The influence of entrepreneurial orientation and financial performance on sustainable business in MSMEs

Gde Agung Satria*, Faculty of Economics and Business, Universitas Udayana, Denpasar, Bali, Indonesia
Ni Luh Putu Wiagustini, Faculty of Economics and Business, Universitas Udayana, Denpasar, Bali, Indonesia
Henny Rahyuda, Faculty of Economics and Business, Universitas Udayana, Denpasar, Bali, Indonesia
Ica Rika Candraningrat, Faculty of Economics and Business, Universitas Udayana, Denpasar, Bali, Indonesia

*Email for Correspondence: gdeagungsatria.stie@gmail.com

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ABSTRACT
The research examines the influence of Entrepreneurship orientation and financial performance on sustainable businesses in micro, small and medium enterprises that are challenges in influencing the economy. This qualitative research study utilized a systematic literature review on scientific journals from 2015-2023, focusing on entrepreneurial orientation, financial performance, and sustainable business, and analyzed through data reduction, presentation, and conclusions. The results of this study show that the Entrepreneurship orientation has an influence on the financial performance of new product development. This, to improve the performance of new product development, current and future customer needs should be seen as a guideline for new product development efforts. Where, the Entrepreneurship orientation that affects the influence on the performance of micro small and medium enterprises is only an autonomous dimension. While other dimensions of entrepreneurship orientation such as innovation, proactive and risk odo not have a significant effect on the performance of micro, small and medium enterprises. Therefore, it is recommended to provide autonomy to employees to be able to motivate them by giving freedom to act in an entrepreneurship manner so that they can improve the performance of micro, small and medium enterprises.

INTRODUCTION
Micro, Small and Medium Enterprises (MSMEs) are one of the main driving forces in economic development in Indonesia. The movement of the MSME sector is crucial to create growth and jobs (Gade, 2018; Shelly et al., 2020). MSMEs can create jobs faster than the business sector (Ajuwon et al., 2017; Arifin et al., 2021). MSMEs are also quite diversified and can make an important contribution in trade exports to become one of the country's foreign exchange supports (Harvie, 2019), although the contribution of MSMEs is much smaller when compared to the contribution of large businesses (Suhaili & Sugiharsono, 2019).

The development and contribution of MSMEs in the Indonesian economy cannot be doubted. The number of MSMEs and the contribution of MSME Gross Domestic Product (GDP) in Indonesia from year to year always increases. The existence and role of MSMEs in 2021 reached 64.2 million business units (Saputra & Darmawan, 2023). The contribution of MSMEs in the formation of National GDP always increases until 2019 worth 8,573.89 trillion (Apriani et al., 2023).

In Indonesia itself according to Arsawan et al. (2022), Micro, Small and Medium Enterprises (MSMEs) are sectors that need significant attention in the era of the Industrial Revolution 4.0. It has a sustainable competitive advantage in increasing growth opportunities and optimizing profits, thus contributing to the country’s GDP, but previous studies have shown that the inability of MSMEs to manage resources has increased the failure of these companies, both in developed and developing countries. In line with Santoso et al. (2019) conducted research and believes that there are quite contradictory findings to the MSME sector today, because this sector is called an economic force that has resilience, especially during times of crisis, has an important role in absorbing labor and is beneficial to small community job opportunities. However, on the one hand, there is an empirical fact where MSMEs have not achieved good performance amid high competitiveness, this has
an impact on the survival of business actors (Sumarni et al., 2020). Micro, Small and Medium Enterprises (MSMEs) have always been a pillar of the economy in Indonesia. However, it is unfortunate that there are still many MSMEs that do not have good enough competitiveness due to limited capital, human resources and business understanding on the other hand currently MSMEs in Indonesia are still struggling out of capital problems, human resources, mastery of science and knowledge, technology cannot be utilized properly. Therefore, improving the performance of the MSME sector to have an advantage in business competitiveness is very important. Competition is an eternal phenomenon that will continue to be faced by entrepreneurial (Pudyastuti & Saputra, 2021). In MSME business operations, competition is an unavoidable condition, some of the dominant problems in MSMEs are capital availability, low quality of resources, marketing and lack of knowledge. Knowledge possessed by human resources is a determining factor to increase the competitiveness of the company.

