

# **The Influence of Entrepreneurial Orientation and Skills on Small Business Performance**

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## **Abstrac**

The purpose of this study is to investigate the impact of entrepreneurial orientation on the performance of small and medium-sized enterprises (SMEs) in Padang City, and the impact of skills on SME performance. The participants in the study were mostly business owners in Padang. Most of them said that they were very satisfied with the city's infrastructure. The sampling technique was purposive, specifically targeting specific items. There are 75 samples in total. The author employs a linear regression method using hypothesis testing with SPSS software version 22. The results of this study suggest that having orientation and entrepreneurial skills is a key factor in the success of small businesses.

**Keyword :** Entrepreneurial Orientation, skill and Medium Enterprises (SMEs) Performance

## **1. Introduction**

West Sumatra (abbreviated as West Sumatra) is an Indonesian province on the island of Sumatra, with Padang as its capital city. West Sumatra is divided into 12 regencies and 7 cities, with administrative areas divided after sub-districts in even the Mentawai Islands Regency called Nagari. Padang is the headquarters of the Indonesian state of West Sumatra and the largest city on Sumatra's west coast. Padang is one of the areas with the highest concentration of SMEs. This can be seen from the development of the presence of these SMEs from year to year. Furthermore, the business units are categorized into 4 categories, namely culinary, handicraft, retail and service categories. Data released by the West Sumatran Cooperative Service shows that the number of SMEs in the city of Padang is 13,837 businesses or 21.24%, then the most dominating SMEs of the four business units are those engaged in the culinary sector. This trend indicates that businesses in the culinary area are in high demand and face strong competition. As a result, in ability to continue operating their businesses, business actors must be able to compete with their competitors.

Today, the presence of Small and Medium Enterprises makes an important contribution not only to national economic development but also to economic growth and great potential for solving unemployment (Hadiyati, 2015; Aryadi, R., & Hoesin, 2022). Similarly, the existence of street vendors has a positive impact on the economy's long-term viability (Yadewani, D. Syafrani, 2020). Entrepreneurial orientation is a motivation to be the first to come up with new ideas and to be willing to take risks. It is also a proactive approach to dealing with change. A business that

is entrepreneurial will be more inventive than others (Miller, 2011). Entrepreneurial orientation is one of the important factors that can determine the success of a business. So, having a business oriented towards entrepreneurship generally leads to better performance. According to previous research, an entrepreneurial orientation is associated with improved organizational performance. (Ibrahim, 2017; Shams et al., 2018; Mudjijah et al., 2022). According to the existing phenomena related to entrepreneurial orientation, many SMEs in Padang still do not already have an entrepreneurial orientation. Meanwhile, improving human resource quality is critical, especially in human resource competencies such as knowledge, skills, abilities, and entrepreneurial attitudes. Human resource development is beneficial not only to SME business owners but also to workers' standard of living. (Purwianti et al., 2015). According to previous research, an entrepreneurial orientation is associated with improved organizational performance. (Ardiana & Brahmayanti, 2010; Sembiring, 2016; Mamun & Fazal, 2019; Rizan, 2020; Wijaya et al., 2022).

Given the importance of entrepreneurial guidance and skills for SMEs, a comprehensive analysis is needed to improve SME performance. As a result, the authors are interested in conducting in-depth research to produce empirical data, and there hasn't been much previous research examining the impact of entrepreneurial orientation and skills on SME performance at the simultaneously. As a result, several questions arise. 1) How does the entrepreneurial orientation of Padang SMEs affect their performance? 2) How influence do skills have on the performance of SMEs in Padang City? 3) How do entrepreneurial orientation and skills impact the performance of Padang City SMEs?

Furthermore, from the formulation of the problem, the research objectives to be achieved are 1) Testing the effect of entrepreneurial orientation on the performance of small and medium enterprises in the city of Padang, 2) Testing the effect of skills on the performance of small and medium enterprises in the city of Padang.

