

# THE EFFECT OF MARKET ORIENTATION, INNOVATION, ORGANIZATIONAL LEARNING AND ENTREPRENEURSHIP ON FIRM PERFORMANCE

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## ABSTRACT

*This study aimed to analyze the effect of market orientation, innovation, organizational learning and entrepreneurship on the firm performance. Information that was to be obtained was about the clarity of the occurrence of variable relationships constructed on an equation model based on relevant concepts, so that this study can be classified as explanatory research. This study used a survey method that was gathering information from a sufficient number of populations. This study was conducted with a quantitative approach. The analysis unit aimed at this study was the large manufacturing companies in South Sulawesi, Indonesia; as many as 63 manufacturing companies were taken as sample in this study. The analysis method used to test the effect between variables was Partial Least Square (PLS) analysis. The results of the analysis showed that organizational learning has an effect on firm performance and entrepreneurship has an effect on firm performance. However, the results of this study did not prove the effect of market orientation and innovation on firm performance. Results of this study have implications in building a model of the relationship of market orientation, entrepreneurship, organizational learning and entrepreneurship to firm performance. Organizational learning strategies and entrepreneurship have an important role in encouraging companies to improve firm performance. The more optimal organizational learning and entrepreneurship, then the performance of the company will increase.*

**Keywords:** Market Orientation, Innovation, Organizational Learning, Entrepreneurship, Firm Performance.

## INTRODUCTION

The firm performance is related to how to manage financial, material and human resources available in an organization and wisely used to achieve overall company goals (Aliyu et al., 2014). Firm performance must be measured, reported and accounted for by company management. The main objective of performance measurement is to encourage management to be more proactive in carrying out company activities. The performance measurement is very important for managers in achieving company goals. However, the performance measurement is not placed on the top priority in the company; this is due to the manager's limited knowledge in measuring performance. Managers generally recognize that performance measurements used in companies do not encourage the commitment of all managers to achieve superior performance; even managers are still poor in aligning personal goals with company goals (Buckingham & Goodall, 2015).

Achievement of firm performance is inseparable from the capabilities possessed by the company. Henri (2006) revealed that the capability of the company is recognized as the main ability to achieve competitive advantage, match and create market changes and if it is carried out simultaneously (market orientation, innovativeness, organizational learning and entrepreneurship), it can help companies to compete uniquely in achieving superior performance. This is strengthened by Zehir et al. (2015) that entrepreneurial orientation and innovation are company capabilities that can be used as a good measurement to explore opportunities to improve firm performance.

In general, researches on the relationship between market orientation, innovation, organizational learning and entrepreneurship towards firm performance show ambiguous, not conclusive, or sometimes contradictory research results so that research gaps occur. As for research gaps found, they are: First, studies that examine market-oriented relationships with firm performance carried out by Wood et al. (2000); Agarwal et al. (2003); Henri (2006); Haugland et al. (2007), and Lee et al. (2015) found that market orientation influences firm performance, in contrast to researches conducted by Greenley (1995); Han et al. (1998) stated that market orientation did not affect firm performance. The second is the researches on the relationship of innovation to firm performance. The results of empirical research provide evidence that innovation affect firm performance (Agarwal et al., 2003; Bisbe & Otle, 2004; Giniuniene & Jurksien, 2015; Sulistyo, 2016; Yunis et al., 2018). While research conducted by Darroch (2005) did not find the effect of innovation on firm performance.

Third, researches that examine organizational learning on firm performance conducted by Montes et al. (2005); Henri (2006); Widener (2007); Jiang & Li (2008); Andreou et al. (2016) found that there was an effect of organizational learning and firm performance, in contrast to Akgün et al. (2014) study which found that organizational learning using managerial commitment and systems perspective approaches did not affect firm performance. Fourth is the research on the effect of entrepreneurship on firm performance. The results of the empirical study found that entrepreneurship had an effect on firm performance (Zahra, 1995; Henri, 2006; Kim et al., 2012; Halvarsson et al., 2018) is different from the research of Sulistyo (2016) that entrepreneurship did not affect firm performance.

There are several reasons why using market orientation, innovation, organizational learning and entrepreneurship as independent variables in this study. (1) Market orientation, innovation, organizational learning, and entrepreneurship are considered as factors that are based on the company culture that exists in the organization as a competition culture. (2) Market orientation, innovation, organizational learning, and entrepreneurship are the four elements of capability that play an important role in creating competitive advantage. (3) Market orientation, innovation, organizational learning, and entrepreneurship are potential excellence factors which ultimately affect firm performance (Hult & Ketchen, 2001; Hult, et al., 2002). And (4) capability as a strategic choice will lead to sustainable competitive advantage which ultimately contributes to firm performance (Henri, 2006).

