

# Entrepreneurial Orientation and Entrepreneurial Competence on Business Competitiveness with Business Performance as A Mediating Variable (Study on Batik MSMEs in Cirebon)

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Business competitiveness is one of the critical factors for business actors, indicating the success of the business they pioneered, starting from investment, growth, and sustainability. Several factors can affect business competitiveness, including business performance, social competence, local culture, and entrepreneurial orientation of the business actors. This study aims to obtain data and information that will be further analyzed and describe the effect of entrepreneurial orientation and entrepreneurial competence on business performance and competitiveness. Additionally, this study aims to examine and descriptively analyze entrepreneurial orientation, entrepreneurial competence, business performance, and business competitiveness. Quantitatively, this study examines the effects of entrepreneurial orientation on business competitiveness through business performance, and entrepreneurial competence on business competitiveness through business performance, as well as business performance on business competitiveness. The method used in this study is the quantitative approach.

**Keywords:** Entrepreneurial orientation, entrepreneurial competence, business competitiveness, business performance



## Introduction

According to Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises (MSMEs), micro-enterprise can be defined as the productive business owned by individual and/or individual business entities meeting the criteria of micro-enterprises regulated by the Law. Furthermore, small business is a productive economic business that stands alone and is carried out by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled, or become a part either directly or indirectly of a medium or large business meeting the small business criteria as regulated by the Law.

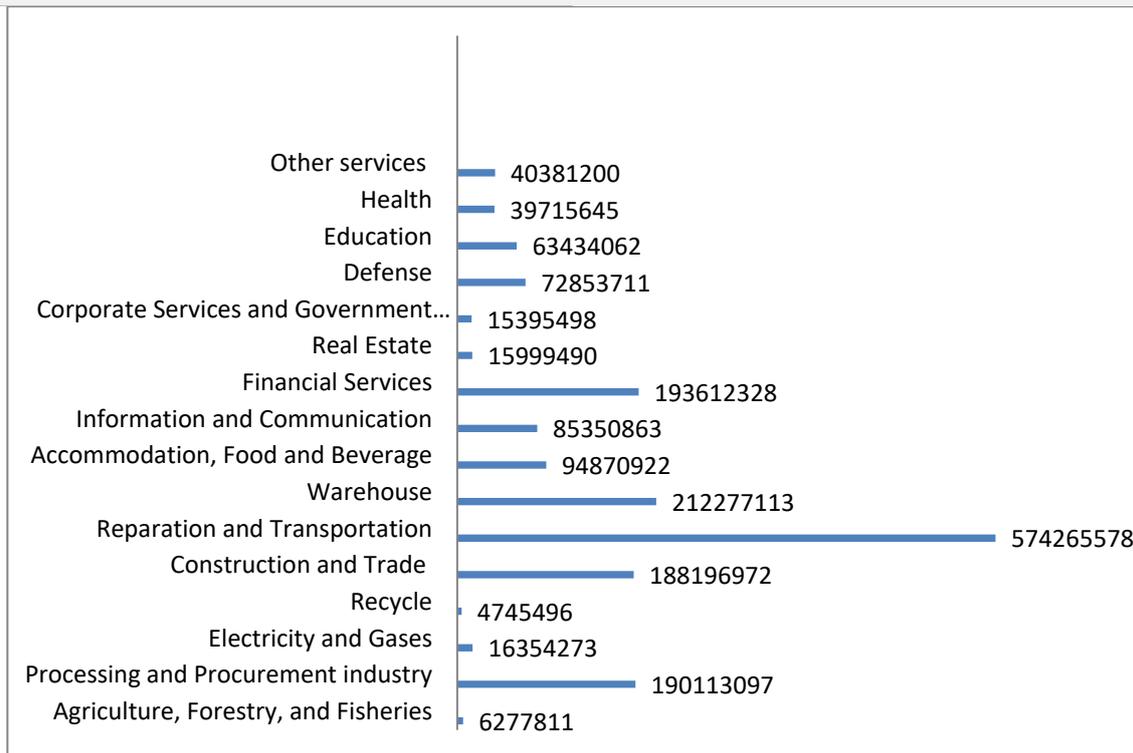
On the other hand, the medium enterprise is a stand-alone and productive business conducted by an individual or business entity that is not a subsidiary or corporate branch which is owned, controlled, or be a direct or indirect part of a small or large business with the total net sales or annual sales revenue as stipulated in the Law. Therefore, it can be concluded that those three types of business are similar except in terms of total assets and sales of those entities.

