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Research Article

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The Influence of Entrepreneurial Orientation on Business Performance in Culinary MSMEs with the Business Environment as a Mediating Variable

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Abstract: *This research aims to describe the influence of entrepreneurial orientation on business performance in culinary MSMEs with the business environment as a mediating variable. The research method that will be used in this research is a descriptive analysis method with a quantitative approach. Data processing in this research uses smartPLS SEM (Partial Least Square - Structural Equation Modeling) software. PLS has the ability to explain the relationship between variables and the ability to carry out analyzes in one test. Hypothesis testing can be seen from the t-statistic value and probability value. Research results the results of testing the first hypothesis are accepted that the Business Environment (Z) influences MSME Business Performance (Y). The results of testing the second hypothesis are accepted that Entrepreneurial Orientation (X) influences MSME Business Performance (Y). The results of testing the third hypothesis are accepted that Entrepreneurial Orientation (X) influences the Business Environment (Z).The results of testing the fourth hypothesis were accepted. Entrepreneurial Orientation (X) has a significant effect on MSME Business Performance (Y). via Business Environment (Z).*

Keywords: *entrepreneurial orientation, MSMe business performance, business environment.*

Introduction

Indonesia is a country that has extraordinary culinary wealth, both in variety and taste. Almost all regions in Indonesia have their own special foods. Some regions even have more than one typical food, this is because the Indonesian population consists of various tribes and natural diversity has a very diverse wealth of traditional foods. The diversity of traditional foods arises because of the diversity of ingredients, processing methods and presentation methods, as well as because of the diversity of uses or functions (Fitriyah et al., 2021). The growth of the Indonesian economy cannot be separated from the role of MSMEs which are able to boost the community's economy independently and support the rate of economic growth in Indonesia. It is currently recorded that MSMEs in Indonesia have reached 6.4 million units consisting of agriculture, livestock, processing, trade, services and communications (BPS, 2020). In Indonesia, MSMEs have a strategic role and a large influence on national economic growth with a total of 64,194,057 in 2020 employing 116,978,631 workers (Syafi'i et al., 2021).

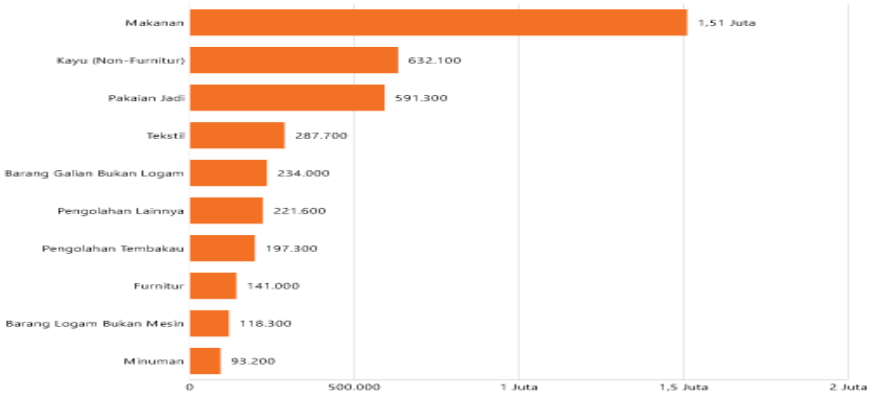

Figure 1. Micro-Small Industry

The majority of Indonesian micro-small-scale businesses or industries (IMK) operate in the food sector. According to data from the Central Statistics Agency (BPS), the number of IMK in the food sector will reach 1.51 million business units in 2023. The proportion of IMK in the food sector reaches 36% of all national IMK, which totals 4.21 million business units. The next most dominant sector is the wood industry and goods from cork, rattan, and bamboo (non-furniture) with a total of 632 thousand business units or 15% of the total national IMK. The business fields that IMK has entered the least are the electrical equipment sector and the computer sector, with the number of IMKs being under a thousand business units per sector. The IMK referred to in this report is a business unit that has fewer than 20 employees. The classification of business units in this report is based solely on the number of workers, without considering the amount of capital, use of production machines, or business income.

