Article

The Influence of Entrepreneurship Orientation, Business Environment and Management Ability on Business Performance of MSMEs Cafe in Tebing Tinggi City, Indonesia

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Abstract: Global business pressures and competition affect Micro, Small and Medium Enterprises (MSMEs), such as globalization, technological improvements, demographic and social changes, the ability to innovate, financial support, and entrepreneurship. This research was conducted to investigate the effect of entrepreneurial orientation, business environment and management ability on performance. The purpose of this study was to determine the effect of entrepreneurial orientation on performance, to determine the effect of the business environment on performance, to determine the effect of management ability on performance and to determine the effect of entrepreneurial orientation, business environment and management ability on performance. The sample used in this study was 30 small-scale cafes using the census method. Based on the results of research with multiple regression analysis results from the t test that the influence of entrepreneurial orientation influences performance, the business environment affects performance, management ability affects performance. While the effect on the simultaneous test between entrepreneurial orientation, business environment and management ability have a significant effect on MSMEs performance.

Keywords: entrepreneurial orientation; business environment; management ability; MSMEs performance.

1. Introduction

Micro, Small and Medium Enterprises (MSMEs) are required to have dynamic capabilities and strategies that can capture opportunities and renew the market (Kurtz & Varvakis, 2016; Nurani et al., 2020; Zahoor et al., 2022). However, the demands of the current business environment are still difficult to meet. Mudrajad (2011) stated that Micro, Small and Medium Enterprises (MSMEs) in Indonesia are quality difficult to develop in the market because they face several internal problems, namely the low quality of human resources such as lack of skilled human resources, lack of entrepreneurial orientation (entrepreneurial orientation), low mastery of technology and management, lack of information. The cafe business is currently mushrooming in the city of Tebing Tinggi. The cafe business in the city of Tebing Tinggi can be categorized as micro, small and medium enterprises, both street cafes and cafes that have used places such as shop houses. The small-scale cafe referred to here is a cafe in the category of Micro, Small and Medium

Enterprises targeted at small cafes characterized by: usually choosing a place located at the foot of a small shop or shophouse, small cafes generally have a small capital and an incomplete facility atmosphere. different from the big cafe. In terms of management capabilities, small cafes have fewer resources than large cafes. Although currently in the city of Tebing Tinggi there have been many large-scale cafes such as kok tong, Legato, and others, in fact small-scale cafes remain the favorite choice of consumers in the city of Tebing Tinggi thanks to the unique atmosphere and menu they serve. Then from the side of the business environment, small cafes generally have small capital and the atmosphere of incomplete facilities is different from large cafes. In terms of management capabilities, small cafes have fewer resources than large cafes.

This study emphasizes the importance of the role of entrepreneurial orientation, business environment, management ability on the performance of MSME Café in Tebing Tinggi City. First, this research examines the effect of entrepreneurial orientation on the performance of SMEs Cafe? The second is the influence of the business environment on the performance of SMEs Cafe? Third, the influence of management ability on the performance of SMEs Cafe? Fourth, the simultaneous influence of entrepreneurial orientation, business environment, management ability on the performance of MSME Café.

The small-scale cafe referred to here is a cafe in the category of Micro, Small and Medium Enterprises targeted at small cafes characterized by: usually choosing a place located at the foot of a small shop or shophouse, small cafes generally have a small capital and an incomplete facility atmosphere. different from the big cafe. In terms of management capabilities, small cafes have fewer resources than large cafe (see Table 1):

Table 1. List of Cafes Classified as Micro, Small and Medium Enterprises in Tebing Tinggi City, Indonesia.

