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The Influence of Entrepreneurial Orientation on MSME Business Performance in Bekasi City

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A R T I C L E I N F O

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A B S T R A C T

This study aims to investigate the influence of entrepreneurial orientation including innovativeness, proactiveness, and risk-taking on the business performance of MSMEs in Bekasi City. Using a quantitative approach, a structured survey was conducted among 383 MSME owners. Data were analyzed through covariance-based structural equation modeling (SEM) using AMOS 29.0 software. The results showed that entrepreneurial orientation has a positive and significant effect on MSME performance. The findings underscore the key factors for business success, namely innovation, proactivity, and risk-taking. This research offers valuable insights for business owners and stakeholders to encourage entrepreneurial attitudes, thereby enhancing the growth and sustainability of MSMEs. The ultimate goal of this research is to provide practical guidance and strategies for more effective MSME development in the future.

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INTRODUCTION

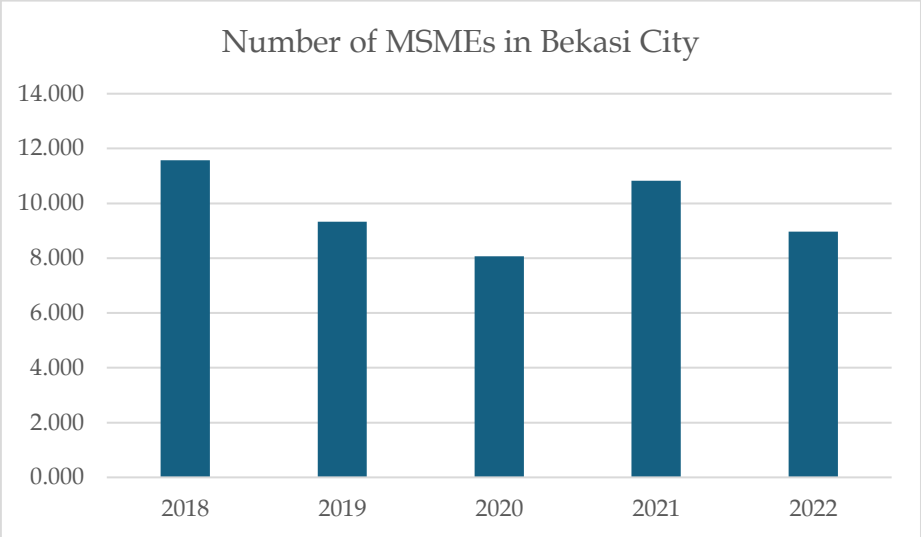
MSMEs are recognized as the mainstay of the Indonesian economy, with a large contribution to Gross Domestic Product, job creation, and local economic development. This role is not only important in Indonesia but also dominant in other ASEAN countries. According to Okta (2016), MSMEs are at the core of the Indonesian and ASEAN economies, with 88.8-99.9% of all businesses in ASEAN being MSMEs, employing 51.7-97.2% of the region's workforce. In addition, MSMEs play a vital role in Indonesia's economic growth, accounting for 99% of all business units and contributing 60.5% to GDP and 96.9% to the total national workforce (Haryo Limanseto, 2022).

At the provincial level, West Java stands out as one of the major economic centers with diverse and dynamic MSMEs. MSMEs in West Java play an important role in the local economy, contributing to economic growth and poverty reduction. The province, with its supportive infrastructure and policies, has become a conducive environment for MSME growth.

Moving closer to Bekasi City, it is one of the fastest growing economic regions in West Java. With a population of 2,590,257 in 2022 and a strategic location close to the capital city, Bekasi City presents vast opportunities and unique challenges for MSMEs (Statistik Daerah Kota Bekasi, 2023).

Figure 1

Diagram of MSMEs Growth in Bekasi City



Source: Central Bureau of Statistics,2023

While more MSMEs will have a positive impact on the GRDP of Bekasi City, this economic progress coexists with ongoing socioeconomic challenges such as fluctuating poverty and unemployment rates.

