East Java OPOP: Increasing the Growth of SMEs in Islamic Boarding Schools during the COVID-19 Pandemic

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Abstract

Small and Medium Enterprises (SMEs) are assisting the national economic recovery of various countries including Indonesia during the COVID-19 pandemic. The One Pesantren One Product (OPOP) social entrepreneurship program in East Java, Indonesia is implemented to empower the Islamic boarding school's environment-based economy. This study aims to determine the relationship between entrepreneurial orientation and market performance with brand orientation as a mediating variable on business growth in the East Java SMEs OPOP program. This research has used a proportional random sample with 110 SMEs respondents of the East Java OPOP program and Partial Least Square analysis. The results of this study have confirmed the positive influence of entrepreneurial orientation and market performance on brand orientation, and brand orientation on business growth. In addition, this study also shows that brand orientation was not influenced entrepreneurial orientation and market performance with business growth. This study shows that East Java SMEs OPOP program needs intensive attention to entrepreneurial orientation and market performance to encourage good business growth.

Keywords
Business growth, Entrepreneurial orientation, Market performance, SMEs, Social entrepreneurship.

1. Introduction

Economic recovery during the COVID-19 pandemic has become a major problem in various countries, including Indonesia. Small and Medium Enterprises (SMEs) are considered capable of supporting the Indonesian economy during the COVID-19 pandemic. Over the past few decades, SMEs have become the center of attention for research because they can drive a country's economic growth (Ribeiro-Soriano, 2017). SMEs are well known to play a role in creating new jobs and generating financial capital (Gilmore, 2011). Indonesia now has more than 64 million SMEs and could employ more than 116 million workers by 2019 (Faried et al., 2021). One of the provinces in Indonesia that cares about SMEs is East Java. To face the challenges of digital technology development (Maulana et al., 2020), the era of the industrial revolution 4.0 (Sudrajat et al., 2019), and society 5.0 (Purnomo et al., 2021), the East Java provincial government seeks to strengthen the SME empowerment network to Islamic boarding schools through the One Pesantren One product (OPOP) program.

The One Pesantren One product (OPOP) is a social entrepreneurship movement that aims to develop the economic welfare of pesantren-based communities through empowering students, pesantren, and alumni of Islamic boarding schools (OPOP Jatim, 2021) by optimizing the role of informal leadership (Anam et al., 2019). Pesantren are Islamic boarding schools with a social and cultural community base for centuries in Indonesia. Santri are students in Islamic boarding schools. The SMEs participating in OPOP receive training on entrepreneurship, capital, packaging design,
and the creation of an online platform. The East Java OPOP program consists of three pillars, namely santripreneur (empowerment of students in pesantren), pesantrenpreneur (independence of pesantren institutions), and socialpreneur (empowerment of alumni students). The application of marketing concepts and theories to the OPOP program with a broad theoretical overview can produce theoretical contributions and managerial business implications. Therefore, this research focuses on the potential and constraints of business development in Islamic boarding schools in integrating entrepreneurship, market, brand, and business growth in Islamic boarding schools.

Brand orientation is the action of a company to create a strong brand that stands out from the competition, expresses the strength of the brand, and strengthens over time. The new scale for brand orientation consists of four dimensions, namely brand intelligence, brand importance, brand differentiation, and brand consistency. The findings show that brand orientation is stronger in firms where the marketing department's power in business decision-making is high and serially mediates the effect of market orientation and marketing department power on financial performance (Piha et al., 2021). Regarding the originality of the research, the differentiation of this study is to examine the indirect relationship between entrepreneurial orientation and market performance with business growth where brand orientation is used as a mediating variable.

Entrepreneurial orientation in Islamic boarding schools needs to balance activity strategies for a rapidly changing market environment, with demands to satisfy customer needs. The research gap that is still rare in concentrating on the influence of variables related to business growth on OPOP program participants, encourages and motivates the authors to simultaneously examine the impact of entrepreneurial orientation, market, brand, and business growth. Until now, there has been no research that simultaneously examines the impact of Entrepreneurial Orientation (EO), Market Performance (MP), with Brand Orientation (BO) as a mediating variable on Business Growth (BG) in SMEs participating in the OPOP program. Therefore, this study aims to determine the relationship between entrepreneurial orientation and market performance with brand orientation as a mediating variable on business growth in the East Java SMEs OPOP program.

