

THE EFFECT OF ENTREPRENEURIAL ORIENTATION ON CLOTHING-LINE SMES PERFORMANCE IN TANAH ABANG DURING COVID-19 PANDEMIC

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ABSTRACT

This study aimed to determine the effect of Creativity and Innovation, Risk Taking, Proactivity, and Autonomy on the Performance of clothing-line SMEs. This data was collected from 55 responders who owned clothing-line SMEs in Tanah Abang, Central Jakarta, from October 2021 to December 2021. The sampling technique that has been used is non-probability sampling with the purposive sampling method and data collection was carried out using a Likert scale questionnaire. This research uses Smart Partial Least Square (PLS) software version 3.0 to analyze. Overall, the results of this study are that Creativity, Innovativeness, and Proactiveness have an influence on the Performance of clothing-line SMEs in Tanah Abang, Central Jakarta, during the Covid-19 pandemic, while Risk Taking and Autonomy has no effect on the Performance of clothing-line SMEs in Tanah Abang, Central Jakarta in During the Covid-19 pandemic.

Keywords: *Creativity and Innovativeness, Risk Taking, Proactiveness, Autonomy, Performance*

1. INTRODUCTION

An economy based on industrial and trade activities has focused on Indonesia's development over the past two decades. One of them growing rapidly is a business in the clothing-line sector. This industry is included in the creative economy section and joins the fashion industry. This business seems to never dim because it follows trends that continue to change by the evolving lifestyle. The fashion industry's role in the national economy is also one of the promising business opportunities in the realm of the creative industry[1]. There are three sub-sectors of the creative economy growing rapidly and becoming prima donna, namely culinary at 67.66%, fashion at 15.01%, and crafts at 14.56% [2].

However, the situation has completely changed since the Covid-19 was detected in Indonesia on March 2, 2020. The pandemic began to affect and cause chaos in the economic sector, especially in the clothing-line sector. According to data presented by the Ministry of Industry, the growth of the clothing-line sector decreased by minus 8.8% on an annual basis in 2020, even though this sector has continued to grow positively from 2017 to 2019. The growth was recorded at 3.83% in 2017. Then in 2018, it rose to 8.73% and soared in 2019 by 15.35% [3]. From this data, it can be seen that most entrepreneurs are not ready for the changes that occur and need innovation or breakthroughs to continue their business continuity.

Before the pandemic hit the world, most entrepreneurs still relied on offline stores. As a result, from an operational perspective, many entrepreneurs are less prepared to face the sudden pandemic and need to innovate and understand new trends for their business. Therefore, the owners of SMEs in the clothing-line sector, especially clothing-line, need to develop strategies so that their business can survive, such as paying more attention to an entrepreneurial orientation that can help entrepreneurs develop their business performance.

Business performance is an important factor in determining the success of SMEs. Without business performance, SMEs running so far are considered unable to make a profitable contribution to managers and other people involved in it. Business performance is an achieved result of the ability to expand new ideas, locate new approaches of searching at problems and opportunities, and observe innovative answer to problems and possibilities to improve or enrich people's lives [4].

Many factors can affect business performance, one of which is the entrepreneurial orientation (EO). EO is a basis for seeking business opportunities towards success and has an important role in improving good business performance, including creativity and innovation, risk-taking, proactiveness, and autonomy. An entrepreneurial orientation help explore the innovative capabilities of an organizations and ease the relationship between knowledge-based resources and the performance of organization [5].

To improve business performance, creativity and innovation are needed on an ongoing basis. Creativity refers back to the inventive ability to remedy issues and challenges in unsure situations [5]. While innovation is the desire of an entrepreneur to create and produce a new idea and try something new that is different from the existing ones, and dare to adopt new ideas or new methods to be applied in business, then apply innovation in business [6]. When deciding to start entrepreneurship, this is the first step for an entrepreneur to take risks. However, the problem with establishing a business is how to start and how to survive. Risk-taking is the act of an entrepreneur who is brave in utilizing the resources he has to run his business even though there is no certainty that success will be obtained [7].

In addition, every entrepreneur must be able to improve his business performance by looking at the various opportunities and taking the initiative to maintain his business in difficult times like this. One attitude that can be taken in the face of this change is to show a proactive attitude. Proactivity tends to be related to superior business performance because it implements customers, understands customer needs, ascertains, finds out customer needs, and finds out the value of competitors before making offers to customers [8].

