Fostering Innovation in MSMEs through Internationalization: The Mediating Roles of Market Orientation and Entrepreneurship in West Java

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ABSTRACT

This study aims to investigate the effect of internationalization on innovation performance through the mediating factors of market orientation and entrepreneurship in SMEs in emerging markets. The research involved 175 export-ready SMEs in the West Java Province, utilizing a quantitative methodology. The analysis in this study employed Structural Equation Modeling-Partial Least Squares (SEM-PLS) and was processed using the SmartPLS software. Based on the findings of this research, it was determined that internationalization can influence innovation through the mediation of market orientation and entrepreneurship. Therefore, it is recommended for SMEs to recognize their unique value proposition by utilizing the value proposition design method. Additionally, SMEs are advised to maintain strategies that meet consumer needs.

Keywords : **MSMEs; Internationalization; Entrepreneurship Orientation; Marketing Orientation; Innovation**

ABSTRAK

Penelitian ini bertujuan untuk mengetahui efek dari internasionalisasi terhadap kinerja inovasi melalui faktor mediasi orientasi pasar dan kewirausahaan dalam UMKM pasar berkembang. Penelitian ini dilakukan dengan melibatkan 175 UMKM siap ekspor di Provinsi Jawa Barat dengan menggunakan metode kuantitatif. Analisis dalam penelitian ini menggunakan SEM-PLS yang diolah dengan bantuan perangkat lunak SmartPLS. Berdasarkan hasil penelitian ini, ditemukan bahwa internasionalisasi dapat berpengaruh terhadap inovasi melalui mediasi orientasi pasar dan kewirausahaan. Oleh karena itu, disarankan bagi UMKM untuk mengenali nilai unggul usaha mereka dengan menggunakan metode desain proposisi nilai (value proposition design). Selain itu, UMKM juga disarankan untuk mempertahankan strategi dalam memenuhi kebutuhan konsumen.

Kata Kunci : *UMKM; Internasionalisasi; Orientasi Kewirausahaan; Orientasi Pemasaran; Inovasi*

INTRODUCTION

The global environment is increasingly competitive currently Small and Medium Enterprises (SMEs) are a factor that plays an important role in the country's economic growth significantly, through the number and share of a high workforce, so as to provide decent employment (Genc et al., 2019). Indonesia is also one of the countries that has a higher number of Micro, Small and Medium Enterprises (MSMEs) than large-scale industrial businesses, so this is one of the factors in the country's economic growth (Tambunan, 2021). In 2021, according to data from the Ministry of Cooperatives and Small and Medium Enterprises, which revealed that MSMEs in Indonesia had a total of 64.19 million and contributed to Gross Domestic Product (GDP) of 61.97%. MSMEs contribute to the Indonesian economy with the ability to absorb 97% of the total workforce and are able to collect total investment of up to 60.4%. By providing employment opportunities in Indonesia, it can handle the high poverty rate. The development of technology is currently also increasingly rapid, so that it can help in the growth of MSMEs. Therefore, this can prove that MSMEs are one of the significant important roles of MSMEs, namely being one of the drivers in Indonesia's economic growth. West Java has a comparative advantage over other provinces, this is because West Java is able to take market opportunities globally by producing potential export products.

According to data from the Office of Cooperatives and Small Businesses of West Java Province, it was noted that the number of MSMEs in West Java Province in 2019 reached 2,507 MSMEs, then in 2020 it increased by 3,007 MSMEs and in 2021 the number of MSMEs also increased by a total of 3,600 MSMEs. This shows that there is growth in the number of MSMEs in West Java Province in 2019-2021. Based on export data from the Indonesian Central Statistics Agency (BPS) in the January-February 2022 period, it explains that West Java is a province with great potential for export growth through the value of export developments based on the province of origin of the largest commodities. West Java's current export growth can be said to be growing positively. This is due to the encouragement of stable demand from trading partner countries and commodity prices that have increased nominally with a contribution to the value of West Java exports. In addition, the relaxation of mobility and the tendency of the Covid-19 pandemic conditions also have an impact on West Java's industrial activities to run normally. Adjusting to the data shown by Customs, in the first quarter of 2022, West Java had a free on board (FOB) export value of USD 9.50 billion or by 17.48%, but this increase was not as high as the previous achievement which increased by 22.43%.