In the Indonesian economy, MSMEs contribute to the national economic development, and they are proven to be much more robust in surviving during the crisis than the larger business entities can do. Besides, it is notable that MSMEs absorb a large number of laborers. The number of workers absorbed by MSMEs reached 97.3 percent of the national employment rate (Press Release: Liputan6.com).

Small and medium enterprises keep growing in Indonesia, sustaining the economy's foundations, including during the crisis. Statistical data shows that the number of MSMEs is close to 99.98% of the total business units, with a contribution of 56% to the total GDP of Indonesia. It reflects the significant role of MSMEs in increasing the Indonesian economy (Wa Ode Zusnita Muizu, Merita Benik, Kartono, 2017).

Indonesia's cultural diversity triggers the birth of creative ideas created by business actors by introducing and marketing this cultural diversity through the creation of MSME businesses, one of which is batik. As time passes, batik has become known as the Indonesian heritage and famous worldwide. The batik motif was initially known as written batik. Now, there have been various batik motifs innovated by batik artisans. Almost all cities in Indonesia have a batik industry, including in West Java cities, especially Cirebon. Cirebon is famous for its batik-making center known as Trusmi.

According to the Central Bureau of Statistics of Cirebon, the following is the Gross Regional Domestic Product (GRDP) data based on current prices by business field (millions of rupiah) in 2016.



**Figure 1. Gross Regional Domestic Product based on current prices by business field (millions of rupiah) in 2016.**

Source: Central Bureau of Statistics of Cirebon City (2016)

Figure 1 depicts that the added value of the processing industry to the GRDP of Cirebon city in 2016 was in rank four of IDR 190,113,097. It means that this processing industry has a pretty significant contribution to the GRDP of Cirebon city. In addition to contributing to GRDP and absorbing labor, the processing industry contributes to export. That is why the processing industry plays a critical role in the Cirebon economy.

Since MSMEs support the development of the economy, then it is essential to strengthen the capacity of those MSMEs (Rochmi Widayanti; Ratna Damayanti; Fithria Marwanti, 2017). However, practically, the MSME development is often limited by various factors, such as poor business performance, low business competitiveness, lack of market access, non-professional governance, and lack of capital or financing.

Therefore, to achieve superior business performance, it is necessary to improve batik MSMEs' quality of human resources to be more competitive in the market. Several aspects need to be paid attention to, namely, entrepreneurial orientation, culture, and entrepreneurship social competence, which will affect the business competitiveness of the business actors.

Based on those explanations, we conduct this research titled “Entrepreneurial Orientation and Entrepreneurial Competence on Business Competitiveness with Business Performance as a Mediating Variable (Study on Batik MSMEs in Cirebon).

## LITERATURE REVIEW

### Entrepreneurial Orientation

A small and medium enterprise (SME) is a self-managed business where the capital is injected by the owner acting as the business executor and director (Siriwan et al., 2013). Furthermore, SMEs can be categorized into four groups as follows (Rahmana, 2009):

- a. Livelihood Activities. They are SMEs that only employ the owners to get daily income. This SME is known as the informal sector. One example of this SME is street vendors.
- b. Micro Enterprises. They are the SMEs that possess craftsmanship behavior but do not have entrepreneurial behavior.
- c. Small Dynamic Enterprises. They are SMEs with entrepreneurial souls and can fulfill subcontract orders and perform the export.
- d. Fast Moving Enterprises. They are the SMEs with entrepreneurial souls and are transforming themselves into larger businesses.

The internal and technical issues that hamper SMEs are as follows (based on observation) (Meliala et al., 2016):

1. Simple equipment. In the production process, many SMEs only use manual and straightforward pieces of equipment. For example, many SMEs still do it manually to draw sole shoe patterns, and the cutting process is also done by cutting manually. This issue is still prevalent among shoe SMEs in Medan city.
2. Wasteful in the production process. For instance, in pattern drawing, the location of one pattern with another is far, resulting in wastage of raw materials. This waste problem is also experienced by all shoe SMEs in Medan city to date. The leading cause of this is the manual production process, which many SMEs still choose.
3. The quality and motivation of workers are poor. Many workers often work while talking to other workers, so they are not focused and are often late for work. In addition, most workers do not know about the shoe-making process. This condition is exacerbated by the educational background of those workers in shoe SMEs. Most of them (67 percent) are only elementary or junior high school graduates.
4. Minimum capital. It is difficult for many SMEs to increase their production qualitatively and quantitatively.
5. No standardization guarantees the quality of SMEs, so they do not get public trust. All existing shoe SMEs do not have quality assurance certificates, and only 10 percent of them carry out product and material quality checks (using simple procedures).

