The Influence of Entrepreneurial Orientation and Customer Relationship Management on MSME Competitiveness

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ABSTRACT
Competitive advantage is realized through continuous sustainability (sustainable competitive advantages), so new strategies must be designed. The strategy designed will certainly be able to dominate both the old market and the new market. The main aim of this research is to analyze the influence of entrepreneurial orientation and customer relationship management on MSME competitiveness. This research uses a literature and field design with a causal associative approach. This study uses a research instrument test consisting of validity and reliability tests. The quantitative analysis consists of a normality test, regression test, hypothesis test, correlation test, and coefficient of determination. Data analysis confirms that entrepreneurial orientation and customer relationship management have a significant effect on MSME competitiveness. The implications of research on entrepreneurial orientation and Customer Relationship Management (CRM) on business competitiveness can provide valuable insights for Micro, Small, and Medium Enterprises (MSME) owners and related parties. Research on entrepreneurial orientation and CRM can help MSMEs develop more targeted business strategies. They can understand how innovation and customer relationship management can be key drivers of their business competitiveness.

INTRODUCTION
Technological developments in the field of science and technology also provide changes to the global economic system (Basoeky et al., 2021). The opportunity that economic actors get in this digital era is that many business opportunities are opening up (Irwansyah et al., 2021). This opportunity is one of the motivations for the millennial generation in deciding to do business or become an entrepreneur (Sherly et al., 2020). As a generation that has grown up with technological developments, the speed of information and freedom to choose the desired business are plus points for becoming an entrepreneur (Sudrartono et al., 2022). Apart from that, millennials are also aware of the high competition for jobs. The increasingly complex and heavy demands of life require everyone to be able to keep up with changes and be innovative and creative (Putri, et al., 2021). To become an entrepreneur requires encouragement both from within yourself and from outside or other people (Widati, 2022). In this chapter, we will discuss more about building entrepreneurial motivation. Looking at entrepreneurs today is different from before. If previously an entrepreneur was considered to have no future compared to an employee, now society views it differently (Silalahi et al., 2020). Entrepreneurs in the millennial era have their prestige and are more respected and respected (Putri et al.,...
2020). On the other hand, the size of an entrepreneur's income obtained from financial profits is in his own hands. Freedom to run a business and make decisions without being bound by various organizational bureaucratic rules

Ideas and creativity have a role in developing products and services because they are the benchmark for developing various marketing activities for both products and services (Julyanthry et al., 2021). Various entrepreneurial successes worldwide are caused by ideas and creativity in developing businesses (Hasan et al., 2021). Tight competition in entrepreneurship encourages entrepreneurs to have high creativity (Sinaga et al., 2020). These ideas and creativity must be based on advanced thinking and new ideas different from existing products (Halim, Sherly, et al., 2021). Various creative ideas generally cannot be limited by space, form, or time and provide breakthroughs in the business world that initially seemed impossible (Halim et al., 2022). Currently, various innovations based on entrepreneurial ideas and creativity have become superior products and services (Siahaan et al., 2020). Competitive advantage means an attribute that a company has that may not be easy to repeat (Sudirman, Sholihah, et al., 2021). This is because competitive advantage is a characteristic that a company builds over time (Sudirman, Halim, et al., 2021).

By integrating aspects of entrepreneurial orientation and CRM in research on competitiveness, we can gain a more holistic understanding of how these factors relate to and influence each other (Halim, Grace, et al., 2021). This opens opportunities to develop more integrated and effective strategies to increase business competitiveness and support economic growth.

Entrepreneurial orientation in Micro, Small, and Medium Enterprises (MSMEs) has a very important role in shaping thought patterns, actions, and business success. The entrepreneurial orientation of MSMEs encourages innovative and creative attitudes (Liu et al., 2020). Creative entrepreneurs tend to find new solutions, develop innovative products, and adapt to market changes (Abdulkarim et al., 2021). Entrepreneurial orientation encourages MSMEs to build networks and collaboration. This includes partnerships with suppliers, business partners, and close customer interactions (Mamun et al., 2018). MSMEs that have an entrepreneurial orientation focus on increasing value for customers. They strive to provide products or services that are unique and provide significant added value (Anwar & Shah, 2021).