Table 1

GRDP of Bekasi City

expenditure component	2018	2019	2020	2021	2022
Household Consumption	103.121,62	110.686,2	109.145,5	112.770,6	121.601,7
LNPRT Consumption	309,04	330,39	324,81	336,91	355,72
Government	4.356,98	4.620,48	4.564,29	4.720,2	4.862,80
FDI	33.478,72	37.171,65	33,256,33	35,543,68	37.125,99
Inventory Change	3.724,64	3.807,76	1,617,12	992,24	206,00
Net Export	54.010,29	58.487,65	52.415,86	50.995,82	54.270,84
TOTAL GRDP (Billion Rupiah)	90.980,62	98.107,69	96.492,28	101.383,3	109.881,3

Source: Central Bureau of Statistics,2023

The data shows a positive and supportive relationship with MSMEs growth. From 2018 to 2022, there is a constant increase in household consumption, reflecting an increase in people's purchasing power. This is very favorable for MSMEs, especially those operating in the retail, food, and services sectors, as there is an increased demand for their products and services. In addition, increased government spending indicates greater investment in infrastructure projects and public services, which can create new business opportunities for MSMEs, especially in construction and related services.

Table 2

Poverty Rate in Bekasi City

Poverty	2018	2019	2020	2021	2022	2023
poor population	119.820	113.650	134.010	144.100	137.390	129.400
Percentage of poor population	4,11%	3,81 %	4,38%	4,74%	4,43%	4,10%

Source: Central Bureau of Statistics,2023

On the other hand, even though in 2018-2023 the poverty rate in Bekasi City did not change much because it only slightly decreased from 4.11% in 2018 to 4.10% in 2023, but there was still an increase in the poor population because in 2018 there were 119,820 poor people while in 2023 there were 129,400 poor people in Bekasi City.

Table 3

Bekasi City Unemployment Rate

Bekasi City Unemployment Rate	
Years	Percentage
2018	9,14%
2019	8,30%
2020	10,68%
2021	10,88%
2022	8,81%
2023	7,90%

Source: Central Bureau of Statistics,2023

The unemployment rate in Bekasi City experienced an oscillating trend, reaching a peak of 10.68% in 2020 due to the Covid-19 pandemic before finally decreasing to 7.90% in 2023. Unemployment is another important issue in Bekasi City. High unemployment rates not only create social problems but also reduce consumption and demand levels which ultimately affect the performance of MSMEs. This confirms the importance of developing entrepreneurial skills that can help in job creation and reducing unemployment.

This study examines the hidden potential of Micro, Small and Medium Enterprises (MSMEs) in Bekasi City, a strategic region in Indonesia. Although MSMEs are the backbone of the local economy, their contribution to increasing employment and Gross Regional Domestic Product (GRDP) of Bekasi City still faces challenges, including fluctuations in the number of MSMEs and increases in poverty and unemployment, exacerbated by the Covid-19 pandemic.

This study focuses on how entrepreneurial orientation-including innovativeness, proactiveness, risk-taking, and aggressiveness-can improve MSME performance and local economic stability. Innovation helps create new products and services, proactivity enables rapid response to market opportunities, risk-taking emboldens uncertainty, and aggressiveness supports competition in competitive industries.

THEORETICAL REVIEW

Entrepreneurial Orientation

Entrepreneurial orientation is a creative and innovative ability that is the basis for seeking opportunities and achieving business success. Its relationship with organizational culture affects strategy making and decision making. There are four dimensions in entrepreneurial orientation according to Djodjobo & Tawas (2014): innovation, proactivity, aggressiveness, and risk-taking.

Innovation involves creative activities and new product development. Proactivity is an active approach in seeking opportunities and meeting market needs before competitors. Aggressiveness reflects the intensity of a company's efforts in overcoming competitors through offensive actions. Risk-taking is the willingness to make decisions without full certainty and face personal, financial, and business risks (Suryana, 2014). The combination of strong entrepreneurial ability and effective management is likely to result in business success (Putri & Putri, 2023;Nizam et al., 2020).

