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THE ROLE OF ENTREPRENEURIAL ORIENTATION ON THE PERFORMANCE OF FOOD AND BEVERAGE SMEs

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ABSTRACT

Through an empirical analysis, this study aims to determine how innovation (IN), proactiveness (PR) and risk-taking (RT) affect the Small and Medium Enterprises performance (SMEs Perf) venture in West Jakarta's food and beverage sector. Based on the theory of Resource Based Vied (RBV) philosophy, this study examines how organizational resources and capabilities relate to performance results. That 66 SMEs owners were surveyed online using Google Forms, and the data is gathered by using a non-probability technique, and using purposive sampling approach. SmartPLS version 4.1.0.5 software and structural equation modeling (SEM) were used for data analysis. IN has a major influence on SMEs Perf, according to the findings, whereas PR and RT have favorable but statistically minor effects on the SMEs Perf of food and beverage in West Jakarta.

Keywords*: Innovation, Proactiveness, Risk-Taking, Performance.*

1. INTRODUCTION

Many countries, including Indonesia, rely heavily on SMEs to power their economies. Beyond their considerable contribution to employment creation, SMEs is vital and essential as its role in supporting economic expansion, income equity, and community empowerment. According to Kemenkop (2020), SMEs account for more than 50% of Indonesia's GDP and employ nearly 97% of the country's workforce. Furthermore, SMEs help to reduce economic imbalances between urban and rural areas, as well as between different socioeconomic classes. The recent increase in the number of SMEs in Indonesia can be ascribed to a variety of enabling factors, including government-backed support mechanisms such as training, finance, and other facilitative measures (Ekon, 2023).

The success of SMEs is an important measure of a company's capacity to meet its strategic goals. Numerous studies have highlighted the significance of SMEs Perf, particularly in the context of sustainable development, tying it to long-term success and competitiveness (Heavey & Simsek, 2015). High-performance SMEs can also improve their reputation with external stakeholders such as investors, consumers, and suppliers, hence strengthening their market position (Hussain et al., 2018). Internal variables, including as management techniques, product IN, and operational efficiency, are also important in determining organizational performance (Lichtenstein et al., 2010). A thorough grasp of these aspects is required for SMEs to identify areas for development and maximize their performance for long-term success.

Entrepreneurial aspects such as IN, PR, and RT have a substantial impact on SMEs Perf. These aspects are critical for assessing how successfully SMEs succeed in a competitive market. According to Buli (2017), organizations with a high entrepreneurial orientation do

better than those with a lower inclination. IN, in particular, is seen as a critical driver of SMEs Perf. It makes it easier to design new or enhanced items, which may lead to greater sales and new client acquisition (Jin & Choi, 2019). Beyond product IN, process IN, such as advances in manufacturing or operating processes, can help to reduce costs. Canh et al. (2019) found that process IN can help SMEs increase their market share, highlighting the favorable influence of IN on organizational performance.

Dai et al. (2014) found a favorable link between PR and SMEs Perf. Proactive conduct helps entrepreneurs to respond rapidly to emerging possibilities and successfully adjust to changing market conditions, increasing competitiveness and overall performance. Similarly, RT is spending resources to manage uncertainty with the purpose of producing better results by capitalizing on new chances. This RT strategy promotes IN and the early release of new goods, providing companies a competitive advantage. Previous study has demonstrated that RT improves SMEs Perf (Imran et al., 2018; Guo & Jian, 2020; Okangi, 2019).

Food and beverage SMEs in West Jakarta must improve their performance in order to remain competitive and promote company growth. In response to this problem, the present study will look into the impact of IN, PR, and RT on the success of these SMEs. The study is titled, "The Impact of IN, PR, and RT on the Performance of Food and Beverage SMEs in West Jakarta." The background informs the core research topic, which is as follows: How much do IN, PR, and RT influence the success of food and beverage SMEs in West Jakarta?

This study RBV as theoretical framework, which was first established by Birger Wernerfelt in his 1984 work "A RBV of the Firm." The RBV highlights the importance of an organization's internal resources in achieving long-term competitive advantage. According to the notion, firms may gain a competitive advantage by efficiently managing and maximizing internal resources that are rare, valuable, inimitable, and non-substitutable, also known as VRIN (Barney, 1991). In this study, the RBV theory is used to investigate entrepreneurial orientation, which includes creativity, PR, and RT. These aspects are seen as internal resources with the potential to impact SMEs success. Furthermore, entrepreneurial attitude influences how businesses manage and distribute resources to produce value and gain a competitive advantage in the marketplace.

