

# Self Efficacy, Market Orientation, and Batik SME Performance in Indonesia

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**Abstract.** Company performance is one of the factors that shows the effectiveness and efficiency of an organization or company in order to achieve its goals. The role of market orientation and entrepreneurial self-efficacy is very important for increasing the business performance.

This study aims to determine the effect of self-efficacy and market orientation on company performance, especially the batik SME in Solo, Indonesia. The type of this research is a quantitative method. The sampling technique used in the study was purposive sampling. Respondents were 100 batik SME owners who had been running in business for at least one year. The data analysis technique was using multiple regression, which was processed by using SPSS. Hypothesis testing used the t test and F test. The results showed that self-efficacy and market orientation have significant effects on the company performance. Therefore, batik entrepreneurs need to pay more attention to the trend of consumer needs for batik products. Attentions to suppliers and distributors are also necessary to maintain business continuity.

**Keywords:** Self efficacy, market orientation, company performance.

## 1 Introduction

Attention to SMEs in Indonesia is one of the priorities in national economic development. SMEs are the backbone of the economic system, aimed at reducing the problem of inequality between income groups and between business actors, or poverty alleviation and employment [1]. The existence of SMEs itself has proven its role in the equal distribution and employment opportunities for the community, not only active but also productive, and has contributed to the country's foreign exchange earnings. SMEs have made a significant contribution to the development of the Indonesian economy [2]. But along with the development of the era of globalization, SMEs in Indonesia experienced ups and downs. In this globalization era, Indonesia is flooded with cheap products from various countries so which impacts on the competition of Indonesian SMEs.

Competition of SMEs in the service or manufacturing sector is something that cannot be avoided. SMEs in Indonesia must be able to survive with the existing conditions. Entrepreneurs are required to always have high performance, so entrepreneurs are required

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to manage their business well so that they can meet the company's objective. Performance measurement is an accumulation of activities carried out by the company in a certain period. Increasing company performance is inseparable from one aspect of self-employment that allows influencing company performance is self-efficacy.

During the COVID-19 pandemic, Batik SMEs in Solo experienced a decline in company performance. This is reflected in the decline in sales turnover and also a decrease in production levels. Pradana (2020) provides an overview of the business in his article based on interviews with Batik SME owners [3]. Many companies went out of business due to the impact of the economic downturn and the decline in people's purchasing power for batik products. Companies must quickly take steps in setting a strategy. Companies must determine strategies that can affect the performance of the company itself. Chin, Ramayah, and Lo (2013) revealed that one of the important variables that affect company performance is market orientation activities [4].

Market orientation supports the value of careful market intelligence [5]. Market orientation requires functional coordination of actions within the organization to maintain and win the competition. Market orientation allows entrepreneurs to understand the needs needed by consumers. In addition, market orientation also provides an alternative to entrepreneurs in the process of seeking information regarding competitors. In the case of the COVID19 pandemic, the company is expected to start doing market orientation based on current market conditions to find opportunities in current conditions.

On the other hand, company performance is determined by self-efficacy [6]. The intended self-efficacy is related to efforts to find information that can be useful in improving company performance. This effort can be influenced by individual beliefs about their abilities. High individual confidence encourages someone to try and seek information relating to the market. However, individual beliefs change their perspective to look for alternatives regarding the search for information about their business. High self-efficacy affects entrepreneurial orientation towards the market [7]. Entrepreneurs who have self-efficacy will improvise the process of seeking market information that affects the company's performance.

Market orientation affects company performance[7]. The better the process of generating and providing market information in creating superior value to consumers, the better the company's performance will be. Based on previous research which found the influence of self-efficacy on company performance. As well as the influence of market orientation on company performance, the researchers will re-examine the research.

Batik is a noble Indonesian cultural heritage. Almost every region in Indonesia has its own batik art and motifs. Kampung Batik Laweyan is a place whose residents have had a batik craft business for generations. The purpose of this study is to examine the influence of self efficacy and market orientation to business performance of Batik SME in Indonesia.

## **2 Literature Review**

### **2.1 Self Efficacy**

Self-efficacy is an individual's belief in his generative ability which includes cognitive, social, and emotional to organize and carry out effective actions [8]. Self-efficacy is the belief in how individuals feel, think and behave (chosen decisions, efforts, and persistence) when facing obstacles[9]. Surya (2012) add that self-efficacy will control entrepreneurial thoughts and feelings in dealing with the environment, how the pattern of entrepreneurial thinking in dealing with certain situations [10].