H1: Entrepreneurial Orientation has a positive impact on Business Performance.

Business Performance

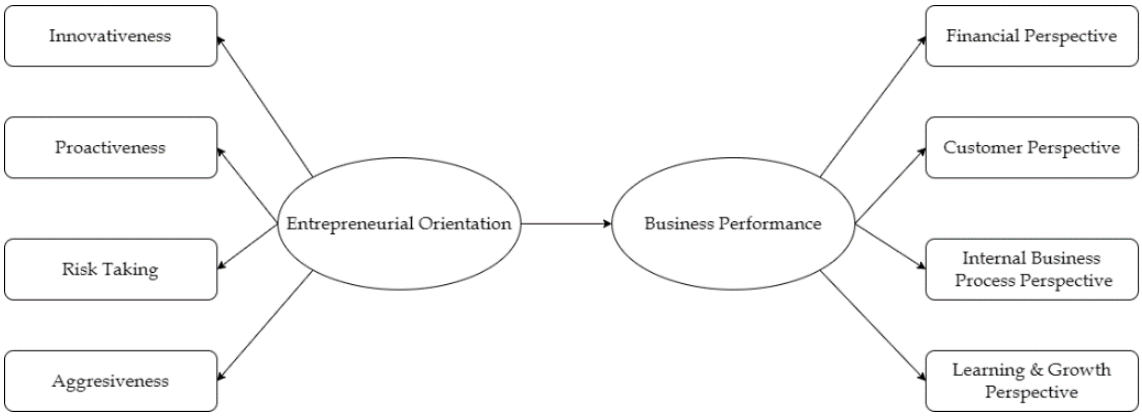
According to Putri & Putri (2023), business performance is defined as the result of a company's business activities in a certain period that is assessed based on predetermined standards. High business performance indicates success in overcoming obstacles and utilizing potential to develop and compete in the global market.

One of the important standards used by economic entities to measure the success of their endeavors is business performance. Every company must demonstrate that they are achieving their goals based on standards that have been set and agreed upon by the organization. Setting performance standards is very important as a reference for assessing company performance. The standard is also needed as a measuring and evaluation tool in the process of designing future plans, as well as facilitating performance appraisal, which is the basis for giving rewards and sanctions to those who work to improve performance (Marjukah et al., 2021).

To measure the performance of small and medium enterprises (MSMEs) in Bekasi City, appropriate measurement tools are needed that are not only based on financial metrics but also non-financial metrics that are tailored to the measurement objectives. According to Alimudin et al. (2019), the evaluation of management systems and company performance is seen from four perspectives: financial perspective, customer perspective, internal business process perspective, and learning growth perspective. The purpose of this perspective is to help MSME managers understand business performance.

Figure 2

Research Framework



Source: Machmud & Herlinawati,2019

METHODOLOGY

This research employs a quantitative approach with structured surveys distributed to 383 MSMEs owners or person in charge in Bekasi City. Random