MSMEs assisted by the Office of Cooperatives and Small Businesses of West Java Province in the export-ready category had a total of 105 MSMEs in 2019, then increased by around 57% so that the number of MSMEs in 2020 was 165 MSMEs. In 2021 MSMEs also increased by around 89% with a total of 312 MSMEs. So, this increase in number can show that the number of MSMEs assisted by the Office of Cooperatives and Small Businesses of West Java Province in the export-ready category has grown every year. However, the growth in the number of export-ready MSMEs itself still does not guarantee the growth of export-ready MSMEs in the following year, due to the challenges for MSMEs in maintaining business. In the high level of resistance of MSMEs to the pressure of economic uncertainty, MSMEs of West Java Province are forced to be able to adapt and innovate to keep the business running through limited sales by utilizing digital technology. In addition to being part of economic growth, MSMEs must have a high level of innovation, where innovation and creativity must be an advantage that must be prioritized to increase business growth (Daryanto, 2013). Conducive internationalization can be beneficial in

expanding markets and having learning effects (Idris et al., 2022). However, this study did not examine the direct effect of internationalization factors on innovation, such as the research studied by Genc et al. (2019) that increasing the growth of internationalization can make businesses grow the level of market orientation and entrepreneurship.

Where the high market orientation and entrepreneurship of a business, can make their business more innovative. Now that everything can be found easily, consumers can choose various options that appeal to them. This can be an illustration that it is important for companies to implement a market-oriented culture in obtaining information to strategize performance improvement (Aydin, 2020). (Slater and Narver, 1995) also state that entrepreneurship orientation is an important part of market orientation, this is because every company needs integration and implementation of both market orientation and entrepreneurship orientation. So that companies can achieve targets through higher levels of business income and innovation. In the results of research by (Genc et al., 2019) stated that internationalization affects innovation, but this influence is also through the mediating effect of market orientation and entrepreneurship factors.

In accordance with the previous introduction discussion, it shows that there is interesting research to be investigated further. So this research has objectives to be achieved, among others, namely: (1) to determine the magnitude of the effect of internationalization on innovation for MSMEs in West Java; (2) to determine the magnitude of the effect of internationalization on market orientation for MSMEs in West Java; (3) to determine the magnitude of the effect of internationalization on entrepreneurial orientation for MSMEs in West Java; (4) to determine the magnitude of the effect of market orientation on innovation for MSMEs in West Java; (5) to know the magnitude of the effect of entrepreneurial orientation on innovation for MSMEs in West Java; (6) to know the magnitude of the effect of market orientation as mediating the relationship between internationalization and innovation for MSMEs in West Java; (7) to know the magnitude of the effect of entrepreneurial orientation as mediating the relationship between internationalization and innovation for MSMEs in West Java.

(Coccia, 2021) defines entrepreneurial strategy as a company's activities carried out with the aim of making a profit with the emergence of opportunities or to overcome the consequences of threats to its environment. According to (Shiffa et al., 2022) entrepreneurial strategy (SE) is a concept that works by utilizing current competitive advantages and observing innovations that will become the foundation of future competitive advantages, and forms a balance between seeking opportunities and seeking profits. Entrepreneurial strategy helps companies strive to identify the best opportunities based on their resources and highest potential returns, and capitalize on these opportunities through the discipline of strategic business planning. Entrepreneurial strategy aims to maintain competitive advantage and thereby create maximum wealth (Hitt et al., 2002).

According to (Diana et al., 2022), performance is a success for the actions of a group of people in achieving predetermined strategic goals through the desired behavior of the organization. The performance of Micro, Small and Medium Enterprises (MSMEs) is defined as the results of achievements made by employees about the tasks and responsibilities they have done. MSMEs performance can also be described as the effectiveness of business operations, business fields and employees periodically according to predetermined targets, standards or criteria (Hosmiyati and Khusnul, 2019).

Internationalization is one of the stages of business growth, especially the market growth stage. Internationalization is the dream of almost all businesses, including small to medium-sized businesses, which we usually call small, medium and micro businesses.

According to some experts, internationalization can simply be defined as the process by which a business gradually increases its international involvement (Cahyadi, 2018). (Prastica et al., 2018), state that there are various benefits obtained when the company follows internationalization, namely the increase in information obtained from abroad, easier and cheaper access or attribution of production factors (inputs), utilization of company-specific assets to each foreign market, accumulation of market power due to its extensive presence in many countries, geographic diversification and internationalization experience.