No.	Nama Cafe	Address	Number of visitors
1.	Waroenk Bang Do	Jl Diponegoro	80 person/ day
2.	Kings Cafe	Jl. Kartini	85 person/ day
3.	Cafe Coffee q58	Jl. Kumpulan pane	70 person/ day
4.	Pop Dimsum dan Cafe	Jl Deblod Sundoro	80 person/ day
5.	Kopi Dolok Cab Thamrin	Jl. Thamrin	90 person/ day
6.	Tebing Kreatif cafe	Jl. Ahmad Yani	70 person/ day
7.	Kedai Kopi Bali	Jl. Suprapto	75 person/ day
8.	Experience cafe	Jl. H.M Yamin	80 person/ day
9.	Warkop Bang Put	Pasar Gambir	69 person/ day
10.	Cemara Cafe	Jl. Cemara	70 person/ day
11.	Warkop Kak Sri	JL. Darat	76 person/ day
12.	3D Cafe	Tambangan Hulu	69 person/ day
13.	Coffe and Resto Tebing	Jl Suprapto	73 person/ day
14.	Warkop 73	Jl Ahmad Yani	69 person/ day
15.	Cafe Waroeng Winky	Jl. Pahlawan	90 person/ day
16.	Warkop Pahlawan	Jl. Pahlawan	95 person/ day
17.	Coffee Time	Jl. SM Raja	90 person/ day
18.	Cafe BKL	Jl. Badak Berjuang	68 person/ day
19.	Manjacheese Tebing Tinggi	Jl. Darat	90 person/ day
20.	Kedai Kopi Tujuh Oktober	Jl. Ahmad Yani	79 person/ day
21.	Zie Cafe	Jl. Hamka	89 person/ day
22.	Ohmenramen	Jl. Pulau Belitung	90 person/ day
23.	Warkop Pentagon	Jl. Iskandar Muda	90 person/ day
24.	Kopi Dolok Ramayana	Tj. Marulak	79 person/ day
25.	Teras Mavia Cafe	Jl. Hamka	79 person/ day
26.	Warkop Affand	Jl. Ahmad Yani	90 person/ day
27.	Ar Hafiz Cafe	Jl. Sudirman	85 person/ day
28.	Warkop Sitro	Badak Berjuang	85 person/ day
29.	Densha Cafe	Jl.Rambung	75 person/ day
30.	Warkop Brigadir	Jl. Pulau Sumatera	90 person/ day

Source: pre-survey data processed (2020)

On the basis of the list of cafes classified as Small and Medium Enterprises that I researched, the most visited per day is Warkop Pahlawan cafe located on Jalan Pahlawan, with 95 visitors per day. Due to lower demand and visitor, this

study aims to examine the entrepreneurial orientation, business environment and management and its effect on performance of MSMEs Café in Tebing Tinggi City.

2. Literature Review

2.1. Entrepreneurship Orientation

Entrepreneurship is a process of doing something new and different with the aim of creating prosperity for individuals and providing added value to society (Baron, 1998; Chell, 2007; Ireland et al., 2001). productive activities (Mulyasa, 2022). This understanding means that everyone can have an entrepreneurial character as long as he/she is willing to work hard and think creatively and innovatively. Entrepreneurial orientation refers to processes, practices, and decision-making that lead to new inputs and has three aspects of entrepreneurship, namely always being innovative, acting proactively and taking risks (Dess & Lumpkin, 2005).

2.2. Business Environment

External environment refers to factors and forces that are outside the organization but affect organizational performance (Akpoviroro & Owotutu, 2018; Machuki & Aosa, 2011; Otache & Mahmood, 2015). In this concept, business is an organizational system that is integrated with other systems, namely the environment that surrounds it. The external environment is everything that comes from outside the organization itself that has an influence on the organization (Supriyono, 2018). The external environment is defined by Ferdianto (2016) as the linkage of physical and social factors outside the organization that are considered by an organization in making decisions. The external environment includes variables outside the organization which can be in the form of general pressures in the social environment or specific factors operating in the work environment (industry) of the organization (Aldrich & Pfeffer, 1976; Hyatt & Berente, 2017). The external environment has two components: the specific environment and the generic environment (Pheng & Chuan, 2006).

2.3. Management Ability

According to Semuel et al. (2017), management ability is the ability to manage business such as planning, organizing, motivating, monitoring and evaluating. Small or large-scale companies in their management to achieve effective and efficient results, the application of management principles is very necessary, the role of leaders or business owners to understand and be able to carry out the main functions of management is the main thing for business success in the future. Researchers have different thoughts in determining various attributes of managerial effectiveness, but basically there are 4 important components, namely planning, organizing, directing and monitoring (Latief, 2012). Small or large-scale companies in their management to achieve effective and efficient results, the application of management principles is very necessary, the role of leaders or business owners to understand and be able to carry out the main functions of management is the main thing for business success in the future.

