



# Linking Strategic Orientation to Performance: Evidence of Competency-Mediated Effects in Emerging Market Student Entrepreneurs

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## ABSTRACT

This study examines how two strategic orientations—market orientation and sales orientation—affect business performance through the mediating role of entrepreneurial competencies within student-run micro and small enterprises. Grounded in the resource-based view (RBV), orientations are conceptualized as strategic capabilities that can enhance firm competitiveness when translated into individual-level entrepreneurial competencies. Using survey data collected from student entrepreneurs operating within a university-based entrepreneurship environment ( $n = 195$ ) and analyzed using partial least squares structural equation modeling (PLS-SEM), the results show that both market orientation and sales orientation exert significant positive effects on entrepreneurial competencies. Furthermore, entrepreneurial competencies demonstrate a strong and significant influence on business performance and mediate the relationship between both orientations and performance. These findings extend RBV theory by clarifying how strategic orientations yield performance benefits not directly, but through competency development at the individual level. Practically, the study highlights the importance of cultivating market-driven, sales-driven, social entrepreneurship, and competency-focused training in entrepreneurship education to enhance the performance of student-run enterprises in emerging markets.

**Keywords:** Market Orientation, Sales Orientation, Social Entrepreneurship, Entrepreneurial Competencies, Business Performance, Student Entrepreneurship, Strategic Orientation

**JEL Classifications:** M30, M31

## 1. INTRODUCTION

Indonesia has consistently experienced an annual increase in its labor force. In 2024, the number of individuals classified as part of the labor force reached 152.11 million. However, data compiled by the BPS indicate a decrease in the unemployment rate by 0.41% in the same year (Badan Pusat Statistik, 2025). Despite this, many individuals are turning to entrepreneurship amid the increasingly competitive job market. This trend is evident from the number of micro, small, and medium enterprises

(MSMEs) in Indonesia, which reached 64.2 million in 2024 (Junaedi, 2024).

The latest data from BPS in 2023 recorded a total of 4,500,584 MSME units across Indonesia (Badan Pusat Statistik, 2024). This research concentrates on micro, small, and medium enterprises (MSMEs) in East Java Province, which experienced a significant rise in the number of business units, particularly between 2022 and 2023. The consistent increase reflects the entrepreneurs' ability to adapt and remain resilient in dealing with the disruptions caused

by the Covid-19 pandemic in recent years. This resilience is a vital element in supporting improved business performance amid persistent market volatility.

Evaluating business performance can involve comparing a firm's current results with those from the previous year or assessing its performance relative to key competitors in the same industry (Dameshifa et al., 2023). Entrepreneurial competencies encompass a mix of specialized knowledge, personal drive, self-perception, and unique individual attributes that enable the achievement of business goals (Sakib et al., 2022). Additionally, existing empirical research supports the notion that market orientation has a positive influence on business outcomes (Soomro et al., 2025). Accordingly, it is important to explore the interconnected roles of market orientation, sales orientation, and entrepreneurial competencies.

This research applies the resource-based view (RBV) theory to investigate entrepreneurial performance within the framework of market and sales orientation. RBV suggests that resources which are valuable, rare, and difficult to replicate can be effectively leveraged to gain and sustain competitive advantage. For MSMEs, utilizing the RBV approach allows them to optimize internal strengths and enhance their long-term competitiveness.

## 2. LITERATURE REVIEW

### 2.1. Resource-Based View (RBV) Theory

The resource-based view (RBV), originally proposed by Barney (1991), posits that an organization consists of both physical and non-physical resources, which—when they are valuable, rare, inimitable, and non-substitutable (VRIN)—can serve as the foundation for sustaining long-term competitive advantage. This perspective has been widely adopted and expanded in contemporary research (Abrokwah-Larbi, 2024; Soomro et al., 2025). Tangible resources include financial capital and physical assets, while intangible ones encompass elements such as institutional knowledge, social networks, and brand reputation.

This theoretical lens highlights that superior business performance can be achieved by strategically utilizing and managing these internal resources (Lubis, 2022; Mubeen et al., 2023). Within the context of MSMEs, RBV offers a useful perspective for entrepreneurs—including those managing student-run enterprises—to leverage unique assets such as innovation, technological tools, and personal connections, allowing them to navigate dynamic market conditions with a competitive advantage.