According to (Mulyani, 2015) which cites (Uncles, 2000), market orientation is defined as a process or activity regarding the creation and satisfaction of customers through continuous assessment of customer wants and needs, so that the application of market orientation will provide high performance to the company, where the performance includes the ability to innovate, take risks, and initiatives. (Putri et al., 2018) explain that if SMEs have the ability to have a good market orientation, then these SMEs are able to keep up with the high competitiveness of the competition. By understanding and implementing a market orientation culture, businesses are able to increase product innovation. (Migdadi et al., 2017) explain that market orientation allows companies to analyze changes in customer needs and create products whose useful value is in accordance with needs. Assessment of the performance improvement of companies that practice market orientation can be measured by sales growth, profits, number of employees and market share.

(Weerawerdeema, 2003) revealed in (Mulyani, 2015) that entrepreneurial orientation is creativity and innovative skills that are utilized as a basis and resource in seeing opportunities in achieving the intended goals. According to Suryaningsih (2019) in improving market orientation, companies have several abilities, including having a sense of desire to have achievements, the ability to make decisions to grow sales, and the ability to take initiative in developments and information obtained.

Innovation is a process that can produce developments and utilize knowledge skills, one of which is the use of technology and experience to add new value in the creation of a product (Widjaja and Winarso, 2019). According to (West, 2000) the concept of innovation is to introduce and consciously apply new ideas, processes, products or procedures to work, work groups or organizations. In context, innovation is the novelty of a product or a better way informed by individuals, groups or organizations and affects work, individuals, groups or organizations in various forms. (West, 2000) also explains innovation is the activity of introducing and implementing various new ideas, processes, products or new rules for work, work groups or organizations. The hypothesis can be seen in Figure 1.
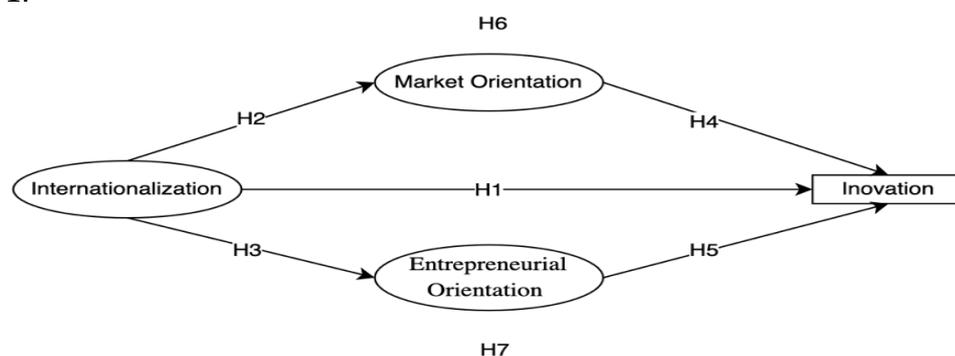
Source: Data processed by authors, 2023

Figure 1. Conceptual Framework

Based on previous research and the framework on Figure 1., the hypotheses can be described as follows: (H_1) Internationalization is positively related to innovation of MSMEs in West Java; (H_2) Internationalization is positively related to market orientation for MSMEs in West Java; (H_3) Internationalization is positively related to entrepreneurial orientation for MSMEs in West Java; (H_4) Market orientation is positively related to innovation performance for MSMEs in West Java; (H_5) Entrepreneurial orientation is positively related to innovation performance for MSMEs in West Java; (H_6) Market orientation positively mediates the relationship between internationalization and innovation for MSMEs in West Java; (H_7) Entrepreneurial orientation positively mediates the relationship between internationalization and innovation for MSMEs in West Java.

RESEARCH METHOD

According to (Jaya, 2020) research methodology is a researcher who has a scientific way of thinking rationally, empirically and systematically carried out for his research activities. This research was conducted using quantitative methods. As (Warmansyah, 2020) revealed, quantitative research is research based on the quantity or number of populations in a particular area that applies to a phenomenon that can be expressed in quantity. This research was conducted using quantitative methods and was carried out to analyze the effect of internationalization with the mediation of market orientation and entrepreneurship on MSMEs that are members or fostered by the Office of Cooperatives and Small Businesses of West Java Province that are ready to export.

