



## Flexibility strategy and market orientation of culinary business performance of MSMEs in West Sumatra

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### Abstract

*The purpose of this research is to analyze the effect of: (1) Flexibility Strategy on the performance of culinary SMEs in West Sumatra, (2) Market orientation on the performance of culinary SMEs in West Sumatra. MSMEs engaged in the culinary field in West Sumatra are the objects that are the focus of this research. This study has a population consisting of SMEs in the culinary business in Padang, Bukittinggi, and Payakumbuh. The sample in this study was 100 MSMEs culinary business actors, with cluster random sampling data collection techniques. This research has a causative type. in this study using the Structural Equation Model (SEM) analysis tool version 2.0.*

**Keywords:** Flexibility strategy, market orientation, and business performance.

**How to cite:** Whyosi S., Thamrin, & Wiwiek Indrayeni. (2022). Flexibility strategy and market orientation of culinary business performance of MSMEs in West Sumatera. *Jurnal Kajian Manajemen dan Wirausaha*, Vol 4 (2), xx-xx. DOI: <https://doi.org/10.24036/jkmw.xxxxxxx>



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## INTRODUCTION

Culinary business is growing in West Sumatra inseparable from the role or behavior of MSMEs in maintaining the culinary business development process to be more efficient and profitable. According to Yulianti and Juwita (2016), West Sumatra province has various elements of culture and tourism diversity, both natural tourism and culinary tourism. Areas in West Sumatra that are crowded as a tourist spot full of delicious and diverse culinary treats are Padang, Bukittinggi, and Payakumbuh. Therefore, the performance of MSMEs culinary business in West Sumatra must continue to be improved.

Nevertheless, the culinary business of MSMEs in West Sumatra still has a low business performance. According to Murti et al. (2017), the potential has not been balanced with the ability to compete. The low performance of MSMEs culinary business makes the business unable to grow, cannot strengthen and develop the scope of its business, and cannot prosper its employees. According to Kara et al. (2005) in Lestari and Warmika (2019), the elements that influence the improvement of business performance can be seen from the flexibility and market orientation strategy. This study examines the variables that affect the business performance of MSMEs, namely the flexibility strategy and market orientation.

MSMEs culinary business requires strategies to improve MSMEs performance, including flexibility strategies. According to Matusik and Hill (1998) in Herman (2008), flexibility strategy is the ability of companies to be able to respond quickly or react to changes that occur in market conditions to respond to market opportunities and new technologies. According to Bock, Opsahl, George, and Gann, 2012; Zhou and Wu, 2010 in Savira and Suharsono (2013), the company's ability to respond to dynamic environmental uncertainties. This requires the company to adjust itself according to the targets set based on the company's available capabilities and resources, which is called the flexibility strategy. The company's flexibility strategy tends to have the potential to innovate in the face of environmental changes that can improve the performance of the MSME culinary business while building a competitive market advantage in West Sumatra.

Market orientation is an another strategy needed in improving the performance of MSMEs culinary business in West Sumatra. According to Slamet and Iskandar (2016), market orientation is a company's effort to always produce goods or services produced by the company in accordance with the needs and desires of the

market or consumers. Furthermore, according to Prima et al. (2018), market orientation is a basic concept that focuses on building high behavior in creating values for consumers.

Lindblom (2015) states that performance is not influenced by market orientation, but the use of market orientation to improve performance by developing marketing capabilities. According to Narver and Slater (1990), market orientation behavior has several components, namely: customer orientation, competitor orientation, and interfunctional coordination. The market orientation applied in the company will lead to improved performance for MSME culinary business actors in West Sumatra.

### **Business Performance**

Sumantri et al. (2013) stated that the results or achievements of the company that are influenced by the company's operational activities in utilizing the resources they have at a certain time are called business performance. Furthermore, Masruroh and Nugroho (2016) state that performance is the level of achievement of the results of the implementation of an activity, program implemented, policies taken in realizing the goals, objectives, vision, and mission that have been set by an organization in order to realize the achievement of results to achieve goals. organization.