IN is a critical component of company focus and performance. According to recent research, companies who successfully employ innovative methods obtain better results. Puryantini et al. (2018), for example, found that organizations that focus on product and process IN have better profit growth and increased market competitiveness. Similarly, Artz et al. (2010) discovered that IN improves a company's financial performance, stressing its relevance in achieving corporate success.

Lumpkin and Dess (2001) found that proactive attitudes are positively connected with SMEs Perf. Firms that exhibit greater PR are more likely to achieve increased growth and profitability. In a similar line, Okoli et al. (2021) discovered that organizations that adopt proactive activities had higher sales and profitability outcomes. Additional research backs up this claim, indicating a favorable association between PR and SMEs Perf. Businesses that take a proactive approach to spotting possibilities and planning for change outperform their competition (Wiklund & Shepherd, 2005; Zahra & Covin, 1995).

Erkan et al. (2016) found that taking measured risks is critical for attaining growth and maintaining a strategic advantage in an evolving corporate landscape. Similarly, Zahra and

Covin (1995) emphasize the importance of RT in promoting IN and value creation as part of entrepreneurial orientation, arguing that such behaviors can contribute to enhanced SMEs Perf. RT, when properly linked with IN activities, may greatly contribute to SMEs long-term success.

Conceptual framework and hypothesis

Based on previous research, the research model and hypothesis for this study are as follows:

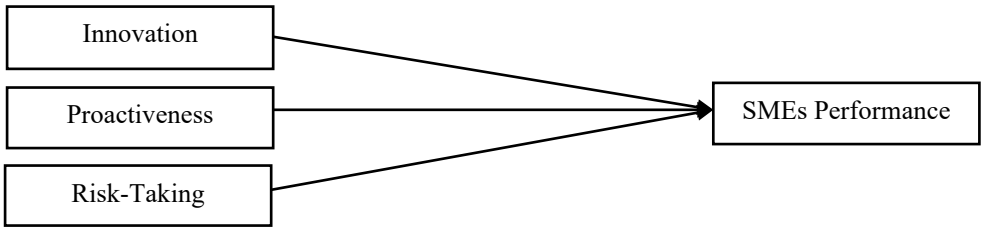

Figure 1. Research Model

Grounded in this paradigm, the following hypothesis is formulated:
H1: IN exerts a beneficial influence towards SMEs perf
H2: PR exerts a beneficial influence towards SMEs perf
H3: RT exerts a beneficial influence towards SMEs perf

2. RESEARCH METHOD

This inquiry utilizes a quantitative methodology and causal research methodology to explore the cause-and-effect correlations between the variables being investigated (Sugiyono, 2018). This study's population comprises SMEs venture in the food and beverage industry based in West Jakarta. The sample consists of SMEs operating in West Jakarta's Kedoya district. The sample was selected using a non-probability selection approach known as purposive sampling. The total sample size consists of 66 food and beverage SMEs. Data analysis is performed using SmartPLS software version 4.1.0.5, which permits the study of both the outer model (validity and reliability) and the inner model in the analysis process.

The data analysis approach used in this study is Partial Least Squares Structural Equation Modeling (PLS-SEM), and the data was processed using SmartPLS version 4.0. The study begins with an assessmesnt of validity and reliability, which are considered as part of the outer model. The inner model is investigated by calculating the R-Square (R^2), Effect Size (F^2), and hypothesis tests. These phases work together to analyze the correlations between the variables and test the presented hypotheses.

Both convergent and discriminant validity are assessed in this study. Using the loading factor and AVE (AVE), convergent validity evaluates how closely related a concept's indications are. A loading factor >0.6 and an AVE ≥0.5 are necessary for a notion to be considered legitimate (Cheung, 2024). The HTMT and cross loadings are used to evaluate discriminant validity. An appropriate HTMT value is less than 0.9 (Cheung, 2024). Composite reliability and Cronbach's alpha are two methods for assessing dependability. Creswell (2014) states that in order to be deemed satisfactory, both Cronbach's alpha and composite dependability must be more than 0.7. The validity and reliability of the measurement model are ensured by these conditions.

