ENTREPRENEURIAL ORIENTATION EFFECT TO MSME FOOD AND BEVERAGE SECTOR PERFORMANCE IN BANDAR LAMPUNG

(Undergraduate Thesis)

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FACULTY OF ECONOMICS AND BUSINESS UNIVERSITAS LAMPUNG BANDAR LAMPUNG 2025

ABSTRAK

PENGARUH ORIENTASI KEWIRAUSAHAAN TERHADAP KINERJA UMKM SEKTOR MAKANAN DAN MINUMAN DI BANDAR LAMPUNG

OLEH:

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Pertumbuhan usaha mikro, kecil, dan menengah (UMKM) di Bandar Lampung telah mengakibatkan meningkatnya persaingan antar pelaku usaha, khususnya di sektor makanan dan minuman. Penelitian ini mengkaji bagaimana inovasi, pengambilan risiko, dan proaktif memengaruhi kinerja produk, kinerja pelanggan, dan kinerja UMKM secara keseluruhan. Pendekatan pengambilan sampel yang digunakan adalah non-probability sampling, khususnya menekankan purposive sampling. Data dikumpulkan melalui penyebaran kuesioner kepada 112 pengelola dan pemilik di sektor UMKM makanan dan minuman di Bandar Lampung. Usaha responden berlokasi di Bandar Lampung dan telah beroperasi minimal selama satu tahun. Analisis dilakukan dengan menggunakan moderasi Partial Least Squares melalui perangkat lunak SmartPLS 4.0. Temuan penelitian menunjukkan bahwa inovasi tidak memengaruhi kinerja produk maupun kinerja pelanggan secara signifikan. Akan tetapi, inovasi memiliki pengaruh yang signifikan terhadap kinerja UMKM secara keseluruhan. Pengambilan risiko menunjukkan pengaruh positif yang signifikan terhadap kinerja pelanggan dan kinerja UMKM secara keseluruhan, sedangkan tidak memiliki pengaruh yang signifikan terhadap kinerja produk. Terakhir, proaktif memiliki pengaruh signifikan terhadap kinerja produk, tetapi tidak berdampak signifikan terhadap kinerja pelanggan atau kinerja UMKM secara keseluruhan.

Kata kunci: Orientasi Kewirausahaan, Kinerja Produk, Kinerja Pelanggan

ABSTRACT

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The growth of micro, small, and medium enterprises (MSMEs) in Bandar Lampung has resulted in increased competition among businesses, particularly within the food and beverage sector. This research examines how innovativeness, risk-taking, and proactiveness influence product performance, customer performance, and MSME performance as a whole. The sampling approach employed was nonprobability sampling, specifically emphasizing purposive sampling. Data was collected through the distribution of questionnaires to 112 managers and owners within the MSME food and beverage sector in Bandar Lampung. The respondent business is located in Bandar Lampung and has been operational for a minimum duration of one year. The analysis was conducted utilizing Partial Least Squares moderation through the SmartPLS 4.0 software. The findings reveal that innovativeness does not significantly affect either product performance or customer performance. However, innovativeness does have a significant effect on overall MSME performance. Risk-taking shows a significant positive effect on customer performance and on overall MSME performance, while it does not have a significant effect on product performance. Finally, proactiveness has a significant effect on product performance, but does not significantly impact customer performance or overall MSME performance.

Keywords: entrepreneurial orientation, product performance, customer performance.

ENTREPRENEURIAL ORIENTATION EFFECT TO MSME FOOD AND BEVERAGE SECTOR PERFORMANCE IN BANDAR LAMPUNG

By:

HANIFAH SYAHIRAH VEDY 2111011005

Undergraduate Thesis Proposal

As One of the Requirements to Earn a Bachelor of Management Degree
(Bachelor of Management)

On

Management Department

Faculty of Economic and Business



FACULTY OF ECONOMICS AND BUSINESS UNIVERSITAS LAMPUNG BANDAR LAMPUNG 2025

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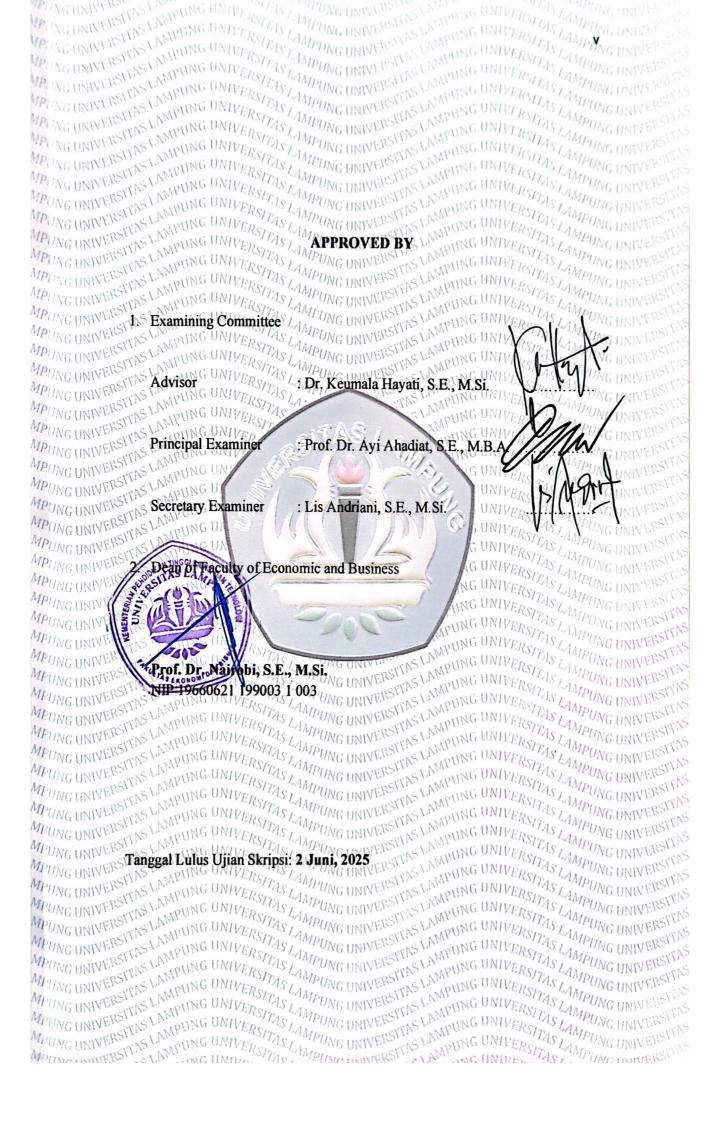
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Hereby declare that this research is the own work of the author, not a duplication or work of others except in parts that have been referred to and mentioned in the bibliography. If in the future it is proven that there are deviations in this work, the full responsibility lies with the researcher.

Thus, I make this statement so that it can be understood.

Bandar Lampung, 22 May 2025

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BIOGRAPHY



The author, Hanifah Syahirah Vedy, familiarly known as Hani, was born in Bandar Lampung on August 18, 2003, to Mr. Vedy Pudiansyah and Mrs. Hapipah. The author is the third child in the family and has two older siblings, Hanna Insani Vedy and Nabila Kharimah Vedy. The author began her educational journey at SDN 2 Rawa Laut and graduated in 2015. She continued her studies at SMPN 1 Bandar Lampung, completing junior high school in 2018, and later pursued her senior high school education at SMAN 2 Bandar Lampung.

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During her time at university, the author has actively participated in various prestigious student mobility and international academic programs. These include the Indonesian International Student Mobility Awards (IISMA) program at Universiti Sains Malaysia, the 17th Asian Cooperative Program at Kansai University of International Studies (KUISs) Japan, International Summer School NWIM-RANEPA Russia, Yokohama National University Spring Program Japan, and the Joint Short Course by Aoyama Gakuin University Japan. These experiences have broadened her global perspective and strengthened her academic and intercultural competencies.

In addition to her academic and international experiences, the author is also actively involved in various organizations both on and off campus. These include the IISMA Alumni Club, AIESEC in Unila, ASEAN Youth Advocates Network, Economic English Club (EEC) Unila, and HMJ Manajemen Unila. Her active involvement demonstrates a strong commitment to leadership development, cross-cultural engagement, and community contribution.