This study was conducted at the large manufacturing companies in South Sulawesi, Indonesia. Manufacturing companies have unique characteristics and adequate resources in carrying out their activities. The main characteristic of manufacturing companies is to have a work capacity that is interrelated and complicated, starting from the production process until the finished goods are ready for sale. Manufacturing companies are expected to continue to strive to improve firm performance. Market orientation, innovation, organizational learning and

entrepreneurship are considered as superior strategies that can support the improvement of firm performance, especially in manufacturing companies in South Sulawesi.

This study aimed to (1) examine the effect of market orientation on firm performance, (2) examine the effect of innovation on firm performance, (3) examine the effect of organizational learning on firm performance, and (4) examine the effect of entrepreneurship on firm performance. The results of this study are expected to provide empirical evidence about the effect of market orientation, innovation, organizational learning and entrepreneurship on firm performance. This study is also expected to contribute to the development of science in the fields of management accounting, strategy management, marketing management and entrepreneurship education. Specifically, it can build a conceptual framework regarding the effect of market orientation, innovation, organizational learning and entrepreneurship on firm performance. In addition, the results of this study are expected to contribute to company management in designing and implementing market orientation, innovation, organizational learning and entrepreneurship appropriately so that the company is able to improve performance.

## **LITERATURE REVIEW**

### **Market Orientation**

Market orientation is a marketing management concept that facilitates a company's ability to deliver superior products and services to internal and external customers (Lee et al., 2015). This is very important in a dynamic market environment where competition and market uncertainty are increasing. Referring to the marketing management literature, According to Kohli & Jaworski (1990), market orientation refers to intelligent market acquisition related to current and future customer needs, where companies must identify various needs of market players such as competitors, consumers, and suppliers. Besides, Kohli & Jaworski (1990) also emphasize three marketing concepts that are oriented towards company goals, namely (1) customer focus; (2) coordinated with marketing; and (3) profitability.

Narver & Slater (1990) argue that profitability is the ultimate goal of a company, and this starts from a successful market orientation. Market orientation seeks to understand and utilize exogenous factors that surround the company (Lee et al., 2015). Thus, a company can identify, respond to customer needs and provide products and services that meet market needs, thus making market orientation the main instrument in developing sustainable competitive advantages (Kumar et al., 2011; Lee et al., 2015).

Market orientation refers to organizational emphasis on customer needs that are expressed and developed for long-term needs based on customer needs (Narver & Slater, 1990; Henri, 2006). Focusing on customer needs, Ruekert (1992) determines three levels of market orientation, namely: First, obtain and use information from customers. Managers collect and interpret information from customers to be used as a basis in choosing targets and allocating resources to various company programs/activities. Second, develop a strategy plan that can meet customer needs. The company develops a strategic plan to set goals, allocate resources and assign responsibility for implementation of the strategy. This dimension of market orientation reflects the extent to which the strategic planning process explicitly considers the customers' needs and desires and develops strategies specifically to meet the customers' needs.

Third is applying this strategy to customer needs. This is directly related to the implementation of an oriented strategy to customers by being responsive to the customers' needs and desires. The behavior carried out by the company can vary according to the level of

customer satisfaction. This is consistent with the behavioral component of Narver & Slater (1990) that functional coordination can provide customer value.

Market orientation is an important key to achieving company success to achieve goals (Narver & Slater, 1990). Market orientation is often used as a basis for improving firm performance. Research on the effect of market orientation on firm performance has been conducted by Kohli & Jaworski (1990); Wood et al. (2000); Agarwal et al. (2003); Henri (2006); Lee et al. (2015). The results of the study found a positive relationship between market orientation and firm performance.

*H1: Market orientation affects firm performance.*

## **Innovation**

The initial concept of innovation in economics and business was popularized by Joseph Schumpeter (1883-1950). Innovation according to him consisted of elements of creativity, research and development, new processes, new products or services and technological advancements (Lumpkin & Dess, 1996). Drucker (1985) defines innovation as a process of complementing new capabilities, increases or improvements in utility. According to Thornhill (2006), innovation is the process of creating ideas, developing an invention until the introduction of a product. Beaver (2002) believes that innovation is an important element for a country's economic progress and the competitiveness of an industry.

