ENTREPRENEURIAL ORIENTATION, MARKET ORIENTATION AND FINANCIAL ORIENTATION IN SUPPORTING THE PERFORMANCE OF KARAWO SMEs IN GORONTALO CITY

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Abstract: This study aims to examine the influence of Entrepreneurial Orientation (EO), Market Orientation (MO), and Financial Orientation (FO) on the performance of Karawo SMEs. The research design used was quantitative analysis by using multiple regression analysis tools. It was found that entrepreneurial orientation did not affect the performance of Karawo SMEs, market orientation did not affect the performance of Karawo SMEs. However, the finding regarding financial orientation was different. It found that market orientation influenced the performance of Karawo SMEs in Gorontalo City. Therefore, based on research findings obtained, to improve the performance of SMEs, further research can develop the existing models by adding two variables, namely customer value and strategy orientation, in improving SME performance. Also, SME performance should be classified into two parts, namely financial performance, and non-financial performance.

Keywords: Entrepreneurial Orientation, Market Orientation, Financial Orientation, SMEs, Performance


The small and medium business sector (SME) has been recognized broadly as a business unit, which gives an important contribution in both economy and social development of a country. Therefore, the performance of SMEs should be improved as a general long-term goal of small and medium enterprises. That also applies to Gorontalo Province, especially Gorontalo City. Based on the development policy of KUMKM (Cooperative, Micro, Small and Medium Enterprises) in 2019 through increasing access to capital and the effectiveness of financing for MSMEs. Based on data from Department of Cooperatives, SMEs, Industry, and Trade of Gorontalo Province, SME performance in 2012 - 2017 increased by 52%, from 42,523 to 81,776, and it is expected that SMEs can grow to 82,026 by the end of 2020. Therefore, it is important to have an eye for factors that can affect the performance of SMEs, such as the implementation of entrepreneurial orientation (EO) and market orientation (MO).
According to (Boso et al., 2016), the implementation of entrepreneurial orientation (EO) and market orientation (MO) can improve the performance of SMEs. However, the application of EO and MO in developing countries requires greater financial support, particularly SMEs, which engaged in export markets. Also, the application of EO and MO can improve the performance of SMEs because EO is a strategic process that is fundamental for decision making and action in entrepreneurship. According to (Wales, Monsen, and McKelvie, 2011), EO is a series of processes and practices that show strategic decision making. Meanwhile, MO is the composition of customer needs. It monitors the actions of competitors. According to (Song, Wei, and Wang, 2015), MO is a marketing strategy that focuses on the needs of customers, competitors, and the environment.

Many researchers have developed studies related to entrepreneurial orientation to improve the performance of SMEs, one of which was (Abebe, 2014). He found that EO measured using innovativeness, proactiveness, and risk taking shows that e-commerce requires adopting EO to improve SME performance. This result is supported by studies which were conducted by (Wahyu and Ranto, 2016; Rezaei and Ortt, 2018). However, according to the results of the study conducted by (Wahyu and Ranto, 2016), it was found that SMEs that had better performance had high EO because they could improve the marketing process of their products, but the research suggested adding proactiveness in measuring EO. While (Rezaei and Ortt, 2018) found that overall, EO affects the performance of company functions in different ways, even though risk taking has a negative effect on performance.

Other studies related to EO and SME performance were also conducted by (Alvarez-Torres, Lopez-Torres, and Schiuma, 2019); however, they used different measurements (innovativeness, proactiveness, competitive aggressiveness, risk taking and autonomy). The results obtained found an association between EO and SME performance, despite that in their practice, SMEs need to pay attention to manager demographics and test the model of EO performance in other SME industry sectors.

By using the same measurements on the EO of research results (Wulandary, 2017; Fadda, 2018; Loong Lee, Chong, and Ramayah, 2019) found that there is a relationship between EO and SME performance. However, according to (Wulandary, 2017), implementing EO properly can overcome the profit issues in shredded fish MSMEs in Makassar. Similar results were also found by (Fadda, 2018), in which profits are more reactive to EO dimension in the tourism sector in Italy; therefore, financial aspects are important in improving the performance of SMEs. Meanwhile, according to (Loong Lee, Chong and Ramayah, 2019), the implementation of EO helps manufacturing industries in Malaysia more competitive and responsive to environmental changes. However, in addition to EO, the entrepreneurs need to have an eye on other factors that can improve performance, one of which is market orientation.