Globalization has evolved, so attention to small and medium scale businesses is important in order to maintain the presence of a people-based economy. In the era of globalization, business competition both domestic and international is very tight. The condition of the business environment in the era of the industrial revolution 4.0 is identical to the development of information and communication technology, so that companies that are unable to adapt will lose (Müller et al., 2018; Nagy et al., 2018). Micro, small and medium enterprises (MSMEs) cannot be separated from environmental conditions which until now have often been a driver of strategic decisions in large organizations. They now find themselves subject to the same rapid, new, and disjointed changes that have been amplified due to tremendous advances in technology and globalization.

Entrepreneurial orientation is a form of action from an entrepreneur in the social environment that will react according to the amount of action given (McMullen & Shepherd, 2006). The variable of entrepreneurial orientation becomes the influence of the organization in achieving the success of a business because of the success of a company if the leadership and ability of the company to manage human resources in developing its business through innovation. When companies carry out entrepreneurial orientation, it will produce competitiveness (Azhara, 2020). In improving market efficiency, entrepreneurial orientation plays an important role. Orientation is the study of evaluating the right attitude. Meanwhile Wulaningtyas and Widiartanto (2018), entrepreneurship is a scientific discipline that studies a person's beliefs, skills, and actions in facing life challenges and how to get opportunities with various risks they may face. To be able to be more successful in the same market as Porter in the journal, entrepreneurial orientation is recognized as a business profit strategy, referring to the thinking. Narver and Slater (1990) describing entrepreneurial orientation as the most productive and successful organizational culture to shape the behaviors necessary for a business to deliver superior results.

In the context of MSMEs themselves, entrepreneurial orientation shows a relationship to the performance of MSMEs themselves, because MSMEs have the ability to respond to existing business threats and opportunities, this ability is the basic capital for MSMEs to continue to survive and improve performance. The higher the entrepreneurial orientation, the higher the performance of MSMEs. Vice versa, the lower the entrepreneurial orientation, the lower the performance of MSMEs (Syarifah et al., 2020).

Micro, Small and Medium Enterprises must improve their performance. The performance of MSMEs in various parts of the world has not grown as expected due to many factors, such as low capital injection, the use of outdated technology, the high cost of doing business, and increased competition from cheaper imports (Thomas, 2015). Business performance can be seen from several aspects such as financial performance, operational performance, marketing performance, and human resource performance (Santoso et al., 2019). The success of a company in running its business can be measured by performance. Performance can be interpreted as the achievement or development of business results that have been achieved by the company in its business operations. Performance is a measure of success in the company's achievements. Performance is the success of either personnel, teams, or organizational units in realizing predetermined strategic goals with expected behavior. To achieve positive performance, companies must have a competitive advantage in competition in the business environment (Reswanda, 2011). The competitive advantage will have an influence on company performance (Jamaludin, 2021). In global competition, companies are expected to be able to provide more added value to the goods/services offered both in quality (better) and efficiency (more efficient) than competitors. This is especially difficult for MSMEs to do, due to the lack of management capabilities and limited working capital management. One of the keys to the success of MSMEs is to plan and build sustainable competitive advantage. That the right answer to survival lies in: (a) the personality traits and skills of entrepreneurs that influence the market and entrepreneurial orientation of MSMEs, (b) the implementation of those orientations that continue to impact company performance, and lastly, (c) the implementation of relevant strategies to achieve higher quality standards for products and services, combined with tactics relevant to downsizing, marketing actions, extroversion and financial management. Quality of competition is where unique capabilities are developed by a company in the field of business where quality, innovation and service are provided. Competitive advantage is expected to make MSMEs improve their performance, because the
performance of MSMEs themselves needs to get good support from inside and outside parties. Internal parties include capital, human resources, and technology adaptation (Pigatto et al., 2019).

