

# The Role of Market Orientation and Learning Orientation in Improving Innovativeness and Performance of Small and Medium Enterprises

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## Abstract

The purpose of study is to describe contradiction relationship between market orientation toward organizational performance and to provide a quantitative analysis, in which learning orientation, market orientation, entrepreneurial orientation, and innovativeness function as the key success factors in technology-intensive firms. The authors formulate a structural equation model to examine the relationship among these constructs. A structural equation model was designed to examine the relationship. To test the model, the authors conducted covariance structural analyses of data collected from 150 small medium enterprises in Banyumas Regency. The central finding is that learning orientation plays a mediating role in the relationship between market orientation and innovativeness.

The results indicate that innovativeness has effect on business performance. Market orientation can strengthen learning orientation and innovativeness. In the small medium enterprises, the market information obtained from customers and competitors helps firms to keep an eye on the market. For better competitive advantages and business performance, firms must have learning capabilities and employees' identity with organizational mission. The findings indicate that firms should strengthen their learning orientation and innovativeness to improve business performance.

**Keywords:** Learning orientation, Market orientation, Innovation, Performance

## 1. Background

Small and medium enterprises (SMEs) demanded to develop market orientation concepts in their organizations in order to synchronize with the changing of business environment. Market orientation is a group of behaviors and processes or culture to create superior customer value (Narver and Slater, 1990; Keskin, 2006; Lin et al., 2008). Several previous studies indicated better performer in some companies when they focus on market orientation with particular emphasis on flexibility and speed of response (Noble et al., 2002; Lee and Tsai, 2005; Keskin, 2006; Lin et al., 2008).

Basically market orientation is the first step to response on environment business changing. Slater and Narver (1994) said that market orientation only gave impact on business performance when it was combined with learning orientation within of the company. Market orientation cannot positively influenced business