Sandvik & Sandvik (2003) argue that innovation is one of the most important competitive tools and is generally seen as the company's core value capability. Innovation is also considered as an effective way to increase company productivity because of the resource constraints faced by the company (Lumpkin & Dess, 1996). Innovation refers to the idea and openness of the organization to new ideas, processes and products (Henri, 2006). Innovation is considered very important for companies to be able to compete effectively in the domestic and global markets, and is one of the important components in corporate strategy. Companies that has greater innovation capacity; it can develop competitive advantages, and achieve higher levels of performance. The importance of innovation is also explained by Roberts & Amit (2003) that innovation is a tool that leads to competitive advantage and obtains high profitability.

Johne & Davies (2000) provide an understanding that innovation can be seen from three dimensions, namely: (1) product innovation, (2) innovation process, and (3) market innovation. Product innovation can be interpreted as the creation of new products from new materials (truly new products) or changes in existing products to meet customers' satisfaction. Product innovation is one important source of competitive advantage for companies (Camisón & Villar-López, 2010). With innovation, product quality can be improved, which in turn contributes to the company's performance and ultimately achieves a company's competitive advantage.

In general, the innovation process is the process of reengineering and improving the internal operations of business processes. This process involves many aspects of a company's functions, including technical design, research and development, manufacturing, management and commercial activities (Rosli & Sidek, 2013). According to Johnne & Davies (2000), market innovation is related to market mix in market selection to meet customer purchasing preferences. Market innovation needs to be conducted by companies because these innovations are the latest tools to meet customers' needs. Research conducted by Sandvik & Sandvik (2003) found that market innovation has a positive effect on a company's sales growth. According to Johnne &

Davies (2000), market innovation will increase sales through increasing product demand, which in turn produces additional benefits for innovative companies.

Innovation is an element of company capability and determinants of firm performance (Mone et al., 1998). Innovation is also considered to play an important role in improving organizational performance (Montes et al., 2005). Several empirical studies have shown that innovation has an effect on firm performance (Agarwal et al., 2003; Bisbe & Otley, 2004; Giniuniene & Jurksien, 2015; Sulistyo, 2016; Yunis et al., 2018).

*H2: Innovation affects firm performance.*

## **Organizational Learning**

The concept of organizational learning first emerged in the 1970s and was defined to capture errors and correct organizational errors (Serinkan et al., 2014). Argyris (1999) defines organizational learning as a tool for detecting errors and for making repairs. According to Bontis et al. (2002), for survival organizations are forced to learn efficiently and effectively in a tight competitive environment resulting from the development of science.

The impact of the development of science keeps the organization from learning. Organizational learning focuses on learning as an important component in implementing the company's vision and goals. Organizational learning is continuous and proactively emphasizes facilitating learning activities and developing strategies to encourage organizational learning. In addition, organizational learning refers to culture to promote a learning environment that includes individual learning and organizational learning (Kanten et al., 2015).

Organizational learning refers to the development of insights, knowledge and associations on actions taken before, the effectiveness of current actions and future actions. The ability of an organization to survive and develop based on the level of profit that comes from capabilities that represent learning collectively (Henri, 2006). Learning is considered a competitive advantage that can increase activity in processing company information at a faster rate than competitors (Baker & Sinkula, 1999).

Jerez-Gomez et al. (2005) developed four dimensions of organizational learning, which consisted of: (1) managerial commitment; (2) perspective system; (3) openness and experimentation; and (4) knowledge transfer and integration. The first dimension requires management to have a commitment that can create an organizational culture to obtain and share knowledge shared by each individual in the organization. The second dimension considers the organization as a system consisting of several components (subsystems) that must be coordinated to achieve the goal. The relationship between components is represented by relationships between departments within the organization, so it is expected that the relationships between these departments show coordination to achieve organizational goals. The third dimension encourages double loop learning. Organizations must open up to new ideas to find new ways to solve problems. Therefore, organizations must experiment with these new ideas. The fourth dimension, knowledge transfer and integration must occur simultaneously to form organizational capabilities. Knowledge transfer shows the spread of knowledge at the individual level to the level of the work unit and ultimately the level of the organization. Knowledge transfer can be conducted through interaction and communication between individuals. Interaction and communication will form knowledge integration. Knowledge integration is formally codified in the form of a database that can be used as a medium of organizational learning.