According to Tambunan (2008) revealed that the low competitiveness of MSMEs causes this group to experience difficulties in improving their performance. Many factors can affect the performance of a company, one of which is Entrepreneurial Orientation. Marketing orientation and entrepreneurial orientation are two separate but complementary capabilities or orientations that can be together. In the existing literature, these two capabilities are described as unit- or firm-level characteristics. Capability is a socially complex daily habit that determines a firm's efficiency in transforming inputs into outputs. According to Teece and Pisano (1994) explained that both the orientation of marketing and entrepreneurship are dynamic capabilities because they have sub-competencies or that allow companies to create new processes and products and respond to the changing business environment. This statement is supported by (Frishammar, J. and Horte, 2007) who states that marketing orientation and entrepreneurial orientation create complex, intangible, unspoken skills, which allow companies to generate new ideas for the manufacture of new products.

METHOD

The research method used is qualitative research method. The data collection technique in this study is by literature study (Systematic Literature Review) obtained scientific journals published from 2015-2023 on Google Scholar using keywords such as “Entrepreneur,” “Entrepreneurial orientation,” “Financial performance,” and “Sustainable business.” The data collected were analyzed through three stages, namely data reduction, data presentation, and conclusions (Miles et al., 2014).

RESULTS AND DISCUSSION

Entrepreneurial orientation has been used as a corporate resource (Kiyabo & Isaga, 2020), a tangible and intangible resource-based view. In the modern business environment, intangible resources have more influence on performance (Khan et al., 2019). Therefore, company owners or leaders must invest in tangible and intangible resources to create competitive advantages, this also applies to MSME actors. The results of entrepreneurial orientation research show a positive influence on the performance of MSMEs, in line with the resource-based view as the company's competitive advantage (Mustafa et al., 2015). The performance of MSMEs in growth measures such as asset growth, number of sales and number of employees shows poor performance because income generation from MSMEs is used to support the lives of entrepreneurs to accumulate related wealth. It may not be appropriate to make claims that MSME performance is not good while the lifestyle of owners is changing positively.

The results showed that the innovation carried out by MSME actors has not been maximized and still has to be developed, so that business actors in implementing innovation in their business do not have a real influence on the performance of MSMEs. The results of this study are different from existing research journals (Gupta et al., 2016). Every business actor realizes the importance of innovating in creating creativity both innovation in products, services, technology and marketing (Lumpkin & Dess, 2001), every company that innovates must be successful because new ideas are able to look for existing opportunities. Innovation focuses more on product innovation than marketing innovation, by changing or adding products offered to buyers is more dominant in forming an entrepreneurial orientation (Lumpkin & Dess, 2001). Innovation provides support for new products, services, processes and even initiatives to find new things (Miller, 1983). The results of research on construct item 3 show that business actors allocate less funds for new product development. After the Covid-19 pandemic, it resulted in sluggishness in income for business actors due to social distancing effects. For example, people cannot attend business meetings, recreation, family events and so on so that the delivery of products and services from producers to consumers becomes hampered. For business actors, innovation steps are difficult to do, especially product innovation which requires high costs because the existing funds are used for operations only. But not all innovations are feasible to be applied to rise from adversity. Product innovation by introducing new products to consumers is difficult to do, because new products require high costs, especially in conditions of declining consumer purchasing power. So business actors must innovate in delivering products to consumers using online media. For example, business actors offer food products online and delivery services. The more often you innovate, it will improve business performance but still pay attention to the resources owned and market accessibility where consumers prefer to shop for important and urgent needs. Given the importance of innovation, it is expected that MSME players will further increase their innovation as part of the entrepreneurial orientation dimension.

This research shows the results that business actors do not dare to take risks so that the influence on business performance is not significant, in line with previous research (Peters et al., 2019). Entrepreneurial orientation (McGruagh et al., 1992) and failure of one venture should not stop starting another, since such experience is an important factor that will be a beneficial resource for future business growth (Kreiser et al., 2020), most companies feel more comfortable if the external environment is static versus dynamic environment.
changes. High anxiety if facing the challenges of rapid environmental change. According to Kreiser et al. (2020), companies tend to avoid uncertainty and invest resources into businesses with little risk.

Good business owners should focus on new business steps that have high risk and aggressively look for potential opportunities in the face of uncertainty (Miller, 1983). In construct item 3, the results of the study show that most MSME actors lack the courage to take various actions needed to achieve goals. Respondents were less sure how their businesses adopted the type of risk measures cautiously or aggressively.

