

# The Effects of Strategic Orientation, Technology Innovation, and Business Strategy in Improving Business Performance of *Sme* of Fashion Industry in Jakarta

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**Abstract:** Small and Medium Enterprise (SME) plays a key role in actualizing the Indonesian economic growth. Job opportunities, tax contribution, export business, and import revenue facilitate the distribution of commodities and help develop the human resources. This research aims to unveil the effects of strategic orientation, technology innovation, and business strategy in improving business performance of SME of fashion industry in Jakarta. The data was collected from questionnaires distributed to 250 respondents. The data was analyzed with *structural equation modeling (SEM)* and processed with LISREL 8.8. The result of this research proves that strategic orientation plays a positive in business strategy. Based on such finding, it is concluded that ways to sustain and increase the effectivity of strategic orientation are to collect information regarding customers' needs and desires, to agree upon a commitment from all decision makers and employees to satisfy customers, and to improve business performance. By technology innovation, old-design products can have new designs which meet the market's expectation and are qualified. Also, the process innovation is effective to make business performance even better. Business strategy has to assure the ability of fast-handling in order to improve business performance, especially in tough situation such as internal and external threats. For every sold unit, business performance will improve.

## INTRODUCTION

SME basically triggers innovation and the birth of local entrepreneurs. It bears a prominent role in Indonesian Economy, especially in 1997's economic crisis strike and in 2008's global crisis. Such problems necessitate the improvement of sustainable power of competitiveness in order to survive in fluctuating circumstances and among businesses' rivalry which grows fiercer and more uncertain (Rostek, 2012; Ada *et al.*, 2013). To upgrade business performance, strategic orientation becomes the main reference for companies to cultivate the righteous strategic behavior (Altuntaset *et al.*, 2013). Kanchanda (2011) explains that applying business strategy opens the opportunities for companies to reach sustainable competitive advantage. Under intense competition and unpredictable business environment, business strategy with the support of internal business competence will help business performance itself (Hadiet *et al.*, 2015). Technology innovation benefits SME of fashion industry through its productivity, innovation, and global competitiveness (Mesmer-Magnus and DeChurch, 2009; Laforet, 2009) and grows the business itself (Anantatmula&Kanungo, 2010; Soto-Acosta, *et al.* 2010a; Soto-Acosta *et al.* 2010b; Soto-Acosta *et al.* 2015; Palacios-Marqués *et al.*, 2015)

## RESEARCH PROBLEM

The current research raises some crucial issues which are listed as the following: (1) does strategic orientation have any effects towards business strategy?; (2) do strategic orientation, technology innovation, and business strategy have any effects towards business performance?

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### **LITERATURE REVIEW**

The main purpose of strategic management is to predict and interpret companies' performances (Morgan and Strong, 2003). Identification of competitive strategy is known as strategic choice or strategic orientation. Strategic orientation is made to nurture the proper strategic behavior in an organization and is aimed at reaching excellent performance (Gatingnon and Xuereb, 1997). Strategic orientation is used to anticipate uncertainty in an environment, so that internal corporate resource strategy (RBV) and the external forces fit one another (Porter, 1980). Market orientation focuses on values which promote market-consistent behavior, such as customer orientation, competitor orientation, and inter-functional coordination (Narver& Slater, 1990; Altuntaşet *al.*, 2013; Kirca, 2011; Al-Mohammad, 2010; Tutaret *al.*, 2015). Companies need market orientation, learning orientation, and entrepreneur orientation (Bhuianet *al.*, 2005). Companies should be able to learn, innovate, be proactive, and be aggressive in facing competition, be it marketing competition or quality competition. Entrepreneur orientation is a company's ability to increase proactive managers (in risk-taking and innovation competence) in order to achieve technology innovation (Carmen *et al.*, 2010; Li *et al.*, 2011). Employee orientation acts as a company's future-success determiner, by deciding an infestation and improving employees' responsibility towards their companies (Harris and Ogbonna, 2001; Piercy *et al.*, 2002).

Defined technology innovation is about developing new knowledge to keep consumers and to produce and sell products and processes (new services) through commercialization (Pearce, *et al.*, 2013). Technology innovation can help companies who are currently facing national or global competition. It develops new knowledge as a basis to maintain consumers (Freeman and Soete 1997).

Defined business strategy is a power of competitiveness which preserve scarce resources, yields business products and processes, and makes economic profit. Better quality can also improve performance and innovation (Yang *et al.* 2015). Business strategy makes profit based on lower expense, improved quality, new products, and innovative and excellent performance.

Business performance is the achievement gained by an organization for doing activities within certain period of time (Gatingnon and Xuereb, 1997). Performance is a reflection of a company's success. Business performance is a work achievement (Yang *et al.* 2015)and is an accumulation of all organizational units. According to Voss and Voss (2000), work indicator comprises of several factors: the fulfillment of sales target, the number of customers, year-to-year sales growth, market reach, and profit increase. Imoleayo (2010) believes that a sale's price and a sale's income also indicate performance.

### **RESEARCH METHODS**

This research uses testing hypothesis as a design. There are four variables which are taken in the measurement: strategic orientation, technology innovation, business strategy, and business performance. All variables are measured with 5 points of Likert Scale, which comprise of: 5 points for "strongly agree"; 4 points for "agree"; 3 points for "quite agree"; 2 points for "disagree"; 1 point for "strongly disagree". Categories of respondents involved in this questionnaire, from gender, age, to occupational status.

### **RESULT AND DISCUSSION**

This research found that strategic orientation gives positive and significant effects towards business strategywith t-value 6.09 (t-value  $\geq 1,96$ ). This research found that technology innovation has positive and significant effects towards business strategy with t-value 4.26 (t-value  $\geq 1,96$ ). This research found that strategic orientation has positive and significant effects towards business performance with t-value 2.01 (t-value  $\geq 1,96$ ). This research

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found that technology innovation has positive and significant effects towards business performance with t-value 3.94 (t-value  $\geq 1,96$ ). This research found that business strategy has positive and significant effects towards business performance with t-value 7.70 (t-value  $\geq 1,96$ ).

### CONCLUSION

This research found that strategic orientation and technology innovation give positive effects to business strategy and have a strong correlation with SME of fashion industry business performance. Ways to improve strategic orientation include: collecting information regarding customers' needs and desires, agreeing upon a commitment from all decision makers and employees to satisfy customers and to improve performances. Ways to improve technology innovation include: developing new products which increases the growth of companies in outside-patents sectors, developing new products which encourages the growth of companies, having a solid commitment to increase performances. Ways to improve business strategy include: seizing the opportunities and immediately responding to external and internal threats, doing company's business strategy in facing dynamic and unpredictable business environment.

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