THE INFLUENCE OF ENTREPRENEURSHIP ORIENTATION AND COMPETENCE ON THE PERFORMANCE OF SMEs IN BULUNGAN REGENCY

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ABSTRACT

Entrepreneurial orientation and competency that is manifested in an action forms a person who makes decisions, develops ideas and ideas so that they become brave in developing businesses to improve performance. Entrepreneurial orientation plays a role in improving the business performance of SMEs organizations and is supported by entrepreneurial competence which has an impact on increasing productivity. Entrepreneurial orientation refers to a process, action and decision-making that leads to new inputs and has three aspects of entrepreneurship which are reflected in an attitude of being innovative, proactive and willing to take risks. SMEs-based entrepreneurship development is expected to be at the forefront of achieving the economic pillar by creating jobs, business innovation, adaptation and mitigation of negative economic, social and environmental impacts for inclusive and sustainable economic growth. This study aims to determine the effect of entrepreneurial orientation and management competency in improving the performance of MSMEs in Bulungan District. SMEs in the small and medium industrial sector in Bulungan Regency, North Kalimantan Province, are the samples in this study. Data analysis techniques used quantitative descriptive analysis and Structural Equation Model (SEM) analysis with the AMOS 21 application. The results showed that there was a significant influence between orientation and entrepreneurial competency variables in improving the performance of SMEs in Bulungan.

INTRODUCTION

Entrepreneurial orientation and competence are two important factors needed by Micro, Small and Medium Enterprises (MSMEs) to face environmental challenges in a dynamic business world and achieve high business performance. The crisis of Micro, Small and Medium Enterprises (MSMEs) as a contributor to the national gross domestic product (GDP) has an important role for Indonesia's economic recovery. The contribution of MSMEs to the Indonesian economy includes the ability to absorb 97% of the total existing workforce and can collect up to 60.4% of the total investment. However, the high number of MSMEs in Indonesia is also inseparable from the existing challenges, one of which is the readiness of human resources which is an important variable in managing MSME activities so that they grow, develop and are sustainable. This is where the importance of human resources who have entrepreneurial orientation and competence to manage these MSMEs. With an entrepreneurial orientation, the fear of risks, challenges and obstacles will be overcome, and have the motivation to produce the best. Entrepreneurial competence has a significant positive effect on MSME performance and indicates that entrepreneurial competence fully mediates the relationship between entrepreneurial characteristics and MSME performance [1]. Entrepreneurship as a solution to providing employment is in line with the development of MSMEs in Indonesia which have a real contribution to reducing unemployment. The era of the industrial revolution 4.0 has increasingly made the development of MSME entrepreneurship a strategic issue that needs to get our collective attention, especially in ensuring the development of policies that are conducive to supporting an advanced Indonesia. MSME entrepreneurship is carried out by building synergy in mapping entrepreneurial potential, creating an entrepreneurial climate, developing entrepreneurship and entrepreneurial incubation as well as financial support. MSME-based entrepreneurship development is expected to be able to To be at the forefront of achieving the SDGs economic pillars by creating jobs, creating decent working conditions, business innovation, adaptation and mitigation of negative economic, social and environmental impacts for inclusive and sustainable economic growth. The link between entrepreneurship and economic growth and employment is becoming increasingly relevant referring to various studies showing a positive link between entrepreneurship and economic growth. Companies with a strong entrepreneurial orientation have the ability to turn environmental uncertainty into a benefit for the company. A high entrepreneurial orientation is also needed to improve the performance of the Small and Medium Industries. Competencies that must be possessed by MSMEs ideally are entrepreneurial competencies (focus on business opportunities and value creation), managerial competencies (focus on human management and the complexities of effective planning, organizing, coordination and supervision), and technical competencies (focus on science and technology, and customer needs innovation). Entrepreneurial competence shows

the ability to observe the environment to select promising opportunities and formulate strategies, while managerial competence requires conceptual, interpersonal and technical skills [2] The positive influence of entrepreneurial competence on business performance and the positive influence of entrepreneurial social norms on performance is mediated by entrepreneur competence [3]. The same thing is shown by the results of research [4], where entrepreneurial competence has a positive relationship to business success. to achieve optimal, effective and efficient results the application of management principles is indispensable, the role of leaders or business owners to understand and be able to carry out the main functions of management is the main thing for sustainable business success. A high entrepreneurial orientation is closely related to the main driver of profit so that an entrepreneur has the opportunity to take advantage and the emergence of these opportunities, which in turn have a positive effect on business performance [5].

