

Factors Influencing South Tangerang's Indonesian Speciality Food SMEs' Performance

Nur Hidayah

Faculty of Economics & Business, Universitas Tarumanagara,
Jakarta, Indonesia

Rodhiah

Faculty of Economics & Business, Universitas Tarumanagara,
Jakarta, Indonesia

Abstract: A common metric for assessing how a company's strategy affects competition is business performance. In contrast to their current competitors, businesses must highlight the competitive advantages of their products and pursue market orientation and innovation to boost performance. The goal of this study is to gain a thorough understanding of the factors that influence the performance of small and medium-sized businesses (SMEs) in the Tangerang Selatan region that produce speciality Indonesian goods. The purpose of this study is to ascertain if business strategy is influenced by entrepreneurial orientation and how environmental dynamics affect the performance of SMEs in South Tangerang that produce Indonesian specialty foods. Purposive sampling is the method used to select the sample for this study. Questionnaires were distributed to sample participants who were based in Tangerang to gather data. This method of data analysis combines Smart PLS with SEM. The study's findings indicate that, among small and medium-sized businesses in South Tangerang that produce Indonesian speciality foods, entrepreneurial orientation has a positive and significant impact on business performance, business strategy has a negative and negligible impact, and environmental dynamics have a positive and significant impact.

Keywords: Environmental dynamics, company performance, business strategy, and business orientation

Introduction

Entrepreneurship is growing quickly in many nations. In addition to changing corporate organisations and society, entrepreneurship boosts income and per capita output ([Slamet, Tunjungsari, & Ie, 2014](#)). The profession of entrepreneurship is expanding, and younger people are becoming more conscious of the need to start their own business. According to data from the Ministry of Cooperatives and Small and Medium Enterprises, there are currently 64.2 million MSMEs, and they contribute Rp 8,573.89 trillion, or 61.07%, to the GDP. MSMEs employ 97% of the workforce and draw up to 60.4% of all investments, which are two ways they contribute to the Indonesian economy.

Entrepreneurship is the study of people's attitudes, abilities, and behaviours in overcoming obstacles in life and how to take advantage of chances despite dangers ([Suryana, 2014](#)). Business performance is necessary for managing a company. According to ([Ghifary, 2015](#)) business performance is the output of work done by individuals or groups inside an organisation to accomplish the organization's objectives through authority and responsibility, legally without breaking the law, and morally and ethically. Business performance gauges how well a corporation accomplishes its objectives. According to ([Simon et al., 2015](#)), a company's financial and non-financial performance, which includes elements like business strategy, entrepreneurial orientation, and environmental dynamics, can be used to determine how well it is doing in reaching its objectives. The capacity of entrepreneurs or businesses to analyse their internal and external environments, develop strategies, carry out plans aimed at achieving objectives, and assess to gather feedback with an emphasis on influencing the future is known as business strategy.

The term "business strategy" describes possible courses of action that call for important resources and choices from upper management. Business strategy is a comprehensive, long-term plan that helps the organisation to collaborate efficiently in production, maximising the attainment of the company's operational and strategic objectives. It has an impact on the organization's success ([Anomsari, 2011](#)). "The processes, practices, and decision-making activities that lead to new products, services, or entry into new markets" is how entrepreneurial orientation (EO) is defined ([Lumpkin & Pidduck, 2021](#)). One of the procedures, methods, and choices that result in new goods, services, or market entry is entrepreneurial orientation. Entrepreneurs must have these three attributes because entrepreneurship orientation requires creative strength, self-motivation, and risk-taking daring. Since several entrepreneurship orientation indicators, like risk-taking prowess, have a big influence on company competition, entrepreneurship orientation can affect competitive advantage. Being willing to take chances involves being able to spot opportunities, and

entrepreneurs are inherently bold enough to take advantage of them, even if they are dangerous ([Abuzuhri, 2019](#)). In Indonesia, small and medium-sized businesses (SMEs) are expanding quickly, particularly those that manufacture traditional Indonesian foods. Certain social groups typically consume traditional foods and drinks, and among these groups, various tastes are more common. Traditional foods are rich in plants and natural components, have adequate nutrients, and are made up of a variety of fundamental ingredients like rice, tubers, and sago. Since human resource development influences management quality and productivity, small and medium-sized business development also necessitates the development of trustworthy human resources. The corporate environment is changing quickly due to environmental dynamics. Businesses must quickly adjust to changes in a dynamic market and create new concepts, goods, and services to stay ahead of emerging trends and technologies.

