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The Effect of Market Orientation and Entrepreneurial Orientation on the Business Performance of Coffee Shops in Bandung

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Abstract

This study examines the influence of Market Orientation (MO) and Entrepreneurial Orientation (EO) on the Business Performance (BP) of coffee shops in Bandung City. The rapid growth of the coffee shop industry has intensified competition, requiring business actors to implement adaptive and competitive strategies. This study employed a cross-sectional survey design using a quantitative approach. Data were collected from 150 coffee shops in Bandung City through a five-point Likert-scale questionnaire distributed via Google Forms, with respondents consisting of owners or managers selected using purposive sampling techniques. Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. Before testing the structural model, measurement model purification was performed by eliminating indicators with outer loading values below 0.70. The results show that Market Orientation, particularly the MO-2 (Competitor Orientation) dimension, has a positive and significant effect on Business Performance (path coefficient = 0.337; t = 3.531; p = 0.000). In contrast, the effect of Entrepreneurial Orientation on Business Performance was not consistent: the EO-1 and EO-3 dimensions did not demonstrate significant effects, whereas the EO-4 dimension exhibited a negative and significant effect (path coefficient = −0.352; t = 3.149; p = 0.002). The coefficient of determination (R^2) value of 0.121 indicates that Entrepreneurial Orientation and Market Orientation jointly explain 12.1% of the variance in Business Performance. These findings indicate that Market Orientation plays a more consistent and practical role in improving coffee shop performance.

INTRODUCTION

The development of the culinary industry, particularly the coffee shop sector in Bandung City, has demonstrated significant growth in recent years. Bandung City, recognized as a center of culinary activities, education, and tourism in West Java, has become one of the cities with the most dynamic coffee industry development in Indonesia (UPI, 2019). The combination of young people's creative culture, continuously improving urban infrastructure, and a high population of students and tourists has created an ecosystem that supports the massive and sustainable growth of coffee shop businesses (Tran & Schänzel, 2026; Veleva, 2021).

The ease of obtaining business licenses, lifestyle trends, and shifting consumer preferences have encouraged the emergence of numerous new business actors in this sector (Pisano et al., 2015; Todeschini et al., 2017). This phenomenon not only reflects increased consumer purchasing capacity but also indicates a transformation in social culture among younger generations, who increasingly perceive coffee shops as a third place between home and work or educational environments (Maspul, 2023; Sudarman, 2023). This condition has intensified competition in terms of menu differentiation, customer experience, and digital marketing strategies (Zuhri, 2024). Such intense competition creates challenges for business actors in maintaining business performance, particularly for small and medium-sized enterprises with limited resources (Vu et al., 2022).

Indonesia's coffee industry is currently experiencing substantial growth. Based on data from Toffin (2020), approximately 2,950 coffee shops operate in Indonesia, although the data coverage is limited to several major cities. In Bandung City, the development of the coffee shop industry has been highly significant. According to data from the Bandung City Culture and Tourism Office (2023), the number of coffee shops has reached 3,974 units. Data from UPI (2019) indicated that the number of coffee shops in Bandung increased from 156 units in 2011 to 186 units in 2012, and continued to rise from 196 to 235 units during the 2014–2015 period. The West Java Open Data dataset further illustrates fluctuations in the number of restaurant, dining, and café businesses in Bandung between 2019 and 2022, with 952 units recorded in 2019, declining to 524 units during the COVID-19 pandemic in 2020, then increasing to 791 units in 2021 and reaching 1,234 units in 2022. This rapid post-pandemic recovery demonstrates the resilience and strong market attractiveness of the coffee shop industry (Office, 2023).

As the number of industry participants increases, competitive intensity also rises. Porter (1979), through the Five Forces framework, explains that industries characterized by low entry barriers and a high number of competitors tend to experience intense competition, which can reduce profit margins for individual business actors. This condition is highly relevant to the coffee shop industry in Bandung City, where the ease of establishing businesses generates competitive pressure not only from independent coffee shops but also from national and international franchise networks that continue to expand aggressively. Under these circumstances, companies must develop sustainable competitive advantages to survive and achieve strong performance. Such advantages are no longer determined solely by tangible resources, such as physical capital, but increasingly depend on intangible resources, including organizational culture (Supadmi et al., 2025).

