The Effect of Entrepreneurship Orientation and Competitive Advantage to Micro and Small Enterprises of Food and Beverage in Padang City.

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Abstract

This study aims to reveal how entrepreneurship orientation and competitive advantage affect the performance of micro and small enterprises of food and beverage in Padang City. The type of this research is descriptive and associative research. In this study, the research populations are 694 entrepreneurs of micro and small enterprises of food and beverage in Padang City. The Two Stage Cluster Random Sampling technique is used to determine the sample and the result obtained are 54 people in total. The technique of collecting data is by using questionnaires which are tested first by testing the validity and reliability before being distributed. Data analysis technique used in this study is Path Analysis. The results of this study indicate that entrepreneurship orientation significantly affects competitive advantage, entrepreneurship orientation significantly affects performance of micro and small enterprises, and competitive advantage significantly affects performance of micro and small enterprises.

Keywords: Entrepreneurship Orientation, Competitive Advantage, Micro and Small Enterprises Performance

INTRODUCTION

The existence of micro and small enterprises is the largest part of the national economy. Micro and small businesses have proven to be reliable during the financial crisis in Indonesia. These days, small and micro enterprise is a business potential that is greatly encouraged by the government of Indonesia. This is due to the increasing number of entrepreneurial communities which help bettering and strengthening the economy of a region because local resources, local workers, and local financing can be absorbed and benefited optimally.

The development of micro and small enterprises is one of the priorities in economic development in Padang City. Micro and small business in Padang has proved to be the driving force of the economy in this city, as well as a role of income source for most of the population at this time. Foods and beverages business is one of the most carried out industries by entrepreneurs in Padang city which was been observed from the increasing number of food businesses that are mushrooming here in the city. However, various problems faced by the entrepreneurs of micro and small enterprises of foods and beverages have caused many of these industries have not been able to increase their income to a more viable level to meet their living and business needs.

This was assumed that it has something to do with the characteristics of the business that is carried out by the entrepreneurs of micro and small enterprises of foods and beverages. These characteristics include; local resources basis, small-scale business activities, traditional process of production, a lot of unskilled laborers (*padat karya*) –which does not always require formal education and specific skill of them–, entrepreneurs’ grown skills that are formed based on hereditary experience, and the education level of entrepreneurs and relatively low level of workers’ skills.

With the characteristics stated above, there are some limitations in micro and small enterprises such as; feeble ability to access sources that support the progress of micro and small enterprises, low ability of micro and small enterprises in gaining access to banking capital resources, low capacity of micro and small enterprises in mastering and utilizing technology, low ability of micro and small enterprises in developing organizations and management, and the insubstantial establishment of business networks or partnerships by micro and small enterprises.

Based on the characteristics and constraints faced by the entrepreneurs of micro industry of foods and beverages in Padang City, it is necessary to develop micro and small enterprises that seek to increase competitive advantage through various approaches, one of them is by improving entrepreneurship orientation which is expected to increase the capability of micro and small enterprises and will have implication on performance improvement of micro and small enterprises in Padang City.

Performance refers to the level of achievement or else the achievement of a micro and small enterprise in a particular period of time. The performance is crucial to the development of the micro and small enterprise. Basically, the goal of micro and small enterprise is to maximize the value of the micro and small enterprise itself, which is reflected in the various performance measurements. The performance of micro and small enterprises can be seen from the increase of operating profit, the up growth of sales volume, and the increase of business asset.

Table 1. Work Performance of Micro and Small Enterprises of Foods and Beverages in Padang City

Year	Amount (Unit)	Total Sales Volume (Rp.)	Growth (%)
2013	608	287.883.231.695	-
2014	633	344.398.185.556	14,91
2015	694	426.569.715.362	12,97

Source: Cooperatives and Small Medium Enterprises (SMEs) Office of Padang.