Organizational learning establishes a mechanism for coordinating resources and capabilities achieved by reducing time and costs in identifying market needs, meeting customer needs and responding to environmental changes. In this way, the resources have the freedom to take the initiative in improving the company's business processes, interaction with the environment and internal and external responsibilities so as to improve firm performance. Organizational learning also encourages managers to focus on specific interventions needed to develop learning such as training, seminars, weekly meetings, teamwork, and collaborative projects with the aim of articulating the organization's mission, vision and objectives (Akgün et al., 2014).

Organizational learning is very important for a company, because organizational learning can provide knowledge to the company so that the company persists. According to March (1991) that organizational learning is a basic component used in each activity to improve firm performance and give strength to competitive advantage. Whereas Narver & Slater (1990) provide opinions stating that organizational learning is very important in improving firm performance. This opinion explains that with organizational learning the company will gain new knowledge both from within and outside the organization to be used in an effort to improve firm performance. Previous studies have shown that organizational learning has an effect on improving firm performance (Montes et al., 2005; Henri, 2006; Widener, 2007; Jiang & Li, 2008; Andreou et al., 2016; Walker et al., 2015).

*H3: Organizational learning affects firm performance.*

## **Entrepreneurship**

Dess et al. (1999) argue that entrepreneurship is the main driver of the organization's transformation and strategic renewal through the creation and combination of organizational resources. According to Zahra et al. (1999), entrepreneurial activities can be the foundation for building new competencies or revitalizing existing ones. Shane (2003) argues that the entrepreneurial process stems from perceptions of the availability of opportunities or situations where resources are transformed into profitable businesses. Similarly, Narver & Slater (1995) argue that the entrepreneurship value is an important driver in product development and formulation, innovation in channel construction and design, and new approaches to competitive strategies.

Entrepreneurship refers to the company's ability to continuously renew, innovate, and constructively accept market risk. Entrepreneurial action means creating new resources or combining existing resources in new ways to develop and commercialize new products, move to new markets and/or serve new customers. Entrepreneurship is identified as an important organizational process that contributes to the company survival and performance.

According to Sulistyo (2016), Entrepreneurship is able to encourage companies to think creatively and act innovatively as a basis in developing resources, motivation and processes to face challenges faced by companies. The results of the study conducted by Lee & Hsieh (2010) concluded that entrepreneurship significantly affects the ability and performance of innovation. Research by Kim et al. (2012) focuses on the intensity of entrepreneurship as a variable in improving firm performance. The results of the study found that entrepreneurial intensity affects the performance of companies through the knowledge integration ability because it facilitates the process of creating creative ideas and new innovations introduced to achieve competitive advantage.

Entrepreneurial behaviors in organizations in general have been known as a means to increase growth and profitability of organizations (Thornberry, 2001), strategy renewal (Zahra, 1995); organizational and service changes that add value to customers (Kuratko et al., 2005). Some of these views provide evidence that entrepreneurial orientation is an important thing that must be owned by every company. Wood et al. (2000) argue that entrepreneurship is the willingness of organizations to encourage and support creativity, flexibility and risk taking. Researches on the effect of entrepreneurship on firm performance have been carried out by Zahra (1995); Henri, (2006); Kim et al. (2012); Halvarsson et al. (2018). The results of these studies as a whole prove that entrepreneurship affects the firm performance.

*H4: Entrepreneurship affects firm performance.*

## RESEARCH METHODOLOGY

The population in this study was large manufacturing companies spread across districts/cities in South Sulawesi, Indonesia, which amounted to 63 companies. Given the relatively small population size, the technique of determining the sample was conducted by census or referred to as a saturated sampling technique, so that all large manufacturing companies in South Sulawesi were taken as sample in this study. The unit of analysis in this study was a large manufacturing company in South Sulawesi and the respondents were company leaders at the manager level. This study was analyzed using primary data collected by using a questionnaire by applying the survey method. Furthermore, the questionnaire that had been received from the respondents was tested for validity and reliability (Table 1).

Table 1 RESEARCH VARIABLES AND NUMBER OF STATEMENT ITEMS				
No	Variables	Statement Items		Reference
1	Market Orientation	1	Customer's needs	Henri (2006)
		2	Measurement of customer's satisfaction	
		4	Integration of market requirements	
		5	Customer's interests	
		6	Strength of competitive strategy	
2	Innovation	1	New innovation	Henri (2006)
		2	Project management innovation	
		3	Technical innovation	
3	Organizational Learning	1	Learning ability	Henri (2006)
		2	The basic value of organizational learning	
		3	Risk without organizational learning	
4	Entrepreneurship	1	Actions to achieve goals	Henri (2006)
		2	Product line development	
		3	Introduction of new products	
		4	Adopt attitude of competitive advantage	
5	Firm performance	1	Achievement of sales goals	Lee et al. (2015)
		2	Achievement of the net profit goals	
		3	Success in financing company activities	
		4	Improved new products and services	
		5	Increased Human Resources work satisfaction	
		6	Increased customer's satisfaction	

Source: Adapted from reference.