According to Visionida (2019), performance is a modification of the desire to meet business objectives, namely: (1) Sales level, (2) Job creation, (3) Level of business stability, (4) Profit level, (5) Contribution to taxes, (6) Organizational growth, (7) Market mastery, (8) Income for families, (9) Low costs, (10) Hiring Professional employees, and (12) Having structured tasks. Furthermore, according to Li (2000) in Heri (2006), business performance can be measured through sales turnover obtained, sales returns that occur, market share owned, and return on investment.

Safrianto (2018) stated that performance measures for small and medium-sized companies consist of: performance measures based on balanced scorecards consisting of internal business processes, finance, customer, learning, and growth. According to Purnomo and Lestari (2010), performance measures consist of strategy, productivity, finance, innovation, employee learning, and satisfaction, as well as performance measures based on performance measurement systems consisting of finance, quality, employee training, innovation and consumers. According to Neely (2012), performance measurements can be seen from customer satisfaction and financial performance.

According to Alex and Purwanto (2015), performance refers to the achievement of goals in carrying out tasks and the ability to achieve the goals that have been set with the following indicators: (1) Sales growth, (2) Capital growth, (3) Labor, (4) Marketing, and (5) Growth in profits or business profits. According to Han and Goleman, Daniel; Boyatzis, Richard; Mckee (2019), business performance is influenced by various product innovation, entrepreneurial orientation, market orientation, and sustainability. Inelo et al. (2015) stated that strategy flexibility and market orientation affect business performance. Furthermore, according to Zhou et al. (2018), flexibility and technology orientation strategies affect business performance.

### **Flexibility Strategy**

According to Savira and Suharsono (2013), one of the factors that encourage the achievement of a company in the intense competition in the face of environmental change is strategic flexibility. It refers to the degree to which a company's strategy is modified in response to opportunities, threats, and the external environment. According to Inelo et al. (2015), flexibility strategy is also interpreted as the company's proactive and reactive ability to meet needs and adapt to sustainable environmental changes.

According to Yu (2015), flexibility strategy can be a company's dynamic ability to gain competitive advantage in a dynamic competitive environment. According to Inelo et al. (2015), flexibility strategies have an important component in achieving competitive advantage that serves as a force in marketing that reflects a company's ability to allocate resources, processes, and strategies at its disposal in the face of changing environments.

According to Fahmia (2017), When companies are in such a complex and dynamic environment, companies need a flexible strategy because in a dynamic market environment there is a high frequency of change. Thamrin and Pd (2010) stated that flexibility strategies in the field of corporate business functions consist of: operating flexibility, product flexibility, and resource flexibility related to improving the company's own achievements.

According to Mousumi Bhattacharya et al. (2005) in Thamrin and Pd (2010), there are 3 indicators of flexibility strategy, namely: (1) Flexibility of operations, (2) Product flexibility, and (3) Flexibility of resources. Meanwhile, according to Bambang, Arif, and Gery (2011), determining the amount of production in a flexible manner through a strategy to follow demand (chase demand strategy) can be achieved by regulating the number

of workers. Regulating the amount of labor will realize the flexibility of production with a more stable workload, reducing the phenomenon of undertime and overtime.

According to Lau in library.binus.ac.idhttps://modulfekon.blogspot.com, product flexibility is the system's ability to produce different and mixed products. Furthermore, regarding the flexibility of operations according to Lau in library.binus.ac.idhttps://modulfekon.blogspot.com is the ability to produce in different paths. While the flexibility of resources related to work flexibility according to Lau in library.binus.ac.idhttps://modulfekon.blogspot.com includes: (1) Workforce autonomy, (2) Communication, (3) Technology, (4) Inter-departmental relationship, and (5) Supplier flexibility.

### Market Orientation

According to Narver and Slater (1990), creating important behaviors in organizational culture is the most effective way to create superior value for buyers and performance in business is market orientation. According to Lindblom (2015), performance is not influenced by market orientation, but is improved by using market orientation in developing marketing capabilities. Improved performance for the company occurs due to the application of market orientation.

According to Narver and Slater (1990), market orientation behavior consists of customer orientation, competitor orientation, and interfunctional coordination. Furthermore, Ozkaya, HE, Droge, C., Hult, GTM, Calantone, R., and Ozkaya (2015) state that market orientation is the behavior of companies in order to collect information about consumer needs and the factors that shape it.