## **2. Literature Review**

Entrepreneurship is a mix of creativity, innovation, and chance-going through braveness via running hard to construct and sustain new businesses (Kraus et al., 2012). Various Employers must also have an attitude, motivation, and commitment to their work (Soares, 2014). An entrepreneurially oriented company is a company that seeks to be the first in product innovation in the market, dares to take risks, and takes proactive measures to beat competitors (Wulaningtyas, A., 2018). The ability of company resources that can be used as a means or opportunity in creating company advantages in order to improve company performance, but their form cannot be seen or intangible resource (Kiyabo & Isaga, 2020). Empirically, the variable that can affect the performance of SMEs is the entrepreneurial orientation. (Alvarez-Torres et al., 2019; Lestari & Susanto, 2021; Sefnedi, 2022). The variable of entrepreneurial orientation was measured using 5 indicators namely Innovation, Risk taking, Proactiveness, Autonomy and competitive aggressiveness (Alvarez-Torres et al., 2019). From this explanation, developed the first hypothesis:

H1: Entrepreneurship Orientation positively affects the performance of small and medium enterprises in the city of Padang

Further skills according to Spencer and Spencer (2008), states that a Skill is the result of repeatedly applying knowledge or abilities. Ivancevich, Konopaske, and Matteson (2007), also affirms Skill is a talent that is learned and that a person has to perform a task. Skills change along with training or experience. This skill allows a person to renew his beliefs about entrepreneurial talents that provide knowledge about the challenges of starting a project (Entrialgo, M. and Iglesias, 2016). Skill is a person's ability to operate a job easily and meticulously (Gordon & Guiltinan, 1994). Another variable that also affects performance is skill (Ardiana & Brahmayanti, 2010; Arso, 2020; Wijaya et al., 2022). Skill variables measured using 6 alignment items (Ardiana & Rahmayanti, 2010) includes production, communication, cooperation and organizational, supervisory, financial, administrative and accounting skills. From this explanation, the second hypothesis is:

H2: Skills positively affect the performance of small and medium enterprises

Company performance is a picture of the financial condition of a company that is analyzed with financial analysis tools, so that it can be known whether the financial condition of a company is good and bad which reflects work performance in a certain period (Ismanu, 2019). Performance is the level of effectiveness and efficiency of the efforts made by the organization in achieving organizational goals (Wulaningtyas, A., 2018). Organizational performance will be achieved if the company has high-performing employees (Syamsuri, 2019). The performance of small and medium enterprises has a meaning of the extent to which the ability of an SME is able to carry out work to achieve goals in accordance with the abilities, programs, policies, and vision and mission that have been stated (Darmanto, 2018). This variable is measured using 9 statement items adapted from Hunjra et al., (2021).

### 3. METHOD

The population in this study is all SME owners in the city of Padang. For sampling techniques using a non-probability technique, namely purposive sampling, where samples are taken based on predetermined criteria, namely the age of the owner and the length of operation and located in the city of Padang. The number of samples was 75, according to those founded (Hair, Joseph F., 2014) which states that the number of equalization items is at times 5 to 20 observations. In the study, there were 15 levels. The data source of this study is sourced from primary data collected directly from respondents through questionnaires using a likert scale. Furthermore, data analysis techniques using SPSS 22 software

Table 1. Operasional dan definisi variabel

No	Variables	Definition	Indicators/Items
1	SMEs	The extent of the ability of SMEs to carry out work in order to achieve goals in accordance with the abilities, programs, policies, and vision and mission that have been stated (Darmanto, et al., 2018)	1. Profitability 2. Growth of sales and revenues 3. Return on assets 4. Trend of return on assets 5. Market share 6. Operational and cost efficiency 7. Productivity 8. Return on sales 9. Trend of return on sales (Hunjra, et al., 2021)
2	Entrepreneurial orientation	The ability of company resources that can be used as a means or opportunity in creating company advantages in order to improve company performance, but their form cannot be seen or intangible resource (Kiyabo & Isaga, 2020).	1. Innovation 2. Risk taking 3. Proactiveness 4. Autonomy 5. Competitive aggressiveness (Alvarez, et al., 2019)
3	Skill	Skill is a person's ability to operate a job easily and meticulously (Gordon & Guiltinan, 1994)	1. production skills, 2. communicate, 3. cooperation and organization, 4. supervision, 5. financial, 6. administration and accounting (Ardiana & Rahmayanti, 2010)

### 4. Data Data Collection

The type of research used in this study is a quantitative research method. Quantitative research methods using research data in the form of numbers and analyzed using statistics (Sugiyono, 2018). In accordance with this method, in this study the data used for research is in the form of numbers that are measurable, rational and systematic in nature. Population can be interpreted as a generalization area that consists not only of people or subjects but also in the form of objects that have certain qualities and characteristics set by the researcher to be studied and then drawn to the conclusion (Sugiyono, 2018). The population in this study were SMEs in the culinary field. Data collection procedures are essential to the research's success. In research, the data collected will be used to solve existing problems so that the data must be truly reliable and accurate. The data used in this study was obtained by using a questionnaire, which is a data collection technique carried out by giving a set of written statements to respondents to answer. (Sugiyono, 2019)

