



The Influence of Quality Management and Market Orientation on Small and Medium-sized Enterprises (SMEs) Performance in Indonesia through the Enterprise Risk Management (ERM)

Evita Meinar Sirait^{1*}

¹University of Bhayangkara Jakarta Raya, email: evita.meinar@gmail.com

*Corresponding author: Evita Meinar Sirait

Abstract: Literature Article Review on Enterprise Risk Management, Quality Management and Market Orientation on SMEs performance is a scientific article that aims to build a research hypothesis on the influence of inter-variables to be used in further research, within the scope of Risk and Strategic Management. The method of writing this Literature Review article is the library research method, which is sourced from online media such as ProQuest, Google Scholar, and other academic online media. The results of this article are that: 1) Quality Management affects SMEs performance, 2) Market Orientation affects SMEs performance and 3) Enterprise Risk Management (ERM) affects SMEs performance;

Keyword: Small and Medium-sized Enterprises, Quality Management, Market Orientation and Enterprise Risk Management

INTRODUCTION

Every student, whether Undergraduate, Undergraduate or Undergraduate, must conduct research in the form of a thesis, thesis and dissertation. Likewise for lecturers, researchers and other functional staff who actively conduct research and create scientific articles for publication in scientific journals.

Scientific work is one of the requirements for students to complete their studies at most universities in Indonesia. This provision applies to all levels of education, namely undergraduate thesis (S1), undergraduate thesis (S2) and third-level dissertation (S3).

Based on empirical experience, many students and authors have difficulty finding supporting articles for their scientific work as previous research or as relevant research. Relevant articles are needed to strengthen the theory being researched, to see the relationship or influence between variables and build hypotheses. This article discusses the influence of Enterprise Risk Management, Quality Management, and Market Orientation on SMEs performance, a literature review study in the field of Risk and Strategic Management.

LITERATURE REVIEW

Small and Medium Enterprises (SMEs)

SMEs are considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity.. (European Commission User Guide, 2020). The dimensions or indicators of SMEs are opening employment, new business, economic development.

SMEs consist of two definitions, that is micro-enterprises that is productive businesses owned by individuals and/or individual business entities that meet the criteria for micro-enterprises as stipulated in the Act and small-entreprise that is a productive economic enterprise that stands alone, which is carried out by individuals or business entities that are not subsidiaries or non-subsidiaries that are owned, controlled or become part, either directly or indirectly, of medium or large businesses that meet the business criteria. small as referred to in the law. (Law of the Republic of Indonesia No.20 of 2008 concerning MSMEs). The dimensions or indicators of SMEs is sustainability, innovations, satisfy customer needs, entrepreneurial skills.

SMEs are defined differently around the world. The country a company operates in provides the specifics on the defined size of an SME. The sizing or categorization of a company as an SME, depending on the country, can be based on a number of characteristics. (Corporate Finance Institute, 2023). The dimensions or indicators of SMEs are innovations, competitive and healthier economy.

SMEs has previously been studied by many researchers, among of which are Dewi Hanggraeni, Beata S'lusarczyk, Liyu Adhi Kasari Sulung and Athor Subroto (2019), Gundula Glowka, Andreas Kalmunzer, anita Zehrer (2020), and Ivan Litvaj, Mario Drbul, and Miloslav Buzek (2023).

Quality Management

Quality Management is one of the cross-sectional management systems in the company; its importance is indis- putable for the company's activities, results, and key performance indicators (Ivan Litvaj, Mário Drbúl, Miloslav Buzek , 2023). The dimension or indicators of Quality Management are transendency, Orientation on product-based, user-based, manufacturing-based, and value-based.

Quality Management is a constant endeavor to fulfill, and preferably exceed, customer needs and expectations at the lowest costs by continuous improvement of work, to which all involved are committed, focusing on the processes in the organization. (Bergman, B.; Klefsjö, B, 1994). The dimension or indicators of Quality Management are Committed leadership, Focus on customers, processed, continuous improvement and commitment.

Quality Management is a set of international standards on Quality Management and quality assurance developed to help companies effectively document the quality system elements needed to maintain an efficient quality system. They are not specific to any one industry and can be applied to organizations of any size (ISO 9001, 2015). The dimension or indicators of Quality Management are customer focus, leadership, engagement of people, process approach, improvement, evidence-based decision and relationship management.

Quality Management has previously been studied by many researchers, among of which are Nadeem Kureshi (2019) Belas J., Strnad Z., Gavurova B., Cepel M. (2019), Irianing Suparlinah, Atiek Sri Purwati, Negin Kencono Putri, Warsidi Warsidi (2019), Syed Ali Raza Shah, Khairur Rijal Jamaludin, Hayati Habibah Abdul Talib and Sha'ri Mohd Yusof (2019), and Lakhwinder Pal Singh, Arvind Bhardwaj and Anish Sachdeva (2019).

Market Orientation

Market Orientation is the organization culture that most effectively and efficiently creates the necessary behaviours of the creation of superior value for buyers and, thus, continuous superior performance for the business. (Slater and Naver, 2000). The dimensions or indicators of market orientation are customer orientation, competitor orientation and inter-functional coordination.