Entrepreneurial orientation (EO) deals with the methods and styles used by business actors in carrying out business activities, such as their ability to perform product and market innovations, have some courage in taking risks, and generate innovations to face competitors (Karen & Wang, 2013). In line with the entrepreneurial orientation concept, entrepreneurial orientation can be seen from several aspects as follows (Wayan & Nirmala, 2017):

- a. Creating innovative and creative ideas to create new products;
- b. Dare to face failure risk;
- c. Having a proactive behavior in introducing new products and anticipating future market demands;
- d. Showing aggressive behavior in responding to competitors' moves and trying to defeat them;
- e. Able to create attractive designs;
- f. Having a good product quality standard

Entrepreneurial orientation can be described in the following characteristics (Isa et al., 2011):

1. Innovativeness. It means the entrepreneurs always try to increase efficiency, effectiveness, and productivity. Besides, they increase their vigilance in facing business competition.
2. Proactiveness. It means the entrepreneurs always have the initiative and think in a visionary way, so they have short-term and long-term (strategic) plans. They also learn from other people's experiences and failures and can openly accept criticism and suggestions for their development.
3. Managing Risks. They dare to take risks, adjust their risk profiles, and identify the risks they face as well as their benefits. SMEs should implement risk management in their activities.

Lumpkin & Dess (1996) in (Karen & Wang, 2013) explained that entrepreneurial orientation could be seen in several dimensions: innovation, proactiveness, and risk-taking. Entrepreneurial orientation can be defined as a strategic orientation for the company, which can be seen from entrepreneurial aspects: decision-making styles, business methods, and business practices (Karen & Wang, 2013).

### **Entrepreneurial Competence**

Entrepreneurship social competence is an essential factor that must be owned by an entrepreneur to build, develop, and attain business goals. Entrepreneurship social competence consists of several aspects, namely, characteristics, behavior, self-image, and social role (Meutia & Ismail, 2013). Baum et al. (2002) in (Meutia & Ismail, 2013) explained some elements of social competence that must be possessed by entrepreneur, namely, knowledge, cognitive ability, self-management, administration skill, human resource skills, decision-making skills, leadership skills, opportunity identification skill, and opportunity development skills.

A previous study reveals that entrepreneurship social competence highly affects the business

network, competitive advantage, and business performance of SMEs (Meutia & Ismail, 2013). Furthermore, entrepreneurial competence comprises the needs for achievement, autonomy, power, self-efficacy, social orientation, endurance, and risk-taking (Eravia & Handayani, 2015). Meanwhile, entrepreneurial skill deals with awareness about the market, creativity, and flexibility.

### **Business Competitiveness**

Business competitiveness is one of the prevalent issues of SMEs. Competitive advantage is the ability of a company to increase the value of the goods or services offered to its customers (Meutia & Ismail, 2013). In creating such a competitive advantage, many SMEs face several problems, such as limitations in the capital, raw materials, information and technology, human resources, and market access. Other issues include government regulation, currency exchange, and high-interest rates (Eravia & Handayani, 2015).

Competitiveness can also be defined as the ability to defend market share (Rahmana, 2009). This capability is highly determined by on-time supply factors and competitive prices. Gradually, timely supply and competitive prices are influenced by two other essential factors: flexibility (the ability to adapt to consumer desires) and product differentiation management.

The competitiveness level of a country is affected by Sustainable Competitive Advantage (SCA) (Sedyastuti, 2018). This competitiveness is essential in a global competition that is getting intensive or known as hyper-competition.

Competitive advantage results from value-creation practices conducted by a company to face its competitors. These practices may include differentiation, cost leadership, quick response, and market focus strategies (Siriwan et al., 2013). Competitive advantage can also improve product performance and superiority distribution performance (Barney, 1991 in (Siriwan et al., 2013). Hall (1990) in (Meutia & Ismail, 2013) explained that competitive advantage consists of three dimensions: durability, difficulty to imitate, and easiness to recognize. Competitive advantage will increase the business performance of SMEs by supporting their profit, sales, and customer growth (Meutia & Ismail, 2013).

Business competitiveness is defined as the ability to sustain long-term performance compared to the competitors in the market, which can be shown by profitability, market share, sales, and business growth (Turyakira et al., 2012). In another perspective, the business competitiveness of SMEs with service-oriented digital transformation can be seen some dimensions; maintenance service portal, B2B function, and cloud computing (Chen, 2016). These three significantly affect business performance.

