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ENTREPRENEURIAL ORIENTATION AFFECTS BUSINESS PERFORMANCE: A PERSPECTIVE FROM WOODCRAFTS MSMES IN JAKARTA

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ABSTRACT

The purpose of this study was to determine the effect of risk-taking, proactiveness, innovation, competitive aggressiveness, and Autonomy on the performance of woodcraft MSMEs. The population in this study are entrepreneurs who run MSMEs in woodcraft sector. The sample used in this study were 52 MSMEs entrepreneurs in the woodcraft center at the Outer Ring Road of Jakarta W1 (West Jakarta) and Pahlawan Revolusi Street (East Jakarta). The type of sampling technique used was judgmental sampling. Data collection was done using a questionnaire distributed to entrepreneurs who were willing to become respondents then the data obtained will be processed using SmartPLS 3.0 software. The results of this study point out that risk-taking, proactiveness, and Autonomy have a positive effect on the performance of MSMEs in the woodcraft center on the Outer Ring Road of Jakarta W1 (West Jakarta) and Pahlawan Revolusi Street (East Jakarta), while for innovation and competitive aggressiveness there was no influence on the performance of MSMEs in the woodcraft center on the Outer Ring Road of Jakarta W1 (West Jakarta) and Pahlawan Revolusi Street (East Jakarta).

Keywords: *Entrepreneurial Orientation Dimension, Risk Taking, Proactiveness, Innovation, MSMEs Performance*

1. INTRODUCTION

In Indonesia, MSMEs play an important role in the economy. This important role is evident from the contribution made by MSMEs to economy of Indonesia, including absorbing employment about 89.2 percent from total workforce, providing up to 99 percent from total employment, contributing 60.34 percent from the total Indonesia national GDP, and contributing 14.17 percent from Indonesia's total exports for 58.18 percent of total investment [1]. Choosing to start entrepreneurship and owning a Micro, Small, and Medium Enterprise (MSME) is not as easy as one might think. Because MSMEs are in the most dynamic and competitive business environment, their growth and failure rates are high [2]. So the focus of MSME entrepreneurs is not only on making a business grow but can continue to survive, compete, and be relevant in the market. Unfortunately, 2020 and 2021 are not good times for most MSMEs in Indonesia. Because the Covid-19 pandemic, including Indonesia, hit all countries in the world.

As a result, the government needs to seek various ways to prevent and reduce the number of Covid-19 cases in Indonesia. One of the government's efforts to control the spread of the Covid-19 virus is the policy of Enforcing Community Activity Restrictions (PPKM). Various regulations in the PPKM policy have significantly reduced community mobility and limited business hours. This policy harms the performance of various business scales ranging from micro, small, medium, and even large companies. This is evident from the data results issued by the Indonesian Central Statistics Agency (BPS) during the Covid-19 pandemic. The survey results showed that 82.85% of entrepreneurs in Indonesia had a decrease in income

because the Covid-19 pandemic. MSMEs experienced the most decline in income, reaching 84%, compared to large medium enterprises, which reached 82% [2]. This pandemic is indeed a difficult ordeal, especially for MSMEs in Indonesia. The environment created by this pandemic has made the MSMEs market more dynamic and competitive than before. So to be able to maintain business performance in a competitive market, an MSMEs entrepreneur have to form their decision-making procedure in pursuing entrepreneurial possibilities and developing and handing over cost to customers [3]. This can be achieved if an entrepreneur has an entrepreneurial orientation. Every entrepreneur has a different entrepreneurial orientation, which can influence the decision-making process when doing business. Because entrepreneurial orientation is based on to a decision-making style, management practice, and behavior characterized by innovation, proactiveness, and risk-taking [5]. Especially during a pandemic, many changes occur in the market that makes an entrepreneur take many decision-making processes in response to changes so that entrepreneurial orientation is needed. A well-developed model shows five multidimensional constructs of entrepreneurial orientation; risk-taking, innovation, proactiveness, competitive aggressiveness, and autonomy [6].