2. Literature Review
   2.1 Business Growth (BG)
   Business Growth (BG) is defined as a change in turnover, as in several previous studies (Hoy et al., 1992; Venkatraman & Ramanujam, 1986; Weinzimmer, 1998). Turnover, which is a change to positive or negative, was believed to provide direct indicators that can be used to measure business performance in general. Business growth can be attributed to various reasons including higher prices charged to customers, increased market share, or all of these together. Turnover growth can be seen from the increase in the number of employees or company assets as a good growth indicator (Weinzimmer, 1998). The company can grow in terms of sales even though there may be no change in the number of employees or the number of assets. For example, companies can increase prices while employees and assets remain the same (Laakkanen & Patala, 2014). In this research, four research measures were used, namely entrepreneurial orientation, business growth, a brand orientation and market performance. Its first two are considered operations (i.e., non-financial) indicators, whereas the third, business growth, is considered a financial indicator.

   2.2 Entrepreneurial Orientation (EO)
   Entrepreneurial Orientation (EO) is the company's ability to see new business opportunities (Meseghem, 2003). An entrepreneurial perspective to judgment styles, methods, and procedures is sometimes referred to as entrepreneurial orientation (Wilkund & Shepherd, 2005). Entrepreneurial companies were characterized as autonomous, aggressive towards competition, proactive, innovative, and willing to take risks (Lumpkin & Dess, 1996). The last three characteristics are mainly considered as part of the entrepreneurial orientation (Wilkund & Shepherd, 2005). However, it was argued that these characteristics may occur in different combinations depending on the type of entrepreneurial opportunity the firm is faced with (Lumpkin & Dess, 1996). Innovativeness refers to a firm's tendency to accept and encourage new ideas and experiments that can result in new offerings or processes (Lumpkin & Dess, 1996). Innovation is needed so that companies can meet the needs of potential customers (Li et al., 2008). Proactivity relates to a firm's attitude towards competition and is demonstrated through a combination of proactive and aggressive movements, such as being the first to introduce a new product to the market or anticipating future demand and thereby shaping the market (Keh et al., 2007). Proactive shows a forward-looking perspective and proactive companies are more like leaders than followers because they are willing to seize new opportunities even if they are not the first to do so (Lumpkin & Dess, 1996). Furthermore, entrepreneurial firms are willing to take risks with the expectation of high returns (Li et al., 2008). In addition to these characteristics, companies with an entrepreneurial orientation often also
have good marketing knowledge and pay special attention to customer needs identification, planning, and long-term performance (Storbacka et al., 1994).

Several studies have shown that in SMEs there was a positive and significant relationship between EO and business growth (Arshad et al., 2014; Tajeddini et al., 2013; Wolff et al., 2015). EO was found to have a positive impact on the performance of SME partner firms (Jiang et al., 2016); and it was related to the success of the brand name in the market (Reijonen et al., 2015). In addition, Wiklund et al. (2009) argue that entrepreneurial orientation affects business growth. Therefore, the research proposes the following hypothesis.

H1: There is a positive relationship between Entrepreneurial Orientation and Business Growth.

2.3 Market Performance (MP)

Market Performance (MP) is defined as the company's success relative to its competitors in acquiring new customers, retaining current customers, and achieving customer satisfaction. Customer needs and customer satisfaction can be considered as the cornerstone of the marketing discipline (Day, 1994). Companies compete with each other on who best satisfies customer needs. The literature also highlights the importance of companies pursuing the retention of as many (profitable) customers as possible. The costs of acquiring new customers are generally greater than the costs of retaining existing customers (Storbacka et al., 1994). However, no company can keep all of its customers forever, forcing businesses to also pay attention to acquiring new customers. Companies must have a steady stream of new customers and limit outgoing customers to be a successful business (Egan, 2008).

Market performance is measured by three self-report items that reflect the company's sales growth related to the achievement of goals, competition, and expectations for the future (Niu et al., 2013; Spanos & Lioukas, 2001). The results show that the market orientation of SMEs can encourage business model innovation (Randhawa et al., 2021). Other studies reveal that entrepreneurial orientation, market orientation, franchisor resources have a positive and significant effect on franchisee performance (Bui et al., 2021). In addition, the results obtained from a sample of 153 e-commerce companies in China using SEM-PLS analysis show that the market performance of this type of business was influenced by Entrepreneurial Orientation (Niu et al., 2020). Therefore, this study proposes the following hypothesis.

H2: There is a positive relationship between Market performance and Business Growth.

2.4 Brand Orientation (BO)

Brand Orientation (BO) is a business approach that views the brand as a core competency, which aims to build a competitive advantage in the form of a brand by using the brand as a bridge over which organizational processes revolve (Gromark & Melin, 2011; Urde, 1999). Brand-building needs to be managed as a process rather than as a project (Gromark & Melin, 2011). The building and development of a strong brand need to be well supported and maintained in the long term (Keller, 2000). Brand-oriented companies were said to adopt the brand as the driver of the entire marketing planning process, considering the brand as a strategic decision rather than a tactical decision (Yin Wong & Merrilees, 2008). The brand orientation approach considers the brand as the biggest asset owned by the company (Urde et al., 2013). Brand orientation contributes to business growth through two indirect channels, the first through brand performance and the second through brand performance and customer relationship performance (Hirvonen et al., 2016). Therefore, this study proposes the following hypothesis.

