

Analysis of Competency, Entrepreneurship Orientation, and Performance in Bandar Lampung Furniture Industry

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Abstract—This research aims to evaluate the impact of entrepreneurial competencies and entrepreneurial orientation on the performance of the furniture industry in Bandar Lampung City, as well as to assess the mediating effect of entrepreneurial orientation in this relationship. Primary data were obtained through a cross-sectional survey with direct interviews using questionnaires targeted at furniture business owners. The research sample consisted of 235 furniture businesses, representing 10% of the population. Validity was tested using Confirmatory Factor Analysis (CFA) and reliability was measured with Cronbach's Alpha. The analysis method applied was hierarchical regression. The research findings indicate that (1) Model 1 is the best model for explaining the relationship between entrepreneurial competencies and entrepreneurial orientation with SME performance, (2) entrepreneurial competencies (initiative and entrepreneurship, planning and organizing, technology) and entrepreneurial orientation have a positive and significant influence on performance, and (3) entrepreneurial orientation mediates the relationship between entrepreneurial competencies and furniture business performance in Bandar Lampung.

Keywords: Confirmatory Factor Analysis (CFA); Cronbach Alpha; Entrepreneur Orientation

1. INTRODUCTION

Since the monetary crisis in 1997/1998, Indonesia's economic growth has experienced acceleration, especially during the period from 2004 to 2008. In 2009, Indonesia's economic growth rate reached around 4.3%-4.4%, lower than the 6.1% achieved in 2008. Stable economic growth and maintained basic prices have succeeded in reducing the poverty rate, although it did increase in 2005-2006. According to the 2008 Susenas data, the poverty rate reached its lowest point in both rural and urban areas. The increasing unemployment rate since the 1998 crisis until 2005 began to decline from 2006 due to the acceleration of economic growth that created positive net employment.

One of the government's efforts to tackle poverty and unemployment is by empowering communities through creating new entrepreneurs and developing entrepreneurship for SMEs (Ramadhan, 2023). Effective entrepreneurship can optimize resources in a creative and innovative way, enabling SMEs to face challenges in the global crisis (Mubarak et al., 2023).

Empowering SMEs is highly strategic due to their significant potential in driving the economy and improving welfare. In 2006, SMEs contributed Rp. 1,786.22 trillion (53.49%) to the national GDP, while small businesses contributed Rp. 1,253.36 trillion (37.53%) and medium businesses Rp. 532.86 trillion (15.96%). Large enterprises contributed Rp. 1,553.26 trillion (46.51%). In 2007, SMEs' contribution to the GDP increased to Rp. 2,121.31 trillion (53.60%), a rise of Rp. 335.09 trillion (18.76%) compared to 2006.

SMEs have proven to be more resilient in facing economic crises compared to large enterprises. A study by Bank Indonesia (BI, 2001) showed that during the economic crisis, only 4% of SMEs went bankrupt, while 31% scaled down their operations, and 64% remained stable. This is in contrast to large enterprises, the majority of which experienced setbacks (Pahlevi et al., 2023).

In addition to their impressive resilience, SMEs also play a strategic role in job creation. Surveys indicate that the SME sector can employ 64.3 million workers (BI, 2001). SMEs also serve as drivers of economic development and local communities, as well as significant contributors to non-oil and gas export growth and support industries for large enterprises (Hendrawan, 2021).

Recognizing the importance of SMEs, the government aimed to create six million new entrepreneurs during the 2005-2009 period through three channels: education, entrepreneurs, and mentoring groups. The education channel targeted 917,840 new entrepreneurs per year, reaching 4,623,400 individuals in five years. The entrepreneurs channel targeted 278,320 individuals per year, totaling 1,308,600 individuals in five years. The mentoring groups channel targeted 14,000 individuals per year, totaling 68,000 individuals in five years (Pahlevi et al., 2023).

The development of new entrepreneurs and entrepreneurial spirit is crucial for SMEs, considering many SMEs cannot survive and their contribution to GDP is not proportional to the number of business units and workforce. This is due to the lack of entrepreneurial spirit among SME operators and the fact that many SMEs are operated as side businesses (Baviga et al., 2023).

Research on entrepreneurial competencies, entrepreneurial orientation, and SME performance is still limited in Indonesia. Previous research has shown that entrepreneurial competencies have a positive influence on entrepreneurial

orientation, entrepreneurial orientation moderates the relationship between market orientation and company performance, and acts as a mediator in the relationship between self-concept effectiveness and company performance. Entrepreneurial orientation has also been shown to enhance company performance (Farhan et al., 2022).

