The effect of management capability and entrepreneurial orientation on business performance through business strategy as an intervening variable

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Abstract

This study aims to analyze and know the role of management capability and entrepreneurial orientation on business performance through business strategy in the micro and small food industry (IMK) in Gorontalo Province. The population is all business people/owners of IMK in Gorontalo Province, with a total sample of 377 respondents. This study applies a non-probability method using purposive sampling and proportionate stratified random sampling techniques. Furthermore, this study uses PLS (Partial Least Square) to analyze the data. The findings show that Management capability has a significant positive effect on business strategy and has a significant positive effect on business performance. Entrepreneurial orientation has a significant positive effect on business strategy and has a significant positive effect on business performance. Business strategy is proven to have a significant positive effect in mediating the effect of management capability and entrepreneurial orientation on business performance. Thus, the theoretical and managerial implication is that all variables involved in this study have a positive and significant direct and indirect influence on business performance. This research is expected to provide understanding and knowledge for Gorontalo food SMEs and local governments in terms of increasing competitive advantage. and IKM business performance can be done through the implementation of entrepreneurial orientation, management skills, and business strategies.

Keywords: management capability; entrepreneurial orientation; business strategy and business performance

JEL Classification: M12, M21

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INTRODUCTION

In Indonesia, the position of Micro and Small Industry (IMK) has long been recognized as a crucial business sector because of its various real roles in the economy. Starting from its share in the formation of GDP of around 63.58%, its ability to absorb labor by 99.45%, or the huge number of business units involved, which is around 99.84% of all existing business units, to its quite significant share in total export value, which reached around 18.72%, (Tambunan, 2017).

In addition, the existence of micro and small industries in Indonesia has a very strategic role, and it can be seen that micro, small and medium industries are better able to survive the economic crisis

longer because they are more flexible and utilize local resources so that they can be relied on to support economic resilience (Tambunan, 2017). An example is where the micro and small industries were resilient to economic shocks when the economic crisis hit Indonesia from mid-1999 to 2004. When many large companies fell, it turned out that the micro, small and medium industries were still able to survive.

Nitisusastro (2017) states four factors cause most of the failures experienced by micro and small industries in Indonesia, namely Weak Management Skills; Business actors often go into entrepreneurship with limited resources. The unpreparedness is not only in terms of capital, funds, and/or other equipment but also in mastering the competence of the business sector and lack of management skills. Failure Rate and Causes; Siropolis (Nitisusastro, 2017) The micro and small industry failure rate of 44% is caused by a lack of competence in the business world which includes mastery of the business field being run and the ability to manage business activities physically. The second cause is weak management capabilities in terms of mastery of knowledge and experience in managing human resources and other resources. The third source of failure is due to an imbalance of experience. Limited Resources; These limitations are not only limited to funds and physical equipment, market-related information, and consumer satisfaction. The existence of these three factors will have an impact on decreasing productivity and performance for the small industry.

Besides the lack of good management skills, the cause of weak performance and productivity level of micro and small industries is also caused by the weak entrepreneurial behavior of business actors. Therefore, to create competitive business opportunities, an entrepreneur must have the ability to implement management functions that are following the concept of entrepreneurial orientation (Lechner, 2013). Every micro and small industry (IMK) that is developed with a higher level of entrepreneurial orientation will direct business actors to act independently and be encouraged to always make innovations (innovativeness), dare to take risks (risk-taking), be proactive (proactiveness), and compete more aggressively. It was also explained that entrepreneurial orientation made an important contribution to improving business performance so that the courage to take risks, innovation, and a proactive attitude made the company able to beat the next competitors (Mustikowati & Irma, 2014).

Uchegbulam et al. (2015) suggest that if IMK can survive in the competition, it must apply the most competitive strategy, namely the generic porter. The generic strategy is the most widely applied as a theoretical basis for identifying strategic groups in the industry. In addition, the implementation of business strategy needs to be adjusted to the characteristics they have because if it is wrong in the selection and implementation, there will be the potential for losses (Nihat, 2015).

Based on the theoretical study above, the role of the three variables (management ability, entrepreneurial orientation, and business strategy) can be seen as the basis for creating better company performance (Bagire & Juliana, 2013; Lechner & Sveinn, 2013; Setyanti et al., 2013). In response to this, the micro and small industry (IMK) should be ready and improve in capturing every opportunity while developing it to the fullest to improve and improve its performance towards a better direction.

Conducting a study on business performance is a fascinating thing to study and develop. However, the results of empirical studies regarding the effect of management ability and entrepreneurial orientation on business performance are still partial, and the results obtained from several studies have not been consistent, thus creating contradictory gaps in several previous studies. , so it needs to be re-examined. Based on these contradictions, the gaps that can be filled to complete the previous research are: Previous research that examines business strategy variables emphasizes the dimensions and indicators of the variables more on the dimensions of cost leadership and differentiation. Therefore, in this study, the researchers tried to include the dimensions of focus on a particular demand or a particular market; Previous studies that examined business performance variables only focused on performance measurement indicators from the financial aspect (sales growth, profit growth, and asset

growth) perceived by business/industry actors, but in this study trying to add performance measurements from non-financial aspects (Employee growth and customer/market growth).

Furthermore, to cover this gap, a variable that can mediate the influence of management ability and entrepreneurial orientation is needed on business performance (Niode et al., 2021). To answer and prove this, in this research, the researcher tries to include/include a variable that can mediate business strategy. This is done with the assumption that each business actor's management ability and entrepreneurial orientation possessed by each business actor (IMK) are insufficient to influence business performance. However, both understandings between management ability and entrepreneurial orientation need to be elaborated as a business strategy to contribute to business performance.

