

The Influence of Entrepreneurship Characteristics and Business Environment on the Performance and Sustainability of SMEs Culinary in Surakarta



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ABSTRACT: This study aims to analyze the role of marketing performance in mediating the influence of entrepreneurial characteristics and the environment on the sustainability of SMEs. SMEs are required to be able to adapt by adapting to the business environment and communicating innovative products in marketing to be able to reach consumers and reach the target market and reduce costs for business continuity. This research is survey research. The research population is culinary SMEs in the city of Surakarta. Collecting data using a questionnaire. The sampling technique used accidental sampling, as many as 96 culinary SMEs in Surakarta. Validity testing uses Confirmatory Factor Analysis (CFA), and Cronbach's Alpha for reliability testing. Data analysis using Partial Least Squares (PLS). The results showed that entrepreneurial characteristics and the business environment had an effect on business sustainability through marketing performance. Entrepreneurial characteristics and the business environment have a role in improving and marketing products and expanding the market, so that SMEs can survive and perform well during the pandemic and can increase market growth in the process of economic recovery

KEYWORDS: entrepreneurial characteristics, business environment, marketing performance, and business sustainability

A. INTRODUCTION

The impact of the pandemic on SMEs is a problem that requires great attention for all parties, both the entrepreneurs themselves and the government. One way to maintain the existence of SMEs is to grow and strengthen the entrepreneurial spirit (entrepreneurship). Entrepreneurship has a positive impact on the economy and society, one of the most important impacts of entrepreneurship is the provision of jobs. An entrepreneur requires hard work, tenacity, creativity and innovation and the courage to take risks.

SMEs are expected to survive in current conditions, this is because SMEs are the main pillars of the Indonesian economy. SMEs in their own way are able to overcome many problems more dynamically in the face of market developments. In the midst of increasingly intense changes in the business environment, SMEs are required to have higher adaptability and responsiveness (Maulana, et al, 2021), without the ability to do so, SMEs are at risk of not being able to survive due to changes in the business environment and high competition, making SMEs must be able to do so. facing global challenges, such as increasing product and service innovation, developing human resources and technology, as well as expanding the marketing area, this needs to be done to increase the selling value of SMEs, especially so that they can compete with foreign products that sell their products in Indonesia (Sudaryanto , 2014).

The business environment has a strong influence on the company's organization, especially when the business world is no longer limited by a country's territory (borderless world), the shift from hard technology to smart technology and other fundamental changes have an impact on policies that will be taken by company management. (Rijal and Zuliarni, 2016). Riyanto (2018) in his research shows that the external and internal environment has a significant effect on the performance of Small and Medium Enterprises (SMEs). This result contradicts the research of Nasutra and Asngadi (2021) that the industrial environment does not affect the operational performance of SMEs.

SMEs performance is the result of work achieved by business actors in a certain period. Marketing performance related to customer growth is an increase in customer arrivals by repurchasing the products produced (Pardi et al., 2014). Effective and strategic financial decision making from SMEs actors will also improve the success of achieving business goals and sustainability. Entrepreneurs will be able to improve their business sustainability well as can be seen from: first, business financial growth which includes changes in assets, capital and turnover; second, strategic business growth includes changes in production costs, and the level of the number of customers; third, the structural growth of its business includes changes in the number of employees and business locations (Rahayu and Musdholifah, 2017).

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B. LITERATURE REVIEW

Entrepreneurial Characteristics

Entrepreneurial characteristics can be defined as matters relating to the characteristics, behavior, character, character, attitudes, and actions of a person to realize innovative ideas into the business world and the attitudes and actions of an entrepreneur in his daily life (Saiman, 2014). Entrepreneurial characteristics are internal factors that determine business success pointing to characters such as: having high spirits, having a desire to always innovate, always accepting responsibility as best as possible, wanting to achieve very high and daring to take risks (Ezzel, 2019). Entrepreneurial characteristics are traits or traits possessed by an entrepreneur to run and achieve business success including individual characteristics, personality, entrepreneurial orientation, and readiness to become entrepreneurs (Eltahir, 2018). Entrepreneurial characteristics have an important role in shaping one's mental attitude, the power of innovation, creativity, courage, perseverance, spirit of hard work, fighting power that synergizes with knowledge, skills and vigilance determine business success (Soearsono, 1988).

