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## THE INFLUENCE OF ENTREPRENEURIAL ORIENTATION AND SKILLS ON THE PERFORMANCE OF SMES IN THE FOOD AND BEVERAGE SECTOR

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### Abstract

This research examines the influence of entrepreneurial orientation and entrepreneurial skills on the performance of SMEs in the food and beverage sector in Batu, East Java. The population in this study is food and beverage SMEs owners in the town of Batu, and the samples taken in this study are 50 respondents using non-probability sampling techniques with a purposive sampling method based on predetermined criteria. The first criterion is having more than five employees; the second criterion is the length of time the business has been running for over two years. This type of research is quantitative research with descriptive and verification analysis. The data used in this research is primary data from questionnaires distributed and secondary data from websites, BPS, and journals. Data analysis in this study used descriptive analysis and Partial Least Square Structural Equation Modeling (PLS-SEM) version 3.0 and SPSS version 22. This research found that the first and second hypotheses were accepted, where the entrepreneurial orientation variable had a positive and significant effect on SMEs performance, and entrepreneurial skills had a positive and significant impact on SMEs performance. The findings of this research can become a reference for business actors, academics, and the government in their relations regarding the performance of SMEs.

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### Keywords

Batu City, Entrepreneurial Orientation, Entrepreneurial Skills, F&B Sector SMEs Performance



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## INTRODUCTION

The problem experienced by parents at Mutiara Zahra Kindergarten, Batang Kuis District, Deli Serdang Regency, North Sumatra Province, is their lack of understanding and concern regarding parental involvement in providing good care at school and in the surrounding environment. There are quite basic problems, such as a lack of awareness of the importance of parenting. The lack of knowledge of parents is due to the absence of socialization or counseling on parenting education in the area. Apart from that, the lack of awareness of parents' responsibilities in their involvement in the learning process is due to their ignorance about correct child-rearing patterns, and they tend to only delegate their full responsibility to the school (Bahar et al., 2022). This can happen if parents experience emotional exhaustion so that parents no longer enjoy time with their children (Mikkonen et al., 2022)

With many parents still having minimal knowledge about the need for special assistance in using online learning tools such as computers and gadgets, appropriate parenting patterns need to be used when accompanying learning (Syahrul & Nurhafizah, 2021). The involvement of parents in parenting a child's development is an important process in their learning, especially at the cognitive, affective, and psychomotor development levels (Dissriany Vista Banggur & Jerodon, 2022). Parental involvement refers to the depth of parents' role in being involved in shaping the character growth and development of students both at school and in the surrounding environment (Tim Pengembangan Model Pendidikan Keluarga, 2017). This is based on the Minister of Education and Culture Regulation Number 30 of 2017 (Kemendikbud, 2017) regarding family involvement in the provision of education. Children who experience learning difficulties are also influenced by various factors, such as the level of parental awareness (Nusaibah et al., 2020). Parental concern will be a supporting factor in understanding good and appropriate parenting patterns (Pradipta et al., 2021) SMEs have an essential role in the regional and national economy, according to data from the Ministry of Cooperatives, Small and Medium Enterprises (Kemenkop UKM, 2018). The number of SMEs actors is 64.2 million, or 99.99% of the number of business actors in Indonesia. The contribution of SMEs to the national economy (GDP) amounted to 61.1%, and the remaining 38.9% was contributed by the perpetrator's large businesses, the number of which is only 5,550 or 0.01% of the number of business actors. On the other hand, the labor absorption capacity of SMEs is 117 million workers or 97% of the workforce absorption capacity of the business world. This condition shows

that SMEs are Indonesia's central economic growth pillar. Apart from that, SMEs can survive the impact of the crisis because SMEs have relatively high market potential. Production prices are pretty cheap and affordable to the broader community. This situation makes SMEs have a strategic role in the Indonesian economy, as shown by the significant contribution of SMEs to GDP every year (Nurachma, 2022).

