

## **Effect of Learning Organization and Orientation of Entrepreneurs Through Market Orientation and the Impact on Small and Medium Business Performance in Minapolitan Region of South Sulawesi**

Abdul Rahman, Chalid Imran Musa and Muhammad Azis  
Universitas Negeri Makassar, Makassar, Indonesia

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**Abstract:** The purpose of this research is to analyze the influence of organizational learning and entrepreneurship orientation on SME business performance in Minneapolitan area South Sulawesi. This research is a survey research using quantitative approach with sample of 150 SMEs in 5 regencies and cities in Minneapolitan area in South Sulawesi. Data collection using questionnaires as a means of collecting data and conducting direct interviews and library searching. The results of data analysis found that organizational learning and entrepreneurial orientation did not directly affect the performance of SMEs in the Minneapolitan area but indirectly influenced by market orientation variables. The results of the analysis indicate that SMEs business performance in Minneapolitan area in South Sulawesi can be developed through organizational learning and entrepreneurial orientation but must use market orientation as a focal point in the empowerment of SMEs.

**Key words:** Organizational learning, entrepreneurship orientation, performance, minneapolitan area, SME, South Sulawesi

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### **INTRODUCTION**

The potential of Indonesian marine products is actually quite potential but experiencing some problems. One of them is the number of fishing industry more than 17,000 pieces but mostly traditional micro and small scale. Some of the goals of the Minapolitan concept have three goals. The three main targets of this Minapolitan concept, the first is the strengthening of the household economy of small-scale marine and fisheries communities. Second, maritime middle to upper class business. Then, the third is the marine-fishery sector becomes the driving force of the national economy. In addition, some requirements to become a Minapolitan area are superior commodities, geographical location, supply chain system (upstream downstream), main support facilities, environmental feasibility, regional commitment. Based on that criteria, a region can be used as object of application of Minapolitan concept.

Determination of Minapolitan area of South Sulawesi Province consisting of 15 districts/cities and 5 of them are districts/cities that will be the place of research because a city that develops the Minapolitan area under the coordination of the Department of Marine Affairs and Fisheries of South Sulawesi Province and cooperation with every Department of Marine and Fisheries District/city of the 5 areas (Anonymous, 2011).

The development of Small and Medium Enterprises (SMEs) attracted more serious attention from various circles either government or public this is not apart from the role of SMEs in the absorption of labor, national income contribution (GDP) and the resilience of SMEs against various turmoil. The role of SMEs in the national economy is considered very strategic. This sector is also considered a crisis savior faced by Indonesia, since, 1997 because of its flexibility in dealing with change and its ability to absorb labor so that it can reduce unemployment and poverty. Resilience of SMEs in the face of economic crisis is expected to help the Indonesian economy to face the global crisis that stems from the financial crisis in the US (Pangeran, 2012).

Small and Medium Enterprises (SMEs) also serve as one of the important sources for economic growth and non-oil exports that directly contributes to the increase in income of the surrounding community. In micro-economic SMEs its existence is very volatile this can occur because of shifting business sector to follow the existing market share or because it has an unfinished capital structure. These conditions make the position of SMEs whether growing or folded, often very difficult to detect but in macroeconomic development of SMEs always showed an increase from year to year as happened from 2001-2013 (BPS, 2014). Based on data from the Department of Cooperatives and SMEs of South Sulawesi Province

during 2009-2014 the average amount of SME growth was 875,167 or 1.01% with a contribution to GDP of 100.323.144 billion. Various limitations faced by SMEs where one of them is the limitations of marketing then the SME development strategy needs to be carefully observed, so, that the growth of new SMEs do not weaken existing ones. Therefore, the formation of SMEs should be more directed to the export market or meet the lack of local demand (Anonymous, 2014).

The low level of human resource education of SMEs is also a limitation that needs to be given serious guidance from the government. The existence of SMEs located in all business fields and scattered in all locations is a very difficult constraint in conducting coaching, therefore there should be efforts to develop SME centers to facilitate coaching by looking at existing community groups of SMEs or forming a new SME community (Hafsah, 1999).