Based on the table above, it can be seen that the number of micro and small enterprises of foods and beverages in Padang city increased from year to year. It is evident in 2013 that the number of micro and small enterprises of foods and beverages in Padang city are increased in 2015 from 608 units to 694 units. However, the increasing number of micro and small foods and beverages business from year to year is not accompanied by the improvement of micro and small food and beverages business’ performance in Padang city. It is noticeable from the total sales volume of micro and small food and beverages business in Padang City. Although from year to year the total sales volume of micro and small food and beverages business in Padang seems to get escalating, but when viewed from the percentage of growth in sales volume, it actually decreased. In 2014, the sales volume of

micro and small food and beverages business in Padang city has grown by 14.91%, but in 2015 the growth rate has decreased to 12.97%. The decline in the performance of micro and small food and beverages industry in Padang City is supposedly influenced by several factors. One of them is competitive advantage.

Competitive advantage is the strength that micro and small businesses have in fulfilling the needs and desires of consumers by giving greater value or benefit to those given by their competitors. The competitive advantages of micro and small enterprises can be in form product superiority, excellence service given to customers, image superiority and cost advantage. In creating competitive advantage, a micro and small enterprise must be able to create different value of products from those offered by its competitors.

Sari (2003) stated that there is a positive influence between competitive advantage and business performance. This is in line with the results of research by Li (2006) who found a positive influence between competitive advantage with business performance measured through sales volume, profit rate, market share, and return on investment. Competitive advantage can be obtained from the company's ability to manage and utilize the resources and capital it owns. Any micro and small businesses that is capable of creating competitive advantage will have the power to compete with other small businesses or other companies because their products will remain in demand by customers. Thus, the competitive advantage has a positive effect on the improvement of micro and small enterprises performance.

Another factor that affects the performance of micro and small enterprises is entrepreneurship orientation. According to Frese (2002) entrepreneurship orientation is the key to improving business performance. Micro and small entrepreneurs who have entrepreneurship orientation own a clear vision and are willing to cope with risks so they are able to create good performance. A number of results in previous research in the field of entrepreneurship elucidate the importance of entrepreneurship orientation roles and their impact on business performance.

Research by Vitale and Miles (2002) examined the influence of entrepreneurship orientation on performance or growth; the results reveal a significant positive effect on business performance. The same research was conducted by Nurhayati (2003); Solichin (2004); Sangen (2005) by examining the effects of entrepreneurship orientation (consisting of innovation, proactive, and risk elements), marketing orientation and culture, on performance (consisting of sales growth, profit growth and assets growth). However, the results present that the findings of the study were inconsistent and varied. Research was also carried out by Steward, Carland, Watson and Sweo (2003) viewing a negative influence of entrepreneurship orientation on company performance. Furthermore, Chadwick et al (2004) showed that entrepreneurship orientation had no significant effect on business performance.

By means of the difference in the research results between entrepreneurship orientation and competitive advantage over the performance of business, it is appealing to examine the matter. Referring to the current economic situation of Indonesia and the performance of micro and small enterprises in Padang City in particular, the research on entrepreneurship orientation and competitive advantage is rousing to do. So this study explores how entrepreneurship orientation and competitive advantage have influence toward the performance of micro and small enterprises.

RESEARCH METHODS

The type of research used in this study is descriptive and associative research. Descriptive research is a research that aims to describe and interpret the current situation. While associative research is research that aims to see the relationship between exogenous variables (micro and small enterprises performance) and endogenous variables (entrepreneurship orientation and competitive advantage).

The type of data used is primary and secondary data. Primary data was obtained by distributing questionnaires to micro and small enterprises of foods and beverages in Padang city while secondary data was obtained from the Office of Cooperatives and Small Medium Enterprises (SMEs) of Padang. The population in this study was 694 micro and small enterprises of foods and beverages in Padang city. To determine the sample, the Two Cluster Random Sampling technique is used and the number of samples is 54 people. Data collection gathered by distributing questionnaires. Questionnaires distributed consist of a number of statements using a Likert scale with a range of answer options from strongly agree (SA) to strongly disagree (SD). Prior to the distribution, the questionnaire is tested by testing the validity and reliability. The data analysis model used is path analysis.