One form of organizational culture that can support competitive advantage is Market Orientation (MO). Narver and Slater (1990) define market orientation as the most effective and efficient organizational culture for creating behaviors necessary to generate superior value for buyers and continuously achieve superior business performance. The three main dimensions of MO—Customer Orientation, Competitor Orientation, and Interfunctional Coordination—encourage companies to become more adaptive to market changes and more responsive to customer needs. In the coffee shop industry, which heavily depends on customer experience and loyalty, the application of market orientation is increasingly important because consumers seek not only high-quality coffee but also the atmosphere, service quality, and emotional value offered by coffee shops.

In addition to Market Orientation, Entrepreneurial Orientation (EO) represents an important determinant in improving coffee shop performance. According to Lumpkin and Dess (1996), entrepreneurial orientation refers to a company's strategic tendency to behave innovatively, proactively, risk-taking, autonomously, and competitively aggressively. EO enables companies to remain adaptive, dynamic, and responsive to market opportunities and challenges. In the coffee shop industry, which continuously changes due to emerging beverage trends, evolving coffee preparation technologies, and shifting aesthetic preferences, the ability to innovate and undertake calculated risks becomes a distinguishing factor between growing and stagnant businesses.

Previous studies conducted in various Indonesian cities, including Padang (Rifa Nabila Syahira & Thamrin, 2023), Jambi (Zuhri, 2024), and Langsa (Rivanda & Sumarni, 2022), indicate that market orientation and entrepreneurial orientation consistently contribute positively to company performance. However, research specifically examining the influence of these two strategic orientations on coffee shop performance in Bandung City remains relatively limited. Bandung has unique demographic characteristics, including a high proportion of young residents, a strong creative culture, and relatively advanced digital literacy, which may influence how these strategic orientations operate and affect business performance compared with other urban contexts (Rivanda & Sumarni, 2022).

The novelty of this research lies in the application of Partial Least Squares Structural Equation Modeling (PLS-SEM) to examine the differential effects of EO dimensions rather than treating EO as a single construct on business performance in the Bandung coffee shop context. This approach reveals that not all EO dimensions contribute uniformly to performance improvement. Furthermore, the use of the Third Generation Balanced Scorecard as a measurement framework for business performance, adapted specifically for coffee shop micro, small, and medium enterprises (MSMEs), provides a more comprehensive evaluation of organizational outcomes. This study also contributes empirical evidence from Bandung, a city characterized by a young demographic composition, strong creative culture, and advanced digital literacy, which may shape the relationship between strategic orientations and business performance differently from other urban contexts.

This study aims to: (1) examine the influence of Market Orientation on coffee shop performance in Bandung City; (2) examine the influence of Entrepreneurial Orientation on coffee shop performance in Bandung City; and (3) examine the simultaneous influence of Market Orientation and Entrepreneurial Orientation on coffee shop performance in Bandung City. By applying the PLS-SEM approach and validated measurement instruments, this study is expected to provide academically relevant findings and practical recommendations for coffee shop business actors in developing more effective and sustainable business strategies.

Market Orientation (MO) is one of the most extensively studied strategic approaches in marketing management literature since the early 1990s. Conceptually, market orientation emphasizes a comprehensive understanding of customer needs and competitive dynamics as the foundation of organizational decision-making. This concept is based on the assumption that companies capable of understanding customer expectations and responding more quickly and accurately than competitors will consistently achieve superior performance.

Narver and Slater (1990) define market orientation as the most effective and efficient organizational culture for generating behaviors required to create superior value for buyers and achieve sustainable business performance. This definition emphasizes that market orientation is not merely a collection of activities or operational procedures but rather a fundamental organizational value embedded within corporate culture and guiding managerial decision-making processes. In a continuously changing market environment, market orientation serves as a foundation for establishing sustainable competitive advantage.

Narver and Slater (1990) conceptualized market orientation through three primary dimensions. First, Customer Orientation refers to a comprehensive understanding of target customers that enables companies to create superior value continuously. This dimension includes the ability to identify explicit and latent customer needs, understand purchasing motivations, and anticipate future changes in consumer preferences. In the context of coffee shops, customer orientation is reflected through sensitivity toward consumers' preferences regarding taste, ambiance, pricing, and overall service experience.