In quantitative research, the data analysis technique used is directed at answering the problem formulation or testing the formulated hypothesis. The data of this research is in the form of quantitative data, so that the data analysis technique uses statistical methods and in performing data calculations using the SPSS (Statistical Package for the Social Sciences) version 23. This classical assumption aims to obtain results which are regression equations that have BLUE properties. (Best Linear Unbiased Estimator).

The classical assumption test that will be used in this research is the multicollinearity test, and the normality test. The multicollinearity test is used to determine whether or not there is a correlation between independent variables in the regression equation model. (Ghozali, 2011). Multicollinearity test can be seen from the Variation Inflation Factor (VIF). If the value of VIF is  $< 10$  and the tolerance value is  $> 0.1$ , it means that there is no multicollinearity

Multiple linear regression analysis is used by researchers, if the researcher intends to predict how the value of the dependent variable changes if the value of two or more independent variables as predictors is increased or decreased (manipulated). So multiple linear regression analysis will be carried out if the number of independent variables is at least two (Sugiyono, 2019). Multiple linear regression analysis was used to obtain a comprehensive picture of the effect of the independent variables (entrepreneurship orientation and skills) on the dependent variable (SME performance).

## 4. Result And Discussion

### Result ;

#### 1. Uji Linearitas.

Hipotesis 1:

Ho: There is a linearity between the variable orientation of entrepreneurship (X1) and the performance of SMEs (Y)

H1 : There is no linearity between the variable orientation of entrepreneurship (X1) and the performance of SMEs (Y)

Table 2 : Annova

		Sum of Squares	df	Mean Square	F	Sig.
SME performance * Orientation of entrepreneurship	Between Groups (Combined)	1542.499	21	73.452	1.520	.110
	Linearity	4.633	1	4.633	.096	.758
	Deviation from Linearity	1537.866	20	76.893	1.591	.090
	Within Groups	2561.048	53	48.322		
	Total	4103.547	74			

Based on table 2 above, the Sig value of deviation from linearity is obtained Sig.  $0.090 > 0.05$ , then Ho was accepted and H1 was rejected. So from the results of this test, it can be concluded that there is a significant linear relationship between the variable orientation of entrepreneurship (X1) and the performance of SMEs (Y).

Hipotesis 2:

Ho: There is linearity between variable skill (X2) and SME performance (Y)

H1 : There is no linearity between variable skill (X2) and SME performance (Y)

Table 3: ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
SME performance * skill	Between Groups (Combined)	1605.739	21	76.464	1.606	.083
	Linearity	461.482	1	461.482	9.693	.003
	Deviation from Linearity	1144.257	20	57.213	1.202	.290
	Within Groups	2523.248	53	47.608		
	Total	4128.987	74			

Based on the table above, the Sig deviation from linearity value is obtained by Sig.  $0.290 > 0.05$ , then Ho is accepted and H1 is rejected. The results of the analysis shown in table 2 explain that there is a significant linear relationship between the skill variable (X2) and the performance of SMEs (Y).

#### 2. Uji Multikolinieritas

Tabel 4 : Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.	Collinearity Statistics	
	B	Std. Error	Beta	t		Tolerance	VIF
1 (Constant)	25.792	8.028		3.213	.002		
Orientation of entrepreneurship	.000	.135	.000	-.003	.998	.991	1.009
skill	.395	.132	.334	2.989	.004	.991	1.009

a. Dependent Variable: performance of SMEs

In table 4 multicollinearity shows that the multicollinearity value based on the tolerance value for the entrepreneurial orientation variable (X1) and skill (X2) is  $0.991 > 0.1$ . While the VIF value for the entrepreneurial orientation variable (X1) and skill X2 is  $1.009 < 10$ . So it is appropriate to conclude that there are no symptoms of multicollinearity in the regression model.