A framework of competitiveness and its determining factors has been proposed in a previous study (Tambunan, 2009). In this framework, a company's competitiveness is reflected from product competitiveness which comprises both internal and external factors. The internal factors include



(1) skills or education level of workers, (2) expertise of entrepreneurs, (3) availability or access to capital, (4) sound organizational and management systems (according to business needs), (5) availability or mastery of technology, (6) availability or mastery of information, and (7) availability or control/access to other inputs such as energy and raw materials.

Business scale, productivity, and technology implementation level also affect the competitiveness of MSMEs. Those three factors can be utilized to measure the competitiveness level of MSMEs (Lantu et al., 2016).

### **Business Performance**

Business performance is one measure of success level in achieving company goals. The SMEs with good performance can be indicated from the growths of their customer base, market, ROI, and profit (Ardyan & Putri, 2016).

It was well documented that strategic business network positively and significantly affects business performance, where it can be seen both from financial and non-financial perspectives (Wahab, 2017). Besides, the business performance of SMEs can be identified from several indications: informality, institutional environment, entrepreneurship characteristics, socio-economic environment, and infrastructure (Akinboade & Kinfack, 2012).

The business performance of SMEs can also be determined from several aspects, namely, market share, revenue, and profit growth (Ojo & Akinsunmi, 2015). On the other hand, the performance of SMEs can be seen from some aspects as follows (Ratna Purwaningsih, 2015).

1. The increase in sales
2. The increase in capital
3. The annual increase in labor quantity
4. The increase and improvement in market and marketing
5. The increase in profit

### **Methodology**

#### **Data collection**

The respondents of this study are batik MSMEs in the Cirebon area, West Java province. We employed a questionnaire consisting of several questions about entrepreneurial orientation, entrepreneurial competence, business competitiveness, and business performance. Each respondent was first asked to fill in demographic data consisting of age, sex, education level, experience, and the number of employees. Second, the respondents were asked to evaluate the primary constructs of this study. The questionnaire was disseminated to 96 respondents. We received 96 valid returned questionnaires to be further analyzed.

## Research Methods

This study employs a quantitative approach using a cross-sectional survey design to determine batik MSMEs' entrepreneurship and competitiveness. This type of research design has the advantage of providing a current description of the variables under the study. Therefore, this research design also systematically guides us in collecting data using questionnaires disseminated to batik MSMEs in Cirebon. The data analysis is started when all questionnaires have been returned. SPSS software version 21 is used for data analysis, and ANOVA is used for statistical analysis.

## Results and Discussion

### Entrepreneurial Orientation (X1) and Entrepreneurial Competence (X2)

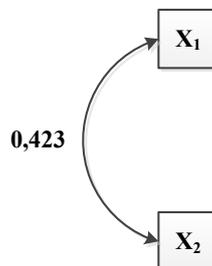
The results of hypothesis testing using SPSS are shown as follows.

**Table 1. Hypothesis 1 Output**  
**Correlations**

		X1	X2
X1	Pearson Correlation	1	.423**
	Sig. (2-tailed)		.000
	N	96	96
X2	Pearson Correlation	.423**	1
	Sig. (2-tailed)	.000	
	N	96	96

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The correlation test result between entrepreneurial orientation and entrepreneurial competence shows that these two variables are correlated significantly. From the generated correlation coefficient values, the structural relationship reflected in the first substructure can be shown as follows.



**Figure 2. First Substructure**

The correlation test between X1 and X2 shows that there is a significant correlation between

entrepreneurial orientation and entrepreneurial competence, with a score of 42.3%. Based on this result, the first hypothesis stating a relationship between entrepreneurial orientation and entrepreneurial competence can be accepted (cannot be rejected).

This finding evidences a relationship between the entrepreneurial orientation variable and entrepreneurial competence variable. It means that entrepreneurial orientation without adequate Entrepreneurial Competence will result in non-optimum entrepreneurial orientation. Conversely, entrepreneurial competence will not effectively function if it is not accompanied by entrepreneurial orientation.

### Effect of Entrepreneurial Orientation and Entrepreneurial Competence on Business Competitiveness, both Partially and Simultaneously

The test of the second hypothesis was conducted by testing the following regression equation:

$$Y = \beta_1 X_1 + \beta_2 X_2 + \epsilon_1$$

The results of hypothesis testing using SPSS software are shown in the following table.

