



Entrepreneurial Orientation, Market Orientation on Silversmiths Innovation

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The purpose of this study was to analyze the effect of entrepreneurial orientation and market orientation on innovation. This study was conducted on silver craftsmen in Gianyar, Bali. Here, the population of silversmiths lives at Celuk Village, Gianyar, Bali. In addition, the number of correspondent samples around 89 industries with using purposive sampling technique. The data were collected through distributing questionnaires which were given directly to the silversmith owners. The data has also gone through instrument testing which states that it is valid and reliable. Here, the collected data were analyzed using multiple linear regression analysis techniques to obtain correlation between entrepreneurial orientation and market orientation on innovation. The results show that entrepreneurial orientation and market orientation have a positive and significant effect on innovation with 0,859 R2 value. This research implies that increasing innovation can be done by implementing strategies such as expanding the market through advertising, distribution channels, and implementing marketing strategies. Another implication of this study indicates that the entrepreneurial orientation and market orientation is a culture of the business that must be applied to the artisans because it can accelerate process of creation of organizational innovation.

Keywords: Entrepreneurial Orientation, Market Orientation, Innovation.

1. INTRODUCTION

The development of the craft industry to encourage economic growth, some problems arise when the stronger competition between organizations one organization similar. This research was conducted at the Silver Craft Industry in Celuk Village, Gianyar Regency. The problems faced by Silver Craft Industry are related to entrepreneurial orientation, market orientation, and innovation. Celuk Village is known for its silver craft that has existed since a hundred years ago. The people of Celuk Village began to make silver crafts from 1935 until now, starting from making jewelry and knick-knacks for the king's wedding, then developing until now making various kinds of jewelry such as earrings, necklaces, rings, and other accessories that are used by the general public. The process of industrialization and industrial development is one of the activities to improve welfare in terms of a more advanced level of life and a quality standard of living [1]. The small industry is the result of government and private efforts in conducting coaching

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and development which is supported by the mental attitude and creativity of the craftsmen, a better business climate, and the development of other economic sectors [2]. Gianyar Regency is the center of all types of handicrafts in Bali with a mixture of customs, traditions, and cultures that are still inherent in the lives of its people. One of the villages in Bali Province that has the potential to develop the handicraft industry is Celuk Village because it has the greatest potential for craftsmen in the silver handicraft industry in Bali [3]. Here, the interviews started in doing against the owner of the silver industry in Celuk, Gianyar informed that there were indications of problems regarding the lack of ability in terms of marketing strategy and product predicted to be superior in the market. This condition can have an impact on the lack of initiative of business owners in creating new products and processes in fulfilling consumer desires. Because it was the silver industry must increase innovation to compete and become a superior effort. The intense competition in business has resulted in organizations being required to further develop their innovations with

understand what is happening in the market and know what consumers currently need [4]. Entrepreneurs often ignore innovation even though it is very useful to support business sustainability. Innovation can produce innovative products that can help organizations keep abreast of changes as users are comfortable. The important role of innovation in supporting employee and organizational performance [5]. Thus, innovation can bring organizations to achieve superior performance [6]. Therefore, all organizations need to emphasize the importance of innovation in operation.

The innovation is a change in product, process, or combination of new products or processes that are significantly different from the old product or process and are designed for consumers as users of the product or process [7]. Thus, the entrepreneurial orientation with three aspects, namely risk-taking, proactive, and significant innovation as a driving force for innovation because these three aspects are considered capable of collaborating with innovation in creating unique opportunities for organizational survival and growth [8]. Here, a continuous market orientation will encourage organizations to build innovations that affect performance to create superior value for consumers. Entrepreneurship and market orientation will affect the resulting innovation. Therefore, the entrepreneurial orientation and market orientation are determinants of innovation. Entrepreneurial orientation is the ability of an organization to manage resources so that it can carry out strategies in entrepreneurship to gain a competitive advantage [9]. Organizations that apply market orientation have advantages in terms of customer knowledge and these advantages can be used as a source for creating products that suit customer wants and needs [10].

