International Journal of Business and Quality Research

https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

The Influence of Human Resource Competence, Product Innovation, and Leadership on the Improvement of MSMEs (Fashion Sector) in Jambi City with Entrepreneurship Orientation as an Intervening Variable

Sri Rezeki Rahayu[1], Dr. Hj. Fitriaty, SE, MM[2], Dr. Musnaini, SE, MM[3]

[1] Master of Management Programme, University of Jambi
[23] Faculty of Economics and Business, University of Jambi

Abstract

This quantitative study aims to analyse the influence of human resource competence, product innovation, and leadership on the improvement of fashion MSMEs in Jambi City, with entrepreneurial orientation as a mediating variable. Using 130 respondents analysed with the Partial Least Square (PLS) method, the results of the study show that HR competence, product innovation, leadership, and entrepreneurial orientation do not directly have a significant effect on MSME Improvement, indicating that these factors have not been strategically integrated into business operations. Another important finding is that Leadership has a positive and significant effect on Entrepreneurial Orientation, but Entrepreneurial Orientation is unable to mediate the relationship between other independent variables and MSME Improvement. This conclusion emphasises the need to strengthen managerial capacity and develop a more adaptive entrepreneurial mindset among fashion MSMEs in Jambi City so that entrepreneurial orientation can be transformed into a driver of real performance improvement.

Keywords: Human Resource Competence, Product Innovation, Leadership, Entrepreneurial Orientation, SME Improvement

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are the pillars of Indonesia's economy, including in Jambi, a city with great potential in the creative economy, especially in fashion. However, this sector continues to face challenges such as low human

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

resource competence, limited capital, and a lack of product innovation. To compete in the digital era, MSMEs need managerial competence, creativity, and leadership that are adaptive to market changes. This study examines how human resource competence, product innovation, and leadership influence MSME improvement with an entrepreneurial orientation as a variable that strengthens this relationship.

LITERATURE ANALYSIS AND METHODOLOGY

Resource-Based View (RBV) theory explains that an organisation's sustainable competitive advantage is determined by internal resources that are valuable, rare, difficult to imitate, and irreplaceable (Barney, 1991). In the context of MSMEs, relevant strategic resources include human resource competencies, product innovation, and leadership quality, which, when combined, can improve business performance and competitiveness.

Entrepreneurial Orientation (EO) is an organisation's tendency to be innovative, proactive, and willing to take risks in responding to market dynamics (Lumpkin & Dess, 1996). EO is seen as a key driver of business growth, particularly for SMEs operating in dynamic, competitive environments such as the fashion sector.

Variable Correlation

1. Human Resource Competence: Human resource competence reflects an individual's ability to manage business operations, make decisions, and understand the market (Ardiana et al., 2010). MSMEs with superior human resource competence tend to be more adaptive to changes in the business environment and have higher market expansion opportunities.
2. Product Innovation: Product innovation is a business's ability to create new designs, features, or product variations aligned with market trends (Hult et al., 1998; Silaban et al., 2019). Continuous innovation drives product differentiation, strengthens market positioning, and increases consumer loyalty.
3. Leadership: Leadership directs teams, builds business vision, and creates a productive work environment (Serrat, 2018). Effective leadership in MSMEs can improve internal coordination and accelerate responses to external changes.
4. The Mediating Role of Entrepreneurial Orientation: It serves as a strategic mechanism that strengthens the influence of internal resources on business performance. SMEs with high EO levels demonstrate courage in market exploration, quick decision-making, and readiness to face uncertainty, thereby encouraging improved performance and business sustainability (Prabowo & Rachmawati, 2023). Based on these theoretical and empirical foundations, this study positions Entrepreneurial

