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The Effect of Entrepreneurial Orientation on the Performance of MSME Craftsmen Supporting Cultural Events Mediated by Innovation Capacity

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Abstract

The aim of the research is to find out Entrepreneurial Orientation on the Performance of MSME Craftsmen Supporting Cultural Events Mediated by Innovation Capacity. This research uses quantitative methods using survey methods. This research was conducted in Soppeng, Wajo and Bone Regencies. The data analysis technique used in this research is Partial Least Square (PLS) regression analysis. The results of the research show that the results of the inner model evaluation of Entrepreneurial orientation on MSME Performance are mediated by Innovation Capacity, resulting in a statistical P value of 2.517 or greater than 1.96 and a P value of 0.012 or smaller than 0.67, so this hypothesis declared accepted. The results of hypothesis testing state that entrepreneurial orientation has a positive effect on MSME performance which is mediated by Innovation Capacity.

Introduction

The development of the world of tourism as a locomotive of development cannot be separated from the role of all elements of society and government which are supported by increasingly adequate infrastructure as well as government policies in supporting the tourism sector as a top priority in increasing state income apart from other sectors, which is increasingly being carried out more and more intensively by the government. . This is stated in government policy through several regulations that support the increasing number of tourists, which is still a measure of the government's success in increasing tourist visits.

In increasing tourist visits, both foreign and Indonesian, the government and all existing elements are trying to uphold the 4 pillars which are the basis for measuring tourism development, namely: (1) destination; (2) marketing; (3) industry, and (4) institutional. This was stated by the Ministry of Tourism and Creative Economy by Mr. Sandiaga Uno that tourism development is strongly supported by Sustainable Tourism Destination, Sustainable Tourism Observatory, Sustainable Tourism Certification, Sustainable Tourism Industry and Sustainable Marketing & Management. (medcom.id, August, 2022). In line with the pillars of tourism development, it is strengthened by government regulations through Minister of Tourism Regulation Number 14 of 2016 concerning sustainable destination management which is reaffirmed in tourism creative industry activities. Minister of Tourism Regulation Number 5 of 2017 concerning Destination Guidelines for Organizing Meetings, Incentive Travel, Conventions and Exhibitions confirms that the organization of meetings, incentive travel, conventions and exhibitions (meetings, incentives, conventions and exhibitions), hereinafter referred to as MICE, is one of the driving industries for the development of competitive tourism destinations.

Cultural events are a series of tourism activities with the aim of introducing cultural assets which are regional heritage or traditions by displaying a variety of activities including

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traditional dances, music, arts, crafts, culinary specialties, festivals, traditional ceremonies, and others. To regulate tourism dynamically, the government through the Ministry of Pariwiata issued the Tourism Law number 10 of 2009 concerning Tourism, the implementation instructions of which are contained in the law. This has triggered the development of tourism science to grow and become the basis of hope for the Indonesian people. The performance of MSMEs is the achievement of the results of micro, small and medium enterprises (MSMEs) covering finance, operations and marketing of business in increasing economic growth, creating jobs and driving the local economic sector. The micro, small and medium enterprise (MSME) sector is very important for a country's economic development. In particular, MSMEs significantly contribute to employment and GDP in many countries around the world (Ayyagari et al., 2007; Kusa et al., 2021).

Various kinds of MSME business fields are managed by the community in the field of tourism which gives birth to entrepreneurship, but without the support of new entry in the form of human resource capabilities engaged in MSME (Pramesti & Giantari, 2016), readiness of appropriate technology and market support in the form of events or events events based on tourism activities will make it very difficult for MSME actors to create new innovations because they are constrained by the production results to be marketed, where the sustainability of production results will determine a new innovation, for that context the difference between Entrepreneurship and Entrepreneurship Orientation.

Entrepreneurial orientation refers to processes, practices, and decision-making that lead to new inputs and has four entrepreneurial aspects, namely being innovative, acting proactively, taking risks, and autonomy (Hatta, 2015; 655). The issue of entrepreneurial orientation concerns the involvement of a company or business in entering a new market. Entrepreneurial orientation is an organizational phenomenon that reflects their managerial abilities, as companies start to take initiatives and change their competitive actions so that they can benefit the business they are in (Elia & Bambang, 2015).