According to the Central Statistics Agency (BPS, 2019), The number of SMEs actors is 64.2 million, or 99.99% of the Micro, Small, and Business Enterprises and Medium Enterprises (SMEs) reached 64 million. This figure comes to 99.9% of all businesses operating in Indonesia. Batu City is a city in East Java province with SMEs development in quantity very rapidly because market competition continues to increase. Based on the database from the Department of Cooperatives, Micro Enterprises and Trade of Batu City. (Dinas Koperasi, Usaha Mikro, 2019) Noted there were around 11,789 SMEs in various sectors, and SMEs in the Culinary industry are the most significant type of business. Namely, there are 1376 businesses. This matter shows that people in Batu City are increasingly interested in SMEs, especially in the food and beverage sector. The food and beverage business is a type of business that is quite promising in the city of Batu because this area is known as a tourist area in the province of East Java.

However, amidst the positive trend in the development of the food and beverage SMEs industry in the city of Batu, SMEs have had to face the Covid-19 pandemic over the past two years, which has caused many business actors in this sector to fail and even go bankrupt due to poor business performance. The challenges in developing SMEs must be found for solutions so that SMEs can grow and experience improvement from year to year (Naufalin, 2020). The problems SMEs actors face are very complex, both internal and external. The internal problems that SMEs usually face include a lack of innovation, low entrepreneurial character, and a lack of individual ability to develop their business, ultimately impacting their business performance.

The performance of a business is one of the determining factors for the success of a business. Company performance can be seen from sales, profit, return on capital, level over, and market share. Company performance can be measured through the number of units sold (increased sales volume), customer growth, and rate turnover (Feriyansyah, 2023). However, the performance of SMEs often faces problems, such as the ability to survive, grow and develop. Some of the causes include problems with human resource capabilities or the individual business actors themselves, and of

course, many factors can improve business performance.

One of them is entrepreneurial orientation, which is considered essential in improving the performance of SMEs (Muslim Amin, 2015). Entrepreneurial orientation is the managers' method, practice, and decision-making style that leads to entrepreneurial orientation. Entrepreneurial orientation allows companies to develop and realize ideas through new products and services, participate in risky projects, predict future needs, and discover new market opportunities.

Apart from entrepreneurial orientation factors, entrepreneurial skills are also one of the characteristics of entrepreneurship and are one of the supporting factors for successful entrepreneurship in small and medium enterprises. According to Keke (2020), business success can be created if business actors have more managerial skills and skills in maintaining the quality of the products they produce. Skills have various indicators, such as technical skills, management skills, entrepreneurship skills, and personal maturity skills, for the benefit of entrepreneurs so that they can maintain consistent skills so that creativity can also develop better (Arnita, 2020). Entrepreneurial skills are also considered capable of improving business performance; the ability of individual business actors to run their businesses has a significant role in developing a business (Nugraheni, 2022). Meanwhile, previous years' findings assumed no positive relationship between entrepreneurial skills and business performance (Narkhede et al., 2014).

The findings above show that the influence of the dimensions of entrepreneurial orientation and entrepreneurial skills has different findings on business performance. Reports Department of Cooperatives, Micro Enterprises and Trade of Batu City (Dinas Koperasi, Usaha Mikro, 2020) explain that there is a decline in the performance of SMEs in the food sector and drinks in the city of Batu, especially in terms of sales this is because of the impact of the prolonged COVID-19 pandemic. It is challenging for SMEs in Batu City to manage their business to remain sustainable and adapt to post-pandemic conditions. So, this research aims to highlight the phenomenon and test its truth with a case study of SMEs in the food and beverage sector to determine the influence of entrepreneurial orientation and entrepreneurial ability on the performance of SMEs in Batu, East Java.

## **METHOD**

This research uses quantitative data to determine the variables' extent and influence. (Sugiyono, 2015) states that quantitative research uses qualitative and statistical field data collection

mechanisms to research populations with specific samples. This method aims to analyze how variables and other variables relate to each other. As for this research, from the quantitative data collected and processed, it will be known how much influence the entrepreneurial orientation and skills variables have on the performance of SMEs. The method used is the associative method. According to Sugiyono (2015), associative research is research whose aim is to determine the relationship between two or more variables. The variable relationships that will be known in this research are the relationship between entrepreneurial orientation variables and SMEs performance, the relationship between skill variables and SMEs performance, and the relationship between entrepreneurial orientation and skills and SMEs performance simultaneously. This research was conducted on SMEs in the food and beverage sector in Batu City, East Java. One of the reasons for choosing this location was the city of Batu itself, one of the cities in the province of East Java. The development of SMEs in terms of quantity is very rapid due to the competition market that continues to increase (Dinas Koperasi, Usaha Mikro, 2019).