The analytical tool used to test the hypothesis was Partial Least Square (PLS) analysis. PLS is a powerful analytical method, because it is not based on many assumptions, data does not have to be normally distributed; the sample does not have to be large, and is able to explain the relationship between latent variables (Ghozali, 2011). Significant value used (two-tailed) t-table 1.65 (significant at level 10%), 1.96 (significant at level 5%), and 2.58 (significant at level 1%). If the value is  $t > 1.65$  ( $p < 0.10$ ),  $t > 1.96$  ( $P < 0.05$ ),  $t > 2.58$  ( $p < 0.01$ ) then the hypothesis is accepted, and if  $t < 1.96$  ( $p > 0.10$ ) then the hypothesis is rejected.

## RESULTS

This study used primary data collected by sending instruments in the form of questionnaire to respondents. The study that uses primary data is stated to be qualified if the research instrument has good quality. Therefore, the instrument used in this study need to be tested for validity and reliability. A research instrument is stated to be valid if the person correlation coefficient value for each indicator towards the total indicator is significant (Ghozali, 2011) and the item-total correlation value for each item is greater than 0.30.

The results of the validity testing of the research instrument are presented in Table 2 (attached). The results of the validity test for all variables show valid results with the significance of the person correlation value was less than 5% and the total item value for each indicator was greater than 0.3.

<b>Table 2</b> <b>RESULTS OF VALIDITY TESTING</b>				
<b>Variables</b>	<b>Items</b>	<b>Total Correlation</b>	<b>R Coefficient</b>	<b>Status</b>
Market Orientation	X1.1	0.786	0.300	Valid
	X1.2	0.783	0.300	Valid
	X1.3	0.706	0.300	Valid
	X1.4	0.644	0.300	Valid
	X1.5	0.683	0.300	Valid
Innovation	X2.1	0.660	0.300	Valid
	X2.2	0.834	0.300	Valid
	X2.3	0.800	0.300	Valid
Organizational Learning	X3.1	0.733	0.300	Valid
	X3.2	0.808	0.300	Valid
	X3.3	0.806	0.300	Valid
Entrepreneurship	X4.1	0.534	0.300	Valid
	X4.2	0.780	0.300	Valid
	X4.3	0.753	0.300	Valid
	X4.4	0.719	0.300	Valid
Firm performance	Y.1	0.789	0.300	Valid
	Y.2	0.796	0.300	Valid
	Y.3	0.792	0.300	Valid
	Y.4	0.749	0.300	Valid
	Y.5	0.751	0.300	Valid
	Y.6	0.745	0.300	Valid

Source: Results of data analysis.

In addition to validity, an instrument is expected to have stability and consistency in measuring a construct, so that the instrument needs to be tested reliably. The results of the



reliability test show that all research variables have Cronbach Alpha values greater than 0.6 so that all variables are concluded reliably (Table 3).

<b>Table 3</b> <b>RESULTS OF RELIABILITY TESTING</b>			
<b>Indicators</b>	<b>Number of Items</b>	<b>Cronbach Alpha</b>	<b>Status</b>
Market Orientation	5	0.754	Reliable
Innovation	3	0.647	Reliable
Organizational Learning	3	0.665	Reliable
Entrepreneurship	4	0.656	Reliable
Firm performance	6	0.862	Reliable

Source: Results of data analysis.

Hypothesis testing was conducted to describe the effect of each variable tested using smart PLS software. Table 4 presents the relationship between the variables used in this study.

<b>Table 4</b> <b>RESULTS OF HYPOTHESIS TESTING</b>					
<b>Variable Relationships</b>	<b>Loading Factor</b>	<b>Standard Deviation</b>	<b>T Statistics</b>	<b>P Values</b>	<b>Status</b>
Market Orientation → Firm performance	0.120	0.136	0.881	0.379	Rejected
Innovation → Firm performance	0.144	0.120	1.199	0.231	Rejected
Organizational Learning → Firm performance	0.266	0.127	2.086	0.037**	Accepted
Entrepreneurship → Firm performance	0.392	0.102	3.836	0.000***	Accepted
***Sig level 1%					
**Sig level 5%					

Source: Results of data analysis.