In a dynamic business environment, the essence of entrepreneurial orientation is believed to be the foundation for entrepreneurs to develop innovations related to competitiveness (Herlinawati et al., 2022); (Purba et al., 2022). Furthermore, (Lechner & Gudmundsson, 2014); (Ferreira & Coelho, 2020) state that companies with an entrepreneurial orientation are believed to be pioneers in product innovation and are proactive in supporting increased competitiveness of more competitive businesses. Entrepreneurship encourages MSME owners to continue developing their skills and knowledge. This includes an understanding of the market, current technology, and business management. Therefore, based on several previous research results, we can develop a hypothesis:

**H1:** Entrepreneurial orientation influences MSME Competitiveness

Customer Relationship Management (CRM) is a strategic approach to managing and building customer relationships (Odoom et al., 2017). For Micro, Small, and Medium Enterprises (MSMEs), implementing CRM can have a significant impact on improving customer satisfaction, retention, and competitiveness (Supriyanto & Setiyawati, 2021). CRM helps MSMEs better understand customer
needs, preferences, and behavior. Centralized customer data helps in creating more accurate customer profiles (Guha et al., 2018). With detailed customer information, MSMEs can provide personalized services tailored to individual customer needs, increasing satisfaction and loyalty (Juwita & Anggraini, 2007). CRM helps MSMEs analyze customer data to understand preferences better, purchasing trends, and behavioral patterns (Suharto, 2013). This information can be used for strategic decision-making. With a comprehensive view of customer profiles, MSMEs can identify opportunities for cross-selling and upselling (Özgener & Iraz, 2006). This not only increases revenue but also maximizes the lifetime value of each customer, contributing to the financial strength and competitiveness of the business (Kosiba et al., 2018). Several previous study results confirm that CRM has a significant influence on business competitiveness (Rosalina et al., 2017); (Lemy et al., 2019). Therefore, based on several previous research results, we can develop a hypothesis:

**H2:** Customer relationship management influences MSME Competitiveness

Research on competitiveness by focusing on entrepreneurial orientation and customer relationship management (CRM) has special urgency, especially in modern business and economics. From the aspect of entrepreneurial orientation, this research can help identify the relationship between entrepreneurial orientation and innovation. A deeper understanding of how entrepreneurship stimulates innovation can fuel the development of new products and services that support competitiveness (Novitasari & Zuraida, 2015); (Sadalia et al., 2020). Then, from the customer relationship management aspect, examining CRM implementation can reveal how personalizing customer experiences can improve brand perception and provide a competitive advantage. This impacts competitiveness through higher customer satisfaction (Rosalina et al., 2017); (Guha et al., 2018). On the other hand, this research can help identify how CRM integration with business processes can improve operational efficiency and provide better customer service. From the problems above, the formulation of this research problem is to analyze the influence of entrepreneurial orientation and customer relationship management on MSME competitiveness.

**METHOD**

This research uses a literature and field design with a causal associative approach. The sampling method used in this research is the convenience sampling method, which was chosen because it is the fastest method due to time constraints, and anyone who accidentally meets the researcher can be used as a sample if that person is deemed suitable as a data source. According to (Hair, 2014), if the population size is unknown, the sample size can be determined from 5-10 times the number of indicators used in a single construct. This research uses 13 indicators from 3 existing variable dimensions, so the number of research samples obtained is 13 x 10 = 130. Data collection in this research used the observation method by observing directly in the field, and documentation came from secondary data in the form of documents and structured interviews using questionnaire instruments. This study uses a research instrument test consisting of validity and reliability tests. The quantitative analysis consists of a normality test, regression test, hypothesis test, correlation test, and coefficient of determination.
RESULTS AND DISCUSSION