### 2.2. Market Orientation

Market orientation refers to a business philosophy and strategic focus that emphasizes understanding and responding to customer needs, competitor actions, and market trends. According to Tjiptono (2021), market orientation manifests in activities such as continuous market research, customer satisfaction monitoring, and value-based product innovation. Businesses with a strong market orientation actively collect and disseminate market intelligence across departments to deliver superior value (Sudarmadji et al. (2020) and Sam et al. (2025). The key elements typically include

customer orientation, competitor orientation, and interfunctional coordination. Each of these components contributes to the firm's ability to align its operations with dynamic market demands (Kushwaha et al., 2022).

Empirical studies show that market orientation positively correlates with increased innovation, responsiveness, and customer loyalty, which in turn strengthen business performance (Dameshifa et al., 2023). Abidin et al. (2022) also found that market-oriented firms are more adaptive and tend to develop better entrepreneurial competencies. In the context of MSMEs, especially those managed by student entrepreneurs, adopting a market orientation enables businesses to gain insight into customer expectations, refine their value propositions, and enhance their competitive positioning in the market.

### 2.3. Sales Orientation

Sales orientation is a business approach that emphasizes the importance of selling activities, such as achieving sales targets, promoting products, and persuading customers. This orientation often prioritizes short-term financial goals over long-term customer relationships (Adusei et al. (2020) and Sinaau et al. (2024). Ardiwiryanata and Hafidz (2023) assert that sales-oriented individuals focus on immediate revenue generation by relying on structured and aggressive sales techniques. This may include discount strategies, performance bonuses, or high-pressure selling, especially in competitive industries like retail and F&B.

Despite its transactional nature, sales orientation can still enhance entrepreneurial skills such as negotiation, product pitching, and persuasive communication. Soomro et al. (2025) noted that this orientation positively influences sales performance when combined with adaptive strategies. Moreover, Kushwaha et al. (2022) highlight that students exposed to sales training tend to exhibit more proactive business behaviors. This is supported by Dameshifa et al. (2023), who emphasize that practical sales exposure helps build entrepreneurial adaptability, especially in early-stage business ventures. In entrepreneurial ventures led by students, practicing sales-oriented strategies offers firsthand experience in engaging customers, building resilience, and identifying effective selling points for business growth.

### 2.4. Entrepreneurial Competencies

Entrepreneurial competencies are defined as a set of personal attributes, knowledge, and skills that enable individuals to effectively initiate, develop, and sustain entrepreneurial ventures. According to Sakib et al. (2022), these competencies include relationship management, opportunity recognition, strategic planning, and leadership. Prasad (2022) further emphasizes that entrepreneurial success often stems from traits such as creativity, risk-taking ability, and resilience. Entrepreneurs who possess strong competencies tend to outperform peers in navigating uncertainty and seizing market opportunities (Mu'min et al., 2025; Mu'min et al., 2025; Sam et al., 2025).

Educational background and environmental exposure also play key roles in developing these competencies (Sukriani et al., 2023). For instance, students who participate in incubation

programs or mentorship often demonstrate superior decision-making and innovation capabilities. Soomro et al. (2025), argue that entrepreneurial competencies serve as internal resources that mediate the effectiveness of external strategies such as marketing or sales orientation. Abidin et al. (2022) likewise identified a strong link between market knowledge and competency development in MSME settings.

### 2.5. Business Performance

Business performance refers to the outcomes achieved by a business in terms of profitability, customer satisfaction, innovation, and social impact. According to Srimulyani et al. (2023), performance indicators may include financial returns, operational efficiency, and environmental sustainability. In small business contexts, performance can also be measured by the firm's ability to maintain consistent growth, attract customers, and meet strategic goals (Arabeche et al., 2022). The use of digital platforms and e-commerce has further expanded how performance is tracked and enhanced. Sudarmadji et al. (2020), argue that performance evaluation should not be limited to financial metrics but also include community engagement and long-term value creation. Mubeen et al. (2023) emphasize the role of innovation and dynamic capabilities in driving sustainable performance. Dameshifa et al. (2023) also support the view that business performance is often the result of synergistic interactions among internal competencies, market intelligence, and customer relationships. These insights are especially relevant for student-led MSMEs aiming to scale their ventures amidst intense market dynamics. The following section presents a summary of the proposed research framework in figure 1.