Ferdinand (2000) states that marketing and market orientation as one of the limelights of marketing management to articulate the strategies developed. According to Sofjan (2002), Market orientation is the view of company leaders that emphasizes the need for companies to coordinate marketing activities aimed at achieving the goals and objectives of providing customer satisfaction by providing services that are in accordance with the company's goals to be achieved in order to gain long-term profits. Furthermore, Narver and Slater in Fandy and Gregorius (2012) stated that the orientation of the market as a business culture that is able to effectively and efficiently create employee behavior in such a way, thus supporting superior value creation efforts for customers. According to Fandy and Gregorius (2012), indicators of market orientation are: (1) customer orientation, (2) competitor orientation, and (3) coordination between functions.

## METHOD

This study was conducted in 3 cities in West Sumatra, namely: Padang, Bukittinggi, and Payakumbuh. The research object was chosen because of the importance of flexibility strategy and market orientation of culinary business performance of MSMEs whose level of competition is very high in the area. Research time in 2021. The population in this study is all MSMEs in West Sumatra. The sample in this study was 100 MSMEs culinary businesses. First, the instrument was tested with validity and reliability tests before distributing questionnaires to MSME culinary business in West Sumatra. The following is an image of this research model:

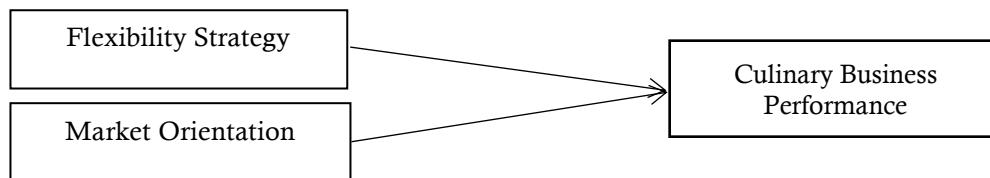


Figure 1. Research Model

This type of research is explanatory survey research that is causality. The instrument used in this research is a statement questionnaire that uses a Likert scale of 1 to 5, ranging from very high to very low. Questionnaires in this study will be given to respondents personally (self-administrated survey).

Instrument tests are used to measure a questionnaire whether shah or valid. According to Suharsimi (2010), a questionnaire will be declared valid if the question is able to reveal something to be measured. Then the validity of instrument is evaluated based on the validity of the convergent and discriminant indicators calculated using PLS. Construct reliability was measured by using a composite, which has an internal consistency similar to Cronbach's Alpha.

The use of data in this study is primary data which is carried out using survey techniques. PLS (Partial Least Square) is used as an analytical tool in this study, namely the variance-based SEM model which is an accurate analytical method because it is not based on many assumptions. The approach to data analysis carried out in this study uses a structural equation modeling (SEM) approach.

## RESULT AND DISCUSSION

### Model Measurement (Outer Model)

#### Convergent Validity (Outer Loading Value >0.7)

The following are the outer loading values obtained from the results of research data processing:

**Table 1. Output Outer Loading**

	X <sub>1</sub>	X <sub>2</sub>	Y
X <sub>1-1</sub>	0.881		
X <sub>1-2</sub>	0.729		
X <sub>1-3</sub>	0.862		
X <sub>2-1</sub>		0.889	
X <sub>2-2</sub>		0.884	
X <sub>2-3</sub>		0.865	
Y1			0.853
Y2			0.840
Y3			0.917
Y4			0.721

Source: Primary Data Processed, 2021.

According to Sugiyono (2018), "The use of AVE values is required in conducting convergent validity testing. Furthermore, the recommended AVE value is at least 0.5 to indicate good convergent validity." Here is a table of AVE (Average Variance Extracted) values on each variable.

**Table 2. Square Root of Average (AVE) Analysis Results**

	Average Variance Extracted (AVE)
X <sub>1</sub>	0,683
X <sub>2</sub>	0,774
Y	0,699

Source: Primary Data Processed, 2021.