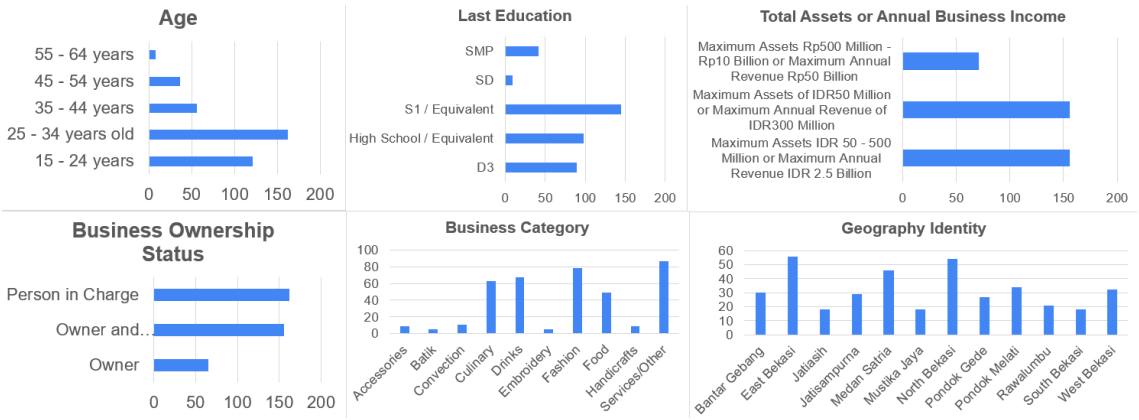
sampling techniques were used to gather relevant data. The analysis was conducted using covariant based structured equation modelling (SEM) using AMOS 29.0 software to evaluate the relationship between entrepreneurial orientation and MSMEs performance.

The survey instrument was designed to measure the four dimensions of entrepreneurial orientation: innovation, proactiveness, risk-taking, and aggresiveness. The business performance of MSMEs was assessed using financial and non-financial indicators, including sales growth, market share, customer satisfaction, and operational efficiency.

RESULTS

Figure 3

Characteristics of Respondents



Source: Data Processed by The Author, 2024

The provided image consists of six bar charts illustrating the demographics and characteristics of business owners or managers. The age distribution indicates that most are between 25-34 years old, followed by those aged 15-24, with fewer participants in older age brackets. In terms of education, the majority hold a bachelor's degree, followed by high school and diploma holders, with minimal representation from those with only middle or elementary school education. Regarding business maximum assets or income, a significant number of businesses fall within the maximum IDR 50 million to 500 million range or have annual revenues up to IDR 2.5 billion. Most respondents identify as "Owner and Manager," indicating active involvement in their businesses. The business categories are diverse, with "Services/Other," "Culinary," and "Food"

being the most common, while "Batik" and "Embroidery" have the least representation. Geographically, "East Bekasi" hosts the highest concentration of businesses, with notable numbers in "Mustika Jaya," "North Bekasi," "South Bekasi," and "West Bekasi," and moderate presence in other areas like "Bantar Gebang" and "Jatisampurna." This data depicts a predominantly young, educated, and actively managing demographic of business owners, primarily running micro, small to medium-sized enterprises across various sectors and regions.

Descriptive Statistics

Table 4

Descriptive Statistic on Entrepreneurship Orientation

No.	Dimensions	Frequency (%)		Achievement Criteria
		VL+L+N	H+VH	
	Innovativeness	34.60%	65.40%	High Tendency
1	Rate of discovery of new ideas	34.50%	65.50%	High Tendency
2	Frequency of trying new ways of doing business	33.70%	66.30%	High Tendency
3	Technology update rate	34.70%	65.30%	High Tendency
4	New market discovery rate	35.50%	64.50%	High Tendency
	Proactive	34.78%	65.23%	High Tendency
5	Activity level in pursuing business opportunities	32.90%	67.10%	High Tendency
6	Responsiveness to changes in customer demand	35.20%	64.80%	High Tendency
7	Activity level in seeking business information	35.50%	64.50%	High Tendency

8	Level of speed in finding business partners	35.50 %	64.50%	High Tendency
	Risk Taking	33.98 %	66.03%	High Tendency
9	Degree of risk-taking when entering a new market	34.50 %	65.50%	High Tendency
10	Degree of risk-taking when launching a new product	33.20 %	66.80%	High Tendency
11	Level of courage in trying untested marketing strategies	34.50 %	65.50%	High Tendency
12	Readiness level of the strategy plan to minimize the risk of failure	33.70 %	66.30%	High Tendency
	Aggressiveness	34.13 %	65.88%	High Tendency
13	Degree of aggressiveness when competing in the market	33.40 %	66.60%	High Tendency
14	Aggressiveness in expanding market share	35.50 %	64.50%	High Tendency
15	Level of speed in responding to changes in the market	36.30 %	63.70%	High Tendency
16	Level of frequency in modifying products to improve competitiveness	31.30 %	68.70%	High Tendency
	Entrepreneurship Orientation	34.37 %	65.63%	High Tendency