Entrepreneurial orientation influences MSME craftsmen towards cultural events in creating creative and innovative products and services. Entrepreneurial MSMEs can improve entrepreneurial performance and abilities (Cenamor et al., 2019), where entrepreneurial orientation is an attitude of views, attitudes, and individual behavior that reflects enthusiasm and commitment to entrepreneurship including ways of thinking, approaches to problems, motivation to take risks, the desire to create business opportunities, and the willingness to face challenges in achieving business goals. Various behaviors that can be built through entrepreneurial orientation can provide benefits (Mantok et al., 2019; Hunter & Lean, 2018).

The research results show that SMEs can survive and even grow in the long term, for three main reasons: (a) they create a niche market for themselves, (b) they act as a "last reserve" for the poor, and (c) they will grow together with large companies because of the increasingly important production link between MSMEs and large companies in the form of subcontracting (Tambunan, 2008).

In order to meet the needs of business-oriented customers, of course it cannot be separated from achieving the company's targets for customers, what are the basic needs, especially in cultural events. Many parties with an interest in cultural event activities, including the government, academia, the community and other service businesses, also contribute to cultural events, but in relation to activities with cultural events, where MSME actors themselves, if they have limited market understanding regarding what product or service needs relevant services in meeting market expectations, especially in supporting cultural event activities including

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customer profiles in carrying out cultural event activities, can make it difficult for MSMEs to identify new market opportunities and adjust their business strategies.

Market orientation can support the performance of Micro, Small and Medium Enterprises (MSME) craftsmen in cultural event activities. Research results show that market orientation has a positive effect on performance (Peng et al., 2019). In implementing cultural events, MSMEs often do not segment their markets well and tend to try to cover all market segments without a clear focus, resulting in inefficient marketing and sales implementation, as well as wasted resources. The concept of market orientation in making a business successful if it realizes increased sales growth, financial performance and profitability is an effort to make the organizational culture the most effective in creating important behavior for the creation of superior value for buyers and performance in business. Cultural events sometimes require an environment that not only prioritizes MICE activities but is also demanded by market desires which are sometimes not in line with the existing venue, starting from event products that are not competitive, activities that tend to be inefficient and effective as well as low profits that are less profitable. contribution to the activities of the cultural event itself.

Entrepreneurial orientation is interconnected with innovation capacity in improving the performance of Micro, Small and Medium Enterprises (MSMEs) craftsmen in supporting cultural events (Mantok et al., 2019). Entrepreneurial orientation is generally dominated by three dimensions including innovativeness, proactiveness and courage to take risks, where cultural events emphasize that there is a tendency to always behave innovatively, be responsible and dare to take risks and always actively follow developments in sustainable tourism businesses. Innovation capacity is the ability of individuals and organizations to create, develop and implement new innovations on an ongoing basis including technology, products or services that provide added value and competitive advantage.

Innovation capacity emphasizes interactions in absorbing various resource capabilities that positively influence the function of MSMEs. To be a good entrepreneur, you need a more innovative business. The pattern of tourism movement which has given birth to many entrepreneurs who are involved in various tourism businesses contributes to increasing community income and business which of course requires guidance and nurturing through corporate entrepreneurship.

Market orientation supports the performance of Micro, Small and Medium Enterprises (MSME) craftsmen in cultural event activities mediated by innovation capacity (Bamfo & Kraa, 2019). MSME issues in the world of cultural events and issues in the business world cannot be separated from one another. Market orientation can encourage companies to improve their understanding of consumers, competitors and the marketing environment which then leads them to achieve superior company performance in line with research results showing that market orientation has a positive and significant influence on market performance. In addition, this research suggests that MSMEs should increase activities that can increase market orientation (Pertiwi & Siswoyo, 2016;1). This encourages market orientation to be able to be responded to positively by the existing environment so that readiness is needed at all levels to be able to contribute to the implementation of cultural event activities.

In reality, entrepreneurial orientation and market orientation have not been able to partially increase innovation capacity. the ability to innovate requires an adequate market that can support the performance of MSMEs (Riswanto et al., 2020). The obstacles faced by MSME actors in supporting cultural event activities are inadequate market research, which of course will hinder their understanding of market trends, especially in the world of cultural events, lack of identification of customer needs, and intense business competition. Insufficient market

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research can result in inappropriate business decisions, such as incorrect pricing, products that do not match market demand, or ineffective promotions. The problem of being unable to anticipate market changes continues to change and develop over time, so that MSMEs in supporting MICE activities cannot anticipate changes, which of course makes it difficult to maintain their competitiveness. The market focus for MSMEs supporting cultural event activities is the needs and demands of organizers and participants of cultural event activities. They offer products or services that suit the needs of cultural events, such as conference facilities, event services, transportation arrangements, souvenirs and so on.

