Orientasi Kewirausahaan dan Inovasi dalam Meningkatkan Kinerja Perusahaan melalui Strategi Bisnis

Orientation of Entrepreneurship and Innovation in Improving the Company's Performance through Business Strategy

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Abstract

This research was conducted to know and develop and analyze the influence of entrepreneurial orientation and innovation on the company's performance with business strategy as a variable intervention. This research was conducted on small and medium enterprises located in Brebes Regency. The type of research is explanatory research by using questionnaires as a tool or research instrument, the questionnaire are close-ended with five alternative answer options and measured using the Likert scale. The number of samples used in this study amounted to 95 SMEs in Brebes District using purposive sampling techniques. Data analysis uses Structural Equation Modeling with the help of Partial Least Square 2.0. The result of this study is that the orientation of entrepreneurship, innovation, and business strategy directly positively and significantly affects the performance of the company; Entrepreneurial orientation directly positively and significantly affects business strategy. Innovation does not have a direct positive and significant effect on business strategy; entrepreneurial orientation does not positively and significantly affect the company's performance through business strategy, and innovation directly affects the company's performance through business strategy.

Keywords: Entrepreneurial Orientation, Innovation, Business Strategy, Company Performance, SMEs.

INTRODUCTION

In the industrial era 4.0, where competition in the business sector is increasingly sharp, one of them is the proliferation of Small and medium-sized enterprises (SMEs). SMEs have an important role in improving the economic and industrial sectors Dewi & Tarigan (2016). In practice, the increase in the number of SMEs is not accompanied by improved performance. It is incompatible with the company's orientation and strategy, as well as its lack of business competence to generate innovative ideas. (D’Souza et al., 2018)

The applied entrepreneurial orientation influences the success of a company. According to Abdul Rahman, Fathorrahman (2020) entrepreneurial orientation refers to a process, practice, and decision-making that leads to novelty. This activity includes intentions and actions as the key to dynamic processes intending to create new businesses. The companies with a robust entrepreneurial orientation would be more courageous in taking risks in running their business (Karami & Tang, 2019).

In this increasingly competitive and dynamic era, this demands an aggressive and innovative attitude from businesses. Therefore, innovation influences the company's performance. It is supported by the results of the study, suggesting that innovation has a positive and significant influence on its performance (Siregar et al., 2020).

Innovation can be interpreted as an idea of products, information technology, organization, behavior, values, and practices that are not widely known, spelled out, and used by the public. This innovation brings about a better chance than before because the basis of its creation has been through several considerations and research. Syardiansah & Utami (2019) consider that innovation is the success of implementing a company's creative ideas. Innovation is used as a reference by a company to adapt to a dynamic environment. Thus, a company is required to be able to give birth and create renewable ideas. (Wales et al., 2019)

The birth of innovation in the company answered the market demand and served as an advantage to meet. With innovation in a company is believed to be able to boost sales, profit, and the competitiveness of a company, but must still consider the effectiveness and affordability of prices to minimize the risks that will face the company. Therefore, coordination is required by the relevant parties (Juwita & Arintika, 2018).

In addition to the two things mentioned earlier, a company's success is also inseparable from the accuracy of selecting business strategies used. According to Syardiansah & Utami (2019), business strategy is a guide, reference, direction, or path where a company must pursue it to achieve business goals that support the vision and mission of the business it runs.

According to the statement, it can be interpreted that business strategy is a foundation or foundation that must be carefully thought out that supports the achievement of business objectives by the vision and mission of the establishment of the business. Businesses must choose and use the right strategy so that the expected success can be realized. Business strategy in a company should focus on increasing the competitiveness of products or services in a particular industry or market segment (Sugiono & Widiastutik, 2021).
The company's performance is important in determining the company's success rate. The company's performance is not necessarily the work of the company's officials, but all company members contribute to achieving the company's performance. The company's performance is a parameter of a company's success measured in a predetermined period (Saepuloh & Hisani, 2020).