Business Environment

The business environment is the environment faced by the organization and must be considered in corporate decision making (Anoraga, 2013). The business environment is all the conditions and forces that exist inside and outside each business unit that will affect the policy direction of a company in managing its business activities. These factors include the external environment and the internal environment (Buchori and Saladin, 2016). The business environment can be in the form of economic, political, socio-cultural conditions, demography, technology and even the global environment (Alma, 2014).

Marketing Environment

Marketing performance is a company's effort to find out and meet consumer needs and tastes (Rodríguez and Gema, 2016). Marketing performance is the extent to which the company's achievements in the products produced, besides that marketing performance is also a measure used to assess the achievement of the marketing process activities carried out by a company (Charles, Joel and Samwel, 2012). Marketing performance related to customer growth is an increase in customer arrivals by repurchasing the products produced (Pardi et al., 2014). Marketing performance is a measure of achievement obtained from the overall marketing process activities of a company or organization. In addition, marketing performance can also be viewed as a concept used to measure the extent to which market achievements have been achieved by a product produced by the company. Marketing performance is an overspent and underdelivered point, because it is difficult to measure the effectiveness and efficiency of each marketing activity, decision or program, so that marketing performance is more objective and focused on profitability and productivity of marketing decisions (Tjiptono, 2016).

Business Sustainability

Business sustainability is a condition or business condition, where there are ways to maintain, develop and protect resources and meet the needs that exist in a business (industry). on economic conditions or conditions that are happening in the business world (Widayanti, Damayanti and Marwanti, 2017). Business continuity is a form of consistency of the condition of a business, where sustainability is a process of ongoing business both including growth, development, strategies to maintain business continuity and business development where all of this leads to business continuity and existence (Rosyad and Wiguna, 2015). Sihombing and Meilani (2018) that the main factors in business continuity are external factors and internal factors. The sustainability of the business world has been carried out with attention to a number of demands and to be applied in business practices, including: changing the work structure, implementing outsourcing, setting a performance index as a work reference, conducting mergers, providing opportunities for employees to carry out work initiatives independently, getting closer to consumers, and work together to build good relationships with suppliers.

C. RESEARCH METHOD

Population is a collection of individuals, events, or other interesting things that want to be studied (Sekaran & Roger, 2016). The population in this study is the culinary SMEs in the city of Surakarta. The sample is a subset of the population consisting of selected population members (Sekaran & Roger, 2016). The sample was determined using accidental sampling. The sample is 96 MSMEs who run businesses with culinary products.

This research uses Partial Least Squares (PLS) analysis. According to Ghozali (2018) the purpose of PLS is to help researchers for prediction purposes. The formal model defines latent variables as linear aggregates of the indicators. The weight estimate for creating the component score for the latent variable is obtained based on how the inner model (structural model that connects latent variables) and outer model (measurement model, namely the relationship between indicators and their constructs) is specified. The result is the residual variance of the dependent variable.

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D. RESULT AND DISCUSSION

Instrument Test

The criteria in data analysis with Smart PLS to assess the outer model, there are: convergent validity, discriminant validity and composite reliability.

a. Convergent Validity

Table 1. Outer Loadings (Measurement Model)

Variable	Indicator	Loading Factor
Marketing performance	kp1	0,742
	kp2	0,751
	kp3	0,751
	kp4	0,732
	kp5	0,548
Business sustainability	ku1	0,763
	ku2	0,737
	ku3	0,867
	ku4	0,773
	ku5	0,659
Entrepreneurial characteristics	kw1	0,633
	kw2	0,689
	kw3	0,747
	kw4	0,738
	kw5	0,689
	kw6	0,764
Business environment	lu1	0,663
	lu2	0,861
	lu3	0,810
	lu4	0,685
	lu5	0,734
	lu6	0,555

Source: Primary data processed, 2022

The value of the outer model or the correlation between constructs and variables has convergent validity because it has a loading factor 0.50 so that the constructs for all variables can be used for hypothesis testing.

b. Discriminant validity

Table 2. Discriminant Validity (Cross Loading)