Someone who has low self-efficacy tends to avoid tasks that are not following his abilities. Someone who has high self-efficacy tends to believe in his ability to complete tasks. A person's belief in himself to identify how much his ability to do a particular task will ultimately affect his mindset and strength to survive in the face of the task [9].

## **2.3 Market Orientation**

Market orientation is the process of finding and producing market information for the purpose of creating superior value so that the products produced are more effective and efficient than similar competitors. The company's orientation to the market will create a reciprocal relationship between companies and consumers that is sustainable. Prakosa (2005) defines market orientation as the process of generating and providing market information in creating superior value for consumers[11]. According to a similar view, Purwasari & Suprpto (2014) stated that market orientation reflects competence in understanding customers[12]. Therefore, having the opportunity to give satisfaction to customers is the same as its ability to recognize the movements of its competitors. Companies that are successful in controlling the market are referred to as market drive firms. These companies always place customer orientation and competitor orientation in harmony so that company performance becomes better.

## **2.3 Company Performance**

Performance is a general term used for some or all of the actions or activities of an organization over a period, along with reference to a number of standards such as past or projected costs. Performance is a basis for efficiency, accountability or management accountability [13]. Company performance is one of the factors that shows the effectiveness and efficiency of an organization or company in order to achieve its goals[14]. In other words, the company's performance is an achievement obtained by the company in a certain period.

Company performance represents the measurement of results and describes the empirical condition of a company from various agreed sizes. In simple terms, company performance is the ability, effort, and opportunity of personnel, teams, or organizational units in carrying out their duties. Company performance helps to realize the strategic goals that have been set [13]. The company's performance is a success compared to competing for new products, market development, and opening new branches. A company's performance is measured by growth in sales and market share [15].

## **2.4 Hypothesis Development**

### ***2.4.1 The Relationship between Self Efficacy and Company Performance***

Research by Cherian and Jacob (2013) in Noviawati (2016) [16] shows that self-efficacy in the workplace will determine motivation and performance. Self efficacy positively affects employee performance as a whole. Furthermore, employee performance can have a significant influence on company performance. In other words, the self-efficacy of an employee with one another can affect the company's overall performance. Based on

previous research, there are several important factors in forming self-efficacy, namely feelings of being able to do work, better abilities, challenging work, and job satisfaction [17]. Self efficacy can have a significant influence on employee performance which can be the result of the company's overall performance. Satisfactory employee performance has a positive influence on company performance.

Lisbona, Palaci, Salanova, and Frese (2018) describe that self-efficacy will first affect personal performance as an individual[6]. Furthermore, the increased individual performance will affect the company's performance improvement. Self-efficacy in the company's employees will make each employee experience an increase in performance both in terms of individual performance and collective performance. The increase in both forms of performance will have an impact on the company's performance.

H<sub>1</sub>: Self efficacy has significant influence toward *company performance*

#### 2.4.2 The Relationship between Market Orientation and Company Performance

Purwasari and Suprpto (2014) [said that a good market orientation of a company contribute to the implementation of a good marketing strategy within the company12]. This can have an impact on the level of company performance. Along with the better orientation of the company to the target market, the company's performance is also getting better. Susanto (2012) [5] found that market orientation impacts on company performance after a decade of testing. If the company has a market orientation, the company can improve the company's performance. The behavior of a customer-oriented company, competitor orientation, and coordination between functions within the company will significantly influence company performance.

H<sub>2</sub>: Market orientation has significant influence toward *company performance*

### 3 Research Method

This type of research is quantitative research. The research method refers to the methods and procedures used to collect and analyze data [18]. The population in this study were batik SME entrepreneurs in Kampoeng Batik Laweyan, Indonesia. This sampling method is purposive sampling. Purposive sampling is a sampling technique by taking subjects based on certain goals[19]. The sample criteria used in this study are the following batik owners who are active in managing their business. The sample of this research is batik SMEs that have been running their business for more than 1 year.

This study uses a data collection method based on a survey using a questionnaire. The questionnaire contains a number of questions related to the effect of self efficacy and market orientation on company performance . The answer chosen by the respondent is based on the Likert scale assessment to measure the attitudes, opinions and perceptions of a person or group about a phenomenon[20]. The analysis technique used in this research is quantitative descriptive statistics and the analysis tool uses multiple regression and multiple regression. Before performing multiple regression and simple regression, the data will be tested for validity using validity and reliability tests. The validity test was conducted to determine the extent to which the instruments used were adequate to measure the dimensions of self-efficacy, market orientation, and company performance.