An environment that can change and expand to meet the shifting demands of the market, clients, and staff is said to have environmental dynamics. Businesses run the danger of stagnating and failing in the absence of a dynamic environment ([Wang, 2016](#)). Continuous efforts are made to enhance business performance, which is crucial for SMEs' growth and sustainability, for them to thrive in the marketplace due to several variables. Three factors business strategy, entrepreneurial orientation, and environmental dynamics that affect SMEs' success are taken into consideration in this study. Determining if entrepreneurial orientation has a beneficial effect is the aim of this study.

Literature Review

Business Performance

A systematic and comprehensive management process that makes effective and efficient use of resources produces business performance, which can then be monitored on a regular basis in accordance with preset goals ([Fernandes, 2017](#)). Sales volume and market growth are the two metrics employed in this study to assess company performance ([Wahyuni & Sara, 2020](#)). Business actors' estimate of the growth in sales during a specific period is known as sales volume. Market growth is the rate at which the market accepts the company's goods or services, whereas business sales volume is measured in Indonesian Rupiah. According to ([Setyawati, 2013](#)), big businesses have a lot of possibilities for investing their resources. The business may be able to increase value for its shareholders by managing these investments. A company's total performance is then contrasted with that of its primary rivals ([Abuzuhri, 2019](#)).

Business Strategy

A business strategy, according to ([Zaini, Hadiwidjojo, Rohman, & Maskie, 2014](#)) , is a choice made to help entrepreneurs sustain and enhance their competitive position through ongoing development. The choice that guides business actors to sustain and improve their competitiveness via ongoing development is known as business strategy. The process of assessing the company's internal and external environments, developing strategies, carrying out plans to accomplish organisational objectives, and offering input to develop future strategies is known as business strategy ([Anomsari, 2011](#)).

Entrepreneurial Orientation

Innovative attitudes, risk-taking, and proactivity are characteristics of entrepreneurial orientation, which is the process by which people seek entrepreneurial possibilities based on the amount and kind of resources available ([Jalali, Jaafar, & Ramayah, 2014](#)). The term "entrepreneurial orientation" describes actions that impact judgment and social entrepreneurship activities that look for innovative approaches to better address societal issues ([Widiatmo & Retnawati, 2019](#)). The three facets of entrepreneurship taking risks, being proactive, and always being innovative are part of the entrepreneurial orientation, which encompasses a variety of theories that influence a process, practice, and decision-making addressing new inputs. According to ([Aulia, Astuti, & Ridwan, 2019](#)), a stronger entrepreneurial orientation will improve the company's ability to market its goods, which will lead to improved business performance.

Environmental Adaptation

Environmental dynamics, according to ([Jalilian, Jamshidinavid, & Ghanbary, 2013](#)), are changes in the organization's internal and external climate that may present new opportunities as well as risks. Vulnerability and power are the two perspectives used to analyse the environmental factors in this study. Markers were developed based on the notion of key forces influencing contemporary competitiveness to quantify this variable from the standpoint of vulnerability. According to ([Wang, 2016](#)) rapid and erratic changes in the business environment's development patterns are known as environmental dynamics.

Research Model

The Research Model is:

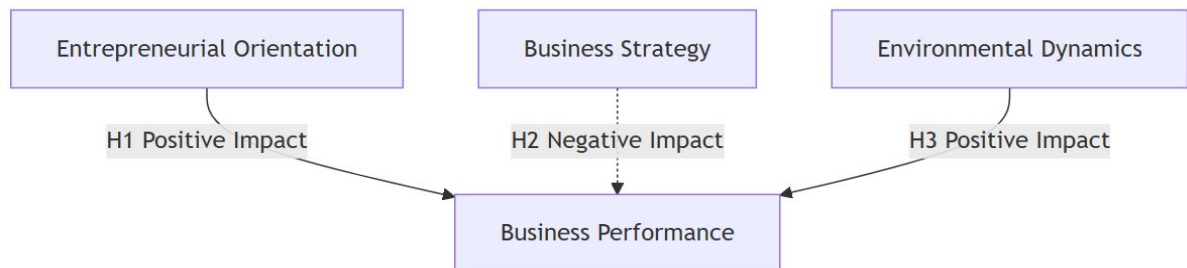


Figure 1 Research Model.