Construct	Entrepreneurial characteristics	Business sustainability	Marketing performance	Business environment
kp1	0,294	0,409	0,742	0,397
kp2	0,403	0,514	0,751	0,506
kp3	0,270	0,516	0,751	0,488
kp4	0,377	0,509	0,732	0,219
kp5	0,255	0,422	0,548	0,124
ku1	0,485	0,763	0,510	0,430
ku2	0,415	0,737	0,548	0,418
ku3	0,422	0,867	0,538	0,529
ku4	0,275	0,773	0,513	0,418
ku5	0,390	0,659	0,440	0,247
kw1	0,633	0,271	0,228	0,239
kw2	0,689	0,250	0,225	0,188
kw3	0,747	0,274	0,286	0,272
kw4	0,738	0,514	0,410	0,394
kw5	0,689	0,452	0,408	0,410

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kw6	0,764	0,431	0,280	0,160
lu1	0,226	0,288	0,239	0,663
lu2	0,354	0,514	0,505	0,861
lu3	0,313	0,470	0,438	0,810
lu4	0,036	0,217	0,223	0,685
lu5	0,519	0,461	0,454	0,734
lu6	0,140	0,254	0,193	0,555

Source: Primary data processed, 2022

The loading factor value for the indicator has a greater value than the loading value for other latent variables, so that the latent variable has good discriminant validity.

c. Evaluate of Reliability and Average Variance Extracted (AVE)

Table 3. Composite Reliability and AVE

Variable	Composite Reliability	Average Variance Extracted
Entrepreneurial characteristics	0,860	0,506
Business environment	0,873	0,582
Marketing performance	0,833	0,503
Business sustainability	0,867	0,526

Source: Primary data processed, 2022

The value obtained for composite reliability > 0,80 and AVE > 0,50 so that all constructs are reliable.

STRUCTURAL MODEL

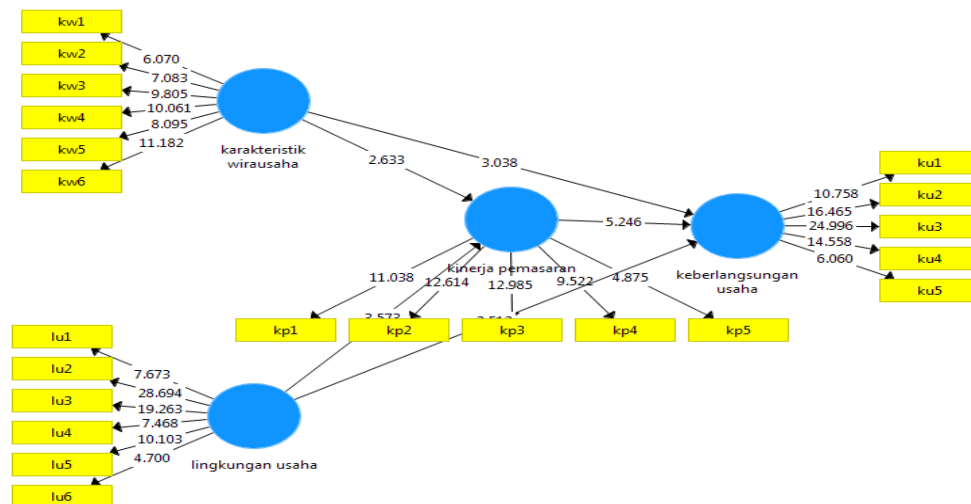


Figure 1. Structural Model

Hypothesis testing by analyzing critical ratio (CR) > 1,96 and probability value < 0,05. The results of the analysis are shown in the following table:

Table 5. Path Coefficient

Construct	Original Sample	Sample Mean	Standard Deviation	t Statistic	p value
Entrepreneurial characteristics → marketing performance	0,292	0,303	0,111	2,633	0,009
Business environment → marketing performance	0,394	0,395	0,110	3,573	0,000

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Entrepreneurial characteristics → business sustainability	0,260	0,263	0,085	3,038	0,003
Business environment → business continuity	0,207	0,221	0,083	2,512	0,012
marketing performance → business sustainability	0,446	0,436	0,085	5,246	0,000

Source: Primary data processed, 2022

The results from the PLS analysis are:

a. The effect of entrepreneurial characteristics on marketing performance

The original sample estimate value of entrepreneurial characteristics is 0.292 with t value 2.633 and p value $0.009 < 0.05$. The results show that entrepreneurial characteristics affect marketing performance.