The population obtained has a total of 312 MSMEs doing business in the 2019-2021 period, then sampling is carried out so that 175 MSMEs are obtained which will become respondents in this study. Sampling was carried out by probability sampling using a simple random sampling technique, where a population of 312 MSMEs was randomized 175 times in line with the number of samples to be obtained. Randomization of these respondents was assisted by using Microsoft Excel. The distribution of questionnaires to MSMEs was carried out by sending questionnaires through each MSMEs social media that had met the needs of this study. The questionnaire is in the form of questions with the help of Google Form where respondents can choose on a 7-point scale.

According to (Siregar et al., 2021) Structural Equation Model (SEM) is a statistical technique that tests or provides confirmation regarding the suitability between theory and research conducted in the field. There are two types of SEM analysis techniques including covariance and variance. Covariance-based SEM is a technique used to focus on theory testing. Meanwhile, variant-based SEM is a technique that aims to develop existing theories (Abdillah and Hartono, 2015). (Ghozali and Latan, 2015) revealed that SEM is a multivariant analysis technique where this analysis can allow testing of the variables that are tested simultaneously. SEM can be done with the Partial Least Square approach. Therefore, this study analyzed data using SEM-PLS data analysis.

According to (Hair et al., 2020) Partial least squares (PLS) is a statistical procedure for estimating a system of simultaneous equations referred to as Structural Equation Modeling (SEM). This estimation procedure relates between one or more dependent variables and several independent variables. These variables may have qualitative or quantitative properties and are thus latent or unobservable. (Ghozali and Latan 2015) revealed that there are two sub models carried out in PLS analysis, including the measurement model (outer model) and structural model (inner model). According to

(Ghozali and Latan, 2015) the outer model or measurement model is used in assessing the validity of the measurement model parameters. There is a measurement model described (Ghozali and Latan, 2015) including Convergent validity is an indicator that measures the magnitude of the correlation value on variables and constructs. The value obtained will be ideal, if the correlation value is> 0.7. Composite validity is an indicator to measure the true reliability value of a construct. The rule used in composite validity is that if the composite validity value> 0.7 then the calculation results have high reliability. Meanwhile, the discriminant validity of all constructs can be assessed in two ways. To assess discriminant validity, one of them is by comparing the square root of the AVE for a construct with the correlation between that construct and other constructs. Discriminant Validity is also checked by comparing individual correlation scores with each reliability. Cronbach's alpha is an indicator to measure the lowest value in the reliability test on a construct. The rules that apply to Cronbach's alpha if the Cronbach's alpha value> 0.7 then the variable in the calculation is declared reliable. The Average Variance Extracted method is a method used to evaluate Discriminant Validity on each construct and latent variable. This method can also be used to assess Convergent Validity if the value obtained is> 0.5.

(Abdillah and Hartono, 2015) suggest the definition of a structural model, namely a model that shows the relationship of causality in various latent variables in accordance with the substance of the existing theory. (Ghozali and Latan, 2015) explain that the structural model has the aim of knowing the magnitude of the influence of the independent variable on the dependent variable and the path coefficients based on the R-square value. This can be said where the change in value shown in R-square can be used to show the relationship between exogenous latent variables and endogenous latent variables has a substantive influence or not. Based on the resulting R-square value, it provides information that the model is strong, moderate or weak.

RESULTS AND DISCUSSION

This study obtained data in several characteristics of respondents, namely based on position position where 88% have a position as a business owner and there are 21 respondents or as many as 12% who have positions as managers. Based on the age of the business, it is known that 53% have a business age in the range of 1-10 years and at a business age of less than 1 year has a total of 39%. Meanwhile, business actors whose businesses are more than 10 years old amounted to 8%. Based on the characteristics of the age of exporting respondents, 51% of respondents have been exporting for <1 year, while 44% of respondents have been exporting for 1-5 years, and 5% of respondents have been exporting for >5 years. Finally, based on the characteristics of the type of business of the respondents, it is known that 74% of respondents have a type of business in the culinary field, 12% of respondents have a type of business in the fashion sector, 1% of respondents have a type of business in the cosmetics sector. Then, 9% of respondents have a type of business in the craft sector and 4% of respondents have a type of business in the service sector. Discriminant validity measurement, where this measurement is to determine how much an item and construct is different from other items and constructs. Measurement is done using the square root of average variance extracted (AVE) value. If the value of each AVE squared is greater than the correlation value of the construct itself with other constructs, it can be assumed that the structural model has good discriminant validity, as presented in Table 1.