2. THEORETICAL REVIEW

Theoretical Foundation

The theory of resource-based view (RBV) will be used to underlie this research. RBV theory was first introduced by Penrose in 1959 in his book The Theory of the Growth of the Firm, combining the notion of the distinctive competence of heterogeneous firms and linking them to the firm's competitive advantage (Richard, 2008). Then the RBV theory was developed by Barney in 1991 in an article published under the title "Firm Resources and Sustained Competitive Advantage" [3]. Suppose the organization wants to produce better performance and competitive advantage than before. In that case, it must ensure its resources effectively efficiently and must be scarce and difficult to replace. There are two types of resources, namely tangible and intangible assets. Entrepreneurial orientation is part of the intangible assets that the company can own. Because every orientation that an entrepreneur or company has is unique, different from the others, and not easy to replace.

Risk Taking

Risk-taking is described as the entrepreneur's capacity to understand risk from the outset and try to find ways to reduce the risk [7]. As a dimension of entrepreneurial orientation, risk-taking means the extent to which an organization can encourage its desire to take action, even when the outcome is unknown [7]. *Risk-taking* is defined as making decisions based on the good and bad consequences that may be caused in the future to advance a business [7]. Based on several definitions that have been described, risk-taking is the ability of entrepreneurs to calculate the risks that must be taken when making decisions in their business processes in order to achieve better business performance.

Proactiveness

Proactiveness is a term that describes an organization's ability to foresee and predict future products and services and make attempts to supply them, even if customers are unaware of these products or features or unfamiliar with the industry. [7]. Proactiveness is defined as an organizational mindset of predicting and acting on future market desires and needs, resulting

in a competitive advantage as a first mover [9]. The ability of a corporation to uncover and exploit new business possibilities, thereby prioritizing a first-mover advantage over its competitors, is referred to as proactiveness [3]. From these various definitions, proactiveness can be described as the company's ways to anticipate products or services that may arise by looking for new business opportunities and taking advantage of these opportunities to become a reality to outperform its competitors.

Innovation

The desire to encourage creativity and experimentation in the introduction of new products/services, novelty, technology leadership, and R&D in the development of new business processes is referred to as innovation [11]. The goal of a firm to introduce new ideas and approaches to the products and services it intends to deliver to the market is characterized as innovation [10]. Innovation is described as the process and result of changing organizational behavior by pursuing new activities, routines, and processes in services to improve the delivery of significant benefits to customers, thereby increasing the company's capability to provide services and the company's competitive strength [6]. Based on the three definitions of innovation that have been described, innovation is the process of developing new and creative products, services, and business processes to increase the benefits that can be offered to customers in the market.

Competitive Aggressiveness

Competitive aggressiveness refers to a company's proclivity to challenge its competitors directly and aggressively in order to gain new entry points or improve its position in order to surpass competitors in a certain industry [9]. Competitive aggressiveness is the intense effort of a company to outperform competitors and is characterized by a strong offensive posture or aggressive response to threats from its competitors [15]. Competitive aggressiveness brings intensity for companies to compete and strive to outperform competitors which is reflected in the bias towards maneuvering and beating competitors [6]. With the three definitions that have been described, competitive aggressiveness can be interpreted as a company's efforts to outperform its competitors in the market aggressively which is indicated by responding to threats from competitors and forcing them to enter new market situations.

Autonomy

In an organization, Autonomy refers to the authority and freedom that individuals or teams enjoy when developing a business concept and vision and then being carried out until they achieve it [9]. *Autonomy is described as the ability to conduct independent activities and make decisions in order to attain organizational goals and make them a reality* [7]. Autonomy refers to independent actions taken by leaders or entrepreneurs that lead to generating new ventures and seeing them bear fruit [15]. Based on several definitions that have been presented, Autonomy refers to the freedom that individuals, teams, and business owners have in working to achieve their business goals.

Business Performance

Performance is referred to as the result of a job. These results are reflected in the company's growth and increased productivity [11]. *Performance* is an indicator used to measure the goals and targets that have been previously set [19]. Compared to predetermined targets,

business performance can be measured from profitability [20]. Based on the definitions described previously, business performance can be interpreted as a reference to assess the final results achieved by the company in terms of productivity and profitability over a certain period.