Good company performance results from group work where they have the same mission vision in running the company. The company's performance is the company's level of achievement in a certain period. Here, the company's performance strongly indicates the development of a company. The performance of a firm can be seen through the cooperation of its members and is also influenced by a number of other supporting variables (Dewi & Tarigan, 2016). Based on the background that has been stated above, this study formulates the following research problems:

1. Is there any influence on the entrepreneurial orientation on the company's performance?
2. Does innovation affect the company's performance?
3. Is there any influence of business strategy on the company's performance?
4. Is there any influence on entrepreneurial orientation on business strategy?
5. Is there any influence of innovation on business strategy?
6. Is there an influence of entrepreneurial orientation on company performance through business strategy?
7. Does innovation affect the company's performance through business strategy?

The success of a company will be achieved if the founder and executor have a high entrepreneurial orientation. Geovani, S.M et al (2021) suggests that entrepreneurial orientation is one of several factors that form the novelty or innovation of the products-market, considering the risky business, which first appeared to bring proactive innovation and provide a breakthrough that resulted in the defeat of its competitors. In theory, Siregar et al (2020) mentions three subjects that need to be considered in the entrepreneurial orientation: proactive, innovation, and decision-making.

Chenavaz et al (2020) views that entrepreneurial orientation is an indicator of a company's ability to identify, utilize and utilize existing opportunities to achieve success. Entrepreneurial orientation is defined as a company's creative and innovative abilities that serve as a reference, guidance, and resource to explore and gain opportunities towards success.

According to Dewi & Tarigan (2016), innovation is a broad order related to thinking, creating ideas on objects represented by a person as a new thing, innovation as a new point of thought used to initiate, give birth to, or improve a product or process, or service that already exists or does not exist. In addition, Geovani, S.M et al (2021) suggest that innovation is considered the starting point of commercialization or introduction and produces or sells new products, services, or processes in a business.

That there are four types of innovation:

1. Product innovation, a product or service update to meet the company's demand. This update creates and introduces modifications to a
product that already exists or has never existed. This product innovation is very risky such as the lack of fulfillment of the required provisions, the lack of technology, lack of support from senior managers, lack of resources, weak management, and implementation of projects that can hinder efforts to develop new products.

2. Process innovation, a novelty in the field of production or how to make and also delivery. This innovation guides the method of operation by creating or producing new products, new technologies, and the advancement and development of capabilities in a company's resources.

3. Innovation mindset or source of internal innovation includes the internal development of R&D efforts to produce novelty on the product and its process.

4. Positioning innovation or known as an external innovation source. Where it includes novelty in terms of purchase, licensing, approval, procurement process with other companies, cooperation with suppliers, consumers, and other companies.

Wheelen et al (2015) suggest that a business strategy is a strategy that refers to improving the competitive position of a company or business unit which is related to a product or service with a specific industry as well as market segmentation of a company or service business. It is necessary to think about seeing how the business unit impacts the company's overall performance.

Abdul Rahman, Fathorrahman (2020) in which the term entrepreneurial strategy is used to define some decisions, actions, and responses from the first originator, further empowers the business by maximizing novelty benefits while minimizing expenses.

According to Dewi & Tarigan (2016), business strategy is considered the ability of an entrepreneur or a company to analyze the internal and external environment, formulation, strategy, and implementation of a plan drawn up to achieve the company's objectives. In addition, it is necessary to assess or evaluate what is implemented to obtain the feedback used to design future strategies.

The company's performance is an indicator of a company's success in managing or running its business, the phrase company performance is a measure of a firm's success over a specific time period. The company's performance measures overall success to achieve the goals set through strategic initiatives by effectively utilizing existing resources and comparing them to previous achievements (Siregar et al., 2020).

The company's performance results from achievement influenced by the company's management activities in utilizing resources. Company performance is a measure of success that can be computed and observed; the level of performance size at which a person may achieve the company's performance in accordance with the desired aim (Lubis, 2018).