Management Capability

In particular, to perform managerial tasks optimally, they must have company-specific knowledge, which is part of the past obtained through learning by doing. Entrepreneurs' management skills (managerial skills) are a set of skills and competencies both administratively and operationally in carrying out management functions which consist of the ability to plan, organize, direct or carry out assignments and supervise. To be able to implement these management activities following their respective functions, some management expertise is required that is required by everyone involved in organizational activities, especially business organizations. These skills include technical expertise, communication and interaction skills with the public, conceptual skills, decision-making skills, and time management skills.

Astuti and Murwatiningsih (2016) Management ability is intangible knowledge, skills, and experience that can be utilized by managers in running their businesses. There are a few ways to measure management capability, and the following indicators are used: verbal communication; managing time and pressure (managing time and stress); managing individual decisions, recognizing, defining, and solving problems; motivating and influencing others, delegating, building a work team, and managing conflict.

Entrepreneurial Orientation

Entrepreneurial orientation is defined as how the company carries out new entries. In other words, entrepreneurial orientation can be described as a process and practice as well as a decision-making activity that includes or encourages the creation of something new. Something new can be interpreted as follows, namely finding new markets, serving customers, beating competitors in taking advantage of business opportunities, and daring to undertake risky ventures.

Darmanto & Sulistyani (2018) Entrepreneurship Orientation is a strategic policy-making process that allows entrepreneurs to act and run the organization as planned and refers to new things. Thus, entrepreneurial orientation is a character or characteristic that is inherent in someone who has the nature and strong will to realize innovative ideas in the real world of business and can develop them with resilience. The following five indicators measure the measurement of entrepreneurial orientation: innovative behavior, proactive, courage in taking risks, competitive aggressiveness, and autonomy.

Business Strategy

Business success is not only supported by the application of good entrepreneurial orientation but also by the ability of business owners to develop the right business strategy (Mustikowati & Tysari, 2014). Concerning the business strategy undertaken, MSMEs must be able to implement appropriate business strategies so that these strategies can have an impact on business continuity, namely improving MSME performance. The right strategy is needed for MSME entrepreneurs, considering that developing their businesses requires identifying opportunities and threats in their business environment. A good strategy is a strategy that can adapt to various changes in the business environment that occur to gain a competitive advantage. Determining a good business strategy will have an impact on achieving good performance

Business Strategy is a strategy to achieve goals related to how to systematically think, prepare plans, move swiftly, take risks, and passion for winning the competition in business management, (Primadhita at all, 2021). Business strategy measurement is measured by the following three indicators: pursuing to achieve low cost/ overall cost leadership, pursuing to create unique products for varied customers or differentiation, and pursuing to serve the special demands of one or more consumer or industry/focus groups.

Business Performance

Business performance is directed at the level of achievement of achievements in the company in a certain period. The performance of a company is very decisive in its development of the company. The company's objectives, which consist of surviving, gaining profit, and growth, can be achieved if the company has good performance. The company's performance can be seen from the level of sales, profit levels, return on capital, turnover rates, and the market share it achieves.

Sudarsono (2015) argues that business performance is how far the level of ability to carry out organizational tasks to achieve goals is following the capabilities and programs/policies/visions and missions that have been set previously. Cho and Lee Joo-Heon's (2018) business performance can be classified into two categories, financial business performance, and non-financial business performance. Financial business performance usually includes growth measures and profitability measures. Several previous studies in measuring financial business performance with return on assets (ROA), return on equity (ROE), revenue growth, and resale. Our non-financial business performance includes employee growth rates, social responsibility, organizational learning capabilities, and growth potential.

Performance is measured using three indicators developed by (Cho & Joo-Heon Lee, 2018) and Iyibildiren and Karasioglu (2018), Setyanti et al. (2013), namely: sales growth, profit growth, assets growth, customer perspective, and employee growth, as well as market growth potential.

HYPOTHESES DEVELOPMENT

Abdillah et al. (2019) in their research concluded that there is a positive influence on management's ability to improve business performance. Managerial ability is always used as an important parameter and focuses on developing methods and procedures for improving individual managerial abilities. Furthermore, the research of Setyanti et al. (2013), the research findings found that management ability affects business performance. Furthermore, it is explained that indicating the important components used to assess and change managerial abilities are personality, intelligence, motivation, memory, and system processing in increasing company growth. In the Astuti and Murwatiningsih section. (2016) stated that management ability has several management models based on effectiveness. The results state that management ability can contribute to business performance. H1: Management ability has a positive influence on business performance.

Arshad et al. (2014) in the study explained that entrepreneurial orientation, which includes proactive and innovative variables, has a significant influence on business performance. Furthermore, research conducted by Nurlina. (2014). also explains the relationship between entrepreneurial orientation and sales performance. On the other hand, Machmud and Iwan Sidharta (2016) found that the findings of this study indicate that the potential for entrepreneurial motivation partially has a significant influence on the business performance of SMEs. The most dominant influence is self-efficacy, while achievement has the best influence.

H2: The entrepreneurial orientation has a positive influence on business performance

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Pulung (2013). states that business strategies/competitive strategies can affect organizational performance for the better. Many studies have been conducted on the effect of business strategy on performance, including research conducted (Primadhita et all, 2021). Where the results of the study prove that business strategy influences company performance in the sense that the better the business strategy carried out by a company, the better the company's performance. Sudarsono (2015). also concluded in their research that the business strategy used by a company affects the company's performance.

H3: The business strategy has a positive influence on business performance.