3. RESEARCH MODEL AND HYPOTHESES DEVELOPMENT

The Effect of Risk Taking on Business Performance

Risk taking consists of a decision-making manner this is deliberate and taken into consideration through the company. Taking risks with careful consideration and planning can empower companies to obtain positive results [6]. If companies have a risk-taking orientation, they can take advantageous opportunities [13]. The element of risk taking will be beneficial for businesses in improving company performance and profit. Risk taking has a strong positive association with the company's performance and profit increase [14].

The Effect of Proactiveness on Business Performance

Proactive companies generally better understand market dynamics and respond quickly to market signals [6]. Proactiveness is very important for companies, because it makes it possible for companies that are first in the business environment, giving them an early edge in setting the pace and reaping the rewards [11]. Proactiveness can significantly influence job-related and sales growth in small businesses [9].

The Effect of Innovation on Business Performance

Innovation is related to how companies can innovate as a whole in their business operations [21]. The innovation component that is part of the entrepreneurial orientation was important for sustaining the success of new businesses [18]. Because a new business cannot last long in a traditional business way and without innovation where other competitors have implemented innovations in the market first. There is a positive relationship between innovation and company performance [23].

The Effect of Competitive Aggressiveness on Performance

Competitive aggressiveness has a relationship with business performance because, with competitive aggressiveness, a business has the urge to outperform its competitors in a market that leads to growth in its business. Furthermore, competitive aggressiveness is a significant positive correlation with firm performance [10].

The Effect of Autonomy on Business Performance

Autonomy is closely related to business performance because a business with an open culture and encourages its team to freely express ideas can help business owners have new views that will later influence business decision-making. The ideas put forward by staff with management support will improve the company's performance and thus bring more profits to the organization [25]. Such Autonomy and freedom in organizations encourage companies to develop and build new ideas. There is a positive correlation between Autonomy and business performance [23].

Based on the discussion above, the following hypotheses can be formulated:

H1 = Risk-Taking has a Positive Influence on the Performance of Central MSMEs in Wood Crafts during the Covid-19 Pandemic
H2 = Proactiveness has a Positive Influence on the Performance of Central MSMEs in Wood Crafts during the Covid-19 Pandemic
H3 = Innovation has a Positive Effect on the Performance of Central MSMEs in Wood Crafts during the Covid-19 Pandemic
H4 = Competitive Aggressiveness has a Positive Influence on the Performance of Central MSMEs in Wood Crafts during the Covid-19 Pandemic
H5 = Autonomy has a Positive Effect on the Performance of Central MSMEs in Wood Crafts during the Covid-19 Pandemic

Figure 1 Research Model
Source: Author(s) own compilation

4. METHODOLOGY

This study uses a descriptive research type. The research approach taken in this study is quantitative. The measuring instrument used in this research is the Likert scale. The sample selection technique used in this research is non-probability sampling. The type of nonprobability sampling used in this study is judgmental sampling. The sample in this study were MSME entrepreneurs in the central woodcraft on the Outer Ring Road of Jakarta W1 (West Jakarta) and Pahlawan Revolusi Street (East Jakarta). The number of respondents taken by the researchers was 52 entrepreneurs.

The indicators used in this study refer to previous research, which is as follows:

Table 1 Research Indicators

Variable	Item	Source
Risk Taking	3	(Hughes & Morgan, 2007)

Proactiveness	3	(Bateman & Crant, 1993)
Innovation	3	(Hughes & Morgan, 2007)
Competitive Aggressiveness	3	(Lumpkin & Dess, 2001)
Autonomy	6	(Hughes & Morgan, 2007)
Business Performance	5	(Gautam, 2016)

Source: Author(s) own compilation

5. STATISTICAL TEST RESULT

The data analysis method used in this research is multiple regression analysis. The Outer model consists of validity and reliability tests. At the same time, the Inner model consists of the coefficient of determination test (R2), cross-validated redundancy (Q2), the goodness of fit (GoF), path coefficient, and hypothesis testing.

The researchers used convergent validity and discriminant validity models to test the validity, using Average Variance Extracted (AVE), loading factors, and cross-loadings. The indicator can be valid if the AVE value is more than 0.5 [11]. In addition, the loading factor value of each indicator is also more than 0.5 [9]. The value of the cross-loading factor of each construct has also been bigger than the value of the cross-loading factor of the other constructs. So from the test results, all indicators of each variable are valid to use. Furthermore, for the reliability test, the results show that all indicators of each variable are reliable to use because the value of composite reliability and Cronbach's alpha is equal to or bigger than 0.7, but if the value is above 0.6, it can still be said to be reliable [26].

