

The Predictors of Business Performance Among Culinary MSMEs in West Karawang, West Java Province, Indonesia

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ABSTRACT

Along with the lifestyle of the people who like traditional cuisine, this change is an opportunity for culinary businesses, including the traditional culinary of West Karawang. As an industrial area not far from the city of Jakarta, the development of culinary businesses has an impact on economic growth and the preservation of local wisdom. Therefore, a study was conducted to analyze the determinants of business performance based on market-orientation, entrepreneurial orientation, and entrepreneurial competence. The population is micro, small, and medium enterprises (MSMEs) in the culinary sector in West Karawang with a sampling technique based on purposive sampling with the criteria of Karawang culinary or Sundanese cuisine. The analysis technique uses a quantitative approach with data collection techniques using questionnaires. 113 respondents were filling out the questionnaire. The results of the structural regression test identify that the influence of market orientation and entrepreneurial orientation is not significant, while entrepreneurial competence has a significant effect at the 5% on business performance. The results show third variable has significant positive effect on the business performance of the culinary sector UMKM in West Karawang. Therefore, local government needs to foster local economic growth while preserving traditional Sundanese recipes to maintain the sustainability of culinary treasures in the future.

Keywords: *Business performance, culinary sector, entrepreneurial competence, entrepreneurial orientation, market orientation, West Karawang*

1. INTRODUCTION

Along with the lifestyle of the people who like traditional cuisine, this change is an opportunity for culinary businesses. Indonesia is a superior country with a variety of kinds of culinary sectors which has the potential as a model to be implemented for local economic development, including local culinary in West Karawang, West Java. As an industrial area, the location of Karawang is not far from Jakarta city, so the development of culinary businesses has an impact on economic growth and the preservation of local wisdom. In line with the progress of culinary business impacts to increase competition among culinary businesses. On the other sides, the pandemic Covid-19 disturbs the sales performance so it decreases business performance.

Generally, this situation causes the limitation of the capability to sustain their performance. Therefore, a company must create a strategy to compete in the market. Based on this reason, the study focuses on the Micro, Small, and Medium Enterprises (MSMEs) in the culinary sector in West Karawang in sustaining business performance. Basically, MSMEs are run by a person, household, or small business entity so it is called MSMEs. Further information to define the MSMEs refers to government regulation number 20 the year 2008 classifying enterprises into micro, small, and medium so that familiarly with the term MSMEs.

Aligning with progressing this sector, it is important to move economic performance in the culinary sector and its supply chain so this growth impacts the competition. At the same time, this sector is facing a bad situation from the long pandemic Covid-19 which turning down sales. Both situations have disturbed business performance of MSMEs, so one needs to understand how the owners of MSMEs perceive their business performance to sustain these ventures for the future.

Therefore, a study is done to identify the factors which impact business performance, especially in this sector. Basically, many aspects affect performance. Some variables are determinants of business performance such as market orientation, entrepreneurial orientation, and entrepreneurial competence. According to a prior study, firms with having market-oriented get better performance than have less care for the market demand. Previous analysis pointed market orientation gives a positive impact on the business performance aligning with other characteristics such as market changes, technological turbulence, and intensity of competition [1].

Related to this statement, entrepreneurial competence is a capacity associated with knowledge, attitudes, and talents that ought to be possessed by entrepreneurs to support their general performances and profitability. Moreover, in facing a dynamic environment, entrepreneurial orientation is very important for business survival. Conceptually, these variables contribute to achieving performance MSMEs in the culinary sector.

Nowadays, this sector is growing rapidly aligning with increasing the customer's intent in culinary products, so this sector has a broad market segmentation. The culinary business is also related to the ability or skill to cook food, so those who have this expertise tend to want to realize it. Culinary is related to the gastronomic experience so that the results of creativity and innovation from entrepreneurs are relatively easy to realize and feel by consumers. But in practice, there are similarities in the types of food menus offered by entrepreneurs, even though they have different tastes. It becomes an obstacle to surviving a culinary business so must have a strategy to maintain their business performance.

Fortunately, Karawang Regency is one of the industrial areas so workers come from over places of Indonesia. It creates an opportunity to expose various local culinary such as Surabi Hijau, Soto Tangkar, Soto Gempol, Tahu Bumbu, Kerupuk Bontot, or another food branding for grabbing the economic opportunity. The regional government needs to facilitate the culinary industry while fostering economic growth and preserving traditional food recipes. It is a vital moment in promoting the regional potential related to local culture, history, traditional food, and skills of people in cultivating food. Hence, the local food production relates to the activity of local entrepreneurship so can be directed to seize the economic opportunity for society [2].

Based on the constraints to maintain business performance, the formulation of the problem is as follows: (a) does market orientation have a significant positive effect on business performance?; (b) does entrepreneurial orientation have a significant positive effect on business performance?; (c) does orientation competence have a significant positive effect on business performance?