RESULTS AND DISCUSSION

The level of income obtained by respondents for one month can be seen in the following table:

Table 2. Frequency Distribution of Micro and Small Enterprises Performance

No.	Class Interval	Frequency	
		Fi	%
1	8,11 – 10,46	19	35,18
2	10,47 – 11,64	11	20,37
3	11,65 – 12,82	7	12,96
4	12,83 – 14	5	9,26
5	14,01 – 15,18	4	7,41
6	15,19 – 16,36	7	12,96
7	16,36 – 17,54	1	1,85
Total		54	100.00
Mean		11,79	
Median		11,42	
Mode		15,31	
Standard Deviation		2,35	
Variance Coefficient			
Maximum		16,4	
Minimum		8,11	

Source: Processed data

Table 2 shows the frequency distribution of micro and small business performance in Padang city. The calculation results of the performance statistics of micro and small enterprises of foods and beverages in Padang show an estimated 11.79% of mean. The highest level of performance of micro and small enterprises in Padang City is at the level of sales growth of 16.4% and performance is at the

lowest level of sales growth of 8.11%. Overall performance of micro and small enterprises in Padang City can be classified into the category of inadequate. Furthermore, the proportion of respondents' answers to entrepreneurship orientation can be seen in the following table:

Table 3. Frequency Distribution of Entrepreneurship Orientation

No.	Indicators	Total Score	Respondent Level of Achievement (%)	Category
1	Innovative	2,55	50,93	Not Good
2	Proactive	3,63	72,59	Adequate
3	Risk-taking	3,09	61,73	Inadequate
Average Variable		3,09	61,75	Inadequate

Source: Processed SPSS data

Table 3 explains that the average score of the entrepreneurship orientation variables is 3.09 with the respondent's level of achievement of 61.75%. This reveals that entrepreneurship orientation variables fall into the unfavorable category. Thus, it can be assumed that in general micro and small enterprises of foods and beverages in Padang city has not own entrepreneurship oriented business yet.

Table 4. Frequency Distribution of Competitive Advantages

No.	Indicator	Total Score	Respondent Level of Achievement (%)	Category
1	Low Cost	3,78	75,68	Adequate
2	Differentiation	2,22	44,32	Not Good
Average Variable		3	60	Inadequate

Source: Processed SPSS 16, 2018

Table 4 explains that for the average score of competitive advantage variables is 3 with the respondent's level of achievement of 60%. This shows that competitive advantage variables fall into the less favorable category. As a result, it can be concluded that micro and small enterprises of foods and beverages in Padang city is still said to have no competitive advantage in general.

Path analysis will present the amount of direct and indirect relationship between exogenous variables and endogenous variables (Irianto, 2010: 283). The path analysis model in this study consists of 2 sub-structures.

Sub Structure 1

The analysis results approximate that the significance value of the entrepreneurship orientation variable is $0.000 < \alpha 0.05$. These results provide the conclusion that sub-structural model 1 has a significant effect on competitive advantage. The path coefficient is 0.805. The contribution given by entrepreneurship orientation to competitive advantage is 64,7% while the rest of 35,3% is the contribution from other variables not included in this research. The magnitude coefficient of influence of other variables ($Px2\text{E}1$) is $Px2\text{E}1 = \sqrt{(1-R^2 x_1 x_2)} = 0,594$. Based on the results of the analysis, it is obtained sub-structure model I as follows:

Figure 1. Sub Structure Model I

Based on the picture above, we can make the equation as follows:

$$\begin{aligned}
 X_2 &= P_{X_2X_1}X_1 + \varepsilon_1 \\
 &= 0,805 X_1 + 0,594\varepsilon_1
 \end{aligned}$$

These findings approximate that entrepreneurship orientation has a significant effect on competitive advantage. This means, the range level of entrepreneurship orientation will determine the range level of competitive advantage. The results of this study prove that the implementation of entrepreneurship orientation can improve and contribute well to the competitive advantage of micro and small enterprises of foods and beverages in the Padang city. In other words, micro and small enterprises of foods and beverages entrepreneurs who have a proactive, innovative, and courageous attitude in taking risks will be able to create products that are more unique and worthy of note than their competitors, able to create new business opportunities, and dare to take risks in uncertain decision making but provides an opportunity for better results.

According to the results of description analysis of entrepreneurship orientation variables, it is categorized as less adequate which be seen from the average value of 3.09 with the achievement level of respondents as 61.75%. It signifies that entrepreneurship orientation is still not fully applied by micro and small enterprises of foods and beverages in the Padang city. Hence, micro and small enterprises of foods and beverages in Padang City should have entrepreneurship oriented mind in order to increase the competitive advantage of its business. Better entrepreneurship orientation will incite the desire of micro and small enterprises of foods and beverages in Padang city to improve business competitiveness by finding valuable, scarce, distinctive and irreplaceable resources compared to competitors to gain superiority.