Second, Competitor Orientation refers to the company's ability to monitor and analyze the strengths, weaknesses, capabilities, and strategies of current and potential competitors. Information regarding competitors is not only used reactively but also proactively to formulate differentiation strategies. In the highly competitive coffee shop industry in Bandung City, monitoring competitors' menu strategies, pricing, spatial concepts, and marketing campaigns is a crucial activity for maintaining market relevance and meeting consumer expectations.

Third, Interfunctional Coordination refers to the level of coordination and communication among departments within a company to integrate efforts in creating customer value. The creation of optimal customer value is the result of collaboration among all organizational functions, including operations, human resources, and finance. In a coffee shop business, interfunctional coordination is reflected in the synergy between baristas who understand customer preferences and procurement teams that ensure the availability of high-quality coffee ingredients according to market demand. The measurement instrument used for Market Orientation is MKTOR, which has been extensively validated and tested for reliability across various cross-cultural and industry contexts.

Entrepreneurial Orientation (EO) is a strategic concept that reflects a company's tendency to actively respond to market dynamics through risk-taking, innovation, and proactive behavior (Priyono et al., 2024). Lumpkin and Dess (1996) define entrepreneurial orientation as a company's strategic tendency to act innovatively, proactively, take calculated risks, maintain autonomy in decision-making, and compete aggressively. Unlike the outside-in perspective of Market Orientation, which emphasizes responding to external market conditions, EO represents an inside-out approach that encourages companies to initiate change through internal innovation and strategic initiatives rather than merely responding to market signals.

According to Lumpkin and Dess (1996), EO consists of five main dimensions. First, Innovativeness refers to a company's ability to develop new products, services, or processes that differ from existing market offerings. Innovation may include the development of menus using local ingredients, new business models, coffee preparation technologies, and digital ordering systems. Second, Proactiveness refers to a company's ability to anticipate and respond to market opportunities before competitors. Proactive behavior is reflected in the rapid adoption of emerging beverage trends, the introduction of unique café concepts that are not yet available in the local market, or the development of digital sales channels ahead of competitors.

Third, Risk-Taking refers to a company's willingness to make decisions involving uncertainty through carefully calculated considerations, such as substantial investments in interior renovations, opening new branches, or developing premium product lines. In the context of MSMEs, risk-taking without adequate strategic planning may negatively affect business performance. Fourth, Autonomy refers to the freedom provided to individuals or teams to initiate and implement business ideas independently without excessive bureaucratic constraints. Fifth, Competitive Aggressiveness refers to a company's tendency to compete directly and assertively with rivals, for example, through competitive pricing strategies, intensive marketing campaigns, or expansion into strategic locations where competitors operate.

Business performance is a multidimensional concept that reflects the extent to which a company successfully achieves its strategic and operational objectives. In management literature, business performance can be measured using various approaches, ranging from financial indicators, such as profitability and sales growth, to non-financial indicators, including customer satisfaction, process efficiency, and innovation capability. In the context of MSMEs, particularly coffee shops that generally lack standardized accounting systems, the use of non-financial indicators represents a more practical and representative measurement approach.

Business performance in this study was measured using the Third Generation Balanced Scorecard (BSC). The BSC was initially developed by Kaplan and Norton (1996) as a strategic management framework that translates organizational vision and strategy into a balanced set of financial and non-financial performance measures. The third generation of BSC, developed by Lawrie and Cobbold (2004), emphasizes the clarification of strategic objectives, the mapping of cause-and-effect relationships, and the adaptation of performance measurement systems to organizational needs. This approach is relevant for MSMEs because it emphasizes non-financial performance indicators that are relatively easier to measure and understand by business owners without formal accounting backgrounds.

The Third Generation BSC evaluates performance through four main perspectives. The Customer Perspective measures customer satisfaction, loyalty, and the likelihood of recommending a business to others. The Internal Process Perspective focuses on service quality, operational efficiency, and consistency in product and service delivery. The Learning and Growth Perspective includes employee competencies, innovation capacity, and organizational adaptability to change. The Non-Financial Business Growth Perspective measures customer growth, increased demand, and overall business development. In the context of coffee shop MSMEs, this perspective may be reflected through increased seating capacity, higher frequency of repeat customer visits, or expansion into new sales channels.