Table 1. Average Variance Extracted (AVE)

Variabel	AVE	Factor Loading
Internationalization (X)	0,744	>0,5
Market Orientation (Z1)	0,532	>0,5
Entrepreneurial Orientation (Z2)	0,538	>0,5
Inovation (Y)	0,588	>0,5

Source: Data processed using SmartPLS, 2023

Based on Table 1., the AVE results have a value above 0.50 (>0.50) for each variable. (Ghozali and Latan, 2015) reveal that if the AVE value obtained has a value of> 0.50, then the research can be said to be valid. So, based on the AVE results above, this research can be said to be valid or has met the discriminant validity requirements. Discriminant validity can use another method, namely observing the square root value of AVE and comparing it with the correlation value between constructs in the model, namely by using Fornell-Lacker criterion analysis. The following is given a value that contains the fornell-lacker criterion value in the table below, as presented in Table 2.

Table 2. Fornell-Lacker riterion

Indicator	Inovation	Internasionalization	Entrepreneurial Orientation	Market Orientation
Internationalization (X)	0,238			
Entrepreneurial Orientation (Z2)	0,799	0,191		
Market Orientation (Z1)	0,388	0,191	0,173	

Source: Data processed using SmartPLS, 2023

Based on Table 2., it reveals that the AVE root value has a value greater than the correlation between research variables in the model, thus indicating that this study has met the discriminant validity criteria so that the model has met the criteria. Heterotrait Monotrait Ratio of Correlations (HTMT) can be seen in Table 3.

## Table 3. Heterotrait Monotrait Ratio of Correlations (HTMT)

Indicator	Inovation	Internasionalization	Entrepreneurial Orientation	Market Orientation
Inovation (Y)	0,767			
Internationalization (X)	0,189	0,862		
Entrepreneurial Orientation (Z2)	0,665	0,162	0,729	
Market Orientation (Z1)	0,339	0,179	0,163	0,734

Source: Data processed using SmartPLS, 2023

Based on Table 3., it shows that the Heterotrait Monotrait Ratio of Correlations (HTMT) value has a value of <1 which indicates that this study has met the discriminant validity criteria so that the model meets the criteria.

If the outer model test has been carried out and the results have been met in accordance with the statistical research test requirements, structural or inner model testing can be carried out. In general, the inner model measurement is carried out to show and measure the relationship between exogenous construct variables and endogenous

construct variables. There are 4 types of tests measured, namely R-square, Q-square, and path coefficient. The Inner Model of this research can be seen in Figure 2.
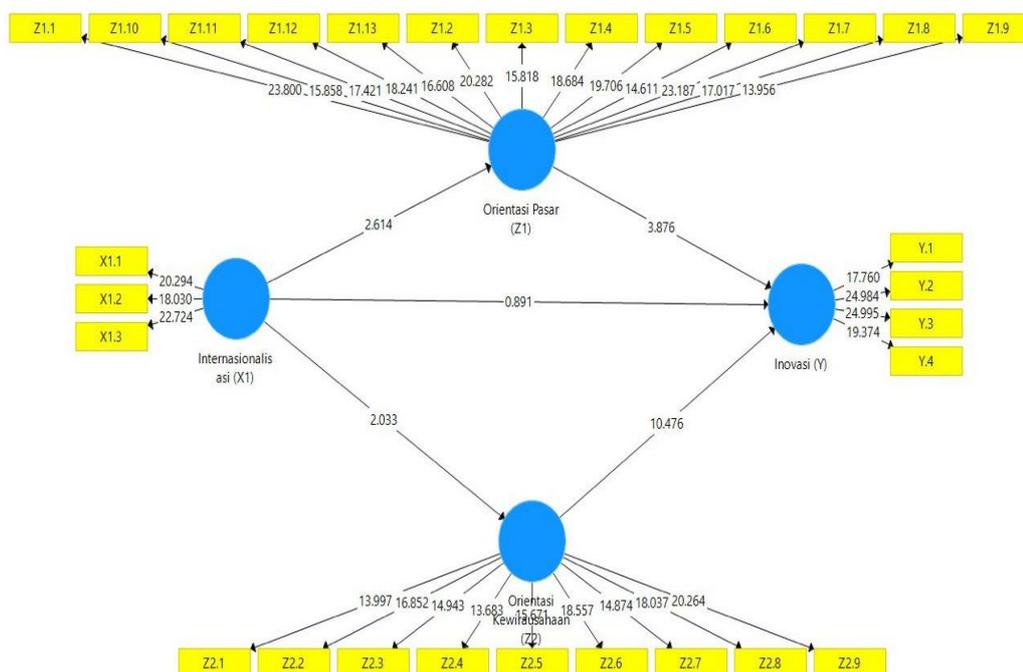
Source: Data processed using SmartPLS, 2023