The population in this study was 365 SMEs spread across three sub-districts in Batu City. Then, in taking and determining the number of samples using the purposive sampling method. Purposive sampling uses specific considerations by the desired criteria to determine the number of samples to be studied (Sugiyono, 2018). The sample criteria used in this research are food and beverage SMEs owners who have been running their businesses for over two years. Sampling itself is a technique (procedure or device) used by researchers to systematically select a relatively minor number of items or individuals (subsets) from a predetermined population to be used as subjects (data sources) for observation or experiments according to the objectives (Firmansyah, 2022). Then, this study took a sample of 50 SMEs in Batu City's food and beverage sector.

The data used in this research comes from direct research results and data available before the research was conducted. In this research, the data comes from primary data and secondary data. Primary data in this research is obtained directly from research sources or respondents through distributing online questionnaires and to SMEs owners. Meanwhile, secondary data is data that has been previously obtained by primary data collectors or other parties (institutions/institutions), such as in the form of tables or diagrams. This data was obtained from data-providing institutions such as the Central Statistics Agency (BPS) and the Batu City Cooperative, Micro Business and Trade Service Database.

The scale used in this research is a Likert scale consisting of (1) strongly disagree, (2) disagree, (3) neutral, (4) agree and (5) strongly agree. This research aims to determine the influence of entrepreneurial orientation on the performance of SMEs (H1), the influence of entrepreneurial skills on the performance of SMEs (H2), the influence of entrepreneurial orientation and entrepreneurial skills on the performance of SMEs (H3) using SmartPLS version 3.0. to test the effect partially, and Spss version 22 to measure influence simultaneously.

This research uses descriptive and verification analysis. Descriptive analysis is a statistical calculation used to provide an overview of the standard deviation of variables and sample data (Imam Ghazali, 2016). Descriptive analysis aims to determine respondents' responses to each indicator variable studied. Descriptive analysis is carried out by looking for the actual score percentage. Percentage Score data can be analyzed by calculating the average answer based on the assessment of each answer from the respondent. The following are the steps in descriptive analysis:

- a) Minimum index value = Minimum score x number of respondents
- b) Maximum index value = Maximum score x number of respondents.
- c) Interval = (Largest Percentage – Smallest Percentage): Many Interpretation Categories.
- d) In calculating the actual score percentage, the formula is calculated as follows:

$$\text{Percentage} = (\text{Actual Score} : \text{Maximum index value}) \times 100\%.$$

The actual value is the actual value of each item or variable, while the maximum index value is the value obtained if all respondents answered strongly agree.

This validity test measures whether or not the questionnaire we have distributed is valid. Validity measurements using the PLS application can be seen through the loading factor (LF) value. The LF measure will be declared valid if the indicator value exceeds 0.7. However, the LF indicator value between 0.5 and 0.6 is still sufficient for research with specific models. The loading factors value in this research is above 0.6, so it can be concluded that all the indicators used have met the requirements. The reliability test in this research uses a method: reliability testing in PLS using Composite Reliability. Cronbach's alpha of more than 0.6 can be called reliable, and if it is less than 0.6, it is unreliable. For the dependent variable, if the R Square value is above 0.75, it has a strong influence, while 0.5-0.74 has a moderate influence, and 0.25-0.49 has a weak influence (Imam Ghazali, 2014).

SEM analysis using Smart PLS 3.0 aims to identify the relationship and influence of the independent and dependent variables and use SPSS version 22 to identify the relationship and influence of independent and dependent variables simultaneously. In this study, researchers used structural model testing to identify the relationship between independent variables and the dependent variable using a bootstrapping process. This test displays a robust significant relationship between latent variables, testing the hypothesis tested from the t statistic. Three hypotheses will be tested in this research. The first hypothesis is that entrepreneurial orientation influences SMEs performance (Ha), and entrepreneurial orientation does not influence SMEs performance (Ho). The second hypothesis is that entrepreneurial ability influences SMEs performance (Ha), and entrepreneurial ability does not influence SMEs performance (Ho). The third hypothesis is that entrepreneurial orientation and entrepreneurial ability influence SMEs performance (Ha); entrepreneurial orientation and entrepreneurial ability do not influence SMEs performance (Ho). The hypothesis will be accepted if the t-statistic result is more significant than 1.96, with an alpha of 0.05. The decision-making criteria for testing a hypothesis statistically in order to decide to accept (Ha) or reject (Ho) the hypothesis are:

- 1) If Sig. (2-tailed)  $\geq$  0.05, then the hypothesis is accepted, and
- 2) If Sig. (2-tailed)  $\leq$  0.05, then the hypothesis is rejected.

