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## Analysis of Market Orientation, Innovation and Operational Efficiency Towards SMEs Performance at Martabak SMEs in Sukabumi City

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**Abstract:** This study is motivated by the low performance of martabak micro, small and medium enterprises (MSMEs) in Sukabumi City which is allegedly caused by weak market orientation, lack of appropriate innovation, and low operational efficiency. This study aims to analyze the influence of market orientation, innovation, and operational efficiency on business performance. This research uses a quantitative approach with a causal descriptive method. The entire population of 149 businesses was sampled using saturated sampling technique. Data were collected through questionnaires and analyzed using multiple linear regression, after testing validity, reliability, and classical assumption test. Data processing used SPSS V.25 software application. The result showed that market orientation and operational efficiency had a positive and significant effect on business performance, while innovation had a negative and significant negative effect. This finding indicates that business actors have not been able to implement relevant and targeted innovation according to market needs. Therefore, it is necessary to increase understanding of the market, optimize efficiency in operational processes, and design more contextual innovative strategies so that business performance increases and business competitiveness is maintained in a sustainable manner.

**Keyword:** Market orientation, Innovation, Operational efficiency, SMEs Performance

### INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have a strategic role in the Indonesian economy, especially in supporting sustainable national economic growth. The resilience of SMEs in facing various economic challenges, such as the financial crisis and the global pandemic, has made this sector the backbone of the national economy (Rahman dkk., 2021). SMEs are not only a significant provider of employment, but also contribute greatly to the Gross Domestic Product (GDP), non oil and gas exports, and national investment (Kemenkop UKM, 2023). According to data from the Ministry of Cooperatives and SMEs (2023), the contribution of MSMEs to GDP shows an increasing trend every year, from 60.00% in 2019 to 62.50% in 2022. This increase signifies the importance of strengthening SME performance as

part of the national economic development strategy. However, despite this contribution, SMEs still face various challenges that hinder their performance, particularly in terms of innovation, market strategy, and operational efficiency.

The company's ability to manage resources is a reflection of performance, because performance is something that must be achieved by a company (Komariah dkk., 2022). Performance can also be interpreted as the level of achievement obtained in order to achieve a goal (R.Danial dkk.,2022). Performance in the context of SMEs is defined as the achievement of business result based on predetermined targets within a certain period of time (Lauria dkk., 2014). Performance is a reflection of how well business actors manage their business activities. To improve performance, SME actors need to have a strong market orientation, which means a deep understanding of the needs and desires of consumers and the ability to respond to market changes (Slamet & Iskandar, 2016) because, successful companies are those that accurately anticipate market trends and quickly respond to changing customer needs and understand their market orientation (Wiwoho., 2019). Innovation also plays an important role in creating added product value, driving differentiation, and increasing competitiveness (Sarjita., 2017). On the other hand, operational efficiency measures the extent to which SMEs can minimize waste and maximize productivity, which is directly related to the ability to manage costs and time (Momongan dkk., 2024).

Sukabumi City is one of the areas in West Java Province that has high potential for the development of culinary SMEs. One of the growing subsectors is martabak SMEs. Based on data from the Office of Investment and One-Stop Integrated Service (DPMPTSP) and the Office of SME Cooperatives (DISKUMINDAG) in 2024, there were 149 martabak SMEs active in Sukabumi City.

**Table 1. Quantity of Martabak SMEs in Sukabumi City in 2024**

Province	City	Type of SMEs	Quantity
West Java	Sukabumi	Martabak	149

Source: DPMPTSP & DISKUMINDAG, 2024

However, based on observations and questionnaires, it was found that most of them still face challenges in understanding the market, innovating products, and managing their businesses efficiently. Issues such as low utilization of digital marketing media, lack of entrepreneurship training, and limited capital and market information are the main challenges faced. This has an impact on the low competitiveness and sustainability of their businesses in the midst of increasingly fierce competition.

Specifically in the aspect of innovation, many martabak SMEs have not optimally implemented the four types of innovation, product innovation, process innovation, organizational innovation, and marketing innovation. For example, product innovation often stops at flavor variations without significant value added or differentiation, process innovation is limited due to lack of access to modern production equipment, organizational innovation is hampered by the absence of a structured managerial system, and marketing innovation is constrained by limited digital literacy and low use of online platforms. These obstacles cause innovations that are introduced to be misaligned with market expectations, thus hindering performance improvement.