It is proper for an entrepreneur to have the flexibility or freedom to think and act creatively to overcome various problems or optimize any new interesting opportunities in the market. An entrepreneur must be able to make the right decisions at critical times because every decision he makes is a determinant for the future of his business. The presence of autonomy can improve business performance through inspire more flexibility in facilitating an active and reactive response to a change [8].

2. LITERATURE REVIEW

Theoretical Foundation

Resource-Based View Theory (RBV) analyzes and interprets organizational resources to understand how an organization achieves a sustainable competitive advantage. It supports the phenomenon of this study. This study examines the relationship between entrepreneurial orientation and firm performance. RBV take a business-specific perspective on why an organization succeeds or fails in the market [9]. The four theoretical criteria for sustainable use of resources are valuable, rare, unique, and non-substitutable [10].

The Definition of The Dimensions of Entrepreneurial Orientation and Enterprise Performance

Creativity and Innovativeness

Creativity is part of the skills in entrepreneurship needed to successfully start the business [11]. While innovation is the introduction and application of ideas, processes, products or organizational procedures that are designed to significantly benefit individuals, groups, organizations or the wider community, so it can be said that creativity is the idea of innovation [12].

Risk Taking

Risk taking is related to the tendency to take bold actions. Risk taking is an opportunity, where an entrepreneur succeeds in turning an idea into an opportunity [13]. On the other hand, risk taking is something that is always associated with the possibility of something happening that will harm the business unexpectedly and unexpectedly [14].

Proactiveness

Proactivity involves taking the initiative to perform tasks in anticipation of upcoming tasks. Proactive refers to foresight, opportunity seeking and an anticipatory approach [7]. Furthermore, being proactive is also considered as a dynamic ability to adapt to the environment [15].

Autonomy

Autonomy is the freedom or freedom of individuals to think and act creatively in overcoming various problems or in optimizing new attractive opportunities in the market [5]. In this case, Autonomy refers to the independent activities undertaken by an entrepreneur when conceptualizing and starting a new business [16].

Enterprise Performance

The performance of an organization is defined as the economic value obtained in its activities or the sales volume resulting from the strategy followed [17]. Business performance is also defined as a condition related to the ability of an organization to be able to continuously improve its capabilities so that success can be achieved effectively [18].

The Relation of the Dimensions of Entrepreneurial Orientation and Enterprise Performance

Creativity, Innovativeness and Enterprise Performance

Reverting to RBV, an entrepreneur's valuable creative and innovative abilities can facilitate companies in optimizing their business performance. In a study, it was shown that creativity could better predict product innovation performance [19]. Employee core creativity is positively related to company performance with high absorption [20]. The hypotheses in this study, based on the explanation above, are as follows:

H1: Creativity and Innovation have a positive and significant impact on the Performance of clothing-line SMEs in Tanah Abang in the face of the Covid-19 pandemic.

Risk Taking and Enterprise Performance

Risk-taking is an important indicator in improving company performance. It is said that the tendency to take risks has a positive influence on the company's innovation performance [21]. However, a study states that risk-taking does not affect business performance [22]. The hypotheses in this study, based on the explanation above, are as follows:

H2: Risk taking has a positive and significant impact on the Performance of clothing-line SMEs in Tanah Abang in the face of the Covid-19 pandemic.

Proactiveness and Enterprise Performance

Proactivity is needed as an action to address future needs. Proactive relates to opportunity-taking initiatives. RBV categorizes proactive behavior as a rare and valuable ability possessed by a company, known as a specific individual, and cannot be imitated, which leads to performance [10]. The hypotheses in this study, based on the explanation above, are as follows:

H3: Proactive has a positive and significant impact on the Performance of clothing-line SMEs in Tanah Abang in the face of the Covid-19 pandemic.

Autonomy and Enterprise Performance

RBV concurs that firms from the same industry can additionally perform in a different way due to the fact their resources and capabilities vary [10]. In other words, autonomy is something special ability that determines the company's performance. However, in another study, this was refuted and said that autonomy had a negative effect on business performance [8]. The hypotheses in this study, based on the explanation above, are as follows:

H4: Autonomy has a positive and significant impact on the Performance of clothing-line SMEs in Tanah Abang in the face of the Covid-19 pandemic.