Market Orientation is the organization-wide generation of market intelligence pertaining to current wide responsiveness to it. (Kohli and Jaworski, 1990). The dimensions or indicators of market orientation are market intelligence initiation, dissemination of market-oriented intelligence and facilitation of responsiveness mechanism throughout the firm.

Market Orientation the degree to which the business unit obtains and uses information from customers, develops a strategy that will meet customer needs, and implements that strategy by being responsive to customers' needs and wants (Raju et al. 2011). The dimensions or indicators of market orientation are customer needs and wants.

Market Orientation has previously been studied by many researchers, among of which are M. Presutti and V. Odorici (2018), Ahmed Al Asheq, Md Uzzal Hossain (2019) and Maun Jamaludin, Hari Busthomi, Soma Gantika, Abdul Rosid, Erry Sunarya and Tuah Nur (2022).

Enterprise Risk Management (ERM)

ERM is the process of managing all risks in an integrated or holistic manner, by controlling and coordinating every risk throughout the company (Berry- Stölzle & Xu, 2018). The dimensions or indicators of ERM are company performance, downsizing of risk pressures, and growth opportunities.

ERM is a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of the entity objectives. (Committee of Sponsoring Organizations of the Treadway Commission. 2004). The dimensions or indicators of ERM are unrecognized opportunities, innovative business solutions, success competitive market performance.

ERM is the process of managing all risks in an integrated or holistic manner, by controlling and coordinating every risk throughout the company (Berry-Stölzle & Xu, 2018). The dimensions or indicators of ERM is the reduction of risk pressures, company value.

Enterprise Risk Management has previously been studied by many researchers, among of which are Dewi Hanggraeni, Beata S' lusarczyk, Liyu Adhi Kasari Sulung and Athor Subroto (2019), Songling Yang, Muhammad Ishtiaq and Muhammad Anwar (2018) and Gundula Glowka, Andreas Kalmunzer, anita Zehrer (2020).

RESEARCH METHOD

The method of writing this Literature Review article is the Qualitative Descriptive method and Library Research, sourced from the *ProQuest*, *Google Scholar online application*, and other online academic applications.

In qualitative research, literature review must be used consistently with methodological assumptions. This means that it must be used inductively so that it does not direct the questions posed by the researcher. One of the main reasons for conducting qualitative research is that it is exploratory in nature, (Ali & Limakrisna, 2013).

FINDINGS AND DISCUSSION

Based on relevant theoretical studies and previous research, the discussion of this *literature review article* is:

Relevant Articles Review

Reviewing relevant articles as a basis for establishing research hypotheses by explaining the results of previous studies, explaining the similarities and differences with the research plan from relevant studies as table 1 below.

Table 1: Relevant past research

No	Authors (Year)	Result of Previous Research	Similarity(ies) With This Article	Difference(s) with This Article	Hypothesis
1	Suparlinah, Purwati, Putri and Warsidi (2019)	Quality Management and Market Orientation have a positive and significant impact on SMEs performance	Quality Management and Market Orientation influence SMEs performance	ERM affects SME's performance	H1
2	Shah, Jamaludin, Habibah, Talib, Yusof (Quality Management has a positive and significant impact on SMEs performance	Quality Management influences SMEs performance	Market Orientation and ERM affect SMEs performance	H1
3	Singh, Bhardwaj, and Sachdeva (2019)	Quality Management has a positive and significant impact on SMEs performance	Market Orientation influences SMEs performance	Quality Management and ERM affect SME's performance	H1
4	Presutti and Odorici (2018)	Market Orientation has a positive and significant impact on SMEs performance	Market Orientation influences SMEs performance	Quality Management and ERM affect SME's performance	H2
5	Jamaluddin, Bushthomi, Gantika, Rosid, Sunarya, Nur (2022)	Market Orientation has no significant relationship with SMEs performance	Impact of Market Orientation on SMEs performance	Quality Management and ERM affect SME's performance	H2
6	Asheq and Hossain (2019)	Market Orientation has a positive and significant impact on SMEs performance	Market Orientation influences SMEs performance	Quality Management and ERM affect SME's performance	H2
7	Hanggraeni, Slusarczyk, Sulung, Subroto (2021)	ERM has a positive and significant impact on SMEs performance	ERM influences SMEs performance	Quality Management and Market Orientation affect SME's performance	H3
8	Yang, Ishtiaq and Anwar (2018)	ERM has a significant influence on SMEs performance	ERM influences SMEs performance	Market Orientation affects SMEs performance	H3
9	Glowka, Kalmunzer, and Zehrer (2020)	ERM and Quality Management has a significant influence on SMEs performance	ERM and Quality Management influence SMEs performance	Market Orientation affects SMEs performance	H3

Analysis between Variabels

The Impact of Quality Management on SMEs Performance.

Quality Management has an impact on SMEs, of which the dimension or indicator of Quality Management (transendency, orientation on product-based, user-based, manufacturing-based, and value-based) influences the dimensions or indicators of SMEs (opening employment, new business, economic development, sustainability, innovations, satisfy customer needs, entrepreneurial skills, and competitive and healthier economy).