The coefficient of determination (R2) has a value between -1.00 to +1.00. The closer R2 is to 1.00; it can be interpreted that the relationship between the independent variable and the dependent variable is getting stronger and negative and vice versa [22]. For cross-validated redundancy (Q2), the predictive relevance value is 0.02; the predictive relevance validity is weak; the model fit is weak; 0.15 the validity of the predictive relevance of the moderate fit model; while 0.35 indicates that the validity of the predictive relevance of the fit model is strong [33]. Furthermore, for the goodness of fit (GoF) test, the GoF value must be between 0 to 1 with an interpretation of the value 0.10 being included in the small Gof level, 0.25 the medium Gof value, 0.36 the large GoF value [6].

Table 2 Bootstrapping Test Results (Hypothesis Testing)

	Path Coefficient	*t-statistic*	*p-value*
PRE → KB	0.369	2.527	0.012
PRO → KB	0.253	2.425	0.016
INO → KB	-0.008	0.047	0.963
AK → KB	-0.104	0.908	0.365
OT → KB	0.382	3.449	0.001

Source: Author(s) data analysis

6. DISCUSSION

Based on the findings of tests that have been conducted on the risk-taking variable on the performance of the woodcraft central MSME during the Covid-19 pandemic, it can be said that H1 is accepted because the risk-taking variable has a t-statistic value of 2.527 and a p-value of 0.012. This value has met the required criteria. Namely, the t-statistic value must be bigger than 1.96 and the p-value smaller than 0.05. From this explanation, it can be said that the risk-taking variable positively influences the performance of woodcraft SMEs. The results of this study follow the findings of other studies, which found that risk-taking has a positive impact on the performance of a business [1]. Other studies also found that MSMEs that adopt risk-taking tend to survive to remain competitive with good performance [25]. Therefore, risk-taking can help MSME owners engaged in woodcrafts, especially in the woodcraft center, the Jakarta W1 Outer Ring Road, and Pahlawan Revolusi Street, to improve their performance and survive in an increasingly difficult and competitive market such as during the Covid-19 pandemic.

Based on the findings of tests that have been conducted on the proactiveness variable on the performance of the central MSME in woodworking during the Covid-19 pandemic, it can be said that H2 is accepted because the risk-taking variable has a t-statistic value of 2,425 and a p-value of 0.016. This value has met the required criteria. Namely, the t-statistic value must be bigger than 1.96 and the p-value smaller than 0.05. From this explanation, it can be said that the risk-taking variable positively influences the performance of woodcraft SMEs. This study's results follow the findings found by other studies, which show that being proactive has a positive impact on business performance [32]. Other research shows that proactive entrepreneurial behavior contributes positively to the performance of MSMEs during the economic crisis [23]. Because during the current economic crisis, entrepreneurs need to be active and take the initiative to look for opportunities that can save their business performance. Proactiveness is also positively related to a company's profitability [9]. Good and satisfactory profitability shows good business performance as well. Therefore, risk-taking can help MSME owners engaged in woodcrafts, especially in the woodcraft center, the Jakarta W1 Outer Ring Road, and Pahlawan Revolusi Street, to improve their performance and survive in an increasingly difficult and competitive market such as during the Covid-19 pandemic.

Based on the findings of tests that have been conducted on the innovation variable on the performance of the central MSME in woodworking during the Covid-19 pandemic, the path coefficient value is -0.008, which indicates that the influence of the innovation variable on the performance of MSMEs is in the opposite direction, this is because since the Covid-19 pandemic In Indonesia, the majority of players in the woodcraft industry, especially there, have strangled the prices of their products so that they are not too focused on making and receiving orders for creative and innovative products but focusing on creating cheap products. Based on the results of hypothesis testing, it can be said that H3 is rejected because the innovation variable has a t-statistic value of 0.047 and a p-value of 0.963. This value does not meet the required criteria. Namely, the t-statistic value must be bigger than 1.96 and the p-value smaller than 0.05. From this explanation, it can be said that the innovation variable does not affect the performance of MSMEs in the woodcraft center. Previous research found that innovation did not show a correlation with MSME performance. Other studies have found that innovative MSMEs perform better in a volatile environment but that MSMEs must minimize the level of risk and take action to avoid too risky projects [23]. Innovation is also found to not correlate with business performance [7]. The description of the research results

above shows various results regarding the effect of the innovation variable on the performance of a business. However, what is certain is that the results of this study do show that innovation does not influence the business performance of the woodcraft central MSMEs during the Covid-19 pandemic.