The need for business actors is very high, including operational costs continue to increase due to unstable economic conditions and disruptions to the supply chain, social distancing policies so that business actors are very careful in taking business actions. Despite the crisis, business actors must take risks for their business continuity and the risks taken will have an impact on the company's condition later. The choices to be taken, such as reducing employees, closing businesses, borrowing funds from banks or maximizing their potential are part of the risk, especially for employees and companies. By not taking risks, it is more risky.

According to Bell et al. (2003), proactive has a weak ability to perform MSMEs in line with research results. Proactive is a means related to uncertainty in running a business. Proactivity can be realized when the organizational structure supports proactive behaviors that drive increased competitive advantage. To deal with the threat of external factors of the company, initiative is needed from business actors (Rauch et al., 2009), in implementing creative ideas and thinking. The results of proactive construct research on the second item, MSME actors are not the first to introduce a product.

There may be fear when seeing many competitors so that they are less challenged to develop new product ideas and explore opportunities quickly. In addition, business actors are less proactive in introducing a product due to sluggish income. In dealing with the aftermath of the Covid-19 pandemic, business actors must take the initiative and strive to influence and make changes. Business actors are not passive but adapt to change, for example making product substitutions. The soaring demand for masks provides opportunities for businesses to produce cloth masks as a substitute product for health masks. In proactive action, business actors need to gather information in the face of and react to changes in the market environment. In overcoming competitors in the period after the Covid-19 pandemic, even as a follower of a product, the quality of goods or services is further improved. In addition, utilizing technology more optimally so that time and money efficiency, for example with online delivery systems and improving quality of goods or services. Enterprise autonomy suggests that granting autonomy to employees can motivate them to act entrepreneurially and improve MSME performance. Therefore, it is recommended to grant autonomy to employees to be able to motivate them to act entrepreneurially so as to improve the performance of MSMEs.

The results of this study show that entrepreneurial orientation has an influence on the financial performance of new product development. Thus, to improve the performance of new product development, current and future customer needs should be viewed as guidelines for new product development efforts. These research findings are in line with the findings of previous studies (Frishammar & Hörte, 2007) and they imply that market information should be present throughout the new product development process to improve new product development performance and lower product failure rates. Next, risk taking affects the financial performance of new product development. These results are consistent with previous studies. Meanwhile, the results are inconsistent with research (Frishammar & Hörte, 2007) which found that proactivity has no positive effect on the performance of new product development. These findings can be explained for several reasons. Risk taking, as one component of entrepreneurial orientation, shows that risk-taking has a positive effect on the development of new product performance. With regard to risk-taking, a possible interpretation is that small businesses have constraints on the commitment of risky resources. Because small companies generally have a limited resource base, large resource commitments with failures occurring have a serious impact on profits or may worsen the company's future. However, smaller companies will choose new product development projects with a higher level of risk, while simultaneously trying to control the probability of their occurrence. Due to
limited size and resources, these small companies are more vulnerable than large companies. Therefore, the key to managing risk is to control the probability of risk occurrence. Risk taking is important for companies. If no risk is taken, never a new product will be produced and launched.

CONCLUSION

Based on the results of the study show some that entrepreneurial orientation positively affects the financial performance of new product development. Then in risk-taking, as one of the entrepreneurial orientations, affects the financial performance of new product development. The results of this study reveal that the dimension of entrepreneurial orientation is as a separate construct rather than as a single strategic construct. Thus, the three dimensions of entrepreneurial orientation do not contribute equally to the high and low financial performance of new product development.

The entrepreneurial orientation that has an influence on the performance of MSMEs is only an autonomous dimension. While other dimensions of entrepreneurial orientation: innovation, proactivity and risk do not have a significant effect on the performance of MSMEs. Therefore, it is recommended to grant autonomy to employees to be able to motivate them by providing freedom to act entrepreneurially so as to improve the performance of MSMEs. In this case, employees can be given the freedom to practice their skills, support employees to produce new products, empower employees to make decisions and flexibility in carrying out tasks, such as work scheduling, and provide freedom individually or together in providing ideas and suggestions. In addition, in general, MSME players must strive to improve entrepreneurial orientation in order to remain competitive and sustainable.

REFERENCES


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