## FINDINGS AND DISCUSSION

### Findings

#### Descriptive Analysis

This research uses descriptive research conducted through data collection in the field. The data is then analyzed to conclude. Descriptive analysis is carried out by finding the percentage of the actual score. Score Percentage data can be analyzed by calculating the average answers based on the assessment of each answer from the respondent. The interval score percentage can be calculated as follows: (a) the sample size is 50 people, and the largest scale value (SA) is five, while the smallest scale value (SD) is 1. The term is SA = Strongly Agree (5), A = Agree (4), N = Neutral (3), D = Disagree (2), SD = Strongly Disagree (1).

So (b) the maximum index value is  $5 \times 50 = 250$ , and the minimum index value is  $1 \times 50 = 50$ . So the smallest percentage value, Smallest % = (Minimum index value : Maximum index value) x

100% = (50:250) x 100% = 20%. (c) The interval distance is obtained by Interval = (Largest % - Smallest %): Many Interpretation Categories.

Interval = (100% - 20%): 5 = 16%, so the percentage interval value is 16%. So, from the calculations above, the interpretation category results can be formed in the table below.

**Table 1.** Interpretation Score Categories

| No. | Percentage Range | Interpretation Score Category |
|-----|------------------|-------------------------------|
| 1.  | 20% - 36%        | Very Not Good                 |
| 2.  | 36%-52%          | Not Good                      |
| 3.  | 52%-68%          | Enough                        |
| 4.  | 68%-84%          | Good                          |
| 5.  | 84%-100%         | Very Good                     |

Data processed by the author (2023)

The answers from 50 respondents who filled out the questionnaire regarding the entrepreneurial orientation variable measured through six statement items are explained in the table below.

**Table 2.** Respondent's answers to the Entrepreneurial Orientation Variable

| No.                        | Indicator  | SA   | A      | N | D | SD | Actual Score | Ideal Score | %      | Explanation |
|----------------------------|--|------|--------|---|---|----|--------------|-------------|--------|-------------|
| 1                          | I always think and act to make my business superior to competitors                                     | 36   | 11     | 3 | 0 | 0  | 250          | 233         | 93.20% | Very Good   |
| 2                          | I continually improve products and services for customers  | 32   | 13     | 5 | 0 | 0  | 250          | 227         | 90.80% | Very Good   |
| 3                          | I like to do deep experiments, creating menus for new food and drinks that have never been sold before | 30   | 15     | 4 | 1 | 0  | 250          | 224         | 89.60% | Very Good   |
| 4.                         | I have always wanted to growing my business in several different locations                             | 32   | 16     | 2 | 0 | 0  | 250          | 230         | 92.00% |             |
| 5.                         | I always look at the latest trends associated with business development, culinary                      | 31   | 15     | 3 | 1 | 0  | 250          | 226         | 90.40% |             |
| 6.                         | I link the items sold to digital ordering services such as Go Food, Shopee Food, Grab Food, etc        | 30   | 17     | 3 | 0 | 0  | 250          | 227         | 90.80% |             |
| <b>Summary and Average</b> |  | 1367 | 91.13% |   |   |    |              |             |        |             |



Data processed by the author (2023)

Based on Table 2, the overall ideal score obtained, the construct is 1367 with a percentage of 91.13%, including the outstanding category, which shows that the entrepreneurial orientation variable is very good. The highest score is in statement one, where SMEs owners always think and act to remain superior to competitors. Meanwhile, the lowest score is in statement three. Namely, the business owner lacks the courage to experiment to create new food and drink menus.

Furthermore, based on the results of the answers from 50 respondents who have filled in the questionnaire regarding entrepreneurial skills, six statement items are explained in the table below.

