

# Entrepreneurial Characteristics and Entrepreneurial Orientation in Improving Business Performance of MSME Trading Assisted by the Surabaya Trade Office

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## ABSTRACT

**Purpose:** Analyze the effects of entrepreneurial characteristics on business performance through entrepreneurial orientation. Type of the research is causal research.

**Design/methodology/approach:** Analysis performed under quantitative analysis by using SEM Analysis and PLS to resolve the problem formulation and to know the effect of the determined variables.

**Findings:** The study result show that: (1) Entrepreneurial Characteristics affects the Entrepreneurship Orientation of MSME business actors; (2) Entrepreneurial Characteristics does not affect the Business Performance of MSME business actors; (3) Entrepreneurship orientation affects business performance in MSME business actors.

**Practical implications:** Intensify the effort under economic field in order to improving the income.

**Originality/value:** Originality here.

**Paper type:** Research paper

**Keyword:** Entrepreneurial Characteristics, Entrepreneurship Orientation

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## I. INTRODUCTION

Micro, small and medium enterprises (MSMEs) are part of national businesses that play a crucial role in realizing national development targets. MSMEs can also be considered as the locomotive of national and regional economic growth, because they have potential to empower all existing resources and encourage entrepreneurial development progression. By Creating jobs with the aim of equitable distribution of income and being able to reduce unemployment (Istanti et al., 2021). The role of MSMEs in Indonesia are (1) increasing employment opportunities, (2) equal distribution of income, (3) rural economic development, (4) increasing non-oil and gas exports and (5) contributing to increasing GDP (Tambunan, 2009).

Entrepreneurial characteristics largely describe a person's personal or psychological uniqueness which consists of the dimensions of attitude and need values. Entrepreneurial characteristics are the essential to maximizing efficiency from the use of factors for developing economic competitiveness, enabling MSMEs to have a more positive mind-set, building sensitivity to the market and creating creative thinking (Sari et al., 2016). The research results of Sari et al. (2016) prove that entrepreneurial characteristics have a significant and positive effect on business performance.

Entrepreneurial orientation is described as the involvement of a company or a business in entering a new market (Quantananda & Haryadi, 2015) Entrepreneurial orientation is an organizational phenomenon

that reflects their managerial ability, as companies start to take initiatives and change their competitive actions so that can benefit the business they live in. the finding research by Quantananda & Haryadi (2015) verify that entrepreneurial orientation which consists of three dimensions, namely innovative, proactive, and risk taking has an influence on the company's business performance.

The prominence of entrepreneurial characteristics, venture capital, and entrepreneurial orientation in an industry, this research was carried out because researchers were interested in conducting research with the title "The Effects of Entrepreneurship Characteristics, Business Capital and Entrepreneurial Orientation on Business Performance". Thus, the objectives of this study are: (1) To analyze the effect of entrepreneurial characteristics on entrepreneurial orientation; (2) To analyze the effect of entrepreneurial characteristics on business performance; (3) To analyze the effect of entrepreneurial orientation on business performance.

## II. LITERATURE

### A. Operational Definition of Variables

Based on the previous explanation, it is known that there are two variables, namely the dependent variable and the independent variable. The following is the definition of each research variable used:

#### 1. Entrepreneurial Characteristics (X)

Entrepreneurial Characteristics Entrepreneurial character is the character, character, mental, moral, or character that distinguishes a person from others. Entrepreneurial characteristics in this study are measured through several indicators that refer to Putri et al. (2014) namely:

- a. Desire for achievement
- b. Management skills
- c. Personal responsibility
- d. The level of courage to take risks
- e. The level of ideas and innovation
- f. Future orientation
- g. Self-confidence level

#### 2. Entrepreneurial Orientation (Z)

Entrepreneurial orientation is a mental attitude, views, insights as well as a person's mindset and action pattern towards the tasks that are their responsibility and is always customer-oriented. Entrepreneurial orientation in this study is measured through several indicators that refer to Quantananda & Haryadi (2015) namely:

- a. Innovative
- b. Proactive
- c. Risk taking

#### 3. Business Performance (Y)

Business performance is business performance under this study measured through several indicators referring to Munizu (2010) namely:

- a. Sales Growth
- b. Capital Growth
- c. Workforce Growth
- d. Market Growth
- e. Profit Growth

Companies that have competence in the fields of marketing, manufacturing and innovation can make as a source by self to achieve competitive advantage (Daengs et al., 2020:1419).

