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The Influence of Entrepreneurial Characteristics on Business Success in Micro, Small, and Medium Enterprises with Innovation Creativity as a Mediating Variable

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Abstract

This research aims to examine the relationship between entrepreneurial traits and the success of micro, small, and medium-sized businesses via the lens of innovation and creativity, which are seen as mediating variables. The descriptive analysis in this study is quantitative in nature. The data processing for this inquiry is done using Smart PLS SEM (Partial et al. - Structural Equation Modeling) software. Using PLS, we can better understand the connection between variables and the ability to perform analyses in a single test. Indicators of hypothesis testing include the probability value and the t-statistic value. What the study found. Test findings showed that entrepreneurial traits (X) affect company success (Y), confirming the original premise. We may conclude that the second hypothesis is correct. Entrepreneurial traits' effect on originality in new product development (X). Third hypothesis testing was successful, showing that innovative originality (Z) affected company performance (Y). Third hypothesis testing was successful, showing that innovative originality (Z) affected company performance (Y).

Keywords: Entrepreneurial Characteristics, Business Success, Innovation Creativity

INTRODUCTION

Micro, small, and medium enterprises (MSME) are commonplace in Indonesia, demonstrating how the people's economy is usually the foundation for economic progress. When it comes to the economy, this sector is rather important. This is because administration is not very complex and does not need a lot of money (Bee & Christian, 2016). Small and medium-sized companies (SMEs) in the food service sector are popular

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among Indonesian entrepreneurs. To meet people's needs on a daily basis, the food industry relies on micro, small, and medium-sized businesses (MSMBs) (Ardiansyah, 2017). Small and medium-sized businesses (MSMBs) are vital to the economy. Small and medium-sized enterprises (SMEs) may be a source of new job openings. Small and medium-sized enterprises (Gordan & Mahaputra, 2017) may help alleviate unemployment and improve community welfare. When it comes to reaching national development goals, micro, small, and medium-sized companies (MSMEs) constitute the backbone of the economy. Finding work is becoming harder and harder as a result of both the abundance of available jobs and the constraints imposed by one's own ability. The upshot is an explosion of new firms, especially micro and tiny ones, as a consequence of people's increased drive to strike out on their own (2016).

Micro, small, and medium-sized business owners need to take responsibility for their companies' achievements. The owner's ability to shape management policies determines how well a business uses accounting information. To succeed in today's dynamic economic climate, micro, small, and medium-sized enterprises (MSMEs) need to be able to have a real impact on the economy. Creating jobs and growing the economy are two outcomes of MSMEs. the growth of the business is usually what defines the success of the firm. This change from managing a fixed amount of raw materials to an increased volume of raw materials is reflected in the rising output volume. A company's performance is directly proportional to its workforce size, education level, average tenure, and retention rate. Furthermore, metrics for company performance include the amount of orders, the amount of order marketing, the level of pricing supplied, and the level of money from sales (Matahui, 2021).

Table 1. Growth of MSMEs in Mataram City

Information	Year		
	2022	2023	2024
Micro business	55	94	144
Small business	37	66	109
Medium Business	18	15	17

Source: Researcher Observations 2024

Indonesia is home to a significant number of micro, small, and medium-sized enterprises (MSME), highlighting the role of the people's economy in driving economic

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development. This sector plays a vital role in the overall economy. Managing requires minimal time and financial resources (Bee & Christian, 2016). The food service industry in Indonesia is populated by numerous small and medium-sized businesses. Small and medium-sized businesses are primarily responsible for meeting people's food needs (Ardiansyah, 2017). Micro, small, and medium-sized enterprises play a crucial role in the economy. The presence of MSMEs could potentially lead to an increase in job opportunities. In addition to benefiting the community as a whole, it has been suggested that MSMEs could help address the issue of unemployment (Gordan & Mahaputra, 2017). Micro, small, and medium-sized companies (MSMEs) play a crucial role in facilitating the achievement of national development goals. As a result of limited opportunities and skills, there has been a rise in the number of new organizations, particularly micro and small enterprises. This can be attributed to the growing challenges in securing employment (Sari et al., 2016).

The success of micro, small, and medium-sized enterprises relies on the commitment and diligence of their owners and management. To effectively utilize accounting data, it is essential for business owners to establish management guidelines. It is increasingly evident how micro, small, and medium-sized businesses (MSMEs) play a crucial role in stimulating the economy. Small and medium-sized businesses (SMEs) play a crucial role in the economy and job creation. A commonly used measure for assessing a company's performance is the scale of its operations. It is evident that increasing the number of raw resources results in a greater production volume compared to using a consistent quantity of raw materials on a daily basis. Two key factors that determine a company's success are its sales turnover and the number of workers. The former examines factors such as order quantity, workforce size, employee tenure, and educational attainment. Matahui (2021) examines various factors including order promotion level, price, order quantity, and sales revenue.