Several important patterns can be identified from previous studies. First, most studies indicate that Market Orientation and Entrepreneurial Orientation positively influence business performance, although the level of consistency varies depending on the research context. Second, differences in findings among studies conducted in different cities highlight the role of contextual factors in moderating the relationship between strategic orientation and performance outcomes (Ramadhani et al., 2024). Third, Zuhri's (2024) study is the only research identifying an insignificant effect of Market Orientation on performance, which was attributed to the moderating role of social media. Fourth, no previous study has specifically examined the influence of these two strategic orientations on coffee shop business performance in Bandung City, which possesses distinct industrial characteristics compared with previously investigated locations (Syahira & Thamrin, 2023).

Hypothesis Formulation

Market Orientation places customers at the center of business strategy by encouraging companies to understand customer needs, monitor competitors, and coordinate organizational resources effectively. In the coffee shop industry, which is strongly driven by consumer experience, companies with strong Market Orientation are expected to adapt their products, services, and atmosphere more effectively to changing consumer preferences. Several empirical studies demonstrate that Market Orientation positively influences business performance (Rivanda & Sumarni, 2022; Rifa Nabila Syahira & Thamrin, 2023). Based on this rationale, the following hypothesis is proposed:

H1: Market Orientation has a positive effect on the performance of coffee shop businesses in Bandung City.

Entrepreneurial Orientation encourages companies to innovate, act proactively, and take calculated risks in pursuing business opportunities. Previous studies indicate that EO contributes positively to business performance, particularly in highly competitive industries (Rivanda & Sumarni, 2022; Zuhri, 2024). However, the relationship between EO and performance may vary depending on contextual factors, organizational characteristics, and environmental conditions (Zuhri, 2024). Based on this rationale, the following hypothesis is proposed:

H2: Entrepreneurial Orientation has a positive effect on the performance of coffee shop businesses in Bandung City.

RESEARCH METHODS

This study employed an explanatory research design using a quantitative approach with a cross-sectional survey method. The design was selected to examine the relationships between market orientation, entrepreneurial orientation, and business performance. Data were collected within a specific period to capture the current condition of coffee shop businesses in Bandung City.

The research population consisted of coffee shops operating in Bandung City that met the following inclusion criteria: (1) had operated for at least two years; (2) offered specialty coffee menus; (3) actively promoted their businesses through social media; and (4) employed at least three permanent employees. These criteria ensured that the selected businesses represented established coffee shops within the modern coffee shop segment. Based on data from the Bandung City Culture and Tourism Office (2023), 3,974 coffee shops operated in the city. After screening coffee shops in five major sub-districts (Coblong, Sukajadi, Bandung Wetan, Cicendo, and Andir), approximately 350 businesses were identified as meeting the research criteria. Using purposive sampling, this study obtained data from 150 coffee shop businesses that were eligible for analysis.

Primary data were collected from coffee shop owners or managers using a structured questionnaire with a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The questionnaire was distributed through Google Forms within a one-month data collection period. Owners or managers were selected as respondents because they possessed relevant knowledge regarding their business strategies and performance. Secondary data were obtained from relevant government reports, statistical publications, and industry-related references.

The research instrument consisted of three measurement components. The Market

Orientation (MO) construct was adapted from the MKTOR scale developed by Narver and Slater (1990), consisting of Customer Orientation (MO-1), Competitor Orientation (MO-2), and Interfunctional Coordination (MO-3). The Entrepreneurial Orientation (EO) construct was adapted from Lumpkin and Dess (1996), including innovativeness (EO-1), proactiveness (EO-2), risk-taking (EO-3), autonomy (EO-4), and competitive aggressiveness (EO-5). Business Performance (BP) was measured using indicators adapted from the Third Generation Balanced Scorecard framework, covering customer perspective (BP-1), internal process perspective (BP-2), learning and growth perspective (BP-3), and non-financial business growth perspective (BP-4). The questionnaire items were adjusted to fit the coffee shop industry context.

Data analysis was performed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. PLS-SEM was selected because it is suitable for predictive-oriented research, does not require multivariate normality assumptions, and can analyze complex relationships among latent variables (Hair et al., 2017; Hair et al., 2019). The analysis was conducted in two stages: evaluation of the measurement model (outer model) and evaluation of the structural model (inner model) (Hair Hult G.T.M. Ringle C.M. & Sarstedt M., 2014; Hair et al., 2019).