## DISCUSSION

The results of correlational testing between the market orientation and firm performance showed no significant. The result of hypothesis 1 (*H1*) testing which states that market orientation affects the performance of the company was rejected. Companies should improve market orientation capabilities by understanding customer's needs, prioritizing customer's satisfaction, and continuing to carry out the integrity of functions in meeting market needs. If it continues to be carried out by the company, it will have an impact on improving firm performance. The result of this study did not support the research conducted by Kohli & Jaworski (1990); Wood et al. (2000); Agarwal et al. (2003); Henri (2006); Lee et al. (2015) which found the effect of market orientation on firm performance.

The results of the correlational testing of innovation to firm performance showed not significant. Thus, the hypothesis 2 (*H2*) which states that innovation affects on firm performance was rejected. Innovation has an important role in improving performance; therefore companies must continue to look for new ideas about innovation so that companies can improve performance. The result of this study did not support the research conducted by Agarwal et al. (2003); Bisbe & Otley (2004); Giniuniene & Jurksien (2015); Sulistyo (2016); and Yunis et al. (2018) which found that innovation had an effect on the firm performance.

The results of analysis testing state that organizational learning has an effect on firm performance, with a loading factor value positive and significant. The result of hypothesis 3 (*H3*) testing that organizational learning has an effect on firm performance was accepted.

Organizational learning is as an organizational learning process to have expertise in creating, studying and transferring knowledge and adjusting the attitude of the company and reflecting the results of the company so that the company can achieve competitive advantage and can improve firm performance. The result of this study supported the research conducted by Henri (2006); Widener (2007); Jiang & Li (2008); Andreou et al. (2016) which found that organizational learning has an effect on firm performance.

The results of testing the entrepreneurial relationship to firm performance showed that the loading factor was positive with the t-statistic significant. The result of hypothesis 4 (*H4*) testing that stated entrepreneurship has an effect on firm performance was accepted. The application of entrepreneurship in companies in general has been known as a means to increase growth and profitability of organizations (Thornberry, 2001), strategy renewal (Zahra, 1995); organizational and service changes that add value to customers (Kuratko et al., 2005; Hair et al., 2010); in this way companies can achieve competitive advantage and improve firm performance. The result of this study supported the research conducted by Zahra (1995); Henri (2006); Kim et al. (2012); Halvarsson et al. (2018); Bedford (2015) which found that entrepreneurship had a positive effect on firm performance. Thus this study provided empirical evidence that entrepreneurship is seen as a superior strategy in improving firm performance.

Based on the research results, the overall results of this study have implications in building a model of the relationship of market orientation, entrepreneurship, organizational learning and entrepreneurship to firm performance. Organizational learning strategies and entrepreneurship have an important role in encouraging companies to improve firm performance. The more optimal organizational learning and entrepreneurship, then the performance of the company will increase. In addition, market orientation and innovation strategies also have a positive direction on firm performance, but are not significant. This is caused by changes in the environment that are constantly changing, so companies have a role to continue to improve market orientation and innovation by paying attention to environmental uncertainties, in this way the company will sustain increased performance.

## CONCLUSION

Theoretically market orientation and innovation are the capabilities of companies that can encourage companies to achieve performance improvements, but the results of this study did not find the effect of market orientation and innovation on firm performance. Therefore, companies must continue to strive to improve market orientation by better understanding customer's needs and satisfaction, increasing innovation, implementing innovations that cannot be pursued by rival companies. In that way, the companies have the potential to improve firm performance.

The results of the study prove that organizational learning affects the firm performance. The companies continue to increase the capacity of their resources in conducting organizational learning, because organizational learning is the key to improve performance. In addition to learning organizations, entrepreneurship also has an effect on firm performance. This shows that the companies continue to focus on increasing entrepreneurship by developing new product lines, new techniques, and adopting competitive attitudes so that companies can improve performance continuously.

## LIMITATIONS AND SUGGESTIONS FOR RESEARCH

The limitation of this study is this research model is relatively new by applying four independent variables namely, market orientation, innovation, organizational learning and entrepreneurship on firm performance as the dependent variable and can be an advantage in this study, but to test the consistency of the research results, it is required re-testing for models and relationships between variables, and reflecting on research variables by using different indicators.

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