Hajar et al., (2013) found that human capital or the owner's managerial ability is associated with strategies that positively affect company performance. Niode et al. (2012), from their research, show that managerial ability positively affects competitive strategy. That is, the higher the managerial ability, the more appropriate the competitive strategy formulated and applied to the small furniture industry, Batista et al. (2016)

H4: Management ability has a positive influence on the business strategy

Wardoyo et al. (2015) in their research prove that there is a relationship between entrepreneurial orientation and business strategy. The business strategy constructs in this study were measured using four indicators, namely: (a) differentiation, (b) adaptive, (c) efficiency (d) quality excellence. Next, Sudarsono (2015) in research found that the existence of a strong entrepreneurial orientation spirit from business actors will increase the implementation of each business strategy. Lechner and Gudmundsson (2013) also gives the same result where entrepreneurial orientation, which includes innovativeness, proactive, autonomy, competitive aggressiveness, risk taking, will encourage increasing the implementation of business strategies in business.

H5: The entrepreneurial orientation has a positive influence on the business strategy.

This study uses PLS Second Order as according to Budhiasa (2016) that the second order SEM PLS starts from construct - dimension - indicator.



Figure 1. Research Model

METHOD

This research uses an explanatory research approach with data collection carried out simultaneously in one stage (one short study) or cross-sectionally through a questionnaire. The locations that are the object of research are all micro and small industries (IMK) engaged in food processing that produce and market products in the Gorontalo Province which is spread over 6 regencies/cities namely: Gorontalo City, Bone Bolango Regency, Gorontalo Regency, North Gorontalo Regency, Boalemo Regency, and Pohuwato Regency.

The population in this study is all food processing micro and small industries (IMK) which are owned and managed by their owners who are still actively operating and registered with the Koperindag office of Gorontalo Province, as the research area, namely in Gorontalo City, Gorontalo Regency, Bone Bolango Regency, Boalemo Regency. Pohuwato Regency and North Gorontalo Regency totaled 6,542 business units. Determination of this population area is done because 1). This research was conducted during the pandemic (2020-2021) thus limiting the space for researchers; 2). The limited cost and manpower in conducting research are also an inhibiting factor so the research population area is only limited to Gorontalo Province. Determination of the proportion of the sample is carried out based on the Proportionate Stratified Random Sampling technique, which is taking a sample at random with a proportional amount for each stratum. The strata used are based on the district/city level with a sample size quota of 377 respondents.

Table 1					
Sample Size for Each District/City IMK in Gorontalo Province					
Districts/City	Population	Sample			
Gorontalo City	1.852	(1.852 / 6.542) x 377= 106,73 = 107			
Gorontalo District	1.194	(1.194 / 6.542) x 377 = 68,81 = 69			
Bone Bolango District	1.38	(1.380/ 6.542) x 377 = 79,53 = 80			
North Gorontalo District	384	(384/ 6.542) x 377 = 22,13 = 22			
Boalemo District	318	(318/ 6.542) x 377 = 18,33 = 18			
Pohuwato District	1.414	(1.414/ 6.542) x 377 = 81,49 = 81			
Total	6.542	377			

RESULTS AND DISCUSSION Results

Convergent Validity Measurement of Management Ability Variables

		Table 2						
Outer l	Loading Results	Managemo	ent Capability	y Construc	t			
Indicator	Outer Loading	Cut off	t-statistics	t-table α = 5%	Status			
X1.1	0.754		21.941		Valid			
X1.2	0.757		28.053		Valid			
X1.3	0.772		30.21		Valid			
X1.4	0.784	0.5	30.708	1.960	Valid			
X1.5	0.764		27.647	1.900	Valid			
X1.6	0.773		26.886		Valid			
X1.7	0.809		34.979		Valid			
X1.8	0.814		40.972		Valid			

Source: Data processed (2021)

Based on the results of data analysis, if it is seen from the estimated value on the outer loading for each indicator, the indicator that regulates conflict (X1.8) is the most important in reflecting the variable management capability. The results of the analysis show that the highest loading factor is found in the indicator, namely managing conflict of 0.814, so the indicator can explain the management ability variable (X1) better than other indicators. Furthermore, the loading factor of the indicators of building a work team is 0.809, and the smallest verbal communication indicator (X1.1) is 0.754.

Table 3						
Outer Load	Outer Loading Results of the Entrepreneurial Orientation Construct					
Indicator	Outer Loading	Cut off	t-statistics	t-table α = 5%	Status	
X2.1	0.767		22.517		Valid	
X2.2	0.823		39.093		Valid	
X2.3	0.661	0.5	20.529	1.960	Valid	
X2.4	0.779		32.751		Valid	
X2.5	0.768		30.471		Valid	

Convergent Validity Measurement of Entrepreneurial Orientation Variables

Source: Data processed (2021)

Judging from the t-count value, it shows that the proactive indicator is the strongest used to measure the entrepreneurial orientation variable because the largest value is 39,093 which is significant at the 95% confidence level (1.960) compared to the aggressive/competitive indicator with a t-count value of 32.751, the autonomy indicator with the t-count value is 30,471, the innovation indicator with the t-count value of 22.517. Thus, it can be concluded that a proactive attitude which is reflected through the willingness to be active in managing and seeking opportunities, and the ability to look ahead and anticipate competitive conditions is the most important indicator in reflecting the entrepreneurial orientation variable.