Convergent validity test results can be described as follows:

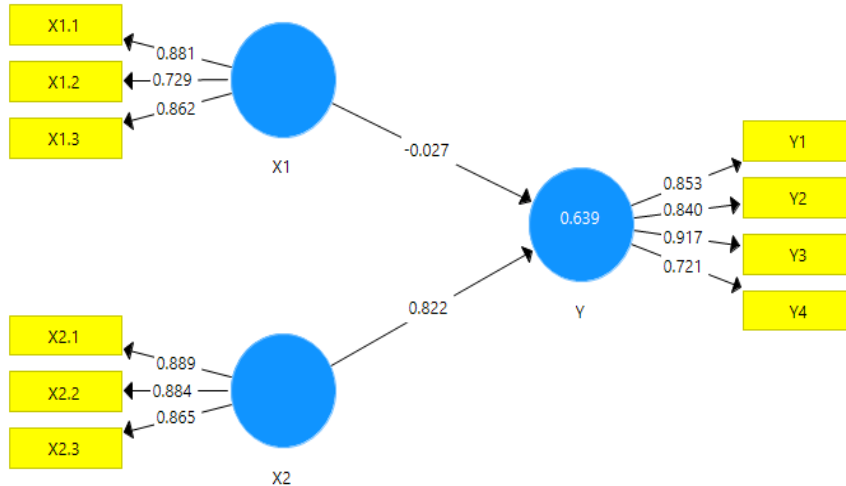


Figure 1. Convergent Validity Test Results

**Discriminant Validity**

Discriminant validity was tested using cross loading values. The discriminant validity of an indicator can be met if the value of the crossloading indicator on the variable is the largest compared to other variables. The results of the discriminant validity in the study are:

Table 3. Output Cross Loading

	X <sub>1</sub>	X <sub>2</sub>	Y
X <sub>1-1</sub>	<b>0.881</b>	0.696	0.569
X <sub>1-2</sub>	<b>0.729</b>	0.626	0.469
X <sub>1-3</sub>	<b>0.862</b>	0.736	0.589
X <sub>2-1</sub>	0.820	<b>0.889</b>	0.748
X <sub>2-2</sub>	0.663	<b>0.884</b>	0.647
X <sub>2-3</sub>	0.701	<b>0.865</b>	0.707
Y <sub>1</sub>	0.554	0.664	<b>0.853</b>
Y <sub>2</sub>	0.514	0.672	<b>0.840</b>
Y <sub>3</sub>	0.559	0.698	<b>0.917</b>
Y <sub>4</sub>	0.566	0.633	<b>0.721</b>

Source: Primary Data Processed, 2021.

**Reliability Test**

The reliability test was carried out by looking at the composite reliability value of the dimensions that measured the construct. If the value is above 0.7, then the results obtained will show a satisfactory value. The table of composite reliability analysis results is as follows:

Table 4. Composite Reliability Analysis Results

	Composite Reliability
X <sub>1</sub>	0.865
X <sub>2</sub>	0.911
Y	0.902

Source: Primary Data Processed, 2021.

**Structural Model Measurement (Inner Model)**

The results of R-Square estimates using SmartPLS are:

Table 5. R-Square Analysis Results

	R-Square	R-Square Adjusted
Y	0.639	0.632

Source: Primary Data Processed, 2021.

### Hypothesis Test

The results of the direct influence hypothesis test are:

**Table 6. Results of Hypothesis Test Analysis**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
X <sub>1</sub> → Y	-0.027	-0.018	0.094	0.291	<b>0.771</b>
X <sub>2</sub> → Y	0.822	0.813	0.084	9.766	<b>0.000</b>

Source: Primary Data Processed, 2021.

Hypothesis two testing: Effect of X<sub>2</sub> on Y

The results of the first hypothesis test showed that variables X<sub>1</sub> with Y showed that the t<sub>count</sub> value was 0.291. This is less than the value of the t<sub>table</sub> (1.96). These results indicate that there is no significant effect between variable X<sub>1</sub> and variable Y is changes that occur in variable X<sub>1</sub> will not have a significant effect or impact on variable Y. The first hypothesis is acceptable. This means that there is no influence between flexibility strategies (X<sub>1</sub>) on the performance of MSMEs culinary business in West Sumatra.

The path coefficient value of -0.027 means that if the X<sub>1</sub> variable changes, the Y variable will not change. The better the X<sub>1</sub> variable, the better the Y variable. Thus, there is no significant effect between the X<sub>1</sub> variable and the Y variable. This means that changes that occur in the X<sub>1</sub> variable will not have a significant effect on the Y variable.