The following were the study's hypotheses:

H1: The business performance of Indonesian specialty food SMEs is positively impacted by entrepreneurial orientation.

H2: Business performance is positively impacted by business strategy. SMEs that produce authentic Indonesian cuisine

H3: The business performance of SMEs that produce Indonesian specialty foods is positively impacted by environmental adaptability.

Research Method

All the SMEs in the city of South Tangerang make up the study's population. The sampling strategy utilised in this study is population-based and combines purposive sampling with non-probability sampling. The factors chosen by the respondents are considered by this sampling technique. The sampling procedure is the process of choosing samples based on predetermined standards and taking specific factors into account. The data used in this study were gathered by sending written and Google Forms questionnaires to small and medium-sized businesses (SMEs) in South Tangerang that produce Indonesian food items.

Four variables entrepreneurial orientation, company strategy, business performance, and environmental dynamics were created from a total of 14 statement items. An answer choice of 5 indicates Strongly Agree (SA), 4 indicates Agree (A), 3 indicates Neutral (N), 2 indicates Disagree (D), and 1 indicates "Strongly Disagree (SD)." This scale was used to measure responses to the questionnaire. The Likert scale is employed because it is used to gauge how

respondents react to remarks about a particular stimulus or object. Smart Partial Least Squares version 3.00 is the data analysis method employed.

Result and Discussion

It can be inferred from the analysis results that the variables in Table 1 have satisfied the convergent validity analysis, as indicated by the AVE value, as each variable's AVE value is more than 0.5, see table 1 below.

Table 1 Average Variance Extracted.

Variable	Average Variance Extracted (AVE)
Entrepreneurship Orientation	0.660
Business Strategy	0.614
Environmental Dynamics	0.639
Business Performance	0.650

Because the loading factor test results for each indicator show values more than 0.7 (> 0.7), the indicators of the aforementioned variables have satisfied the validity criteria. To evaluate discriminant validity, the Heterotrait-Monotrait Ratio (HTMT) method is used. According to Heseler et al. (2015), a suitable HTMT value is 0.85; nevertheless, a threshold value below 0.90 (< 0.90) is still acceptable. There is a lack of discriminant validity if the HTMT is greater than 0.90. The results of the discriminant validity analysis show that the Heterotrait-Monotrait Ratio value for each variable indicator is less than 0.90 (< 0.90), so all indicators of each variable can be accepted.

Composite Reliability Testing

According to the reliability analysis's findings, all of the variables' indicators have satisfied the criteria and are deemed reliable since their Cronbach's Alpha and Composite Reliability values are higher than 0.60 (> 0.60), see table 2 below.

Table 2 Cronbach's Alpha and Composite Reliability Results.

Variable	Cronbach's Alpha	Composite Reliability
Entrepreneurship Orientation	0.830	0.886
Business Strategy	0.713	0.826
Environmental Dynamics	0.734	0.841
Business Performance	0.819	0.881

According to the reliability study results in the table, all of the indicators for each variable match the criteria and are deemed reliable since their Cronbach's Alpha and Composite Reliability values are higher than 0.60 (> 0.60).

Goodness of Fit Model Testing

The Goodness of Fit model testing phase of the testing process comes after the construct's validity and reliability are confirmed at the outer model testing stage. The R-squared value, Q2 predictive relevance, and PLS model fit are examined to perform the goodness of fit model test. The PLS model's goodness of fit test results are as follows:

Table 3 Cronbach's Alpha and Composite Reliability Results.

Variable	Average Variance Extracted (AVE)	R ²	GoF
Entrepreneurship Orientation	0.660		0.334
Business Strategy	0.614		
Environmental Dynamics	0.639		
Business Performance	0.650	0.175	
Average	0.640	0.175	

$$\text{GoF Formula} = \sqrt{\underline{A} \underline{VE}} \times \underline{R2} = \sqrt{0.640} \times 0.175 = 0.334 \quad (1)$$

Results of Determination Coefficient Values

The coefficient of determination and the degree of variance in changes in the independent variable relative to the dependent variable are determined by the R-Square (R²) value. Three criteria determine the R-Square value: high influence is indicated by a value between 0.75 and 1, moderate effect is indicated by a value between 0.5 and 0.74, and weak influence is indicated by a value between 0.25 and 0.49.

a. Coefficient of Determination Test (R²)

Table 4 Coefficient of determination test (R²)

Variable	R-square
Business Performance	0.175

b. Predictive Relevance – Q Squared Predict (Q²)

Table 5 Predictive Relevance – Q squared predict (Q²)

Variable	Q2 Predict
Business Performance	0.100

c. Effect Size (f^2)Table 6 Effect Size (f^2).