The measurement model evaluation for reflective constructs involved testing convergent validity through outer loading values (≥ 0.70) and Average Variance Extracted (AVE) values (≥ 0.50), as well as reliability testing using Composite Reliability (CR) and Cronbach's Alpha values (≥ 0.70). For the formative Business Performance construct, evaluation focused on multicollinearity testing using the Variance Inflation Factor (VIF) with a threshold value below 5.0. The structural model evaluation included the assessment of the coefficient of determination (R^2), path coefficients through bootstrapping procedures, and effect size (f^2). The interpretation of R^2 values followed Hair et al. (2017), where values of 0.25, 0.50, and 0.75 indicate weak, moderate, and substantial explanatory power, respectively. Hypothesis testing was conducted at a 5% significance level ($p < 0.05$).

RESULTS AND DISCUSSION

Descriptive Statistics of Research Variables

Descriptive statistics are used to provide an overview of the characteristics of the research data. This analysis aims to see the tendency of respondents' answers to each variable indicator which includes mean values, medians, minimum and maximum values, and data distribution (standard deviation). The descriptive statistical results of all research variables are presented in Table 1.

Table 1 Descriptive Statistics of Research Variables

Construct	Dimensions	Average Value Range	Median	Standard Deviation
Entrepreneurial Orientation (EO)	EO-1 to EO-5	3,13 – 4,32	4	0,81 – 1,49
Market Orientation (MO)	MO-1 to MO-3	3,93 – 4,37	4 – 5	0,86 – 1,09
Business Performance (KU)	KU-1 to KU-4	2,70 – 3,15	3	1,35 – 1,46

Source: Primary data processed (2026)

All indicators were measured using a five-point (1–5) Likert scale, and there were no missing values so that all respondent data could be used in the next analysis.

The average EO score was in the range of 3.13–4.32, indicating a fairly high assessment of entrepreneurial behavior with significant variation between respondents. This wide range of values reflects the diversity of educational backgrounds, business experience, and business size among respondents. The relatively large standard deviation value (up to 1.49) in some dimensions of EO indicates a fairly high uniformity of perception of entrepreneurial practices.

The MO variable showed a relatively high average value (3.93–4.37) with a lower standard deviation (0.86–1.09), indicating that respondents had a fairly strong and consistent market orientation. The median value of 4–5 reinforces this finding. Meanwhile, the average KU score was in the range of 2.70-3.15, which shows that respondents' perception of business performance is at a moderate level. A median value of 3 indicates a neutral assessment bias. The large standard deviation in the KU indicator (1.35–1.46) reflects considerable variation in performance among the coffee shops studied, which makes sense given the diversity of business scales, age of business, and locations covered in the study sample.

Data Quality Test

Validity Test

The convergent validity test in reflective constructs (EO and MO) was evaluated through outer loading and AVE values. Initial evaluation showed that not all indicators in the initial measurement model met the criteria for convergent validity, some indicators had outer loading below 0.70, and there were even indicators with negative values. Therefore, measurement model refinement is carried out by eliminating indicators that do not meet the criteria, while still considering the theoretical relevance and research context of MSME coffee shops in the city of Bandung (Hair et al., 2019). After refining, all indicators were maintained to meet the outer loading criterion ≥ 0.70, as summarized in Table 2.

Table 2 Outer Loadings Reflective Construct (Final Model)

Construct	Maintained Indicators	Outer Loading	Remarks
Entrepreneurial Orientation (EO)	EO-1, EO-3, EO-4 dimension indicators (after purification)	≥ 0.70	Meet convergent validity criteria
Market Orientation (MO)	MO-2 dimension indicator (after purification)	≥ 0.70	Meet convergent validity criteria

Source: SmartPLS 4 output, processed (2026)

In formative constructs (KU), validity is evaluated through multicollinearity testing using VIF. Table 3 presents the results of the VIF test of all KU indicators.

Table 3 VIF Value of Formative Construct Business Performance

Indicator	VIF Value	Remarks

KU-1.1 (Customer Satisfaction)	1,024	There are no multicollinearity issues
KU-1.2 (Customer Loyalty)	1,023	There are no multicollinearity issues
KU-2.1 (Internal Process Quality)	1,015	There are no multicollinearity issues
KU-2.2 (Operational Efficiency)	1,035	There are no multicollinearity issues

Source: SmartPLS 4 output, processed (2026)

All KU indicators have a VIF value below 5.0, so there is no problem of multicollinearity between indicators. Thus, valid Business Performance indicators are used as formative constructs.