The model's accuracy in explaining observed data variation is assessed using the R-Square (R^2) analysis. R2 values are classified into three groups by Hair et al. (2019): 0.75 indicates strong explanatory power, 0.50 indicates moderate explanatory power, and 0.25 indicates weak explanatory power. In regression analysis and structural equation modeling (SEM), the Effect Size (f2) study assesses the impact of individual predictors. The effect size can be interpreted as follows, per Hair et al. (2019): a minor effect is indicated by a value of 0.02, a medium effect is indicated by a value of 0.15, and a big effect is indicated by a value of 0.35. Lastly, hypothesis testing is carried out to see if the proposed theories are accepted or disproved. The results of the hypothesis testing are shown by the t-statistic and p-value. A t-statistic more than 1.96 and a p-value less than 0.05 are necessary for the hypotheses to be accepted (Hair et al., 2019).

3. RESULTS AND DISCUSSIONS

Out of the 68 participants in this study, 66 were judged valid and included in the analyses. All responders have been running their enterprises for at least 1.5 years. Furthermore, the majority of respondents' firms employ fewer than ten people and generate more than 15 million rupiah every month.

Validity test

Table 1 shows that each variable indicator in this study can be considered valid because it has a loading factor value of ≥ 0.6.

Table 1. Validity and Reliability Test Results
Source: Data Processing Results through SmartPLS 4

Item	IN	PR	RT	SMEs Perf	Results
I03	0.848				Valid
I04	0.791				Valid
I05	0.850				Valid
I06	0.875				Valid
I07	0.873				Valid
P01		0.873			Valid
P03		0.800			Valid
P04		0.740			Valid
P05		0.820			Valid
PR02			0.854		Valid
PR04			0.798		Valid
PR06			0.934		Valid
KU01				0.863	Valid
KU02				0.834	Valid
KU03				0.899	Valid

Table 2 shows that each variable indicator in this study can be considered valid because it has AVE (AVE) value of ≥ 0.5.

Table 2. AVE Test Results
Source: Data Processing Results through SmartPLS 4

Variable	AVE	Results
IN	0.719	Valid
PR	0.656	Valid
RT	0.746	Valid
SMEs Perf	0.750	Valid

Table 3 shows that each variable indicator in this study can be considered valid because it has HTMT value of < 0.9.

Table 3. HTMT (Heterotrait-Monotrait Ratio) Test Results
Source: Data Processing Results through SmartPLS 4

Variable	IN	PR	RT
IN			
PR	0.728		
RT	0.899	0.822	
SMEs Perf	0.896	0.764	0.862

Reliability test

Based on Table 4, the values of Cronbach's alpha and composite reliability for each variable are greater than 0.7, indicating that the variables used are reliable.

Table 4. Cronbach's Alpha and Composite Reliability Test Results
Source: Data Processing Results through SmartPLS 4

Variable	*Cronbach's Alpha*	*Composite Reliability*	Results
IN	0,902	0,906	Reliable
PR	0,826	0,847	Reliable
RT	0,827	0,831	Reliable
SMEs Perf	0,833	0,838	Reliable

Coefficient of determination (R^2) Test

Table 5. R^2 Test Results
Source: Data Processing Results through SmartPLS 4

Variable	R Square Adjusted	Results
SMEs Perf	0.665	Moderate

The factors of IN, PR, and RT account for 66.5% of the variation in SMEs Perf, according to Table 5's adjusted R-square of 0.665. It is determined that factors not included in this study account for the remaining 33.5% of the variation. This suggests that PR, IN, and RT have a moderate effect on SMEs Perf.

Effect Size (f^2) Test

Table 6. f^2 Test Results
Source: Data Processing Results through SmartPLS 4

Variabel	SMEs Perf	Keterangan
IN	0,311	Moderate
PR	0,041	Small
RT	0,036	Small

Based on the analysis of effect size at table 6, the IN variable has a moderate impact on SMEs Perf, with a value of 0.311. The PR variable has a small impact on SMEs Perf, with a value of 0.041. The RT variable also has a small impact on SMEs Perf, with a value of 0.036.

Hypothesis Test

Table 7. Hypothesis Test Results
Source: Data Processing Results through SmartPLS 4

Hypotesis	Original Sample	T-Statistics	P-Values	Conclusions
H1: IN → SMEs Perf	0.529	4.723	0.000	Substantiated
H2: PR → SMEs Perf	0.170	1.315	0.170	Not Substantiated
H3: RT → SMEs Perf	0.191	1.372	0.189	Not Substantiated

The information in Table 7 supports one of the theories, while the second and third are disproved. The hypothesis test findings for H1 show that IN significantly and favorably affects SMEs Perf. The (p-val < 0.000; t-stat 4.723), and the initial sample value is 0.529. The first hypothesis is accepted as the t-statistic is greater than the 1.96 threshold and the p-value is less than 0.05. This implies that greater IN results in better performance from SMEs.