Meanwhile, the MSME market supporting cultural event activities refers to the market segment or target group targeted by MSMEs operating in sectors that support or are related to cultural event activities, such as hospitality service providers, food and beverage providers, event decoration providers, technical equipment providers, crafts hands, souvenirs and so on. However, in reality, entrepreneurial orientation and market orientation have not been partially able to support the performance of MSME craftsmen in supporting cultural events. Mediation role between place attachment and innovation capacity. The mindset of MSME-based entrepreneurs must be able to utilize their social capital in creating business innovation and sustainability to survive the crisis (Pongtanalert & Assarut, 2022).

Meanwhile, innovation capacity refers to the ability of an organization or individual to carry out and manage the innovation process effectively. It covers various aspects such as knowledge, skills, human resources, technological infrastructure, partnership networks and innovation culture. Strong innovation capacities enable MSMEs to generate, adopt and implement innovations effectively. In reality, Innovation capacity has not been able to improve the performance of MSME craftsmen in supporting cultural events, including the ability to identify innovation opportunities, collect and analyze market information, collaborate with partners, manage risks, and convert innovation into economic value.

In supporting MSME performance, innovation and innovation capacity are interrelated and influence each other. MSMEs that have strong innovation capabilities and good innovation capacity have better opportunities to create competitive advantages, increase productivity, respond to market changes, and face emerging challenges. Strong innovation capacity enables MSMEs to adopt relevant innovations and turn them into real business advantages.

In tourism businesses that deal with cultural event activities, especially for companies. In general, researchers agree that entrepreneurial orientation has three dimensions, namely innovativeness, (2) proactiveness, and (3) courage to take risks (risk taking). which influences company performance. Empirical findings also show the same thing, that companies that are entrepreneurially oriented have better performance than those that do not adopt an entrepreneurial orientation, especially financial performance. Meanwhile, non-financial performance, such as increasing satisfaction of company owners, is not directly proportional because increasing owner satisfaction is caused by improving financial performance, not directly due to entrepreneurial orientation.

Entrepreneurial orientation has not been able to improve the performance of MSME craftsmen supporting cultural events mediated by Innovation capacity. Sustainable innovation makes it possible to meet changes, not only in products or services but also in their business models, to achieve a balance between economic, social and environmental factors (Esquivel et al., 2021). In other studies there are titles that raise innovation mediating the performance of MSMEs but not on innovation capacity. On the other hand, market orientation has not been able to improve the performance of MSME craftsmen supporting cultural events mediated by the capacity for innovation. The results are as follows. The market orientation of the sharing economy business

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culture with consumer orientation significantly influences product innovation, but the influence of competitive orientation on product innovation is not significant (Na et al., 2019). There is a difference between innovation and innovation capacity. In the context of MSMEs (Micro, Small and Medium Enterprises), innovation and innovation capacity have important differences. In this research using quantitative research methods with a PLS approach, the scope focuses on innovation capacity and the locus of MSME craftsmen who support cultural event activities as a novelty. in this research.

Methods

This research is a quantitative study using survey methods, namely research that takes samples from the population and uses questionnaires as the main data collection tool. This research was conducted in Soppeng, Wajo and Bone Regencies. Data collection techniques used in this study are Observation, Interview, Questionnaire. The target population taken in this study was 120 MSME managers. The data analysis technique used in this study is Partial Least Square (PLS) regression analysis.

Results and Discussion

When testing the sample on the Effect of Entrepreneurial Orientation, Market Orientation which is mediated by the capacity of Innovation on the Performance of MSME actors in supporting Cultural Events in South Sulawesi, Researchers conducted validity tests and Reliability Tests on 111 respondents, where the output of the validity test was as follows:

Table 1. Instrument Validity Test Results Early stage research

Indicator	Pearson Correlation	Significance (>0.7)
Entrepreneurship Orientation (X1)		
X1.1	0.804	Valid
X1.2	0.809	Valid
X1.3	0.850	Valid
X1.4	0.890	Valid
X1.5	0.865	Valid
Market Orientation (X2)		
X2.1	0.731	Valid
X2.2	0.790	Valid
X2.3	0.875	Valid
X2.4	0.836	Valid
X2.5	0.867	Valid
Innovation Capacity (Y1)		
Y1.1	0.870	Valid
Y1.2	0.814	Valid
Y1.3	0.857	Valid
Y1.4	0.851	Valid
Y1.5	0.865	Valid
Performance of MSME Craftsmen (Y2)		
Y2.1	0.850	Valid
Y2.2	0.524	Tidak Valid
Y2.3	0.864	Valid
Y2.4	0.836	Valid
Y2.5	0.873	Valid
Y2.6	0.908	Valid

