

The Influence of Entrepreneurial Orientation, Entrepreneurial Competence, and Market Orientation on the Business performance of Batik MSMEs in Magelang Regency

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Abstract

This study examines the effect of entrepreneurial orientation, entrepreneurial competence, and market orientation on the business performance of Batik Micro, Small, and Medium Enterprises (MSMEs) in Magelang Regency, Central Java. Batik MSMEs, rooted in traditional craftsmanship, face growing challenges due to globalisation, changing consumer demands, and market uncertainties. Using a quantitative approach with 120 purposively selected respondents, data were analysed through Partial Least Squares Structural Equation Modeling (PLS–SEM). The results reveal that all three variables positively and significantly influence business performance, with entrepreneurial competence exerting the strongest impact. These findings highlight the need for enhancing entrepreneurial capabilities and market responsiveness to sustain business growth in culturally significant sectors. The study contributes to MSME development literature by providing empirical insights specific to traditional creative industries and offers practical implications for policy-making and enterprise support initiatives.

Keywords: Entrepreneurial Orientation; Entrepreneurial Competence; Market Orientation; Business Performance; Batik MSMEs; Creative Industries

Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in economic development, especially in developing countries where they serve as a foundation for job creation, innovation, and economic resilience. In Indonesia, MSMEs account for over 99% of business units and contribute significantly to national GDP and employment. Among these, traditional industries such as Batik production represent not only economic assets but also vital expressions of cultural heritage.

In Magelang Regency, Central Java, Batik MSMEs constitute an important sector within the creative economy. These enterprises provide livelihoods for local artisans, preserve intangible

cultural values, and support regional tourism and craft markets. However, Batik MSMEs operate in increasingly volatile and competitive environments. Globalisation, changing consumer preferences, competition from industrial textile products, and disruptions such as the COVID-19 pandemic have pressured Batik entrepreneurs to rethink their business strategies. In response to these challenges, entrepreneurial orientation, entrepreneurial competence, and market orientation are increasingly recognised as critical drivers of MSME sustainability and performance.

Entrepreneurial orientation, reflecting a firm's innovativeness, proactiveness, and risk-taking, has been widely associated with enhanced competitive advantage (Penco et al., 2022; Pennetta et al., 2025). Similarly, entrepreneurial competence, which encompasses an entrepreneur's skills, knowledge, and attitude, plays a pivotal role in strategic decision-making and opportunity recognition (Sindakis & Kitsios, 2016). Meanwhile, market orientation, characterised by responsiveness to customer needs, competitor awareness, and inter-functional coordination, enables MSMEs to align their offerings with market demands (Keskin, 2006; Prasada et al., 2021; Wu et al., 2023). While these three constructs are well studied in broader entrepreneurship literature, their joint influence on performance outcomes in traditional creative industries such as Batik remains underexplored.

Most prior studies have treated entrepreneurial orientation, competence, and market orientation as separate variables, often within manufacturing or technology-focused firms. Few studies have addressed their combined effect, particularly in artisanal sectors like Batik production where the balance between tradition and innovation is especially delicate. Furthermore, Batik MSMEs in Magelang face distinctive challenges: limited access to formal training, resource constraints, and a need to adapt heritage-based products to contemporary market demands. These contextual specificities require a more integrated understanding of how strategic orientations and entrepreneurial capabilities interact to shape business outcomes.

Given this backdrop, the present study seeks to address a critical gap in the literature by examining how entrepreneurial orientation, entrepreneurial competence, and market orientation collectively influence the performance of Batik MSMEs in Magelang Regency. Through this analysis, the study aims to generate empirical insights that not only advance academic understanding but also offer practical guidance for Batik entrepreneurs, development agencies, and local policymakers working to foster the resilience and sustainability of this culturally significant sector.

The remainder of this paper is structured as follows. Section 2 reviews relevant literature and theoretical underpinnings of the key variables. Section 3 outlines the research methodology, including sample selection, data collection, and analytical procedures. Section 4 presents the empirical results and interpretation of findings. Finally, Section 5 concludes the paper by highlighting theoretical contributions, practical implications, study limitations, and directions for future research.