MOTTO

"When you want something, all the universe conspires in helping you to achieve it." (Paulo Coelho)

"Live as if you were dying tomorrow, and learn as if you were living forever."

(Mahatma Gandhi)

DEDICATION

All praise is given to Allah SWT, the Almighty and Most Gracious, for His unwavering guidance and mercy at every stage of this journey. May peace and blessings be upon our Prophet Muhammad, who highlighted the path of knowledge and understanding for all of humanity.

I present this undergraduate thesis as a dedication of support for: Both of my parents, Mr. Vedy Pudiansyah and Mrs. Hapipah.

I would like to take this moment to express my deepest gratitude to my beloved parents, Papa and Mama, who have stood by my side since the very beginning. Your presence alone is my source of immense strength, offering unwavering moral support that has carried me through every step of this journey. Thank you for your endless love, steadfast encouragement, and the wisdom you have so selflessly shared. It is my sincere hope that this undergraduate thesis will serve not only as a milestone of my academic journey, but also as a stepping stone toward a brighter and meaningful future.

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Bandar Lampung, 19 May 2025

Hanifah Syahirah Vedy

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I. INTRODUCTION

1.1. Background

Indonesia has been undergoing rapid and dynamic economic transformations that may result in lower performance of micro, small, and medium enterprises (MSMEs). Several issues, such as new tax policy 11% (Amry et al., 2024), high inflation (Fitri and Syamsuri, 2024), low rate job availability (Iswanto and Bachtiar, 2024), and massive unemployment (Setyastanto and Abdillah, 2024) have disrupted Indonesia's economy. This issue has significantly changed the way MSMEs operate their businesses. Weak customer purchasing power, rise of material costs, and customer fear to spend their money are several problems that MSMEs in Indonesia face right now (Amry et al., 2024; Fitri and Syamsuri, 2024; Iswanto and Bachtiar, 2024; Setyastanto and Abdillah, 2024). Those problems may have led several MSMEs that can not compete in the market to stop their business operations.

Indonesia's economic development is highly dependent on the participation of MSMEs (Manzoor et al., 2021). MSMEs constitute a significant economic force that plays a strategic role in bolstering national economic development. Their diverse contributions include providing services, facilitating balance, increasing income, broad-based economic progress, and strengthening national stability (Wardi et al., 2017). In the context of Indonesia's economy, MSMEs occupy an important position as they constitute 99% of the number of business entities in Indonesia (Sunyoto et al., 2024). This is supported by the data from Badan Pusat Statistik 2020-2023, which shows that there is a significant increase in the number of MSMEs in Indonesia every year (Figure 1).

Moreover, MSMEs also contribute 61.9% to Indonesia's Gross Domestic Product (GDP) by 2023, making them a fundamental aspect of the Indonesia economy (Triha et al., 2023). The promising contribution of MSMEs shows the potential why MSME improvement in Indonesia should be a national consideration.

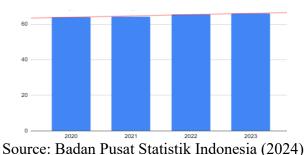
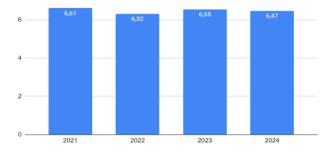


Figure 1. MSME Improvement of MSMEs unit number in Indonesia (2020-2023) (in million)

The MSMEs Food and Beverage (F&B) sector in Indonesia is one of the sectors that has continued to have a significant GDP contribution each year (Figure 2). According to Rifai and Par (2023) F&B is a sector that integrates into the involvement of every process of food and beverage, packaging process, delivery of finished or raw materials until be delivered through the customer. Minister of Tourism and Creative Economy, Mr. Sandiaga Uno on Kemenparekraf (2024) have stated that in 2023, F&B industry which belongs within the non-oil and gas manufacturing sector, became a large contributor to Indonesia's GDP, contributing 6.55% of the national GDP. This is supported by the statement of Minister of Industry, Mr. Agus Gumiwang that the F&B industry reached \$41.70 billion USD in terms of export value, making it the best-performing category in 2023 (Indonesia.go.id, 2024).



Source: Kemenperin (2024)

Figure 2. Food and Beverage Sector Contribution to GDP in Indonesia (2021-2024) (in billion)

Lampung is the 8th largest population province in Indonesia, which accounts for 9.4 million people (Badan Pusat Statistik, 2024). This population size positively contributes to the number of MSMEs in Lampung. It can be seen in Figure 3 that the number of MSMEs in Lampung has increased significantly every year. In 2023, the number of MSMEs has increased 80% to 492.986 units that are spread across 13 regencies and 2 cities (Badan Pusat Statistik, 2024). Bandar Lampung city as the capital holds 30.940 of the total number of MSMEs in Lampung, contributing to 6.3% of the number of MSMEs in Lampung (Figure 4) (Badan Pusat Statistik, 2024).

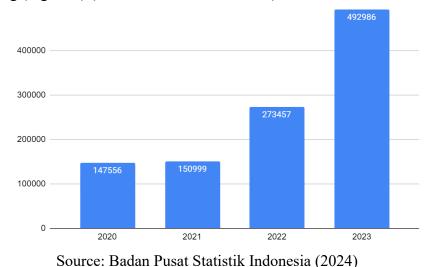
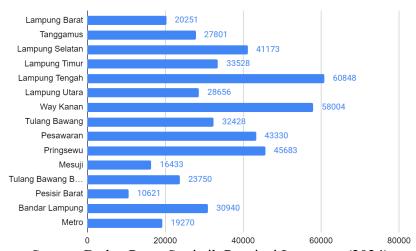
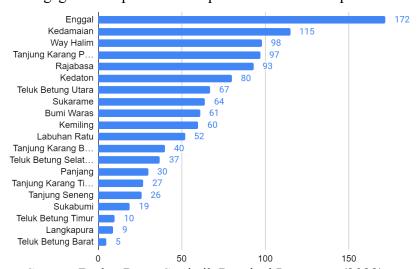


Figure 3. Improvement of MSMEs unit number in Lampung province (2020-2023)



Source: Badan Pusat Statistik Provinsi Lampung (2024) Figure 4. MSME distribution in Lampung province in 2023

The MSMEs F&B sector in Bandar Lampung has 1.162 businesses in total that spread through 20 subdistricts (Badan Pusat Statistik, 2023) (Figure 5). The competitive energy of MSMEs in the F&B sector in Bandar Lampung is substantial, as demonstrated by their rapid expansion. Moreover, Bandar Lampung as the main capital province of Lampung provides broader representation than other regencies. This evidence served as the basis for the writer's decision to select Bandar Lampung as the primary data collection location for MSMEs in the F&B sector. This evidence highlights the need for MSMEs to engage in competition to improve their business performance.



Source: Badan Pusat Statistik Provinsi Lampung (2023)

Figure 5. MSME F&B Sector distribution in Lampung based on subdistricts

Business performance is the standard measurement of business success that includes financial, operational, and strategic components (Erdavit and Yohana, 2024). That is important for a business to significantly understand and evaluate the outcome of business activities from the initial plan (Erdavit and Yohana, 2024; Al-Mamary, 2020). Furthermore, Amin et al. (2016) stated that measuring business performance can assist MSMEs in identifying their competitive edge over their competitors. According to Porter (1996), a business will be able to outperform the competitor if they can develop novel and specific differentiators. Therefore, the accomplishment of maximum firm performance is essential for all businesses, particularly MSMEs (Solikahan and Mohammad, 2019).

The performance of MSMEs in the F&B sector depends on the human resources to increase success and maintain the quality of its services (Taslim and Kadiyono, 2023; Ardhi et al., 2021). MSMEs in the specified F&B sector still struggle with limited access to capital, where 71% of MSMEs rely on personal and the access from banking accounts for only 16% (Kemenparekraf, 2024). Moreover, they also address obstacles to uneven competition due to rapid economic transformation (Taslim and Kadiyono, 2023). Therefore, it is essential for MSMEs in the F&B sectors to enhance their performance through a business strategy called entrepreneurial orientation (Ardhi et al., 2021).