These findings are in line with several previous studies that show inconsistent results. Some studies state that market orientation has a significant effect on the performance of MSMEs (Heryadi dkk., 2023), but others find no significant effect (Sumiati., 2015). Similarly, innovation and operational efficiency, which in some contexts show mixed results depending on the characteristics of the region and type of business (Daswal dkk., 2023; Syafitri dkk.,

2022)). In addition, (Mahfudz & Muammar, 2017) stated that operational efficiency contributes significantly to the performance of MSMEs.

Based on this background, this study aims to analyze the extent of the influence of market orientation, innovation, and operational efficiency on SMEs performance in martabak SMEs in Sukabumi City. This research is expected to provide an empirical contribution to the development of relevant business strategies and serve as a basic for consideration for local governments in formulating SME development policies. The problems to be answered in this study are as follows:

1. How does market orientation affect SMEs performance in martabak SMEs in Sukabumi City?
2. How does innovation influence SMEs performance in martabak SMEs in Sukabumi City?
3. How does operational efficiency influence SMEs performance in martabak SMEs in Sukabumi City?

## METHOD

The study was conducted on martabak SMEs in Sukabumi City, West Java Province, Indonesia. This study uses a quantitative approach with a causal descriptive design, which aims to examine the effect of Market Orientation (X1), Innovation (X2), and Operational Efficiency (X3) as independent variables on SMEs Performance (Y) as the dependent variable. The population in this study were all martabak business actors classified as SMEs and domiciled in Sukabumi City, with a total of 149 business units, based on data from the One-Stop Integrated Investment and Service Office (DPMPTSP) and the Sukabumi City Cooperative and SMEs Office in 2024. The sampling technique used was saturated sampling (census), where all members of the population were sampled because the number was relatively small, resulting in a sample size of 149 respondents.

Data collection was carried out using a structured questionnaire prepared based on indicators of each research variable. The questionnaire uses a 5 point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Indicators on each variable are arranged based on the following dimensions : Market Orientation consists of customer, competitor, and function coordination dimensions; Innovation consist of product, process, organizational, and marketing innovation; Operational Efficiency consists of cost, time, resource, and process efficiency; while SMEs Performance consist of financial, operational, and strategic dimensions.

Before use, the questionnaire instrument was first tested through a validity test using the Pearson Product Moment method and a reliability test using Cronbach's Alpha. The test results showed that all statement items were valid ( $r > 0.3$ ) and reliable ( $\alpha > 0.6$ ). Data were analyzed using SPSS version 25 software, through several stages of statistical analysis. This first stage is the classical assumption test, which includes test for normality, multicollinearity, autocorrelation, heteroscedasticity, and linearity, to ensure that the data qualify for regression analysis. Next, multiple linear regression analysis was conducted to test the effect of each independent variable on the dependent variable, both simultaneously using the F test and partially using the t test. Finally, the coefficient of determination ( $R^2$ ) was used to see how much the independent variables contributed in explaining variations in SMEs performance.

The regression model used in this study is as follows :

$$Y = a + b_1 x_1 + b_2 x_2 + \dots + b_n x_n$$

Description :

- Y : SMEs Performance  
X1 : Market Orientation  
X2 : Innovation  
X3 : Operational Efficiency

The research was conducted in Sukabumi City from March to April 2025, with the object of research in the form of martabak SMEs engaged in the culinary sector.

## RESULTS AND DISCUSSION

### Result

This study involved 149 respondents who are martabak SMEs in Sukabumi City. Data analysis was conducted using SPSS version 25, which includes validity, reliability, classical assumptions, and multiple linear regression test.

### Validity Test

According to (Sugiyono, 2024) the validity test is a process to determine the extent to which the research instrument can accurately measure the intended variable. In this study, validity was tested using the Pearson Product Moment correlation method, if the correlation of each factor is positive and  $\geq 0.3$ , then the factor has a strong and valid construct. Conversely, if the correlation is  $< 0.3$ , the item is considered invalid and must be corrected or deleted. The validity test in this study was carried out by distributing questionnaires to 149 Martabak SME players in Sukabumi City, the following are the results of the test:

**Table 1. Research Variable Questionnaire Validity Test Result**

Item	Market Orientation X1	Innovation X2	Operational Efficiency X3	SMEs Performance Y	r table	Information
Item 1	0,524	0,519	0,606	0,600	0,3	Valid
Item 2	0.818	0,631	0,607	0,537	0,3	Valid
Item 3	0,622	0,576	0,702	0,533	0,3	Valid
Item 4	0,636	0,609	0,672	0,523	0,3	Valid
Item 5	0,512	0,593	0,593	0,509	0,3	Valid
Item 6	0,662	0,563	0,667	0,511	0,3	Valid
Item 7	0,505	0,512	0,644	0,591	0,3	Valid
Item 8	0,504	0,501	0,513	0,552	0,3	Valid
Item 9	0,507	0,510	0,502	0,565	0,3	Valid
Item 10		0,576	0,550		0,3	Valid
Item 11		0,596	0,581		0,3	Valid
Item 12		0,540	0,585		0,3	Valid

Source : Processed Data from SPSS 25.0 software

It can be seen from the validity test table that the overall R value is higher than the R table, meaning that all questions are declared valid and valid for use as data collection tools.

### Reliability Test

According to (Sugiyono, 2024) the reliability test aims to determine the consistency and stability of the measurement instrument which, if used several times to measure the same object, will produce the same data. In this study, the reliability coefficient is  $> 0.6$ , the entire statement shows that the instrument is increasingly reliable to determine reliability.

**Table 2. Reliability Test Result for Market Orientation, Innovation, Operational Efficiency and SMEs Performance Variables**

No	Variabel	Cronbach's Alpha	r table	Information
1	Market Orientation	0,758	0,6	Reliabel
2	Innovation	0,798	0,6	Reliabel
3	Operational Efficiency	0,837	0,6	Reliabel
4	SMEs Performance	0,698	0,6	Reliabel

Source : Processed Data from SPSS 25.0 software

It can be seen from the table that the calculated R value is higher than the R table, meaning that all questions are declared reliable and valid for use as data collection tools.

**Classical Assumption Test**

According to (Sihotang, 2023), the normality test checks the data distribution with Kolmogorov-Smirnov, significant > 0.05 means the data is normal. Multicollinearity test (Majid, 2015) detects correlation between independent variables, with tolerance ≤ 0.10 or VIF ≥ 10 indicating a problem. Autocorrelation test (Majid, 2015) looks at the relationship between errors with Durbin-Watson. Heteroscedasticity test (Sihotang, 2023) detects bias, with significance > 0.05 means there are so symptoms. Linearity test (Sugiyono, 2024) ensures the relationship between X and Y is linear if the significance of Linearity < 0.05.

**Table 3. Classical Assumption Test Results**

Test type	Result	Information
Normality	Sig. 0,200	Data is normally distributed
Multicollinearity	VIF < 10; Tolerance > 0,1	There is no multicollinearity
Autocorrelation	Durbin Watson = 2,048	There is no autocorrelation
Heteroscedasticity	Sig. > 0,05	There is no heteroscedasticity
Linearity	X1 & X3 Sig. < 0,05; X2 = 0,216	X1 and X3 are linear to Y, whereas, X2 is not linear to Y.

Source : Processed Data from SPSS 25.0 software

The result of the classical assumption test show that the data meet the requirements of regression analysis, namely no violation of normality, multicollinearity, autocorellation, and heteroscedasticity. The linearity test also shows that variables X1 and X3 have a linear relationship to Y.

**Multiple Linear Regression**

According to (Sugiyono, 2024) Multiple linear regression is an analysis used to determine the effect of two or more independent variables (free) on one dependent variable (bound) simultaneously (simultaneously) or partially (each). Multiple Linear Correlation Formula :

$$Y = 18,793+0,372X1-0,168X2+0,258X3$$

**Table 4. Multiple Linear Regression Results**

Variable Independen	Regression coefficient (B)	t count	Sig.	Information
Orientasi Pasar (X1)	0,372	5,520	0,000	Significant positive effect
Inovasi (X2)	-0,168	-3,054	0,003	Significant negative effect
Efisiensi Operasional (X3)	0,258	4,273	0,000	Significant positive effect

Source : Processed Data from SPSS 25.0 software

The results of the regression analysis show that Market Orientation (X1) and Operational Efficiency (X3) have a positive and significant effect on SMEs Performance, while Innovation (X2) has a negative and significant effect.