Reliability Test

Reliability tests were performed on reflective constructs (EO and MO) using Composite Reliability (CR) and Cronbach's Alpha. Construct is declared reliable if it has a CR value of ≥ 0.70 and Cronbach's Alpha ≥ 0.70 (Hair et al., 2017). The test results are presented in Table 5.

Table 4 Construct Reliability and Validity Overview

Construct	Cronbach's Alpha	Composite Reliability (CR)	AVE	Remarks
Entrepreneurial Orientation (EO)	Meet (≥ 0.70)	Meet (≥ 0.70)	Meet (≥ 0.50)	Reliable and Valid
Market Orientation (MO)	Meet (≥ 0.70)	Meet (≥ 0.70)	Meet (≥ 0.50)	Reliable and Valid

Source: SmartPLS 4 output, processed (2026)

All reflective constructs meet the recommended reliability criteria. Although there are constructs with a CR value slightly below the recommended limit of 0.70, the value is still above the minimum threshold of 0.60, which according to Hair et al. (2017) is still acceptable in exploratory research with instruments that are adapted to specific contexts. In addition, the construct has met the convergent validity criteria (AVE > 0.50), so it remains feasible to maintain in the model. Based on the results of the validity and reliability tests, all constructs were declared feasible for structural model testing.

Evaluation of Structural Models (Inner Model)

Structural model evaluation was carried out to assess the strength of causal relationships between latent constructs and the model's ability to explain endogenous variables. The structural model generated by SmartPLS 4 illustrates the causal relationship between exogenous constructs—the EO-1, EO-3, and EO-4 dimensions of Entrepreneurial Orientation and MO-2 of Market Orientation—and the endogenous constructs of Business Performance (KU). These dimensions are the result of the refinement of the measurement model, which is the dimension that remains after the elimination process of low-quality indicators.

Coefficient of Determination (R^2)

The determination coefficient (R^2) is used to measure how much variance of the endogenous construct of Business Performance can be explained by the exogenous construct in the model. Table 5 presents the results of the determination coefficient.

Table 5 Determination Coefficient Results

Construct	R-square	R-square Adjusted	Interpretation
Business Performance (KU)	0,121	0,098	Low (Hair et al., 2017: < 0.25)

Source: SmartPLS 4 output, processed (2026)

An R^2 value of 0.121 means that EO and MO are jointly able to explain 12.1% variation in coffee shop business performance in the city of Bandung. After adjusting for the number of predictors and sample size, an adjusted R^2 value of 0.098 was obtained. The value of this determination coefficient is relatively low according to the guidelines of Hair et al. (2017), but it is still acceptable in studies using PLS-SEM in the context of MSMEs with a high level of heterogeneity. This indicates that the coffee shop's business performance is influenced by various other factors outside of entrepreneurial orientation and market orientation that are not included in the model—such as digital capabilities, quality of human resources, strategic location, and access to capital.

Path Coefficient

The results of the path coefficient test through a bootstrapping procedure with 5,000 subsamples at a significance level of 5 percent are presented in Table 6.

Table 6 Path Coefficient Test Results

Pathway	Path Coefficients	t-Statistic	p-Value	Conclusion
EO-1 → KU	–0,100	1,053	0,292	Insignificant
EO-3 → KU	0,089	0,927	0,354	Insignificant
EO-4 → KU	–0,352	3,149	0,002	Negative significance
MO-2 → KU	0,337	3,531	0,000	Significant positive

Source: SmartPLS 4 output, processed (2026)

The EO-1 pathway → KU has a coefficient of –0.100 ($t = 1.053$; $p = 0.292$), not statistically significant. This indicates that an increase in the EO-1 dimension (innovation) is not necessarily followed by an increase in business performance. Most likely, innovation efforts in MSME coffee shops in Bandung have not been able to consistently improve performance due to limited resources to execute innovations optimally (Atan & Nuvriasari, 2025).

The EO-3 pathway → KU showed a positive coefficient of 0.089 ($t = 0.927$; $p = 0.354$), also insignificant. Despite the positive direction of the relationship, the influence of the EO-3 dimension (risk taking) on business performance is relatively weak. This is understandable considering that in the context of MSMEs, immeasurable risk-taking actually has the potential to harm businesses.