**Table 2. Hypothesis 2 Output**

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.648 <sup>a</sup>	.420	.408	2.091845

a. Predictors: (Constant), X2, X1

#### ANOVA<sup>b</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	294.742	2	147.371	33.679	.000 <sup>a</sup>
	Residual	406.951	93	4.376		
	Total	701.693	95			

a. Predictors: (Constant), X2, X1

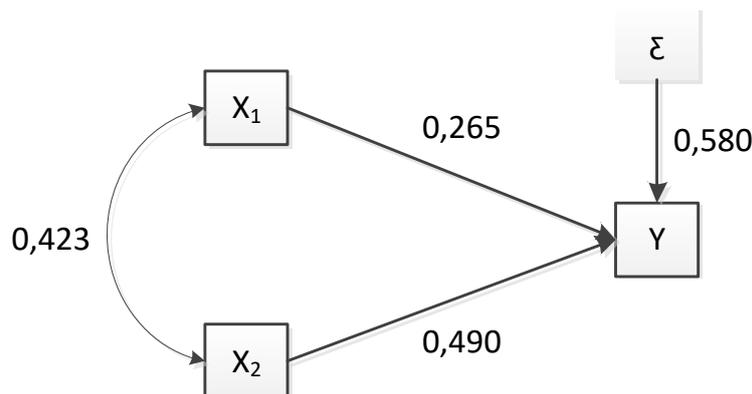
b. Dependent Variable: Y

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	4.380	1.725		2.540	.013		
X1	.086	.028	.265	3.046	.003	.821	1.218
X2	.374	.067	.490	5.616	.000	.821	1.218

a. Dependent Variable: Y

The values of standardized beta coefficients in that output table are the path coefficient values. From these path coefficient values, the structural relationship can be reflected in the second substructure, depicting the effect of entrepreneurial orientation and entrepreneurial competence on business competitiveness, as shown in the following figure.



**Figure 3. Second Substructure Output**

The hypothesis testing of the partial effect of X1 and X2 variables on the Y variable is as follows:

**1) Effect of Entrepreneurial Orientation (X1) on Business Competitiveness (Y)**

The statistical test result shows that the direct effect of entrepreneurial orientation (X1) on business competitiveness (Y) has the path coefficient value of 0.265. The effect is  $(0.265 \times 0.265) \times 100\% = 7.02\%$ , which is statistically significant at  $\alpha=0.05$  with sig. value of 0.003 (smaller than  $\alpha=0.05$ ). This statistical value indicates that entrepreneurial orientation directly affects business competitiveness.

**2) Effect of Entrepreneurial Competence (X2) on Business Competitiveness (Y)**

The statistical test result reveals that the direct effect of entrepreneurial competence (X2) on business competitiveness (Y) has the path coefficient value of 0.490. The direct effect is  $(0.490 \times 0.490) \times 100\% = 24.01\%$ , which is statistically significant at  $\alpha=0.05$  with sig. value of 0.000

(smaller than  $\alpha=0.05$ ). This statistical value indicates that entrepreneurial competence directly and significantly affects business competitiveness. Entrepreneurial competence can explain business competitiveness by 24.01%, while the rest of 75.99% is explained by other variables. The path coefficient of 0.490 shows that if entrepreneurial competence increases by 1%, the business competitiveness will increase by 0.490%. It clearly shows that entrepreneurial competence has a direct effect on business competitiveness.

### 3) Effect of Entrepreneurial Orientation (X1) and Entrepreneurial Competence (X2) on Business Competitiveness (Y)

The test of the simultaneous effect of entrepreneurial orientation (X1) and entrepreneurial competence (X2) on business competitiveness (Y) indicates the F value of 33.679 and sig. F of 0.000 (smaller than  $\alpha=0.05$ ). The R Square value obtained is 0.420, indicating that entrepreneurial orientation and entrepreneurial competence can explain business competitiveness by 42%. The remaining 58% is explained by variables other than entrepreneurial orientation and entrepreneurial competence. This result indicates that entrepreneurial orientation and entrepreneurial competence simultaneously affect business competitiveness moderately.

### 4) Effect of Entrepreneurial Orientation (X1) and Entrepreneurial Competence (X2) on Business Performance of SMEs (Z), both Directly or through Business Competitiveness (Y)

The test of the third hypothesis was conducted by analyzing the following equation.

$$Z = PZX_1(X_1) + PZX_2(X_2) + PZY(Y) + PZ\epsilon_2(\epsilon_2)$$

The regression results in SPSS for the above equation are shown in the following table.