Variable	f^2	Remarks
Entrepreneurship Orientation – Business Performance	0.000	Small effects
Business Strategy – Business Performance	0.038	Huge effect
Environmental Dynamics – Business Performance	0.082	Huge effect

The R-square value for the business performance variable is 0.175, which indicates that 17.5% of the dependent variables can be explained by the variables in this study; the remaining percentage is explained by other variables not covered in this study, according to the results of the determination coefficient (R^2) test in the table.

Inner Model Testing

The purpose of the test of path coefficients was to determine whether the variables in this study were influenced by one another. Figure 2, which displays the outcomes of bootstrapping, displays the path coefficient test findings.

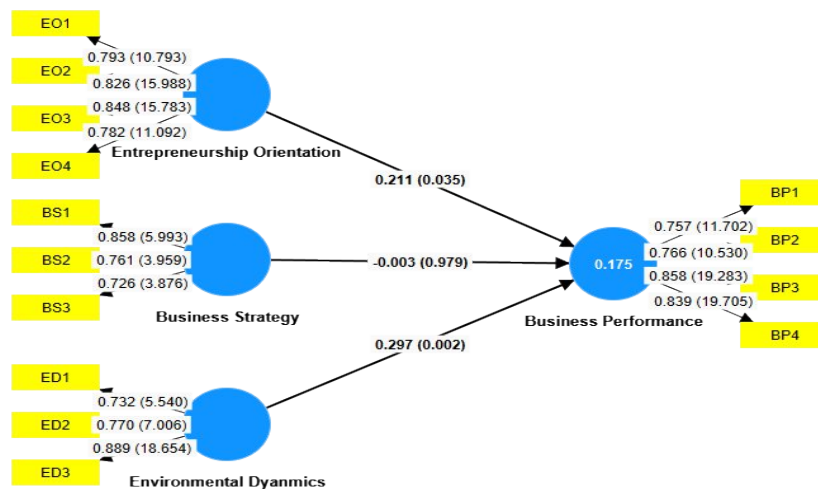


Figure 2 Result Bootstrapping

Table 7 Result of hypothesis

Variable	Path Coefficient	T-statistics	P-values	Remarks
Entrepreneurship Orientation – Business Performance	0.211	2.112	0.003	Accepted
Business Strategy – Business Performance	- 0.003	0.026	0.979	Rejected
Environmental Dynamics – Business Performance	0.297	3.063	0.002	Accepted

The following test results were acquired based on the above hypothesis testing results:

1. The path that demonstrates how entrepreneurial orientation affects business success has a positive path coefficient of 0.211, a T-statistic of 2.112, and a p-value of 0.003. It is possible to conclude that the entrepreneurial approach has a positive and significant impact on business performance because the path's p-value is less than 0.05, the T statistic is more than 1.96, and the path coefficient is positively signed. Thus, the first research hypothesis, "Entrepreneurial Orientation Has a Positive Influence on the Business Performance of Indonesian Traditional Food SMEs," is found to be true.
2. The path that demonstrates how business strategy influences business success has a p-value of 0.979, a negative path coefficient of -0.003, and a T-statistic of 0.026. It is possible to conclude that the entrepreneurial approach has a negative and negligible impact on business success because the path p-value is > 0.05 , the T statistic is < 1.96 , and the path coefficient is negative. This suggests that "Business strategy has a positive influence on business performance," which is research hypothesis number two, is not accepted. Speciality food producers in Indonesia "are not accepted."
3. The calculated p-value is 0.002 with a T statistic of 3.063 and a positive route coefficient of 0.97 on the path that illustrates how environmental dynamics affect business performance. It can be inferred that environmental dynamics significantly and favourably affect business performance because the path p-value is less than 0.05, the T statistic is more than 1.96, and the path coefficient is positive. This suggests that the third research hypothesis, according to which "environmental dynamics have a positive influence on the business performance of Indonesian traditional food SMEs," is accepted.