In contrast to the previous two pathways, the EO-4 pathway → KU showed a negative coefficient of –0.352 (t = 3.149; p = 0.002), statistically significant. The EO-4 dimension (competitive aggressiveness/autonomy) has a significant negative influence on Business Performance, the most prominent findings in this study. This indicates that the implementation of certain entrepreneurial aspects reflected in EO-4 has the potential to reduce business performance if it is not balanced with the readiness of resources and supportive market conditions.

The MO-2 → KU pathway showed a positive coefficient of 0.337 (t = 3.531; p = 0.000), the most significant among all pathways. Market Orientation, especially in the MO-2 (Competitor Orientation) dimension, has a positive and significant influence on Business Performance. These findings confirm that market orientation, especially understanding of competitor strategies and dynamics, is a strategic factor that plays an important role in improving the performance of coffee shop businesses in the city of Bandung.

Effect Size (f^2)

The effect size (f^2) is used to assess the magnitude of the contribution of each exogenous construct to Business Performance. The interpretation of the f^2 value refers to Hair et al.: 0.02 = small effect, 0.15 = medium effect, 0.35 = large effect. The results are presented in Table 7.

Table 7 Effect Size Results (f^2)

Pathway	Value f^2	Categories Effects
EO-1 → KU	0,011	Very small (< 0.02)
EO-3 → KU	0,006	Very small (< 0.02)
EO-4 → KU	0,088	Small (0.02–0.15)
MO-2 → KU	0,079	Small (0.02–0.15)

Source: SmartPLS 4 output, processed (2026)

The dimensions of EO-1 and EO-3 have very small f^2 values (below 0.02), indicating a very limited contribution to the variation in business performance. The EO-4 dimension has a value of $f^2 = 0.088$ (small category), larger than other EOs but the direction is negative. MO-2 has a value of $f^2 = 0.079$ (small category), indicating a more consistent and substantive contribution in explaining variations in business performance compared to any EO dimension. These results are in line with the relatively low R^2 value and strengthen the conclusion that coffee shop business performance is influenced by various factors outside of this research model.

Hypothesis Testing Results

Based on the results of the path coefficient test, Table 8 summarizes the results of the testing of the two research hypotheses.

Table 8 Summary of Hypothesis Test Results

Hypothesis	Statement	Results	Verdict
H1	Market Orientation (MO-2) has a positive effect on the	Coefficient = 0.337; t = 3.531; p = 0.000	Accepted

	performance of coffee shop business in the city of Bandung		
H2	Entrepreneurial Orientation has a positive effect on the performance of coffee shop businesses in the city of Bandung	EO-1: insignificant; EO-3: insignificant; EO-4: negative significance	Partially Accepted

Source: SmartPLS 4 output, processed (2026)

The results of the study show that the influence of Entrepreneurial Orientation on Business Performance is not uniform (heterogeneous). Most of the EO dimensions did not show significant influences, while the EO-4 dimensions did show significant negative influences. These findings differ from H2's expectations that predict the overall positive influence of EO, and are in line with Zuhri's (2024) note that the effect of EO on performance may vary depending on contextual factors.

The EO-1 dimension (innovation) does not have a significant effect on business performance. This phenomenon can be explained from a resource-based perspective: in the context of coffee shop MSMEs, product or service innovation requires significant investment in development, testing, and marketing. When resources are limited, innovation efforts that are not supported by adequate execution capabilities are less likely to result in measurable performance improvements, and may even potentially divert resources away from more productive core activities. The same is true for EO-3 (risk-taking), where a risk-taking attitude that is not balanced by careful risk planning and management does not have a consistent positive impact.

The significant negative influence on the EO-4 dimension is the most interesting and implicit finding in this study. These results indicate that certain aspects of entrepreneurship, especially those related to competitive aggressiveness or decision-making autonomy, have the potential to cause operational and financial pressures if they are not balanced with resource readiness and supportive market conditions. In a coffee shop industry that has relatively limited margins and very high levels of competition, overly aggressive entrepreneurial strategies such as hasty expansion to new locations, predictive pricing, or promotional campaigns that drain the budget can actually reduce business performance. These findings are consistent with the literature that states that the relationship between EO performance is contingent, influenced by environmental conditions, resource capabilities, and organizational readiness.

Overall, the findings on EO indicate the importance of a selective and contextual approach in implementing entrepreneurial orientation. Not all dimensions of EO are relevant or positively impactful for all types of businesses in all contexts. For MSME coffee shops in Bandung, which operate in a highly competitive environment with limited resources, the implementation of EO needs to be prioritized on the dimensions that best suit the capacity and business conditions, instead of adopting all dimensions at the same time.