Literature Review

Entrepreneurial Orientation

Entrepreneurial orientation refers to a firm's strategic posture that reflects its willingness to innovate, take risks, and proactively seize market opportunities. According to Zhao et al (2011), this orientation is reflected in three core dimensions, innovativeness, proactiveness, and risk-taking, which collectively shape how businesses behave in dynamic environments (Zhao et al., 2011). A firm with high entrepreneurial orientation is more likely to explore untested markets, develop new products, and anticipate customer needs ahead of competitors (Covin & Lumpkin, 2011).

Empirical evidence consistently supports the role of entrepreneurial orientation in enhancing business outcomes. Penco et al (2022) found that entrepreneurial firms experience higher growth rates due to their willingness to take calculated risks and adapt to change. Similarly, prior literature argue that a proactive and innovative strategic posture enables firms to exploit opportunities quickly and effectively, leading to sustained competitive advantage and improved performance (Khan et al., 2021).

H1: Entrepreneurial orientation positively affects business performance.

This hypothesis posits that MSMEs that exhibit a higher degree of entrepreneurial orientation, manifested through innovation, proactive market engagement, and calculated risk-taking, will demonstrate better business performance. The rationale is that such firms are better equipped to respond to external shocks, customer needs, and technological changes, thereby achieving superior outcomes.

Entrepreneurial Competence

Entrepreneurial competence encompasses the knowledge, skills, and abilities that entrepreneurs use to identify opportunities, mobilise resources, make strategic decisions, and lead their businesses effectively. Yustian (2021) highlights that entrepreneurial competence involves a range of dimensions, such as opportunity recognition, business planning, financial management, innovation management, and leadership skills, all of which are essential for enterprise development and sustainability (Yustian, 2021).

Studies have demonstrated that competent entrepreneurs are more likely to manage uncertainty and make informed decisions. For instance, Holloway et al (2020) show that entrepreneurial competence is a critical determinant of long-term business sustainability, especially in sectors where innovation and responsiveness are key (Holloway & Pimlott-Wilson, 2020). Yustian (2021) also emphasise that entrepreneurs who actively develop their skills through learning and experience are better positioned to lead adaptive and growth-oriented businesses.

H2: Entrepreneurial competence positively affects business performance.

This hypothesis suggests that entrepreneurs with higher competencies, ranging from strategic thinking to effective resource management, will be more successful in improving business performance. Competence enhances an entrepreneur's ability to anticipate changes, address operational challenges, and implement growth strategies, thereby contributing to overall enterprise success.

Market Orientation

Market orientation is the strategic approach whereby firms focus on continuously generating, disseminating, and responding to market intelligence about customers and competitors. Keskin (2006) defines market orientation as a philosophy that prioritises customer satisfaction, responsiveness to market changes, and the integration of customer feedback into decision-making processes.

Firms with strong market orientation are known to perform better because they align their strategies with real-time market needs. Chang and Chen (1998) found that market orientation is significantly associated with innovation, customer satisfaction, and profitability (Chang & Chen, 1998). Moreover, Prasada et al (2021) argue that market-oriented businesses are more resilient in turbulent economic conditions, as they can adjust offerings and communication strategies to match consumer expectations.

H3: Market orientation positively affects business performance.

This hypothesis proposes that MSMEs with a stronger market orientation will show higher business performance. The underlying logic is that understanding customer needs, monitoring competitors, and responding to market trends enable firms to deliver greater value, increase customer loyalty, and achieve sustainable financial outcomes.

Research Method

This study adopts a quantitative research approach to examine the influence of entrepreneurial orientation, entrepreneurial competence, and market orientation on the business performance of Batik MSMEs in Magelang Regency, Indonesia. A quantitative approach is appropriate for this research as it allows for the systematic collection, analysis, and interpretation of numerical data to test predetermined hypotheses and identify statistically significant relationships between variables.

Research Design

The research design employed is causal-comparative (explanatory), aiming to investigate the cause-and-effect relationships among the key constructs. This study seeks to explain how variations in entrepreneurial orientation, entrepreneurial competence, and market orientation may lead to differences in MSME performance. The variables examined in this study are based on previous empirical and theoretical research, ensuring strong construct validity.