Discussion

SMEs are still working to enhance their business performance. Corporate performance is significantly influenced by environmental factors, corporate strategy, and entrepreneurial orientation. According to Simon ([Simon et al., 2015](#)), a company's financial and non-financial performance, which includes elements like business strategy, entrepreneurial orientation, and environmental dynamics, can be used to determine how well it is doing in reaching its objectives. According to research by ([Silviasih, Slamet, & Iskandar, 2016](#)), business performance in the workplace is positively and significantly correlated with entrepreneurial orientation towards SMEs' performance. The performance of SMEs is positively and significantly impacted by entrepreneurial orientation, according to a similar study by ([Ie & Pratama, 2019](#)). This research is supported by earlier studies that indicate an entrepreneurial orientation has a favourable and significant impact on SMEs' performance.

Organisational success is also influenced by business strategy ([Anomsari, 2011](#)). The performance of SMEs is positively impacted by business strategy. The performance of the company is positively correlated with the quality of its business plan. An effective business plan will help a corporation reach its predetermined organisational objectives ([Menguc, Auh, & Shih, 2007](#)). Business strategy, according to ([Fernandes, 2017](#)), is the capacity of entrepreneurs or organisations to analyse their internal and external environments, develop strategies, carry out plans intended to accomplish goals, and assess to gather feedback on their efforts. The term "business strategy" describes possible courses of action that call for important resources and choices from upper management. The organization's success is also influenced by its business plan. This research, which demonstrates a negative and negligible impact of business strategy on the business success of SMEs, is not supported by prior findings. Businesses can influence performance by pushing themselves to be more aggressive and innovative if they see industry factors as dynamic. The dynamic nature of the business environment has prompted most organisations to develop and adopt a proactive approach in responding to changes, according to the findings of ([Oyekunle Oyewobi, Olukemi Windapo, & Cattell, 2013](#)). As a result, businesses can capitalise on the opportunities that exist within their working environment. According to an analysis of the effect of environmental adaptability on business performance, SMEs' performance is impacted by their surroundings ([Kumar, Subramanian, & Strandholm, 2002](#)). Consumer growth, which is a measure of a company's performance, results from a reduction in the gap between the company's products and customer needs because of its ability to react to changes in its environment. This finding supports the claim made by ([Jalilian et al., 2013](#)) that environmental adaptation improves the performance of SMEs. This research is supported by earlier studies that demonstrate the beneficial and considerable impact of environmental dynamics on SMEs' performance.

Conclusions

The performance of SMEs is positively and significantly impacted by entrepreneurial orientation. This supports the first research hypothesis, which holds that the business performance of SMEs making Indonesian speciality foods is highly positively impacted by entrepreneurial orientation; this hypothesis can be accepted. Business strategy and business performance are negatively and negligibly correlated. This suggests that the second research hypothesis, according to which business strategy has a notably beneficial impact on the performance of SMEs making specialty foods in Indonesia, is not accepted. The performance of SMEs is positively and significantly impacted by environmental dynamics. This demonstrates the third research hypothesis, according to which environmental dynamics significantly improve the performance of SMEs that produce traditional Indonesian cuisine. It is possible to adopt this theory.

