The Effect Of Entrepreneurial Orientation And Product Innovation On The Performance Of Kadin Jabar Development Smes In The Food Industry

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Abstract: This study aims to determine the effect of entrepreneurship orientation and product innovation on the performance of SMEs assisted by Kadin Jabar in the food industry. The population in this study were 30 SMEs with sampling using the saturated sampling method so that the sample of this study amounted to 30 SMEs. Data were analyzed using multiple regression analysis techniques. The results showed that there was no influence between entrepreneurial orientation on performance, while product innovation had a significant effect on the performance of SMEs, as well as entrepreneurial orientation and product innovation had a simultaneous significant effect on the performance of SMEs assisted by Kadin Jabar in the food industry.

Keywords: Entrepreneurship orientation, product innovation, performance, SMEs

1. Introduction

In Indonesia, the existence of MSEs cannot be separated from national economic growth because MSEs are a form of economic life for most of the Indonesian people, therefore in an effort to build the national economy, the MSE sub-sector gets priority to be fostered. In order to have better performance and be able to develop independently, good performance of MSEs is shown by customer satisfaction, sales growth, repurchase rates, labor absorption and a larger market share.

The emergence of competition in the business world is something that cannot be avoided, especially Micro, Small and Medium Enterprises (MSMEs) which create an increasingly fierce competition which requires every business actor to be able to think about what they should do so that the business they run have a competitive advantage. Business actors who continue to innovate and products that keep up with the times have emerged that are competitors for MSMEs, because UMKM products are only available in certain areas. (source: Department of Industry and Trade UMKM Development, Bandung Regency).

The government and other parties are increasingly developing MSMEs to improve the performance of this sector. One of the efforts to achieve the development of MSMEs is through the development of MSMEs which in implementation refers to the ASEAN Policy Blue Print for SME Development (APBSD) 2004-2014. In APBSD, the development of MSMEs is carried out through five programs, namely entrepreneurship development programs, increasing marketing capacity, access to finance, access to technology and conducive policies. To be able to increase business and be able to compete in facing the global order, Small and Medium Enterprises need to have an entrepreneurial orientation that encourages a spirit of innovation and the ability to take risks that support business success. Entrepreneurial orientation reflects organizational characteristics related to entrepreneurial behavior, including the level of risk taking, innovation, and proactive behavior of business people. Entrepreneurial orientation refers to the strategic orientation of a business but also includes aspects of specific entrepreneurial decision-making styles, methods and practices (Lumpkin and Dess, 1996). SMEs that have a high entrepreneurial orientation will tend to take actions based on innovative decisions, dare to take business risks and tend to take proactive actions in anticipating business competition and taking advantage of opportunities. This will encourage better performance. Entrepreneurial orientation not only has a relationship with improving the performance or success of the company, but also has a relationship with management capabilities and business strategy. Owners of SMEs who have an entrepreneurial spirit and are supported by management skills are very important and necessary to coordinate company resources in order to obtain effective and efficient results (Tidd, 1998; Kimanzi, 2019).

Products displayed by business owners must have innovation. The uniqueness of the product as a result of innovation will temporarily bring greater competition, even the innovation created by the company is the key to competitive advantage that determines the economic success of an organization. By having a competitive advantage, a business will be able to survive so that in measuring its success, the competitiveness of existing businesses supports business performance including the marketing performance of a business (Iksan, 2015).

The entrepreneurial orientation associated with the performance of small and medium industries was researched by Palalic, R & Busatlic, S (2015) and found that the dimensions of entrepreneurial orientation had a

significant relationship with the performance and growth of small business enterprises in Bosnia Herzegovina. Kumalaningrum (2012) found that entrepreneurial orientation has a positive and significant effect on the performance (profitability) of Micro and Small Enterprises (MSEs). On the other hand, the results of Reswanda's (2012) study found that entrepreneurial orientation did not directly improve the performance of export-oriented leather craft MSMEs in Sidoarjo, but entrepreneurial orientation could only improve business performance through the advantage of sustainable competitiveness. These three studies are a research gap on the influence of entrepreneurial orientation on the performance of MSEs, where Palalic, R & Busatlic, S and Kumalaningrum found a positive and significant influence on the performance of MSEs while Reswanda found the opposite.