Tanubrata and Gunawan (2019) stated that entrepreneurial characteristics are important because they can create an innovative breakthrough to maintain the stability of SMEs performance. Entrepreneurs with a passion for progress and have a creative and innovative spirit need to be owned by business actors because they can be a key factor in maximizing efficiency in the use of factors for developing economic competitiveness, enabling SMEs to have a more positive mindset, building market sensitivity and creating creative thinking.

b. The effect of the business environment on marketing performance

The original sample estimate value of the business environment is 0.394 with t value 3.573 and p value $0.000 < 0.05$. The results show that the business environment has an effect on marketing performance.

Solihin (2017) states that the environment has a direct effect on the success of the company because the environment interacts directly with the surrounding factors. The business environment continues to adapt and change in order to survive in the face of competition. SMEs must maximize their performance so that the planned goals can be achieved (Ekaputri, Sudarwanto & Marlina, 2018).

c. The effect of entrepreneurial characteristics on business sustainability

The original sample estimate value of entrepreneurial characteristics is 0.260 with t value 3.038 and p value $0.003 < 0.05$. The results show that entrepreneurial characteristics affect business sustainability.

Indarto and Santoso (2020) state that entrepreneurial characteristics affect the success of SMEs business. Culinary SMEs in Surakarta are entrepreneurs who are able to struggle and have resilience in various conditions and pressures. Entrepreneurs have targets and work spirit in facing economic difficulties. Entrepreneurs have the character of hard work, tenacity, high creativity and innovation and the courage to take risks.

d. The effect of the business environment on business sustainability

The original sample estimate value of the business environment is 0.207 with t value 2.512 and p value $0.012 < 0.05$. The results show that the business environment has an effect on business sustainability.

Nasutra and Asngadi (2021) state that the business environment is a factor that must be considered by culinary SMEs in Surakarta because a conducive business environment can create a growing business climate. Entrepreneurs who are able to analyze their business environment, interpret, and make the right decisions on their business by anticipating trends that exist in their business environment will play a role in business success.

e. The effect of marketing performance on business sustainability

The original sample estimate value of marketing performance is 0.446 with t value 5.246 and p value $0.000 < 0.05$. The results show that marketing performance has an effect on business sustainability.

Harini and Yuliana (2019) stated that SMEs are required to be able to maintain their business survival and growth. The very rapid growth of SMEs must be balanced with the ability to improve their marketing performance so that appropriate strategies are needed in the field of marketing so that business sustainability is maintained. SMEs actors who have good performance, then the business and financial decisions created will lead to good development so that they have business sustainability in the long term.

f. Marketing performance mediates the effect of entrepreneurial characteristics on business sustainability

The results show that marketing performance mediates the effect of entrepreneurial characteristics on business sustainability with p value $0.030 < 0.05$.

This shows that entrepreneurial characteristics are a key factor in maximizing the use of factors for developing economic competitiveness, enabling SMEs to have a more positive mindset, building market sensitivity and creating creative thinking. According to Sari, Suwarsinah & Baga (2016) that entrepreneurial characteristics affect entrepreneurial competence and business

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performance. This shows the importance of building entrepreneurial characteristics because there is greatly determine business success.

g. Marketing performance mediates the effect of the business environment on business sustainability

The results show that marketing performance mediates the effect of the business environment on business sustainability with p value $0.001 < 0.05$.

This supports to Riyanto's research (2018) that the external and internal environment affect the performance of SMEs. The environment is an important factor in carrying out business activities and has a direct effect on the success of a company, because the company has direct interaction with the factors that surround it.

E. CONCLUSIONS AND SUGGESTIONS

The results indicate that entrepreneurship characteristics and business environment affect marketing performance and business sustainability, marketing performance affect business sustainability; marketing performance mediates the effect of entrepreneurial characteristics and business environment on the sustainability of culinary SMEs in Surakarta. Business actors will be able to improve their business sustainability well as can be seen from: (1) business financial growth, including: changes in assets, capital and turnover; (2) strategic business growth, including: changes in production costs, and the number of customers; (3) business structural growth, including: changes in the number of employees and business locations. Business continuity can be done by paying attention to a number of demands to be implemented in business practices, including: changing work structures, implementing outsourcing, setting performance indexes, conducting mergers, providing opportunities for employees to take the initiative to work independently, get closer to consumers, and work as well as maintain good relations with suppliers.

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