**Table 3. Hypothesis 3 Output**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.590 <sup>a</sup>	.348	.327	3.532935

a. Predictors: (Constant), Y, X1, X2

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	613.862	3	204.621	16.394	.000 <sup>a</sup>
	Residual	1148.310	92	12.482		
	Total	1762.173	95			

a. Predictors: (Constant), Y, X1, X2

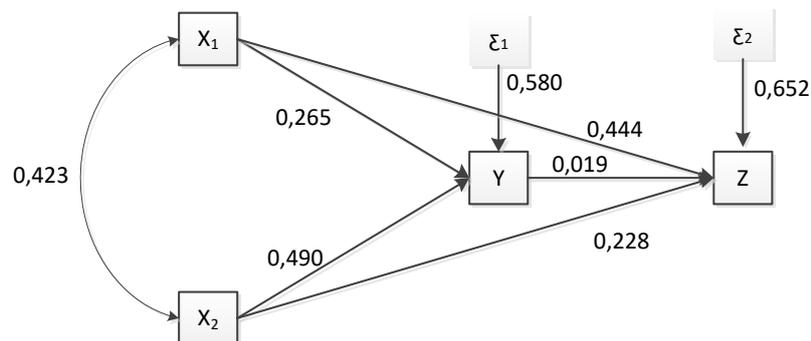
b. Dependent Variable: Z

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.795	3.012		1.592	.115
	X1	.228	.050	.444	4.555	.000
	X2	.277	.130	.228	2.125	.036
	Y	.030	.175	.019	.171	.865

a. Dependent Variable: Z

From the above data indicating path coefficient values, the description of structural relationship can be depicted in the third substructure, which points out the effects of entrepreneurial orientation, entrepreneurial competence, and business competitiveness on the business performance of SMEs, both partially and simultaneously.



**Figure 4. The Third Substructure Output**

## Discussion

The hypothesis test result about the partial effect of entrepreneurial orientation (X1), entrepreneurial competence (X2), and business competitiveness (Y) on the business performance of SMEs (Z) can be found by comparing the sig. t value in output coefficients with  $\alpha=0.05$ . Moreover, the simultaneous effect can be found by comparing the sig. F value in the output ANOVA table and  $\alpha=0.05$ .

### 1) Effect of Entrepreneurial Orientation (X) on Business Performance of SMEs (Z)

The statistical test result shows that the direct effect of entrepreneurial orientation on the business performance of SMEs has a path coefficient of 0.444. The direct effect is  $(0.444 \times 0.444) \times 100\% = 19.71\%$ , which is statistically significant at  $\alpha=0.05$  with sig. value of 0.000 (smaller than  $\alpha=0.05$ ). This statistical value indicates that entrepreneurial orientation directly, significantly, and partially affects the business performance of SMEs. Entrepreneurial orientation partially explains the business performance of SMEs by 19.71%, while the rest of 80.29% is explained by other variables. The path coefficient of 0.444 shows that if entrepreneurial orientation increases by 1%, then the business performance of SMEs will increase by 0.444%. This result does not support a previous study (Abbade, Eduardo Botti ; Mores, Giana de Vargas ; Spanhol, 2014), finding that entrepreneurial orientation (proactiveness and risk-taking behavior) does not significantly affect sustainable organizational performance.

### 2) Effect of Entrepreneurial Competence (X2) on Business Performance of SMEs (Z)

The statistical test result reveals that the direct effect of entrepreneurial competence on the business performance of SMEs has a path coefficient of 0.228. The direct effect is  $(0.228 \times 0.228) \times 100\% = 5.2\%$ , which is statistically significant at  $\alpha=0.05$  with sig. value of 0.036 (smaller than  $\alpha=0.05$ ). This statistical value indicates that entrepreneurial competence directly, significantly, and partially affects the business performance of SMEs. Entrepreneurial competence can partially explain the business performance of SMEs by 5.2%, while the rest of 94.8% is explained by other variables. The path coefficient of 0.228 shows that if entrepreneurial competence increases by 1%, then the business performance of SMEs will increase by 0.228%. This finding aligns with the result in a previous study (Ardayan & Wijaya, 2018), indicating that the entrepreneurial competence nurtured consciously among students will affect the business being developed. The effectiveness of entrepreneurship education will largely affect the growth of entrepreneurial competence and business performance. A similar result was found in a previous study using regression analysis and standard statistical analysis (Ibidunni *et al.*, 2018), revealing that venture capital and business contributions significantly affect the profit growth of technology-based SMEs. In addition, it was revealed that technology-based companies could increase their access to financing through the development of entrepreneurial competence to acquire the right skills and attitudes.

### 3) Effect of Business Competitiveness (Y) on Business Performance of SMEs (Z)

The statistical test result shows that the direct effect of business competitiveness on the business performance of SMEs has a path coefficient of 0.019. The direct effect is  $(0.019 \times 0.019) \times 100\% = 3.61\%$ , which is statistically insignificant at  $\alpha=0.05$  with sig. value of 0.865 (larger than  $\alpha=0.05$ ). This statistical value indicates that business competitiveness has a direct and partial effect on the business performance of SMEs but not significantly. Business competitiveness can explain the business performance of SMEs by 3.61%, while the rest of 96.39% is explained by other variables. The path coefficient of 0.019 shows that if business competitiveness increases by 1%, then the business performance of SMEs will increase by 0.019%.