## 3. HYPOTHESIS DEVELOPMENT

### 3.1. Market Orientation and Its Effect on Entrepreneurial Competencies

Market orientation equips entrepreneurs with essential knowledge that enhances consistent operational efficiency amid ever-changing and uncertain market conditions. Prior studies have affirmed that market orientation positively contributes to the enhancement of entrepreneurial competencies (Abidin et al., 2022). By continuously monitoring shifts in customer needs and market trends, entrepreneurs can more effectively build relevant skills and implement flexible, adaptive strategies. As a result, ventures that embrace a market-oriented mindset often demonstrate higher levels of innovation and agility in their entrepreneurial endeavors.

H<sub>1</sub>: Market orientation has a meaningful effect on EC.

### 3.2. Sales Orientation and Its Effect on Entrepreneurial Competencies

Sales orientation typically prioritizes achieving sales targets over ensuring customer satisfaction. Nevertheless, as noted by Adusei et al. (2020), this orientation can still foster customer-centric behaviors by promoting more flexible and responsive selling practices. Despite its transactional nature, a sales-oriented approach may facilitate the development of key practical abilities, including negotiation and persuasive communication. Such skills are particularly beneficial for entrepreneurs as they seek to address

market needs and convert potential buyers into loyal customers.

H<sub>2</sub>: Sales Orientation has a significant effect on entrepreneurial competencies.

### 3.3. Market Orientation and Its Effect on Business Performance

Firms that adopt a market-oriented approach are able to assess customer needs and preferences by leveraging market data and insights (Dameshifa et al., 2023). This study reinforces the view that market orientation plays a pivotal role in shaping business performance (Soomro et al., 2025). A comprehensive understanding of market dynamics allows companies to tailor their products or services in line with customer expectations, thereby improving satisfaction and fostering loyalty. In the long term, this customer focused strategy contributes to sustained profitability and strengthens competitive positioning.

H<sub>3</sub>: There is a significant influence of market orientation on business performance.

### 3.4. Sales Orientation and Its Effect on Business Performance

Firms that adopt a sales-oriented strategy frequently depend on proven, low-risk selling methods, often placing less emphasis on the cognitive development of innovative sales techniques (Kushwaha et al., 2022). In line with this perspective, Soomro et al., 2025 identified a significant impact of sales orientation on business performance. By focusing on short-term achievements, sales-driven initiatives can lead to substantial increases in immediate revenue. However, to maintain long-term growth and operational stability, it is essential that such strategies be balanced with efforts to build enduring customer relationships.

H<sub>4</sub>: Sales orientation significantly influences business performance.

### 3.5. Entrepreneurial Competencies and Their Effect on Business Performance

Entrepreneurs are individuals endowed with intrinsic attributes that empower them to initiate and manage their own ventures (Prasad, 2022). As noted by Soomro et al. (2025), entrepreneurial competencies positively contribute to business performance. These competencies—such as innovation, leadership, risk management, and problem-solving—are vital for effectively navigating the complexities of today's competitive landscape. Enhancing these capabilities enables businesses to maintain agility and adaptability, thereby improving performance and fostering long-term growth potential.

H<sub>5</sub>: Business Performance is significantly affected by EC. The effect of EC on business performance is statistically significant.

### 3.6. The Mediating Role of Entrepreneurial Competencies between Market Orientation and Business Performance

Personal traits and leadership capabilities play a crucial role in shaping the competencies necessary for achieving entrepreneurial success (Peple and Enuoh, 2020). Their study suggests that entrepreneurial competencies may serve as a mediating variable in

the interplay between market orientation, entrepreneurial skills, sales orientation, networking activities, and overall business performance.

H<sub>6</sub>: Entrepreneurial competencies serve as a mediating variable in the linkage between market orientation and business performance.

### 3.7. The Mediating Role of Entrepreneurial Competencies between Sales Orientation and Business Performance

Sales orientation can occur when companies neglect actual consumer demands and instead focus on persuading consumers to purchase the company's products and services. According to Soomro et al. (2025), selling ability is positively and significantly associated with sales performance.

H<sub>7</sub>: Entrepreneurial competencies serve as a mediating variable in the relationship between sales orientation and business performance.