### B. Population and Sample

#### 1. Population

Population is a generalization area consisting of objects or subjects that have certain qualities and characteristics that are determined by researchers to study and then draw conclusions (Sugiyono, 2018). The population in this study were 50 business actors in the MSMEs assisted by the Surabaya City Trade Office.

### Sample

The sample is part of the number and characteristics of the population Sugiyono (2018). In this study, the sampling technique used was saturated sampling technique (census). According to Sugiyono (2018) saturated sampling technique is a sampling technique when all members of the population are used as samples. Consequently, the authors chose a sample using a saturated sampling technique because of the relatively small population. So that the sample used in this study amounted to 50 business actors at the MSMEs assisted by the Surabaya City Trade Office.

## III. METHODOLOGY

### A. Research design

Research type is causal research. According to Sugiyono (2018) causal research is a type of cause and effect research because there is a variable correlation to the object, so that in this study there are independent and dependent variables. Quantitative methods can be defined as a research method based on the philosophy of positivism, used to examine a specific population or sample, data collection using research instruments, quantitative / statistical data analysis, with the intention of testing predetermined hypotheses.

### B. Types and Data Sources

Data type that used is quantitative and in this study the data required is primary data. Primary data can be defined as data collected from original sources for specific purposes (Kuncoro, 2009). This study uses primary data obtained from filling out questionnaires by 50 business actors at the MSMEs assisted by the Surabaya City Trade Office.

### C. Method of collecting data

The method used for data collection in this study is to use a survey method by distributing questionnaires directly. The questionnaire is a data collection technique in which participants / respondents fill out a question or statement then, after being filled in completely, return to the researcher (Sugiyono, 2018). Following are the data collection steps in this study:

1. Distributing questionnaires to respondents, namely business actors at the UMKM assisted by the Surabaya City Trade Office.
2. Fill out questionnaires by respondents with predetermined instructions.
3. Collecting the results of the questionnaire that has been filled in and used as a basic reference for data processing for the research carried out.

Collecting by giving questionnaires to respondents is expected to be able to obtain the required information relevant to the existing problems. This method is done by distributing questionnaires to the respondents who have been determined. This study uses a Likert scale in answering the questions on the questionnaire.

### D. Data analysis technique

This study uses data analysis, which is expected to be easy to understand by readers. The method used is The Structural Equation Model (SEM). Partial Least Square (PLS) is used to answer the hypothesis. According to Ghozali (2016) calculations were carried out using the Smart Partial Least Square (PLS) tool, because it is in the form of multiple paths and the model used is in the form of a reflective. The calculation model is carried out using the Smart PLS tool because in this study it has a multi-path relationship and is formative and reflective. In addition, because the sampling is less than 100 respondents. The formative model is a model that shows the direction of the relationship from indicators to latent variables. The reflective model is a model that shows the relationship of latent variables to the indicators.

## IV. RESULTS AND DISCOUSION

### A. Inner Model Evaluation

The inner model which is sometimes referred to as (inner relation, structural model and substantive theory) specifies the influence between the research variables (structural model).