Practically, improving the performance of SMEs is not only influenced by EO but also influenced by market orientation (MO). Some of the previous studies related to MO that were measured using intelligence generation, intelligence dissemination, intelligence responsiveness that influence SME performance are studies conducted by (Amin et al., 2016; Mandhachitara and Allapach, 2017; Yadav, Tripathi and Goel, 2019). According to (Amin et al., 2016), MO can affect the performance of SMEs because SMEs which apply MO drive all functions; therefore, they can analyze their competitors easily. However, to generalize findings, it is necessary to research various SMEs. The results of this study are supported by the research which was conducted by (Mandhachitara and Allapach, 2017). By using the same indicators, they find that effective marketing will support the strength of market orientation, which will affect the performance of SMEs in Thailand. Meanwhile according to (Yadav, Tripathi and Goel, 2019), it was found that the role of SME employees in India is an important aspect in MO because SMEs can manage information effectively and give empathy for their customers.

Some studies that measured MO using MARKOR theory (intelligence generation, intelligence dissemination, responsiveness) were con-
Entrepreneurial Orientation, Market Orientation and...

ducted by (Lee et al., 2015; Länsiluoto et al., 2018). They found a relationship between MO and SME performance. According to (Lee et al., 2015) the implementation of MO through marketing management concepts, such as providing superior service to internal and external customers, can overcome competition and uncertainty; therefore, they can obtain ever-increasing profits and impact on performance. Nevertheless, the results of the study should be tested on a larger-scale sample, for instance, in different countries and types of franchises. Meanwhile, according to (Länsiluoto et al., 2018), a key element of the sustainability of SMEs in Finland is MO because it can keep responding to the market needs to maintain its performance.

Based on previous research gaps, the application of EO and MO in developing countries requires greater financial support (Boso et al., 2016). Also, in improving the performance of SMEs, it is important to consider financial aspects (Fadda, 2018). Due to the difference in the measurement of EO and MO and the different locations of each study, this study attempts to add a new aspect (financial orientation) in addition to using EO and MO in improving SME performance. Based on studies which were conducted by (Wulandary, 2017; Fadda, 2018; Alvarez-Torres, Lopez-Torres and Schiuma, 2019; Loong Lee, Chong, and Ramayah, 2019), the measurement of EO consists of innovativeness, proactiveness, risk-taking, competitiveness, and autonomy (Mason et al., 2015; Buli, 2017; Sahoo and Yadav, 2017; Fadda, 2018). EO measurement can be defined as follows:

1. Innovativeness refers to the tendency of companies to be involved in supporting new ideas, novelty, experimentation, and creative processes that can produce new products, services, or technological processes (Lumpkin and Dess, 1996).

2. Proactiveness. Proactivity means looking for opportunities using the future perspective. It is characterized by introducing new products and services and acting as anticipation of future demand. (Mason et al., 2015). Lumpkin and Dess stated that being proactive means taking the initiative to anticipate and pursue new opportunities (Lumpkin and Dess, 1996).

3. Risk taking can be identified as a trend that involves taking bold actions with the unknown and utilizing significant resources to run a business in an uncertain environment. (Mason et al., 2015)

4. Competitive Aggressiveness is the tendency of companies to challenge competitors to enter or improve positions directly by outperforming their competitors in the market (Lumpkin and Dess, 1996). According to Mason et al, competitive aggressiveness is the intensity of a company’s attempts to outperform industrial competitors and follow it at every chance (Mason et al., 2015).

5. Autonomy is related to the independent actions of individuals or teams in bringing forth ideas or visions and realizing them to the end (Lumpkin and Dess, 1996).

Entrepreneurial Orientation/EO

Research on Entrepreneurial Orientation (EO) has continued to develop by Miller from 1983 until now. Entrepreneurial Orientation shows entrepreneurial activities, corporate development, decision making, features, processes, actions and organizational performance (Covin and Slevin, 1991; Lumpkin and Dess, 1996). Meanwhile, (Loong Lee, Chong, and Ramayah, 2019) defines EO as a business activity centered on decision making among top management. The concept of EO consists of five dimensions that were consistently used in several previous studies, namely: Innovativeness, Proactiveness, risk-taking, Competitiveness Aggressiveness and Autonomy (Mason et al., 2015; Buli, 2017; Sahoo and Yadav, 2017; Fadda, 2018). EO measurement can be defined as follows:
Market Orientation/MO

Market orientation (MO) is measured using the MARKOR scale. MARKOR scale has been widely used in previous studies related to MO and SMEs (Kara, Spillan and Deshields, 2005; Chen-Ho Chao and Spillan, 2010; Länsiluoto et al., 2018). MARKOR scale consists of Intelligence Generation, Intelligence Dissemination, and Responsiveness.