Entrepreneurial orientation represents a strategic approach to business that was initially proposed by Miller (1983). The concept of entrepreneurial orientation is recognised as an approach for enhancing performance of MSMEs (Barinta et al., 2022). Sunyoto et al. (2024) support the idea that business people within businesses should develop an entrepreneurial orientation capability. The competencies associated with entrepreneurial orientation are closely connected to practical application in the workplace and basic practices in the development of entrepreneurial actions (Martens et al., 2018). Entrepreneurial orientation is necessary for decision makers to examine business strategies and take advantage of opportunities that other entities have no capacity to use (Ali et al., 2020). Moreover, entrepreneurial orientation is closely linked to the establishment and accomplishment of business performance (Amin et al., 2016; Baker and Sinkula, 2009).

This research will discuss three dimensions of entrepreneurial orientation: innovativeness, risk-taking, and proactiveness. The three dimensions above are the majority the researchers used prior study from Lumpkin and Dess (1996). Moreover, Lumpkin and Dess (1996) suggest that these three dimensions have the most consistent impact on business performance, making them the focus of this study. Multiple researchers around the world have executed the three dimensions such as; Putnins and Sauka (2019) study for three European Union member states (Estonia, Latvia, and Lithuania), Basco et al., (2020) study in

China, Mexico, and Spain, Vogelsang (2015) study in Berlin, and Mai and Nguyen (2023) study in Vietnam. Building on previous studies, it is believed that innovativeness, risk-taking, and proactiveness will be the three dimensions that MSMEs F&B sector need to enhance their business performance.

Innovativeness, risk-taking, and proactiveness by the definition has the relation to enhance MSMEs performance. Innovativeness is the progression of developing skills, experience, and knowledge to develop and enhance products that can deliver greater value (Santoso et al., 2020). Risk-taking represents a readiness to engage in action that entrepreneurs put to face challenges through exploiting business strategies with uncertainty of outcomes (Syarifah et al., 2020). Moreover, proactiveness can be characterized as an approach that involves responding to every opportunity through the introduction of innovative services or goods in expectation of demand in the future (Putnins and Sauka, 2019). Therefore, the three dimensions will be discussed more as how it can help to increase MSMEs F&B performance in Indonesia.

Previous research has shown that entrepreneurial orientation has a beneficial influence on business success (Al-Mamary et al., 2020; Soomro and Shah, 2019; Wales et al., 2020; Al-Henzab et al., 2018; Ahmad et al., 2019). This is also supported by Al-Henzab et al. (2018) stating that a proactive behavior from a firm can positively contribute to MSMEs performance. Innovativeness and risk taking on the other hand, can be a crucial tool to improve MSMEs performance (Al-Mamary et al., 2020).

Several researches have demonstrated the incompatibility of entrepreneurial approach with MSMEs performance. Studies from Solikahan and Mohammad (2019) have found that the presence of entrepreneurial orientation does not significantly contribute to MSMEs performance. Another study from Rezaei and Ortt (2018) stated that risk-taking dimensions doesn't have significant influence with firm performance. Another study from Putnins and Sauka (2019) shows that there is no direct influence of innovativeness and

proactiveness to firm performance. Therefore, the author sees the potential to discover more from entrepreneurial orientations, whether it does have influence or not to the firm performance.

In Bandar Lampung, the study of entrepreneurial orientation is very limited. Precisely, there are no studies that specifically address the effect of entrepreneurial orientation on MSMEs F&B performance in Bandar Lampung. Several researchers that study entrepreneurship orientation even limited their focus to products (Yeni et al., 2014), geographic location (Putnins and Sauka, 2020), tourism (Zeng, 2024), and education (Harfandi, 2014). Therefore, the author wants to develop research on Bandar Lampung to provide more comprehensive data. This study aims to discuss the effect of entrepreneurial orientation on Micro, Small, and Medium Enterprises (MSMEs) Food and Beverage (F&B) in Bandar Lampung.

1.2. Problem Formulation

The performance of MSMEs in the F&B sector depends on the human resources to increase performance. Research from Uchenna et al. (2019) studied MSMEs in Nigeria has found that the presence of entrepreneurial orientation can significantly influence business performance. This is supported by Soomro and Shah (2019) research on SMEs in Pakistan found that entrepreneurial orientation significantly influences business performance. Therefore, entrepreneurial orientation can be assumed as a strategic approach for business actors to increase business performance.

Several researchers have studied entrepreneurial orientation and the effect on business performance. Al-Mamary et al. (2020) state that entrepreneurial orientation positively influences financial and non-financial performance in business. Moreover, Abbade et al. (2014) believe that the presence of entrepreneurial orientation can improve interorganizational performance through generating more value that can be provided. However, several research has found that entrepreneurial orientation does not significantly influence

business performance. Moreover, not every dimension of entrepreneurial orientation has positively influenced business performance (Rezaei and Ortt, 2018; Ardhi et al., 2021).

Developing from previous research, author has identified several research gaps as follow:

First, limited examination of entrepreneurial orientation dimensions independently. The dimensions of innovativeness, risk-taking, and proactiveness are often studied collectively. Several studies from Putnins and Sauka (2020), Donbesuur et al. (2020), and Iqbal et al. (2021) have studied entrepreneurial orientation collectively. There is a lack of research on how each dimension individually influences MSME performance. Therefore, this paper will examine extensively each dimension of entrepreneurial orientation (innovativeness, risk-taking, and proactiveness) to business performance.

Second, the difference of Micro, Small, and Medium Enterprises (MSMEs) definition and criteria for every country. This paper has ought to increase insight by providing explanations from study and research abroad (Putnins and Sauka, 2020; Al-Mamary et al.; 2020, Basco et al., 2020; Dobensuur et al., 2020). In Indonesia the definition and criteria for MSMEs is referencing Law Number 20 of 2008 regarding Micro, Small, and Medium Enterprises (MSMEs). Meanwhile in European countries, the MSME criteria are set from the commission recommendation 2003/361/EC (European Union, 2003). Therefore, the author is interested in conducting a study to understand the implementation of entrepreneurial orientation strategies in the context of MSME of Indonesia.

Third, studies of entrepreneurial orientation in Bandar Lampung are very limited. Most entrepreneurial orientation studies taken in Indonesia focus on big cities, such as: Jakarta (Utama and Nadi, 2017), Yogyakarta (Ardhi et al., 2021; Ranto, 2016), and Surabaya (Palit et al., 2015). Meanwhile, the number of MSMEs in the F & B sector in Bandar Lampung is increasing significantly every

year (Badan Pusat Statistik, 2024). In Bandar Lampung, study of entrepreneurial orientation has been done by Purba and Warganegara (2023) with 30 MSMEs owners in the fashion sector as the sample. Purba and Warganegara (2023) identified three dimensions of entrepreneurial orientation and three dimensions of market orientation to increase marketing performance. However, the research is not directly focused on how entrepreneurial orientation can influence the MSME performance in Bandar Lampung. Therefore, the author is interested in using MSMEs in Bandar Lampung as the population study for this research.

Based from the preceding background and research gap, the problem formulation for this study is articulated as follows:

- 1) Is innovativeness effect performance for MSME Food and Beverages Sector in Bandar Lampung?
- 2) Is risk-taking effect performance for MSME Food and Beverages Sector in Bandar Lampung?
- 3) Is proactiveness effect performance for MSME Food and Beverages Sector in Bandar Lampung?

1.3. Research Objectives

- Get to know the effect of innovativeness for MSME Food and Beverages Sector Performance in Bandar Lampung
- Get to know the effect of risk-taking for MSME Food and Beverages
 Sector Performance in Bandar Lampung
- 3) Get to know the effect of proactiveness for MSME Food and Beverages Sector Performance in Bandar Lampung

1.4. Research Use

1) Theoretical use

This research can significantly contribute to an improved comprehension of how entrepreneurial orientation affects MSME in developing nations, particularly focusing on the F&B sector in Indonesia.

2) Practical use

This research can assist MSME owners in the F&B sector in developing better strategies by accepting risk, encouraging innovation, and acting proactively to improve market competitiveness and performance.