This finding is in accordance with Reswanda's (2011) opinion which states that entrepreneurship orientation will initiate change in continuing to meet customer's needs, including how to utilize its own resources. The ongoing innovation applied has an impact on the utilization of assets used to form core competencies, which furthermore becomes the source of competitive advantage. Continuous innovation will make efficient use of input and the effectiveness of the achievement of business results, the product is produced in better quality, customer satisfaction can be met by having competitive price of products, and product demand will increase which ultimately improve competitiveness. Proactive thinking enhancement will also enhance the ability to capture new business opportunities, excellence advance in recognizing customer desires and developing business capacity earlier than competitors, enabling companies to create superior products compared to their competitors.

Sub Structure II

The result of analysis shows that the significance of the entrepreneurship orientation variable is $0.001 < \alpha 0.05$, and the significance value of competitive advantage is $0.01 > \alpha 0.05$. These results provide the conclusions that in the sub-structure model II entrepreneurship orientation and competitive advantage significantly affect the performance of micro and small enterprises. The coefficient value of X1 to Y is $P_{yx1} = 0,450$ and coefficient X2 to Y is $P_{yx2} = 0,446$. The amount of contribution or contribution of the influence of entrepreneurship orientation (X1) and competitive advantage (X2) on the performance of micro and small enterprises (Y) is 72.5% while the remaining 27.5% is the contribution of other variables not included in this research. The magnitude of the path coefficient of influence of other variables ($P_y \epsilon_2$) is $P_y = 2 = \sqrt{(1 - R^2_{x_1 x_2 y})} = 0.524$. Based on the analysis, the sub-structure line II analysis model is as follows:

Figure 2. Sub Structure II

Based on Figure 2, the following equation can be made:

$$\begin{aligned}
 Y &= P_{yx1}X_1 + P_{yx2}X_2 + \epsilon_2 \\
 &= 0,450 X_1 + 0,446 X_2 + 0,524\epsilon_2
 \end{aligned}$$

The results of analysis illustrate that entrepreneurship orientation has a significant effect on the performance of micro and small enterprises of foods and beverages in Padang City. This implies that entrepreneurship orientation is one of the factors that affect the performance of micro and small enterprises of foods and beverages in Padang City. The findings of this study verify that entrepreneurship oriented entrepreneurs will be able to innovate in creating unique and interesting products compared to their competitors. The entrepreneurship orientation assist micro and small business become more proactive in finding new opportunities and dare to carry out any experiment despite the high risk, so that in the end it helps to improve the performance of micro and small enterprises of foods and beverages. Through entrepreneurship orientation, micro and small enterprises of foods and beverages can show their existence in the form of courage in taking risks, making changes, and increasing innovative activities.

Based on the results of the description analysis it is found that the orientation of entrepreneurship is categorized as less favorable. This can be seen from the average value of 3.09 with the achievement level of respondents is 61.75% which means the entrepreneurship orientation is still

not fully applied by micro and small enterprise of foods and beverages entrepreneurs in Padang City. Therefore, micro and small enterprise of foods and beverages entrepreneurs are expected to be more entrepreneurial oriented in running their business. The orientation of entrepreneurship can be reflected from the attitude of micro and small enterprise of foods and beverages entrepreneurs who are full of innovation, proactive and courage in taking the risk which is believed able to boost the performance of small micro business. Through a stronger entrepreneurship orientation it will help small micro business people in creating new ideas, proactively seek new opportunities, and experiment regardless of risk, thereby ultimately improving business performance. With an entrepreneurship orientation, micro and small enterprise of foods and beverages entrepreneurs will show their existence in the form of courage in taking risks, making changes and exploiting innovative behavior to gain competitive advantage.

