

THE IMPACT OF ENTREPRENEURIAL ORIENTATION ON BUSINESS PERFORMANCE THROUGH ENTREPRENEURIAL COMPETENCY AS MEDIATION VARIABLE: A STUDY ON SMES IN CULINARY SECTOR IN JAKARTA

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ABSTRACT

Enterprises with good business performance are enterprises that are able to survive in fast-moving market. In order to achieve maximum business performance, Small and Medium Enterprises (SMEs) need to have Entrepreneurial Orientation. This study aims to determine the effect of Entrepreneurial Orientation on business performance through Entrepreneurial Competency as a mediation variable among SMEs in culinary sector in Jakarta. The sample used in this study was 100 respondents who are owners of SME businesses in culinary sector in Jakarta. The sample selection technique used was purposive sampling and Smart Partial Least Square (PLS) software version 3.00 was used to make data analysis for this study. The results of this study indicate that innovation, risk taking and proactiveness (Entrepreneurial Orientation) have positive impact on business performance among SMEs in culinary sector in Jakarta.

Keywords: *Entrepreneurial orientation, innovation, risk taking, proactiveness, business performance*

1. INTRODUCTION

Small and Medium Enterprises (SMEs) are businesses which managed by individual or business entity and the criteria are set in UU Number 20 Year 2008. Data from *kemenkopukm.go.id* showed us that the number of micro, small and medium enterprises were 64,194,057 units in 2018, meanwhile there were 65,465,497 units in 2019 so that there was an increase of 1,271,440 units or 1.98 % [1]. We can conclude that there was a positive growth in micro, small and medium enterprises in Indonesia. The enterprises with excellent business performance can compete in the market. To achieve maximum business performance, small and medium enterprises need to apply entrepreneurial orientation to make innovative ideas in order to make a better quality of service and increase customers' satisfaction.

To overcome the challenges in the market, there is a need for entrepreneurial competency to run the business so that the enterprises can be effective in improving business performance. According there is positive influence of entrepreneurial orientation (innovation, risk taking and proactiveness) on business performance [2]. There is a positive and significant influence of entrepreneurial competency on business performance [3]. This research is expected to explain the influence of entrepreneurial orientation on business performance through entrepreneurial competency as a mediation variable among SMEs in Jakarta.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Based from the RBV theory (*Resource-Based View*), every enterprise needs to know about their source of sustainable competitive advantage [4]. Enterprise can get sustainable

competitive advantage by exploiting internal power and anticipating external threat [5]. In order to achieve maximum business performance, there is a need for entrepreneurial orientation which consists of innovation, risk taking and proactiveness.

The purpose of entrepreneurial orientation is to identify and exploit the opportunities so that the enterprise can compete in the market [6]. Entrepreneurial orientation is a condition that pushes business owner to apply innovation, risk taking and proactiveness to start and manage the business [7].

Innovation

Innovation is a willingness to create new ideas and make new things [8]. Moreover, innovation is needed to improve the negative side of the existing product [9]. As for creative and innovative work environment cannot be separated from the participation of all company employees to participate in advancing the company's business performance. Thus, innovation is related to creative ideas built by company that includes the creation of new products or services as well as development of an existing product or service so that it can be accepted by society at large and survive in the market industry.

Risk Taking

Risk taking encourages a company to acquire greater revenue and meet company goals. This is what move the company to be results and performance oriented. Taking risks that are carried out with careful and precise calculations can have a positive impact on company performance [10]. Risk taking is the act of making decisions by involving the choice of various alternatives that have the potential for errors to occur or loss [11].

Proactiveness

Proactiveness is a view that has orientation towards the future that is seen in concrete actions to anticipate future requests. Proactiveness is also the attitude to take advantage of existing opportunities to develop products that will be marketed. A proactive attitude can explore customer needs and find out the advantages and disadvantages of competitors to be able to provide a competitive offering to public [12].

Business Performance

Business performance is the level of company's achievement in a certain period of time. Business performance can be seen from growth and profit company that is the financial goal of a company. Indicators for measuring a performance business can be seen from profit growth which is marked by an increase in sales volume, increase in number of customers and increase in number of employee.

Entrepreneurial Competency

Entrepreneurial competency is determined by the competencies possessed by an entrepreneur. Ability, creativity and knowledge of an entrepreneur will affect the success of the business not only in the early stages but also in the future. Entrepreneurial competency is the ability which includes knowledge, attitudes and skills to overcome problems in their business by utilizing available resources owned by the company to provide real solutions.

The Impact of Innovation on Business Performance

Business owners have to be innovative to create own appeal to their products and increase number of sales. Business owners also have to search continuously for better products and service systems. The more innovative the company, the stronger its competitive advantage. Thus, innovation is closely related to increasing profits and creating competitive advantage [13]. In a study conducted in Cimahi on 105 respondents who have SMEs, the researcher found that innovation has a positive impact on business performance [14].