Market orientation (MO) is related to the emphasis on creating and maintaining superior customer value by taking into account the interests of the other key stakeholders, in addition to the norms of organizational development behavior and responsiveness to market information (Laukkanen et al., 2013). Market orientation (MO) is measured using the MARKOR scale. The MARKOR scale has been widely used in previous studies related to MO and SMEs (Kara, Spillan and Deshields, 2005; Chen-Ho Chao and Spillan, 2010; Länsiluoto et al., 2018). The MARKOR scale consists of Intelligence Generation, Intelligence Dissemination, and Responsiveness.

Financial Orientation/FO

In meeting their financial needs, Small and Medium Enterprises require an option for each available financing, (Gbandi and Amissah, 2014). Financial orientation only implies priority values for profit, increase sales, and/or minimize costs (Sharon, 1988). Fritz noted that financial orientation is closely related to production and cost orientation; therefore, it generates a dimension of general leadership (Fritz, 1996).

In strategic management, financial orientation focuses on investment strategies and the disinvestment of portfolio management strategies (Fritz, 1996). Some measurements of financial orientation commonly used are achieving profits, increasing sales and minimizing costs (Sharon, 1988), Production and Cost orientation (Tajeddini, 2016), cash inflows and cash outflows (Turner and Coote, 2018). The measurements of financial orientation used in this study were achieving profits, increasing sales and minimizing costs (Sharon, 1988; Tajeddini, 2016).

Performance of MSMEs

Performance is the work achievement gained by employees in carrying out tasks. It is assessed based on certain criteria or assessment standards. The term ‘performance’ is often used to refer to the level of success of both an individual and a group, (Sukirman, 2012). Performance is considered as the ability of organizational functions to achieve their goals by utilizing available resources efficiently and effectively, (Westover, 2008).

Laitinen (2002) defines performance as the ability of an object to produce the specified dimensions as priorities in the target. Therefore, it is necessary to consider the performance of the object, the dimensions of interest, and set the results of its targets. Performance is considered as the ability of organizational functions to achieve goals by utilizing available resources efficiently and effectively, (Westover, 2008). In the case related to the research, (Dalrymple, 2004) defined that performance requires the company’s ability to serve and produce what the market needs at a certain time and accomplish its objectives at the lowest possible cost with the highest possible benefits. The study which was conducted by (Barnes, 1999) showed that in assessing performance, economics, efficiency, and effectiveness should be taken into account.

Several previous studies measured the performance of SMEs using sales & profit (Fadda, 2018), sales growth, competitive advantage and customer satisfaction (Priotna et al., 2017), design performance, process quality, product quality, customer satisfaction (Sahoo and Yadav, 2017), growth, efficiency and profit (Mason et al., 2015), sales growth, employment growth, profit growth, asset growth, market growth, and production growth (Pure, 2017), growth in sales, growth in market share, growth in number of employees, growth in profitability, return on equity, return on assets, profit margin on sales and ability to fund growth from profits (Loong Lee, Chong and Ramayah, 2019), financial performance (gross margin, profitability and cash flow perspectives), growth measurement (sales and employee growth rate) (Buli, 2017). In this study, SME performance was measured using sales growth, em-
Employment growth, profit growth, asset growth, market growth, and production growth developed in studies conducted by (Mason et al., 2015; Buli, 2017; Murni, 2017; Fadda, 2018; Loong Lee, Chong, and Ramayah, 2019).

**METHOD**

This research is a quantitative research that is deductive-hypothetical. It means that this research was designed to test hypotheses, and aims to examine the effect of Entrepreneurial Orientation, Market Orientation, and Financial Orientation on the Performance of Karawo SMEs. The analytical method used was multiple linear regression analysis by using SPSS software version 20. The target population in this study is Karawo SMEs located in Gorontalo City, which had two or more employees, Karawo SMEs registered at the Industry, and Trade of Gorontalo Province, and Karawo SMEs, which have been running for three years.