Figure 2. Inner Model

Based on Figure 2., R-square is a test that measures how much influence exogenous latent variables have on exogenous latent variables. If the R-Square obtains a value greater than 0.67, then the influence of the variable can be declared good and will be declared moderate or moderate if the resulting value is between 0.33 - 0.67. While the value between 0.19 - 0.33 can be said to be weak. R-square can be seen in Table 4.

Table 4. R-square (R2)

	R Square
Inovation (Y)	0,784
Market Orientation (Z1)	0,622
Entrepreneurial Orientation (Z2)	0,499

Source: Data processed using SmartPLS, 2023

Based on Table 4., it can be proven that the R-square value obtained on the innovation variable is 0.784, the market orientation variable is 0.622 and the entrepreneurial orientation variable is 0.499. Based on these results, it can illustrate that the internationalization variable with market orientation and entrepreneurial mediation can affect the innovation variable by 78.4% and the remaining 21.61% is influenced by other variables, so it is included in the good category. Furthermore, the internationalization variable affects the market orientation variable by 62.2% and the remaining 37.8% is influenced by other variables, so it can be said that the market variable is in the moderate category. Then the internationalization variable affects the entrepreneurial orientation variable by 49.9% and the remaining 50.1% is influenced by

other variables, so it can be said that the entrepreneurial variable is in the moderate category.

Predictive Relevance (Q-square) measures the value generated by the structural model that can be used for prediction models. In SmartPLS, the Q-square value can be obtained through the blindfolding process, as presented in Table 5.

Table 5. Q-square (Q2)

	Q Square
Internasionalization (X)	0,302
Market Orientation (Z1)	0,450
Entrepreneurial Orientation (Z2)	0,414
Inovation (Y)	0,449

Source: Data processed using SmartPLS, 2023

Based on Table 5., it is obtained that the Q-square value on each endogenous latent variable is> 0, so it can be said that the resulting model is good and has the ability to be used as a prediction model.

F-square is a measurement to determine how much effect the value that the exogenous latent variable gives to the endogenous latent variable. In SmartPLS, the f-square value can be obtained through the PLS Algorihm process, as presented in Table 6.

Table 6. F-square (F2)

	Inovation	Entrepreneurial Orientation	Market Orientation
Internasionalization (X)	0,04	0,027	0,033
Entrepreneurial Orientation (Z2)	0,733		
Market Orientation (Z1)	0,100		

Source: Data processed using SmartPLS, 2023

Based on Table 6., it shows the results of the f-square value of the internationalization variable for innovation of 0.04, internationalization for entrepreneurial orientation of 0.027, internationalization for market orientation of 0.033, and market orientation for innovation of 0.100, it can be stated that the effect value obtained is included in the small category because it has a value between $0.02 \leq f \leq 0.15$. While entrepreneurial orientation to innovation has an f-square value of 0.733, where the effect value is included in the large category if it has an f-square value ≥ 0.35.

The results of the test calculation show that the first hypothesis is rejected, where the high or low level of internationalization experience of MSMEs does not have any effect on the innovation performance of MSMEs. These findings contradict the previous findings (Genc et al., 2019), where this happens because the previous findings examined developing countries with the size of SMEs as the object of research while this study examined developed countries with the size of MSMEs and a smaller range, namely only examining one province. Meanwhile, the second hypothesis is accepted, where the results of this study support research (Genc et al., 2019) which reveals that there is a relationship between internationalization and market orientation, internationalization is one of the influential indicators in building market orientation in MSME businesses. This is likely because MSMEs apply the same market orientation as previous research.