This research aims to analyze the influence of entrepreneurial competencies on entrepreneurial orientation and the performance of the furniture industry in Bandar Lampung, as well as the impact of entrepreneurial orientation on the performance of the furniture industry in that area.

Entrepreneurship is the activity of an individual or a group of individuals in utilizing organized effort and resources to seize opportunities in order to create value and grow by meeting consumer needs through innovation and creativity (Sumarsono, 2021).

Entrepreneurship itself is defined as the business world or activities related to the utilization of opportunities and resource management to gain profit (Hendarsyah, 2020).

Hasanah explains that the term entrepreneurship comes from the word "entrepreneurship," which is considered as "the backbone of the economy" or the backbone of the economy, and also as "tailbone of the economy," which means controlling the economy of a country (Suwandi et al., 2024). Etymologically, entrepreneurship encompasses the values necessary to initiate a venture or process to create something new and distinct (Paluet et al., 2023).

Entrepreneurial competence involves interconnected knowledge, attitudes, and skills that are highly essential for entrepreneurs to be trained and developed in order to achieve optimal performance in managing their businesses. According to (Mariani & Wulantari, 2020), there are several crucial competencies that an entrepreneur must possess to successfully run their business.

Managerial skills are a particularly crucial competency. An entrepreneur must be capable of planning, organizing, leading, and controlling various aspects of their business. This capability includes strategic planning, resource management, and operational supervision to ensure that the business can effectively and efficiently achieve its goals. Strong managerial skills enable entrepreneurs to develop robust business plans, coordinate teams effectively, and ensure that all business activities proceed according to the established plan.

Conceptual skills are also highly important in the entrepreneurial world. Entrepreneurs must have the ability to formulate clear and measurable business objectives, policies, and strategies. This requires a deep understanding of the market, industry trends, and expertise in identifying opportunities and threats that may be encountered. An entrepreneur with strong conceptual skills will be able to develop a clear vision and strategic direction for their business, as well as adapt their business plan based on market dynamics and feedback from various information sources.

Human skills are the ability to interact with others in an effective and positive manner. An entrepreneur must be friendly, sociable, and able to show sympathy and empathy towards others. These skills are crucial in building good relationships with customers, business partners, and employees. With good human skills, entrepreneurs can create a harmonious work environment, increase customer loyalty, and expand their business network.

Decision-making skills are another important ability that entrepreneurs must possess. In running their business, entrepreneurs often face conditions of uncertainty and must be able to make quick and accurate decisions. This involves the ability to analyze situations, formulate problems, and seek various alternative solutions. Entrepreneurs who are adept at decision-making can reduce business risks and utilize existing opportunities more effectively.

Time management skills are crucial in ensuring that all tasks and work are completed on time. Inability to manage time can lead to piled-up work or incomplete tasks, which in turn can disrupt peace of mind and hinder the implementation of business plans. With good time management skills, entrepreneurs can prioritize tasks, set realistic schedules, and ensure that all business activities proceed according to the plan.

Entrepreneurial competence encompassing managerial, conceptual, human, decision-making, and time management skills is a critical element that every entrepreneur must possess and continuously develop. By mastering these competencies, entrepreneurs can enhance their business performance and achieve success in the business world.

Ginsberg (1985), Moris & Paulus (1987), Knight (2000), Mille (1983), and Lumpkin & Dess (1996) define entrepreneurial orientation as an individual's tendency to innovate, act proactively, and take risks in initiating or managing a business. Literature on entrepreneurial orientation illustrates this concept through several interconnected aspects that directly impact the success of small and medium enterprises (SMEs).

Innovation is defined by Lumpkin (1996) as well as Vitale, Giglierano, and Miles (2003) as continuous efforts to enhance efficiency, effectiveness, and productivity in every aspect of SME activities. Innovation encompasses the development of new products or services, improvement of operational processes, and adaptation to changes in technology and the market. By increasing awareness of business competition, innovative SMEs can maintain their competitive advantage and respond to customer needs more effectively.

Proactiveness, also elucidated by Lumpkin (1996) and Vitale, Giglierano, and Miles (2003), refers to an initiative-taking attitude and a tendency not to wait for opportunities but to create them. Proactiveness means thinking visionarily with strategic long-term planning. Proactive SMEs learn from the experiences of others, both from successes and failures, and are open to criticism and suggestions for further development. This attitude helps entrepreneurs stay ahead in facing market dynamics and changes in the business environment.

Risk management, described by Lumpkin (1996), Olson (2000), and Vitale, Giglierano, and Miles (2003), involves the courage to take calculated risks, adjust risk profiles to business situations, and understand the risks and benefits of

every business decision. Effective SMEs must have good risk management in all their business activities. This includes identifying, evaluating, and mitigating risks that may arise in daily operations or in strategic decision-making.