Source: Data Processed by The Author, 2024

Table 5

Descriptive Statistic on Business Performance

No.	Dimensions	Frequency (%)		Achievement Criteria
		VL+L+N	H+VH	
	Financial Perspective	32.50%	67.50%	High Tendency
1	Sales growth rate	33.90%	66.10%	High Tendency
2	Operating profit growth rate	31.10%	68.90%	High Tendency

	Customer Perspective	34.60%	65.40 %	High Tendency
3	Customer retention rate	32.90%	67.10 %	High Tendency
4	Customer acquisition rate	36.30%	63.70 %	High Tendency
	Internal Business Process Perspective	34.85%	65.15 %	High Tendency
5	Level of efficiency in company operations	35.20%	64.80 %	High Tendency
6	Rate of change in product development	34.50%	65.50 %	High Tendency
	Learning and Growth Perspective	33.30%	66.70 %	High Tendency
7	Rate of change in employee-specific skills	34.50%	65.50 %	High Tendency
8	Employee performance growth rate	32.10%	67.90 %	High Tendency
	Business Performance	33.81%	66.19 %	High Tendency

Source: Data Processed by The Author, 2024

Tables 4&5 present comprehensive data on various dimensions of business performance and entrepreneurship orientation, highlighting high tendencies across all areas. In the Financial Perspective, sales growth rate and operating profit growth rate exhibit high tendencies with scores of 67.50% and 68.90%, respectively. From the Customer Perspective, both customer retention and acquisition rates show high tendencies, scoring 65.40% and 63.70%. The Internal Business Process Perspective also demonstrates high tendencies, with efficiency in company operations at 64.80% and the rate of change in product development at 65.50%. In the Learning and Growth Perspective, the rate of change in employee-specific skills and employee performance growth rate are marked at 65.50% and 67.90%, indicating a strong emphasis on employee development. Overall, the Business Performance dimension averages a high tendency of 66.19%, reflecting robust growth and efficiency. Additionally, in the dimensions of entrepreneurship orientation, high tendencies are seen in Innovativeness, Proactivity, Risk Taking, and Aggressiveness. Innovativeness scores above 64.5% in new ideas, business methods, technology updates, and market discovery. Proactivity exceeds 64.5% in business opportunity pursuit,

customer demand response, business information seeking, and partner finding. Risk Taking shows high tendencies in market entry risk, new product launch risk, untested marketing strategies, and strategic planning. Aggressiveness scores above 63.7% in market competition, market share expansion, market change response, and product modification. This data highlights a predominantly young, educated, and actively managing demographic of business owners, primarily running micro, small to medium-sized enterprises across various sectors and regions, with robust entrepreneurial orientation and significant tendencies in innovation, proactive behavior, risk management, and competitive aggressiveness.

Normality Test

The critical ratio (c.r) values for kurtosis and skewness can be used to test the normality of the data. If the values fall between -2.58 and 2.58, the data distribution is considered normal. If the values fall outside this range, the data distribution is considered abnormal (Hair et al., 2014).

Table 6

Data Normality Test

Variable	Min	Max	Skew	c.r.	Kurtosis	c.r.
Y4	2,000	10,000	-,673	-5,375	-,576	-2,302
Y3	2,000	10,000	-,688	-5,494	-,533	-2,130
Y2	2,000	10,000	-,720	-5,756	-,450	-1,799
Y1	2,000	10,000	-,807	-6,450	-,335	-1,337
X1	4,000	20,000	-,655	-5,230	-,569	-2,273
X2	4,000	20,000	-,681	-5,439	-,575	-2,299
X3	4,000	20,000	-,676	-5,398	-,590	-2,359
X4	4,000	20,000	-,706	-5,644	-,545	-2,175
Multivariate					31,322	24,230

Source: Data Processed by The Author, 2024

The results of the normality test show that researchers can look at the z-skewness and z-kurtosis values. The CR values are between -2.58 and +2.58, which indicates that each observed variable has a univariate normal distribution.