H3: There is a positive relationship between Brand orientation and Business Growth.

Some kinds of literature argue that brand orientation is a strategic approach that is closely related to business development and financial performance (Gromark & Melin, 2011; Yin Wong & Merrilees, 2008). Market orientation, which places the customer at the heart of an organization's strategy has been examined extensively from a business performance perspective. This has been associated with brand orientation as a hybrid form of strategic orientation (Urde et al., 2013). Thus, the researcher proposes the following hypothesis.

H4: There is a positive relationship between Entrepreneurial Orientation and Business Growth with Brand orientation acting as a mediator.

H5: There is a positive relationship between Market performance and Business Growth with Brand orientation acting as a mediator.
3. Research Methods
This research can be classified as exploratory research with a quantitative approach. The data that has been used are primary data collected directly through the distribution of survey questionnaires with a five-point Likert measurement scale. This study has used proportional random sampling as a sampling technique. A total of 110 questionnaire data for SMEs participating in the East Java OPOP program have been processed using Partial Least Square analysis with a research framework as shown in Figure 1. The questionnaire contains the perceptions of SME owners and managers on organizational characteristics, financial literacy, and business sustainability.

![Research framework](image)

This study applies the measurement of Entrepreneurial Orientation adapted from Niu et al. (2020) indicators which include Risk, Proactiveness, Innovativeness. Meanwhile, Market Performance has adapted from Niu et al. (2020) indicators covering the achievement of goals, competition, and expectations for the future. Brand Orientation with a scale developed by Gromark (2020), and measurement of Business Growth comes from Hinton (2021).

4. Result and Discussion
4.1 Research Instruments and Validity
The research instruments that have been used for research on SMEs OPOP East Java Indonesia can be seen in Table 1. Research Instruments.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Code</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Orientation (EO)</td>
<td>X1.1</td>
<td>Risk</td>
</tr>
<tr>
<td></td>
<td>X1.2</td>
<td>Proactiveness</td>
</tr>
<tr>
<td></td>
<td>X1.3</td>
<td>Innovativeness</td>
</tr>
<tr>
<td>Market Performance (MP)</td>
<td>X2.1</td>
<td>Sales reach annual target</td>
</tr>
<tr>
<td></td>
<td>X2.2</td>
<td>Better sales performance than competitors</td>
</tr>
<tr>
<td></td>
<td>X2.3</td>
<td>Good future sales prospects</td>
</tr>
<tr>
<td>Brand Orientation (BO)</td>
<td>Y.1</td>
<td>Brand interest</td>
</tr>
<tr>
<td></td>
<td>Y.2</td>
<td>Brand consistency</td>
</tr>
</tbody>
</table>
Based on Table 2, the results of the outer model value on convergent validity show the results of all valid indicators because the outer loading value < cut off (0.5). Thus, the outer model test on convergent validity was valid and can be continued in the next test. The discriminant validity test consists of two types of calculations, namely looking at the AVE roots in the Fornell Larcker table in the Path Algorithm and listening to the cross-loading table. Table 2 shows the AVE root value of each construct is greater than the correlation value between variables. Thus, discriminant validity has been met (Blass & Ketchen, 2014). From these results, it can be concluded that all variables have good discriminant validity.

Table 2. Reliability, Convergent Validity, and Average Variance Extracted (AVE)

<table>
<thead>
<tr>
<th>Construct/ Items</th>
<th>Cronbach’s Alpha</th>
<th>Composite Reliability</th>
<th>AVE</th>
<th>Loading Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO X1.1 X1.2 X1.3</td>
<td>0.831</td>
<td>0.898</td>
<td>0.746</td>
<td>0.868</td>
</tr>
<tr>
<td>MP X2.1 X2.2 X2.3</td>
<td>0.821</td>
<td>0.893</td>
<td>0.736</td>
<td>0.821</td>
</tr>
<tr>
<td>BO Y.1 Y.2 Y.3 Y.4</td>
<td>0.802</td>
<td>0.870</td>
<td>0.626</td>
<td>0.733</td>
</tr>
<tr>
<td>BG Z.1 Z.2</td>
<td>0.645</td>
<td>0.849</td>
<td>0.738</td>
<td>0.848</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.869</td>
</tr>
</tbody>
</table>

The next test was to test the reliability of the variables. The practical agreement to measure reliability was that Cronbach's alpha must be higher than 0.600 and composite reliability must be greater than 0.700 (F. Hair Jr et al., 2014). Reliability was tested to measure the consistency of the research construct. Table 3 shows that all variables in this study were reliable because Cronbach's alpha and composite reliability values are higher than 0.600 and 0.700. Based on the results of the Outer Model test, a valid and reliable model is obtained. Thus, it can be concluded that the model was fit and can be continued to test the inner model.