Based on the results of the study, the first hypothesis cannot be accepted or rejected. this indicates that there is no influence between the flexibility strategy (X<sub>1</sub>) on the performance of the MSME culinary business in West Sumatra.

**H<sub>1</sub>: Flexibility strategy has no effect on business performance.**

Hypothesis two testing: Effect of X<sub>2</sub> on Y

The second hypothesis test shows the results that the variable X<sub>2</sub> with variable Y showed that the t<sub>count</sub> value was 9,766. This is greater than the value of the t<sub>table</sub> (1.96). This result means that between variable X<sub>2</sub> and variable Y there is a significant effect.

The path coefficient value is 0.822, meaning that if variable X<sub>2</sub> changes, then variable Y will also change. The better the variable X<sub>2</sub>, it will have an impact on the better variable Y. The results of this study indicate that between variables X<sub>2</sub> and variable Y there is a significant influence, where changes that occur in variable X<sub>2</sub> will have a significant influence or influence on variable Y.

Thus, the second hypothesis can be accepted. Therefore, there is an influence between market orientation (X<sub>2</sub>) on the performance of the MSME culinary business in West Sumatra.

**H<sub>2</sub>: Market orientation affects business performance.**

### Influence of Flexibility Strategy on The Performance of MSMEs Culinary Business in West Sumatra

Hypothesis (H<sub>a</sub>) states that the flexibility strategy proposed in this study was rejected because it had no effect on the performance of MSMEs culinary business in West Sumatra. Thus, the flexibility strategy has no effect on the performance of the MSME culinary business in West Sumatra.

The results of this study are not in accordance with the research conducted by Inelo et al. (2015) which states that business performance is influenced by flexibility and market orientation strategies. In addition, the results of this study are also not in accordance with the research conducted by Zhou et al. (2018) that business performance is influenced by flexibility strategy and technology orientation. This can be interpreted that business performance is not influenced by the flexibility strategy carried out by MSMEs in West Sumatra. MSMEs actors consider that the flexibility strategy obtained will not affect the business performance of the MSMEs. Therefore, the performance of MSMEs culinary business in West Sumatra will continue to run well, without the flexibility strategy carried out by the MSMEs.

### **Influence of Market Orientation on The Performance of MSMEs Culinary Business in West Sumatra**

The market orientation hypothesis (Ha) proposed in this study is accepted because it affects the performance of the MSME culinary business in West Sumatra. Thus, market orientation affects the performance of the MSME culinary business in West Sumatra.

The results of this study are in accordance with the opinion of Masa'deh, et al. (2017) which states that market orientation produces several benefits for the organization, namely: organizational performance, customer consequences, innovation consequences, and employee consequences. In addition, the research obtained is in accordance with research conducted by Wong (2012) that market orientation is an operating process including activities including intelligence generation, intelligence deployment, and responsiveness.

Another study that is in accordance with the research that the authors obtained is a study conducted by Lindblom (2015) which states that performance is not influenced by market orientation, but rather develops marketing capabilities to improve performance using market orientation. Another research that is in accordance with the research that the author obtained is the research conducted by Ngo and O'Case in Lindblom (2015), where market orientation is an important thing that affects the company's operations, but must be complemented by other company resources and capabilities.

In addition, the research conducted by Narver and Slater (1990) is in accordance with the research obtained by the authors that market orientation has been used as a business culture, in which organizations behave to create customer value to focus on long-term interests and profitability. This means that market orientation has an influence on the performance of the MSME culinary business in West Sumatra.

## **CONCLUSION**

1. Flexibility strategy does not have a significant effect on the performance of MSME culinary business in West Sumatra. This can be interpreted that business performance is not influenced by the flexibility strategy carried out by MSMEs in West Sumatra. MSMEs actors consider that the flexibility strategy obtained will not affect the business performance of the MSMEs. Therefore, the performance of MSMEs culinary business in West Sumatra will continue to run well, without the flexibility strategy carried out by the MSMEs.
2. Market orientation has a significant influence on the performance of the MSME culinary business in West Sumatra. This states that market orientation has an effect on the performance of the MSME culinary business in West Sumatra. Thus, the UMKM culinary business considers that the market orientation obtained will affect the performance of the UMKM culinary business.

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