Based on the research question, the goal of the study is to investigate some factors which give a good impact on the business performance specifically of MSMEs in the culinary sector at West Karawang, West Java. The result is information for regional government in fostering local economic growth and preserving traditional Sundanese recipes to maintain the sustainability of culinary treasures in the future. This topic relates to sustainability issues, specifically in the topic of food sustainability. Therefore, the culinary industry can be fostered through a sustainable entrepreneurial approach, so the innovation process can form advantages for rural areas that as part supply chain this sector [3]. The culinary business in Karawang can be fostered to become food entrepreneurship so that they can appreciate local wisdom such as traditional recipes and other local wisdom.

2. THEORETICAL REVIEW

2.1. Understanding the Variables

2.1.1. Entrepreneurship

The term “entrepreneurship” is related to the nature or character inherent in a person's characteristics. This entrepreneurial ability usually has characteristics such as full ideas, creativity, and innovations for developing new products [4]. Specifically, an entrepreneur is a nature with an attitude toward entrepreneurial activity and a person who has creativity and innovation that is related to entrepreneurial orientation. Entrepreneurship practices are realized through various levels of business, namely micro, small, and medium enterprises which have the power to foster economic growth, job creators, and social welfare.

2.1.2. Business Performance

Corporate performance is interpreted as the company's operational results from utilizing its resources. Generally, the indicator of performance is derived from a variety of proxies such as volume of sales, profitability and rate of return, asset turnover, and achieving the target market. An entrepreneur must be achieved these indicators as good business performance. In lining with achieving this performance, the company has the purpose to meet the needs of the lives of employees and people or community who are involved in the company surrounding. This goal relates to the target of creating a company's social responsibility. Based on this statement, it is concluded that business performance measures the level of success of the company both qualitatively and quantitatively when implementing policies agreed upon by the parties in the organization or company [5].

2.1.3. Market Orientation

According to Tjiptono & Gregorius defines the market orientation is as a behavioral parameter with the activity of implementing the marketing concept [6]. Under the market orientation, a product is marketed based on consumer demand or market as a priority. It is relevant to Kotler & Armstrong that the company sells its product suitable to consumers' need [7]. To pursue market demand, firms create their products from the lens of consumers.

2.1.4. Entrepreneurial Orientation

Entrepreneurial orientation has a relationship with business success because it consists of three main dimensions, namely proactive, innovative and risk-taking. This is because the main driver of entrepreneurial orientation is the direct intervention of the company to see the detail of the capabilities and weaknesses in the process of innovation [8]. In the other word, an entrepreneurial orientation is a key for companies to gain more value in competing in the market [9].

2.1.5. Entrepreneurial Competence

Entrepreneurial competence is the most important element for business people. This is because the ability to compete in the market is tested to survive in the market for products and services issued or unable to maintain products from market interest. Entrepreneurs must have the ability to see opportunities, see the interests and target markets to avoid risks, and achieve high profits. Basically, entrepreneurs have willingness or intention to run start-ups, then broaden their ability to be innovative, grab opportunities in the market and public interest, and manage risks as the impact of the business process [10].

2.2. The Influence of the Several Factors on Business Performance

2.2.1. The Effect of Market Orientation on Business Performance

By the market orientation, companies have a better performance in determining strategy and understanding their customer and competitor. By implementing the market orientation, entrepreneurs create a better relationship with their customers to increase sales performance, growth, market share, and profit [12]. Another study [13], stated that market orientation encompasses a vital positive result on business performance. This implies with increasing market orientation, can increase business performance. Paying attention to the market orientation, particularly customers, competitors, and coordination among functions in the company, can improve the business performance. Based on this relationship, so the first hypothesis is as follows:

Ha1: Market orientation has a positive effect significantly on business performance

2.2.2. The Effect of Entrepreneurial Orientation on Business Performance

The entrepreneurial orientation has a positive impact on business performance. The early study that explains the concept of entrepreneurial orientation proposed by [14] consists of “innovative behavior, risk-taking, and proactive action”. Under the orientation, if an entrepreneur applies an entrepreneurial orientation, so it will impact to improve business performance. Aligning with the globalization era, companies must innovate and take risks to pursue their business performance. The capability of entrepreneurs to make innovation has the power to sustain the business. Moreover in managing innovation, the company must have a good strategy in determining the target market so it becomes a strategy for an innovation-based market. Moreover, being proactive is an important thing in managing business with means looking for opportunities to be able to create potential demand and higher business.

According study [15] stated that proactive has a significant effect on business performance. A company that uses a successful proactive strategy knows what the market wants and is aware of greater customer needs. Therefore, the attitude toward creativity & innovation, risk-taking, and proactive impact positively on business performance e.g., profit, market area, customer satisfaction, using resources, employment, and social responsibility. Based on this relationship, the second hypothesis is as follows:

Ha2: Entrepreneur orientation has a positive effect significantly on Business performance”.