4.2 Analysis of Variance (R2) and Hypothesis Testing

Table 3 has shown that entrepreneurial orientation and market performance were able to explain the variability of the brand orientation construct of 89.2% and the remaining 60.8% was explained by other constructs other than those studied in this study. While entrepreneurial orientation, market performance, and brand orientation have been able to explain the variability of the business growth construct by 54% and the remaining 46% has been explained by other constructs outside of this study.

Table 3. R²

<table>
<thead>
<tr>
<th>Construct/ Items</th>
<th>R Square</th>
<th>R Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Orientation</td>
<td>0.404</td>
<td>0.392</td>
</tr>
<tr>
<td>Business Growth</td>
<td>0.553</td>
<td>0.540</td>
</tr>
</tbody>
</table>
Hypothesis testing that has been carried out based on the results of the structural model test (inner model) includes R2 output, parameter coefficients, and t-statistics. To see whether a hypothesis can be accepted or rejected, among others, by paying attention to the significance value between constructs, t-statistics, and p-values. By using smartPLS 3.0 it can be seen from the bootstrapping results. The value used was t-statistic > 1.94 with a significance level or p-value of 0.05 (5%) and positive beta. The results of the research hypothesis testing can be seen in Table 4.

Table 4. Path Coefficient

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Original Sample (β)</th>
<th>T Statistics (O/STDEV)</th>
<th>P Values</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Orientation → Business Growth</td>
<td>0.282</td>
<td>3.678</td>
<td>0.000</td>
<td>H1 Supported</td>
</tr>
<tr>
<td>Market Performance → Business Growth</td>
<td>0.232</td>
<td>2.471</td>
<td>0.013</td>
<td>H2 Supported</td>
</tr>
<tr>
<td>Brand Orientation → Business Growth</td>
<td>0.382</td>
<td>4.712</td>
<td>0.000</td>
<td>H3 Supported</td>
</tr>
<tr>
<td>Entrepreneurial Orientation → Brand Orientation → Business Growth</td>
<td>0.129</td>
<td>2.428</td>
<td>0.015</td>
<td>H4 Supported</td>
</tr>
<tr>
<td>Market Performance → Brand Orientation → Business Growth</td>
<td>0.154</td>
<td>2.238</td>
<td>0.025</td>
<td>H5 Supported</td>
</tr>
</tbody>
</table>

Table 4 of the results of hypothesis testing has shown that all the hypotheses proposed in this study were supported. Because the p-value of each construct relationship (0.000, 0.013, 0.000, 0.015, 0.025) was smaller than 0.050 as shown in Figure 2. This has proven that entrepreneurial orientation, market performance, brand orientation have a positive and significant impact on the business growth of SMEs participating in the East Java OPOP program.

The results of this study support previous research by (Arshad et al., 2014; Jiang et al., 2016; Niu et al., 2020; Tajeddini et al., 2013; Wolff et al., 2015) which state that there was a positive and significant relationship between entrepreneurial orientation, market performance, positively and significantly affects business growth. In addition, this study shows that the indirect relationship between entrepreneurial orientation and market performance with brand orientation as a mediator has a positive and significant effect. However, when compared between direct and indirect relationships, the results were in the form of partial mediation of business growth. So, the presence or absence of a mediator variable will not affect the independent variables (entrepreneurial orientation and market performance) on the dependent variable (business growth). Based on the results of this study, SMEs participating in the East Java OPOP...
program need to pay attention to entrepreneurial orientation and market performance to increase business growth while strengthening the brand orientation of their products.

5. Conclusion
This research has shown that entrepreneurial orientation, market performance, and brand orientation have a positive and significant impact on the business growth of SMEs participating in the East Java OPOP program. In addition, this study has proven that brand orientation can have a positive and significant impact on the business growth of SMEs participating in the East Java OPOP program. However, the comparison of direct and indirect contributions shows that the presence or absence of a mediator variable does not affect the independent variable (entrepreneurial orientation and market performance) on the dependent variable (business growth).

Acknowledgments
This research was supported in part by the Institute for Research and Community Services at the Universitas Nahdlatul Ulama Sidoarjo, Indonesia.

References


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