According to the results of the hypothesis test for H2, PR has a favorable but non-significant effect on SMEs Perf. Table 7 reveals that the original sample value is 0.170, with a (p-val > 0.000; t-stat 1.315). The second hypothesis is rejected since the t-statistic is less than 1.96 and the p-value exceeds 0.05. This implies that, while PR has a favorable effect, it does not significantly contribute to improved SMEs Perf, showing a minor impact.

According to the findings of the hypothesis test for H3, RT has a positive but non-significant effect on SMEs Perf. Table 7 indicates that the original sample value is 0.191, with a (p-val > 0.000; t-stat 1.372). The third hypothesis is rejected since the t-statistic is less than the 1.96 threshold and the p-value is greater than 0.05. This suggests that, while RT has a favorable effect, it does not significantly contribute to enhancing SMEs Perf, resulting in just a little rise in performance.

In this study, the outer model was evaluated in terms of both validity and reliability. All indications were determined to be genuine and trustworthy. Convergent validity, as determined by loading factors, was more than 0.6, and the AVE is above the 0.5 standard. These findings show the indicators' convergent validity. HTMT values were all less than 0.9, which supported the indicators' discriminant validity. Additionally, the reliability study revealed that both Cronbach's Alpha and Composite Reliability values were greater than 0.7, showing that the indicators are trustworthy. These results corroborate the measuring model's resilience.

Based on the study of the first hypothesis (H1), we can infer that IN has a considerable influence on SMEs success, and so H1 is accepted. The analysis returned an Original Sample value of with a ($\beta = 0.592$; p-val < 0.000; and t-stat 4.723). These findings suggest that IN has a major impact on SMEs success in this research. This conclusion is consistent with the findings of Udriyah et al. (2019), who discovered that IN improves SMEs Perf. Similarly, research by Manaf et al. (2021) and Dita and Soelaiman (2021) demonstrate that IN has a considerable influence on SMEs success. In order to obtain a competitive edge, food and beverage SMEs in the West Jakarta area must stimulate IN. Prioritizing IN is predicted to boost SMEs Perf.

According to the examination of the second hypothesis (H2), a proactive attitude has a favorable but negligible influence on SMEs Perf, hence H2 is not supported. The analysis returned an ($\beta = 0.170$; p-val > 0.000; and t-stat 1.135). These findings reveal that, while a proactive attitude has a good influence, it does not have a substantial impact on SMEs Perf in this research. This study contradicts Wiklund and Shepherd's (2005) claim that businesses with a more proactive mindset tend to perform better. However, the findings of this study are consistent with those of Umar (2015), who discovered no substantial beneficial association between proactive attitudes and SMEs Perf. For food and beverage SMEs in West Jakarta, taking a proactive approach to new possibilities can help them maintain and improve their performance. However, PR does not have a significant influence on performance, thus it should not be overemphasized.

Based on the examination of the third hypothesis (H3), it can be determined that RT has a positive but negligible influence on SMEs Perf; hence, H3 is rejected. The study yielded an ($\beta = 0.191$; p-val > 0.000; and t-stat 1.372). These findings show that, while RT improves SMEs Perf in this study, it is not statistically significant. This conclusion contradicts the findings of Zahra and Covin (1995), who stressed the importance of RT in favorably affecting performance. However, the findings of this study are consistent with those of Widianingsih et al. (2023), who discovered that RT does not necessarily lead to improved SMEs Perf, especially when performance levels are already high. RT is vital for food and beverage SMEs in the West Jakarta area when the company has the ability to withstand possible losses since it can improve performance. However, there is no need to overemphasize RT methods because their influence on performance is minimal, especially when performance levels are already high.

4. CONCLUSIONS AND SUGGESTIONS

The purpose of this study was to investigate the influence of IN, PR, and RT on SMEs success. According to the research findings, IN has a positive and substantial influence on SMEs Perf, but PR and RT have a good but small impact. Future study should use a larger sample size to gather more robust and representative data, which will offer a more accurate depiction of the actual conditions. Furthermore, investigating other independent variables and including mediating variables might aid in our understanding of the elements that drive SMES success. Food and beverage SMEs in the West Jakarta region are advised to take a more proactive approach to launching new goods or services. In addition to aggressively releasing new services, SMEs should have an experimental mentality, trying with various ways to uncover new areas for development and improvement. This mix of IN and PR can help SMEs improve their competitiveness and long-term viability.

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