Table 4 **Outer Loading Result of Business Strategy Construct Outer** t-table Indicator Cut off t-statistics Status Loading **α = 5%** Z.1 0.826 37.493 Valid Z.2 0.805 Valid 0.5 42.259 1.960 Z.3 0.8 28.383 Valid

Convergent Validity Measurement of Business Strategy Variables

Source: Data processed (2021)

The t-statistic value indicates that the differentiation strategy indicator is the strongest used to measure the business strategy variable because the highest value is 42.259 which is significant at the 95% confidence level (1.960) compared to the other two indicators with t-count values between 37.493 to 28.383 respectively. Thus, it can be concluded that, implementing a differentiation strategy, namely, by providing high-quality products, innovating, providing different products from competitors, and developing new products, is a very well-implemented strategy so that it can achieve the business goals of every IMK business actor in the Province of Gorontalo.

Convergent Validity Measurement of Business Performance Variables

	Table 5						
Outer	Outer Loading Result of Business Performance Construct						
Indicator	IndicatorOuter LoadingCut offt-statisticst-table $\alpha = 5\%$ Status						
Y.1	0.819	0.5	36.074	1.960	Valid		

Indicator	Outer Loading	Cut off	t-statistics	t-table α = 5%	Status
Y.2	0.831		41.967		Valid
Y.3	0.796		35.343		Valid
Y.4	0.582		13.578		Valid
Y.5	0.586		14.277		Valid
Y.6	0.614		13.604		Valid

Source: Data processed (2021)

Based on the results of data analysis, when viewed from the estimated value on the outer loading for each indicator, the profit growth indicator (Y.2) has the most important contribution in reflecting the business performance variable. The results of the analysis show that the highest loading factor is found in the indicator, namely profit growth of 0.831, so the indicator can explain the business performance variable (Y2) better than other indicators. Then followed by the loading factor of the sales growth indicator of 0.819, the asset growth indicator of 0.796, the customer perspective indicator of 0.614, and the smallest loading factor value on the market growth indicator and employee growth with the outer loading values of 0.586 and 0.582 respectively.

The following shows the results of the highest outer loading value to the smallest outer loading value of each variable of management ability, entrepreneurial orientation, and business strategy as well as business performance as shown in table 6.

(Juter Loa	ding Value Results Highest to Smallest		
Variable		Indicator		
	X1.8	Managing Conflict	0.814	
	X1.7	Build a work team	0.809	
	X1.4	Regarding, determining and solving problems	0.784	
Managamant Ability	X1.6	Delegation	0.773	
Management Ability	X1.3	Set decisions	0.772	
	X1.5	Motivate & influence others	0.764	
	X1.2	Manage time & pressure	0.757	
	X1.1	Verbal communication	0.754	
	X2.2	Proactive	0.823	
P (1)	X2.4	Aggressive/ Competitive	0.779	
Entrepreneurship Orientation	X2.5	Autonomy	0.768	
onentation	X2.1	Innovation	0.767	
	X2.3	Dare to take risks	0.661	
	Z.1	Overall Cost Leadership	0.826	
Business strategy	Z.2	Differentiation	0.805	
	Z.3	Focus	0.8	
Business	Y.2	Profit Growth	0.831	
Performance	Y.1	Sales growth	0.819	
i errormanee	Y.3	Asset growth	0.796	

Table 6Outer Loading Value Results Highest to Smallest

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Variable		Indicator	Outer Loading
	Y.6	Customer perspective	0.614
	Y.5	Market growth potential	0.586
	Y.4	Employee growth	0.582
2 D	1 (0 0 0 1)		

Source: Data processed (2021)

Average Variance Extracted (AVE) and the square root of AVE

Table 7							
Discriminant Va	Discriminant Validity Results						
Variable AVE Cut off Status							
Management ability	0.606	0.5	Valid				
Entrepreneurial orientation	0.58	0.5	Valid				
Business strategy	0.657	0.5	Valid				
Business performance 0.509 0.5 Valid							
Source: Data processed (2021)							

Based on the test results shown in the table above, the results of the AVE value of the variables of management ability, entrepreneurial orientation, business strategy, and performance are above the tolerance limit of 0.5 (> 0.50). Thus, it can be stated that each variable has good discriminant validity. Thus, it research instrument used to measure all constructs or latent variables in this study has met the criteria for discriminant validity.

Heterotrait - Monotrait Ratio (HTMT)

Table 8.							
Hetero	Heterotrait – Monotrait Ratio (HTMT)						
X1 X2 (WD) COUP Y (KB) Z (SB)							
	(KM)	(OK)		Z (SB)			
X1 (KM)							
X2 (OK)	X2 (OK) 0.501						
Y (KB)	0.439	0.651					
Z (SB) 0.479 0.830 0.745							
Source: Data pr	Source: Data processed (2021)						

Source: Data processed (2021)

Based on the results of the analysis, it can be seen that the Heterotrait – Monotrait Ratio (HTMT) value is entirely less than 0.9 which means that the SEM – PLS model in this study does not have a dis attenuated correlation or good discriminant validity & reliability.

Composite Reliability dan Cronbach Alpha

Table 9						
Composite Reliability Results						
Variable	Composite Reliability	Standard	Status			
Management Capability	0.925	0.7	Reliable			
Entrepreneurial Orientation	0.873	0.7	Reliable			
Business Strategy	0.852	0.7	Reliable			
Business Performance	0.858	0.7	Reliable			
	0041					

Source: Data processed (2021)

Based on the results of data processing, it can be seen that the composite reliability value on the management capability variable (X1) is 0.925; entrepreneurial orientation variable (X2) of 0.873; the business strategy variable (Z) is 0.852; and the business performance variable (Y) is 0.858 and all research variables have a value greater than 0.70. These results indicate that each variable has met composite reliability so it can be concluded that all variables have a good composite reliability level.