Market Orientation and Business Performance

In contrast to Entrepreneurial Orientation, Market Orientation has been proven to have a positive and significant influence on Business Performance. These findings corroborate H1 and are in line with the research of Narver and Slater (1990), Rivanda and Sumarni (2022), and Rifa Nabila Syahira and Thamrin (2023) who consistently found a positive influence of market orientation on business performance. In particular, the MO-2 (Competitor Orientation) dimension is the component of market orientation that has the most influence on the performance of coffee shops in Bandung.

The significance of the MO-2 dimension can be understood in the context of the highly competitive Bandung coffee shop industry. When the number of business actors reaches thousands of units and both independent coffee shops and franchise networks are fighting for the same market share, the ability to monitor and analyze competitors' strategies becomes a very valuable competitive advantage. Businesses that have a deep understanding of competitors' strengths, weaknesses, pricing strategies, space concepts, and marketing campaigns will be able to respond faster, identify untapped market gaps, and position their businesses more appropriately in the minds of consumers.

From a theoretical perspective, these findings support the argument that market orientation serves as a dynamic organizational capability that allows companies to continuously adapt to market changes. In the context of service industries such as coffee shops, where the products offered are difficult to differentiate purely technically, market orientation allows for differentiation based on deeper consumer understanding. Business actors who understand what their customers need and want and how competitors respond to these needs will be better able to create superior and sustainable value propositions.

Synthesis of Research Findings

Overall, the results of the study show that Market Orientation is a more consistent and relevant determinant of business performance than Entrepreneurial Orientation in the context of MSME coffee shops in the city of Bandung. While entrepreneurial orientation remains potentially important, its implementation needs to be adjusted to the internal and external conditions of the business so as not to have a negative impact on performance.

The low value of R^2 (0.121) confirms that coffee shop business performance is a complex phenomenon, influenced by many factors beyond the modeled strategic orientation. Other factors such as product quality, business location, human resource competence, digital technology adoption, access to capital, and regulatory dynamics can play important roles that need to be explored in further research. These findings also open further questions about the possibility of moderation variables such as local competition intensity, digital capabilities, or management quality that can change the direction or strength of the relationship between EO, MO, and business performance.

From a practical perspective, the contrast between the positive effects of MO and the negative effects of some dimensions of EO sends a clear message to coffee shop entrepreneurs: understanding the market in depth is a more stable foundation of performance than immeasurable entrepreneurial aggressiveness. The optimal combination of market sensing and measurable entrepreneurship seems to be the most appropriate strategy in facing the competition of the very dynamic Bandung coffee shop industry.

CONCLUSION

This study examined the influence of Market Orientation (MO) and Entrepreneurial Orientation (EO) on Business Performance (BP) of coffee shops in Bandung City using the

PLS-SEM approach with a sample of 150 coffee shops selected through purposive sampling. Based on the results of the analysis and discussion, several main conclusions were drawn. First, Market Orientation was proven to have a positive and significant effect on Business Performance, particularly through the MO-2 (Competitor Orientation) dimension, with a path coefficient of 0.337 ($t = 3.531$; $p = 0.000$). A comprehensive understanding of competitors' strategies and market dynamics was found to be a key factor in improving coffee shop business performance in Bandung City. Therefore, H1 was accepted.

Second, the effect of Entrepreneurial Orientation on Business Performance was not uniform; therefore, H2 was partially accepted. The EO-1 (Innovativeness) and EO-3 (Risk-Taking) dimensions did not show statistically significant effects, with relatively small effect sizes. Conversely, the EO-4 (Autonomy) dimension had a negative and significant effect on Business Performance (path coefficient = −0.352; $t = 3.149$; $p = 0.002$). This finding indicates that entrepreneurial initiatives that are overly autonomous or insufficiently aligned with organizational resources and market conditions may negatively affect business performance.

Third, Entrepreneurial Orientation and Market Orientation simultaneously explained 12.1% of the variance in Business Performance ($R^2 = 0.121$; Adjusted $R^2 = 0.098$), indicating that a substantial proportion of performance variation was explained by factors outside the research model. Overall, Market Orientation demonstrated a more consistent and relevant role than Entrepreneurial Orientation in improving the performance of coffee shops in Bandung City.

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