2. METHODOLOGY

Entrepreneurial orientation is as individual attitudes towards entrepreneurial activities, either within an existing company or creating new ventures [11]. Here, the entrepreneurial orientation enables the company to develop ideas and make it happen in the form of products and new services, participate in the project risky, predicts future needs, and discover new market opportunities [12]. The theory used in this study is the entrepreneurship theory which states that entrepreneurship is the process of applying creativity and innovation in solving problems and finding opportunities to improve business life. Here, the function and role of entrepreneurship can be seen through two approaches, namely micro and macro [13]. In micro entrepreneurial has two roles, namely as an inventor (innovator) and a planner (planner). As an inventor, entrepreneurship finds and creates something new such as products, technology, processes, ideas, organizations, and so on. As an entrepreneurial planner, the role in designing new actions and businesses,

planning new business strategies, planning ideas and opportunities as well as creating new organizational organizations. Innovation is a new system or procedure that is used to create new resources or increase the potential utilization of existing resources [14]. Innovation is closely related to a creative attitude, namely an attitude that is always dissatisfied with the old approach, which is packaged and delivered through better technological means [15]. There are five indicators of innovation that have relative superiority, compliance, complexity, trialability, and visibility [16].

The entrepreneurial orientation as one that is involved in product-market innovation, does little risky business, and first comes proactively, innovates, and delivers a blow to beat competitors [17]. Entrepreneurial orientation refers to the tendency of organizational decision-making in supporting entrepreneurial activities [18]. Business actors who have an entrepreneurial orientation will be more courageous and effective in managing their innovative ideas. Several studies have found that entrepreneurial orientation has a positive and significant effect on innovation [19, 20, 21]. Here, the entrepreneurial orientation has a positive and significant effect on innovation [22]. Thus, the entrepreneurial orientation has a positive and significant effect on innovation [23]. Market orientation is reaching activities associated with the creation and effort in achieving the satisfaction of customers by way of having the customer's needs and what is desired by customers [24]. Several studies suggest that market orientation has a positive and significant effect on innovation [25, 26, 27]. A market orientation has a positive and significant effect on innovation in textile SMEs in Bali [28]. Moreover, a market orientation has a positive and significant influence on innovation [29]. Thus, the hypothesis in this study as follows:

H₁: Entrepreneurial orientation has a positive and significant effect on innovation.

H₂: Market Orientation influence positively and significantly to innovation.

Paradigm A of this study is to put forward the hypothesis quantitative and statistical tools as a means to test the hypothesis. The location of the research was conducted in Celuk Village Silver Craft Industry, Gianyar Regency with a population of 115 industries. The sample size used in this study was 89 industries using purposive sampling technique with the slovin's approach. Primary data sources were obtained directly through a research questionnaire. Secondary data were obtained from the Department of Industry and Trade Gianyar Regency and other supporting literature on the object of research. The questionnaire was compiled with some statement items,

the Innovation variable (Y) was adopted from [27] the entrepreneurial orientation variable (X1) was adopted from [16] the market orientation variable (X2) was adopted from [22] with some modifications to fit the research object. Before all data were collected and analyzed, the research instrument was tested using 30 samples. The test results show that all instruments have a correlation coefficient greater than 0.30 and all research instruments have a Cronbach's Alpha coefficient higher than 0.60 so that the research instrument will be valid and reliable [30]. Furthermore, all data collected were analyzed using multiple regression analysis.

3. RESULT AND DISCUSSION

The results of the inter-variable effect hypothesis testing using regression analysis found the results shown in Table I, as follows.