Table 10 Cronhoch's Alpha Boculta						
Cronbach's Alpha Results Cronbach's Variable Alpha						
Management Capability	0.908	0.7	Reliable			
Entrepreneurial Orientation	0.817	0.7	Reliable			
Business Strategy	0.74	0.7	Reliable			
Business Performance	0.8	0.7	Reliable			

Source: Data processed (2021)

Based on the results of data processing, it can be seen that the value of Cronbach's alpha on the management ability variable (X1) is 0.908; entrepreneurial orientation variable (X2) of 0.817; business strategy variable (Z) is 0.740; and the business performance variable (Y) is 0.800 and from each research variable, the value is greater than 0.70. Thus, these results can indicate that each research variable has met the requirements of Cronbach's alpha value, so it can be concluded that all variables have a high level of reliability.

Inner Model

Path coefficient evaluation is used to show how strong the effect or influence of the independent variable is on the dependent variable. While the coefficient determination (R-Square) is used to measure how much the endogenous variable is influenced by other variables.

Table 11						
R Square Result						
No.	Variable	Variable Z	Variable Y	Total Indirect Effect		

			Direct	Direct Indirect		Percentag
			(D)	(ID)	D+ID	е
1	Management ability	0.143	0.135	0.053	0.18 8	28,19%
2	Entrepreneurial orientation	0.587	0.235	0.22	0.45 5	48,35%
3	Business strategy		0.375			
Simultaneous Determination		0.438	0.	396		38,27%

Source: Data processed (2021)

Based on the table above, the results of the determination can be described as follows:

The Influence of Management Ability, and Entrepreneurial Orientation on Business Strategy

Based on the results of the analysis shown in table 11 that the coefficient (R-square) obtained from the management capability variable model (X1) on the business strategy variable (Z) is 0.143 so it can be explained that the business strategy variable (Z) can be explained by the management ability variable. (X1) is 14.3% and the remaining 85.7% is influenced by other variables outside the study. The coefficient (R-square) obtained from the entrepreneurial orientation variable model (X2) on the business strategy variable (Z) is 0.587 so it can be explained that the business strategy variable (Z) can be explained by the entrepreneurial orientation variable (X2) of 58.7% and the remaining 41.3% is influenced by other variables outside the study. Overall, it can be interpreted that the value of R Square is 0.438, which means that 43.80% of the influence of management ability (X1) and entrepreneurial orientation (X2) on business strategy (Z) in the food micro and small industry (IMK) in Gorontalo Province. While the remaining 56.20% is influenced by other variables outside the research model. As for the results for each variable, it is found that the variable that has the most dominant influence on business strategy is an entrepreneurial orientation at 58.70%, followed by the management ability variable at 14.30%.

The Influence of Management Ability, Entrepreneurial Orientation, and Business Strategy on Business Performance

Based on the results of the analysis shown in the table above, the coefficient (R-square) obtained from the management capability variable model (X1) on the business performance variable (Y) is 0.135 so it can be explained that the business performance variable (Y) can be explained by the ability variable. management (X1) by 13.5% and the remaining 86.5% is influenced by other variables outside the study. The coefficient (R-square) obtained from the entrepreneurial orientation variable model (X2) on the business performance variable (Y) is 0.235 so it can be explained that the business performance variable (Y) can be explained by the entrepreneurial orientation variable (X2) of 23.5% and the remaining 76.5% is influenced by other variables outside the study. The coefficient (R-square) obtained from the business strategy variable model (Z) on the business performance variable (Y) is 0.375 so it can be explained that the business performance variable (Y) can be explained by the business strategy variable (Z) of 37.5% and the remaining 62.5% is influenced by other variables outside the study. Overall it can be interpreted that the R Square value is 0.396 which means that 39.60% of the influence of management ability (X1), entrepreneurial orientation (X2), and business strategy (Z) on business performance (Y) in the micro and small industry IMK) Food in Gorontalo Province. While the remaining 60.40% is influenced by other variables outside the research model. As for the results for each variable, it is obtained that the variable that has the most dominant influence on business performance is the business strategy of IMK actors at 37.50%. Then the entrepreneurial orientation variable is 23.50% and the management ability variable is 13.50%.

The Influence of Management Ability, Entrepreneurial Orientation on Business Performance Through Business Strategy

The total effect of the relationship from management ability (X1) to business performance (Y), is equal to the direct effect of management ability (X1) to business performance (Y) plus the indirect effect of the path coefficient from management ability (X1) to business strategy (Z) multiplied with the path coefficient of business strategy (Z) to business performance (Y), (Ghozali 2005). Based on the results of the analysis shown in table 4.21 that the coefficient (R-square) obtained from the management capability variable model (X1) on the business performance variable (Y) through the business strategy variable (Z) as the mediating variable is 18.7%. Thus the total indirect effect of management ability on business performance, if mediated by business strategy variables, there is an increase of 28.19%. Furthermore, the total effect of the relationship from entrepreneurial orientation (X2) to business performance (Y), is the same as the direct effect of entrepreneurial orientation (X2) to business performance (Y) plus the indirect effect of path coefficients from entrepreneurial orientation (X2) to business strategy (Z) multiplied by the business strategy path coefficient (Z) to business performance (Y), (Ghozali 2005). Based on the results of the analysis shown in table 4.21, the coefficient (R-square) obtained from the entrepreneurial orientation variable model (X2) on the business performance variable (Y) through the business strategy variable (Z) as the mediating variable is 45.5%. Thus the total indirect effect of entrepreneurial orientation on business performance, if mediated by business strategy variables, there is an increase of 48.35%. Based on the above results, it can be concluded that the role of the business strategy variable in mediating the management ability and entrepreneurial orientation variable on business performance is better than the direct influence of the management ability and entrepreneurial orientation variable on business performance.