Validity and Reliability Test

Table 1. Validity Test Results

<table>
<thead>
<tr>
<th>Variables</th>
<th>Corrected items - Total correlation</th>
<th>N of Items</th>
<th>Test results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Orientation</td>
<td>0.495</td>
<td>4</td>
<td>Valid</td>
</tr>
<tr>
<td>Customer Relationship Management</td>
<td>0.612</td>
<td>5</td>
<td>Valid</td>
</tr>
<tr>
<td>MSME Competitiveness</td>
<td>0.520</td>
<td>4</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Source: Processed SPSS Data (2023)

Based on the validity test of Table 1 above, it is concluded that all indicators in the study have a value above 0.30, and the measurement items used in this research are valid. Next, a reliability experiment is carried out to measure the measurement items on the questionnaire items that describe the indicators of the variables. A questionnaire is reliable if a person's response to a question does not change or is normal occasionally.

Table 2. Reliability Test Results

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
<th>N of Items</th>
<th>Test results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Orientation</td>
<td>0.710</td>
<td>4</td>
<td>Reliable</td>
</tr>
<tr>
<td>Customer Relationship Management</td>
<td>0.826</td>
<td>5</td>
<td>Reliable</td>
</tr>
<tr>
<td>MSME Competitiveness</td>
<td>0.741</td>
<td>4</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Source: Processed SPSS Data (2023)

The results of the reliability experiment shown in Table 2 above prove that all indicators have a Cronbach alpha value for each instrument > 0.60, so it can be concluded that all the instruments used are reliable.

Multiple Regression Test

Table 3. Multiple Regression Test Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>t-count</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>16,313</td>
<td>4,224</td>
</tr>
<tr>
<td></td>
<td>Entrepreneurial Orientation</td>
<td>.756</td>
<td>0.136</td>
</tr>
<tr>
<td></td>
<td>Customer Relationship</td>
<td>.425</td>
<td>0.142</td>
</tr>
<tr>
<td></td>
<td>Management</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Processed SPSS Data (2023)

From the multiple linear regression above, the equation model is obtained: $= 16.313 + 0.756X1 + 0.425X2$, which means that entrepreneurial orientation and customer relationship management positively affect MSME competitiveness. Based on these equations, it can be explained as follows:

1. The constant value of 16.313 can be interpreted if the variables of entrepreneurial orientation and customer relationship management are considered zero, then the value of business performance will be in the range of values 16.313.
2. The value of the beta coefficient on the entrepreneurial orientation variable is 0.756, which means that every change in the entrepreneurial orientation variable by one unit will result in a change in MSME competitiveness of 0.756 units with the assumption that the other variables are at a constant value.
3. The beta coefficient value on the customer relationship management variable is 0.425, which means that every change in the customer relationship management variable by one unit will result in a change in MSME competitiveness of 0.425 units with the assumption that the other variables are at a constant value.
Simultaneous and Partial Hypothesis Testing

To examine the variable binding simultaneously, experiment F is used. Simultaneous hypothesis testing attempts to analyze whether the variables of entrepreneurial orientation and customer relationship management can simultaneously influence MSME competitiveness.

Table 4. Simultaneous Test Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>1278.167</td>
<td>2</td>
<td>47.318</td>
<td>0.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>1047.500</td>
<td>127</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2325.667</td>
<td>129</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Processed SPSS Data (2023)

Based on the results of the simultaneous test analysis in Table 5, the Fcount value is 47.318 > from Ftable with (0.05; 2 vs 128) of 3.07 or with a significant 0.000 < 0.05, it can be interpreted as entrepreneurial orientation, and customer relationship management affects MSME competitiveness simultaneously. Subsequently, a partial test was conducted to partially analyze the effect of entrepreneurial orientation and customer relationship management on MSME competitiveness. Based on the results of data analysis in Table 3, the results of the t-test in this study are as follows:

1. Entrepreneurial orientation has a significant level of 0.000 < 0.05, meaning that entrepreneurial orientation has a significant effect on MSME competitiveness.
2. Customer relationship management obtained a significant level of 0.006 < 0.05, meaning that customer relationship management significantly influences MSME competitiveness.