Hypothesis testing in this research follows the steps of SPSS, which come as:

- Validity and reliability tests
- Classical assumption tests, which consist of normality test, multicollinearity test, and heteroscedasticity test.

- Multiple regression analysis
- Hypothesis test using t-test  
The t-test is used to examine the influence of each independent variable of to a dependent variable

## 4 Data Analysis and Discussion

### Validity test

The study conducted a validity test by looking at the Pearson correlation test value.

**Tabel 1. Validity Test X1**

No	Item	Tota Score		Result
		Corelation Coefficient	P-value	
1	X1.1	0.706	0.000	Valid
2	X1.2	0.754	0.000	Valid
3	X1.3	0.778	0.000	Valid
4	X1.4	0.723	0.000	Valid
5	X1.5	0.780	0.000	Valid
6	X1.6	0.729	0.000	Valid

Based on the table, all questionnair items are valid because the correlation coefficient value is  $> 0.361$  and the p-value is  $< 0.05$ .

**Tabel 2. Validity Test X2**

No	Item	Tota Score		Result
		Koefisien Korelasi	P-value	
1	X2.1	0.745	0.000	Valid
2	X2.2	0.635	0.000	Valid
3	X2.3	0.847	0.000	Valid
4	X2.4	0.561	0.000	Valid
5	X2.5	0.820	0.000	Valid
	X2.6	0.751	0.000	Valid

Based on the table, all questions are valid because the correlation coefficient value is  $> 0.361$  and the p-value is  $< 0.05$ .

**Tabel 3. Validity Test Y**

No	Item	Tota Score		Result
		Koefisien Korelasi	P-value	
1	Y <sub>1.1</sub>	0.845	0.000	Valid
2	Y <sub>1.2</sub>	0.844	0.000	Valid
3	Y <sub>1.3</sub>	0.821	0.000	Valid
4	Y <sub>1.4</sub>	0.542	0.000	Valid
5	Y <sub>1.5</sub>	0.841	0.000	Valid
6	Y <sub>1.6</sub>	0.749	0.000	Valid
7	Y <sub>1.7</sub>	0.853	0.000	Valid
8	Y <sub>1.8</sub>	0.877	0.000	Valid

The results showed that the question was valid because the correlation coefficient value > of 0.361 and p-value < 0.05.

**Reliability Test**

The basis for making decisions for reliability testing in this study is to look at the value of the Cronbach's Alpha reliability test results.

**Tabel 4 Reliability test**

No	Variabel	Cronbach's Alpha	Result
1	<i>Self Efficacy</i> (X <sub>1</sub> )	0.838	Reliabel
2	<i>Market Orientation</i> (X <sub>2</sub> )	0.824	Reliabel
3	Kinerja Perusahaan (X <sub>3</sub> )	0.913	Reliabel

The table shows that all variables used in this study are reliable. This is shown from Cronbach's Alpha of these variables all of which have a value > 0.6.

**Normality Tes**

The normality test in this study was conducted to test whether the independent and dependent variables had a normal distribution. Normality test was carried out using Kolmogorov Smirnov

**Tabel 5 Normality Test Kolmogorov Smirnov**

Asymp. Sig. (2-tailed)	0,138
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Data is fulfill the requirement about normal distribution, from \ Kolmogorov Smirnov value 0.138 >0.05.

**Multicollinearity Test**

**Tabel 6. Multicollinearity Test**

Variabel	Tolerance	VIF	Result
X <sub>1</sub>	0,452	2.210	No multicollinearity
X <sub>2</sub>	0,452	2.210	No multicollinearity

Result shows that there is no multicollinearity among independent variable because karena *Tolerance* value > 0.1 and VIF < 10

**Heteroskedasticity Test**

tujuan uji eteroskedastistas untuk menguji apakah dalam sebuah model regresi terjadi ketidaknyamanan varian dari residual satu pengamatan ke pengamatan lain. Jika varian berbeda, disebut heteroskedastisitas.

**Tabel 7 Heteroskedasticity Test**

Variabel	Sig.
X1	0.736
X2	0.610

The results of the Glesjer heteroscedasticity test above show that in the distribution of data for each independent variable, there is no heteroscedasticity, by looking at the value of sig. each indicator entirely  $>0.05$

Multiple regression analysis is useful for predicting the effect of more than one independent variable (X) on the dependent variable (Y).