Based on the data of Karawo SMEs obtained from the Industry and Trade of Gorontalo Province, there are 469 business units. However, Karawo SMEs that met the requirements were only 68 business unit. Because the population is relatively small, all of them are examined (census). The sample involved in this study was 68 business units. The respondents were either owners or managers of Karawo SMEs. The data was collected using questionnaires.

In general, the construct of this research used several variables which would be measured and categorized as follows:

### Table 1  Operational of Research Variable

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Orientation</td>
<td>Innovativeness</td>
<td>(Mason <em>et al.</em>, 2015; Buli, 2017; Sahoo and Yadav, 2017; Fadda, 2018)</td>
</tr>
<tr>
<td></td>
<td>Proactiveness</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Risk-taking</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Competitive Aggressiveness</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Autonomy</td>
<td></td>
</tr>
<tr>
<td>Market Orientation</td>
<td>Intelligence Generation</td>
<td>(Kara, Spillan and Deshields, 2005; Chen-Ho Chao and Spillan, 2010; Länsiluoto <em>et al.</em>, 2018)</td>
</tr>
<tr>
<td></td>
<td>Intelligence Dissemination</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Responsiveness</td>
<td></td>
</tr>
<tr>
<td>Financial Orientation</td>
<td>Achieving profits</td>
<td>(Sharon, 1988; Tajeddini, 2016)</td>
</tr>
<tr>
<td></td>
<td>Increasing sales</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Minimizing costs</td>
<td></td>
</tr>
<tr>
<td>Performance of SMEs</td>
<td>Sales growth</td>
<td>(Mason <em>et al.</em>, 2015; Buli, 2017; Murni, 2017; Fadda, 2018; Loong Lee, Chong, and Ramayah, 2019)</td>
</tr>
<tr>
<td></td>
<td>Employment growth</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Profit growth</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Asset growth</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Market growth</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Production growth</td>
<td></td>
</tr>
</tbody>
</table>
The model design is as follows:

![Research Model](image)

Based on the model design above, the hypotheses formulated are as follows:

- **H1**: Entrepreneurial Orientation has a significant influence on the Performance SMEs
- **H2**: Market Orientation has a significant influence on the Performance SMEs
- **H3**: Financial Orientation has a significant influence on the Performance SMEs

**RESULTS**

Validity was measured by comparing the correlation value of each indicator with the correlation table value ($r$ table). The value of $r$ table for this study was 0.239, with a value of $\alpha = 0.05$, and the number of samples ($n$) = 68 people. The results of the validity test showed that 44 indicators were declared valid, while 13 indicators were declared invalid out of 57 indicators. Meanwhile, the reliability was tested by calculating Cronbach’s alpha. The recommended Cronbach’s alpha value is between 0.6 - 0.7 (Hair et al., 2014). The results of the reliability testing showed that all research instruments were declared reliable.

Classical assumption tests performed were normality test, autocorrelation test, multicollinearity test, and heteroscedasticity test. From the results of normality test shown in Figure 2, it can be stated that the data were normally distributed. From the autocorrelation test results, the Durbin-Watson value obtained amounted to 1.569; therefore, it can be stated that there is no autocorrelation in the multiple regression model because the Durbin-Watson value is between -2 to +2. Furthermore, after conducting multicollinearity testing, VIF values obtained from all research variables <10 so that it can be stated that there was no multicollinearity. Then, from the results of heteroscedasticity test, it can be concluded that there was no heteroscedasticity in the regression model as shown in Figure 3.

Multiple linear regression analysis was used to determine the amount of the influence of the independent variables, namely Entrepreneurial Orientation, Market Orientation, and Financial Orientation, on the dependent variable, namely SME Performance. The results of test conducted using SPSS program is presented in the following table 2.
Figure 2  Results of Normality Test

Figure 3  Results of Heteroscedasticity Test

Table 2  Results of Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>7.346</td>
<td>.3824</td>
<td></td>
<td>1.921</td>
</tr>
<tr>
<td>Entrepreneurial Orientation</td>
<td>-.065</td>
<td>.109</td>
<td>-.079</td>
<td>-1.921</td>
</tr>
<tr>
<td>Market Orientation</td>
<td>.103</td>
<td>.077</td>
<td>.186</td>
<td>1.334</td>
</tr>
<tr>
<td>Financial Orientation</td>
<td>.593</td>
<td>.020</td>
<td>.400</td>
<td>2.960</td>
</tr>
</tbody>
</table>

a. Dependent Variable: SME Performance

Source: Processed Data, 2019

Table 3  Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.487</td>
<td>.238</td>
<td>202</td>
<td>3.85451</td>
<td>1.569</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Financial Orientation, Entrepreneurial Orientation, Market Orientation
b. Dependent Variable: SME Performance