Based on the above thinking, researchers propose hypotheses in this study as follows:
H1: There is an influence of entrepreneurial orientation on the company's performance.
H2: There is an influence of innovation on the company's performance.
H3: There is an influence of business strategy on the company's performance.
H4: There is an influence of entrepreneurial orientation on business strategy.
H5: There is an influence of innovation on business strategy.
H6: There is an influence of Entrepreneurial Orientation on Company Performance through Business Strategy.
H7: There is an influence of Innovation on Company's Performance through Business Strategy.

RESEARCH METHODS

This research was conducted on small and medium-sized businesses located in Brebes District with independent variables in this study: the orientation of entrepreneurship, innovation, and business strategy, while the dependent variable is the company's performance. The type of research is explanatory research by using questionnaires as a tool or research instrument. The population in this study is all SMEs in Brebes Regency. The number of samples used in this study amounted to 95 SMEs in Brebes District using purposive sampling techniques. The data used is the primary data obtained by sharing questionnaires or questionnaires with respondents. Questionnaire questions are close-ended with five alternative answer options and measured using the Likert scale (Pratiwi & Ubaedillah, 2021). Research instruments are tested using validity tests and reliability tests. Data analysis using Structural Equation Modeling (SEM) analysis with the help of the Partial Least Square (PLS) 2.0 program.

Figure 1. Structural Path

Description
X1 = Entrepreneurial Orientation
X2 = Innovation
X3 = Business Strategy
Y = Company Performance

RESULTS AND DISCUSSION

The validity indicator can be seen from the convergent validity value. The convergent validity value is the value of the loading factor on latent variables with their indicators. In PLS models, meeting the convergent validity value can be valid
if the loading value is 0.5 – 0.6. Each indicator's indicator results have a loading factor value of more than 0.5. Then each indicator is declared valid. The value of convergent validity can be seen in Table 1:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Average Variance Extracted (AVE)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Orientation (X1)</td>
<td>0.659</td>
<td>Valid</td>
</tr>
<tr>
<td>Innovation (X2)</td>
<td>0.591</td>
<td>Valid</td>
</tr>
<tr>
<td>Business Strategy (X3)</td>
<td>0.532</td>
<td>Valid</td>
</tr>
<tr>
<td>Performance (Y)</td>
<td>0.509</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Table 1. Loading Factor Value

<table>
<thead>
<tr>
<th>Entrepreneurial Orientation (X1)</th>
<th>Innovation (X2)</th>
<th>Business Strategy (X3)</th>
<th>Performance (Y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OK_1 0.68</td>
<td>IN_1 0.66</td>
<td>STR_1 0.822</td>
<td>KI_1 0.664</td>
</tr>
<tr>
<td>OK_2 0.795</td>
<td>IN_2 0.783</td>
<td>STR_2 0.758</td>
<td>KI_2 0.551</td>
</tr>
<tr>
<td>OK_3 0.872</td>
<td>IN_3 0.846</td>
<td>STR_3 0.764</td>
<td>KI_3 0.634</td>
</tr>
<tr>
<td>OK_4 0.679</td>
<td>IN_4 0.831</td>
<td>STR_4 0.749</td>
<td>KI_4 0.685</td>
</tr>
<tr>
<td>OK_5 0.827</td>
<td>IN_5 0.81</td>
<td>STR_5 0.735</td>
<td>KI_5 0.755</td>
</tr>
<tr>
<td>OK_6 0.814</td>
<td>IN_6 0.806</td>
<td>STR_6 0.84</td>
<td>KI_6 0.679</td>
</tr>
<tr>
<td>OK_7 0.875</td>
<td>IN_7 0.761</td>
<td>STR_7 0.863</td>
<td>KI_7 0.778</td>
</tr>
<tr>
<td>OK_8 0.872</td>
<td>IN_8 0.75</td>
<td>STR_8 0.79</td>
<td>KI_8 0.807</td>
</tr>
<tr>
<td>OK_9 0.862</td>
<td>IN_9 0.698</td>
<td>STR_9 0.843</td>
<td>KI_9 0.767</td>
</tr>
<tr>
<td>STR_10 0.771</td>
<td>KI_10 0.705</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Data processed, 2020

In addition to the convergent validity test, a discriminant validity test also needs to be conducted to see the validity of the indicator in measuring its latent variables. The method for assessing discriminant validity is to look at the Average Variance Extracted (AVE) value. The recommended value as a preliminary study is above 0.5.