Validity Test

Validity can be defined as the level of accuracy and precision of a measuring instrument in carrying out its measurement function or the extent to which a measurement is accurate in showing what it is intended to measure. If a measurement instrument produces results that are in accordance with the measurement objectives, the tool is considered to have high validity. The level of validity of the instrument shows how close the true picture of the measured variable is to the data collected (Hair et al., 2014).

Table 7

Data Validity Test

			Estimate
Entrepreneurship Orientation	→	Business Performance	0,987
Aggresiveness	→	X4	0,894
Risk Taking	→	X3	0,888
Proactiveness	→	X2	0,904
Innovativeness	→	X1	0,877
Finansial Perspective	→	Y1	0,817
Customer Perspective	→	Y2	0,832
Internal Business Prosess Perspective	→	Y3	0,808
Learning & Growth Perspective	→	Y4	0,779

Source: Data Processed by The Author, 2024

Standardized Regression Weights in model calculations provide factor loading values for each variable. To be significant, the standardized loading

estimate value must reach or exceed 0.50. Based on table 7, all loading factor values exceed 0.50, indicating that all validity test results are valid.

Construct Reliability Test

The reliability test shows how consistent a measuring instrument is in providing comparable results if it is reused on the same object. For dimensions that form latent variables, the minimum acceptable reliability value is 0.70 (Hair et al., 2014).

Table 8

Construct Reliability Test

Variabel	Indicator	SLF	SLF^2	e	cr
X4	Aggresiveness	0.894	0.799236	0.200764	
X3	Risk Taking	0.888	0.788544	0.211456	
X2	Proactiveness	0.904	0.817216	0.182784	0.938918
X1	Innovativeness	0.877	0.769129	0.230871	
	Total	3.563	3.174	0.826	
		12.69			

Source: Data Processed by The Author, 2024

The reliability value is greater than 0.70, or 0.93, as shown by the observations in table 8. The results show that the entrepreneurial orientation indicators on the constructs used as observed variables or construct latent variables can explain the constructs or latent variables they represent well.

Goodness of Fit

Testing the suitability of the structural model aims to evaluate the consistency of the theoretical hypothesis model with empirical information collected from the research sample. The following table shows the model fit index table (Goodness of Fit).

Table 9

Goodness of Fit Index

No	Goodness Of Fit Index	Limit Value	Results	Conclusion
1	Chi - Square	Chi Kuadrat < Tabel	22.032 < 429.632	Very Suitable
2	Probabilitas	≥ 0.05	0.283	Very Suitable
3	RMSEA	≤ 0.08	0.020	Very Suitable
4	GFI	≥ 0.90	0.985	Very Suitable
5	AGFI	≥ 0.90	0.972	Very Suitable
6	NNFI / TLI	≥ 0.90	0.998	Very Suitable
7	CFI	≥ 0.90	0.999	Very Suitable
8	CMIN / df	≥ 0.90	1.160	Very Suitable
9	NFI	≥ 0.90	0.992	Very Suitable
10	PNFI	≥0.50	0.673	Very Suitable

Source: Data Processed by The Author, 2024

Table 9 presents various indices used to assess the suitability of a model in Structural Equation Modeling (SEM). The Chi-Square (χ^2) statistic tests the null hypothesis that the model fits the data perfectly; a lower value indicates a better fit. Here, the Chi-Square value is 22.032, significantly lower than the table value of 429.632, indicating an excellent fit. The probability (p-value) of 0.283 is greater than the threshold of 0.05, suggesting that the model fits well. The Root Mean Square Error of Approximation (RMSEA) measures the model's fit per degree of freedom, accounting for model complexity. A value below 0.08 indicates a reasonable error of approximation; the RMSEA in this table is 0.020, showing a very close fit of the model in the population. The Goodness of Fit Index (GFI) assesses how well the model reproduces the observed covariance matrix. A value above 0.90 indicates a good fit, with the GFI here being 0.985, suggesting an excellent fit. The Adjusted Goodness of Fit Index (AGFI) adjusts the GFI based on the degrees of freedom of the model. Like GFI, values above 0.90 indicate a good fit; the AGFI value in this table is 0.972, indicating a very good fit (Hair et al., 2014; Kline, 2016).