Population and Sample

The population of this study consists of owners and managers of micro, small, and medium-sized enterprises (MSMEs) operating in the Batik industry in Magelang Regency, Central Java. This region was selected due to its cultural significance and economic contribution through Batik production, which is deeply embedded in local tradition and serves as a vital source of income for the community.

A purposive sampling technique was employed to ensure that respondents possess relevant knowledge and experience related to the business aspects under investigation. The inclusion criteria required participants to be decision-makers (e.g., owners or senior managers) in active Batik MSMEs operating for at least one year. A total of 120 valid responses were collected through structured questionnaires, which exceeds the minimum sample size requirement for multivariate analysis and helps ensure statistical power.

Data Collection Procedure

Primary data were collected using a self-administered questionnaire, distributed both online and in-person to facilitate broader reach and better response rates. The questionnaire was designed based on validated scales adapted from existing literature. Prior to full deployment, the instrument underwent a pilot test involving 15 MSME owners to check for clarity, reliability, and face validity. Minor revisions were made based on pilot feedback to improve the wording and structure of the items.

Measurement of Variables

- Entrepreneurial orientation was measured using an adapted scale based on Lumpkin and Dess (2019), covering dimensions such as innovativeness, proactiveness, and risk-taking.
- Entrepreneurial competence was assessed through indicators derived from the work of Man et al. (2020), including opportunity recognition, business planning, and decision-making ability.

- Market orientation was measured using a construct adapted from Narver and Slater (2019), focusing on customer orientation, competitor orientation, and interfunctional coordination.
- Business performance was captured through self-reported measures reflecting financial and non-financial outcomes, such as sales growth, customer satisfaction, and market share, based on instruments used by previous MSME studies.

Data Analysis Techniques

The collected data were analysed using Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS software. PLS-SEM was selected due to its suitability for exploratory models, small to medium sample sizes, and its ability to handle complex models with multiple latent variables and indicators. The analysis involved evaluating the measurement model (reliability, convergent validity, discriminant validity) and the structural model (path coefficients, R^2 values, hypothesis testing through bootstrapping procedures). The use of bootstrapping with 5,000 resamples allowed for robust testing of the significance of direct and indirect effects.

This methodological approach provides a rigorous basis for testing the hypothesised relationships and drawing generalisable conclusions for MSMEs in similar contexts.

Results and Discussion

Respondent Characteristics

Table 1. Respondent Demographics

	Gender	Frequency	Percentage (%)
	Women	85	85.0
	Men	15	15.0
	Total	100	100.0
	Gender	Frequency	Percentage (%)
	20 – 30 Years	17	17 %
	30 – 40 Years	71	71 %
	40 – 50 Years	12	12 %
	Total	100	100.0
	Education	Frequency	Percentage (%)
	SD	7	7 %
	SMP	14	14 %
	SMA	79	79 %
	Total	100	100.0
	Length of Business Operation	Frequency	Percentage (%)
	2 Years	29	29 %
	3 Years	18	18 %
	4 Years	24	24 %
	5 Years	8	8 %
	6 Years	15	15 %
	>6 Years	6	6 %
	Total	100	100.0
	Business Name	Frequency	Percentage (%)
	Batik Nanom	7	7%
	Batik Agus	7	7%
	Batik Tyas	6	6%
	Sekar Batik	7	7%
	Yosini Batik	9	9%
	Batik Syukron	6	6%
	Ivanna Batik	10	10%
	Iwing Batik Kebonpolo	6	6%
	Naris Batik	6	6%
	Batik Soemirah	7	7%
	Natria Batik	7	7%
	Batik Tuguran	9	9%
	Koko Batik	13	13%
	Total	100	100.0

Before performing the structural equation modelling (SEM) analysis using SmartPLS 3.0, descriptive statistics were examined to understand the profile of respondents and general trends in the dataset. Most respondents were Batik MSME owners in Magelang Regency, with varying years of experience and firm sizes. Their responses provide insights into the strategic orientations, competencies, and market awareness influencing business outcomes in this specific cultural industry. The following characteristics will be explained in Table 1.

Table 1 outlines the demographic characteristics of the 75 Batik MSME respondents in Magelang Regency. Most respondents were female (85%) and most were aged between 30–40 years (71%), indicating that batik enterprises in the region are largely managed by women in their productive years. In terms of education, 79% held a senior high school graduate, while 14% had completed junior high school, suggesting that most business owners or managers are relatively under-educated.