METHODE

This research is quantitative and causal in nature which aims to analyze the extent to which SMEs in Bulungan have run their business by actualizing entrepreneurial orientation and competence. Data analysis in this study used Structural Equation Modeling (SEM) analysis using the AMOS version 21.0 statistical program which included:

1. Confimatory Factor Analysis, which is an analysis designed to test the validity of a theoretical construct [6].

2. Test the suitability of the model that must meet the required Goodness of Fit test indicators, as shown in table 1.

Table 1. Criteria Evaluation *Goodnes of Fit* Model

Criteria Index Size Reference Value	Criteria Index Size Reference Value
χ2 (Chi Square Statistic)	Semakin kecil
Probabilty	≥ 0,05
CMIN/DF	≤ 2,00
GFI	≥ 0,90
AGFI	≥ 0,90
RMSEA	≤ 0,08
TLI	≥ 0,90
CFI	≥ 0,90

Sumber: [7]

Evaluation of Reliability and Variance extract (AVE). Reliability test, which is a measure of internal consistency of indicators in measuring a variable [8]. The cut-off value of the accepted construct reliability is > 0.70. Reliability test obtained:

$$Construct\ reliability\ = \frac{(\Sigma Standard\ Loading)^2}{(\Sigma Standard\ Loading)^2 + \Sigma \varepsilon j}$$

Variance Extract, an acceptable value is > 0.50. The variance extract test is obtained by the formula:

$$Variance\ Extract\ = \frac{\Sigma Standard\ Loading^2}{\Sigma Standard\ Loading^2 + \Sigma \varepsilon j}$$

Standard Loading obtained from standardized regression weight results from CFA, is the measurement error of each indicator (1-Std. Loading). In this study there are 2 exogenous variables, namely entrepreneurial orientation with indicators (X1) creative, (X2) innovative, (X3) independent, (X4) confident, (X5) leadership and (X6) dare to take risks [9],[10],[11] and entrepreneurial competence with indicators (X7) management ability, (X8) technical ability, (X9) communication, (X10) controlling risk and (X11) building networks [12],[13],[14]. 1 endogenous variable, namely business performance with indicators (Y1) increasing profits, (Y2) increasing

sales and (Y3) increasing customers [9], [15][16],[17], [18]. The data analysis technique used is Structural Equation Modeling (SEM) AMOS 21.

RESULT AND DISCUSSION

1.1. Confimatory Factor Analisis.

The results of the confimatory factor analysis in the first stage of the structural equation model, there is one indicator that has a low loading factor value below 0.5, namely an indicator of increased sales (Y2) in the MSME performance construct with a coefficient value of 0.276 which means it is invalid and must be dropped from the model to build the model. CFA second stage structural equation, figure 1. The second stage CFA model is a full structural equation model of the influence and relationship of entrepreneurial orientation and competency on the performance of MSMEs in Bulungan district as shown in figure 2.

Based on the output results of the standardized regression weights model full structural equation, there are two indicators which has a loading factor value below 0.5, namely (X8) technical ability 0.411 and (X9) communication 0.421. After the two indicators are dropped, the loading factor value is statistically significant and the coefficient value is above 0.50, which means that convergent validity has been met and can be used to calculate the Reliability and Variance Extracted (AVE) tests.

In addition to producing a valid loading factor value, the modified full structural equation model produces a very good Goddnes of Fit Model with a Chi_Square value of 51.821 and a probability value of 0.043. Figure 2 shows that overall the full structural equation model of entrepreneurial intention is acceptable. This means that there is no significant difference between the covariance matrix of the data from the observed variables and the covariance matrix of the specified model (implied covariance matrix).
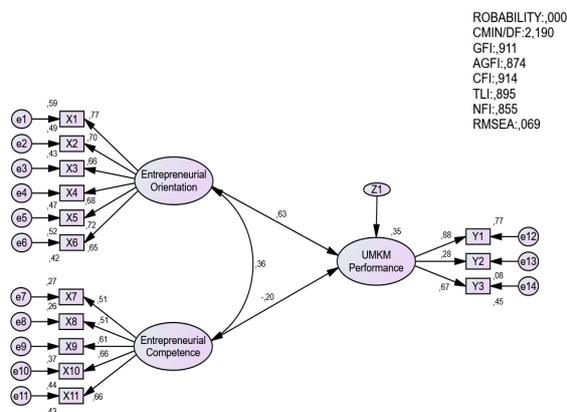