There are several compelling reasons why small and Medium Enterprises need to be developed in Indonesia. First, small and medium enterprises absorb a lot of workforce where the estimated absorbed by small and Medium Enterprises until 2013 is 11 million people or 90% of all workforce. The development of small and medium enterprises will have a positive impact on the increase in the number of workforce and the reduction of the number of poverty. Through little capital to build small businesses, the technology used is so, simple that it is labor-intensive which requires a lot of manpower. Second, equity in the distribution of development. The location of many SMEs in the countryside and using local natural resources. The existence of a good SME development encourages equity in the distribution of income and also the equitable distribution of development, thereby reducing social discrimination between cities and villages. The gap between development of city and village leads to massive urbanization. As a result, villagers are looking for jobs in the city even though there are good natural resources in the village. The added value of the declining agricultural sector and the lack of policies that could make the agricultural sector less developed leads the younger generation no longer want to work in this sector. The scholars are also increasingly reluctant to work in the agricultural sector and open small and medium businesses. Third, equity in the distribution of income. SMEs are very competitive with almost perfect market pattern, no monopoly and easy to enter (barrier to entry) (Djojohadikusumo, 1985).

The development of SMEs that involve a lot of manpower will ultimately heighten purchasing power. This happens because unemployment is reduced and there is equal distribution of income which in turn will alleviate

poverty. If all components of the people's society agree that SMEs are the buffer of the national economy and able to prevent the collapse of the economy should SMEs get serious attention, encouraged to open employment so, that, it can reduce the poverty level when many large businesses that terminate the employment (Kristiyanti, 2012).

Progressive SME development is possible due to various factors: most SMEs rely on local raw materials to expand their business, do not require highly trained and specialized human resources, the development of specific technologies will help improve efficiency and competitiveness, most of the products or services produced do not require hitech and fluctuations in the US dollar exchange rate against the rupiah do not affect the production process because of using local raw materials, even blessing indisguise especially export-oriented SMEs (Urata, 2000).

The purpose of this research is to analyze the influence of organizational learning and entrepreneurship orientation on SME business performance in Minapolitan area South Sulawesi.

## **MATERIALS AND METHODS**

**Research framework:** The first construct in this research is organizational learning that learning is manager's perception toward organizational commitment to the importance of learning in organization, togetherness in vision and openness of organization to accept new thinker. The dimensions of organizational learning are system thinking, mental modeling, personal skills, teamwork, shared vision skills and dialogue (Marquardt, 1996).

The second construct in this study is looking at entrepreneurial orientation. Entrepreneurship behavior can be defined as a set of corporate activities in terms of innovation, searching for new ventures and strategic renewal. The entrepreneurial orientation has an innovation, proactive and risk-taking dimension The third construct in this study is market orientation is a construct that states that market orientation as a business culture that is able to effectively and efficiently create employee behavior in such a way as to support efforts to create superior value for customers. The three main components of market orientation, namely customer orientation, competitor orientation and inter-functional coordination (Voss and Voss, 2000).

The fourth construct is a measurement of company or business performance that is the measurement of financial and non financial performance. Financial performance is indicated by profitability, sales growth.

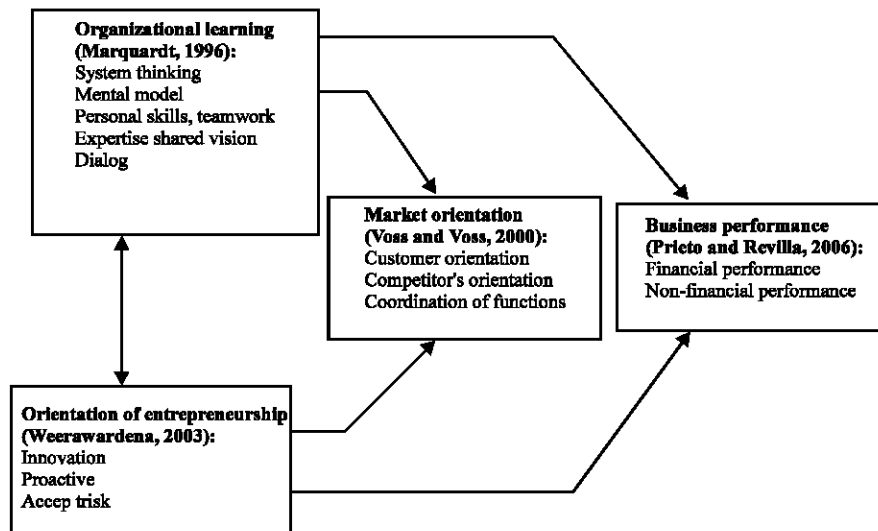


Fig. 1: Research framework

While non-financial performance measured by customer satisfaction and employee satisfaction (Prieto and Revilla, 2006). Based on the description of the relationships between research variables and related dimensions as described in the framework before, it can be made the paradigm of research framework as shown in Fig. 1:

**Specification:**

- Organizational learning, entrepreneurship orientation to business performance
- Organizational learning, orientation of entrepreneurship through market orientation to business performance
- Organizational learning through market orientation to business performance
- Orientation of entrepreneurship through market orientation to business performance
- Organizational learning on business performance
- Entrepreneurship orientation to business performance
- Market orientation to business performance

**Research methods:** This research uses quantitative method with explanatory research type which observe the relationship between one variable with another variable, so it has causality relationship. Quantitative research is intended to test the truth of the theory with the observation preceded by proposing hypotheses and operationalization of variables.

The population in this study are SMEs in Minneapolis area of South Sulawesi in Makassar, Maros, Pangkep, Gowa and Takalar. The observation unit is a SME manager. Each unit of analysis is represented by

respondent's answers to each indicator on an ordinal scale whereas for the indicator with the ratio scale is represented by the average value of the respondent's answer. This study was conducted by census then, the number of samples is the same as the population which means the confidential level in this study is 100% so, that the statistical test  $t = \frac{\bar{x} - \mu_0}{\frac{s}{\sqrt{n}}}, db = n - 2$  is with the indicator reject  $H_0$  if  $t \text{ count} > t\text{-table}$  at a significance level of 5% is not required. Furthermore, this research is to calculate the magnitude of the coefficient of influence between exogenous variables on endogenous variables according to the equation of structural model in each research hypothesis. The number of SME samples that became the focus of research on 5 districts/municipalities of Minneapolis is 150 SMEs.

Model research used in this research is the model of causality or relationship or influence and to test the hypothesis proposed then the method of analysis used is SEM (Structural Equation Models). The use of SEM analysis method because SEM can identify the dimensions of a construct and at the same time able to measure the influence or degree of relationship between factors that have been identified dimensions.

The complete model of the flow framework between variables based on the hypothesis proposed in the study as shown in the following Fig. 2:

**Exogenous variables**

**ξ<sub>1</sub>: Organizational learning:**

- X<sub>1,1</sub>: System thinking
- X<sub>1,2</sub>: Mental model
- X<sub>1,3</sub>: Personal skills
- X<sub>1,4</sub>: Teamwork
- X<sub>1,5</sub>: Expertise shared vision
- X<sub>1,6</sub>: Dialog