Various literatures describe entrepreneurial orientation as an entrepreneur personality (Littunen, 2000; Lee and Tsang, 2001; Olson, 2000). On the other hand, Hisrich, Peters and Shepherd (2005) stated that entrepreneurial orientation is as entrepreneurial feelings. Knight (2000) explains that entrepreneurial orientation is related to finding opportunities, courage to take risks and decisions to act from organizational leaders. Entrepreneurial orientation will be a value system for the company and will determine the company's movement or strategy. Companies that have a value system will continue to look for opportunities, to try to enter new markets in order to take existing opportunities. Based on the existing background, researchers can draw a common thread from the problems faced by SMEs so that researchers are interested in conducting research entitled "The Effect of Entrepreneurship Orientation and Product Innovation on the Performance of SMEs under the guidance of the West Java Chamber of Commerce in the Food industry.

Based on the background above, the problem formulations in this study are:
1.   How is the influence of entrepreneurial orientation on the performance of MSMEs in Bandung Regency
2.   How is the influence of product innovation on the performance of MSMEs in Bandung Regency
3.   How entrepreneurial orientation and product innovation on the performance of MSMEs in Bandung Regency.

2.   Literature review

Entrepreneurial Orientation

The definition of entrepreneurship according to Eddy S. Soegoto (2009: 3) is "Entrepreneurship is a creative endeavor built on innovation to produce something new, have added value, provide benefits, create jobs and the results are useful for others."

Meanwhile, Thomas W. Zimmerer in Jayanthi Octavia (2014: 16) states that "Entrepreneurship is the application of creativity and innovation to solve problems and efforts to take advantage of opportunities faced every day".

Entrepreneurial Orientation Indicators

Weerawerdeena (2003) in Andriani Suryanita (2006: 11) states that, "Some management literature provides three basic dimensions - dimensions of organizational tendencies for entrepreneurial management processes, namely innovation ability, risk-taking ability, and proactive nature". This opinion is similar to the opinion of Lumpkin and Dess (1996) in Hanifah (2011: 3) who argue, "Entrepreneurial orientation refers to processes, practices, and decision making that lead to new inputs and has three aspects of entrepreneurship, namely taking risks, act proactively and always be innovative. The following are indicators of entrepreneurial orientation according to Weerawerdeena (2003) in Andriani Suryanita (2006: 13):

1. Innovativeness (innovativeness)

Innovation is the tendency to engage in creativity and experimentation through the introduction of new products or services and technology leadership through research and development in new processes (Lumpkin and Dess, 1996: 140-149) in (Cynthia and Hendra, 2014: 1216). Innovative is a basic willingness to abandon old and existing technology or practices to look for new things to go a better direction (M. Wandra Utama, 2009: 56).

2. Proactiveness

A proactive attitude refers to a forward looking perspective in taking initiatives by anticipating and pursuing new opportunities and participating in emerging markets (Lumpkin and Dess, 1996) in (M. Wandra Utama, 2009: 59). Proactivity is important because it implies a forward-looking stance accompanied by innovative activities or new speculation and the conceptual opponent of being proactive is passivity (inability to seize opportunities) (Lumpkin and Dess, 1996) in Perminas Pangeran (2012: 5).

3.Taking risk (risk tasking)

Taking risk is taking decisive action by exploring the unknown, borrowing large amounts, and / or allocating significant resources to businesses in an uncertain environment (Lumpkin and Dess, 1996: 140-149) in (Cynthia and Hendra, 2014). : 1216).

Product Innovation

The definition of product innovation according to Crawford and De Benedetto (2000: 9) in Putu et al. (2013: 66) are as follows: "Product innovation is an innovation that is used in the entire company's operations where a new product is created and marketed, including innovation in all its functional / useful processes".

Product Innovation Indicators

Lukas and Ferrell (2000: 240) in Sensi Tribuana Dewi (2006: 18) explain the existence of several indicators of product innovation, namely: 1. Product expansion (line extensions) Product expansion is a product produced by a company that is not really new but relatively new for a company. market. 2. New products (me-too products) New products are new products for the company but not new to the market. 3. Completely new products (new-to-theworld products) Completely new products are products that are considered new by both the company and the market.

