked by rapidly globalization, changing customer preferences, and a continual influx of new offerings, achieving a high level of customer loyalty becomes pivotal for sustaining and growing a business. Placing increased emphasis on MO contributes to the development of customer loyalty, ultimately leading to superior company performance.

The study findings indicate that CO does not significantly impact performance. Greater efforts are required to establish relationships with partners before competition or to openly communicate during business development. Moreover, collectivistic cultures prioritize consensus information due to the high need for assimilation. The risk-taking dimension of EO is significant, as firms with high EO levels tend to be more willing to take risks. They actively identify and pursue new opportunities, even if they involve potential cooperation risks. In selecting new partnerships, companies with high EO must proactively assess risks through structured information exchange. Good interactivity can mitigate risks in cooperative relationships, with initiatives like increased interaction and the formation of task teams strengthening relationships and mutual trust. Therefore, providing partners...
with an understanding of MSMEs' expectations and needs can contribute to the establishment of a robust support system based on new opportunities with a group presence.

In addition, this research reveals that the performance of MSMEs managed by women tends to be lower than MSMEs managed by men. This is because the EO characteristics of men are greater than those of women. Men tend to be considered more successful in improving their performance due to social and cultural factors that influence their perceptions and opportunities in the business world. The patriarchal tradition that is still dominant in many societies gives men greater access to economic resources such as education, capital and business networks (Lee & Marvel, 2014).

These findings align with prior research indicating that firms with women in managerial roles exhibit reduced productivity (Aterido & Hallward-Driemeier, 2011; Islam et al., 2020) and diminished returns on assets (Moreno-Gómez et al., 2018). According to (Islam et al., 2020), globally, companies led by women demonstrate roughly an 11 percent decline in labor productivity compared to those managed by men. Collectively, these discoveries provide support for the assertions made in prior research (Bullough et al., 2022; Jayachandran, 2021) regarding the impact of laws, societal norms, and cultural stereotypes on women's decision-making and preferences in managing their businesses. The influence of the political landscape as a hurdle to the productivity of female-led enterprises, as well as the divergent responses of male and female managers in tackling challenges related to financing, electricity access, and tax administration, may stem from inadequate institutional backing and entrenched gender biases that impede women's ability to effectively address these obstacles. This illustrates that while gender diversity is often presumed to uniformly enhance performance, the unique perspectives and experiences female managers contribute may signify underlying challenges they face within environmental constraints, potentially detrimentally affecting company performance. Consequently, allocating additional resources towards educating the younger generation becomes imperative to halt the perpetuation of gender inequality and eradicate gender discrimination.

In summary, within resource constraints in MSMEs, EO and MO can drive firms to initiate risk management in groups, identify and combine resources, and cultivate alignment and mutual relationships with partners. The theoretical contributions of this research can be outlined as follows. Firstly, it establishes that EO significantly influences CO, delving into the seven dimensions of CO. While earlier research has not thoroughly explored the influence of EO on CO, this study takes a pivotal stride in making a substantial contribution to the literature. It does so by examining the mediating role of CO in the linkage between EO and performance. This research aims to fill a critical gap in the existing knowledge by shedding light on the nuanced linkage between EO, CO, and overall organizational performance. This research enhances the conceptual insight of the interactions between EO, CO, and performance within the context of MSMEs.

Secondly, the study finds that CO does not substantially mediate the impact of EO on performance. Despite the innovation and forward-looking strategic behavior brought about by EO, the research did not find supporting evidence for the mediating effect of CO. CO, emphasizing togetherness and cooperation, might not act as a strong mediator for MSME EO behavior, potentially hindering the expected mediation effect.

Thirdly, the results highlight that EO has a positive and direct effect on performance, particularly in MSMEs in Malang Raya. In an environment that demands a proactive approach to change,
innovation, opportunity orientation, and risk-taking, high EO enables MSMEs to launch new products and business models effectively. This adaptability is crucial in dynamic and competitive settings.

Drawing from RBT (Barney, 1991), the study suggests that businesses with high EO are better positioned to recognize effective entrepreneurial processes, comprehend the significance of partner contributions, and improve performance through excellent resource management capabilities, particularly in situations of outcome uncertainty. The influence of the external environment on SO underscores the MSMEs ability to thrive in the current competitive business landscape, with this association elucidated within the framework of the RBT. Moreover, the impact of SO—comprising MO, EO, and CO—on the performance of Indonesia MSMEs highlights a firm's capability to integrate resources for enhanced performance, also explained within the context of RBT.

Finally, the research results emphasize that CO does not directly impact firm performance, and it does not operate as a mediating factor in the connection between EO and firm performance. This observation adds a nuanced layer to the understanding of the dynamics among these variables, suggesting that CO's influence on performance may be indirect or context-dependent. While CO places emphasis on fostering harmonious social and working relationships within a group, the research implies that its influence on performance outcomes may not be as conspicuous in the specific context under examination. This insight underscores the need for a nuanced understanding of the interplay between CO and performance, taking into consideration the complexities of the organizational setting. The absence of a direct influence or mediating role suggests that other factors or dimensions may play a more critical role in driving firm performance in the specific setting under investigation. From the RBT perspective, successful performance is associated with the formation of cooperation between firms. Sustainable cooperation, encompassing inbound, internal, and outbound sustainability, denotes collaborative endeavors with suppliers, internal operational sustainability, and continued results flow to customers. The study underscores the importance of value creation and collaborative excellence for optimal performance.