Table I. Regression Analysis

Model		Unstandardized		Standardized	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.052	0.183		-0.283	0.778
	Entrepreneurial orientation	0.391	0.092	0.389	4.248	0,000
	Market Orientation	0.621	0.101	0.562	6.136	0,000
R1 ² : 0.859						
F statistic : 261,770						
Sig. F : 0,000						

Based on the results of multiple linear regression analysis as presented in Table 2, the structural equation is as follows:

$$Y_1 = C + \beta_3 X_1 + \beta_4 X_2 + e_1 \quad (1)$$

$$Y_1 = 0.052 + 0.389X_1 + 0.562X_2 \quad (2)$$

The value is 0.389, which means that the entrepreneurial orientation variable has a positive effect on the innovation variable, this shows that if the entrepreneurial orientation variable increases, the innovation variable will increase by 0.389. The value is 0.562, which means that the market orientation variable has a positive effect on the innovation variable, this indicates that if the market orientation variable increases, the innovation variable will increase by 0.562. The magnitude of the influence of the entrepreneurial orientation and market orientation variables on the innovation variable as indicated by the total determination value (*R square*) of 0.859 means that 85.9 percent of the variation in innovation is influenced by variations in entrepreneurial orientation and market orientation while the remaining 14.1 percent is explained with other factors not included in the model. The model has also met the requirements of the classical assumption test, namely the normality test, heteroskedasticity and multicollinearity test. Thus, the results of linear regression analysis have met the criteria and can be further

interpreted. The owner of the silver handicraft industry has low innovation and has no strategy in achieving future organizational goals. For this reason, business owners must have a good entrepreneurial orientation to increase the ability of business owners to innovate. The results of the study inform that entrepreneurial orientation has a positive and significant effect on innovation. This means that business owners have a high entrepreneurial orientation tend to be improving innovations developed in the organization. This study is consistent with a positive and significant relationship between entrepreneurial orientation towards innovation on business family. Here, the entrepreneurial orientation positively and significantly towards innovation, also entrepreneurial orientation has a positive and significant effect on innovation. Here, the entrepreneurial orientation can accelerate the innovation process in organizations. An entrepreneurial orientation culture by taking proactive actions, taking considered risks, and innovative actions can foster organizational

innovation. entrepreneurial orientation also success to encourage innovation in family firms. Apart from entrepreneurial orientation, market orientation also plays a role in enhancing innovation. Market orientation is used to provide an overview of consumer desires and the movements of competitors so that organizations can form new strategies to increase customer satisfaction. Market orientation is a business culture where the organization is committed to continuing to be creative in creating superior value for customers. Market orientation is significantly an important factor that enables companies to understand the market and develop product and service strategies to meet customer and market needs. Market orientation also focuses on creating an organizational image for which will lead to the creation of sympathy from customers because market orientation can provide excellent service so that consumers feel very satisfied. The results showed that market orientation has a positive and significant effect on innovation. This means that business owners who have a high market orientation tend to increase the innovation developed in their organization. This study is consistent with market orientation has a positive and significant relationship to innovation in the organization. Market orientation has positive and significant towards product innovation in SMEs wood carving handicrafts in Ubud District, Gianyar Regency.

4. CONCLUSION

Market orientation is a view, perspective, or culture seen from the processes and activities of the organization in creating the highest value for customer needs and desires as the core of the marketing process, which is to focus on customer satisfaction. Meanwhile, entrepreneurial orientation is a creative and innovative ability that is used as a basis, tips and resources to find opportunities for success. To be able to innovate, business owners can formulate and design strategies in the organization properly. One of the strategies that can be developed is through the application of an entrepreneurial orientation culture and market orientation. The findings of this study state that entrepreneurial orientation is proven to increase organizational innovation in the silver handicraft industry. The higher the entrepreneurial orientation of the business owner, the higher the organizational innovation will be so that the organization can innovate if it is accompanied by a good entrepreneurial orientation. Market orientation is also proven to increase innovation in the handicraft industry. The higher market orientation applied by business owners can accelerate the creation of organizational innovation so that it can increase competition in the market.

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