The classification of MSMEs can be seen from the limits of annual turnover, number of assets and number of employees employed. Based on data from the Ministry of Cooperatives and SMEs, the number of MSMEs currently reaches 64.19 million with a contribution to GDP of 61% or worth 8,573.89 trillion rupiah. The contribution of MSMEs to the Indonesian economy includes the ability to absorb 97% of the total existing workforce. In the last 5 years, the contribution of MSMEs in Indonesia to Gross Domestic Product (GDP) has increased from 57.8% to 61%. This makes MSMEs a safety net as well as a driver of the economy (Catriana in Soriton et al., 2022). Based on data from the Ministry of Cooperatives and SMEs, culinary MSMEs are one of the business sectors that have great potential in improving the national economy. Therefore, it is important for culinary MSMEs to pay attention to the factors that can influence their success. Culinary MSMEs have a big role in meeting people's needs for quality food and drinks. Therefore, culinary MSMEs have great potential to develop and gain large profits.

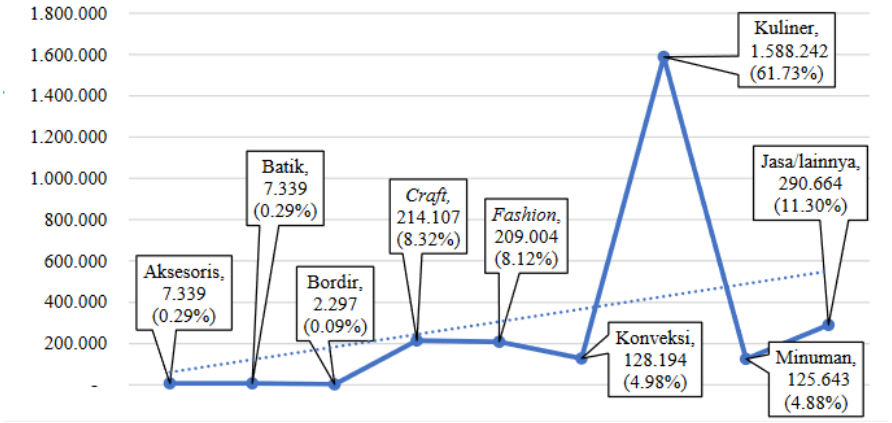

Figure 2. Growth of MSMEs in Tulungagung Regency

Based on Figure 2, it can be seen that culinary MSMEs have continued increasing growth from 2019-2024 and have the largest number of 1,588,242 business units with a percentage of 61.73%. The large number of culinary MSMEs is due to changes in eating patterns and the development of the tourism industry in Tulungagung Regency, resulting in an increase in the growth rate of culinary MSMEs. People are increasingly interested in trying new and different culinary delights, making culinary MSMEs an attraction. Apart from that, technological advances also enable people to more easily access information about culinary delights either through social media or special applications. This makes it easier for people to discover and try new culinary delights that were previously difficult to access. Not only that, the increasing number of MSMEs involved in the culinary industry, both as producers, collectors and sellers, also influences the

growth rate. The increasing number of culinary choices available on the market, both in the form of processed culinary delights and raw culinary ingredients, has increased people's interest in trying various types of culinary delights.

MSMEs have positive benefits for the national economy. This also cannot be separated from the role of government. In 2021, the President of the Republic of Indonesia, Joko Widodo, stated that MSMEs that have high resilience will be able to support the country's economy, even during a global crisis. "The government is aware of how important it is to develop micro, small and medium businesses." So Tulungagung Regency is inhabited by various types of MSMEs which have great potential in contributing to the city and national economy. Therefore, support from the government and society for MSMEs is also very important in advancing this sector. The following is an illustration of the growth of MSMEs in Tulungagung Regency.