Source: Processed Data, 2019

Based on the calculation results of multiple analyzes shown in Table 2, it can be formulated as follows:

\[ Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e \]

\[ = 7.346 + (-0.079)X_1 + 0.186X_2 + 0.400X_3 + e \]

The regression coefficient of entrepreneurial orientation amounted to -0.079; it indicates a great influence of entrepreneurial orientation on the performance of SMEs. However, based on the results of hypothesis test analyzed by comparing the probability value with the probability value sig. The test results of hypothesis 1 show that the probability value (0.05) is smaller than the probability value sig. (0.551); therefore, it can be said that hypothesis I, Entrepreneurial Orientation, has a positive effect on the performance of Karawo SMEs in Gorontalo. Thus, it can be concluded that the hypothesis was rejected.
Based on the results of the hypothesis test by comparing the probability value with the probability value sig, the regression coefficient of market orientation amounted to 0.186; it indicates great influence of market orientation on the performance of SMEs. Test results of hypothesis II showed that probability value (0.05) is smaller than the probability value sig. (0.187); therefore, it can be said that hypothesis II, Market Orientation, has a positive effect on the performance of Karawo SMEs in Gorontalo. Thus, it can be concluded that the hypothesis was rejected.

Based on the results of the hypothesis test by comparing the probability value with the probability value sig, the regression coefficient of financial orientation amounted to 0.400; it indicates the great effect of financial orientation on the performance of SMEs. The probability value (0.05) is greater than the probability value sig. (0.004); therefore, it can be said that financial orientation has a positive effect on the performance of Karawo SMEs in Gorontalo City. Thus, it can be concluded that Hypothesis III was accepted. The significance of a positive sign in regression coefficient indicates that financial orientation has a direct effect on the performance of SMEs, which means that when SMEs focus on financial orientation, it will lead to an improvement in their performance.

Based on the results of multiple regression analysis presented in Table 3, the coefficient value of multiple correlations obtained amounted to 0.238; it shows that those variables (entrepreneurial orientation, market orientation, and financial orientation) could explain the performance of 23.8%, while the rest was influenced by variables outside the model.

DISCUSSION
The Effect of Entrepreneurial Orientation/EO on the Performance of SMEs

This research found that Entrepreneurial Orientation (EO) does not affect the performance of Karawo SMEs in Gorontalo due to the lack of knowledge of SME owners related to entrepreneurial orientation/ EO in decision making. In addition, the majority of Karawo SMEs do not implement the elements of entrepreneurial orientation/ EO, for example, product innovation, monotonous designs, they do not grab opportunities to anticipate future demand, they do not dare to take risks, lack of competitiveness and the absence of a clear vision in running Karawo SMEs, so that it has an impact on the performance of Karawo SMEs in Gorontalo.

According to (Mason et al., 2015), good implementation of entrepreneurial orientation/ EO consists of applying the concept of EO, namely: (1) Innovativeness, that focuses on new ideas, novelty, experiment, and creative processes that can produce products, services, or new technology; (2) Proactiveness, focusing on pursuing opportunities or taking initiatives to anticipate future requests; (3) Risk-taking focuses on taking bold actions and utilizing resources in an uncertain environment; (4) Competitive Aggressiveness, which focuses on the tendency of companies to directly challenge competitors to enter or improve their positions; (5) Autonomy, focusing on the independent actions of individuals or teams in generating ideas or visions.

Also, the cause of entrepreneurial orientation/ EO does not affect the performance of Karawo SMEs in Gorontalo City because in conducting their business, Karawo SMEs do not focus on entrepreneurial actions as the basis in the strategic process for decision making. In running their business, they do not consider the strategy used, but they give more focus on profits. According to (Kantur, 2016), by implementing entrepreneurial strategy well, entrepreneurial orientation can lead to improved performance. The results of this study are supported by the research which was conducted by (Oktavio, Kaihatu, and Kartika, 2019), but insignificant MO on performance is due to the failure of the establishment of new hotels.