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

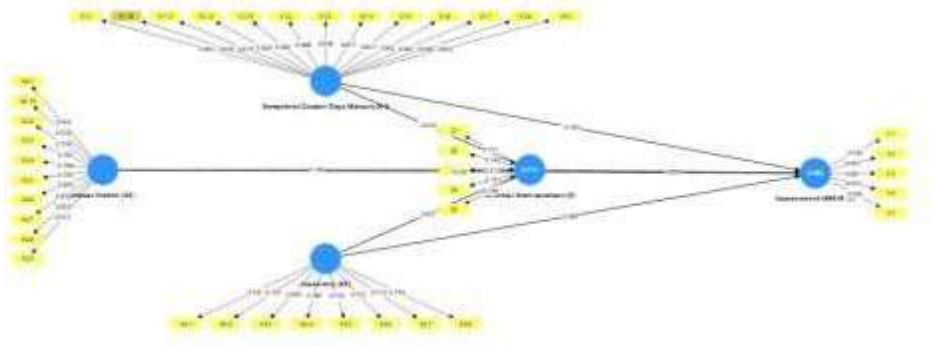
Orientation as an intervening variable that links SMEs' internal capabilities to improvements in business outcomes.

RESEARCH METHODOLOGY

This study utilised a quantitative, explanatory design. The research population consisted of 50,747 fashion SME actors in Jambi City. A sample of 130 respondents was determined using purposive sampling. The research instrument was a 1–5 Likert-scale questionnaire. The data were analysed using the Partial Least Square (PLS) method. The independent variables consisted of human resource competence (X1), product innovation (X2), and leadership (X3). The dependent variable was SME improvement (Y), while entrepreneurial orientation (Z) acted as an intervening variable.

RESEARCH AND RESULTS

Results of the study indicate a disparity between internal factors of MSMEs and their impact on performance. Only leadership has proven effective in shaping an entrepreneurial mindset, but the entrepreneurial mindset itself is not yet strong enough to mediate or directly drive improvements in business performance among fashion MSMEs in Jambi City. This reinforces the argument that improving MSME performance in this region remains highly dependent on strategic factors, systemic support, and deeper integration of innovation.



Picture 1. Research Model Calculation Results

Collectively, these findings point toward a discernible limitation in the efficacy of strategic implementation among fashion MSMEs in Jambi City. The analysis shows that leadership is the only factor that significantly influences the formation of entrepreneurial orientation. However, none of the variables tested, including entrepreneurial orientation

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

itself, had a significant effect on MSME improvement. This failure is reinforced by the finding that entrepreneurial orientation is unable to mediate the influence of leadership on performance. This implies that the existing entrepreneurial spirit is still conceptual and has not been integrated into effective managerial actions or business strategies, so it has not been able to drive substantial performance improvements. In essence, leadership shapes the entrepreneurial mindset, but it has not yet become a driver of performance among Jambi's fashion MSMEs.

The results of the study show that human resource competencies and product innovation do not empirically have a significant effect on SME improvement. The competencies of SME actors remain operational and are not yet strong enough to drive significant change, while the innovations they develop tend to be simple, reactive, and not yet strategic in creating competitive advantage. In line with these findings, leadership and entrepreneurial orientation also do not have a significant effect on MSME improvement, as explained in the table below.

Table 1. Path Coefficients Values

	Original Sample (O)	**Sample Mean (M)**	**Standard Deviation (STDEV)**	**T *Statistics* (|O/STDEV|)**	**P *Values***
Competency Human Resources (X1) -> Improvement of MSMEs (Y)	-0.105	-0.103	0.132	0.798	0.425
Competence Human Resources (X1) -> Entrepreneurial Orientation (Z)	-0.012	-0.018	0.095	0.122	0.903
Product Innovation (X2) ->Improvement MSMEs (Y)	0.221	0.218	0.167	1.321	0.187
Product Innovation (X2) -> Orientation Entrepreneurship (Z)	0.136	0.143	0.102	1.328	0.184

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

Leadership (X3) -> Improvement UMKM (Y)	0.072	0.050	0.176	0.412	0.681
Leadership (X3) -> Entrepreneurial Orientation (Z)	0.473	0.478	0.075	6.288	0.000
Entrepreneurial Orientation (Z) -> Improvement UMKM (Y)	0.008	0.011	0.286	0.027	0.978

Although most independent variables do not directly influence improvement, further analysis shows that leadership has a positive and significant effect on entrepreneurial orientation. The leadership style applied is still largely traditional, authoritative, and reactive, rather than transformational, while entrepreneurial orientation is still at the level of attitude and intention, not yet consistently implemented as an effective business strategy.