Overall, entrepreneurial orientation encompassing innovation, proactiveness, and risk management is a key determinant of SME success. By adopting an entrepreneurial orientation, individuals or SME owners can be better prepared to face business challenges, optimize opportunities, and minimize the negative impact of risks faced. This literature provides a strong theoretical foundation for understanding how various aspects of entrepreneurial orientation can be applied in practical contexts to achieve optimal business performance.

2. RESEARCH METHODS

The following is a model of the research that the author conducted, shown in Figure 1.

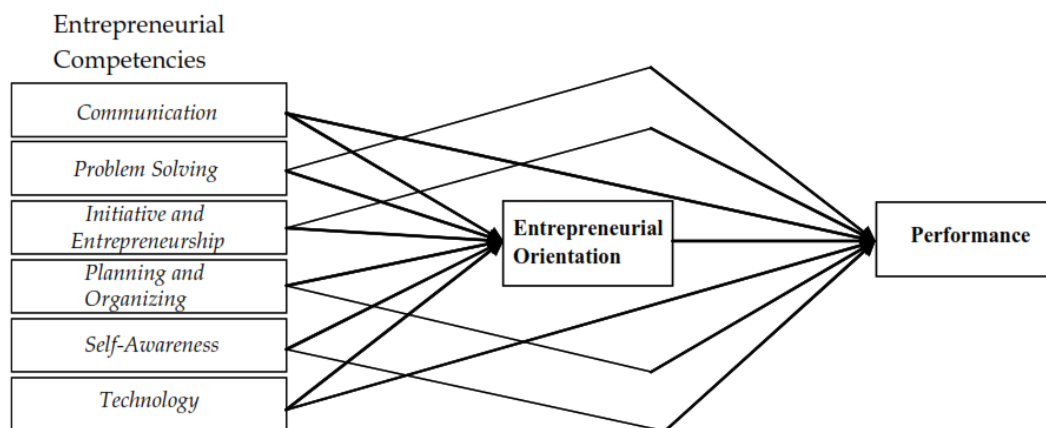


Figure 1. Research Model

2.1 Variable Operational Definition

This study focuses on several key variables that influence the performance of small businesses in the furniture industry in Bandar Lampung in 2021. Organizational performance is measured through financial effectiveness, which includes indicators such as profitability, operational efficiency, and revenue growth. Evaluating financial performance provides a comprehensive overview of how small businesses can achieve their economic goals and sustain competitiveness in the industry (Sugiarto et al., 2023).

Entrepreneurial orientation is defined as an individual's tendency to adopt innovation, be proactive, and be willing to take risks in initiating or managing a business (Ulfa, 2021). This orientation reflects the attitudes and behaviors of entrepreneurs who strive to constantly seek new opportunities, innovate, and make bold decisions in facing market uncertainties. Entrepreneurial orientation is important as it helps entrepreneurs remain adaptive and responsive to changes in the business environment.

Entrepreneurial competencies are a collection of interconnected knowledge, attitudes, and skills required by entrepreneurs to achieve optimal performance in managing their businesses. These competencies encompass several important aspects:

1. **Communication:** Communication plays a pivotal role in fostering harmonious and productive relationships with various stakeholders, including employees and customers. A comprehensive study of communication within an organizational context reveals that effective communication serves as a primary means of conveying the company's vision and goals to both internal and external stakeholders. In this regard, the ability to articulate clear, consistent, and persuasive messages greatly supports efforts toward achieving organizational objectives (Sudaryono, 2022).
2. **Problem-Solving:** Problem-solving is a key competency that individuals or organizations must possess to achieve productive and successful outcomes in various contexts, especially in the realms of business and management. This skill involves a series of systematic and planned processes, starting from the ability to identify problems accurately, then conducting in-depth analysis of the root causes of the problems, and finally developing innovative and practical solutions (Rachman et al., 2023).
3. **Initiative and Entrepreneurship:** Initiative and entrepreneurship are crucial aspects in the context of business and management, particularly in an era filled with dynamics and changes as seen today. These skills encompass several dimensions that collectively contribute to an individual's or organization's ability to take proactive steps, identify opportunities, and manage business in an innovative and adaptive manner (Iswahyudi, Elshifa, et al., 2023).
4. **Planning and Organization:** Planning and organization are two crucial aspects in the context of strategic management and business development. These skills encompass a series of processes and activities aimed at formulating clear objectives, developing effective action plans, allocating resources wisely, and coordinating business activities to achieve predetermined goals (Iswahyudi, Tahir, et al., 2023).