### B. Inner Model Test or Structural Model Test

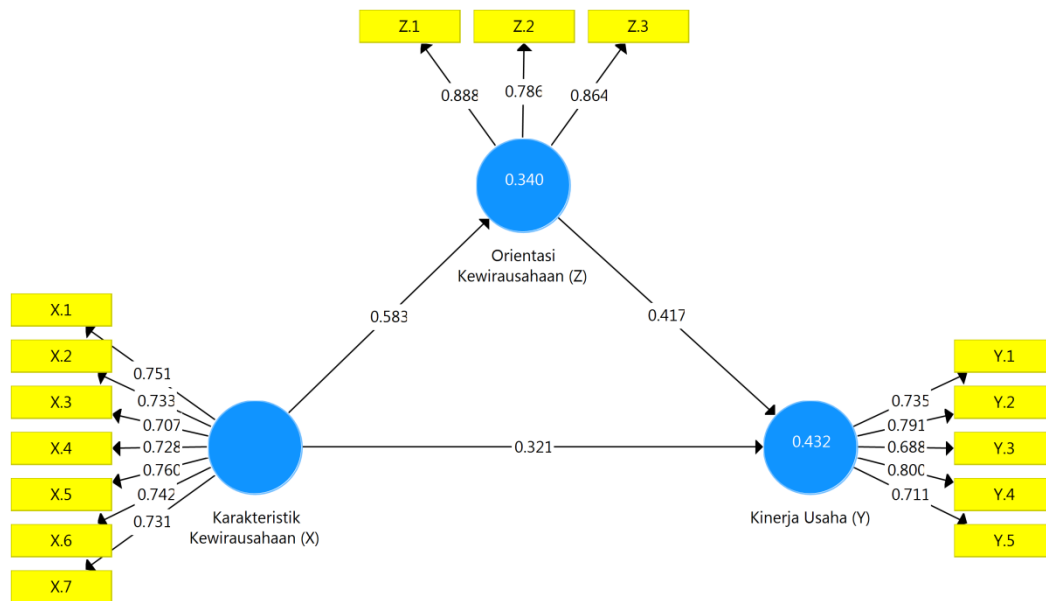


Figure 1. PLS Inner Model

There are exogenous variables in the inner model studied, namely Entrepreneurial Characteristics, then the endogenous variable in the inner model studied is Business Performance, while the intervening variable is Entrepreneurial Orientation. The results of the inner weight value in Figure 1 above show that the structural equation is obtained as follows:

$$Z = 0.583 X$$

$$Y = 0.321 X + 0.417 Z$$

### C. Hypothesis test

#### 1. Hypothesis 1

Results of hypothesis testing are proven to be true, this is known from the t statistical value of 7.156 which means greater than 1.96, this means that Entrepreneurial Characteristics has a significant effect on Entrepreneurship Orientation. The correlation way between two variables is positive, which means that the better ability in terms of entrepreneurial characteristics, the more it will increase entrepreneurial orientation with a large influence of 0.583.

#### 2. Hypothesis 2

Results of hypothesis testing are proven to be true, this is known from the t statistical value of 2.110 which means greater than 1.96, this means that entrepreneurial characteristics have a significant effect on business performance. The correlation way between the two variables is positive, which means that the better the entrepreneurial characteristics that are carried out, the more it will improve business performance by having a large influence of 0.321.

### 3. Hypothesis Test 3

Results of hypothesis testing are proven to be true, this is known from the t value of 2.878 which means greater than 1.96, this means that entrepreneurial orientation has a significant effect on business performance. Correlation way between the two variables is positive, which means that there is a unidirectional correlation so that it means that the higher the entrepreneurial orientation, the more it will be able to improve business performance by having a large influence of 0.417.