Table 2. Average Variance Extracted (AVE)

<table>
<thead>
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<tbody>
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<td>Innovation (X2)</td>
<td>0.591</td>
<td>Valid</td>
</tr>
<tr>
<td>Business Strategy (X3)</td>
<td>0.532</td>
<td>Valid</td>
</tr>
<tr>
<td>Performance (Y)</td>
<td>0.509</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Data processed, 2020

Based on Table 2, it can be seen that the variable has an AVE value exceeding 0.5, which can mean that all variables are valid.

Composite reliability is a test conducted to see the reliability of each variable indicator. A data is said to be reliable if the composite reliability value is more than 0.7. In Table 4, it can be known that the composite reliability of all variables has a good reliability value (> 0.7).

Table 3. Composite Reliability

<table>
<thead>
<tr>
<th>Variable</th>
<th>Composite Reliability</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Orientation (X1)</td>
<td>0.945</td>
<td>Valid</td>
</tr>
<tr>
<td>Innovation (X2)</td>
<td>0.935</td>
<td>Valid</td>
</tr>
<tr>
<td>Business Strategy (X3)</td>
<td>0.900</td>
<td>Valid</td>
</tr>
<tr>
<td>Performance (Y)</td>
<td>0.908</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Data processed, 2020

Based on Table 3 can be seen that the composite reliability value of all latent variables obtained above 0.7, which can be interpreted that all variables in this study are qualified and reliable (reliable).

Hypothesis Test

Hypothesis testing is based on the significant value in structural model testing, which can be seen from the t-statistic value between an independent and dependent variable in the Coefficient Path table. For hypothesis testing in this study used an alpha value of 5% with an acceptable value of 1.65. H0 decision criteria are rejected if p-value ≤ 5% or t statistics > t table.
The table of path coefficients and t-tests can be seen in Table 4:

<table>
<thead>
<tr>
<th>No</th>
<th>Hypothesis</th>
<th>T-statistics</th>
<th>P-values</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Orientasi Kewirausahaan (X1) à Kinerja (Y)</td>
<td>5.364</td>
<td>0</td>
<td>Significant</td>
</tr>
<tr>
<td>2</td>
<td>Inovasi (X2) à Kinerja (Y)</td>
<td>3.924</td>
<td>0</td>
<td>Significant</td>
</tr>
<tr>
<td>3</td>
<td>Strategi Bisnis (X3) à Kinerja (Y)</td>
<td>4.358</td>
<td>0</td>
<td>Significant</td>
</tr>
<tr>
<td>4</td>
<td>Orientasi Kewirausahaan (X1) à Strategi Bisnis (X3)</td>
<td>3.232</td>
<td>0.001</td>
<td>Significant</td>
</tr>
<tr>
<td>5</td>
<td>Inovasi (X2) à Strategi Bisnis (X3)</td>
<td>0.314</td>
<td>0.753</td>
<td>Unsignificant</td>
</tr>
<tr>
<td>6</td>
<td>Orientasi Kewirausahaan (X1) à Strategi Bisnis (X3) à Kinerja (Y)</td>
<td>0.298</td>
<td>0.766</td>
<td>Unsignificant</td>
</tr>
<tr>
<td>7</td>
<td>Inovasi (X2) à Strategi Bisnis (X3) à Kinerja (Y)</td>
<td>2.644</td>
<td>0.008</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Data processed, 2020

The Influence of Entrepreneurial Orientation on Company Performance

Based on bootstrap estimates, it is concluded that entrepreneurial orientation directly positively and significantly affects its performance. It indicates that their perception of their performance influences the level of entrepreneurial orientation that employees have towards the organization. The higher the entrepreneurial orientation, the higher the company’s performance. According to Kalangi (2017); Ryiadi & Yasa (2016), showing that entrepreneurial orientation positively and significantly affects performance. Thus the findings of this study support previous research that entrepreneurial orientation has a positive and significant effect on the performance of SMEs Brebes.