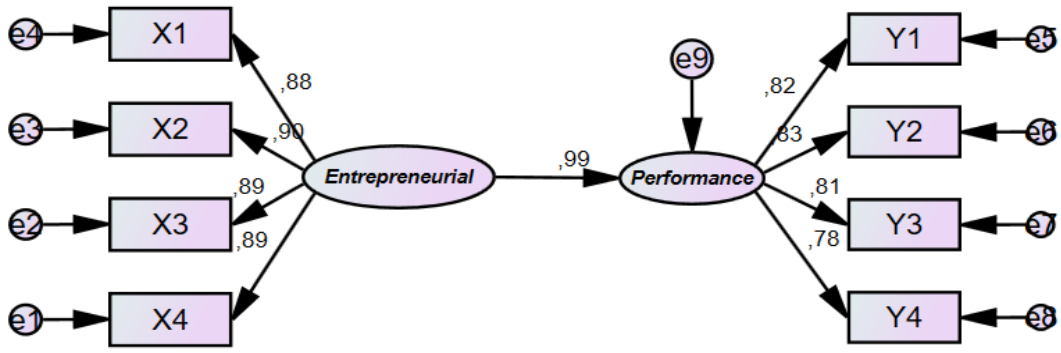
The Non-Normed Fit Index (NNFI/TLI), also known as the Tucker-Lewis Index (TLI), compares the fit of the specified model to a null model. Values above 0.90 indicate a good fit, with the NNFI/TLI here being 0.998, showing an excellent fit. The Comparative Fit Index (CFI) compares the fit of a target model to an independent model, and values above 0.90 are considered indicative of a

good fit. The CFI in this table is 0.999, which is an excellent fit. The Chi-Square/Degrees of Freedom ratio (CMIN/df) evaluates the model fit relative to the degrees of freedom, and a value close to 1 indicates a good fit. The CMIN/df value here is 1.160, suggesting a very good fit. The Normed Fit Index (NFI) assesses the proportion by which the model improves the fit compared to a null model, with values above 0.90 considered good. The NFI value in this table is 0.992, indicating an excellent fit. Finally, the Parsimony Normed Fit Index (PNFI) adjusts the NFI by the model's complexity, and values above 0.50 indicate a good fit. The PNFI here is 0.673, suggesting a good fit. Collectively, these indices demonstrate that the model fits the data exceptionally well, indicating the robustness and reliability of the SEM analysis used in the study (Hair et al., 2014; Kline, 2016).

Hypothesis Testing Results

Figure 4

Structural Model



Source: Data Processed by The Author, 2024

Figure 4 above shows a structural model illustrating the relationship between Entrepreneurial Orientation and Business Performance. In this model, Entrepreneurial Orientation is measured through four indicators, namely Innovation (X1), Proactivity (X2), Risk Taking (X3) and Aggressiveness (X4), which have *loading factor* values of 0.88, 0.91, 0.92, and 0.87, respectively. These indicators represent the dimensions of Entrepreneurial Orientation. Meanwhile, Business Performance is also measured through four indicators, namely Financial Perspective (Y1), Customer Perspective (Y2), Internal Business Process Perspective (Y3) and Growth and Learning Perspective (Y4), with *loading factor*

values of 0.82, 0.78, 0.74, and 0.76, which reflect various aspects of Business Performance.