In terms of business characteristics, 29% of respondents reported having more than 4 years of experience running their businesses, indicating a mature sector. Most were classified as micro enterprises (65.33%), reflecting the typical scale of Indonesian MSMEs. While some businesses were formally registered, a notable number remained informal. These characteristics provide useful context for understanding how entrepreneurial and market orientations may influence MSME performance in this setting.

Measurement Model Variable

The outer model was evaluated to confirm the validity and reliability of the measurement indicators. Convergent validity was assessed through Average Variance Extracted (AVE) and outer loadings. All constructs demonstrated AVE values above the recommended threshold of 0.50 (Hair et al., 2014), confirming that the indicators adequately capture their respective latent constructs. Furthermore, outer loadings for all indicators exceeded 0.70, indicating a strong correlation between indicators and latent variables.

Discriminant validity was examined using the Fornell–Larcker criterion and cross-loadings. The square root of AVE for each construct exceeded its correlation with other constructs, ensuring that each construct was distinct. Additionally, composite reliability and Cronbach's alpha scores for all constructs were greater than 0.70, satisfying internal consistency reliability standards.

Structural Modelling and Hypotheses Testing

Following validation of the measurement model, the inner structural model was analysed to test the hypotheses using the bootstrapping method with 5000 resamples. The results are summarised as follows:

H1: Entrepreneurial orientation positively affects business performance.

The path coefficient was $\beta = 0.227$, with a t-statistic of 2.964 and p-value = 0.004. These results indicate a strong and significant relationship, **supporting H1**. MSMEs that exhibit proactiveness, innovativeness, and risk-taking behaviours were found to perform better in terms of revenue, growth, and customer satisfaction. This finding aligns with Zhao et al (2011), who argue that an entrepreneurial posture enables firms to seize market opportunities and respond to dynamic environmental shifts more effectively.

H2: Entrepreneurial competence positively affects business performance.

The path coefficient was $\beta = 0.418$, with a t-statistic of 5.100 and p-value = 0.000. This significant effect **supports H2**. Entrepreneurs with strong managerial skills, opportunity recognition abilities, and financial literacy are more capable of sustaining business operations, managing crises, and identifying strategic growth paths. These results are consistent with Mitchelmore & Holloway et al (2020), who emphasise the relevance of personal capability in enhancing firm outcomes.

H3: Market orientation positively affects business performance.

The relationship was also statistically significant with $\beta = 0.185$, t -statistic = 2.229, and p -value = 0.021. **This supports H3** and confirms that MSMEs who actively monitor market trends, customer preferences, and competitor strategies can align their offerings to meet market needs, thus improving business outcomes. This is consistent with Holloway et al (2020) assertion that market-driven firms tend to enjoy enhanced customer loyalty and profitability. Table 2 below shows the result:

Table 2. The Result of Regression Analysis

Variable	Business Performance		
	B	t	Sig.
(Constant)	4.406	3.163	0.002
Entrepreneurial Orientation	0.227	2.964	0.004
Entrepreneurial Competencies	0.418	5.100	0.000
Market Orientation	0.185	2.339	0.021
F	53.875		0.000
Adjusted R2	0.616		

R-Square

The R^2 value for the dependent variable, business performance, was 0.616, indicating that entrepreneurial orientation, entrepreneurial competence, and market orientation collectively explain 61.6% of the variance in business performance. This suggests a moderately strong model, implying that while the three independent variables play an important role, other factors such as digital adoption, resource constraints, and supply chain dynamics may also influence performance.

Discussion

H1: Entrepreneurial orientation positively affects business performance.

The findings confirm a significant and positive relationship between entrepreneurial orientation and business performance, indicating that MSMEs in Magelang Regency that exhibit proactive, innovative, and risk-taking behaviours tend to achieve better outcomes in terms of sales growth, customer reach, and operational resilience. This supports Lumpkin and Dess (2019), who argue that entrepreneurial orientation enables firms to seize market opportunities, stay ahead of competitors, and respond dynamically to environmental changes. In the context of Batik MSMEs, which operate within cultural constraints and intense competition from mass-produced goods, adopting a forward-thinking strategic posture is crucial to maintaining relevance and achieving growth.