5. **Self-Awareness:** Self-awareness is one of the important skills in personal and professional development. This skill relates to an individual's ability to recognize and understand oneself deeply, including an understanding of strengths, weaknesses, values, and motivations that underlie behavior and decision-making. In the context of business and management, self-awareness is key to managing change, overcoming challenges, and identifying ways to succeed in various situations (Mulyati et al., 2023).

One major aspect of self-awareness is the ability to recognize and manage emotions effectively. This includes a deep understanding of the emotions felt, how these emotions affect behavior, and how to manage them in a constructive and productive manner. In a business context, the ability to manage emotions well can help individuals cope with pressure, manage conflicts, and interact with others more effectively (Dirkareshza et al., 2022).

6. **Technology:** Proficiency in mastering technology plays a crucial role in the business context and in managing specific tasks. Technology is not merely a tool but also a foundation that enables entrepreneurs and organizations to enhance operational efficiency, accelerate business processes, and optimize the use of available resources (Suhartini et al., 2021).

These variables provide a comprehensive framework for understanding the factors influencing organizational performance and the success of small businesses in the furniture industry. By adopting entrepreneurial orientation and developing entrepreneurial competencies, entrepreneurs can enhance their ability to manage businesses and achieve optimal performance. This study is expected to provide valuable insights for entrepreneurs and policymakers in developing effective strategies to support the growth of small businesses.

2.2 Validity and Reliability Test

This study relies on primary data obtained through a cross-sectional approach, where data is collected by directly contacting business actors in the furniture sector in Bandar Lampung. Data collection is conducted using a specially designed questionnaire, aimed at obtaining in-depth and relevant information related to the research variables.

The population under study includes all business units in the furniture sector in Bandar Lampung in 2021, totaling 2350 business units. To ensure homogeneity in the population, homogeneity criteria are determined based on the equipment and raw materials used by these business units. This is important to reduce unwanted variability and ensure that the sample taken is truly representative of the population under study (Abiyana & Nurhayati, 2024).

Sampling was done through proportional random sampling method, allowing each business unit an equal chance of being selected as a respondent. This method is used to maintain proportional distribution of the sample in line with the population distribution, thus allowing for more accurate generalization of research results. The sample size taken is 235 respondents, equivalent to 10% of the total population. This 10% sample is considered sufficiently representative to provide a valid overview of the overall population conditions.

This approach enables researchers to gather rich and diverse data while reducing biases that may arise from less proportional sampling methods. Thus, data obtained through this approach is expected to provide comprehensive and accurate insights into the dynamics of businesses in the furniture sector in Bandar Lampung. This research not only provides a descriptive overview of the studied population but also allows for in-depth analysis of variables influencing business performance and entrepreneurial orientation in the furniture industry (Arya et al., 2020). The results of this research are expected to make a significant contribution to the development of business strategies and more effective policies in supporting the growth of small businesses in the furniture sector (Sahputra, 2023).

2.3 Hierarchic Regression Analysis

This study employs hierarchical regression analysis to explore the relationships between the involved variables. Hierarchical regression analysis is a statistical technique that allows researchers to incorporate independent variables into the model gradually, to observe how the addition of each set of variables affects the dependent variable. This method is highly effective in understanding the contribution of each variable as well as the interaction between variables in predicting outcomes (Oktafian et al., 2023).

In this research, three analytical models are constructed to test the proposed hypotheses. Each model represents different stages in the analysis, where independent variables are incrementally included based on the formulated theoretical framework. The first model may only include basic demographic variables, the second model adds entrepreneurship competence-related variables, while the third model includes more specific variables such as entrepreneurial orientation and risk management (Nurwesti et al., 2024).

The four equations to be analyzed in this study depict the relationship between the dependent variable and a set of different independent variables at each analysis stage. The first equation may only consider demographic variables such as age, education, and business experience. The second equation adds entrepreneurship competence-related variables such as communication and problem-solving. The third equation includes entrepreneurial orientation variables such as innovation and proactiveness, while the fourth equation incorporates risk management variables (Hamali et al., 2023).

By using hierarchical regression analysis, researchers can determine to what extent each set of independent variables contributes to the dependent variable, both individually and collectively. This aids in understanding the complexity of relationships between the involved variables and provides deeper insights into the factors influencing organizational performance in the furniture industry in Bandar Lampung.

Furthermore, this approach allows researchers to identify which variables have the most significant impact, as well as how the interaction between various variables affects the final outcomes (Rachmad et al., 2024). The results of this analysis are expected to provide a strong empirical foundation for the development of more effective business strategies and relevant policy recommendations for enhancing the performance of small businesses in the furniture sector.