H1: There is a positive and significant impact of innovation on business performance.

The Impact of Risk Taking on Business Performance

The performance of SMEs is largely determined by the courage to take risks, especially in conditions of uncertainty. On the other hand, the courage to take risks can expand the scope of a business or market up to a wide scope [15]. Based on the results of in Yogyakarta, it is found that risk taking significantly influence the performance of SMEs.

H2: There is a positive and significant impact of risk taking on business performance.

The Impact of Proactiveness on Business Performance

Proactiveness has a positive effect on business performance because proactive entrepreneurs will seek to customer needs and find out the value of their competitors before giving offers to their customers. In addition, proactiveness can help companies dominate the market industry and increase profit. Based on the research of which examined 100 people who have furniture businesses in Jepara, it is found that proactiveness has a positive effect on business performance.

H3: There is a positive and significant impact of proactiveness on business performance.

The Impact of Entrepreneurial Competency on Business Performance

Entrepreneurial Competency consists of skills and abilities to achieve good performance. With a good Entrepreneurial Competency, it will help achieve good business performance and increase the profit. Based from the research which was conducted on 403 respondents in 9 districts in Kelantan, Malaysia, it is shown that Entrepreneurial Competency has a positive effect on business performance. [16].

H4: There is a positive and significant impact of entrepreneurial competency on business performance.

The Role of Entrepreneurial Competency Mediating the Impact of Innovation on Business Performance

An entrepreneur needs to make innovation on their products so their business continues to grow. This requires various supporting skills and knowledge which are part of entrepreneurial competency in the study of entrepreneurial competency that can be a mediating variable on business performance [17].

H5: There is a positive and significant impact of innovation on business performance through entrepreneurial competency as a mediation variable.

The Role of Entrepreneurial Competency in Mediating the Impact of Risk Taking on Business Performance

Risk taking is an ability that is necessary to achieve a better business performance. The risk taking is included in entrepreneurial competency. Entrepreneurial competency mediates the impact of risk taking on business performance [18].

H6: There is a positive and significant impact of risk taking on business performance through entrepreneurial competency as a mediation variable.

The Role of Entrepreneurial Competency in Mediating the Impact of Proactiveness on Business Performance

Entrepreneurial competency is needed to be able to face the competition in business. One of the things that an entrepreneur needs to have, is proactiveness. The Entrepreneurial competency can mediate the impact of proactiveness on business performance [19]. Entrepreneurial competency has a role in mediating the impact of proactiveness on business performance.

H7: There is a positive and significant impact of proactiveness on business performance through entrepreneurial competency as a mediation variable.

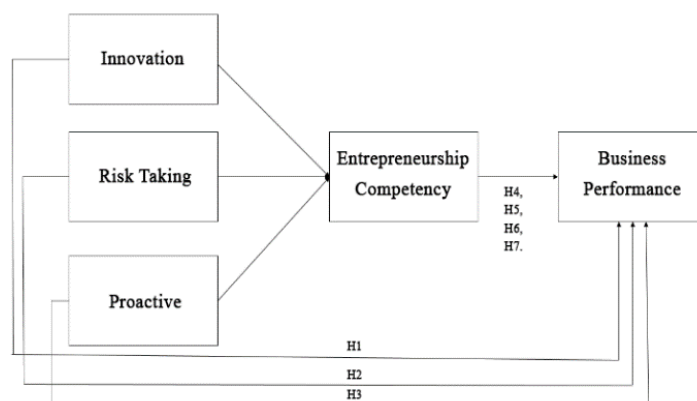


Figure 1 Research Model

3. RESEARCH METHODOLOGY

The population in this research is business owners in SMEs (culinary sector) in Jakarta. This research uses non-probability sampling technique where every member of the population does not have an equal chance of getting chosen. The non-probability sampling technique used in this research is purposive sampling. This research uses purposive sampling method because the researcher determines the considerations or certain criteria that must be met by the research sample. The sample criteria set in this study are business owners in culinary sector in Jakarta which have minimum 5 employees and maximum 19 employees for small-sized businesses; minimum 20 employees and maximum 99 employees for medium-sized businesses. This research uses a total of 50 respondents for small-sized business and 50 respondents for medium-sized business. The method of data collection in this research by using questionnaire in the form of google form. The filling of the questionnaire was carried out by respondents who have met the criteria for the research sample. Before conducting data

analysis, it is necessary to test the validity and reliability of the research instrument. The validity and reliability in this research are calculated using partial least square (PLS).