**Table 3.** Respondent's answers to the Entrepreneurship Skill Variable

| No.                        | Indicator  | SA | A  | N | D | SD | Actual Skoce | Ideal Score | %      | Explanation |
|----------------------------|--|----|----|---|---|----|--------------|-------------|--------|-------------|
| 1.                         | I am a persistent person and a hard worker in business.                                  | 25 | 19 | 6 | 0 | 0  | 250          | 219         | 87.60% | Very Good   |
| 2.                         | I am the type of person who dares to take risks in business.                             | 23 | 21 | 6 | 0 | 0  | 250          | 217         | 86.80% | Very Good   |
| 3.                         | I can market the goods I sell, manage business finances, and manage business activities. | 23 | 21 | 4 | 2 | 0  | 250          | 215         | 86.00% | Very Good   |
| 4.                         | I always make plans when running a business.   | 24 | 20 | 6 | 0 | 0  | 250          | 218         | 87.20% | Very Good   |
| 5.                         | I can be a leader and mentor for my employees.   | 23 | 21 | 6 | 0 | 0  | 250          | 217         | 86.80% | Very Good   |
| 6.                         | I understand the business I am running.  | 25 | 17 | 8 | 0 | 0  | 250          | 217         | 86.80% | Very Good   |
| <b>Summary and Average</b> |  |    |    |   |   |    |              | 1303        | 86.87% | Very Good   |

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Based on Table 3, the total ideal score for the variables obtained is 1303 with a percentage of 86.87%, including the outstanding category, which shows that the entrepreneurial skills variable is excellent. The highest score is in statement one, where the SMEs owner has a hardworking character who never gives up. Meanwhile, the lowest score is statement three, that SMEs owners realize they cannot market their products.

Based on the answers from 50 respondents who filled out a questionnaire regarding business performance variables (SMEs), she was following, measured through six statement items explained in the table below.

**Table 4.** Respondent's Answers to the SMEs Performance

| No                         | Indicator   | SA | A  | N | D | SD | Actual Score | Ideal Score | %      | Explanation |
|----------------------------|---|----|----|---|---|----|--------------|-------------|--------|-------------|
| 1                          | My sales numbers increase every month.  | 23 | 21 | 6 | 0 | 0  | 250          | 217         | 86.80% | Very Good   |
| 2                          | My turnover increases every month.  | 27 | 15 | 8 | 0 | 0  | 250          | 219         | 87.60% | Very Good   |
| 3                          | My business is experiencing speedy consumer growth.                           | 27 | 19 | 4 | 0 | 0  | 250          | 223         | 89.20% | Very Good   |
| 4                          | From time to time, my business can always compete with other competitors.     | 25 | 19 | 6 | 0 | 0  | 250          | 219         | 87.60% | Very Good   |
| 5                          | Within three years, my business was increasingly known to many people.        | 20 | 21 | 9 | 0 | 0  | 250          | 211         | 84.40% | Very Good   |
| 6                          | Since the beginning of my business, the number of my employees has increased. | 24 | 17 | 9 | 0 | 0  | 250          | 215         | 86.00% | Very Good   |
| <b>Summary and Average</b> |   |    |    |   |   |    |              | 1304        | 86.93% | Very Good   |

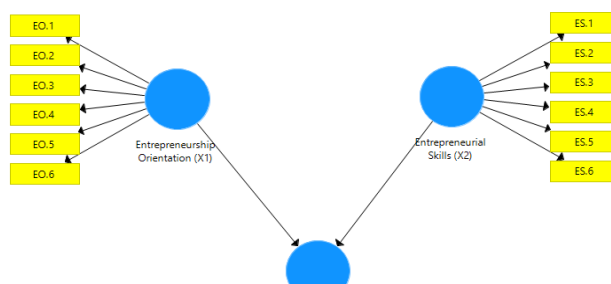
Data processed by the author (2023)

Based on Table 3, the total ideal variable score is 1304 with a percentage of 86.93%, including the outstanding category, which shows that the entrepreneurial skills variable is very good. The highest score is in statement three, where SMEs experience a rapid customer increase. Meanwhile, the lowest score is in statement five, namely that SMEs owners feel their business has not been well-known to many people in the last three years.

**Verifikasi Analisis**

The data in this study was processed using Structural Equation Modeling (SEM) with the help of SmartPLS 3.0 software (Siswoyo Haryono, 2016), and then data was obtained through questionnaires using the Partial Least Square estimation method.