References

- Abuzuhri, N. (2019). The Role of Entrepreneurship Learning Components on Entrepreneurial Career Choice. *Journal of Business and Management (IOSR-JBM)*, 21(3. Se), 27-32.
- Anomsari, M. A. (2011). Analisis Pengaruh Orientasi Kewirausahaan, Kemampuan Manajemen, Dan Strategi Bisnis Dalam Peningkatan Kinerja Perusahaan (Studi Pada Usaha Kecil Menengah Di Kawasan Usaha Barito Semarang). *Semantik*, 1(1).
- Aulia, R., Astuti, M., & Ridwan, H. (2019). Meningkatkan kinerja pemasaran melalui orientasi pasar dan orientasi kewirausahaan. *Jurnal Ilmiah Manajemen Dan Bisnis*, 20(1), 27-38.
- Fernandes, A. A. R. (2017). The mediating effect of strategic orientation and innovations on the effect of environmental uncertainties on the performance of business in the Indonesian aviation industry. *International Journal of Law and Management*, 59(6), 1269-1278.
- Ghifary, M. T. (2015). *Analisis Terhadap Dimensi-Dimensi Social Capital Yang Memengaruhi Kinerja Pegawai (Studi Pada BPJS Kesehatan Cabang Pasuruan)*. Brawijaya University,
- Ie, M., & Pratama, V. (2019). Pengaruh orientasi kewirausahaan dan orientasi pasar terhadap kinerja pada usaha kecil dan menengah sektor ritel. *Jurnal Muara Ilmu Ekonomi dan Bisnis*, 3(1), 156-164.
- Jalali, A., Jaafar, M., & Ramayah, T. (2014). Entrepreneurial orientation and performance: the interaction effect of customer capital. *World Journal of Entrepreneurship, Management and Sustainable Development*, 10(1), 48-68.
- Jalilian, K., Jamshidinavid, B., & Ghanbary, M. (2013). The impact of entrepreneurial orientation and market orientation on the performance of industrial firms listed in Tehran Stock Exchange (food, chemical, pharmaceutical, automobile). *International Research Journal of Applied and Basic Sciences*, 5(5), 644-649.
- Kumar, K., Subramanian, R., & Strandholm, K. (2002). Market orientation and performance: does organizational strategy matter? *Journal of Applied Business Research (JABR)*, 18(1).
- Lumpkin, G., & Pidduck, R. J. (2021). Global entrepreneurial orientation (GEO): An updated, multidimensional view of EO. In *Entrepreneurial orientation: Epistemological, theoretical, and empirical perspectives* (pp. 17-68): Emerald Publishing Limited.
- Menguc, B., Auh, S., & Shih, E. (2007). Transformational leadership and market orientation: Implications for the implementation of competitive strategies and business unit performance. *Journal of business research*, 60(4), 314-321.

- Oyekunle Oyewobi, L., Olukemi Windapo, A., & Cattell, K. S. (2013). Impact of business diversification on South African construction companies' corporate performance. *Journal of Financial Management of Property and Construction*, 18(2), 110-127.
- Setyawati, H. A. (2013). Pengaruh orientasi kewirausahaan dan orientasi pasar terhadap kinerja perusahaan melalui keunggulan bersaing dan persepsi ketidakpastian lingkungan sebagai prediksi variabel moderasi (Survey pada UMKM Perdagangan di Kabupaten Kebumen). *Fokus Bisnis: Media Pengkajian Manajemen Dan Akuntansi*, 12(2).
- Silviasih, S., Slamet, F., & Iskandar, D. (2016). Pengaruh orientasi pasar dan orientasi kewirausahaan terhadap kinerja usaha pada pemilik UKM sektor manufaktur garmien di Tanah Abang, Jakarta Pusat. *Jurnal Ilmiah Manajemen Bisnis Ukrida*, 16(1), 98664.
- Simon, A., Bartle, C., Stockport, G., Smith, B., Klobas, J. E., & Sohal, A. (2015). Business leaders' views on the importance of strategic and dynamic capabilities for successful financial and non-financial business performance. *International Journal of Productivity and Performance Management*, 64(7), 908-931.
- Slamet, F., Tunjungsari, H. K., & Ie, M. (2014). Dasar-dasar kewirausahaan: Teori dan praktik. *Jakarta: Indeks*.
- Suryana, A. (2014). *Menuju ketahanan pangan indonesia berkelanjutan 2025: tantangan dan penanganannya*. Paper presented at the Forum Penelitian Agro Ekonomi.
- Wahyuni, N. M., & Sara, I. M. (2020). The effect of entrepreneurial orientation variables on business performance in the SME industry context. *Journal of Workplace Learning*, 32(1), 35-62.
- Wang, Y. (2016). Environmental dynamism, trust and dynamic capabilities of family businesses. *International Journal of Entrepreneurial Behavior & Research*, 22(5), 643-670.
- Widiatmo, G., & Retnawati, B. B. (2019). Peran orientasi kewirausahaan dan sumber daya perusahaan terhadap keunggulan bersaing pada umkm mekarsari kandri semarang. *Journal of Business & Applied Management*, 12(2), 117-130.
- Zaini, A., Hadiwidjojo, D., Rohman, F., & Maskie, G. (2014). Effect of competitive advantage as a mediator variable of entrepreneurship orientation to marketing performance. *Journal of Business and Management*, 16(5), 5-10.