The Research model of this study is as follows:

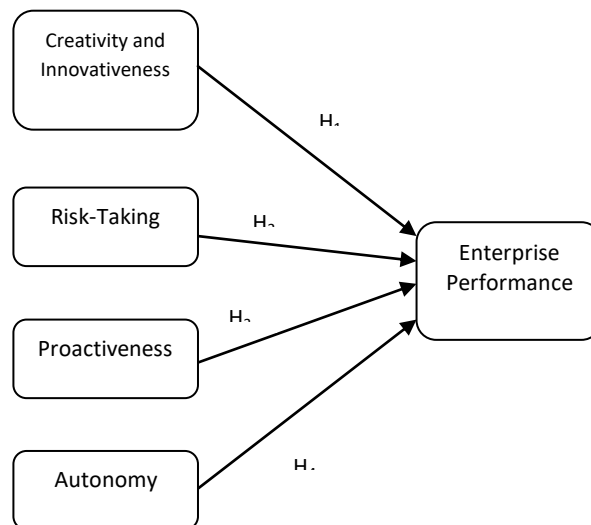


Figure 1 Research Model

3. RESEARCH METHODOLOGY

This study uses a descriptive method design with cross-sectional research because this research was conducted by collecting data through the distribution of questionnaires carried out simultaneously at a certain time.

The sampling technique in this study used a non-probability sampling technique. In this non-probability sampling method, the researcher uses a purposive sampling technique, where the researcher determines the sampling and determines the special characteristics suitable for the research objectives so that it is expected to answer the problems in the research. Purposive sampling is a research sample determination technique with certain considerations to make the data obtained more representative [23]. The sample used in this study was apparel SME owners, namely t-shirts in Tanah Abang, Central Jakarta. In this study, determination of the number of samples using the Roscoe theory formula. where this theory says that if a study will perform multivariate analysis (correlation or multiple regression), then the number of sample members taken is at least ten times the number of variables [23]. The variables used in this study amounted to 5, so the respondents who must be collected in this study amounted to (5x10) at least 50 respondents.

Then the measurement tool used in this study is the ordinal scale measured using a Likert scale. A *Likert scale* is a measurement tool usually used to measure an opinion, perception, and a person's attitude regarding the social phenomena being studied, where later, these opinions and perceptions will be interpreted in the form of numbers [23]. This study uses a five Likert Scale (from 1-strongly disagree to 5-strongly agree) to all independent variables. The indicators used in this study refer to previous research, which are as follows:

Table 1 Research Indicators

<i>Variable</i>	<i>Item</i>	<i>Source</i>
Creativity and Innovativeness	7	[24, 25, 26]
Risk-Taking	5	[24, 25]
Proactiveness	6	[26, 7, 25]
Autonomy	5	[27, 28]
Enterprise Performance	5	[29]

4. DATA ANALYSIS RESULTS

In measuring validity, there are two models, namely convergent validity and discriminant validity. Convergent validity was measured using the average variance extracted (AVE) and loading factor. The indicator can be said to be valid for early-stage research if the AVE value is more than 0.5 and the value of the loading factor is more than 0.6. Discriminant validity is measured using the value of cross loading by comparing the value of the loading factor on the intended construct that must be greater than the value of the loading factor of other constructs and also using the value of the AVE if it is more than 0.5 then it can be said to be valid. All values of outer loadings in this study have a value above 0.5.

The reliability test results may be stated to be reliable if the value of each indicator from Cronbach's alpha is more than 0.6 and composite reliability is more than 0.7. In this study,

the value of Cronbach's alpha on all constructs is more than 0.6, and the value of composite reliability on all constructs is more than 0.7, so it can be said that all constructs are reliable. The R-square test was conducted to determine the effect of the exogenous variables in this study, namely creativity and innovation, risk-taking, proactiveness, and autonomy, in influencing the endogenous variables, namely business performance. In this study, the value of the R-square test showed a result of 0.585, which means that it has a moderate or strong influence on business performance.