The third hypothesis states that the hypothesis is accepted, where the results of this study show that it supports research (Purkayastha et al., 2021). Previous research revealed that internationalization of MSMEs can affect entrepreneurial orientation. This happens because the two objects of this study have good risk handling values. MSMEs that are able to understand export activities and carry out activities in a stable manner can provide a lot of lessons learned that can be applied in a strong emphasis on product innovation, risk taking and being competitive with other competitors. Then the fourth hypothesis is accepted, where the results of this study indicate that if MSMEs carry out market orientation by having a high understanding including customer needs, customer satisfaction and business success, it can increase the level of MSME innovation performance as well. This supports research conducted by (Alim, 2018), namely market orientation has a significant influence on the value of innovation. This research has a high ability to understand consumer needs so that it can provide MSMEs with new ideas in updating or creating new products.

The results of hypothesis five are accepted, where the study indicates that when respondents carry out entrepreneurship orientation, it will further improve innovation performance for MSMEs. This supports research (Suryaningsih, 2019) which proves that in increasing business success, companies must be entrepreneurially oriented, because entrepreneurship orientation is a pioneer of new ways to achieve sustainable company economic growth. This happens because MSMEs are brave in taking action and maximizing their potential in taking advantage of existing opportunities, so that this provides MSMEs in obtaining various new ideas and successfully developing their products.

The results show that the sixth hypothesis is accepted, this supports previous research (Genc et al., 2019) which explains that internationalization can have a positive and significant effect on MSMEs innovation with market orientation as its mediating role. This finding shows that having a level of internationalization can affect innovation performance if MSMEs have a high market orientation. This happens because this study has similarities in the application of consumers conducted. The ability of MSMEs to understand their own business knowledge can increase their knowledge of their target consumers as well. As for the seventh hypothesis which is also accepted, this supports previous research (Genc et al., 2019) which explains that internationalization has a positive and significant relationship with MSMEs innovation when mediated by entrepreneurship orientation. This happens because MSMEs have a stable internationalization process where businesses continue to utilize information obtained from other countries, so this can make MSMEs able to make good decisions and be able to take existing risks. With these opportunities, they can also get ideas for updating and creating new products.

CONCLUSION

Based on the results and previous discussion, the conclusion that can be drawn in this study is that internationalization has no positive effect on innovation. Internationalization has a positive effect on market orientation and internationalization has a positive effect on entrepreneurship orientation. There is also a positive effect of market orientation on innovation performance. Then, entrepreneurship orientation has a positive effect on the innovation performance of MSMEs in West Java. However, internationalization affects innovation with the mediating role of market orientation and entrepreneurship. Based on the above discussion, it can be stated that this study examines

the mediating factors, market orientation and entrepreneurship, of the relationship between internationalization and innovation.

Researchers contribute to developing previous research related to the effect of MSME internationalization on innovation with the mediation of market orientation and entrepreneurship which shows results with empirical evidence conducted in West Java Province. The findings extend the research by showing that the effect of MSMEs internationalization on innovation can be through market orientation and entrepreneurship. The final results show that entrepreneurship orientation in mediating the relationship between internationalization and innovation has a low value. Based on the results of the study, it also shows that market orientation has a high value, this can be a superior value owned by MSMEs of West Java Province. West Java Province MSMEs already have value for customers and build relationships with customers on a long-term basis. So, West Java Province MSMEs already have a different product value from competitors and a stable level of customer loyalty, where it can be said that West Java Province MSMEs can take advantage of the market orientation value they already have to increase innovation. One of them, MSMEs can make new innovations based on customer needs from the results of product sales research.

RECOMMENDATIONS

There are several suggestions that can be made by MSMEs of West Java Province, including, MSMEs of West Java Province can first recognize their own business more deeply by knowing the benefits or superior value of the products produced according to consumer needs. This can be made by using the value proposition design method, with these results it can help MSMEs of West Java Province to recognize the advantages of their products and find out complaints or needs that have been given by consumers. This can also provide MSMEs of West Java Province to create new products according to consumer needs. So that MSMEs of West Java Province are also advised to maintain the strategies implemented in meeting consumer needs.

This study has several limitations that provide opportunities for further research, including this study examining MSMEs that are assisted by the West Java Provincial Office of Cooperatives and Small Businesses only, so it is recommended that future researchers examine respondents with a wider range of other areas. In addition, this study, among others, did not examine the characteristics of respondents more deeply on business profiles, further researchers are advised to examine more deeply and can consider examining business size, revenue earned per year, and the number of business employees. This study also has a different hypothesis where in this study there is a rejected hypothesis, therefore it can be interesting to study this research further by further research.

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