### 4) Effect of Entrepreneurial Orientation (X1) and Entrepreneurial Competence (X2) on Business Performance of SMEs (Z) through Business Competitiveness (Y)

The statistical test results indicate that the indirect effect of entrepreneurial orientation (X1) on the business performance of SMEs (Z) through business competitiveness (Y) is  $PX_1(X1) \cdot PY(Y) = (0.444) \times (0.019) = 0.008$ . So, the effect of entrepreneurial orientation on business performance is 0.008. This statistical value indicates that entrepreneurial orientation has an indirect and significant effect on the business performance of SMEs through business competitiveness. This result is in line with a previous study (Wayan & Nirmala, 2017), documenting that entrepreneurial orientation positively and significantly affects competitive advantage through innovation as the mediating variable, primarily in the Endek fabric industry in Klungkung Regency. Besides, the finding of our study supports a previous study (Nuvriasari, Wicaksono, & Sumiyarsih, 2017), explaining that there is a positive and significant effect of market orientation and entrepreneurial orientation on competitive strategies (differentiation, cost leadership, and focus strategies). Market orientation and entrepreneurial orientation positively affect the performance of SMEs. Competitive strategies (differentiation, cost leadership, and focus strategies) positively affect the performance of SMEs. Meanwhile, the statistical test results indicate that the indirect effect of entrepreneurial competence (X2) on the business performance of SMEs (Z) through business competitiveness (Y) is  $PX_2(X2) \cdot PY(Y) = (0.228) \times (0.019) = 0.004$ . Thus, the effect of entrepreneurial competence on the business performance of SMEs is 0.004. This statistical finding shows that entrepreneurial competence indirectly affects SMEs' business performance through business competitiveness. The answers to our research questions can be summarized in the following table.

**Table 5. Path Coefficient, Direct and Indirect Effects, Total and Simultaneous Effects of Entrepreneurial Orientation (X1), Entrepreneurial Competence (X2), and Business Competitiveness (Y) on Business Performance of SMEs (Z)**

Variable	Path Coefficient	Effect			Simultaneous Effect $R^2_{yx}$
		Direct	Indirect through Y	Total	
X <sub>1</sub>	0.444	0.444	0.019	0.008	-
X <sub>2</sub>	0.228	0.228	0.019	0.004	-
Y	0.019	0.019	-	-	-
ε <sub>1</sub>	0.580	33.64	-	-	-
ε <sub>2</sub>	0.652	42.51	-	-	-
X <sub>1</sub> & X <sub>2</sub>					0.348

**5) Effect of Entrepreneurial Orientation (X1), Entrepreneurial Competence (X2) and Business Competitiveness (Y) on Business Performance of SMEs (Z)**

The test of simultaneous effect of entrepreneurial orientation (X1), entrepreneurial competence (X2), and business competitiveness (Y) on business competitiveness (Y) indicates the F value of 16.394 and sig. F of 0.000 (smaller than  $\alpha=0.05$ ). The R Square value of 0.348 indicates that entrepreneurial orientation, entrepreneurial competence, and business competitiveness can simultaneously explain the business performance of SMEs by 34.8% (low category). The rest of 65.2% of business performance is explained by other variables. This finding is in line with a previous study (Meutia & Ismail, 2013), reporting that entrepreneurship social competence highly affects the business networks, competitive advantage, and business performance of SMEs.

**Effect of Business Competitiveness on Business Performance of SMEs**

The F-test indicates whether all independent variables in the model have a simultaneous and significant effect on the dependent variable. The F value is derived from the ANOVA (analysis of variance) table.

The F value for the regression model can be seen in the following table.

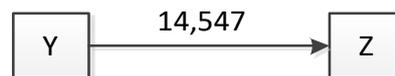
**Table 6. Hypothesis 4 Output**  
**ANOVA<sup>b</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	236,164	1	236,164	14,547	.000 <sup>a</sup>
	Residual	1526.009	94	16,234		
	Total	1762.173	95			

a. Predictors: (Constant), Y

b. Dependent Variable: Z

The test results in that table show the structural relationship of the fourth substructure, depicting the effect of business competitiveness on the business performance of SMEs, as shown in the following figure.