## 4. METHODS

This research utilized a quantitative approach with a causal design to examine the cause-and-effect relationships among the studied variables (Hair, 2019). The data were analyzed using structural equation modeling (SEM) with a covariance-based approach, which is appropriate for testing theoretical models involving latent constructs. Although the software is not explicitly mentioned elsewhere in this manuscript, the analysis was performed using AMOS due to its robust capability for confirmatory modeling, as suggested by Asy'ari et al. (2023). Data collection was conducted through purposive sampling, employing structured instruments followed by statistical analysis. The target population consisted of sixth-semester students enrolled in the International Business Management program at Ciputra University Surabaya, all of whom were actively involved in managing their own businesses during the study period. From a total population of 380 students, a sample of 195 respondents was determined using Slovin's formula.

Primary data were collected via an online questionnaire

disseminated through Google Forms. The survey was distributed using various social media channels, including WhatsApp, Line, and Instagram. The questionnaire focused on four main constructs: Market orientation, sales orientation, entrepreneurial competencies, and business performance. Each item in the instrument was rated on a seven-point Likert scale, ranging from "strongly disagree" (1) to "strongly agree" (7). With a calculated scale interval of 0.86, the average scores were systematically interpreted to classify the levels of agreement across the variables. All indicators were clearly defined based on operational definitions to maintain consistency and validity in measurement. For clarity, the complete set of indicators is presented in the following Table 1.

## 5. RESULTS AND DISCUSSION

### 5.1. Respondent Characteristics

The study surveyed a total of 195 participants, all of whom were sixth-semester students from the International Business Management program at Ciputra University Surabaya. The respondents were chosen due to their active engagement in running and managing their own businesses at the time of data collection. The demographic and business-related characteristics of the respondents are detailed in the following section to provide a clearer context for the research findings (Table 2).

Most respondents (99%) are entrepreneurs in the food and beverage (F&B) sector, with only 1% in agribusiness, indicating the F&B sector's dominance and accessibility. In terms of business duration, 43% have operated for 1-2 years and 40% for less than a year, showing that the majority are early-stage ventures. Only 17% have been active for more than 2 years. For monthly net profit, 45% earn under IDR 10 million, 31% earn IDR 10-30 million, 7% earn IDR 30-50 million, and 17% exceed IDR 50 million, reflecting varied income levels with many still in modest profit brackets.

### 5.2. Validity and Reliability Test

Hypothesis testing was conducted using validity and reliability tests to measure whether the variables used are valid. A common rule applied in PLS-SEM (partial least squares structural equation

**Table 1: Operational definitions of variables**

Variable	Indicator	Definition	Source
Market orientation	a. Customer orientation b. Competitor orientation c. Interfunctional coordination	The entrepreneur's ability to identify and focus on the target market.	(Sudarmadji et al., 2020)
Sales orientation	a. Sales orientation indicators b. Product offering c. Sales target achievement	The ability to increase sales by relying on sales-related competencies.	(Adusei et al., 2020)
Entrepreneurial competencies	a. Relationship competency b. Organizing and leading competency c. Learning competency d. Opportunity competency e. Strategic competency f. Commitment competency	The fundamental characteristics possessed by an individual that lead to the creation of new business ventures.	(Sakib et al., 2022)
Business performance	a. Financial performance b. Community performance c. Sustainable development performance d. Customer performance	Business performance refers to the measurable outcomes achieved by a business in terms of profitability and social contribution.	(Arabeche et al., 2022; Sudarmadji et al., 2020)

Source: Processed Data (2025)

modeling) analysis to assess indicator validity is that indicators with a loading factor above 0.500 are considered to have a significant contribution to their latent construct. This threshold is supported by Sudarmadji et al. (2020), who note that a loading factor above 0.500 indicates acceptable convergent validity in SEM-based measurement models.

Table 3 presents the results of the indicator validity test for each construct. All indicator loading values exceed the minimum threshold of 0.50, indicating that each item has a satisfactory level of correlation with its associated latent construct.