This research offers pertinent managerial insights for MSMEs aiming to cultivate EO and foster collaboration. To enhance performance, these companies should focus on developing robust resource management capabilities. While collaboration with partners is crucial, the study emphasizes that it alone is insufficient, as CO does not significantly impact performance. Furthermore, the study underscores that performance enhancement can be achieved by capitalizing on opportunities in the external environment, and consistently innovating with new ideas, products, and approaches. Initiating this process, MSMEs are advised to foster EO through four key dimensions: proactiveness, opportunity orientation, innovation, and risk-taking. While the first three dimensions capture behavior of entrepreneurship, the fourth dimension reflects attitudes of decision-making toward risk. EO is identified as a crucial non-physical organizational capital, positioning MSMEs with a strong EO to potentially attain higher performance. Given the unique characteristics and dynamics of Indonesian MSMEs, which operate in a continually evolving and opportunistic market, those with elevated EO can leverage these unique circumstances to gain a competitive advantage. A robust EO assists companies in making effective decisions, prioritizing activities, and influencing overall company performance.

Second, MSMEs are advised to actively build and maintain high-quality relationships, especially in the face of environmental uncertainty. It is crucial to highlight
that MSMEs in Indonesia, which adopt Confucian cultural values, tend to use collectivist values in interacting with partners. This collectivistic orientation can be an opportunity for EO effectiveness due to the limited resources owned by MSMEs. MSMEs must involve themselves in strategic activities related to EO and build effective relationships and collaboration with partners in the group. Establishing better integration, collaboration and innovation with partners can make a significant contribution to sustainable performance. MSMEs can form contractual relationships with partners through various forms, such as joint research and development, joint product development, joint marketing and long-term resource management. MSMEs must ensure that their positions and those of their partners are balanced, thereby maintaining reciprocal interests between both parties. Mutual understanding, mutual support, and harmony in relationships are important in building successful relationships. Actively communicating, understanding each other's needs, and building relationships based on similarities will produce positive benefits.

Third, focusing on MO is considered a profitable approach to achieve optimal results. The EO factor also influences the MO. Therefore, having the right EO is the key to achieving the alternative route to success for the company. In this context, the proposed starting approach must be determined by a strong EO to exhibit MO behavior and achieve better performance.

CONCLUSION AND RECOMMENDATION

This research delves into an integrated analysis of various dimensions of SO influence on the performance of the company. Against the backdrop of Indonesia's economy experiencing liberalization, privatization, and globalization, MSMEs confront heightened competition. The aim of this study is to uncover strategies and measures that can propel MSMEs toward superior performance. In the current competitive landscape, the correlation between SO and performance is anticipated to drive SME growth. This extensive research amalgamates distinct SO constructs—specifically, EO, MO, and CO. By combining these three constructs into a holistic SO framework, this research offers a more comprehensive analysis of their collective impact, diverging from previous research, which frequently concentrated on individual dimensions.

The findings highlight that EO stands out as the most significant construct, demonstrating a positive relationship with other elements in the model. Conversely, CO is observed to lack a significant impact on firm performance within Indonesian MSMEs, while MO exhibits a diminished role amid heightened competitive conditions. Consequently, EO appears to play the most pivotal role for MSMEs in Indonesia. It is noteworthy that companies with a high MO also exhibit high EO, emphasizing the importance of aligning these orientations. Therefore, organizations can gain advantages by fostering an adaptable and varied combination of SO customized to their specific requirements and the external conditions in which they operate.

Both theoretically and empirically, this research aims to bridge a gap in the existing literature by delving into the connections EO, CO, and MO within the framework of MSMEs. This study seeks to contribute valuable insights that address the existing knowledge gap and enhance our understanding of the interplay between these critical elements in the specific context of MSMEs. Theoretical and managerial implications of significance underscore the necessity of aligning EO and MO, as well as enhancing organizations' collaborations with their partners (CO). This strategic alignment is identified as crucial for improving overall performance and gaining a competitive advantage. The study advocates for a holistic approach that integrates EO, MO, and CO to foster synergies and propel businesses
towards greater success in the competitive landscape.

This research underscores the need for further inquiry to address lingering questions. While the findings are context-specific, caution must be exercised when extrapolating them to other settings. Nevertheless, theoretical and empirical grounds suggest that SMEs in other developing nations may encounter similar dynamics. Consequently, future research endeavors in other developing countries are warranted to substantiate this assumption.

Furthermore, the utilization of cross-sectional data in this study precludes causal explanations among antecedents. Longitudinal data would be more appropriate, wherein independent variable data is collected initially, followed by subsequent assessments of the dependent variable. Despite the acknowledged limitations and shortcomings, this research aims to spark further inquiry and discussion, fostering a deeper understanding of the issues addressed. Additionally, it is hoped that these initial efforts will catalyze increased attention towards MSMEs in Indonesia and other Southeast Asian countries.

Additional research is warranted concerning gender dynamics, particularly in individual countries, utilizing comprehensive datasets to contextualize our findings within the unique business environments and cultural and social norms prevalent in each nation. Furthermore, there is a need for further investigation into whether businesses led by women encounter elevated barriers within the business environment. Lastly, the relatively modest sample size raises concerns regarding the stability of the path coefficients (Sosik et al., 2009). Conducting a similar model with a larger sample size is imperative to bolster confidence in the model and its coefficients.

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