**Tabel 8 Multiple Regression**

Model	<i>Unstandardized Coefficients</i>	t	Sig.
	B		
Konstanta	.249	-.595	.553
<i>Self Efficacy</i> (X1)	.650	5.365	.000
<i>Market Orientation</i> ( X2)	.393	2.823	.006

The regression model is as follows :

$$Y = 0.249 + 0.650 X_1 + 0.393X_2$$

The regression model shows that the self-efficacy variable has an influence of 0.650 on company performance, while the market orientation variable has a significant effect of 0.393. The constant of the equation here is the result of the calculation of the quantitative variable which shows the influence outside the independent variable under study on the dependent variable and the influence is constant. Constants are mathematical numbers used for calculations in the regression equation model. Constants describe the relationship between the independent variable and the dependent which cannot be explained.

The results of the research coefficients show a positive sign indicating the effect of each independent variable (self efficacy and market orientation) on the company's performance is positive where when there is an increase in the measurement scale of the independent variable, the company's performance will also increase.

#### **Coefficient of determination**

The coefficient of determination aims to measure how far the model's ability to explain variations in the dependent variable is. The greater the value of  $R^2$ , the more independent the independent variable can explain the dependent variable. This study uses adjusted  $R^2$ .

**Tabel 9 coefficient of determination**

Model	R	R Square
1	0.758	0.574

The results showed that the R2 value was 0.574, meaning that the independent variables of self-efficacy and market orientation were able to explain the dependent variable of 57.4% of the company's performance.

### **Hipotesis Testing**

#### **F Test**

**Tabel 10. F Test**

Model	F	Sig.
Regresi	65.390	0.000

Based on the table, obtained the value of Sig. 0.000 or less than 0.5. The results of the F hypothesis test indicate that this research model meets the goodness of fit requirements or can be said to meet the model feasibility test.

#### **T Test**

**Tabel 11. t test**

Model	Unstandardized Coefficients	t	Sig.
	B		
Konstanta	-.249	-.595	.553
<i>Self Efficacy</i> (X1)	.650	5.365	.000
<i>Market Orientation</i> ( X2)	.393	2.823	.006

From the table, the results of hypothesis testing explain that self-efficacy has an effect on company performance with a significance value of 0.000. The market orientation variable has a significant effect on the company's performance because it has a significance value of  $0.06 > 0.05$ .

## **Discussion**

### **The Influence of Self Efficacy to Company Performance**

The results in this study indicate that self-efficacy has a significant positive effect on company performance. The results obtained confirm the results of previous research conducted by Noviawati (2016) describes the results of the study, namely that the self-efficacy of company employees will boost the company's overall performance[16]. Individual and collective performance facilitated by self-efficacy will be more optimal because the psychological impulse that arises from within the employee will provide additional motivation and energy for the employee concerned to give the best. This ultimately improves the company's overall performance.



Previous research explained that self-efficacy will have an impact on increasing individual performance and collective performance so that the company's performance will also increase overall [6]. This also emphasizes that companies need quality human resources so that recruitment activities as a form of efforts to increase self-efficacy are needed. Effective recruitment will provide quality human resources so that they have good self-efficacy and lead to increased company performance.

## **The Influence Market Orientation to Company Performance**

The results in this study indicate that market orientation has a significant positive effect on company performance. The results obtained confirm the results of previous research [12]. They stated that the market orientation of the company contributes to the implementation of a good marketing strategy within the company. This can have an impact on the company's performance. The company's performance will get better along with the better understanding of the company on the target market. These results indicate that the company's success in implementing market orientation will improve company performance.

The market orientation activity of Batik SME owners is a business that refers to the customer or customer-centered. This is an important basis considering that the competition for Batik SMEs is very tight. Batik business owners not only face competition from locals but also other fashion products that are more attractive for consumers. To improve its performance, of course, Batik SMEs must pay close attention to the wants and needs of consumers by first seeking information to understand the improvement of product quality. All of these activities are aimed at improving the company's performance.

## **5 Conclusion**

Self efficacy has a significant and positive effect on company performance, on the other hand market orientation has a significant positive impact on company performance. Thus, hypothesis 1 and hypothesis 2 are accepted. Self-efficacy is important to build personal strength in developing Batik production. Business owners need to have good relationships with consumers. Batik SMEs can reach outside the region and international markets. Companies need to build digital marketing to reach more consumers. Batik SMEs should consider understanding the fashion trends that are currently developing and improving them with the concept of batik so that the company can provide unique products and at the same time please consumers. Further research is recommended to examine the influence of other variables outside which can be a predictor of increasing company performance.

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