Thus, the use of hierarchical regression analysis in this study not only provides a comprehensive overview of the dynamics influencing business performance but also offers a systematic and structured analytical framework to explore complex relationships between variables in the context of entrepreneurship.

Model 1

Equation 1:

$$\text{Entrepreneur Orientation} = a + b_1\text{Kom} + b_2\text{PS} + b_3 \text{IE} + b_4 \text{PO} + b_5 \text{SA} + b_6 \text{T}$$

Equation 2:

$$\text{Performance} = a + b_1 \text{Entrepreneur Orientation}$$

Model 2

Equation 3:

$$\text{Performance} = a + b_1\text{Kom} + b_2\text{PS} + b_3 \text{IE} + b_4 \text{PO} + b_5 \text{SA} + b_6 \text{T}$$

Model 3

Equation 4:

$$\text{Performance} = a + b_1\text{Kom} + b_2\text{PS} + b_3 \text{IE} + b_4 \text{PO} + b_5 \text{SA} + b_6 \text{T} + b_7 \text{OK}$$

This analysis aims to explore the significance of the influence of entrepreneurial competence variables, which include communication skills, problem-solving, initiative and entrepreneurship, planning and organization, self-awareness, and technology, on entrepreneurial orientation and business performance. To test the proposed hypotheses, the testing method used is the t-test.

The coefficient of determination, or R^2 , indicates the proportion of total variability in the dependent variable that can be explained by the independent variables. The R^2 value ranges from 0 to 1; the higher the R^2 value, the greater the proportion of variability in the dependent variable that can be explained by the independent variables. A high R^2 value indicates that the model has significant strength in explaining the variation in the dependent variable. Conversely, an R^2 value approaching 0 indicates that the independent variables have a smaller impact on the dependent variable, indicating that the model is less effective in explaining that variation.

In addition to the coefficient of determination R^2 , the accuracy of the model is also evaluated through the comparison of the Adjusted R^2 of each model. Adjusted R^2 is an adjustment of R^2 that takes into account the number of variables in the model and the sample size. Adjusted R^2 provides a more realistic view of the model's ability to explain data variability, as it corrects for the possibility of overfitting that can occur when too many independent variables are included in the model.

Using the t-test, researchers can determine whether each independent variable significantly influences the dependent variable. The t-test allows researchers to test the null hypothesis, which states that the regression coefficient of the independent variable is equal to zero, or in other words, the variable has no significant effect on the dependent variable. If the p-value (probability) from the t-test is smaller than the specified significance level (e.g., 0.05), then the null hypothesis is rejected, indicating that the independent variable has a significant influence on the dependent variable.

This analysis is designed to provide a deep insight into how entrepreneurial competencies influence entrepreneurial orientation and business performance. By understanding this relationship, researchers hope to identify key factors that can be enhanced to support the development and success of small businesses in the furniture sector. The results of this analysis not only provide an empirical basis for the development of more effective business strategies but also can offer relevant policy recommendations to support entrepreneurship growth at the local level.

3. RESULTS AND DISCUSSION

The validity testing in this study employed the Confirmatory Factor Analysis (CFA) analytical tool. The criteria for instrument validity testing utilized Nunnally's (1976) criteria, wherein question items with a factor score above 0.3 are considered valid. A total of 27 statement items were used to measure seven research variables: 5 statement items for the Communication variable, 3 statements for the Problem Solving variable, 2 statements for the Initiative and Enterprises variable, 5 statements for the Planning and Organizing variable, 3 statements for the Self-awareness variable, 5 statements for the Technology variable, and 4 statements for the Entrepreneurial Orientation variable. The validity test results using CFA and Nunnally's criteria yielded items with loadings across several groups, as shown in Table 1.

Table 1. The Results of Validity Testing Using Confirmatory Factor Analysis (CFA)

	Component						
	1	2	3	4	5	6	7
Communication 1				.780			
Communication 2				.761			
Communication 3				.673			
Communication 4				.663			

	Component						
	1	2	3	4	5	6	7
Communication 5				.676			
Problem Solving 1					.835		
Problem Solving 2					.821		
Problem Solving 3					.646		
Initiative and Entrepreneurship 1						.771	
Initiative and Entrepreneurship 2						.608	
Planning and Organizing 1							.797
Planning and Organizing 2							.636
Planning and Organizing 3							.614
Planning and Organizing 4							.685
Planning and Organizing 5							.638
Self-Awareness 1		.767					
Self-Awareness 2		.850					
Self-Awareness 3		.769					
Technology 1	.729						
Technology 2	.644						
Technology 3	.858						
Technology 4	.828						
Technology 5	.845						
Technology 6	.747						
Entrepreneur Orientation 1			.613				
Entrepreneur Orientation 2			.897				
Entrepreneur Orientation 3			.876				
Entrepreneur Orientation 4			.720				

The term "reliability" refers to the notion that an instrument is sufficiently trustworthy to be used as a data collection tool because the instrument is well-developed. The reliability testing of instruments utilizes the Cronbach Alpha correlation values. The reliability testing criteria also employ Nunnally's (1976) criteria with correlation values between 0.6-0.7 for reliable question items. Presented below are the results of the reliability testing.