Coefficient of Determination Test

The coefficient of determination is used to measure the ability of a model to explain the variation of the dependent variable. The results of the determination test in this study can be explained in Table 5 below:

Table 5. Coefficient of Determination Test Results

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.740a</td>
<td>.549</td>
<td>.537</td>
<td>3.595</td>
</tr>
</tbody>
</table>

Source: Processed SPSS Data (2023)

Based on the results of the data analysis in Table 6 above, the coefficient of determination value is 0.549, which means that the level of MSME competitiveness of 54.9% can be explained by entrepreneurial orientation and customer relationship management, while other factors can explain the remaining 45.1% not discussed in this study.

CONCLUSION

The results of this research conclude that entrepreneurial orientation is positive and has a significant effect on MSME competitiveness. Entrepreneurial orientation (EO) refers to the strategic mindset of a business that emphasizes innovation, risk-taking, and proactiveness. EO encourages MSMEs to innovate their products, services, and processes. This innovation can lead to the development of unique and differentiated offerings, setting them apart from competitors and attracting customers. A high level of entrepreneurial orientation enables MSMEs to adapt quickly to changes in the market environment. This adaptability is crucial in dynamic and competitive markets, allowing businesses to seize opportunities and navigate
Entrepreneurs willing to take calculated risks are more likely to explore new markets, invest in research and development, and initiate strategic partnerships. This risk-taking behavior can result in higher returns and increased competitiveness. Proactive MSMEs are better equipped to identify emerging trends and capitalize on them before competitors do. This forward-thinking approach allows businesses to stay ahead and respond effectively to changing customer demands.

Entrepreneurial orientation encourages efficient and effective use of resources. MSMEs that optimize their resources, including financial, human, and technological, can improve operational efficiency and competitiveness. Entrepreneurs with a strong orientation often engage in networking and collaboration. Building relationships with other businesses, suppliers, and stakeholders can open up new opportunities, enhance knowledge sharing, and create synergies contributing to competitiveness.

The results of this research conclude that customer relationship management has a positive and significant effect on MSME competitiveness. Customer Relationship Management (CRM) plays a crucial role in enhancing the competitiveness of Micro, Small, and Medium Enterprises (MSMEs) because CRM focuses on building and maintaining strong customer relationships. Satisfied and loyal customers are more likely to repeat business with MSMEs, reducing customer churn and contributing to long-term competitiveness. By using CRM tools and strategies to understand customer needs and preferences, MSMEs can tailor their products or services to meet customer expectations better. Higher levels of customer satisfaction often translate into positive word-of-mouth, referrals, and repeat business. CRM systems enable MSMEs to gather and analyze customer data, allowing personalized interactions. Personalization creates a more engaging and relevant customer experience, fostering a sense of connection and loyalty to the brand. CRM facilitates improved communication between MSMEs and their customers. Timely and relevant communication, such as promotional offers or updates, helps keep customers informed and engaged, enhancing the overall customer experience. CRM provides valuable insights into customer behavior and preferences through data analysis. With a comprehensive view of customer profiles, MSMEs can identify opportunities for cross-selling and upselling. This not only increases revenue but also maximizes the lifetime value of each customer, contributing to the financial strength and competitiveness of the business.

This research has suggestions to be used as a reference for research and reference for decision-making for parties who have a relationship with MSME competitiveness. Regarding entrepreneurial orientation, Governments at the central and regional levels can facilitate training and coaching for MSME owners regarding entrepreneurship, innovation, and risk management. The training provides MSME owners with a deeper understanding of the concepts of entrepreneurship, innovation, and risk management. They can gain the skills to manage and grow their business more effectively. Furthermore, in the Customer Relationship Management (CRM) aspect, the government at the central and regional levels can facilitate technology integration to ensure the CRM system is connected to other business platforms, such as e-commerce or financial systems. Overall, facilitating technology integration is a key step to ensure MSMEs can leverage the full potential of CRM solutions and other business platforms. This not only improves operational efficiency but also provides a significant competitive advantage in this digital era. This research also confirms the weakness in the aspect of the sample size used, which is still unable to
generalize the characteristics of business actors as a whole; therefore, for further research, it is necessary to add a larger sample size and include several research variables that are not discussed in this research. Apart from that, for more complex models, you can use the data analysis method with the CB-SEM approach using the Amos application.

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