This study is consistent with the results of research conducted by Lumpkin and Dess (1996) suggesting that entrepreneurship orientation has a positive influence on company performance. Lumpkin and Dess further explained that entrepreneurship orientation refers to processes, practices, and decision making that lead to new inputs and has three aspects of entrepreneurship such as constantly innovative, proactive actions and risk taking. Innovative refers to an attitude of a businessman to engage creatively in the process of experimenting with new ideas that enable new production methods to produce new products for both the present and new markets. The ability of innovation relates to perceptions and activities to new and unique business activities. Proactive actions reflect the willingness of a businessman to dominate competitors through an aggressive and proactive combination and motion, such as introducing new production or services over competitions and activities to anticipate future demand to create change and form the environment. Proactive action is also demonstrated by an aggressive-competitive attitude, which refers to a company's tendency to compete strictly and directly for all its competitors to be the best and leave its competitors. Dare to take risks is a courageous attitude to face challenges by engaging in business strategies where the likelihood of results is full of uncertainty.

From result of analysis it is also known that competitive advantage has a positive significant effect to micro and small enterprise of foods and beverages performance in Padang City. This suggests that the higher the competitiveness of micro and small enterprise, the better micro and small enterprise performance become.

Based on the results of the description analysis it is found that the competitive advantage is categorized as low, this can be seen from the average value of 3 with 60% achievement level of respondents, which means that micro and small enterprise of foods and beverages in Padang City has no competitive advantage. Consequently, micro and small enterprise of foods and beverages entrepreneurs are expected to be more striving to create competitive advantage by avoiding the imitative nature and trying to obtain and utilize existing resources to create something rare, inimitable and irreplaceable. Superiority is form of a direct impact in business performance. A micro and small enterprise that has a competitive advantage means having a distinguishable trait that differentiates it from competitors and provides a unique position in the market which is critical to the success of business itself. This kind of business will be able to utilize valuable, scarce, irreplaceable resources and continue to innovate sustainably in order to achieve product quality in accordance with the wishes of

consumers and have a competitive advantage compared to competitors. The impact from this process is the demand for products, sales, profit levels and overall business performance will increase.

This finding is in accordance with the results of research conducted by Li (2006) which asserts a positive influence between competitive advantage with business performance measured through sales volume, profit rate, market share, and return on investment. Competitive advantage can be derived from the ability of micro and small enterprise to manage and utilize its resources and capital. Micro and small enterprise that are able to create competitive advantage will have the power to compete with competitors because their products will remain in demand by customers. Thus, the competitive advantage has a positive effect on the improvement of micro and small enterprises performance.

From the data processing and discussion can be formulated the final structure of path analysis in the following figure:

Figure 3. Structure of Path Analysis

Conclusion

Based on the results of research and discussion about the influence of entrepreneurship orientation and competitive advantage on the performance of micro and small enterprises of foods and beverages in Padang City, this paper attributes some conclusions as follows: 1) Entrepreneurship orientation variable has a significant effect to the competitive advantage of micro and small enterprises of foods and beverages in Padang city. This means that if the entrepreneurship orientation is improved then the competitive advantage will also increase; 2) entrepreneurship orientation variable has a significant effect on the performance of micro and small enterprises of foods and beverages in Padang city. The form of its influence is positive. This means that if the entrepreneurship orientation is improved then the performance of micro and small enterprises of foods and beverages in Padang city will also increase; 3) Variable of competitive advantage affects micro and small enterprises of foods and beverages in Padang city significantly. Its influence is in positive form. This implies that if the competitive advantage is developed then the performance of micro and small enterprises will also enhanced.

Based on the results of the analysis and conclusion in this study, in order to improve the performance of micro and small enterprises of foods and beverages in Padang city, the researchers suggested the following recommendations to micro and small enterprises owners:

1. Increasing business' competitive advantage by: a) conducting production activities more effectively and efficiently in order to reduce production costs, resulting in products which have competitive prices; b) constantly maintaining the quality of the products; c) creating a product that has its own distinct characteristic which holds a more worth point than its competitors.
2. Enhancing entrepreneurship orientation by: a) improving proactive attitude by caring more about the changes that occur, not being resigned to the situation and having a willingness to seek market opportunities for the products and preceding competitors in introducing the products; b) improving innovative creativity and attitude in doing business by being keen to accept new ideas, conducting training to develop creative skills, following or monitoring technological developments, and choosing proper and quick distribution tools for distributing products; c) increasing the courage to take risks that can be done by expanding new businesses in different places, developing new products, and entering new markets.

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