However, the research conducted by (Loong Lee, Chong, and Ramayah, 2019) got different findings. They found that there was a relationship between EO and SME performance because entrepreneurial orientation/ EO could be implemented well so that SMEs were more responsive to environmental changes and had an impact on performance. Similar results were also found by (Mason et al., 2015; Wulandary, 2017; Fadda, 2018; Alvarez-Torres, Lopez-Torres and Schiuma, 2019).
Entrepreneurial Orientation, Market Orientation and...

The Effect of Market Orientation/MO on the Performance of SME

Market Orientation (MO) does not affect the performance of Karawo SMEs in Gorontalo City because they could not create market opportunities and customer value (such as experience, product attributes, and perceptions about product quality) in meeting market needs. According to (Perrea et al., 2017), to create value, customers need to pay attention to product information, trust, experience, product attributes, perceptions about product quality. Also, according to (Mamun et al., 2018), the ability of market orientation can be transformed into output in the form of customer value by utilizing company resources so that it impacts the performance of SMEs.

Another cause of the lack of market orientation/ MO influence on the performance of Karawo SMEs in Gorontalo is that some Karawo SMEs tend to be passive in the marketing process. They only produced Karawo when there are orders from consumers, and there is no strategy implemented to increase the market share of Karawo products. According to (Mamun et al., 2018), the views on strategic orientation can contribute to market knowledge and explore innovation opportunities so that they have an impact on SME performance. The results of this study are supported by the research which was conducted by (Oktavio, Kaihatu, and Kartika, 2019) stating that MO does not influence the performance of SMEs because there is no market target and market analysis. However, research conducted by (Lee et al., 2015; Länsiluoto et al., 2018; Mamun et al., 2018) get different finding because Karawo SMEs in Gorontalo do not implement market orientation/ MO properly based on the MARKOR scale which is commonly used in measuring MO in medium and small businesses.

The Effect of Financial Orientation on the Performance of SMEs

Based on the results of this study, it was found that Financial Orientation (FO) affects the performance of Karawo SMEs in Gorontalo, because in implementing financial orientation, they focus on increasing sales volume so that it leads to an impact on increasing the turnover or income of Karawo SME, which ultimately improves the performance of Karawo SMEs. According to (Tumwine et al., 2015), if sales volume increases, production capacity expands; therefore, it leads to economies of scale that enable them to produce at lower costs and become more competitive, thereby impacting SME performance.

Based on the results of this study, the influence of Financial Orientation (FO) on the performance of Karawo SMEs was also due to an increase in the average income of Karawo SMEs within three years. Increased profit is a positive thing because it has an impact on cash inflows that are obtained, which eventually affects the performance of SMEs. According to (Broccardo, 2014), cash flow is the main focus in measuring financial status in medium and small businesses. The results of this study are supported by a study which was conducted by (Tajeddini, 2016), stating that the application of FO provides an additional budget to facilitate the operations of SMEs so that it impacts on the performance of SMEs.

CONCLUSIONS AND RECOMMENDATIONS

ConclusionS

Based on the research results obtained, it was found that entrepreneurial orientation/ EO and market orientation/ MO did not affect the performance of Karawo SMEs in Gorontalo City, while financial orientation/ FO influenced the performance of Karawo SMEs in Gorontalo City. That is due to the fact that Karawo SMEs gave more focus on profit, but they do not implement EO and MO in running their business. Also, there is no implementation of entrepreneurial strategies in decision making. They also cannot create market opportunities and customer value.

RecommendationS

Based on the results of the discussion and conclusions above, further research related to the performance of SMEs should try to re-examine the model using different objects, and focus on basic knowledge related to strategies oriented entrepre-
neurial ability. Also, to improve the performance of Karawo SMEs, the owners of SMEs should pay attention to customer values, such as product information, trust, experience, product attributes, as well as perceptions about product quality, so that they can take advantage of market opportunities and create more innovative products. They also should give more focus on the measurement of SME performance by classifying it into financial and non-financial performance.

ACKNOWLEDGMENT

The authors’ sincere gratitude goes to the Ministry of Research, Technology, and Higher Education in the Republic of Indonesia for granting the Beginner Lecturer Research Scheme. The authors also thank the editors and reviewers of the Journal of Applied Management for their suggestions and feedback to improve the quality of this article.

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