SME Business Performance

According to Rivai (2013) in Zulfikar (2018: 49) is a measurement of a standard past cost efficiency, management accountability as an action or company activity at a certain time. To measure business performance Rahayu (2013) in Shandra (2018: 7) explains using 3 indicators: 1. Increased sales 2. Increased profit 3. Satisfactory growth.

3.   RESEARCH METHODS

This research is a type of causality research, namely causality research. The population in this study were 30 UKM assisted by Kadin Jabar in the food industry. The sample in this study used a saturated sample, namely the entire population was sampled. Collecting data using a questionnaire or questionnaire method. The questionnaire method or questionnaire was carried out to get respondents' responses regarding the Entrepreneurship Orientation and Product Innovation and the Performance of SMEs assisted by the West Java Chamber of Commerce in the food industry sector. The data analysis used to test the hypothesis in this study was to use multiple linear regression analysis in the SPSS version of the program. 25.

4.   Results and discussion

Classic assumption test

To process the data obtained, the researcher conducted a classical assumption test to fulfill the parametric assumptions before carrying out the multiple linear regression analysis test using SPSS.25.0.

1.   The normality test through the significance value of unstandarized residuals is 0.140, which means that the value is greater than 0.05, so it can be said that the residual value is normally distributed.

2.   The multicolonearity test using a tolerance value shows that no independent variable has a value less than 0.10. The entrepreneurial orientation and product innovation variables have a tolerance value of 0.588 which is greater than 0.10. Meanwhile, the VIF value in the table above is 1.701 which is less than 10.00. So it can be concluded that there is no multicolonierity between the independent variables in the regression model.

3.   The heteroscedasticity test shows the entrepreneurial orientation variable has a significance value of 0.628 and the product innovation variable has a significance value of 0.739. So it can be concluded that the significance value of the two independent variables is greater than 0.05 and it can be stated that the test results do not show any heteroscedasticity symptoms.

Multiple Linear Regression Analysis

Table 1. Multiple Linear Regression

		Coefficients	
	Model	**Unstandardized Coefficients**	
		B	**Std. Error**
1	(Constant)	,179	3,026
	x1	-,006	,119
	x2	,389	,158

a. Dependent Variable y
Source: Data processed by researchers, 2020

In table 1, it is known that the multiple linear regression equation is as follows:
$Y = 0.179 + (-0.006X_1) + 0.389X_2 + e$

Information:
X1: Entrepreneurial Orientation
X2: Product innovation
Y: SME performance

Based on the multiple linear regression equation, it can be concluded that the value of the variable x1 (Entrepreneurship Orientation) is (-0.006) indicating less than 0 - 0.25, so this value indicates a very weak category. While the variable x2 (product innovation) amounted to 0.389 indicating greater 0.25 - 0.5, then the following values indicate a fairly strong category. While the value of the Y variable (SME performance) is 0.179, which means that the entrepreneurial orientation variable does not affect sales performance. Meanwhile, product innovation affects the performance of SMEs.

Analysis of the Coefficient of Determination (R2)

Table 2. Coefficient of Determination

Model Summary

Model	R	R Square
1	,520	,270

a. Predictors: (Constant), X2, X1
Source: Data processed by researchers, 2020

Table 2 shows that the coefficient of determination (R2) is 0.270 or 27%. The independent variable contribution of Entrepreneurship Orientation and product innovation to the performance of SMEs is 27%, while there is a residual of 73% which is explained by other variables not examined in this study.

T test

Table 3. The t test

Coefficients

	Model	t	Sig.
1	(Constant)	,059	,953
	x1	-,046	,963
	x2	2,454	,021

a. Dependent Variable: y
Source: Data processed by researchers, 2020

The following table states that the following results are obtained:

a. The first hypothesis (H1) The value of tcount> ttable for the entrepreneurial orientation variable is (-0.046) <1.703 with a significant 0.963> 0.05, which means that the entrepreneurial orientation variable is rejected, so that the entrepreneurial orientation variable has no effect on the performance of UKM under the guidance of Kadin Jabar in the food industry.

b. The second hypothesis (H2) The value of tcount> ttable for product innovation variable is 2.454> 1.703 with a significance value of 0.021 <0.05, which means that the product innovation variable is received significantly, so that the product innovation variable has an effect on the performance of SMEs assisted by the West Java Chamber of Commerce in the food industry.