Entrepreneurial orientation is an individual's attitudes and behavior in starting and running a business. Individuals who have a high entrepreneurial orientation tend to have a brave and innovative attitude in running their business. Therefore, entrepreneurial orientation is an important factor in determining business success in culinary MSMEs. The business environment is an external factor that influences the sustainability and success of a business. A conducive business environment will help culinary MSMEs increase the success of their businesses. A business environment that is not conducive will affect the success of culinary MSMEs and cause business failure. Management ability is an important factor in determining business success in culinary MSMEs. Managers who have good management skills can ensure that culinary MSME businesses run well and achieve their goals. Management ability also influences employee motivation and productivity in carrying out their duties and responsibilities. Business success is a situation where the business experiences an increase from previous results and becomes the main part of a company where all activities in it are aimed at achieving success. The existence of micro, small and medium enterprises (MSMEs) has been proven to be able to move the wheels of the nation's economy and reduce the number of unemployed (Anjuari & Hasibuan, 2022). Factors that influence business success consist of external factors and internal factors. Internal factors consist of human resource quality, mastery of technology, organizational structure, capital strength and participation, while external factors are divided into two indicators, namely government factors and non-government factors. Government factors include economic policies, bureaucrats, politics and the level of democracy, while non-government factors consist of the economic system, socio-culture and infrastructure conditions (Utami, 2018).

Literature Review

Entrepreneurial Orientation

Entrepreneurial orientation is one of the most consistently researched constructs in the field of entrepreneurship (Shaher & Ali, 2020). Entrepreneurial orientation (EO) is said to be the spearhead or pioneer in achieving sustainable company growth and high competitiveness (Rahmadi,jauhari, & Dewandaru, 2020). Entrepreneurial orientation (EO) is a creative and innovative skill that is used as a foundation, tips and resources for finding opportunities for success.

Business Performance

Zulfikar (2018) business performance is a general term used in part or all of the actions or activities of an organization in a period with reference to a number of standards such as past costs projected on the basis of efficiency, management accountability and the like. Nuvriasari (2012:265) Business performance

is a function of the results of activities in a company which are influenced by internal and external factors in achieving the goals set during a certain time period.

Business Environment

Eko Suyono (2013:5) states that the definition of the environment is as follows: "The environment is everything that is outside the organization. The environment closest to the organization, also called the task environment, industry environment, or specific environment, is the environment that directly influences strategy, which includes competitors, suppliers, customers and trade unions. Meanwhile, environments that do not directly affect the organization are called general environments or remote environments."

conceptual framework

According to (Notoatmodjo, 2018), a conceptual framework is a framework of relationships between concepts that will be measured or observed in a study. A conceptual framework must be able to show the relationship between the variables to be studied. The conceptual framework in this research can be described as below.

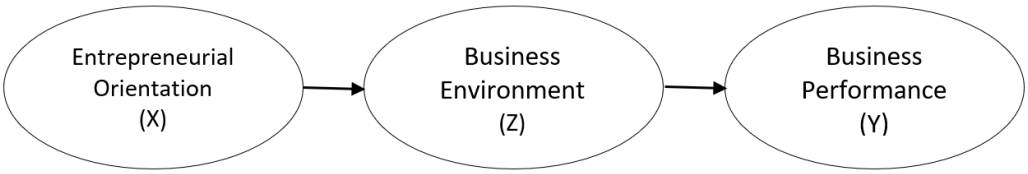

Figure 3. Conceptual Framework

Hypothesis

Based on the research framework and paradigm on the previous page, the researcher formulated the following hypothesis:

1. Entrepreneurial orientation influences the business environment.
2. Entrepreneurial orientation influences business performance.
3. The business environment influences business performance.
4. Entrepreneurial orientation influences business performance with the business environment as a mediating variable.

Method

The research method that will be used in this research is descriptive analysis method with a quantitative approach. According to (Sugiyono, 2018), what is meant by the descriptive analysis method is a method that functions to describe or summarize research objects through data or samples collected as they are, without requiring general analysis and conclusions.

Data processing in this research uses smartPLS SEM (Partial Least Square - Structural Equation Modeling) software. PLS has the ability to explain the relationship between variables and the ability to carry out analyzes in one test. According to Imam (Ghozali, 2016) the PLS method is able to describe latent variables (not directly measurable) and is measured using indicators. The author uses Partial Least Square because this research is a latent variable that can be measured based on indicators so that researchers can analyze it with clear and detailed calculations.