Figure 1. The CFA Structural Equation Model 1.
The Influence of Entrepreneurial Orientation and Competence on UMKM Performance in Bulungan Regency
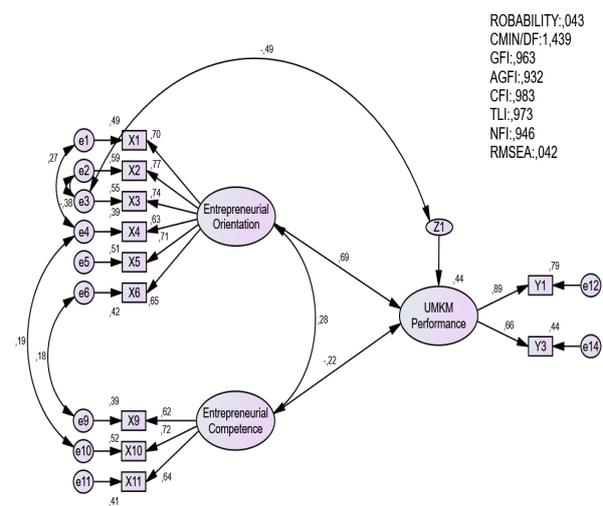

Figure 2. The CFA Structural Equation Model 2.
The Influence of Entrepreneurial Orientation and Competence on UMKM Performance in Bulungan Regency

The results of the Goodness of Fit Test for the CFA Model stage 1 and the CFA Model stage 2 can be seen in table 2.

Tabel 2. *Goodnes of Fit* Model

Kriteria Indek Ukuran	Cut off Value	CFA Tahap 1	Evaluasi Model	CFA Tahap 2	Evaluasi Model
Chi Square	Semakin kecil	851,818	Buruk	51,821	Baik
Probabilty	≥ 0,05	0	Buruk	0,043	Baik
CMIN/DF	≤ 2,00	2,190	Buruk	1,439	Baik
GFI	≥ 0,90	0,911	Baik	0,963	Baik
AGFI	≥ 0,90	0,874	Buruk	0,932	Baik
TLI	≥ 0,90	0,895	Buruk	0,973	Baik
CFI	≥ 0,90	0,914	Baik	0,983	Baik
RMSEA	≤ 0,08	0,069	Buruk	0,042	Baik

Source: Primary data processed by researchers (2023).

1.2 Composite Reliability and Avarage Variance Extract

Composite reliability (cr) or construct reliability is a measure of the internal consistency of an indicator or construct. The construct reliability value received is ≥ 0.70. The variance variance extract is a measure of reliability that reflects the total variance in the indicators described by the latent construct. The average variance extract value received is ≥ 0.50. the calculation results composite reliability and avarage variance extract can be seen in table 3.

Tabel 3. Composite Reiability and Variance Extract

Konstruk	Composite Realibility	Variance Extract
Entrepreneurial Orientation	0,906	0,856
Entrepreneurial Competence	0,933	0,924
UMKM Performance	0,930	0,902

Source: Primary data processed by researchers (2023).

From the calculation results contained in table 3, it can be interpreted that the reliability measure using CR and AVE for all latent constructs is well fulfilled.

1.3 . Model Correlation and Causality Test

The value of the relationship between entrepreneurial orientation and entrepreneurial competence variables has a relationship value of 0.856 and is significant, which means that the two variables have a strong relationship in shaping the performance of MSMEs in Bulungan district. The results of the model causality test can be seen from the estimation results in table 4.

Tabel 4. Regression Weights

			Estimate	S.E.	C.R.	P
SMEs Performance	<---	Entrepreneurial Orientation	,875	,057	10,431	***
SMEs Performance	<---	Entrepreneurial Competence	,923	,019	12,223	***

Source: Primary data processed by researchers (2023)

Regression Weight. From the estimation results, it can be explained that entrepreneurial orientation has a positive effect on UMM performance with a coefficient value of 0.875. Entrepreneurial competence has a positive effect on UMM performance with a coefficient value of 0.923 with a significance value of (P) *** which means significant at the 0.001 level. The magnitude of the positive influence of the two variables shows the importance of entrepreneurial orientation and competence to be improved, this is in line with research conducted by [19] that entrepreneurial orientation (EO) has a significant impact on the performance of SMEs.

CONCLUSION

Based on the results of the analysis of the theoretical model that was tested with the goodness of fit criteria, the model developed in this study can be accepted as a whole with a goodness of fit value that meets the required cut off value. The relationship between the entrepreneurial orientation variable and the entrepreneurial competence variable is very strong as indicated by the coefficient value of 0.856. The entrepreneurial

orientation variable has a very strong influence on the MSME performance variable with a coefficient value of 0.875 and the entrepreneurial competence variable has a very strong influence on the MSME performance variable with a coefficient value of 0.923. The value of the coefficient of determination based on the Squared Multiple Correlation is 0.958, which means that the influence of entrepreneurial orientation and entrepreneurial competence on the performance of MSMEs is 95.8% and the remaining 4.2% is obtained from other variables outside the model designed in this study.

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