ABSTRACT

This study examines the effect of market orientation and organizational learning on innovation capabilities to improve business performance (studies in the fashion industry MSMEs in the city of Semarang). The Fashion Industry is in a dynamic business scope, therefore creativity and innovation are needed to be able to follow a dynamic market. Local fashion is still a stepchild, the market prioritizes its space for imported products, so that local fashion has less space. In Semarang, the MSME fashion industry is increasing every year, but there are also some who close their businesses. Based on the results of the pre survey, there are still business actors who experience poor performance due to not being able to innovate.

The sample of this study is the UMKM business in the fashion industry in Semarang City with 153 businesses. This study uses a purposive sampling method with data collection carried out by giving questionnaires to respondents with the conditions of doing their own production and the length of business more than 1 year. The analysis technique used to analyze the data obtained is the Structural Equation Modeling (SEM) technique using the AMOS application.

From the results of testing the hypothesis, there are several conclusions in this study. First, there is a significant positive influence between market orientation and organizational learning on innovation capabilities. Second, there is a significant positive influence between market orientation and innovation capabilities on business performance. Third, there is a significant negative effect between organizational learning on business performance.

Keywords: MSME, fashion, business performance, innovation capabilities, organizational learning, market orientation

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