**Table 2: Distribution of respondents by business type, duration of operation, and monthly net profit**

Category	Subcategory	Percentage of respondents
Type of business	Food and beverage	99
	Agribusiness-Crop sector	1
Duration of business operation	<1 year	40
	1-2 years	43
	2-3 years	10
	>5 years	7
Monthly net business profit	<IDR 10 million	45
	10-30 million	31
	30-50 million	7
	>50 million	17

Source: Researcher’s processed data, 2025

**Table 3: Validity test**

Indicator	Variable	Estimate	
MO6	Market orientation	0.768	
MO5		0.791	
MO4		0.747	
MO3		0.759	
MO2		0.809	
MO1		0.787	
SO6		Sales orientation	0.764
SO5			0.766
SO4			0.797
SO3			0.818
SO2			0.851
SO1			0.827
EC1	Entrepreneurial competencies	0.579	
EC2		0.638	
EC3		0.595	
EC4		0.638	
EC5		0.623	
EC6		0.650	
EC7		0.556	
EC8		0.563	
EC9		0.586	
EC10		0.510	
EC11		0.585	
EC12		0.561	
BP1	Business performance	0.553	
BP2		0.547	
BP3		0.577	
BP4		0.632	
BP5		0.531	
BP6		0.560	
BP7		0.531	
BP8		0.512	

Source: Researcher’s processed data, 2025

Table 4 summarizes the construct reliability (CR) values for each variable. The CR values range from 0.78 to 0.92, all of which are above the recommended cutoff point of 0.60. This suggests that the items within each construct exhibit a consistent pattern of measurement, fulfilling the requirement for internal reliability in table 5.

Based on the decision criteria indicating the presence of an effect between latent constructs when the probability value (P-value) is <0.05, it can be seen from the P column in the table that the probability values for each relationship between latent constructs are provided. The P-values determine whether the hypothesized relationships are statistically supported by the data. According to the results of this study, all variables have a direct and significant effect. Based on the results shown in Figure 8, the t-statistic value of 4.672 exceeds the critical value of 1.96, and the P = 0.000 is <0.05. This confirms the acceptance of Hypothesis 6 (H<sub>6</sub>), suggesting that EC serve as an effective mediator on market orientation and business performance.

Similarly, Figure 9 reveals a t-statistic value of 4.689, which is >1.96, and a P = 0.000, which is below the 0.05 threshold. Therefore, Hypothesis 7 (H<sub>7</sub>) is supported, indicating that EC successfully mediate the relationship between sales orientation and business performance.

The results show that market orientation significantly influences entrepreneurial competencies (estimate = 0.265, P < 0.001). This supports prior studies, such as Abidin et al. (2022), which affirm that market orientation contributes to the development of entrepreneurial skills. Entrepreneurs who continuously monitor market changes are better equipped to build relevant competencies and adopt adaptive strategies. These findings are also consistent with Sudarmadji et al. (2020) and Dameshifa et al. (2023), who found that market-oriented ventures tend to foster innovation and agility in business execution.

**Table 4: Reliability test**

Variable	Construct reliability (CR)	Status
Market orientation	0.90	Reliable
Sales orientation	0.92	Reliable
Entrepreneurial competencies	0.87	Reliable
Business performance	0.78	Reliable

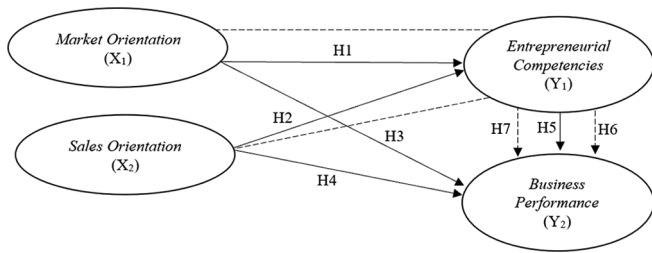
Source: Processed data (2025)

**Table 5: Direct effect test**

Variable relationship	Estimate	S.E.	C.R.	P-value
Entrepreneurial competencies ← Market orientation	0.265	0.039	6.725	***
Entrepreneurial competencies ← Sales orientation	0.274	0.040	6.797	***
Business performance ← Market orientation	-0.115	0.038	-3.015	0.003
Business performance ← Sales orientation	-0.128	0.040	-3.184	0.001
Business performance ← Entrepreneurial competencies	1.351	0.210	6.424	***

Source: Researcher’s data processing, 2025

**Figure 1:** Research model



Source: Researcher’s processed data, 2025

**Figure 8:** Sobel test for X1

Input:	Test statistic:	Std. Error:	p-value:
a 0.265	Sobel test: 4.67163878	0.07663585	0.00000299
b 1.351	Aroian test: 4.64518776	0.07707223	0.0000034
s <sub>a</sub> 0.039	Goodman test: 4.69854686	0.07619696	0.00000262
s <sub>b</sub> 0.210	Reset all	Calculate	