Based on the findings of tests that have been conducted on the competitive aggressiveness variable on the performance of the central MSME in woodworking during the Covid-19 pandemic, the path coefficient value is -0.104, which indicates that the influence of the competitive aggressiveness variable on the performance of MSMEs is in the opposite direction, this is because since the pandemic Covid-19 is spreading rapidly in Indonesia, forcing the government to impose PSBB, making the economic situation very difficult. The owners of woodcraft MSMEs are more focused on improving and maintaining their business performance during a difficult market situation than thinking about how to beat their competitors in the market. Based on the results of hypothesis testing, it can be said that H4 is rejected because the competitive aggressiveness variable has a t-statistic value of 0.908 and a p-value of 0.365. This value does not meet the required criteria. Namely, the t-statistic value must be bigger than 1.96 and the p-value smaller than 0.05. From this explanation, it can be said that the competitive aggressiveness variable does not affect the performance of MSMEs in the woodcraft center. The results of previous studies found that competitive aggressiveness did not affect the performance of MSMEs [9]. Competitive aggressiveness was found not to affect business performance because actions that are too aggressive can lead to deviations and waste of company resources if there is no proper management [6]. However, other researchers have found that competitive aggressiveness can positively affect the performance of MSMEs [7]. This study indicates that competitive aggressiveness has no effect on the business performance of the woodcraft central MSMEs during the Covid-19 pandemic.

Based on the findings of tests that have been conducted on the autonomy variable on the performance of the woodworking central MSMEs during the Covid-19 pandemic, it can be said that H5 is accepted because the autonomy variable has a t-statistic value of 3.449 and a p-value of 0.001. This value has met the required criteria. Namely, the t-statistic value must be bigger than 1.96 and the p-value smaller than 0.05. From this explanation, it can be said that the autonomy variable positively influences the performance of MSMEs in the woodcraft center. Previous research found that Autonomy has a positive influence on the performance of SMEs. Autonomy is said to be a way for companies to be successful because a company needs Autonomy from strong leadership or creative individuals, without the limitations of complicated corporate bureaucracy [9].

Furthermore, Autonomy was also found to have a positive influence on business performance because the attitude of Autonomy proven via way of means of commercial enterprise proprietors via way of means of supplying freedom and possibility for personnel to make a contribution has succeeded in growing an mind-set of loyalty and inspiring the entrepreneurial spirit in their personnel [2]. Thus, the exercise of Autonomy proven withinside the paintings surroundings can enhance the commercial enterprise overall performance. This has a look at shows that Autonomy has a wonderful impact at the commercial enterprise overall performance of the woodcraft crucial MSMEs for the duration of the Covid-19 pandemic.

7. CONCLUSION

The goal of this research was to determine whether exogenous variables consisting of risk-taking, proactiveness, innovation, competitive aggressiveness, and Autonomy can affect the endogenous variable, namely the performance of MSMEs in the woodcraft center. This study uses 52 MSME entrepreneurs in woodcrafts on the Outer Ring Road of Jakarta W1 and Pahlawan Revolusi Street, processing data using Smart Partial Least Square 3.0 software.
The following are the conclusions of this study:

1. Risk-taking positively influences the performance of the central MSMEs in woodworking during the Covid-19 pandemic.
2. Proactiveness positively influences the performance of the central MSMEs in woodcrafts during the Covid-19 pandemic.
3. Innovation has no impact on the performance of the central MSMEs in woodworking during the Covid-19 pandemic.
4. Competitive aggressiveness has no impact on the performance of the woodworking central MSMEs during the Covid-19 pandemic.
5. Autonomy positively influences the performance of the central MSMEs in woodworking during the Covid-19 pandemic.

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