II. LITERATURE REVIEW

2.1 Theoretical Basis

2.1.1 Entrepreneurial Orientation

Entrepreneurial orientation represents a strategic framework that focuses on the entrepreneurial dimensions that characterize a firm's strategy (Hakala, 2011). Miller (1983) argues that entrepreneurial orientation pertains to an individual ability to recognize opportunities and creatively use available resources to attain success. It encompasses the methods, strategies, and actions employed by entrepreneurs to make decisions facilitating entrance into new markets (Ardhi et al., 2021). This concept focuses on regulations and procedures that guide the decision-making process for related actions in entrepreneurship (Al-Mamary, 2020; Kumasaru and Kumara, 2016).

Entrepreneurial orientation has come with several conceptualizations. Conceptualization from Lumpkin and Dess (1996) highlights entrepreneurial orientation as a multi-dimensional construct. This means that every dimension of entrepreneurial orientation independently affects business performance. Meanwhile, Covin and Slevin (1990) sees entrepreneurial orientation from a unidimensional view. It shows that entrepreneurial orientation can be recognized as a persistent characteristic at the firm level, characterized by similarities shared among risk-taking, innovative, and proactive behaviors. Regardless of conceptual distinctions, firm-level entrepreneurial orientation refers to the entrepreneurial qualities of enterprises.

The significance of entrepreneurial orientation has garnered considerable attention from academics and researchers, establishing it as a notable topic within the field of entrepreneurship (Sunyoto et al., 2024). Previous studies indicate that the degree of entrepreneurial orientation serves as a tool to define the success or failure of business entities (Santoso et al., 2020). The existence of an entrepreneurial orientation in business reflects a tendency within the businesses to be involved in carrying out innovative behavior, daring to take risks and being proactive in order to be able to beat competitors in the market (Utama and Nadi, 2017).

Entrepreneurial orientation can be a tool for business to achieve superior performance. It emphasizes entrepreneurial mindset by promoting proactive tactics, supporting innovation, and taking measured risks in strategy and operations to gain a competitive advantage (Zeng, 2024; Miller, 1983). Firms can gain advantages by adopting entrepreneurial orientation, since uncertainty from future earnings has led firms to seek new opportunities. Therefore, entrepreneurial orientation is the strategy taken by key decision-makers when developing entrepreneurial strategies to meet the organization's goals, retain its vision, and increase its competitive position (Al-Mamary, 2020)

2.1.1.1 Dimensions of Entrepreneurial Orientation in Literature

During the past three decades, there has been a substantial increase in research conducted on entrepreneurial orientation (Basco et al., 2020; Zeng, 2024). The entrepreneurial orientation concept was first proposed by Miller (1983) which develops three dimensions namely: innovativeness, risk-taking, and proactiveness. Many scholars have since adopted and developed entrepreneurial orientation into more dimensions.

The study from Lumpkin and Dess (1996) and Krauss et al. (2005) helped bring entrepreneurial orientation to its fame. The research conducted by Lumpkin and Dess (1996) has identified five dimensions of entrepreneurial orientation, namely; risk-taking, innovativeness, competitive aggressiveness, autonomy,

and proactiveness. Moreover, Krauss et al. (2005) have developed seven dimensions of entrepreneurial orientation such as: proactiveness, innovativeness, competitive aggressiveness, risk-taking, learning, autonomy, and achievement orientation. In line with a review from various literature, the dimensions of entrepreneurial orientation vary among researchers as illustrated in Table 1.

Table 1. Dimensions of Entrepreneurial Orientation

| No. | Dimensions of Entrepreneurial Orientation | Reference |
|-----|--|---|
| 1. | Risk-Taking, Innovativeness, and Proactiveness | Miller (1983), Barinta et al. (2022) Al-Mamary (2020) Putnins & Sauka (2019) Linton (2019) Fairoz et al. (2010) |
| 2. | Proactiveness and risk-taking | Gunawan et al. (2016) |
| 3. | Proactiveness, risk-taking, and autonomy | Yaskun et al. (2023) |
| 4. | Proactiveness, risk-taking, innovativeness, and autonomy | Duru et al. (2018) |
| 5. | Proactiveness, risk-taking, innovativeness, and motivation | Alkharafi et al. (2024) |
| 6. | Proactiveness, risk-taking, innovativeness, and strategic networking | Adam et al. (2024) Vesa and Samuel (2012) |
| 7. | Proactiveness, risk-taking, innovativeness, autonomy, and competitive aggressiveness | Lumpkin and Dess (1996) Sunyoto et al. (2024) Ardhi et al. (2020) |
| 8. | Proactiveness, risk-taking, innovativeness, competitive aggressiveness, learning, autonomy, and achievement orientation. | Krauss et al. (2005) |

Source: Arranged by author

The study of entrepreneurial orientation is still an interesting study to be explored to this day. Because studies regarding the positive relationship of entrepreneurial orientation to performance are still complex and debatable

(Putnis & Sauka, 2019). Putnis and Sauka (2019) suggests that researchers identify three dimensions of entrepreneurial orientation to firm performance such as: innovativeness, risk-taking, and proactiveness. The entrepreneurial orientation literature indicates that a significant number of researchers have adopted the perspective set by Lumpkin and Dess (1996). Therefore the dimension of entrepreneurial orientation that will be used by the author namely: innovativeness, risk taking, and proactiveness.

2.1.1.2 Innovativeness

Innovation is the process of taking original concepts and transforming them into practical goods or processes (Alpijar and Ariesanti, 2024). It involves the development or creation of a certain technique and product in the segmented market (Uchenna, 2019; Hughes and Morgan, 2007). Moreover, the process of innovativeness encompasses experimentation and creativity, facilitating the development of new services, products, and technological advancements by the conduct of research and development (R&D) within an innovative framework (Mai and Nguyen, 2023). The implementation of innovativeness in business activities can improve business operation and pursue business goals (Erdavit and Yohana, 2023; Kajalo et al, 2016).

Innovation can be categorized into two distinct types: incremental innovation and radical innovation. Incremental innovation is an innovative process with minor modifications, which may include technological enhancements, straightforward product improvements, or extensions of product lines that result in minimal advancements in the performance of existing products (Naparin and Achmad, 2024). Meanwhile, radical innovation implies a major modification of established technological principles and concepts (Wu et al., 2019). It made the current product designs and technologies becoming outdated.

Zia and Shafiq (2016) identifies two indicators of innovation that involve product and process innovation. Product innovation can be defined as the development of novel and original products, product design changes, and production methods. This innovation focuses on the market existing for products to fulfill customer needs and expectations (Tony, 2016). Process innovation indicates a significant improvement in production methodologies, along with advancements in supporting operations such as accounting, procurement, information technology, and maintenance (Polder et al., 2010). In the context of a product or service, process innovation refers to modifications to the production methodology.

2.1.1.3 Risk-Taking

Entrepreneurial activities are connected with risk taking. Risk taking has become an important attitude that entrepreneurs need to have. It represents a courageous approach to confronting challenges through the utilization or engagement in business strategies characterized by uncertain potential outcomes (Ranto, 2016). During the implementation, a business actor may experience considerable losses or changes from expected performance standards.

Several researchers have developed their definition regarding risk taking. Covin and Slevin (1990) define risk taking as a circumstance where the entrepreneur is prepared to undertake a significant commitment to the business. Moreover, Lumpkin and Dess (1996) characterized risk taking as the readiness to dedicate resources to entrepreneurial activities, regardless of the uncertainty associated with the outcomes. According to Haryo and Yengky (2014), risk taking can be characterized as the willingness to engage in significant decision-making and undertake risky commitments that present a substantial possibility of failure. The definition of the researcher shows the consistency that risk taking is closely related with resources and uncertainty.

In line with resources and uncertainty there are two levels of risk taking, namely; safe risk and high risk. Safe risk refers to the act of engaging in risks characterized by low levels of uncertainty and minimal commitments of resources (Naparin and Achmad, 2024). It does not require a proactive mastery

of risk management skills. Giddens (1991) proposes that safe risk activities are characterized as unusual actions that generate feelings of thrill or excitement, which arise from three key factors: 1) an awareness of (simulated) danger; 2) a voluntary engagement with simulated danger; and 3) an anticipation that the simulated danger will be successfully navigated. On the other hand, high risk involves participating in activities characterized by significant uncertainty and significant dedication to the allocation of resources (Linton, 2019).