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Y2.7	0.883	Valid

Source : Processed Primary Data, 2023

From the results of the research instrument validity test, it shows that the average validity value is met, with the exception of the instrument on the performance of MSME craftsmen at Y2.2. namely that sales turnover always meets sales targets cannot be used in the context of further research because of the Loading Test Criteria where there are criteria used to assess the validity of construct loading, such as a minimum loading value of 0.7 (or 0.6 in some cases). This indicates that at least 70% (or 60%) of the variability in the variable is explained by latent factors. It can be seen in the algorithm image below:

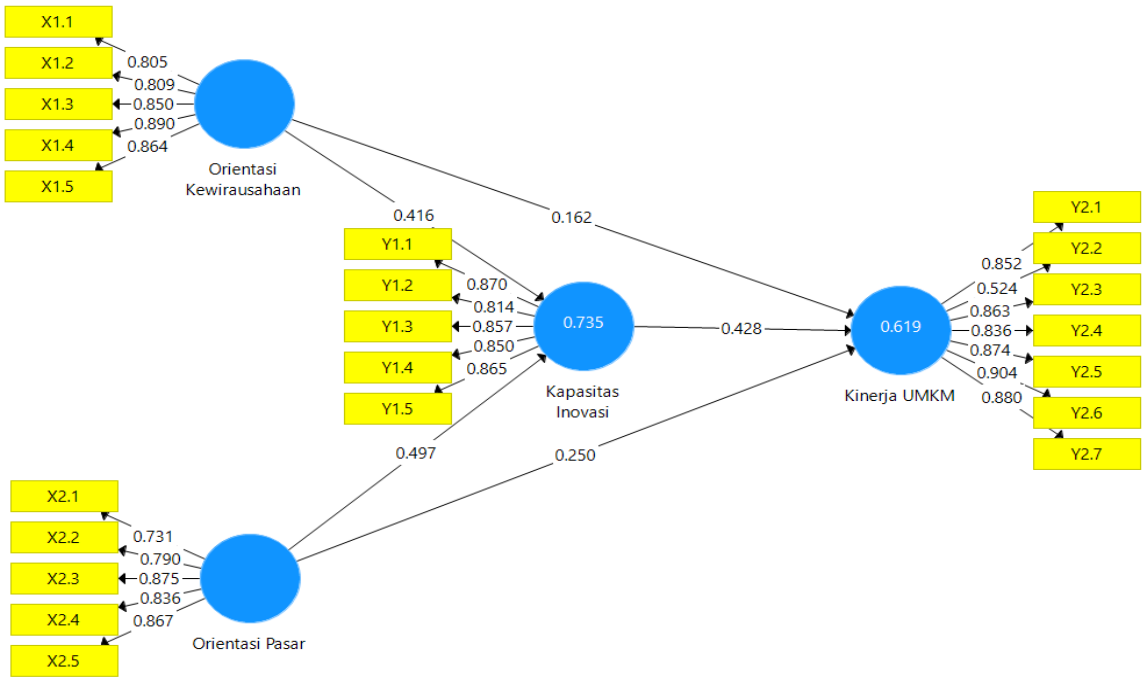

Figure 1. Data processing Allogarithm1, Smart pls, 2023

Seeing that the validity test conditions did not meet the standard criteria, the authors issued an instrument variable that did not meet the standard criteria for a study using smar pls so that we can see the results of the loading test as follows:

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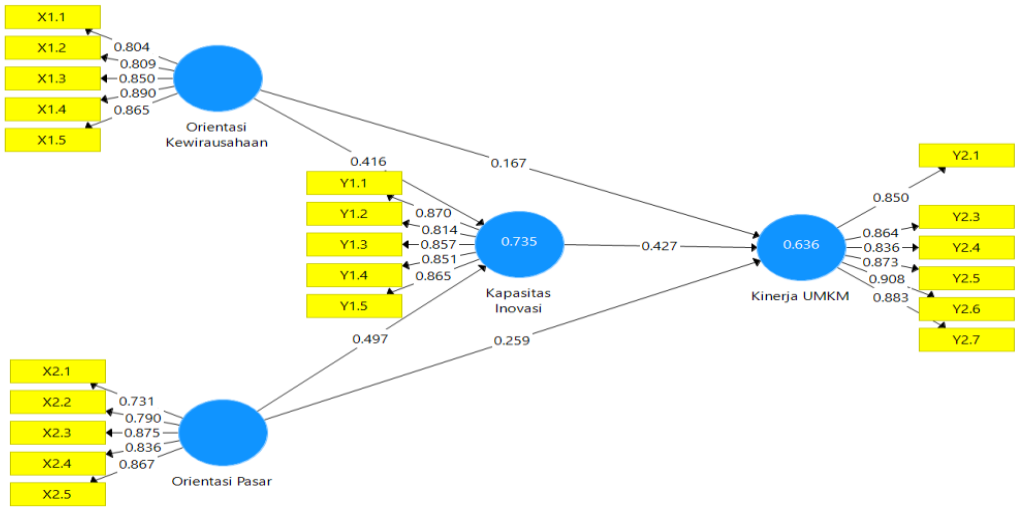

Figure 2. Processing data allogarithm2, smart pls, 2023.

From the image processed by Allogarithm image data above shows that all criteria in a study meet the elements and can be continued in future research. The results of the picture can be seen from the table below:

Table 2. Final Research Instrument Validity Test Results

	Innovation Capacity	MSME Performance	Entrepreneurial Orientation	Market Orientation	Significance (>0,7)
X1.1			0.804		**Valid**
X1.2			0.809		**Valid**
X1.3			0.850		**Valid**
X1.4			0.890		**Valid**
X1.5			0.865		**Valid**
X2.1				0.731	**Valid**
X2.2				0.790	**Valid**
X2.3				0.875	**Valid**
X2.4				0.836	**Valid**
X2.5				0.867	**Valid**
Y1.1	0.870				**Valid**
Y1.2	0.814				**Valid**
Y1.3	0.857				**Valid**
Y1.4	0.851				**Valid**
Y1.5	0.865				**Valid**
Y2.1		0.850			**Valid**
Y2.3		0.864			**Valid**
Y2.4		0.836			**Valid**
Y2.5		0.873			**Valid**
Y2.6		0.908			**Valid**
Y2.7		0.883			**Valid**

Source : Processed Primary Data, 2023

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From the validity test of the Research Instruments in table 2 above, it shows that all instruments on these variables have met the validity criteria in a study, where the validity of the construct loading, such as a minimum loading value of 0.7 (or 0.6 in some cases) meets research standards.

Furthermore, in the Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis, R Square (R^2) or Coefficient of Determination is a measure used to measure how good the latent variable (construct) is in the PLS-SEM model, which in this study explains that variations in related observation variables (measurement variables). R Square describes the amount of variation in observed variables that can be explained by latent variables in the model.

The structural model (Inner Model) defines the relationship between latent constructs by looking at the results of the estimated parameter coefficients and their significance levels (Ghozali, 2011). The inner model can be measured by calculating the R-square for the dependent construct, t-test and the significance of the structural path parameter coefficients. There are three categories in grouping R-square values. If the R-square value is 0.75, it is in the strong category; an R-square value of 0.50 is in the moderate category and 0.25 is in the weak category (Hair et al, 2010). The R-square value of the dependent variable obtained in this research model can be seen in Table 4.3.1.3 below. As in Table 3 below:

Table 3. Coefficient of Determination

	R Square	**Adjusted R Square**	**Prediction Models**
Innovation Capacity	0.735	0.730	Moderate
MSME Performance	0.636	0.626	Moderate

Source : Processed Primary Data, 2023

R Square in Table 3 or the Coefficient of Determination is the proportion of variability in the observation variables in this study that can be explained by latent variables in the model. The results of this data processing indicate that the accuracy and ability of these latent variables in explaining changes in measurement variables have been fulfilled. This shows that the Innovation Capacity Variable which is a mediating variable has an R-square value of 0.735 after calculations through SmartPLS. %, and for the Entrepreneurial Orientation and Market Orientation variables, the performance of MSME Craftsmen is 63.6%. Meanwhile, to measure the validity and reliability of the construct for each variable, it can be seen in table 4.3.1.4 below.