	Table 12 Direct Effect Hypothesis Testing Results							
No	Exogenous	Endogenous	Hypothesis	P-Value	Conclusion			
1	Management Ability	Business Performance	Positive and significant	0.006	H1 Accepted			
2	Entrepreneurship Orientation	Business Performance	Positive and significant	0.001	H2 Accepted			
3	Business Strategy	Business Performance	Positive and significant	0.000	H3 Accepted			
4	Management Ability	Business strategy	Positive and significant	0.003	H4 Accepted			
5	Entrepreneurship Orientation	Business strategy	Positive and significant	0.000	H5 Accepted			

Testing the Structural Model Path Coefficient of Direct and Indirect Effects

Source: Data processed (2021)

The t-statistic value of the influence of management ability on business performance is 2.773 with a probability value (P-value) of 0.006. The P-value is smaller than the probability value of 0.05 (0.006 < 0.05). These results prove that management ability has a significant effect on business performance. Thus, empirically rejecting the hypothesis (H0) and accepting the hypothesis (H1), that the better the management capabilities applied by food IMK actors in Gorontalo Province will improve IMK business performance.

The effect of management capability and entrepreneurial orientation on business performance <u>through business strategy as an intervening variable</u>

The t-statistic value of the influence of entrepreneurial orientation on business performance was obtained at 3,469 with a probability value (P-value) of 0.001. The P-value is smaller than the probability value of 0.05 (0.001 <0.05). This result proves that entrepreneurial orientation has a significant effect on business performance. Thus, empirically rejecting the hypothesis (H0) and accepting the hypothesis (H2), that the better the entrepreneurial orientation of food IMK actors in Gorontalo Province will improve IMK business performance.

The t-statistic value of the effect of business strategy on business performance obtained results of 5,626 with a probability value (P-value) of 0.000. The P-value is smaller than the probability value of $0.05 \ (0.000 < 0.05)$. These results prove that business strategy has a significant effect on business performance. Thus, empirically rejecting the hypothesis (H0) and accepting the hypothesis (H3), that the better the implementation of business strategies carried out by food IMK actors in Gorontalo Province will improve IMK business performance.

The t-statistic value of the influence of management ability on business strategy is 3.016 with a probability value (P-value) of 0.003. The P-value is smaller than the probability value of 0.05 (0.003 < 0.05). These results prove that management ability has a significant effect on business strategy. Thus, empirically rejecting the hypothesis (H0) and accepting the hypothesis (H4), that the better management skills possessed and applied by food IMK actors in Gorontalo Province will increase the implementation of business strategies.

The t-statistic value of the influence of entrepreneurial orientation on business strategy is 12,916 with a probability value (P-value) of 0.000. The P-value is smaller than the probability value of 0.05 (0.000 < 0.05). These results prove that entrepreneurial orientation has a significant effect on business strategy. Thus, empirically rejecting the hypothesis (H0) and accepting the hypothesis (H5), that the better application of entrepreneurial orientation applied by food IMK actors in Gorontalo Province will increase the application of business strategies.

_	Indirect Effect Hypothesis Testing Results						
No	Eksogenous	Mediation	Endogenous	Path Coefficient	t- statistics 1.960	P- Value	Conclusion
1	Management Ability	Business Strategy	Business Performance	0.053	2.565	0.011	H6 Accepted
	Entrepreneurs	Business	Business				
2	hip Orientation	Strategy	Performance	0.220	5.319	0.000	H7 Accepted

Table 13 Indirect Effect Hypothesis Testing Result

Source: Data processed (2021)

The results of the analysis show that the path coefficient of the indirect influence of management ability on business performance through business strategy is 0.053. The t-statistic value of the indirect influence of the management capability variable is 2.565 with a probability value (P-value) of 0.011. The P-value is smaller than the probability value of 0.05 (0.011 < 0.05). This proves that management ability has a significant positive effect on business performance through mediating business strategies in the Food Micro and Small Industry (IMK) in Gorontalo Province. Thus, H6 is accepted, which means that the better the management ability of food IMK actors will improve business performance through the implementation of good business strategies.

The results of the analysis show that the path coefficient of the indirect influence of entrepreneurial orientation on business performance through business strategy is 0.220. The t-statistic value of the indirect influence of the entrepreneurial orientation variable is 5.319 with a probability value (P-value) of 0.000. The P-value is smaller than the probability value of 0.05 (0.000 < 0.05). This

proves that entrepreneurial orientation has a significant positive effect on business performance through mediating business strategies in the Small Micro Food Industry (IMK) in Gorontalo Province. Thus, H7 is accepted, which means that the better the entrepreneurial orientation of food IMK actors will improve business performance through the implementation of good business strategies.

Discussion

The Effect of Management Capability on Business Performance in the Food Micro Small Industry (IMK) in Gorontalo Province

The results of this study indicate the management ability of an entrepreneur in providing good directions, providing motivation to foster employee discipline, and how resolve conflicts will have a positive impact on employee confidence to be able to work comfortably, without obstacles, and will ultimately have an impact on business performance. As the theory put forward by Robins and Judge (2017) every successful entrepreneur at least can ability to identify problems, develop alternative solutions to solve problems, evaluate these alternative solutions, and choose the best.