In his book (Husein, 2015) hypothesis testing can be seen from the t-statistic value and probability value. To test the hypothesis, namely by using statistical values, for alpha 5% the t-statistic value used is

1.96. So the criteria for accepting or rejecting a hypothesis is that Ha is accepted and H0 is rejected when the t-statistic is > 1.96. To reject or accept a hypothesis using probability, Ha is accepted if the p value <0.05.

Results and Discussion

Evaluation of the Measurement Model (Outer Model)

The measurement model (outer model) is confirmatory factor analysis (CFA) by testing the validity and reliability of latent constructs. The following are the results of the outer model evaluation in this research.

Validity test

This research uses assistance from Smart PLS 3.0 software. To test the validity of data, it can be used to test the validity of data. Convergent validity can be used to look at the loading factor value and discriminant validity by looking at the cross loading value.

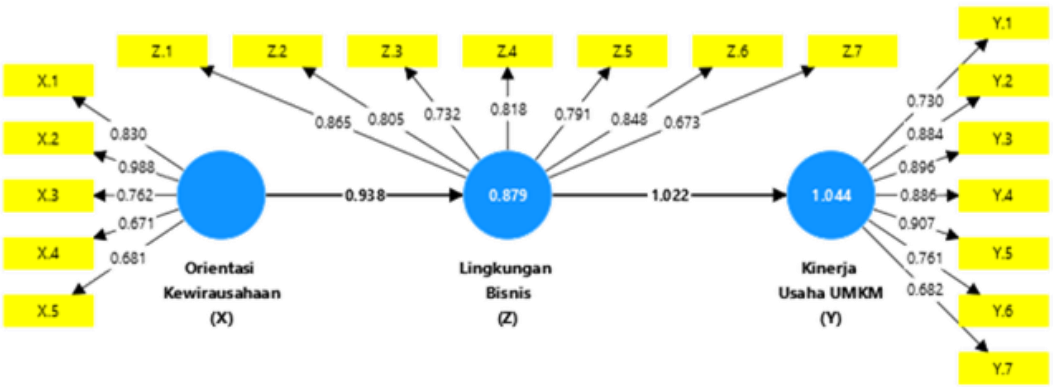

Figure 4. Outer Model

1. Convergent Validity
   Convergent validity of the measurement model with the reflective indicator model is assessed based on the correlation between the item score/component score and the construct score calculated using PLS. Based on Figure 4.1 above, it can be seen that all loading factor values have exceeded the limit of 0.7 so that it can be concluded that each indicator in this study is valid. Therefore, these indicators can be used to measure research variables.
2. Discriminant Validity
   Discriminant validity compares the Average Variance Extracted (AVE) value of each construct with the correlation between other constructs in the model. Based on Figure 4.1 above, it can be seen that all cross loading values for each of the indicators targeted have a higher correlation with each variable compared to other variables. It can be concluded that the indicators above are valid as a whole.

Reliability Test

An instrument can be said to be reliable by looking at the value of Average Variance Extracted more than 0.5, Cronbach Alpha more than 0.6 and Composite Reliability more than 0.7.

Table 1. Calculation of AVE, Cronbach Alpha, and Composite Reliability

	Cronbach's Alpha	***rho_A***	***Composite Reliability***	***Average Variance Extracted (AVE)***
MSME Business Performance (Y)	0.936	0.943	0.937	0.681
Business Environment (Z)	0.920	0.925	0.922	0.629
Entrepreneurial Orientation (X)	0.892	0.911	0.894	0.632

Source: Primary data processed (2024)

Based on Table 4.1 above, it can be seen that the Cronbach Alpha value of the variableMSME Business Performance (Y)of 0.936, the Business Environment variable (Z) of 0.920 and the Entrepreneurial Orientation variable (X) of 0.892. From the results of the calculations above, it can be seen that all indicators are reliable in measuring the latent variables.