Table 4. Construct Validity and Reliability

	Cronbach's Alpha	rho_A	Composite Reliability	Average Extracted Variance (AVE)
Innovation Capacity	0.905	0.906	0.930	0.725
MSME Performance	0.935	0.939	0.949	0.756
Entrepreneurial Orientation	0.899	0.902	0.925	0.713
Market Orientation	0.879	0.887	0.912	0.675

Source: Primary Data processed by smart pls, 2023

In Table 4, the validity and reliability of the existing constructs shows that each variable has a higher value indicating better consistency where the construct standard is above 0.6. valid and realistic reliability meets standards or > 0.6.

Meanwhile, Discriminant Validity in research is also known as the Fornell-Larcker criterion, which is an important concept in Partial Least Squares Structural Equation Modeling (PLS-

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SEM) analysis and statistical analysis which functions to measure the extent to which the constructs measured by the variables in the model can be differentiated from each other. each other or have separate validity. Discriminant validity refers to the ability of variables measured by different constructs to truly differentiate one construct from another.

Discriminant validity can be measured by comparing the square of the loadings between a particular construct with the square of its correlation with other constructs in the model. If the loadings are greater than the correlation, then the construct has good discriminant validity.

Table 5. Discriminant Validity

	Innovation Capacity	MSME Performance	Entrepreneurial Orientation	Market Orientation
Innovation Capacity	0.852			
MSME Performance	0.770	0.869		
Entrepreneurial Orientation	0.795	0.704	0.844	
Market Orientation	0.814	0.734	0.764	0.822

Source : Primary Data processed by smart pls, 2023

The discriminant validity in the table 5 shows that if the results of the Fornel-Larcker Criterion calculation show that the AVE root value of each construct is greater than the correlation value between one construct and another construct, then discriminant validity is stated as good discriminant validity value based on the Fornel-Lacker Criterion in the research model in the table above.

In addition to paying attention to the calculation results from the Fornell-Larcker Criterion, discriminant validity can also be determined based on the Cross Loading value, namely the acquisition of the loading score on the same indicator block must be greater than the correlation value between latent variables. The cross loading value of the research hypothesis is shown in Table 6 as follows:

Table 6. *Cross loading value*

	Innovation Capacity	MSME Performance	Entrepreneurial Orientation	Market Orientation
X1.1	0.671	0.549	0.804	0.613
X1.2	0.597	0.553	0.809	0.566
X1.3	0.678	0.660	0.850	0.607
X1.4	0.712	0.596	0.890	0.698
X1.5	0.693	0.607	0.865	0.732
X2.1	0.549	0.449	0.475	0.731
X2.2	0.670	0.610	0.570	0.790
X2.3	0.710	0.675	0.698	0.875
X2.4	0.687	0.617	0.704	0.836
X2.5	0.712	0.636	0.661	0.867
Y1.1	0.870	0.716	0.741	0.665
Y1.2	0.814	0.675	0.719	0.720
Y1.3	0.857	0.587	0.622	0.656

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Y1.4	0.851	0.643	0.605	0.749
Y1.5	0.865	0.649	0.687	0.674
Y2.1	0.630	0.850	0.558	0.572
Y2.3	0.728	0.864	0.616	0.692
Y2.4	0.596	0.836	0.562	0.575
Y2.5	0.625	0.873	0.640	0.601
Y2.6	0.744	0.908	0.677	0.733
Y2.7	0.674	0.883	0.606	0.632

Source: Primary Data processed by smart pls, 2023

Table 6 shows that the loading factor value for each variable is greater than the cross loading value. Therefore, this shows that all indicators of all variables used in this research are declared valid. Discriminant validity can also be seen from the AVE (Average Variance Extracted) value. The criteria for a good AVE value is above 0.5. The next process after the R square value is obtained is to carry out a t-test for the significance of the structural path parameter coefficients. The critical value of Path coefficients is indicated by the t statistic value, for the hypothesis that if the T statistic value is greater than 2 (positive or negative), this indicates that the parameter has a significant influence. The significance of the influence between latent variables can be seen from the statistical significance value. If the P-Value value is less than 0.05 (or 0.01) it is generally considered a sign that the hypothesis test results are significant. This means that there is sufficient evidence to reject the null hypothesis. The significance value of the parameter coefficients can be calculated using the bootstrapping method. Bootstrapping is a non-parametric procedure that can be applied to test whether coefficients such as outer weight, outer loadings, and path coefficients are significant by estimating a standard error for their estimation. Bootstrapping in this test was carried out using a sub-sample with a significance level of 0.1. The path coefficient table can be seen in the bootstrapping output which can be seen in Figure and Table 4.3.2.7 below.