2.4. Business Performance

Performance is the capability of the service-oriented systems to achieve its functionality well, which can be measured by the throughput and the response time (Hyatt & Berente, 2017; Kounev et al., 2010; Moeheriono & Si, 2012; O'Brien et al., 2007). Azmi et al. (2019) said that performance is a series of management activities that provide an overview of the extent to which the results have been achieved in carrying out their duties and responsibilities in the form of public accountability in the form of successes or deficiencies that occur. The achievement of the results of a series of activities in question includes work standards, targets or targets or criteria that have been determined since the start of the business. Riyanti & Prasetio (2019) also said that performance can be interpreted as the level of achievement of organizational goals or results. So, it can be said that business performance is a series of achievements of a business actor in carrying out his business activities, both in terms of productivity development and in terms of marketing, in the context of his authority and responsibility. According to Dess et al. (2014) business performance can be regarded as a form commonly used to measure the impact of a company's strategic orientation. The decline in business performance is certainly a problem and a challenge for the business strategy orientation to be able to continue to maintain good business performance through a strategic orientation that is chosen based on a decision in order to survive in the industry.
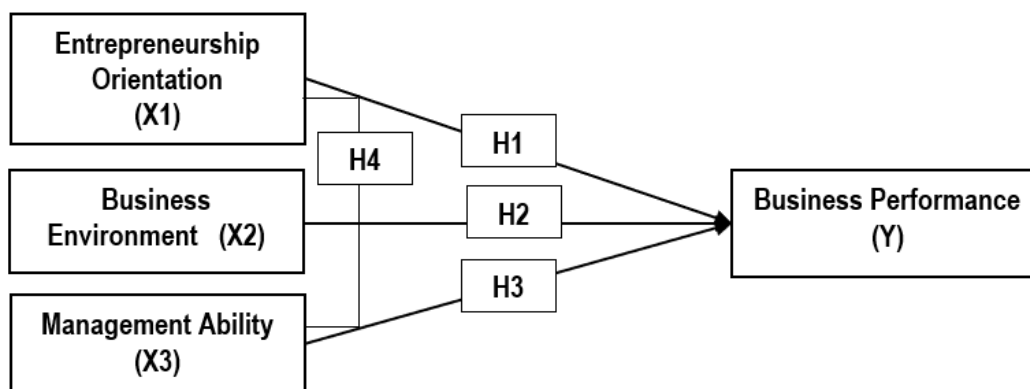
Figure 1. Research Framework

2.5. Data CollectionnTechnique

The data collection technique in this research is to use a questionnaire distributed to the research sample which is a small-scale MSME in Tebing Tinggi. The sample in this study was small-scale SMEs in Tebing Tinggi. This study used a questionnaire distributed to 30 small-scale café SMEs. In addition, the data collection techniques used in this study were through interviews, questionnaires, literacy studies and observation.

2.6. Method of Data Analysis

This study uses multiple linear regression. The multiple linear regression model is used to determine the effect of entrepreneurial orientation, business environment and management ability to influence the performance of SMEs Café in Tebing Tinggi City. The data analyzed using SPSS-23.

3. Results and Discussion

This study firstly reported the assumption of linear regression analysis, namely normality testing. Normality test aims to test whether in the regression model, the confounding or residual variables have a normal distribution (Ghozali, 2016). Testing the normality of the data can be done using two methods, graphs and statistics. The normality test of the graph method uses a normal probability plot, while the statistical method normality test uses the one sample Kolmogorov Smirnov Test. The result as seen in Table 2 below:

Table 2. Normality Testing using One-Sample Kolmogorov-Smirnov

			Unstandardized Residual
N			30
Normal Parameters[a,,b]	Mean		0
	Std. Deviation		1.826471
Most Extreme Differences	Absolute		0.164
	Positive		0.164
	Negative		-0.117
Kolmogorov-Smirnov Z			0.897
Asymp. Sig. (2-tailed)			0.397
Monte Carlo Sig. (2-tailed)	Sig.		.433[c]
	99% Confidence Interval	Lower Bound	0.2
		Upper Bound	0.666

a. Test distribution is Normal.
b. Calculated from data.
c. Based on 30 sampled tables with starting seed 2000000.