Structural Model Evaluation (Inner Model)

Evaluation of the inner model can be seen from several indicators which include the coefficient of determination (R2), Predictive Relevance (Q2) and Goodness of Fit Index (GoF) (Hussein, 2015). The results of the structural model displayed by Smart PLS 3.0 in this research are as follows:

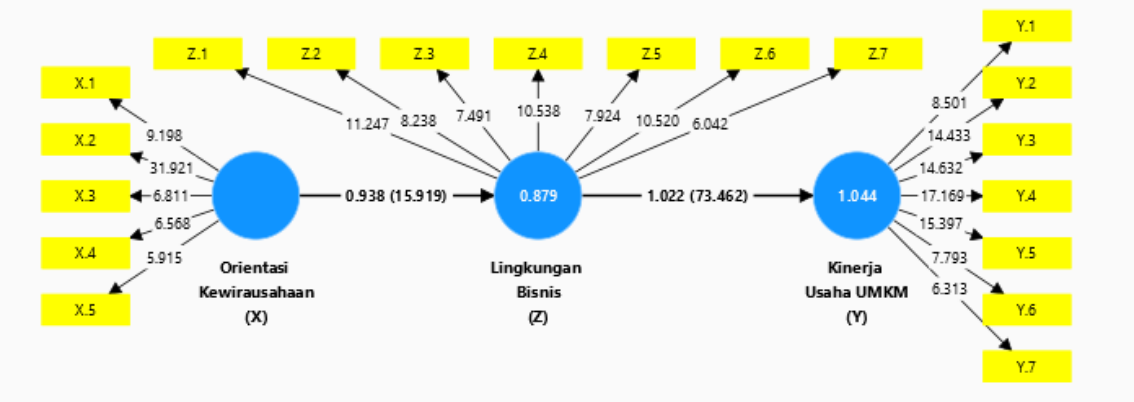

Figure 5. Structural Model (Inner Model)

R2 Results (R-square)

In assessing the model with PLS, start by looking at the R-square for each dependent latent variable. The results of the r2 calculation in this study are as follows:

Table 2. Correlation Value (r2)

	R-square	***Adjusted R-square***
MSME Business Performance (Y)	1,044	0.991
Business Environment (Z)	0.879	0.876

Source: Primary data processed (2024)

Based on the results of calculations using bootstapping in Table 4.14 above, it is known that the r2 value of the Business Environment variable (Z) is 0.876, which means that the Business Environment variable (Z) is influenced by the Entrepreneurial Orientation variable (X) by 87.6% or in other words the contribution the Entrepreneurial Orientation variable (X) was 87.6%.

The r2 result of the variableMSME Business Performance (Y)of 0.991 which means that the variableMSME Business Performance (Y)influenced by Entrepreneurial Orientation (X) and Business Environment (Z) by 99.1% or in other words the contribution of the Entrepreneurial Orientation (X) and Business Environment (Z) variables is 99.1%.

Goodness of Fit Model

Goodness of fit calculations can be used to determine the magnitude of the contribution made by exogenous variables to endogenous variables. The GoF value in PLS analysis can be calculated using Q-square predictive relevance (Q2). The following are the results of the Goodness of Fit Model calculations in this research:

$$Q^2 = 1 - (1 - r12)\ (1 - r22)$$
$$Q2 = 1 - (1 - 0.876)\ (1 - 0.991)$$
$$Q2 = 0.9988$$

Based on the calculation above, the Q-square predictive relevance (Q2) value is 0.9988 or 99.88%. This is able to show that the diversity of variablesMSME Business Performance (Y)can be explained by the overall model of 0.9988 or it can also be interpreted that the contribution of the Entrepreneurial Orientation (X) and Business Environment (Z) variables to the variableMSME Business Performance (Y)overall it is 99.88%, while the remaining 0.12% is the contribution of variables not discussed in this study

Hypothesis test

Based on the results of the outer model carried out, all the hypotheses tested have met the requirements, so they can be used as analysis models in this research. Hypothesis testing in this study uses an alpha of 5%, which means that the t-statistic value is ≥ 2.048 or the probability value is ≤ level of significance (α = 5%). The limit of 0.05 means that the probability of deviation is only 5% and the remaining 95% is indicated as being able to accept the hypothesis.