**Figure 5.**  
**The Fourth Substructure Output**

The result of data analysis shows that F-value is 14.547 and the p-value of 0.000. Since the p-value (0.000) is smaller than the value of  $\alpha$  (0.05), then we can say that the independent variable (business competitiveness) significantly affects the dependent variable (business performance of SMEs) at a 95% confidence level. This result is in line with the finding of a previous study (Cho, Leem, & Shin, 2008), explaining that business competitiveness has a significant effect on business performance in the Korean manufacturing industry. Besides, in line with our findings, a previous study mentions that business competitiveness can influence business performance (Yusuf et al., 2014). Finally, sustainable performance can be materialized through business competitiveness (Tan, Ochoa, Langston, & Shen, 2015).

### Conclusions

Several conclusions can be drawn regarding the effects of entrepreneurial orientation and entrepreneurial competence on business competitiveness, as well as the business performance of Trusmi batik SMEs in Cirebon.

1. The correlation test result between entrepreneurial orientation and entrepreneurial competence shows that these two variables are significantly correlated. Based on this finding, it can be concluded that the following hypothesis, “entrepreneurial orientation affects entrepreneurial competence,” is accepted.
2. Entrepreneurial orientation (X1) directly and significantly affects business competitiveness (Y). The high or low level of business competitiveness can be explained by entrepreneurial orientation. The direct effect of entrepreneurial orientation on business competitiveness is

- 7.02%. Based on this finding, it can be concluded that the following hypothesis, “entrepreneurial orientation directly affects business competitiveness,” is accepted.
3. Entrepreneurial competence (X2) directly and significantly affects the degree of business competitiveness of the employees (Y). The degree of business competitiveness can be explained by entrepreneurial competence. The direct effect of entrepreneurial competence on business competitiveness is 24.01%. Based on this finding, it can be concluded that the following hypothesis, “entrepreneurial competence directly affects business competitiveness,” is accepted.
  4. The simultaneous effect of entrepreneurial orientation (X1) and entrepreneurial competence (X2) on business competitiveness (Y) shows a value of 42%. It means the rest of business competitiveness (58%) is explained by variables other than entrepreneurial orientation and entrepreneurial competence.
  5. Entrepreneurial orientation (X1) directly and significantly affects the degree of business performance of SMEs (Z). In other words, the degree of business performance of SMEs can be explained by entrepreneurial orientation. The direct effect of entrepreneurial orientation on the business performance of SMEs is 19.71%. Based on this finding, it can be concluded that the following hypothesis, “entrepreneurial orientation directly affects the business performance of SMEs,” is accepted.
  6. Entrepreneurial competence (X1) directly and significantly affects the degree of business performance of SMEs (Z). In other words, the business performance of SMEs can be explained by entrepreneurial competence. The direct effect of entrepreneurial competence on the business performance of SMEs is 5.2%. Based on this finding, it can be concluded that the following hypothesis, “entrepreneurial competence directly affects the business performance of SMEs,” is accepted.
  7. The simultaneous effect of entrepreneurial orientation (X1), entrepreneurial competence (X2), and business competitiveness (Y) on the business performance of SMEs (Z) shows a value of 34.8%. It means that X1, X2, and Y can explain the Z variable by that percentage. In other words, 65.2% of the business performance of SMEs can be explained by other variables. That is why it can be concluded that the following hypothesis, “entrepreneurial orientation and entrepreneurial competence affect the business performance of SMEs through business competitiveness,” is accepted
  8. The statistical test result shows that the direct effect of business competitiveness on the business performance of SMEs has a path coefficient of 3.61%, which is statistically insignificant at  $\alpha=0.05$  with sig. value of 0.865 (larger than  $\alpha=0.05$ ). This statistical value indicates that business competitiveness has a direct and partial effect on the business performance of SMEs but not significantly. Business competitiveness can explain the business performance of SMEs by 3.61%, while the rest of 96.39% is explained by other variables. As a result, it can be concluded that the following hypothesis, “business competitiveness directly affects the business performance of SMEs,” is accepted.



### **Limitations and Future Research Directions**

This research only analyzes data from the limited sample size. Therefore, further studies may be conducted by involving more extensive sample sizes of batik SMEs from various regions to gain more accurate research results. In this study, all research variables (entrepreneurial orientation, entrepreneurial competence, business competitiveness, and business performance of SMEs) use the limited dimensions. Therefore, other theories discussing those variables using other dimensions, indicators, or perspectives can also be observed. Further studies can use those dimensions in investigating the same variables used in this study. So, the conclusions drawn in this study can be retested using different approaches. Alternatively, further studies can also add other variables that may affect the business performance of SMEs, such as cultural-related variables.

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