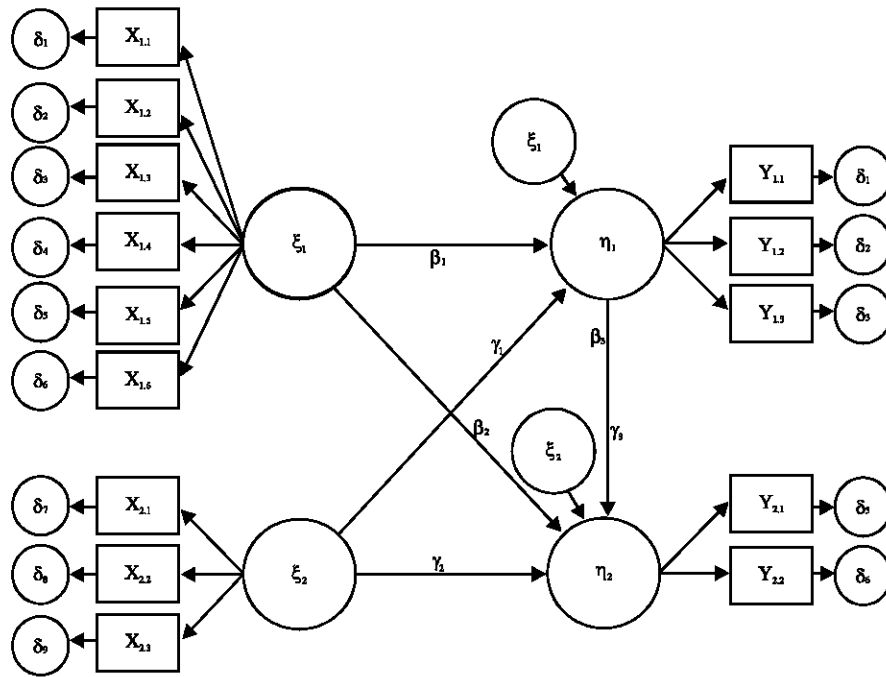


Fig. 2: Line research diagram

**$\xi_2$ ; Orientation of entrepreneurship**

- $X_{2,1}$ : Innovation
- $X_{2,2}$ : Proactive
- $X_{2,3}$ : Accept risk

**Endogen variables**

**$\eta_1$ ; Market orientation:**

- $Y_{1,1}$ : Customer orientation
- $Y_{1,2}$ : Competitor's orientation
- $Y_{1,3}$ : Coordination of functions

**$\eta_2$ ; Business performance:**

- $Y_{2,1}$ : Financial performance
- $Y_{2,2}$ : Non-financial performance

**RESULTS AND DISCUSSION**

**Description of research results:** This research reveals about the performance of SME business in Minneapolis area which is engaged in fishery based fishery sector, catching, processing and marketing of fishery product. The variables analyzed and influenced the performance of SME business in Minneapolis area consist of organizational learning, entrepreneurship orientation and market orientation with research location 5 district/city in South Sulawesi which become the research sample. The results of this study found that organizational learning is a determination that is not able

to explain changes in SME performance in the area of Minneapolis in the concept of empowerment. Likewise, with the orientation of entrepreneurship as part of the concept of empowerment in developing the performance of SMEs in the Minneapolis region can only affect the development of SMEs performance if through the development of market orientation. As a reality in small and medium business which in its operation more on labor-intensive activity, so that, the realization of this business is a reflection of existence of a number of intelligence possessed and accumulated with the courage to face risk. The influence of organizational learning and the orientation of entrepreneurship on business performance of SMEs in Minneapolis area of South Sulawesi.

Based on data analysis by using Structural Equation Modeling (SEM) with lisrel program got result of influence of quality of service to consumer satisfaction like following Table 1.

The result of the data using Structural Equation Model (SEM) Model shows that organizational learning has no significant effect on business performance on SMEs in Minneapolis area in South Sulawesi. Likewise with the variables orientation of entrepreneurship no significant effect on the performance of SMEs business. Both variables can affect the performance of SMEs business if through market orientation variables. In the study of market orientation variables is an intervening

Table 1: Test results effect of organizational learning and entrepreneurship orientation on SME performance

Hypothesis	The effect coefficient	T-count	T-table	Conclusion
There is influence of organizational learning and orientation of entrepreneurship to SMEs performance	Organizational learning to business performance (0.18 )	1.76521	1.9665	t-count < t-table = H <sub>0</sub> is received there is significant effect of organizational learning to business performance
	Entrepreneurship orientation to business performance (0.31)	1.8722	1.9665	T-count < t-table = H <sub>0</sub> is received, there is No significant effect of entrepreneurship Orientation to business performance

variable that can strengthen the influence of exogenous variables of endogenous variables. The result of hypothesis test that the implementation of organizational learning is not mean to improve the performance of SME business in Minneapolis area in South Sulawesi without entering the variable of market orientation. A good method of service to consumers will increase customer satisfaction and will cause the desire return from consumers to shop. Likewise, the entrepreneurial orientation gives no meaning if not through market orientation. It shows that the performance of SME businesses in Minneapolis Region in South Sulawesi can be developed if the focus of empowerment on market orientation or development of market access to products managed by SMEs.

### CONCLUSION

Based on descriptive data, data analysis and discussion of research results, it can be concluded that, the growing number of SMEs in Minneapolis areas in South Sulawesi that manage seafood every year has increased significantly. Organizational learning and entrepreneurial orientation do not have an effect on the improvement of SME business performance if it does not involve market orientation variables. SME business performance in Minneapolis Region in South Sulawesi can be developed if the focus of empowerment on market orientation or development of market access to products managed by SMEs.

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