Table 2. The Results of Reliability Testing

No	Variable Name	Alpha Cronbach	Nunally	Status
1	Communication	0,863	> 0,60	Reliable
2	Problem Solving	0,776	> 0,60	Reliable
3	Initiative and Entrepreneurship	0,735	> 0,60	Reliable
4	Planning and Organizing	0,810	> 0,60	Reliable
5	Self-Awareness	0,835	> 0,60	Reliable
6	Technology	0,914	> 0,60	Reliable
7	Entrepreneur Orientation	0,854	> 0,60	Reliable

Reliability testing on the variables of communication, problem-solving, initiative and enterprises, planning and organizing, self-awareness, technology, and entrepreneurial orientation yielded Cronbach Alpha values greater than the specified criteria (Nunnally, 1976). This indicates that all variables have good reliability.

Hypothesis testing in this study utilized hierarchical regression analysis. This analysis was employed to ascertain the influence of the dependent variable, namely entrepreneurial orientation, which can be predicted through the independent variables, namely communication, problem-solving, initiative and enterprises, planning and organizing, self-awareness, and technology, as well as the influence of entrepreneurial orientation on company performance. There are three models and four equations that will be tested in this study. Table 3 displays the results of the hierarchical regression analysis. Below are the regression equation models being tested.

Table 3. The Results of Hierarchical Regression Analysis

Independent Variable	Model 1		Model 2		Model 3	
	Equation 1		Equation 2		Equation 3	
	Dependent Variable					
	Entrepreneur Orientation	Performance	Performance	Performance	Performance	Performance
Communication	0.043		0.094		0.085	
Problem Solving	0.037		0.069		0.062	
Initiative and Entrepreneurship	0.353*		0.054		-0.017	
Planning and Organizing	0.268*		0.357*		0.303*	
Self-Awareness	0.076		0.141**		0.126***	

Independent Variable	Model 1		Model 2	Model 3
	Equation 1	Equation 2	Equation 3	Equation 4
	Dependent Variable			
	Entrepreneur Orientation	Performance	Performance	Performance
Technology	0.214*		0.199*	0.156**
Entrepreneur Orientation		0.436*		0.201*
	R ² = 0,379	R ² = 0,190	R ² = 0,340	R ² = 0,365
	AdjR ² = 0,355	AdjR ² = 0,185	AdjR ² = 0,314	AdjR ² = 0,336

*) Significant at the 0.01 level

***) Significant at the 0.01 level

****) Significant at the 0.01 level

The following are the results of the regression equation models that were tested:

- Equation 1 illustrates the relationship between several independent variables and a specific dependent variable. The analysis results indicate that the variables of communication, problem solving, and self-awareness do not exhibit a significant relationship at the 5% confidence level. Statistically, this means that these three variables do not have a sufficiently strong influence on the dependent variable within the tested model.

Conversely, the variables of initiative and effort, planning and organization, and technology show a significant and positive relationship with the dependent variable. The beta coefficients obtained from the regression analysis for these three variables are 0.353, 0.268, and 0.214, respectively. These beta coefficients indicate the extent of change in the dependent variable for each unit change in the independent variables, assuming other variables in the model remain constant. A positive beta value suggests that increases in initiative and effort, planning and organization, and technology are associated with increases in the dependent variable.

The coefficient of determination (R Square) for this model is 0.379. This value indicates that approximately 37.9% of the variability in the dependent variable can be explained by the independent variables included in the model. The adjusted R Square, which accounts for the number of variables in the model, is 0.355. The adjusted R Square provides a more accurate depiction of how well the model explains the variability of the data, considering the number of predictors used.

Overall, the analysis results indicate that although communication, problem solving, and self-awareness are not significant in influencing the dependent variable, factors such as initiative and effort, planning and organization, and technology play an important and significant role. Therefore, efforts to improve these three areas can contribute more substantially to positive changes in the dependent variable under study.