2.1.1.4 Proactiveness

Proactiveness is a value adding activity that highlights opportunities to meet future demand. Several researchers have developed the definition of proactiveness. Alpijar and Ariesanti (2024) state that proactive refers to the pursuit of opportunities through a forward-looking approach, which is marked by the launch of products or services ahead of competitors. Hapsari and Setiawan (2019) believes that proactiveness is the attitude of business owners who seek new opportunities to develop, introduce and make improvements to products and services. Meanwhile, Kreiser et al. (2015) state that proactiveness is characterized as an individual's initiative in addressing and resolving a problem. Moreover, Widodo (2013) describes proactiveness as a dynamic ability to adapt in the new environment.

Proactiveness describes how businesses respond to market possibilities by taking the initiative in the marketplace (Putnins and Sauka, 2020). Proactive entrepreneurs foresee future changes in the business environment and actively seek out new ways to outperform competitors with their goods, services, or strategies (Yacob, 2021; Lumpkin and Dess, 2001). In the process of developing new products, proactive businesses are more likely to take the lead than to follow (Lumpkin and Dess, 1996). Therefore, businesses that imply proactiveness tend to be more updated than the competitor.

2.1.2 Micro, Small, and Medium Enterprises (MSMEs)

Micro, Small, and Medium Enterprises (MSMEs), as outlined by Law No. 20 of 2008, are characterized as productive businesses owned by individuals or business entities that meet the specific criteria established within the legislation. A small enterprise constitutes a dynamic economic entity that operates independently, managed by individuals or business entities that do not serve as subsidiaries or branches of larger corporations. These small enterprises are differentiated from medium-sized or large enterprises as delineated by legal definitions. In a scientific research paper pertaining to management, a Medium Enterprise is characterized as an independent productive economic entity, distinct from subsidiaries or branches of larger corporations. This definition is derived from criteria including total net wealth or annual sales results, as delineated in the study conducted by Fajar (2016).

The criteria for MSMEs can be grouped based on the number of revenue and assets owned by each business entity as formulated in Law Number 20 of 2008 concerning MSMEs, while grouping based on the number of employees involved in a business is not formulated in the law. The criteria for MSMEs determined based on the assets and revenue owned can be seen in Table 2.

Table 2. Criteria of MSME according to Law No. 20 2008

| No. | Enterprises - | Criteria | |
|-----------------------|-----------------------|--------------------|---------------------|
| INO. | | Asset (Rp.) | Revenue (Rp.) |
| 1. | Micro Enterprises | Max 50 million | Max 300 million |
| 2. Small Entrep | Small Entraprises | > 50 - 500 million | > 300 million - 2.5 |
| | Sman Entreprises | | billion |
| 3. Medium Enterprises | 2 | > 500 million - 10 | > 2.5 billion - 50 |
| | Wiedfulli Enterprises | billion | billion |

Source: Atsar and Fadlian (2021)

Badan Pusat Statistik (BPS) categorizes MSMEs into four groups depending on the number of workers they employ. If a business employs between 1 and 4 individuals, it is classified as a household industry. Next is a small industry with a team of 5 to 9 individuals. Another category is medium/medium industry, which includes businesses with a workforce ranging from 10 to 99

individuals. Having a workforce of over 100 employees makes it a significant industry.

2.1.3 MSME Performance

Performance poses as a major measurement to a business success and sustainability (Erdavit and Yohana, 2024). Improving performance is the main goal of every business. The term "performance" can be acknowledged as the extent to which a business meets its goals or the potency (Sunyoto, 2024). According to Tseng and Lee (2014), performance through the organizational or business level, on the other hand, includes controlling productivity, absenteeism, turnover, and adaptation.

MSME Performance is the output from all business operation activities that are estimated from sales and productivity (Yacob, 2021). MSME performance refers to the achievement of internal and external goals, including sales growth, market share, and profitability (Erdavit and Yohana, 2024). Hughes and Morgan (2007) use two variables to assess performance, such as product and customer performance. According to Hughes and Morgan (2007), product performance is a metric that is based on how well a business's product sales and acquire market share. Customer performance is the evaluation of a product or service by the customer to determine if it meets their standards (Dahal, 2021).

2.2 Previous Research

Previous research is needed to strengthen this research. This will give the author an understanding or information about similar research that has been done. This research investigates the effect of entrepreneurial orientation to business performance. The following related research includes:

| No | Reference | Title | Research Results |
|----|-----------------------------|--|--|
| 1. | Putnins and Sauka (2019) | Why does entrepreneurial orientation affect company performance | The relationship between entrepreneurial orientation and company performance have a positive significant influence. |
| 2. | Al-Mamary et al. (2020) | The effect of entrepreneurial orientation on financial and non-financial performance in Saudi SMEs: a review | The study reveals that Entrepreneurial orientation has significant influence to enhance Saudi's SMEs financial and non-financial performance. |
| 3. | Donbesuur et al. (2020) | orientation on new venture | complete mediator in the |
| 4. | Basco et al. (2020) | orientation on firm performance: A multigroup | The influence of entrepreneurial orientation on firm performance is positive. However, it varies significantly depending on the contextual factors involved. |
| 5. | Iqbal et al. (2021) | _ | This research indicates that entrepreneurial orientation contributes to the success of firms by improving their innovation |

Table 3. Previous Research

Source: Arranged by author

2.3 Hypothesis Development

Hypothesis is a temporary assumption made based on initial observations and used as a basis for formulating theories or conducting experiments (Siregar et al., 2024). The research hypothesis is formulated based on an understanding of the process, especially regarding the media, foundations and premises or theories related to the case or phenomenon that is the object of the research (Yam and Taufik, 2021).

2.3.1 The Effect of Innovativeness to MSME Performance

Innovation is an inseparable component of business strategy. Innovation serves as a fundamental instrument within growth strategies aimed at entering new markets, expanding existing market share, and providing companies with competitive advantages (Hendrawan and Wijaya, 2020). The main goal of a business's innovativeness is to efficiently satisfy and adjust to the constantly changing demands and habits of its customers (Sunyoto et al., 2024). Innovation provides businesses with a strategic framework to address challenges encountered within the operational landscape (Gunday et al., 2009). Therefore, the higher implementation of innovation correlates with greater business performance.

Several researchers have found that innovativeness has a significant effect on MSMEs performance. This statement is supported by Barinta et al. (2022) that business ability to innovate is an important component to MSMEs performance. Moreover, a study conducted by Duru et al. (2018) in Nigeria demonstrates a positive correlation between innovativeness and the performance of MSMEs. A subsequent investigation carried out by Fairoz et al. (2010) in Sri Lanka has revealed the significant impact of innovativeness on the performance of MSMEs. Moreover, Al-Mamary et al. (2020) have demonstrated that innovativeness has a positive influence on both financial and non-financial performance. This leads to the hypothesis:

H1: Innovativeness has a positive significant effect on MSME product performance

H2: Innovativeness has a positive significant effect on MSME customer performance

H3: Innovativeness has a positive significant effect on MSME performance as a whole

2.3.2 The Effect of Risk-Taking to MSME Performance

Business performance is closely related with risk taking action. Successful entrepreneurs are judged by their desire to dare to take risks in an effort to make it happen. Business actors will always be faced with risks and uncertainty. According to Zahra and Garvis (2000) risk-taking is an organization's tendency to support innovative projects, regardless of the potential risks associated with such initiatives. Furthermore, according to Covin and Slevin (1990) risk-taking is characterized by the extent to which an entrepreneur is prepared and willing towards making substantial business decisions.