Furthermore, Batik entrepreneurs who are willing to experiment with new patterns, adopt digital platforms, and engage in calculated risk-taking, such as diversifying their distribution channels or targeting niche markets, are better positioned to navigate uncertainty. The COVID-19 pandemic, for instance, tested the agility of MSMEs. Those with entrepreneurial orientation were more likely to pivot operations, adjust offerings, or adopt technology. These findings underscore the value of cultivating a culture of innovation and calculated risk-taking as a mechanism for sustaining competitive advantage in traditional creative industries.

H2: Entrepreneurial competence positively affects business performance.

Entrepreneurial competence shows the strongest impact on business performance among the three variables studied, highlighting the importance of personal capability, decision-making skills, and strategic planning in driving success. The positive path coefficient suggests that MSME owners with higher levels of competence, especially in recognising market opportunities,

managing resources efficiently, and leading teams, are better equipped to improve firm performance. This aligns with Mitchelmore and Rowley (2021), who emphasise the role of individual capacity and experience in navigating uncertain business environments.

In the Batik sector, entrepreneurial competence often translates into the ability to modernise traditional products without compromising cultural authenticity. Competent entrepreneurs are also more likely to leverage networks, access training, and pursue continuous learning, which reinforces their ability to sustain and grow their businesses. This finding underscores the need for capacity-building programs, mentorship, and managerial training tailored to the unique needs of traditional MSMEs, especially for women entrepreneurs, who dominate this sector in Magelang. Building entrepreneurial competence can thus serve as a powerful lever to enhance both economic and cultural resilience.

H3: Market orientation positively affects business performance.

The analysis also confirms that market orientation has a significant, albeit relatively weaker, impact on business performance compared to the other two factors. MSMEs that pay close attention to customer preferences, monitor competitor behaviour, and coordinate internal responses accordingly tend to perform better. This finding supports Narver and Slater (2019), who argue that market-oriented firms enjoy stronger customer satisfaction and loyalty, which ultimately translates to improved financial outcomes. For Batik MSMEs, understanding shifting consumer preferences, such as interest in eco-friendly dyes or contemporary designs, is essential for sustaining relevance in modern markets.

However, the relatively lower coefficient suggests that market orientation may not yet be fully developed or consistently implemented among Batik MSMEs in Magelang. Many enterprises remain reactive rather than proactive in responding to market signals, possibly due to limited access to market data or a lack of marketing expertise. Strengthening market orientation could therefore be a strategic focus for development agencies and support organisations, particularly through targeted training on customer segmentation, branding, and digital marketing. When paired with strong entrepreneurial competence and orientation, market orientation can serve as a critical driver of sustainable performance in creative and heritage industries.

Conclusion

This study investigated the influence of entrepreneurial orientation, entrepreneurial competence, and market orientation on the business performance of Batik MSMEs in Magelang Regency. The findings demonstrate that all three variables significantly and positively impact business performance, with entrepreneurial competence exerting the strongest effect. These results underscore the strategic importance of developing entrepreneurial capabilities and maintaining market responsiveness in sustaining and enhancing MSME performance, especially in culturally rooted sectors like Batik.

From a practical standpoint, the results suggest that policy-makers and development agencies should prioritise capacity-building programmes focused on entrepreneurial skills and market intelligence for MSME owners. Enhancing competencies in opportunity recognition, strategic planning, and customer orientation will allow Batik entrepreneurs to navigate dynamic markets while preserving cultural authenticity. Furthermore, encouraging entrepreneurial orientation through innovation support schemes and risk-sharing mechanisms can foster resilience and adaptive capacity in times of crisis.

However, this study is not without limitations. First, it relies on self-reported performance measures, which may be subject to social desirability bias. Second, the cross-sectional design limits the ability to infer causality or examine changes over time. Third, the study is contextually

focused on Batik MSMEs in a single regency, which may restrict the generalisability of findings to other creative industries or regions.

Future research could address these limitations by incorporating objective performance metrics, adopting longitudinal or mixed-method approaches, and exploring comparative settings across different traditional industries or provinces. Investigating the role of digital transformation, supply chain integration, and institutional support as moderating variables could also enrich understanding of MSME performance drivers in emerging economies.

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