The Impact of Innovation on Company Performance

Based on bootstrap estimates, it is concluded that innovation has a positive and significant direct effect on its performance. It indicates that the company’s level of innovation is affecting its performance. The more innovations the company has, the better the company’s performance. According to Geovani, S.M et al (2021) showing that innovation has a positive and significant effect on performance. Thus the findings of this study support previous research that innovation has a positive and significant effect on the performance of SMEs Brebes.

The Influence of Entrepreneurial Orientation on Business Strategy

Based on bootstrap estimates, it is concluded that entrepreneurial orientation has a positive and significant direct effect on business strategy. It indicates that the entrepreneurial orientation of employees will influence the business strategy that the company will conduct. The higher the level of entrepreneurial orientation, the better the business strategy. According to Yuliana & Pugiastuti (2018), showing that entrepreneurial...
orientation has a positive and significant effect on business strategy. Thus the findings of this study support previous research that entrepreneurial orientation has a positive and significant effect on the business strategy of SMEs Brebes.

**The Impact of Innovation on Business Strategy**

Based on bootstrap estimates, it is concluded that innovation has no direct positive and significant effect on business strategy. It indicates that the employee's innovation does not affect the business strategy that the company will undertake. The findings of this study are different from some studies conducted by Kumalasari & PH (2016), which shows that there is a positive and significant influence between innovation and business strategy. Thus the findings of this study have not supported previous research, that innovation has no positive and significant effect on the business strategy of SMEs Brebes.

**The Influence of Entrepreneurial Orientation on Company Performance through Business Strategy**

Based on the results of bootstrap estimates, entrepreneurial orientation does not directly affect the positive and significant performance of the company through business strategy. It indicates that business strategies are incapable of mediating the relationship between entrepreneurial orientation and corporate performance. Thus, the findings of this study do not support previous research that entrepreneurial orientation has no indirect influence on the company's performance through business strategy. Karami & Tang, (2019)

**The Influence of Innovation on Company Performance through Business Strategy**

Based on bootstrap estimates, it is concluded that innovation directly positively and significantly affects its performance through business strategy. It indicates that the business strategy can mediate the relationship between innovation and the company's performance. According to Daud et al (2020); Kumalasari & PH (2016); Pusparani (2018), showing that there is an indirect influence between innovation and company performance through business strategy. Thus, the findings of this study support previous research that innovation has an indirect effect on the company's performance through business strategy.

**CONCLUSION**

Based on the results of the analysis and discussion that has been done, it can be concluded as follows:

1. Entrepreneurial orientation (X1) has a positive and significant direct effect on the company's performance (Y);
2. Innovation (X2) has a positive and significant direct effect on the company's performance (Y);
3. The business strategy (X3) directly positively and significantly affects the company's performance (Y);
4. Entrepreneurial orientation (X1) has a positive and significant direct effect on business strategy (X3);
5. Innovation (X2) has no direct positive and significant effect on business strategy (X3);
6. Entrepreneurial orientation (X1) has no direct positive and significant effect on the company's performance (Y) through business strategy (X3);
7. Innovation (X2) directly positively and significantly affects the company’s performance (Y) through business strategy (X3).

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Pusparani, D. A. (2018). PENGARUH STRATEGI BISNIS TERHADAP KINERJA MANAJERIAL DAN KINERJA PERUSAHAAN DENGAN SISTEM AKUNTANSI MANAJEMEN DAN KETIDAKPASTIAN LINGKUNGAN SEBAGAI VARIABEL MEDIASI. UNIVERSITAS KATOLIK WIDYA MANDALA SURABAYA.