**Figure 1.** SmartPLS Modelling



Source: SmartPLS Data Processing 3.0 (2023)

Based on Figure 1, it can be seen that the entrepreneurial orientation construct variable (X1) is measured using six research measurements, variables Entrepreneurial skills (X2) are measured using six sizes, and the SMEs performance variable (Y) is calculated using six research measurements.

**Model Measurement Test**

Next, before testing the inner model, the outer model was tested in this research, namely testing validity and reliability. This validity and reliability testing uses the SmartPLS version 3 statistical test tool.

**Validity and Reliability Test**

Validity and reliability testing was carried out on 50 SMEs owner respondents. Validity tests are divided into two types: convergent validity tests and discriminant validity tests. In assessing convergent validity, you look at a loading factor of more than 0.7. for confirmatory research and a loading factor of 0.6-0.7 for explanatory research, the Average Variance Extracted (AVE) value must be greater than 0.5. You will see the following results in the table below to find out both results.

**Table 5.** Validity Test Results

| Variable                     | Code | Outer Loadings | Explanation |
|------------------------------|------|----------------|-------------|
| Entrepreneurship Orientation | EO.1 | 0.949          | Valid       |
|                              | EO.2 | 0.943          | Valid       |
|                              | EO.3 | 0.934          | Valid       |
|                              | EO.4 | 0.934          | Valid       |
|                              | EO.5 | 0.937          | Valid       |
|                              | EO.6 | 0.897          | Valid       |
| Entrepreneurial Skills       | ES.1 | 0.920          | Valid       |
|                              | ES.2 | 0.966          | Valid       |
|                              | ES.3 | 0.960          | Valid       |
|                              | ES.4 | 0.954          | Valid       |
|                              | ES.5 | 0.926          | Valid       |
|                              | ES.6 | 0.912          | Valid       |
| SMEs Performance             | SP.1 | 0.889          | Valid       |
|                              | SP.2 | 0.789          | Valid       |
|                              | SP.3 | 0.781          | Valid       |

|      |       |       |
|------|-------|-------|
| SP.4 | 0.914 | Valid |
| SP.5 | 0.753 | Valid |
| SP.6 | 0.938 | Valid |

Data processed by researcher (2023)

After carrying out outer loadings, it can be seen that all statements are valid, with an outer loading score of more than 0.7. The table above illustrates that convergent validity has been fulfilled. The next step is testing discriminant validity, as seen from the AVE value in the table below.

**Table 6.** Value of Average Variance Extracted (AVE)

| Variable | Average Variance Extracted (AVE) |
|----------|----------------------------------|
| EO       | 0.883                            |
| ES       | 0.869                            |
| SP       | 0.717                            |

Data processed by researcher (2023)

Next, look at discriminant validity, namely comparing the square root of each construct's average variance extracted (AVE) value with the correlation between other constructs in the model. If the square root of the average variance extracted (AVE) construct is greater than the correlation with all other constructs, then it is said to have good discriminant validity. It is recommended that the measurement value should be greater than 0.5.

**Table 7.** Comparison AVE with Discriminant Validity

| Variable | AVE   | Discriminant Validity |
|----------|-------|-----------------------|
| EO       | 0.883 | 0.940                 |
| ES       | 0.869 | 0.932                 |
| SP       | 0.717 | 0.847                 |

Data processed by researcher (2023)

This comparison requires that the value of the Discriminant AVE is higher than the correlation between the variables. With this, there is no high correlation when measuring different constructs. Next, reliability testing is carried out by looking at the results of the two tests that will be carried out, namely by using composite reliability and looking at the value of Cronbach's Alpha, where the test results can be seen as follows.

**Table 8.** Composite Reliability Value

| Variable | Composite Reliability | Explanation |
|----------|-----------------------|-------------|
| EO       | 0.978                 | Reliable    |
| ES       | 0.976                 | Reliable    |
| SP       | 0.938                 | Reliable    |

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Based on the table above, it can be seen that the composite reliability value for each variable is more significant than 0.7, so it can be seen that the entire variable is reliable.