This indicates that the leadership style of MSME actors, which is beginning to reflect transformational characteristics, can inspire team members and drive the emergence of an entrepreneurial mindset within the organisation. Conversely, Human Resource Competence and Product Innovation do not have a significant effect on Entrepreneurial Orientation. Existing competencies still focus on technical skills, and innovations have not been directed as strategic initiatives that foster risk-taking or entrepreneurial proactivity.

Furthermore, an important finding in this study is that entrepreneurial orientation cannot serve as an effective mediating variable linking human resource competencies, product innovation, and leadership to SME improvement. This gap is explained by several contextual factors in the city of Jambi: the competencies possessed have not led to a strong entrepreneurial mindset, particularly in innovation and risk- taking. The innovations that occur are still technical in nature and have not fostered strategic entrepreneurial behaviour. Although leadership is quite strong, entrepreneurial orientation has not developed into an internal force capable of translating leaders' directions into concrete actions that drive business improvement.

Overall, the results of this study reinforce the findings of Thamrin & Wahyudi (2022) and Thanikachalan Vedhathiri (2020) that factors such as competence, innovation, and entrepreneurial orientation do not always directly influence business performance but often depend on mediating variables or other supporting environments. Thus, it is concluded that, in the context of fashion MSMEs in Jambi City, leadership is the most dominant internal

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.

International Journal of Business and Quality Research
https://e-journal.citakonsultindo.or.id/index.php/IJBQR
E-ISSN: 2985-9468

factor in shaping Entrepreneurial Orientation; however, the effectiveness of these four variables in significantly encouraging MSME improvement remains limited without strengthening strategic aspects, systemic support, and a more conducive business environment.

CONCLUSION AND RECOMMENDATIONS

Based on the results of data analysis and testing of 10 proposed hypotheses, this study concludes that human resource (HR) competence, product innovation, and leadership do not directly have a significant effect on improving MSMEs in the fashion sector in Jambi City. This finding is supported by the fact that entrepreneurial orientation also does not have a significant effect on MSME improvement and cannot mediate the influence of the three independent variables on improvement. This indicates that existing technical capabilities, innovation efforts, and leadership styles are not yet strong enough to drive substantial performance changes. However, one significant finding is that leadership has a positive and significant effect on entrepreneurial orientation, and shows that transformational, visionary, and communicative leadership are the main foundations in shaping entrepreneurial mindsets in organizations.

REFERENCES

Ardiana, I.D.K.R., Brahmayanti, I.A., & Subaedi. (2010). Kompetensi SDM UKM dan Pengaruhnya terhadap Kinerja UKM di Surabaya. Jurnal Manajemen dan Kewirausahaan, 12(1).

Kurniawati, L., & Yuliando, H. (2015). Peningkatan Daya Saing UMKM Melalui Inovasi dan Teknologi. Jurnal Ekonomi dan Bisnis Indonesia, 30(3).

Nurhidayati, A., & Amin, M. (2022). Gaya Kepemimpinan Transformasional dan Dampaknya terhadap Kinerja UMKM. Jurnal Ekonomi Kreatif, 7(2).

Prabowo, R., & Rachmawati, D. (2023). Orientasi Kewirausahaan sebagai Faktor Kunci Keberhasilan UMKM. Jurnal Ilmiah Manajemen, 15(1).

Silaban, T., et al. (2019). Inovasi Produk dan Pengaruhnya terhadap Keunggulan Kompetitif UMKM. Jurnal Pengembangan Ekonomi, 8(2).

Copyright to the author of some rights reserved This work is licensed under aCreative Commons Attribution-ShareAlike 4.0 International License.