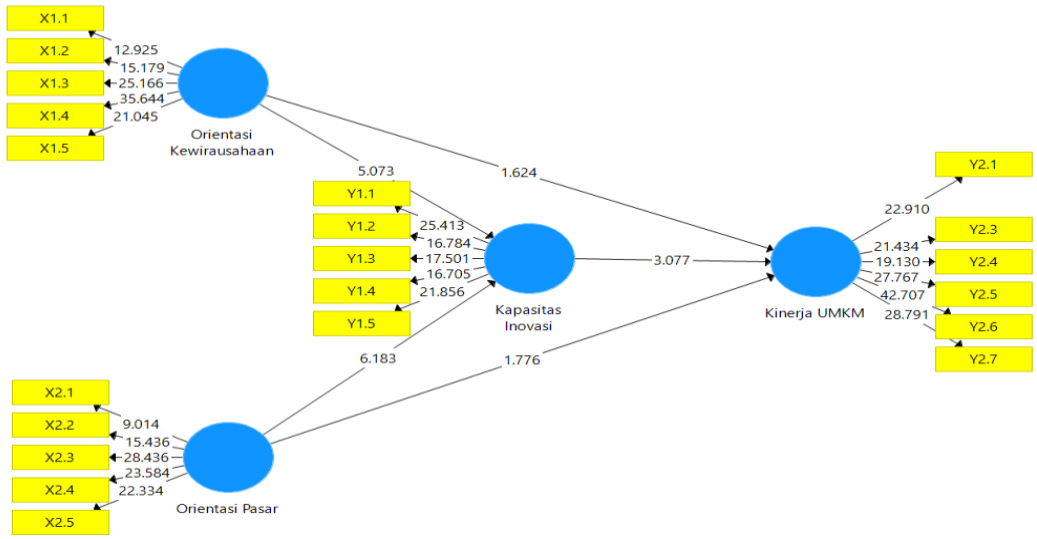

Figure 3. Bootsrapping Output data, 2023

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Table 7. Direct Relationship Path coefficient (mean, STDEV, T- Values, p values)

	Original Sample (O)	Sample Average (M)	Standard Deviation (STDEV)	T Statistik (| O/STDEV |)	P Values
Innovation Capacity -> MSME Performance	0.427	0.413	0.139	3.077	**0.002**
Entrepreneurship Orientation -> Innovation Capacity	0.416	0.422	0.082	5.073	**0.000**
Entrepreneurship Orientation -> MSME Performance	0.167	0.164	0.103	1.624	**0.105**
Market Orientation -> Innovation Capacity	0.497	0.485	0.080	6.183	**0.000**
Market Orientation -> MSME Performance	0.259	0.271	0.146	1.776	**0.076**

Source: Primary Data processed by smart pls, 2023

Table 8. Indirect Relationship Path coefficient (mean, STDEV, T- Values, p values)

	Original Sample (O)	Sample Average (M)	Standard Deviation (STDEV)	T Statistik (| O/STDEV |)	P Values
Entrepreneurship Orientation -> Innovation Capacity -> MSME Performance	0.178	0.175	0.071	2.517	**0.012**
Market Orientation -> Innovation Capacity -> MSME Performance	0.212	0.201	0.076	2.776	**0.006**

Source : Primary Data processed by smart pls, 2023

H6: Entrepreneurial Orientation influences MSME Performance which is mediated by Innovation Capacity in supporting Cultural Events. Based on the results of the inner model evaluation of Entrepreneurial orientation towards MSME Performance which is mediated by Innovation Capacity, the resulting statistical P value is 2,517 or greater than 1.96 and the P Value is 0.012 or smaller than 0.67, so this hypothesis is declared accepted. The results of hypothesis testing state that entrepreneurial orientation has a positive effect on MSME performance which is mediated by Innovation Capacity.

Conclusion

Based on the results of the inner model evaluation of Entrepreneurial orientation towards MSME Performance which is mediated by Innovation Capacity, the resulting statistical P value is 2,517 or greater than 1.96 and the P Value is 0.012 or smaller than 0.67, so this hypothesis is declared accepted. The results of hypothesis testing state that entrepreneurial orientation has a positive effect on MSME performance which is mediated by Innovation Capacity.

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