Table 1 Variables and Indicators

Variable	Item	Adapted From
Innovation	7	Ludiya & Mulyana (2020)
Risk Taking	5	Wardi etc (2017)
Proactiveness	6	Witjaksono (2014)
Business Performance	5	Al Mamun etc (2018)
Entrepreneurial Competency	5	Al Mamun etc (2018)

4. RESULTS AND DISCUSSIONS

Table 2 Effect Size Test Result

Variable	R-Square
Innovation → Entrepreneurial Competency	0.245
Innovation → Business Performance	0.000
Risk Taking → Entrepreneurial Competency	0.134
Risk Taking → Business Performance	0.153
Proactiveness → Entrepreneurial Competency	0.185
Proactiveness → Business Performance	0.403
Entrepreneurial Competency → Business Performance	0.196

This research explains the influence of independent variable (innovation, risk taking and proactive) to dependent variable (business performance) through entrepreneurial competency as a mediation variable. The population of this research is the owner of Small and Medium Enterprises (SMEs) in culinary sector in Jakarta. Effect size test is used to see the relation between predictor variable to dependent variable. The predictor variable is strong if the f^2 value of dependent variable is 0.35.

This research shows that innovation has negative and significant influence to business performance. The majority of business owners in this research are high school graduates. They tend to imitate the new innovation to their own enterprise rather than create their own innovation to get profit quicker. This research is in line, who showed that innovation has negative and not significant influence to business performance for SMEs in East Java. This research showed that only 12.1% of SMEs had high level of innovation. This made the innovation cannot be directly perceived by the consumers so that the consumers only can feel the quality of products.

This research shows that risk taking influence the business performance. This research is in line in Yogyakarta who showed that there was a positive and significant influence between

risk taking and business performance. This research is also in line who studied 420 respondents who have SMEs in West Sumatra.

Table 3 Hypothesis Testing Results

Variables	Path Coefficient	t-Stats	p-Values
Innovation → Entrepreneurial Competency	0.015	0.148	0.882
Innovation → Business Performance	0.211	2.829	0.005
Risk Taking → Entrepreneurial Competency	0.438	4.183	0.000
Risk Taking → Business Performance	0.352	3.291	0.001
Proactiveness → Entrepreneurial Competency	0.142	2.216	0.027
Proactiveness → Business Performance	0.082	2.140	0.033
Entrepreneurial Competency → Business Performance	0.121	1.982	0.048

This research shows that proactiveness has a positive influence on business performance. This is in line who showed that proactiveness had a positive and significant influence on business, which involved 100 respondents who were the owners of furniture enterprises in Jepara.

This research shows that there is a positive influence of entrepreneurial competency on business performance. This is in line who showed that entrepreneurial competency has a positive and significant influence on business performance, which involved 403 respondents who had enterprises in Kelantan, Malaysia. If the entrepreneurs want to get optimal business performance, they must have knowledge and skills to develop their business.

This research shows that innovation, risk taking and proactiveness have positive influence on business performance through entrepreneurial competency as mediation variable. This is in line who showed that entrepreneurial competency can be a positive and significant mediator between innovation, risk taking, and business performance. Entrepreneurial competency can be a positive and significant mediator between proactiveness and business performance.

Hypothesis testing is used to make the conclusion from the relation between variables. If the p-values ≤ 0.05 and t-statistics > 1.96 with $\alpha = 5\%$ then the null hypothesis can be rejected, and thus, there is a significant influence of independent variable on the dependent variable.

5. CONCLUSIONS AND IMPLICATIONS

Based from data analysis and discussion above, we can imply that:

1. Innovation has a negative influence on Business Performance for Small and Medium Enterprises (SMEs) in culinary sector in Jakarta.
2. Risk Taking has a positive influence on Business Performance for Small and Medium Enterprises (SMEs) in culinary sector in Jakarta.
3. Proactiveness has a positive influence on Business Performance for Small and Medium Enterprises (SMEs) in culinary sector in Jakarta.

4. Entrepreneurial Competency has a positive influence on Business Performance for Small and Medium Enterprises (SMEs) in culinary sector in Jakarta.
5. Innovation has a positive influence on Business Performance through Entrepreneurial Competency as a mediation variable.
6. Risk Taking has a positive influence on Business Performance through Entrepreneurial Competency as a mediation variable.
7. Proactiveness has a positive influence on Business Performance through Entrepreneurial Competency as a mediation variable.

6. SUGGESTION FOR FUTURE RESEARCH

Some suggestions for people who do small and medium enterprises in culinary sector in Jakarta and for the next research:

1. People who do small and medium enterprises are suggested to maintain the attitudes to develop business performance, such as: innovation, risk taking and proactiveness. Moreover, it is suggested to make a community for the enterprises to share knowledge and develop innovation, risk taking and proactiveness and entrepreneurial competency so that more business can be successful, can compete in market and achieve maximum business performance.
2. The next researchers are suggested to make further study about the influence of innovation, risk taking, and proactiveness on business performance in other sectors with different locations to make variations.

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