Furthermore, the test results and empirical facts show that management ability has a significant positive effect on business performance, thus the test results prove the first hypothesis which states that the better the management ability, the better business performance will be accepted. This research is in line with research conducted by (Hajar et al, 2013; Nurlina, 2014; Setyanti, et al, 2013).

The findings of this study can be implemented by all lines of business, especially food IMK business actors to improve business performance by implementing and maximizing their management capabilities properly, which of course are based on management capability indicators developed through this research, (Niode, et al, 2021)

The Effect of Entrepreneurship Orientation on Business Performance in the Food Micro Small Industry (IMK) in Gorontalo Province

The results of this study can empirically prove that the higher the entrepreneurial orientation attitude of food industry entrepreneurs, the higher their business performance. It can be concluded that entrepreneurial orientation can explain variations in changes in the performance of the Food Industry business in Gorontalo Province.

The entrepreneurial orientation referred to in this study is the behavior of entrepreneurs who always make policies that enable entrepreneurs to act and run the organization according to plan and refer to new things (finding new markets, being able to seek new ideas in product development), beating competitors in taking advantage of business opportunities. and dare to take risks. The findings of this study indicate that implementing a good entrepreneurial orientation can improve business performance. This supports the theory of Darmanto et al (2018) that the ability to be innovative, proactive, and take risks, aggressiveness/competitiveness, and autonomy that is carried out well in the process of integrating entrepreneurial orientation in small companies will result in and be able to improve business performance to a greater extent than in large-scale companies. medium.

Based on this, it can be interpreted that the higher the ability of entrepreneurial behavior in terms of looking for opportunities through being proactive in predicting future possibilities, continuing to compete to win the competition, innovation, and being free to run a business without the help of others. keep innovating to find new ideas and the courage to take risks running a business influences the success of business performance. The results of this study strengthen and are consistent with previous research conducted by several researchers namely, Machmud and Iwan Sidharta (2016); Sascha et al (2012); Setyanti et al (2013),); Nurlina (2014); where the results of the study show that entrepreneurial orientation has a good role in growing the company's business performance.

The Influence of Business Strategy on Business Performance in the Food Micro Small Industry (IMK) in Gorontalo Province

These findings reflect that the implementation of business strategies carried out through the implementation of overall cost leadership strategies, differentiation strategies, and focus strategies can directly improve competitiveness and business performance in Gorontalo food IMK, especially in anticipating and dealing with the business environment. and market conditions are always changing. Porter (Sudarsono, 2015)

The implementation of the business strategy referred to in this study is the implementation of the strategy through overall cost leadership, implementation of differentiation strategy, and focus strategy. The findings of this study indicate that implementing a good business strategy will be able to improve business performance. The research results and proof of this hypothesis are in line with the findings of research conducted by (Hajar et al. 2012); (Sinarasri. 2013); Wardoyo (2015); Mustikowati and Irma Tysari (2014) where all research results show that business strategy affects business performance. Furthermore Ariawan, et al. (2016); Uchegblam et al (2015); also provide the same test results where the results show that the role of the overall cost leadership strategy and the differentiation strategy and focus strategy are able to improve the performance of IMK.

It is interesting if traced from the research results that the freedom and breadth of each IMK/business actor in formulating and implementing business strategies because starting and running their own business makes it easier for IMK business actors to organize and manage their business. business, especially in implementing business strategy, (Niode et al, 2021)

The Influence of Management Capability on Business Strategy in the Food Micro Small Industry (IMK) in Gorontalo Province

Empirically it can be proven that the better the management ability of food IMK actors in Gorontalo Province, the better the business strategy will be. Thus, it can be indicated that management capability can explain variations in the use of business strategies for food IMK actors in Gorontalo Province. The management capability referred to in this study is the ability to carry out planning, organizing, implementing, and monitoring actions to determine and achieve the goals that have been set. Thus, it can be interpreted that better management ability will affect the implementation of the business strategy carried out by IMK food actors in Gorontalo. This means that IMK business actors in Gorontalo Province in carrying out their business have been able to carry out management functions which are reflected in verbal communication, management skills in terms of managing time and pressure, managing decisions, identifying & determining problems, motivating/influencing other people, delegation, and building work teams and managing conflict, (Niode et al, 2021)

The results of theoretical studies and empirical studies prove that the implementation and formulation of business strategies will be better if they are supported by the managerial skills possessed by entrepreneurs. Therefore, in the management of Gorontalo food IMK in developing a business, the strategic steps that must be taken according to the perception of food IMK entrepreneurs are to combine creative, innovative ideas and actions that are part of the management capabilities and business strategy within the company. to increase the competitiveness of the company.

The results of this study strengthen and are consistent with several previous studies including research conducted by (Hajar et al, 2012), (Astuti and Murwatiningsih, 2016), (Idris et al, 2021) showing that there is an effect of management ability on business strategy. Management capabilities and the ability to formulate business strategies synergize well through innovation and creative ideas that are realized by entrepreneurs and carried out through the implementation of management functions (ability to manage conflict and build work teams, define & solve problems, delegate, manage conflicts, motivate & influence people others, managing time and pressure as well as verbal communication skills) to achieve increased business competitiveness and business performance of the company. That is, the

higher the management ability, the more suitable the competitive strategy that is formulated and implemented in small industries.