**Table 9.** Cronbach's Alpha Value

| Variable | Cronbach's Alpha | Explanation |
|----------|------------------|-------------|
| EO       | 0.973            | Reliable    |
| ES       | 0.970            | Reliable    |
| SP       | 0.920            | Reliable    |

Data processed by researcher (2023)

Based on the table above, it can be seen that the Cronbach Alpha value is more than 0.6, so it can be said to be good and reliable.

## Discussion

Based on the research results described above, the relationship between the variables can be explained as follows.

### The Relationship between Entrepreneurial Orientation and SMEs Performance

The relationship between the entrepreneurial orientation variable and the performance of SMEs shows a significant relationship with a value of 0.395. Each increase in the entrepreneurial orientation variable can increase SMEs performance by 39.5 percent. It shows that entrepreneurial orientation, especially the factors of innovativeness, risk-taking, and proactiveness, can influence the performance of SMEs. It is also in line with previous research conducted by Yohani (2020), which found that entrepreneurial orientation positively influences the performance of SMEs businesses in the city of Jakarta. Then (Layoo & Rahman, 2019) also found that the higher the entrepreneurial orientation of the business owner, the better the business performance. A similar thing was found in research conducted by (Wulandary et al., 2018), which found that entrepreneurial orientation has a positive effect on increasing business performance consisting of innovativeness, proactiveness, and

aggressiveness competitive in “Abon Fish” SMEs in Makassar City, and the same thing is also explained by (Pryana, 2020) finding that the entrepreneurial orientation dimensional model shows that innovative attitudes, proactive attitudes, and proactive actions have a significant effect on the performance of a business in the culinary subsector.

### **Relationship between Entrepreneurial Skills and SMEs Performance**

The relationship between the entrepreneurial skills variable and the performance of SMEs shows a significant relationship with a value of 0.590. Every increase in the entrepreneurial skills variable can increase SMEs performance by 59 percent. It indicates that entrepreneurial skills, especially personal entrepreneurial skills, business management skills, and technical skills, can influence the performance of SMEs. It is supported by previous research conducted by (Mamun & Fazal, 2019), which found that entrepreneurial skills have a significant role in improving the performance of SMEs in Kelantan, Malaysia. Research by Setiadi (2021) also found that each individual's entrepreneurial skills can improve the business performance of coffee shops in Malang City. Likewise, research results from (Albanus et al., 2022) found a positive influence between entrepreneurial skills and the performance of SMEs in Nakuru City-Kenya. It is also supported by research conducted by (Mustapha et al., 2020), which found that high entrepreneurial ability can bring a business towards progress and success.

### **The Relationship between Entrepreneurial Orientation and Entrepreneurial Skills and SMEs Performance**

The relationship between entrepreneurial orientation, entrepreneurial skills, and SMEs performance shows a significant relationship with a value of 0.485. Each increase in the variables of entrepreneurial orientation and entrepreneurial skills can increase the performance of SMEs by 48.5 percent. This matter shows that an entrepreneurial orientation consisting of innovativeness, risk-taking, proactiveness, and entrepreneurial skills such as personal entrepreneurial skills, business management skills, and technical skills owned by business actors can improve the performance of food and beverage SMEs in Batu. This finding aligns with previous research conducted by (Riante & Utama, 2023), which found that the variables of entrepreneurial orientation and entrepreneurial skills could improve a business's performance. Next, (Junaid Aftab, Monica Veneziani, and Huma Sarwar, 2022) also found that entrepreneurial competence and entrepreneurial orientation were simultaneously able to improve the performance of SMEs in Pakistan cities. Then, research (Khan et

al., 2020) concluded that entrepreneurial orientation and competence are critical factors that can improve business performance.

## CONCLUSION

Based on the data analysis and discussion in this research, entrepreneurial orientation has a positive and significant influence on the performance of SMEs, and entrepreneurial skills also have a substantial and positive impact on the performance of SMEs. The finding shows that the version of SMEs will increase with good entrepreneurial orientation and entrepreneurial skills. From the results of this research, the author hopes that this can be used as a basis for business actors, academics, and the government for decision-making, further study, and policy-making related to business or SMEs performance. The research (Syurwana, 2022) also found that there is a positive and significant relationship between entrepreneurial orientation and entrepreneurial skills on business performance. It is evident that the higher the entrepreneurial competence and entrepreneurial orientation possessed by the business owner, the greater the ability to improve the business performance.

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