### D. D.R-Square and Q-Square

The result of the analysis of the suitability level of the structural model that is built shows the conclusion that the overall model is "relevant" to explain the variables studied and their effects on each variable. For endogenous latent variables in the structural model which has  $R^2$  results of 0.67, it indicates that the model is "good",  $R^2$  is 0.33 indicating that the model is "moderate",  $R^2$  is 0.19 indicating that the model is "weak" (Latan & Ghozali, 2012). The PLS output is as explained below:

Table 1. Value of R-Square

	R-Square
entrepreneurial characteristics (X)	
entrepreneurial orientation (Z)	0.340
Business performance (Y)	0.432

The table above indicate that the Entrepreneurial Characteristics variable that affects Entrepreneurship Orientation has a  $R^2$  value of 0.340, which means the "moderate" model. Meanwhile, the Entrepreneurship Characteristics and Entrepreneurship Orientation variables that affect business performance have  $R^2$  of 0.432 which indicates a "moderate" model. The suitability of the structural model can be seen from  $Q^2$ , as follows:

$$\begin{aligned}
 Q^2 &= 1 - [(1 - R1) * (1 - R2)] \\
 &= 1 - [(1 - 0.340) * (1 - 0.432)] \\
 &= 1 - [(0.660) * (0.568)] \\
 &= 1 - [0.375] \\
 &= 0.625
 \end{aligned}$$

Calculation result of  $Q^2$  show that the value of  $Q^2$  is 0.625 which indicates that the value of  $Q^2$  is in the "strong" category. According to Ghozali (2016), the value of  $Q^2$  can be used to measure how well the observed value is generated by the model and also its parameter estimates. So that the predictive  $Q^2$  value made by the model is considered to have predictive relevance.

## V. DISCUSSION

### A. Effect of Entrepreneurial Characteristics on Entrepreneurial Orientation

Grounded on the study results, show that entrepreneurial characteristics have an effect on entrepreneurial orientation in MSMEs, because the T statistical value is 7.156, which means it is greater than 1.96, which means that entrepreneurial orientation can be formed by the presence of good entrepreneurial characteristics. From the results of hypothesis testing, it is proven that good entrepreneurial characteristics will be able to influence entrepreneurial orientation. The effect of these two variables is positive or a unidirectional relationship.

There is a positive and significant influence of entrepreneurial characteristics on entrepreneurial orientation. By looking at these results, it can be interpreted that the better the characteristics of business actors such as self-confidence in entrepreneurship, the higher the entrepreneurial orientation they have. This can be a reference for MSME business actors who want to improve entrepreneurial orientation, so they must have good entrepreneurial characteristics such as having a desire to excel, having good management skills,

having high responsibility, having high courage in taking risks, having ideas and innovations. who are good, have future orientation and have a high sense of self-confidence.

### **B. Effect of Entrepreneurial Characteristics on Business Performance**

Established on the study results, show that entrepreneurial characteristics have an effect on business performance in MSMEs, because the T statistical value is 2.110 which means less than 1.96, which means that high business performance can be formed by the presence of good entrepreneurial characteristics. The way of influence that occurs between the entrepreneurial characteristics variable and business performance is positive. This indicates that the better the entrepreneurial character is the character, character, psychological, moral, or character that distinguishes a person from that, the business performance will also increase. So that this can be a reference for MSME business actors to improve their performance.

The findings in this study are in line with the results of research conducted by Ardiani & Miraza (2016) which examined the effect of entrepreneurial characteristics and market orientation on competitive advantage and performance in MSMEs, in their research they found that entrepreneurial characteristics had a direct or indirect effect on performance.

### **C. Effect of Entrepreneurial Orientation on Business Performance**

Grounded on the study results, results show that Entrepreneurship Orientation has an effect on Business Performance in Palm Oil Production because the T statistical value is 2.878 which means it is greater than 1.96, which means that Business Performance can be formed with a high Entrepreneurial Orientation. This indicates that a high entrepreneurial orientation will be able to influence the level of business performance at MSMEs. This can be a reference for MSME business actors who want to improve their performance, so it is necessary to pay attention to the extent to which the company is able to be innovative, proactive and have a risk taking attitude.

This findings support the research conducted by Jannah et al. (2019) which examined the effect of entrepreneurial orientation and product innovation on the performance of SME Tuban Unique Batik Gedog, where the results sustain that entrepreneurial orientation variables have a positive and significant effect on performance variables. UMKM.

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