The model shows a direct effect of Entrepreneurial Orientation on Business Performance with a path coefficient value of 0.99, indicating a very strong relationship between the two latent variables. In addition, the exogenous variable in this model is Entrepreneurial Orientation, while the endogenous variable is Business Performance, with each latent variable measured by its corresponding measured variable.

Table 10

hypothesis testing

Hypothesis	Path			C.R.	P	Results
H_1	Entrepreneurship Orientation	→	Business Performance	21,314	***	Accepted

Source: Data Processed by The Author, 2024

Table 10 above presents the results of hypothesis testing in this study, specifically for hypothesis H_1 which states that Entrepreneurial Orientation affects Business Performance. In the table, the path of influence from Entrepreneurial Orientation to Busineol,u bvhss Performance is indicated by the C.R. (*Critical Ratio*) value of 21.314. Which shows that the C.R. value is much greater than 1.96 as the acceptance limit, so it is significant at a very high level. The P value shown is ***, Three stars (***) indicate that the P value is very small, usually less than 0.001, indicating very high significance. Indicates that this result is highly statistically significant ($p < 0.001$). Based on these results, hypothesis $H1$ is accepted, which means that there is a significant effect of Entrepreneurial Orientation on Business Performance.

DISCUSSION

The findings of this study reveal the significant impact of entrepreneurial orientation on the performance of MSMEs in Bekasi City. The dimensions of innovation, proactiveness, risk-taking, and aggressiveness were found to be

crucial factors influencing business success. Specifically, the study highlighted that a high tendency towards discovering new ideas, trying new business methods, updating technology, and exploring new markets significantly contributes to better business performance. The proactive dimension, including activities like pursuing business opportunities, responding to customer demands, and seeking business information, also showed a strong correlation with improved MSME performance. Furthermore, the dimensions of risk-taking and aggressiveness, such as entering new markets, launching new products, and competing in the market, were identified as essential for enhancing business outcomes. These findings align with previous research, emphasizing the importance of entrepreneurial orientation in driving MSME growth and sustainability .

CONCLUSIONS AND RECOMMENDATIONS

This study concludes that entrepreneurial orientation, which includes innovativeness, proactiveness, risk-taking, and aggressiveness, has a significant positive impact on the business performance of MSMEs in Bekasi City. The strong relationship between these dimensions and business success emphasizes the need for MSMEs to adopt an entrepreneurial mindset in order to survive in a competitive market. Based on these conclusions, the authors recommend that targeted training and development programs should be implemented to improve the innovation capacity, proactivity, and risk-taking ability of MSME owners.

To address the research objectives in more detail, the following are more specific suggestions. First, MSMEs need to develop a culture of innovation from within. This can start by encouraging all team members to contribute new ideas, no matter how small. Hold regular brainstorming sessions, experiment with new approaches to production or service, and always look for ways to improve efficiency. In addition, it is important to monitor market and technology trends independently, and not be afraid to try new things that might increase value for customers. Second, MSMEs should adopt a market warrior mentality. This means actively seeking new opportunities, taking measured risks, and quickly adapting to market changes. Focus on product or service differentiation, consistently improve quality, and build strong relationships with customers. The use of social media and digital platforms should also be maximized to expand market reach effectively and efficiently. Always monitor competitors, but don't just follow, but

create unique values that differentiate your business. With this approach, MSMEs can improve their competitiveness and business performance.

FURTHER STUDY

This research has several limitations that should be acknowledged. First, the study focuses exclusively on MSMEs in Bekasi City, which may limit the generalizability of the findings to other regions. Future research should consider a broader geographical scope to validate the results. Second, the study examines only two variables: entrepreneurial orientation and business performance, without considering other potential influencing factors such as government support and technological advancements. Future studies should incorporate these additional variables to provide a more comprehensive understanding of factors affecting business performance. Lastly, the data collection method relied on self-reported surveys, which can be subject to biases. Future research should consider using a mix of qualitative and quantitative methods to enhance the reliability of the data .

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