The Effect of Entrepreneurship Orientation on Business Strategy in the Food Micro Small Industry (IMK) in Gorontalo Province

The results of the analysis show that entrepreneurial orientation has a significant positive effect on the implementation of business strategy. Based on these empirical findings, shows that the application of a good entrepreneurial orientation from each food industry business actor means that the implementation of business strategies will be better. The application of entrepreneurial orientation behavior for a business actor can be realized by always being proactive in competing and developing a business, having a competitive spirit in competing with fellow business actors, being independent in acting in the context of business development, always innovating in market discovery and having new ideas in product development. and dare to take risks at every opportunity and opportunity. This finding is consistent with the opinion of Lumpkin and Dess (Darmanto, 2018) who stated that entrepreneurial orientation is a description of how new entry is implemented by companies in other words entrepreneurial orientation can be described as a process and practice and is a decision-making activity that includes or encourages the creation of something new

The results of this empirical evidence illustrate that the ability of Gorontalo food IMK entrepreneurs in managing their business has perceived the implementation of entrepreneurial orientation and business strategy implementation well, meaning that entrepreneurial orientation and business strategy are well perceived by Gorontalo food IMK entrepreneurs. will have an impact on changes in business improvement and business competition which will ultimately have an impact on improving business performance. Thus, a proactive, competitive, independent, innovative and risk-taking attitude owned by Gorontalo food IMK entrepreneurs/actors is very much needed in building the entrepreneur's ability to map customer desires and anticipate competitors so that Gorontalo food IMK entrepreneurs are able to formulate and implement future business strategic plans. front. The results of this study are in line with previous research conducted by Sudarsono (2015) that a manager who has an entrepreneurial attitude or behavior will find it easier to formulate and implement a better business strategy. Furthermore, Lechner and Gudmundsson (2013); Susila and Suparna (2018) emphasized that high entrepreneurial orientation behavior is needed by small and medium industries in carrying out business strategy activities.

The Influence of Management Capability on Business Performance Through Business Strategies in the Food Micro Small Industry (IMK) in Gorontalo Province

The results of this study apart from providing empirical evidence also provide new findings that management capability can make a good contribution to IMK Food's business performance through the implementation of good business strategies. Thus, the application of management skills is reflected through the ability to manage conflict, build work teams, the ability to recognize, define and solve problems, delegate, manage decisions, motivate and influence others, manage time and pressure, and verbal communication. mediated by business strategy is reflected through overall strategy. cost leadership, differentiation strategy, and focus strategy can explain the increase in IMK food business performance as reflected in profit sales growth, sales growth, asset growth, customer perspective, market growth, and employee growth.

The findings of this study support research conducted by Hajar et al (2012) where a manager/business actor who has management skills by implementing good management functions in running his business tends to be able to apply business strategy to the business well to improve the sustainability of business performance company. Furthermore, this study also confirms the results of previous research conducted including by Astuti and Murwatiningsih (2016); Nurlina (2014); Acar &

Cemal Idris et al (2021) where the results of the research prove that the management skills possessed by business actors/managers can have a significant and strong influence on the performance of small and medium industrial businesses.

The Influence of Entrepreneurship Orientation on Business Performance Through Business Strategies in the Food Micro Small Industry (IMK) in Gorontalo Province

The results of this study apart from providing empirical evidence also provide new findings that entrepreneurial orientation can make a good contribution to IMK Food's business performance through the implementation of good business strategies. Thus the variables of entrepreneurial orientation which are reflected through proactivity, aggressiveness/competitiveness, autonomy, risk-taking, and innovation as well as the role of business strategy which are reflected through the overall cost leadership strategy, differentiation strategy, and focus strategy can explain the increase in the business performance of IMK food which is reflected in growth, profit, sales growth, asset growth, customer perspective assessment, market growth potential as well as employee growth,

Based on the findings above, this study was able to confirm the research findings produced by Lechner and Gudmundsson (2012) that better entrepreneurial behavior which includes freedom in running a business (autonomy), innovating by finding/offering new ideas and being proactive in running a business with the implementation of business strategy through cost leadership and differentiation strategy will have a positive impact on the development of business performance. This research is also in line with research conducted by Sudarsono (2015), which explains that the concept of entrepreneurial orientation and business strategy are two concepts that give each other relationship in influencing business performance.

CONCLUSION

Based on hypothesis testing, discussion results, and research findings, the following conclusions can be drawn: The application of good management skills can improve the implementation of business strategies and improve business performance, a good entrepreneurial orientation can create business strategies and improve business performance, the implementation of good business strategies both can improve business performance, and the role of management ability and entrepreneurial orientation on business performance can be mediated by the implementation of good business strategies.

Although this research has been carried out with maximum effort and succeeded in finding new things, it also has limitations. First, research is only carried out on a limited unit of analysis on a micro and small scale. The hope is that in the future it can be carried out and improved on medium-scale types of businesses. This assumption is very reasonable because the complexity of management owned by medium-sized businesses can represent a representation in the application of management capabilities, entrepreneurial orientation, and business strategies used. Second, it is necessary to expand the research analysis unit which is not only limited to food processing businesses or industries but also needs to involve several other types of manufacturing industry businesses.

This research suggests developing research with several variables such as innovation orientation strategies, market orientation strategies, and change orientation strategies (Darmanto, W. F. X., & Lilis S, 2018); (Hasan G, Mohammad R & Faith H, 2014). The analytical method that can be developed is the Structural Equation Modeling (SEM) analysis model with samples extended to other manufacturing industry players.

Author Contribution:

The contribution of the author Idris Yanto Niode (IYN) in this research includes the process of designing/conceptualizing research, determining research methods/analytical tools, data collection

processes, analyzing statistical data, interpreting research results, and writing original drafts as well as reviewing and editing.

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Conflict of interest

All parties involved in the process of compiling this research stated that they had no conflict of interest with this research. The entire licensing process by researchers has been carried out following applicable regulations.

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