To improve SMEs performance by taking Quality Management into account, the management must have the knowledge of committed leadership, processed, continuous improvement, commitment, leadership, engagement of people, process approach, improvement, evidence-based decision and relationship management.

Quality Management influences SMEs performance, if it is well perceived by customers/consumers then this will improve SMEs performance.

Quality Management influences SMEs performance, this is in line with research conducted by Nadeem Kureshi (2019) Belas J., Strnad Z., Gavurova B., Cepel M. (2019), Irianing Suparlinah, Atiek Sri Purwati, Negin Kencono Putri, Warsidi Warsidi (2019), Syed Ali Raza Shah, Khairur Rijal Jamaludin, Hayati Habibah Abdul Talib and Sha'ri Mohd Yusof (2019), and Athenkosi Sogaxa, Eric Simpeh, and Julius Fapohunda (2021). Lakhwinder Pal Singh, Arvind Bhardwaj and Anish Sachdeva (2019).

The Impact of Market Orientation on SMEs Performance.

Market Orientation has an impact on SMEs, of which the dimension or indicator of Market Orientation (customer orientation, competitor orientation and inter-functional coordination) influences the dimensions or indicators of SMEs (opening employment, new business, economic development, sustainability, innovations, satisfy customer needs, entrepreneurial skills, and competitive and healthier economy).

To improve SMEs performance by taking market orientation into account, the management must have the knowledge of market intelligence initiation, dissemination of market-oriented intelligence and facilitation of responsiveness mechanism, customer needs and wants.

Market Orientation influences SMEs performance, if it is well perceived by customers/consumers then this will improve SMEs performance).

Market Orientation influences SMEs performance, this is in line with research conducted by M. Presutti and V. Odorici (2018), Ahmed Al Asheq, Md Uzzal Hossain (2019) and Maun Jamaludin, Hari Busthomi, Soma Gantika, Abdul Rosid, Erry Sunarya and Tuah Nur (2022).

The Impact of Enterprise Risk Management on SMEs Performance.

ERM has an impact on SMEs, of which the dimension or indicator of ERM (company performance, downsizing of risk pressures, and growth opportunities) influences the dimensions or indicators of SMEs (opening employment, new business, economic development, sustainability, innovations, satisfy customer needs, entrepreneurial skills, and competitive and healthier economy).

To improve SMEs performance by taking ERM into account, the management must have the knowledge of the unrecognized opportunities, innovative business solutions, success competitive market performance, reduction of risk pressures, and company value.

ERM influences SMEs performance, if it is well perceived by customers/consumers then this will improve SMEs performance.

ERM influences SMEs performance, this is in line with research conducted by Dewi Hanggraeni, Beata S'lusarczyk, Liyu Adhi Kasari Sulung and Athor Subroto (2019), Gundula Glowka, Andreas Kalmunzer, anita Zehrer (2020) Belas J., Strnad Z., Gavurova B., Cepel M. (2019), Athenkosi Sogaxa1, Eric Simpeh, and Julius Fapohunda (2021).

Conceptual Framework

Based on the formulation of the problem, theoretical studies, relevant previous research and discussion of the influence between variables, the framework for thinking of this article is processed as below.

**Model Y (SMEs Performance) and Z (ERM) :
Analysis X1 (Quality Management) and X2 (Market Orientation)**

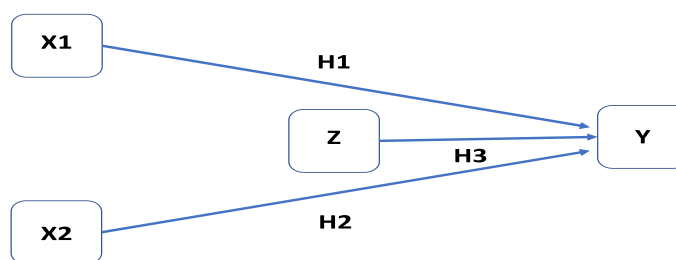


Figure 1: Conceptual Framework

Based on the conceptual framework picture above, then: ERM, Quality Management and Market Orientation influence SMEs performance.

In addition to these three exogenous variables that influence the SMEs performance, there are many other variables that affect Investment Decisions, including:

- 1) Cost Control (Yang, 2018)
- 2) Funding (Suparlinah, Purwati, Putri and Warsidi, 2019)
- 3) Financial Literacy (Yang, 2018)

CONCLUSIONS AND RECOMMENDATION

Conclusions

Based on the theory, relevant articles and discussion, hypotheses can be formulated for further research. The conclusions are as follows:

1. Enterprise Risk Management affects SMEs performance.
2. Quality Management affects SMEs performance.
3. Market Orientation affects SMEs performance..

Recommendation

Based on the conclusions above, the suggestion for the next researchers is that there are many other factors that SME, apart from Enterprise Risk Management, Quality Management, dan Market Orientation, therefore further studies to search factors such as Human Resource competence, Competitive Advantage and Financial Literacy.

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