- In the regression analysis conducted on Equation 2, the primary objective was to examine the impact of entrepreneurial orientation on firm performance. The results of this analysis indicate that entrepreneurial orientation has a significant effect on firm performance, as evidenced by a beta coefficient value of 0.436. The significance of this beta coefficient is at the 1% confidence level, indicating that the relationship found is very strong and highly unlikely to have occurred by chance.

A beta coefficient of 0.436 suggests that for every one-unit increase in entrepreneurial orientation, there is a corresponding increase of 0.436 units in firm performance, assuming that other variables in the model remain constant. This demonstrates a positive relationship between entrepreneurial orientation and firm performance, wherein an increase in entrepreneurial orientation contributes to an enhancement in firm performance.

Furthermore, the coefficient of determination (R Square) for this model is 0.190. This value indicates that approximately 19% of the variability in firm performance can be explained by entrepreneurial orientation included in the model. Although this percentage is not exceedingly high, it still provides evidence that entrepreneurial orientation plays a significant role in influencing firm performance.

Additionally, the adjusted R Square obtained is 0.185. The adjusted R Square is a modified version of R Square that accounts for the number of predictors in the model. The slightly lower adjusted R Square compared to the R Square suggests that the model remains robust even after adjusting for the number of variables used.

Overall, the findings from Equation 2 underscore the importance of entrepreneurial orientation in enhancing firm performance. Although only 19% of the variability in performance can be explained by entrepreneurial orientation, the significance of this relationship at the 1% confidence level confirms that entrepreneurial orientation is a crucial factor that firms should consider to achieve better performance. Therefore, firms aiming to improve their performance are advised to focus more on developing entrepreneurial orientation within their business strategies.

- In the analysis conducted on Equation 3, it was found that the variables of communication, problem solving, and initiative and effort do not exhibit a significant relationship at the 5% confidence level. Statistically, this means that these three variables do not have a sufficiently strong influence on the dependent variable within the tested model. In other words, changes in communication, problem solving, and initiative and effort do not significantly affect changes in the dependent variable.

Conversely, the variables of self-awareness, planning and organization, and technology show a significant relationship with the dependent variable. This is indicated by the beta coefficients for each variable, which are 0.353 for self-awareness, 0.268 for planning and organization, and 0.214 for technology. These beta coefficients illustrate the magnitude of change in the dependent variable for each one-unit change in the independent variables, assuming other

variables remain constant. The positive beta values indicate that increases in self-awareness, planning and organization, and technology usage are followed by increases in the dependent variable.

The model also has a coefficient of determination (R Square) of 0.379, meaning that approximately 37.9% of the variability in the dependent variable can be explained by the independent variables included in the model. This indicates that while other variables may have an influence, the model used is reasonably effective in explaining the variability of the existing data. Additionally, the adjusted R Square of 0.355 provides a more accurate depiction of how well the model explains the data variability after accounting for the number of predictor variables used. The adjusted R Square being close to the R Square value suggests that the model does not suffer from overfitting and remains a good estimator even after adjustments.

Overall, the analysis results from Equation 3 indicate that while communication, problem solving, and initiative and effort do not have a significant influence, self-awareness, planning and organization, and technology play important roles in influencing the dependent variable. This suggests that improvements in these three significant areas can contribute more substantially to positive changes in the dependent variable. Therefore, in efforts to enhance performance or achieve desired outcomes, greater attention should be given to improving self-awareness, effective planning and organization, and appropriate technology implementation.

4. In the analysis conducted on Equation 4, it was found that the variables of communication, problem solving, and self-awareness do not exhibit a significant relationship at the 5% confidence level. Statistically, this means that these three variables do not have a sufficiently strong influence on the dependent variable within the tested model. In other words, changes in communication, problem solving, and self-awareness do not significantly affect changes in the dependent variable.

However, in contrast to these three variables, the variables of initiative and effort, planning and organization, technology, and entrepreneurial orientation show a significant relationship with the dependent variable. The beta coefficients obtained from the regression analysis for these variables are 0.303 for initiative and effort, 0.126 for planning and organization, 0.156 for technology, and 0.201 for entrepreneurial orientation. These beta coefficients illustrate the extent of change in the dependent variable for each one-unit change in the independent variables, assuming other variables in the model remain constant. The positive beta values indicate that increases in initiative and effort, planning and organization, technology, and entrepreneurial orientation are followed by increases in the dependent variable.