Hypothesis testing in this research is divided into two parts, namely direct influence testing and indirect influence testing (mediation). Testing the direct effect will use bootstrapping in Smart PLS 3.0 software, while testing the indirect effect will use t-statistics on the indirect effect.

Table 3. Path Coefficients

	Original Sample (O)	***Sample Mean (M)***	***Standard Deviation (STDEV)***	***Q statistics (|O/STDEV|)***	***P Values***
Business Environment (Z) ->MSME Business Performance (Y)	1,022	1,021	0.014	3,462	0,000
Entrepreneurial Orientation (X) ->MSME Business Performance (Y)	0.958	0.960	0.067	4,398	0,000

Entrepreneurial Orientation (X) -> Business Environment (Z)	0.938	0.940	0.059	5,919	0,000

Source: Primary data processed (2024)

Based on Table 4.3, the test results for each hypothesis are obtained as follows:

a. Business Environment (Z) influences MSME Business Performance (Y)
   Based on the test results in Table 4.3, it can be seen that the t-statistical value of the relationship between the Business Environment variable (Z) and the MSME Business Performance variable (Y) is 3.462 with sig. equal to 0.000. The test results show that the t-statistic ≤ 1.96 and the sig value. ≥ level of significance (α = 5%). Thus, the first hypothesis is accepted that the Business Environment (Z) influences MSME Business Performance (Y).
b. Entrepreneurial Orientation (X) influences MSME Business Performance (Y)
   Based on the test results in Table 4.3, it can be seen that the t-statistical value of the relationship between the Entrepreneurial Orientation variable (X) and the MSME Business Performance variable (Y) is 4.398 with sig. of 0,000. The test results show that the t-statistic ≤ 1.96 and the sig value. ≥ level of significance (α = 5%). Thus, the second hypothesis is accepted that Entrepreneurial Orientation (X) influences MSME Business Performance (Y).
c. Entrepreneurial Orientation (X) influences the Business Environment (Z)
   Based on the test results in Table 4.3, it can be seen that the t-statistical value of the relationship between the Entrepreneurial Orientation variable (X) and the Business Environment variable (Z) is 5.919 with sig. equal to 0.000. The test results show that the t-statistic ≤ 1.96 and the sig value. ≥ level of significance (α = 5%). Thus the third hypothesis is accepted that Entrepreneurial Orientation (X) influences the Business Environment (Z).

The indirect influence test is carried out by testing the strength of the indirect influence of the independent variable (variable An indirect influence can be declared significant if both direct influences that form it are significant. The results of this test can be seen in the following table:

Table 4. Indirect Effects

	Original Sample (O)	***Sample Mean (M)***	***Standard Deviation (STDEV)***	***Q statistics (|O/STDEV|)***	***P Values***
Entrepreneurial Orientation (X) -> Business Environment (Z) -> MSME Business Performance (Y)	0.958	0.960	0.067	4,240	0,000

Source: Primary data processed (2024)

Entrepreneurial Orientation (X) has a significant effect on MSME Business Performance (Y) via Business Environment (Z). Based on the test results in Table 4.4, it can be seen that the t-statistical value of the relationship between the Entrepreneurial Orientation variable (X) and the MSME Business Performance variable (Y) through variablesBusiness Environment (Z) is 4.240 with sig. of 0,000. The test results show that the t-statistic ≥ 1.96 and the sig value. ≤ level of significance (α = 5%). Thus, the fourth

hypothesis is accepted. Entrepreneurial Orientation (X) has a significant effect on MSME Business Performance (Y). via Business Environment (Z).

Conclusion

Based on the results of the research and discussion in the previous chapter, it can be concluded as follows:

1. The results of testing the first hypothesis are accepted that the Business Environment (Z) influences MSME Business Performance (Y).
2. The results of testing the second hypothesis are accepted that Entrepreneurial Orientation (X) influences MSME Business Performance (Y).
3. The results of testing the third hypothesis are accepted that Entrepreneurial Orientation (X) influences the Business Environment (Z).
4. The results of testing the fourth hypothesis were accepted. Entrepreneurial Orientation (X) has a significant effect on MSME Business Performance (Y). via Business Environment (Z).

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