The Q-square test is carried out through a blindfolding process with SmartPLS software and will only be used for endogenous variables that have a reflective measurement model. The Q-square value in this study is 0.358, which is greater than zero, so this model has a good predictive relevance value, and exogenous variables will explain endogenous variables well. The Goodness of Fit (GoF) test was conducted to measure and determine the accuracy of the validation process of a structural model as a whole. Before carrying out the GoF test, the AVE value must be known first. The following is the calculation of the average AVE value of the five variables before calculating GoF:

$$\text{AVE} = \frac{0,557 + 0,588 + 0,625 + 0,655 + 0,665}{5}$$

$$= 0,618$$

Based on the calculation of the average AVE above, the result is 0.618, so the results of the GoF calculation are as follows:

$$\text{GoF} = \sqrt{0,618 \times 0,585} = 0,601$$

The results show that the GoF value in this study is 0.601, which means that this study's level of suitability and feasibility is stated to be large.

In this study, hypothesis testing (Path Coefficient) was conducted to determine the relationship of exogenous variables contained. The following are the path coefficient test results for 55 respondents:

Table 2 Path Coefficient Results

<i>Hypothesis Relationship</i>	<i>Original Sample</i>	<i>t-Statistics</i>	<i>P-Values</i>
Creativity and Innovativeness → Performance	0.557	6.298	0.000
Risk-Taking → Performance	0.174	1.598	0.111
Proactiveness → Performance	0.213	2.487	0.013
Autonomy → Performance	-0.084	0.816	0.415

5. DISCUSSION

Based on the study results, the variables of creativity and innovation have a positive and significant effect on the Performance of SMEs in the clothing sector in Tanah Abang in the face of the Covid-19 pandemic. The existence of creativity in making a product and followed by good innovation will make it easier for entrepreneurs to work, which is expected to be

profitable for the company. An SME owner will be more creative and continue to innovate in solving the problems at hand by making unusual observations in managing a business and transforming products to achieve maximum business performance.

Based on the study results, the risk-taking variable does not affect SMEs' performance in the clothing sector in Tanah Abang in the face of the Covid-19 pandemic. The result found because of the uncertainty or economic instability in the current environment, namely the Covid-19 pandemic, has made most SME owners reduce risky businesses or try to avoid risks to survive in difficult situations. As an entrepreneur, the failure of one business should not stop the start of another because experience in taking risks is an important factor that will be a useful resource for future business growth.

Based on the study results, the proactive variable has a positive and significant effect on the Performance of SMEs in the clothing sector in Tanah Abang in the face of the Covid-19 pandemic. A company needs to implement a proactive strategy to anticipate all possibilities that could occur at any time in the future, such as the Covid-19 pandemic that suddenly occurred. These companies are proactive companies that can be one step ahead in terms of initiative and anticipatory capabilities than less responsive competitors by actively anticipating and mobilizing resources ahead of time in preparation for predicted change.

Based on the study results, the autonomy variable does not affect SMEs' performance in the clothing sector in Tanah Abang in the face of the Covid-19 pandemic. Autonomy can lead to diversion and waste of resources if there's no clear mechanism to inform the direction of behaviour. Giving autonomy to employees can motivate them to act and improve the performance of SMEs. However, reciprocity from employees for the independence and freedom received does not necessarily work well. Employees must be able to practice their skills to the maximum.

6. CONCLUSION

The purpose of this study was to determine whether creativity and innovation, risk-taking, proactiveness, and autonomy influence Enterprise performance. The conclusions of this study, namely:

- a. Creativity and Innovation affect the performance of clothing SMEs in Tanah Abang in facing the Covid-19 pandemic because the T-Statistics is 6.298 or P-Values is 0.000, and the original sample value is 0.557, which means the direction of this research shows positive results.
- b. Risk-taking does not affect the performance of clothing SMEs in Tanah Abang in facing the Covid-19 pandemic because the T-Statistics is 1.598 or the P-Values is 0.111, and the original sample value is 0.174, which means the direction of this research shows positive results.
- c. Proactivity affects the Performance of clothing SMEs in Tanah Abang in dealing with the Covid-19 pandemic because T-Statistics is 2.487 or P-Values is 0.013, and the original sample value is 0.213, which means the direction of this research shows positive results.
- d. Autonomy does not affect the Performance of clothing SMEs in Tanah Abang in facing the Covid-19 pandemic because the T-Statistics is 0.816 or the P-Values is 0.415, and the original sample value is -0.084, which means the direction of this study shows negative results.

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