The model has a coefficient of determination (R Square) of 0.365, meaning that approximately 36.5% of the variability in the dependent variable can be explained by the independent variables included in the model. This indicates that while other factors outside the model may influence the variability of the dependent variable, the model is reasonably effective in explaining a significant portion of this variability. Additionally, the adjusted R Square of 0.336 provides a more accurate depiction of how well the model explains data variability after accounting for the number of predictor variables used. The slightly lower adjusted R Square compared to the R Square suggests that the model remains robust and valid even after adjustments for the number of variables used.

Overall, the results from Equation 4 underscore the importance of the variables of initiative and effort, planning and organization, technology, and entrepreneurial orientation in influencing the dependent variable. While communication, problem solving, and self-awareness do not show significant influence, the significant variables play an essential role. This indicates that to achieve the desired improvement in the dependent variable, focus should be given to enhancing initiative and effort, effective planning and organization, appropriate use of technology, and the development of entrepreneurial orientation. By addressing and improving these factors, it is expected that there will be a significant increase in the dependent variable under study.

Based on the regression analysis of Model 1, Model 2, and Model 3, it is concluded that Model 1 is the best model in explaining the relationship between skills and entrepreneurial orientation with performance. This assessment is based on the highest R Square and Adjusted R Square values in Model 1 compared to Model 2 and Model 3. R Square is a measure of how well the variability of the dependent variable can be explained by the independent variables in a regression model, while Adjusted R Square takes into account the number of independent variables used in the model to avoid irrelevant increases in R Square. With higher R Square and Adjusted R Square values in Model 1, it indicates that this model is more suitable for explaining the existing relationship.

Through Equation 1 and Equation 2, it can be observed that the direct and indirect effects of independent variables on the dependent variable through intervening variables are highly significant. This indicates that intervening variables play an important role in linking independent variables to the dependent variable. Direct effects refer to the direct effect of independent variables on the dependent variable without going through intervening variables, while indirect effects refer to the effect of independent variables on the dependent variable through intervening variables. Both types of effects are important to understand in the context of regression analysis as they provide insights into how intervening variables can moderate or link the relationship between independent variables and the dependent variable. Therefore, the results of Equation 1 and Equation 2 highlight the importance of considering intervening variables in the analysis of complex variable interrelationships.

Equation 1. (Immediate impact)

Small Business Profits = 0.085 Kom + 0.062 PS – 0.017 IE + 0.303 + 0.126 SA + 0.156 T + 0.201 OK

Equation 2. (Indirect Effects)

Small Business Profits = 0.009 Kom + 0.007 PS + 0.071 IE + 0.054 + 0.015 SA + 0.043 T + 0.201 OK

4. CONCLUSION

Based on the analysis results, it is concluded that (1) Model 1 is the best model to explain the relationship between entrepreneurial competence and entrepreneurial orientation on performance, with the highest R^2 and Adjusted R^2 values, (2) entrepreneurial competence (initiative and enterprise, planning and organizing, technology) and entrepreneurial orientation have a positive and significant impact on performance, and (3) the entrepreneurial orientation variable has been proven to mediate the relationship between entrepreneurial competence and the performance of the furniture business in Bandar Lampung. The implications of the research findings and suggestions are as follows: (1) furniture craftsmen should pay attention to aspects of entrepreneurial competence, which include initiative and enterprise skills, planning and organizing, and technology, as they have a positive and significant impact on performance, and (2) furniture craftsmen should consider aspects of entrepreneurial orientation, as it has a positive and significant impact on performance and mediates its relationship with entrepreneurial competence. Based on the conclusions of the current study, several recommendations are proposed for future research. Firstly, future studies should broaden the geographical scope by including areas beyond Bandar Lampung to determine whether these findings are consistent across different locations and contexts. Additionally, it is important to explore additional variables that might influence the relationship between entrepreneurial competence, entrepreneurial orientation, and performance, such as market conditions, access to capital, or cultural influences. Longitudinal studies are necessary to observe how the relationships between these variables evolve over time, providing insights into the sustainability of their effects. Comparative studies are needed to compare the furniture industry with other sectors, which can help in generalizing the findings or highlighting industry-specific dynamics. Employing a mixed-methods approach that combines quantitative data with qualitative insights from interviews or case studies will enrich the understanding of the mechanisms through which entrepreneurial competence and orientation impact performance. Further exploration of mediating and moderating factors in these relationships, such as innovation capability, leadership style, or organizational culture, is crucial. Given the significant role of technology in entrepreneurial competence, in-depth research on specific technological competencies and their effects on business performance is highly recommended. Finally, investigating the impact of training and development programs in enhancing entrepreneurial competence and orientation will provide practical insights for policymakers and business development organizations. By addressing these recommendations, future research can build on the findings of the current study and contribute to a deeper understanding of the factors influencing business performance in an entrepreneurial context.

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