Several studies have examined the influence of risk-taking on the performance of MSMEs. Research conducted by Lu and Zhang (2016) regarding small and medium-sized enterprises in South Korea and China indicates that risk-taking significantly influences business performance. This is supported by Al-Mamary et al. (2020) stating that engaging in risk-taking behavior enhances the strong desire for business success and a high level of earnings. Meanwhile, a study by Ardhi et al. (2021) in Indonesia indicates that risk-taking does not have a significant influence on business performance. Therefore, It leads to the hypothesis:

H4: Risk-taking has a positive significant effect on MSME product performance

H5: Risk-taking has a positive significant effect on MSME customer performance

H6: Risk-taking has a positive significant effect on MSME performance as a whole

2.3.3 The Effect of Proactiveness to MSME Performance

Proactive enables businesses to launch new goods before rivals, which also provides them with a competitive edge (Uchenna et al., 2019). Several researchers have conducted studies examining the relationship between proactiveness and the performance of MSMEs. A study conducted by Ibrahim

and Abu (2020) in Nigeria indicates a positive influence of proactiveness on the performance of MSMEs. A further study conducted by Fairoz et al. (2010) in Sri Lanka has demonstrated that proactiveness exerts a considerable impact on the performance of MSMEs. Nevertheless, the research undertaken by Duru et al. (2018) in Abuja, Nigeria, indicated that proactiveness does not exert a significant influence on the performance of small and medium-sized enterprises (SMEs). This leads to the hypothesis:

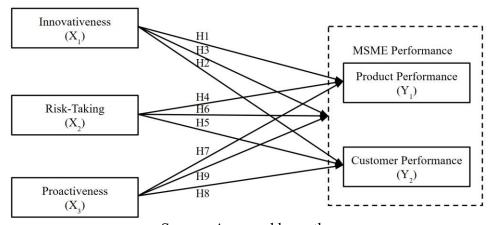
H7: Proactiveness has a positive significant effect on MSME product performance

H8: Proactiveness has a positive significant effect on MSME customer performance

H9: Proactiveness has a positive significant effect on MSME performance as a whole

2.4 Theoretical Framework

The framework presented in this study presents a conceptual foundation for the execution of research activities. This study's conceptual framework defines the relationships and influences among the variables involved. The objective of the framework is to clarify the concepts or variables relevant to the study and to construct a conceptual model that offers a descriptive representation of the theory. The conceptual framework that underlies this study is outlined as follows:



Source: Arranged by author Figure 6. Research Model

Description:

Independent Variable (X_1) : Innovativeness

Independent Variable (X_2) : Risk-Taking

Independent Variable (X₃): Proactiveness

Dependent Variable (Y₁) : Product Performance

Dependent Variable (Y2) : Customer Performance

: This arrow line is the line of effect of

variable X on Y

III. RESEARCH METHOD

3.1. Research Design

This research utilized a quantitative research design. Quantitative research involves the systematic use of numerical values, characterized by careful planning and organized from the initial stages through to the development of the research design (Taherdoost, 2022). Sekaran and Bougie (2016) define a quantitative research design as a methodological framework that facilitates the examination of relationships between variables through the application of statistical techniques. Data analysis is conducted using quantitative and statistical methods, with the primary goal of testing established hypotheses.

The objective of quantitative research is to enhance the comprehension of the research phenomenon by gathering data that is able to be measured quantitatively (Jailani, 2023). Quantitative research seeks to extend its findings to a broader population and furnish objective empirical evidence (Creswell and Creswell, 2017). From the previous explanation, it can be inferred that the quantitative approach constitutes a methodology in research aimed at testing hypotheses through the application of precise statistical data analyses.

3.2. Object of Research

The object of this research is entrepreneurial orientation and its influence on the performance of micro, small, and medium enterprises (MSMEs) within the food and beverage sector of Bandar Lampung. The entrepreneurial orientation is assessed through various dimensions, including risk-taking, innovativeness, and proactiveness.

3.3. Population and Sample

3.3.1 Population

Population describes a large amount of data in a study. According to Sekaran and Bougie (2016) population indicates a wide range of individuals, events, or phenomena that researchers seek to study. The term population is defined as covering every unit or individuals within the designated scope of study Martono (2014). The population analysis in this study is the MSME in the food and beverage sector in Bandar Lampung. The total population of MSMEs food and beverage sector in Bandar Lampung is 1162 enterprises that spread through 20 districts.

3.3.2 Sample

A sample is defined as a subset of a population that is considered to reflect the characteristics of the entire population (Sekaran and Bougie, 2016). Sampling techniques are essential in research as they facilitate the identification of which individuals from the population will be utilized in the sample. The sampling technique employed in this study utilized nonprobability sampling, specifically the purposive sampling method. Nonprobability sampling indicates a sampling methodology in which not all individuals throughout the population are given an equal opportunity to be selected as members of the sample (Suriani and Jailani, 2023). The purposive sampling technique, often known as judgment sampling, involves an intentional selection of respondents based on particular attributes of their characteristics (Etikan et al., 2016). The primary goal of purposive sampling is to focus on specific elements of a population that are essential for effectively addressing research inquiries.

The Slovin method was employed to find out the eligibility of respondents for sampling purposes. The Slovin formula functions as a valuable tool for determining the suitable sample size or quantity of samples in accordance with the error rate during the process (Harsono and Fajarianto, 2020). The formula used is as follows:

$$n = N = 1162 = 1162 = 111.59 \sim 112$$
$$1 + (Ne^2) = 1 + (1162 \times 0.09^2) = 10.41$$

Description:

n : Sample size

N : Population size

e : Desired level of precision

From the result above, it is found that the data needed in this sample are 112 data, which are determined with an error rate of 9%.

3.4 Source of Data

Primary data refers to information gained directly from the original source present within the research subject. According to Sekaran and Bougie (2016), primary data is data acquired directly by researchers regarding variables for specific study purposes. The primary data utilized in this study consist of research findings derived from a questionnaire on innovation, risk-taking, proactiveness, and MSME performance by distributing it to respondents in the Food and Beverages sector of MSMEs.

3.5 Data Collection Method

The methodology for data collection utilized in this study consisted of the execution of a questionnaire to a selected sample of participants. The questionnaire serves as a data collection instrument intended to obtain comprehensive data (Ismail and AlBahri, 2019). This is accomplished by providing participants with a set of systematically organized written questions designed to evaluate their reactions to the different research variables (Muchlis et al., 2019).

This method was chosen because it is convenient and flexible for gathering data from a broad population in the research for Bandar Lampung region. Researchers will create a questionnaire with pertinent questions on the impact of entrepreneurial orientation on the performance of MSMEs in the food and

beverage industry in Bandar Lampung. The questionnaire will be properly laid out and structured in order to collect accurate and useful data.

To measure the data, the author will use Likert scale. The Likert Scale is a measurement tool used to assess an individual or group perception, attitude, or opinion toward an event or social phenomenon (Bahrun et al., 2017). The scale has been designed to check and ensure how strongly the respondents agree with the existing statements. It is used to give weight to the answers given by respondents on the questionnaire. The scale is as shown in Table 4.

Table 4. Likert Scale

| (SA) Strongly Agree | Value weight 5 | |
|------------------------|----------------|--|
| (A) Agree | Value weight 4 | |
| (N) Neutral | Value weight 3 | |
| (D) Disagree | Value weight 2 | |
| (SD) Strongly Disagree | Value weight 1 | |

Source: Sekaran and Bougie (2016)

3.6 Research Variable

Variable is an essential component in any research. It represents the object of investigation or the focal point of the study. According to Andrade (2021) variables can be defined as attributes of a person or object that vary from one person to another or one object to another.

3.6.1 Independent Variable

The independent variable is characterized as one that influences or prompts changes in the dependent variable (Ridha, 2017). Independent variable often referred to as the assumed causal variable (Liana, 2009). In the context of this study, the independent variables have been identified as follows:

1. Innovativeness (X_1)

Innovativeness is the process of converting original concepts into practical products or processes by developing specific techniques and products that are specifically designed for a segmented market. This study will examine

the indicators as outlined in the research conducted by Palit et al. (2015) and Irawan (2017).

2. Risk-taking (X₂)

Risk-taking is the readiness to commit resources toward entrepreneurial activities despite the unpredictability of the outcomes. This study will examine the indicators as outlined in the research conducted by Palit et al. (2015), Irawan (2017), and Wolff et al. (2015).

3. Proactiveness (X_3)

Proactiveness is the attitude of business owners who seek new opportunities to develop, introduce and make improvements to products and services (Hapsari and Setiawan, 2019). This study will examine the indicators as outlined in the research conducted by Wolff et al. (2015) and Irawan (2017).