Hipotesis 1:

Ho: partially there is no effect between entrepreneurial orientation and SME performance

Ha: partially there is an influence between entrepreneurial orientation and SME performance

**Tabel 5 : ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.920	1	3.920	.069	.793 <sup>a</sup>
	Residual	4125.067	73	56.508		
	Total	4128.987	74			

a. Predictors: (Constant), entrepreneurial orientation

b. Dependent Variable: performance of SMEs

Based on table 5 above, it can be stated that the value of sig. entrepreneurial orientation (X1) is 0.793 which means  $> 0.05$ . Then it can be stated that H1 is rejected and Ho is accepted. So that partially there is no influence between entrepreneurial orientation and SME performance

Hipotesis 2:

Ho: There is a significant partial discrepancy between skill and SME performance

Ha: There is some correlation between skills and SMEs' performance.

**Tabel 6 : ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	459.274	1	459.274	9.136	.003 <sup>a</sup>
	Residual	3669.713	73	50.270		
	Total	4128.987	74			

a. Predictors: (Constant), skill

b. Dependent Variable: Orientation of entrepreneurship

Based on the data in table 6 above, it can be stated that the value of sig. skill (X2) of 0.003 which means  $< 0.05$ . Then it can be stated that H1 is accepted and Ho is rejected. Conclusion: Partially there is an influence between skills and the performance of SMEs

Hipotesis 3:

Ho: There is no effect between entrepreneurial orientation and skills together on the performance of SMEs

H1: The performance of SMEs is influenced by entrepreneurial orientation and skills combined.

**Tabel 7 : ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
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1	Regression	459.274	2	229.637	4.505	.014 <sup>a</sup>
	Residual	3669.712	72	50.968		
	Total	4128.987	74			

a. Predictors: (Constant), Orientation of entrepreneurship, skill

b. Dependent Variable: performance of SMEs

Based on the data in table 7 above, it can be stated that the value of sig. 0.014 < 0.05, which means H1 is accepted and H0 is rejected. So it can be concluded that there is an influence between entrepreneurial orientation and skills together on the performance of SMEs.

## Discussion

Entrepreneurship orientation affects the performance of SMEs

From the results of testing the first hypothesis (H1), it is explained that entrepreneurial orientation has a positive and significant influence on the performance of SMEs in Padang City. These results indicate that the entrepreneurial orientation possessed by SMEs is getting better, the performance of SMEs will also be higher.

From the explanation above, the results of this study can have implications for SMEs that to improve the performance of SMEs it is necessary to make improvements related to the implementation of the entrepreneurial orientation. The results of this study are empirically supported by previous research conducted by (Alvarez-Torres et al., 2019; Lestari & Susanto, 2021; Sefnedi, 2022), states that empirically entrepreneurial orientation has a positive and significant effect on the performance of SMEs

Entrepreneurial orientation will be able to affect competitive advantage and business performance if SME actors pay attention to various entrepreneurial orientation indicators, namely: (1) Innovative, in this case, the actors must be able to implement strategies to develop products from customer ideas and concepts. (2) Proactive business actors must consider many competing products that are in high demand among consumers. (3) By taking risks, you can create items that no other company has ever made. (4) Autonomy, provide workers the authority to contribute ideas and thoughts in the production of their products. (5) Competitive aggressiveness, or a desire to carry out a strategy ability to compete for a share of the market, or an aggressive response to competitors' acts

Skills affect the performance of SMEs

From the results of testing the second hypothesis (H2), it shows that therapeutic has a positive and significant influence on the performance of SMEs in the city of Padang. This shows that the higher the skills possessed by SMEs in the city of Padang, the higher the performance of the SMEs. have SMEs are also low.

This finding must also be observed by SME actors, that in order to improve performance, they must also pay attention to improvements and improve the skills already possessed by these SME actors. The results of this study are supported by previous research conducted by (Ardiana & Brahmayanti, 2010; Arso, 2020; Wijaya et al., 2022)

Meanwhile, the implications for SMEs in Padang are to maintain and improve skills by involvement in group types of training, particularly in the production and marketing departments.

## 5. Conclusion

Based on the results of the analysis and discussion that have been described previously, it can be concluded that entrepreneurial orientation has a positive and significant effect on the performance of SMEs in the city of Padang. In terms of improving the performance of SMEs, it is very necessary to have the ability to interpret the importance of managing the entrepreneurial orientation that they already have. In addition, the skills already possessed by SMEs must continue to be developed and improved so that the performance of SMEs can also increase and provide results according to with the aim of the existence of these SMEs. The findings of this study are not only valuable in enriching the subject of research, but they may also contribute to the development of SMEs in the city of Padang.

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