2.2.3. The Effect of Entrepreneurial Competence on Business Performance

According study [16] shown that there is a positive and significant influence between entrepreneurial competence on business performance. Moreover, the study of [17] stated entrepreneurial ability encompasses a positive impact on business performance among entrepreneurs listed in the Global Entrepreneurship Monitor. It shows more having entrepreneurial competence impact higher business performance. Based on this relationship, so the third hypothesis is as follows:

H3: Entrepreneurial competence has a positive effect significantly on Business performance

3. RESEARCH METHODS

The study uses quantitative and descriptive analysis methods. The research model involves three variables including independent variables such as market orientation (X1), entrepreneurial orientation (X2), and entrepreneurial competence (X3). While the business performance is a dependent variable (Y). The population is MSMEs in culinary sector in West Karawang with a total of 113 respondents. The sample was collected from September to December 2021. The instrument of market orientation is adopted from [12], entrepreneurial orientation is improved from [8], entrepreneurial competence is improved from [16],[17] while the indicator of business performance is adopted from [16]. These indicators are translated into the Indonesian language to ensure respondents understand with these statements. Indicators are converted to questionnaires via google form and sent via social media. The

analysis technique uses structural regression with Smart-PLS software. Hypothesis testing is based on a significance level of 5% or a t-statistic of 1.96. Testing the outer model in the form of validity with the loading factor criteria above 0.60 while reliability using Cronbach's alpha and composite reliability with criteria above 0.70. Testing the inner model based on R^2 , Q^2 , Goodness of Fit, and hypothesis testing.

4. RESULTS AND DISCUSSIONS

4.1. Respondents' Profiles

The profile of respondents in this study is as follows:

Table 1. Respondents' Profiles

	Classify	Percent
Gender	Female	87.90
	Male	12.10
Age	Less than 30 years old	73.30
	30 - 40 years old	15.50
	More than 40 years old	12.20
Firm years	Less than 2 years	52.60
	2 - 5 years	30.20
	6 - 10 years	7.80
	More than 10 years	9.50
Native food	Inside Karawang	31.90
	Outside Karawang	68.10
Sales performance Per year	Less than IDR 300 million	71.40
	300 million – 2.5 billion	24.10
	More than IDR 2.5 billion	4.50

Table 1 summarizes culinary sector is dominated by women entrepreneurs. Most respondents are young entrepreneurs with their age less than 30 years old. Over 50 percent of respondents have been running this business for less than 2 years. It means young people run the start-up relatively around the pandemic moment. The majority of the food menu is from the outside of Karawang's cuisine, however, this food is still from Sundanese recipes. Lastly, most respondents achieve sales of less than IDR 300 million in one year so are categorized as micro-enterprises. This data illustrates the simple profiles of MSMEs in the culinary sector in West Karawang.

4.2. The Results of Validity and Reliability Tests

The result of convergent validity shows five items removed from the indicator such as OP3, OP4, OP6, OK1, and KW1, because of the loading factor value lower than 0.60. Based on these scores are done recalculation to obtain a new outer loading. More information of scores of validity in Figure 1. It depicts nineteen indicators are valid to measure these constructs. These scores shows these loading factors are over than 0.60 so suitable with criteria of validity. This information can be compared with Table 1 to identify the result of reliability testing. It shows the data are reliable because of the score of Cronbach Alpha and composite reliability over than 0.70.