3.6.2 Dependent Variable

The dependent variable represents an outcome that is shaped or impacted by the independent variable (Liana, 2009). Dependent variable is also called the presumed effect variable. In the context of this study, the independent variables have been identified as follows:

1. Product Performance (Y₁)

Product performance is a metric that is based on how well a company's product sales and acquires market share (Hughes and Morgan, 2007). This study will examine the indicators as outlined in the research conducted by Hughes and Morgan (2007).

2. Customer Performance (Y₂)

Customer performance is the evaluation of a product or service by the customer to determine if it meets their standards (Dahal, 2021). This study will examine the indicators as outlined in the research conducted by Hughes and Morgan (2007).

3.7 Operational Variable and Indicators

Table 5. Operational Variable and Indicator

| Aspect | Variable | Indicators | Scale |
|-----------------|----------------|--|------------------|
| Entrepreneurial | Innovativeness | Creating new product | Likert Scale 1-5 |
| Orientation | (X_1) | 2. Producing variety of products | |
| (EO) | | 3. Providing services in unique | (9 item) |
| | | way | |
| | | 4. Developing product through | |
| | | the utilization of technology | |
| | | 5. Developing service through | |
| | | the utilization of technology | |
| | | 6. Looking for innovative and | |
| | | effective methods to improve | |
| | | customer satisfaction | |
| | | 7. Developing innovation that | |
| | | can not be imitated | |
| | | (Palit et al., 2015; Irawan, 2017) | |
| | | | |
| | Risk-Taking | 1. Dare to make large investment | Likert Scale 1-5 |
| | (X_2) | to increase income | (0.1 |
| | | | (8 item) |
| | | experiment with new culinary | |
| | | creation | |
| | | 3. Dare to take risks to | |
| | | experiment with new service | |
| | | 4. Taking bold action to receive business success. | |
| | | | |
| | | 5. Exploring risky market opportunities. | |
| | | (Palit et al., 2015; Irawan, 2017; | |
| | | Wolff et al., 2015, Hawan, 2017, | |
| | | Wolff et al., 2013) | |
| | Proactiveness | 1. Being the pioneer to identify | Likert Scale 1-5 |
| | (X_3) | customer needs and demand | Zincit Soule 1 S |
| | () | 2. Initiating actions to which | (7 item) |
| | | competitors respond. | (|
| | | 3. Pre-empting competitive | |
| | | actions. | |
| | | 4. Proactively pursuing market | |
| | | opportunities. | |
| | | 5. Introducing products and new | |
| | | Management | |
| | | 6. Marketing through social | |
| | | media and Advertising Media | |

| Aspect | Variable | Indicators | Scale |
|-------------|-------------|------------------------------------|------------------|
| | | 7. Providing customer feedback | |
| | | box at the cashier | |
| | | (Wolff et al., 2015; Irawan, 2017) | |
| | | | |
| MSME | Product | 1. Sales | Likert Scale 1-5 |
| Performance | Performance | 2. Market Share | |
| | (Y_1) | (Hughes and Morgan, 2007) | (2 item) |
| | | | |
| | Customer | 1. Customer acquisition | Likert Scale 1-5 |
| | Performance | 2. Customer retention | |
| | (Y_2) | (Hughes and Morgan, 2007) | (3 item) |
| | | | |

Source: Arranged by author

3.8 Data Analysis Technique

3.8.1 Descriptive Analysis

This descriptive statistical analysis offers an overview of the research variables based on responses from the participants. Descriptive analysis is a statistical method used to examine data by describing or illustrating the collected information (Antanegoro et al., 2017). This analysis presents a description of the data by examining the mean, standard deviation, maximum, and minimum values (Ghozali, 2019). The criteria of descriptive analysis can be seen on Table 6 (Muhidin and Abdurrahman, 2007).

Table 6. Descriptive Analysis Criteria

| Value Category Range | Interpretive Value | |
|----------------------|----------------------|--|
| 1.00 - 1.79 | Very Poor/ Very Low | |
| 1.80 - 2.59 | Poor/ Low | |
| 2.60 - 3.39 | Fair/ Moderate | |
| 3.40 - 4.19 | Good/ High | |
| 4.20 - 5.00 | Very Good/ Very High | |

Source: Muhidin and Abdurrahman (2007).

3.8.2 Structural Equation Modeling (SEM) Analysis

This research utilizes Structural Equation Modeling (SEM) through the application of Partial Least Squares (PLS) software. Partial Least Squares (PLS) represents a robust analytical methodology, recognized for the limited

dependence on assumptions (Abdullah, 2015). The primary advantages of the PLS approach include the relevance to data that do not conform to a multivariate normal distribution, as well as its appropriateness for smaller sample sizes. Furthermore, PLS is capable of accurately identifying the existence or non-existence of relationships among latent variables. The analysis of PLS consists of two distinct sub-models: the measurement model (outer model) and the structural model (inner model).

3.8.2.1 Measurement Model (Outer Model)

The measurement model identifies the relationship between latent variables (constructs) and their associated indicators. It can be derived from established literature. Hussein (2015) states that the outer model analysis is performed to confirm the suitability of the measurements utilized for evaluating validity and reliability. This analysis confirms that the chosen measurements are suitable for assessing both validity and reliability.

1. Convergent validity

The assessment of convergent validity involves analyzing the correlation between item scores or component scores and construct scores. The determination of this aspect can be achieved through the standardized loading factor, which serves to indicate the strength of the correlation between each measurement item (indicator) and the construct. An indicator is considered to have high reflectiveness when its correlation with the construct exceeds 0.7. According to Ghozali and Latan (2015), an outer loading value ranging from 0.5 to 0.6 is considered acceptable.

2. Discriminant validity

Discriminant validity refers to a measurement model characterized by reflective indicators, which can be analyzed through the examination of cross-loading between indicators and constructs. The establishment of a correlation between a construct and its indicators is affirmed when this correlation exceeds that of the indicators with alternative constructs. This suggests that the latent construct demonstrates a superior predictive capacity regarding its indicators compared to those within other categories. One

alternative method for assessing discriminant validity entails the comparison of the square root of the average variance extracted (AVE) values.

3. Composite reliability

The assessment of the reliability of a construct characterized by reflective indicators can be conducted through the use of Composite Reliability. This metric examines the genuine reliability of a construct. A construct is deemed reliable when its Composite Reliability value surpasses 0.7 (Zhang et al., 2018). However, the interpretation of cronbach's alpha indicates that a value exceeding 0.6 is deemed acceptable.

3.8.2.2 Structural Model (Inner Model)

The structural model analysis is capable of clarifying the relationships among latent variables rooted in substantive theory. The structural model can be evaluate using:

1. Path Coefficient

The evaluation is conducted by analyzing the minimum value, which is determined to be 0.1. In the context of the model, a path can be considered to have an influence if the outcome of the path coefficient test surpasses the minimum value of 0.1 (Hair et al., 2012).

2. R-Square (R2)

R-square on endogenous constructs (dependent variables), changes in the value of R-square can be used to assess the influence of certain exogenous (independent) variables on endogenous (dependent) variables. A measurement standard of 0.670 is considered as strong, 0.333 is considered moderate, and 0.190 is classified as weak (Hair et al., 2013). This means that the higher the R2 value, the better the prediction model and the proposed research model.

3. F-Square

The F-square statistic is used to assess the significance of the variation in R-square that arises from the absence of a specific construct from the model. The criteria for assessing the f-square values are outlined as follows: a value

of 0.02 indicates a small effect, 0.15 reflects a moderate effect, and 0.35 signifies a large effect.

4. Goodness of Fit (GoF)

The Goodness of Fit (GoF) measurement is utilized to assess the overall performance of a model, thereby providing validation for the model's effectiveness. The GoF serves as a singular metric for assessing the integrated performance of both the measurement model and the structural model, or the relationship between the inner model and the outer model. The GoF value is derived by multiplying the average communalities index by the R² value of the model. The following formula may be employed to ascertain the GoF value:

$$GoF = \sqrt{\underline{AVE} \times \underline{R^2}}$$

Description:

$$\frac{AVE}{R^2} = \text{Average AVE}$$

$$= \text{Average } R^2$$

The GoF value ranges from 0 to 1 with the interpretation that a value of 0.1 means a small GoF, 0.25 means a moderate GoF, and 0.36 means a large GoF.