F test

Table 4. F test

ANOVA

	Model	F	Sig.
1	Regression	5,000	,014[b]

a. Dependent variable y
b. Predictors: (Constant), x2, x1
Source: Data processed by researchers, 2020

The calculated F value can be seen as a number of 5,000, the value is stated to be greater than F table 3.35 with a significance of 0.014 which has a value <0.05, it is said that H3 is accepted, which means that entrepreneurial orientation and product innovation are very influential simultaneously on the performance of SMEs assisted by Kadin Jabar in the industry food.

5. Discussion

Based on the results of distributing questionnaires that have been given to 30 SMEs as respondents.

The Influence of Entrepreneurship Orientation on the performance of SMEs assisted by Kadin Jabar in the food industry

The results of the study show the influence of entrepreneurship orientation with SME performance, by knowing competitors, the company is able to plan actions that must be taken so as not to lose to its competitors. Entrepreneurial orientation is important to encourage and support the development of new products so that current and future market needs are met (Slamet and Iskandar, 2016). Based on the answers from the respondents, the average result of the customer orientation indicator (X2.1) is 3,399, the market information indicator (X2.2) is 2.909, and the competitor orientation indicator (X2.3) is 3.33. These results state that the respondents agree that entrepreneurial orientation is necessary and important for business development. The entrepreneurial orientation of SMEs can determine the market position within a certain scope. The results of research conducted by researchers support the research conducted by Hidayat, Suswanti (2016) states that there is an influence of entrepreneurial orientation and performance of SMEs. So this is contrary to the results of the study that entrepreneurial orientation does not have a significant effect on the performance of the food industry SMEs. This happens because the performance of food SMEs has many similarities in products and many competitors.

The effect of product innovation on the performance of SMEs assisted by the West Java Chamber of Commerce in the food industry

The results in this study that the product innovation variable (X1) does not have a significant effect on sales performance (Y). Due to the product innovation owned by the West Java Chamber of Commerce and Industry's assisted SMEs in the food industry is still relatively common even though there are some who have created unique innovations. From the average, the results of the respondents' answers stated that the product line indicator (X1.1) was 3.398, the imitation product indicator (X1.2) was 2.967, and the new product indicator (X1.3) was 3.466.

Based on these average results, it is stated that the respondents agree that product innovation is an important thing in the business world. However, in this research, the food industry SMEs do not innovate regularly and only innovate when there are certain events about UKM exhibitions and according to them it is feasible to be produced and even then, not all SMEs update their innovations. This study contradicts the theory of Tamamudin (2012) which states that the increase in company performance through increased buying decisions occurs because the higher the company's innovation. Supriyanto's research (2017) also states that the higher the level of a product innovation, the more competitive advantage will be.

The influence of entrepreneurial orientation and product innovation on the performance of SMEs assisted by the West Java Chamber of Commerce in the food industry

This study shows that entrepreneurial orientation and product innovation have a significant effect on the performance of the food industry SMEs. The effect of these two variables is 27%, while 73% is explained by other variables and not examined in this study. From these results, the researchers stated that the food SME business actors carried out various innovations so that the products offered by one industry and another also differ. Market orientation needs to be done so that companies know market conditions and consumer needs. So it can be concluded that entrepreneurial orientation and product innovation have a simultaneous influence on the performance of SMEs. In innovating, it can foster the performance of SMEs. In improving the performance of SMEs, an entrepreneurial orientation is also needed.

6. Conclusions and suggestions

From the results of the discussion and analysis of the data above, it is concluded that entrepreneurial orientation has no effect on the performance of SMEs assisted by Kadin Jabar in the food industry, while product innovation has an effect on the performance of SMEs assisted by Kadin Jabar in the food industry, as well as

entrepreneurial orientation and product innovation simultaneously affect the performance of assisted SMEs West Java Chamber of Commerce in the food industry. So that researchers can provide suggestions for improving the performance of SMEs to be more optimal, each SME must add new innovations and be friendly to consumers in order to increase sales, it is better if business actors observe conditions and ways of working in other food industries in order to compete with competitors, and This research can also be used by further researchers as input and reference on entrepreneurial orientation and product innovation on the performance of SMEs assisted by the West Java Chamber of Commerce in the food industry.

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