Source: Researcher’s processed data, 2025

**Figure 9:** Sobel test for X2

Input:	Test statistic:	Std. Error:	p-value:
a 0.274	Sobel test: 4.68944018	0.07893778	0.00000274
b 1.351	Aroian test: 4.66311263	0.07938346	0.00000311
s <sub>a</sub> 0.040	Goodman test: 4.71621875	0.07848957	0.0000024
s <sub>b</sub> 0.210	Reset all	Calculate	

Source: Researcher’s processed data, 2025

Sales orientation also significantly affects entrepreneurial competencies (estimate = 0.274, P < 0.001). Entrepreneurs who emphasize sales targets tend to develop practical skills in negotiation, communication, and customer persuasion. This is supported by Soomro et al. (2025), who noted that sales experience enhances confidence and business readiness, and by Ardiwiryayana and Hafidz (2023), who linked sales-oriented behavior with proactive entrepreneurial growth.

Interestingly, the direct effects of market orientation (estimate = -0.115, P = 0.003) and Sales Orientation (estimate = -0.128, P = 0.001) on business performance are negative and statistically significant. This contradicts conventional assumptions that strategic orientation alone drives better outcomes. These results indicate that without proper internal capabilities, such as entrepreneurial skills, the application of market or sales strategies may result in ineffective or misaligned execution, especially for novice entrepreneurs.

In contrast, entrepreneurial competencies show a strong positive effect on business performance (estimate = 1.351, P < 0.001). Entrepreneurs with higher competencies are more resilient and innovative, enabling them to lead their ventures through uncertainty and improve business outcomes. These results support Prasad (2022) and Soomro et al. (2025), who found that leadership, strategic thinking, and opportunity recognition are crucial for sustained business growth. In other words, having a strategic orientation alone does not guarantee success.

Mediation analysis confirms that Entrepreneurial Competencies mediate the relationship between market orientation and business

performance, with a Sobel test t-value of 4.672 and P = 0.000. This suggests that market strategies only produce performance gains when supported by the right entrepreneurial skillset. This finding aligns with Pepple and Enuoh (2020), who emphasized that internal competencies act as filters to maximize the effectiveness of external strategies.

Entrepreneurial competencies also significantly mediate the relationship between Sales Orientation and Business Performance, as indicated by a Sobel test t-value of 4.689 (P = 0.000). This suggests that sales efforts—when filtered through entrepreneurial capabilities—can be transformed into sustainable performance outcomes. Soomro et al. (2025) highlight that competencies such as innovation and strategic thinking are essential in turning short-term sales actions into long-term value.

## 6. CONCLUSION

The study’s results indicate that entrepreneurial competencies are strongly influenced by both market orientation and sales orientation. Additionally, the findings reveal that these two strategic orientations have a direct and measurable impact on firm performance. Notably, the study highlights that entrepreneurial competencies not only influence business performance directly but also play a crucial intermediary role in linking both market orientation and sales orientation to improved business outcomes.

Companies need to place greater emphasis on developing entrepreneurial potential through training, mentoring, and involvement in innovative projects. They must build long-term relationships and thoroughly understand market needs. In conducting business, companies should carefully consider the business orientation they intend to develop to create an environment that supports the effective utilization of entrepreneurial competencies, thereby achieving superior business performance.

This study has limitations in terms of the research object and sample, as it only involves business owners who are sixth-semester students majoring in International Business Management at Ciputra University Surabaya, actively running businesses. Consequently, the research findings may lack complexity. Additionally, the study focuses solely on three main variables: Market Orientation, Sales Orientation, and Entrepreneurial Competencies, along with their impact on business performance.

This study offers several recommendations as follows:

- Focus on developing entrepreneurial competencies, which includes training, mentoring, and incubation programs, especially in preparing resources.
- Implement management strategies to enhance positive business performance for MSMEs, such as emphasizing long-term value, product innovation, and improving efficiency and effectiveness in sales.
- Future research can expand by incorporating.
- Additional variables, such as orientation variables, entrepreneurial competencies, and business performance.

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