From the output in the table above, the significance value (monte Carlo sig.) of all variables is 0.433. If the significance is more than 0.05, then the residual value is normal, so it can be concluded that all variables are normally distributed.

Table 3. Result of Collinearity Testing.

Variable(s)	Collinearity Statistics	
	Tolerance	VIF
Entrepreneurship Orientation	0.714	1.400
Business Environment	0.731	1.367
Management Capabilities	0.895	1.117

a. Dependent Variable: MSME Performance

Table 3 captures the result of multicollinearity testing. The tolerance value of the Entrepreneurial Orientation Variable (X1) is 0.714, the Business Environment Variable (X2) is 0.731, and the Management Ability Variable is 0.895, all of which are greater than 0.10 while the VIF value of the Entrepreneurial Orientation Variable (X1) is 1.400, the Business Environment Variable (X2) is 1.367, and the Management Ability Variable is 1.117, all of which are smaller than 10. Based on the results of the above calculations, the tolerance value of all independent variables is greater than 0.10 and the VIF value of all independent variables is also smaller than 10 so that there is no correlation symptom in the independent variables. So, it can be concluded that there is no symptom of multicollinearity between independent variables in the regression model.

The heteroscedasticity test aims to test whether from the regression model there is an inequality of variance from the residuals of one observation to another observation. A good regression model is one with homoscedasticity or no heteroscedasticity. One way to detect the presence or absence of heteroscedasticity is the Glejser test. In Glejser test, if the independent variable is statistically significant in influencing the dependent variable, then there is an indication of heteroscedasticity. On the other hand, if the independent variable is not statistically significant in influencing the dependent variable, then there is no indication of heteroscedasticity. This is observed from the probability of significance above the 5% confidence level (Ghozali, 2016).

Table 4. Result of Heteroscedasticity using Glejser Test.

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-4.846	3.266		-1.484	0.150
Entrepreneurship Orientation	0.000	0.160	0.000	-0.002	0.999
Business Environment	0.110	0.175	0.126	0.630	0.534
Management Capabilities	0.207	0.178	0.482	1.163	0.248

a. Dependent Variable: ABS_Residual

Table 4 indicates that the significant value of the Entrepreneurial Orientation variable (X1) of 0.999, Business Environment (X2) of 0.534, and Management Ability (X3) of 0.713, both of which are greater than 0.050 so that both can be concluded that there are no symptoms of heteroscedasticity in this research model. Next, this study reports the result of hypothesis testing.

Table 5. Hypothesis Testing

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Entrepreneurship Orientation	0.196	0.096	0.143	2.042	0.043
Business Environment	0.251	0.123	0.165	2.041	0.044
Management Capabilities	0.186	0.094	0.249	1.979	0.050

a. Dependent Variable: MSMEs Performance

Table 5 displays the result of hypothesis testing. This study indicates that entrepreneurship orientation, business environment and management capabilities have significant positive effect on MSMEs Performance. The regression coefficient of entrepreneurship orientation is 0.196, standard error is 0.096, t stat is 2.042 and significant at the level 5 percent or 0.043. It means that by assuming increase entrepreneurship orientation as much as 1 percent will be given effect on increasing the MSMEs Performance by 19.6 percent. Next, business environment regression coefficient is 0.251, standard error is 0.123, t-stat is 2.041 and significant at the level 5 percent or 0.044. It means that by assuming

increase business environment as much as 1 percent will be given effect on increasing the MSMEs Performance by 25.1 percent. Also, the regression coefficient of management capabilities is 0.186, standard error is 0.094, t stat is 1.979 and significant at the level 5 percent or 0.050. It means that by assuming increase management capabilities as much as 1 percent will be given effect on increasing the MSMEs Performance by 18.6 percent.

4. Conclusion

In conclusion, this study has successfully identified and investigated the determinant factors that influence the MSMEs Cafe performance in Tebing Tinggi city, Indonesia. The results of hypothesis testing using multiple regression analysis with three independent variables and one dependent variable. This research is expected to be able to provide suggestions or considerations for MSMEs Cafe business actors to improve business performance. Further research is expected to broaden the scope of research or take a more detailed approach in measuring business performance.

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