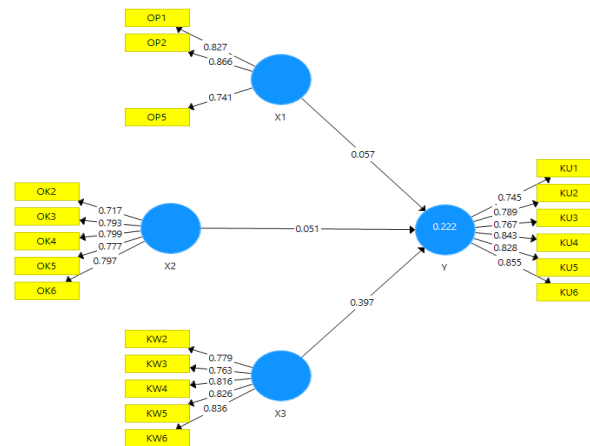


Figure 1. Result of Outer Model Testing

Table 2. Validity and Reliability Instrument

Variables	Indicator	Loading	Status	Reliability	Status
Market Orientation	OP1	0.827	Valid	Composite: 0.853 Cronbach's α : 0.748	Reliable
	OP2	0.866	Valid		
	OP5	0.741	Valid		
Entrepreneur Orientation	OK2	0.717	Valid	Composite: 0.884 Cronbach's α : 0.836	Reliable
	OK3	0.793	Valid		
	OK4	0.799	Valid		
	OK5	0.777	Valid		
	OK6	0.797	Valid		
Entrepreneurial Competence	KW2	0.779	Valid	Composite: 0.902 Cronbach's α : 0.864	Reliable
	KW3	0.763	Valid		
	KW4	0.816	Valid		
	KW5	0.826	Valid		
	KW6	0.836	Valid		
Business Performance	KU1	0.745	Valid	Composite: 0.917 Cronbach's α : 0.891	Reliable
	KU2	0.789	Valid		
	KU3	0.767	Valid		
	KU4	0.843	Valid		
	KU5	0.828	Valid		
	KU6	0.855	Valid		

Table 3. Path Coefficients

Path Analysis	Original Sample	Sample Mean	STDEV	t-Statistics
X1 > Y	0.057	0.069	0.102	0.562
X2 > Y	0.051	0.057	0.107	0.473
X3 > Y	0.397	0.394	0.129	3.083
R-Square: 0.222; Adjusted R-Square: 0.200; Q-Square: 0.134				

4.3. The Results of Hypothesis Testing

Table 3 shows the value of R-square is 0.222 which shows a small contribution of independent variables to business performance. It means the power of market orientation, entrepreneurial orientation, and entrepreneurial competence can explain the business performance of as many as

22.20%. Conversely, the residual value (77.80%) is formed by other variables from the outside of this model. The Q-square is 0,134 with the meaning of relevant to predict this research model.

The result of hypothesis testing is as follows: First, market orientation results in t-statistic +0.562 but it is not significant for business performance. This score is less than 1.96 so this impact is not significant to the business performance. Based on this reason, the first hypothesis (H1a) is rejected at level 5%, so market orientation does not affect the business performance of MSMEs in the culinary sector.

Second, entrepreneurial competence results t-statistic +0.473 but it is not significant for business performance. This score is less than 1.96 so this impact is not significant to the business performance. Based on this reason, the second hypothesis (H2a) is rejected at level 5%, so entrepreneurial orientation does not affect business performance of MSMEs in the culinary sector.

Third, entrepreneurial competence results t-statistic +3.083. This score is over 1.96 so this impact significant to the business performance. Based on this reason, the third hypothesis (H3a) is accepted at level 5%, so entrepreneurial competence affects business performance. These results show that if there is an increase in entrepreneurial competence, it can significantly improve business performance. In other words, it proves that entrepreneurial competence has a significant effect on the business performance of MSMEs in the culinary sector in West Karawang.

4.4. Discussions

The results show that entrepreneurial competence has a significant effect on encouraging business performance in MSMEs in the culinary sector in West Karawang. On the other hand, market orientation and entrepreneurial orientation are not significant to business performance. This result is related to the respondent's profile where the majority of culinary businesses are run for less than two years so they are still in the start-up stage. This aspect causes the two variables to be insignificant. Moreover, it is still in a pandemic, so as a new business it is relatively difficult to follow the market response and is still limited in innovating, being proactive, and taking business risks, specifically in culinary sector.

In addition, the majority are run by women because the passion in the culinary business is dominated by women. The culinary business is related to gastronomy so it emphasizes aspects of the food such as the taste of the food, the authenticity of the recipes and raw materials, and memories of the food. Therefore, the determinants of business performance for MSMEs in the culinary sector are more influenced by entrepreneurial competence so they certainly do not consider market orientation and entrepreneurship. This result aligns with prior study such as [16], [17]. So that these aspects can be used to support the performance of the culinary sector.

This sector is closely related to the sustainability aspect so that the regional government can direct this potential to maintain or preserve traditional Sundanese cuisine or food, especially Karawang. This can be started by collecting data on native food and then socializing it to the public, including investors, with the icon of "Sundanese culinary treasures". In line with the approach used in the study [3], the culinary sector in West Karawang can be empowered to become sustainable local food entrepreneurs.

5. CONCLUSIONS

The results conclude that there is one significant variable in business performance. This proves that only entrepreneurial competence has a significant influence on encouraging business performance in MSMEs in the culinary sector in West Karawang. Conversely, the effect of market orientation and entrepreneurial orientation is not significant on business performance. This result is related to the respondent's profile where the majority of these businesses are less than two years old and are from a young age group, so efforts are needed to encourage business orientation on the market aspect and need to increase innovation, be proactive and risk-taking to improve business performance.

The regional government of Karawang must encourage the performance of MSMEs in culinary sector so that they can adapt to market desires by always implementing the entrepreneurial orientation dimension. Finally, the limitation of the study relates to the data collection process, especially the

understanding of MSMEs actors on indicators of entrepreneurial orientation. Therefore, as suggestions for further research are to develop an analysis of entrepreneurial orientation through a second-order analysis approach.

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