### F Test and Coefficient of Determination

According to (Sugiyono, 2024), the F test is used to determine the simultaneous effect of the independent variable on the dependent variable in regression, with the criteria  $F_{count} > F_{table}$  and significance  $< 0.05$  indicating a significant effect. The coefficient of determination ( $R^2$ ) is used to measure how much the independent variable explains the dependent variable, with an  $R^2$  value between 0-1; the closer to 1, the stronger the model. The Kd value is calculated using the formula  $Kd = R^2 \times 100\%$ .

**Table 5. F Test Result and Coefficient of Determination**

Test	Value	Sig.
F hitung	22,131	0,000
Koefisien Determinasi ( $R^2$ )	0,314	-

Source : Processed Data from SPSS 25.0 software

The F test result show that the regression model is simultaneously significant ( $F = 22,131$  ;  $Sig = 0,000$ ). The coefficient of determination ( $R^2$ ) value obtained is 0.314 or 31.4%, which means that Market Orientation, Innovation, and Operational Efficiency together are able to explain 31.4% of the variability of SMEs Performance. Since this value is still near 0, the relationship is in the weak category. Meanwhile, the remaining 68.6% is explained by other variables outside this research model. Thus, although this model has an influence, its strength in explaining the dependent variable is still relatively weak, so it can be considered to develop the model by adding other relevant variables.

### Discussion

#### Effect Market Orientation (X1) on SMEs Performance (Y)

The multiple linear regression test results show the t value of  $5.520 > 1.984$ , significance  $0.000 < 0.05$ , and beta coefficient 0.393, which means that Market Orientation (X1) has a positive and significant effect on SMEs Performance (Y). This finding is consistent with research by (Sudibia, 2021), which emphasizes the importance of market orientation in helping MSMEs understand consumer needs, anticipate market changes, and devise appropriate strategies. In martabak SMEs in Sukabumi, market orientation helps adjust products, services, and promotions to suit customer preferences. Therefore, it is important for SMEs players to continue to strengthen market orientation to improve their competitiveness and business performance.

#### Effect of Innovation (X2) on SMEs Performance (Y)

The multiple linear regression test result show the t value of  $-3.054$  with a significance of  $0.003 < 0.005$  and a beta coefficient of  $-0.247$ , which means that Innovation (X2) has a negative and significant effect on SMEs Performance (Y).this finding is different from research by (Wahyudi, 2019) which state that innovation has a positive impact.

The negative effect found in this study suggests that the innovations carried out by martabak SMEs in Sukabumi are not yet aligned with market demands or business capacity. Many innovations tend to focus on adding product variations (e.g., toppings, flavors) without considering operational feasibility or customer preferences. Furthermore, innovation in processes and marketing is limited due to barriers such as lack of funding, inadequate business knowledge, and low digital adoption. These limitations result in ineffective innovation that burdens rather than benefits the business, thereby lowering performance.

Thus, it is essential for SMEs to identify and implement innovation strategies that are feasible, market-driven, and supported by sufficient resources and digital literacy.

### **Effect of Operational Efficiency (X3) on SMEs Performance (Y)**

The regression test results show the t value of  $4.273 > 1.984$ , with a significance of  $0,000 < 0.05$  and a beta coefficient of 0.354, which means that Operational Efficiency (X3) has a positive and significant effect on SMEs Performance (Y). This finding is in accordance with the research of (Dewangga & Nugroho, 2024) which states that operational efficiency in the aspects of cost, time, labor, and production processes contribute significantly to improving the performance of SMEs. In martabak SMEs in Sukabumi, efficiency is reflected in the management of production time, proper use of raw materials, and fast service. Therefore, optimizing operational efficiency is important for businesses to remain competitive and profitable.

Overall, these results suggest that market orientation and operational efficiency are more important in improving the performance of martabak SMEs than innovations that have not been fully implemented.

### **CONCLUSION**

Based on the results of this study, it can be concluded that Market Orientation (X1) and Operational Efficiency (X3) have a positive and significant effect on SMEs Performance (Y), while Innovation has a negative and significant effect. This shows that martabak SMEs in Sukabumi City have implemented market orientation and operational efficiency well, but the innovations made are not optimal and not relevant to market needs.

This research can be used as a reference for further researchers. It is recommended to add other variables and expand the scope of the research area so that the results obtained are more comprehensive and can be generalized. In addition, SME actors are also advised to improve their understanding of customer needs, strengthen targeted innovations, and continue to optimize work efficiency in order to improve competitiveness and business performance in a sustainable manner.

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