3.8.3 Hypothesis Testing

The measurement of hypothesis testing is conducted through the utilization of T-statistics and probability values. In the context of hypothesis testing utilizing statistical values, the t-statistic value employed for an alpha level of 5% is 1.96. The criteria for the acceptance or rejection of the hypothesis are as follows: the hypothesis supported when the t-statistic exceeds 1.96 and the p-value is less than 0.05.

3.9 Pilot Test

Pilot test is used to test the validity and reliability of the research instrument before the questionnaire is distributed to the respondents. Therefore, the questionnaire is first tested on 30 managers and owners of MSMEs F&B sector in Bandar Lampung.

Data obtained for this test are needed to help the author to improve questions on the questionnaire that had low component matrix indicator values.

3.9.1 Validity Test

Validity testing measures the extent to which an instrument performs its intended function. Measurement is considered valid if it accurately and correctly measures what it is intended to measure. According to Ghozali and Latan (2015), an outer loading value ranging from 0.5 to 0.6 is considered acceptable. Moreover, an AVE data is considered valid if it has a value above 0.5.

Based on the data presented on Table 7, dimension of product performance and customer performance has fulfilled the standard measurement of outer loading value and AVE. However, indicators IN 02, IN 04, IN 05, RT 02, PR 06, and PR 07 are not fulfilling the standard of outer loading value \geq 0.5. Therefore, the step taken by the author is to revise the questionnaire question with the low value. The author decided to retain these indicators with the hope that improving the questions and increasing the number of respondents would enhance the component matrix values of each indicator.

Table 7. Validity Test of Pilot Respondent

| Variable | | Indicator | Convergent Validity | |
|-----------------|------------------|-----------|---------------------|-----------|
| | | | OLV ≥ 0.5 | AVE > 0.5 |
| | | IN 01 | 0.813 | 0.414 |
| | | IN 02 | 0.498 | |
| | | IN 03 | 0.689 | |
| Entrepreneurial | Innovativeness . | IN 04 | 0.393 | |
| Orientation | | IN 05 | 0.369 | |
| | | IN 06 | 0.722 | |
| | | IN 07 | 0.750 | |
| | | IN 08 | 0.558 | |

| Variable | | Indicator | Convergent Validity | |
|-------------|---------------|-----------|---------------------|-----------|
| | | | OLV ≥ 0.5 | AVE > 0.5 |
| | | IN 09 | 0.813 | |
| | | RT 01 | 0.548 | 0.523 |
| | | RT 02 | 0.441 | |
| | | RT 03 | 0.790 | |
| | Risk-Taking | RT 04 | 0.859 | |
| | | RT 05 | 0.583 | |
| | | RT 06 | 0.874 | |
| | | RT 07 | 0.687 | |
| | Proactiveness | PR 01 | 0.814 | |
| | | PR 02 | 0.800 | |
| | | PR 03 | 0.709 | |
| | | PR 04 | 0.631 | 0.469 |
| | | PR 05 | 0.821 | |
| | | PR 06 | 0.474 | |
| | | PR 07 | 0.427 | |
| | Product | PP 01 | 0.857 | 0.640 |
| MSME | Performance | PP 02 | 0.739 | 0.040 |
| Performance | | CP 01 | 0.858 | |
| | | CP 02 | 0.806 | 0.747 |
| | Source: Date | CP 03 | 0.924 | |

Source: Data processed by author (2025)

3.9.2 Reliability Test

This test is conducted on the question indicators that fall into the valid category. If cronbach alpha is greater than 0,6 and composite reliability above 0,7 the

research data is considered good and reliable to be used as input in the data analysis process.

Based on Table 8, variables of innovativeness, risk-taking, proactiveness, and customer performance have fulfilled the measurement standard. However, the data from variable product performance has a value of CA 0.445 or under 0.60 cronbach alpha and CR 0.465 or under 0.70 composite reliability. The author chose to keep these indicators, hoping that by refining the questions and increasing the number of respondents, the component matrix values for each indicator would improve. After the pilot test was successful, the next step was to distribute the questionnaire widely.

Table 8. Reliability Test of Pilot Respondent

| | /ariable | Cronbach alpha CA >0.60 | Composite Reliability CR >0.70 |
|-----------------|----------------------|----------------------------|-----------------------------------|
| Entrepreneurial | Innovativeness | 0.832 | 0.862 |
| Orientation | Risk-taking | 0.818 | 0.873 |
| | Proactiveness | 0.799 | 0.845 |
| MSME | Product performance | 0.445 | 0.465 |
| Performance | Customer performance | 0.866 | 0.916 |

Source: Data processed by author (2025)

V. CONCLUSION AND SUGGESTION

5.1 Conclusion

The results of the research conducted on the entrepreneurial orientation effect to MSMEs food and beverage sector performance in Bandar Lampung can be summarized as follows:

- 1. Innovativeness does not have a significant effect on the product performance of the manager and owner of MSMEs food and beverage in Bandar Lampung. This is not significant with the formulation of the first hypothesis, therefore hypothesis 1 is not supported.
- 2. Innovativeness does not have a significant effect on the customer performance of the manager and owner of MSMEs food and beverage in Bandar Lampung. This is not significant with the formulation of the second hypothesis, therefore hypothesis 2 is not supported.
- 3. Innovativeness does have a significant effect on the MSME performance as a whole of the manager and owner of MSMEs food and beverage in Bandar Lampung. This is significant with the formulation of the third hypothesis, therefore hypothesis 3 is supported.
- 4. Risk-taking does not have a significant effect on the customer performance of the manager and owner of MSMEs food and beverage in Bandar Lampung. This is not significant with the formulation of the fourth hypothesis, therefore hypothesis 4 is not supported.
- 5. Risk-taking does have a significant effect on the customer performance of the manager and owner of MSMEs food and beverage in Bandar Lampung. This is significant with the formulation of the fifth hypothesis, therefore hypothesis 5 is supported.

- 6. Risk-taking does have a significant effect on the MSME performance as a whole of the manager and owner of MSMEs food and beverage in Bandar Lampung. This is significant with the formulation of the sixth hypothesis, therefore hypothesis 6 is supported.
- 7. Proactiveness does have a significant effect on the product performance of the manager and owner of MSMEs food and beverage in Bandar Lampung. This is significant with the formulation of the seventh hypothesis, therefore hypothesis 7 is supported.
- 8. Proactiveness does not have a significant effect on the customer performance of the manager and owner of MSMEs food and beverage in Bandar Lampung. This is not significant with the formulation of the eight hypothesis, therefore hypothesis 8 is not supported.
- 9. Proactiveness does not have a significant effect on the MSME performance as a whole of the manager and owner of MSMEs food and beverage in Bandar Lampung. This is not significant with the formulation of the ninth hypothesis, therefore hypothesis 9 is not supported.

5.2 Suggestion

In considering the findings from the analysis and following discussion, the recommendations are formulated as follows:

1. It is recommended that MSME owners and managers in the food and beverage industry adopt a more practical and balanced approach to business development in light of the study findings. Since it has been shown to improve customer satisfaction and overall business performance, they should concentrate on taking prudent and measured risks. Despite not having a direct impact on customer performance, innovation and proactive behavior were crucial for enhancing products and overall success. As a result, MSMEs are urged to continue investigating novel concepts, monitor market developments, and enhance customer service via constructive criticism and effective communication. MSMEs can expand and maintain their competitiveness in a changing business environment by properly

- combining risk-taking, innovation, and proactiveness with continual learning and training.
- 2. Future researchers are advised not to examine the impact of entrepreneurial orientation on performance. Furthermore, it is suggested that they explore this relationship through intermediary variables. For instance, strategic business approaches, employee motivation, leadership qualities, and the culture within organisations. The performance indicators examined in this study are limited to product performance (sales) and customer performance (customer retention). It is recommended that future researchers incorporate additional indicators, including marketing performance, innovation performance, and employee performance.

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