The capacity to network is the next trait of entrepreneurs. It is well-established that effective corporate communications and networks are critical to a company's growth. This implies that entrepreneurs rely on suppliers, consumers, and middleman merchants to help them manage their businesses. The actions and methods of a business actor are one of the numerous challenges that entrepreneurs encounter while trying to build their businesses. Basically, a firm can't survive long if its owner has the entrepreneurial traits and skills necessary to keep it functioning. For an entrepreneur to thrive and grow, they need access to information, and that includes expertise about running a firm. In order to foster the development of their enterprises, entrepreneurs must possess knowledge of

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entrepreneurial qualities. Since growing a company unit is simpler with an entrepreneurial attitude, this ability also helps with that. In order to successfully operate a company, one must possess the qualities of an entrepreneur, such as the knowledge, experience, and drive to succeed.

Objectives

Entrepreneurial Characteristics

Someone with self-assurance, a focus on tasks and outcomes, risk-taking spirit, leadership skills, vision, and sincerity is said to have entrepreneurial character traits by Purnomo and Sukardi (2019). The traits and personality traits of an entrepreneur should include optimism and self-confidence, a focus on tasks and results rather than on personal growth, a willingness to take risks and face challenges, a natural leadership ability, the ability to adapt to new situations and people easily, and an openness to feedback and ideas.

Innovation Creativity

The capacity to innovate is a crucial trait of entrepreneurs, according to Larsen and Lewis (2017). Meanwhile, according to (Hills, 2018), innovation encompasses everything that someone perceives as novel, including ideas, behaviors, and artifacts. Innovation has a major impact on our day-to-day tasks and is crucial to a company's growth. (Suryana, 2013) defines innovation as "the ability to apply creativity to solve problems and opportunities to improve and enrich life."

Business Success

The capacity to alter the perspective and inventiveness of the company's owners in relation to their capacity to provide value to consumers is crucial to the survival of the product sales firm (Rizki Zulfikar, 2020). Success in business may be defined as the execution of an activity within a certain time frame or set of predetermined criteria, the realization of an objective, or both (Svetlana, 2018). If a company's marketing efforts are well-coordinated with its target market and large-scale promotions, the company is more likely to succeed.

Conceptual framework

In line with Notoatmodjo (2018), a conceptual framework refers to a structured arrangement of connections between concepts that are to be assessed or observed in a

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research study. An effective conceptual framework should demonstrate the interconnections among the variables under investigation. The following section provides a description of the conceptual framework utilized in this research.

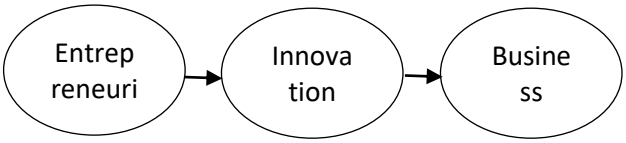


Figure 1 conceptual framework

Hypothesis

Based on the research framework and paradigm on the previous page, the researcher formulated the following hypothesis:

1. Entrepreneurial Characteristics influence Innovation and Creativity.
2. Entrepreneurial characteristics influence business success.
3. Innovation and Creativity influence Business Success.
4. Entrepreneurial Characteristics influence Business Success, with Innovation and Creativity as mediating variables.

For the purpose of this research, a quantitative method of descriptive analysis was used. Using raw data or samples, descriptive analysis aims to explain or summarize research items (Sugiyono, 2018). Comprehensive research and findings are unnecessary for this method. To analyze the data presented here, the proficient PLS-SEM (Partial et al. - Structural Equation Modeling) software is used. The ability to conduct analyses and the relationship between variables are two tests that PLS can clarify. In Ghozali (2016), Imam states that the PLS method may describe latent variables—which are not immediately visible—and quantify indicators. To provide accurate and clear statistical analysis, the author uses Partial Least Square as the latent variable in this research may be measured using indicators. His book (Husein, 2015) demonstrates how to test hypotheses with the use of probability and t-statistic. At the 5% significance level, the t-statistic value is 1.96, which allows for a statistical test of the hypothesis. As a result, we accept Ha as the null hypothesis and reject H0 when the t-statistic is larger than 1.96. Using probability, we may accept or reject a hypothesis (Ha) depending on whether the p-value is less than 0.05.

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DISCUSSION

Validity test

This study utilized the assistance of Smart PLS 3.0 software. This method can be utilized to assess the accuracy and reliability of data. Convergent validity is commonly used to assess the loading factor value, while discriminant validity is assessed by examining the cross-loading value.

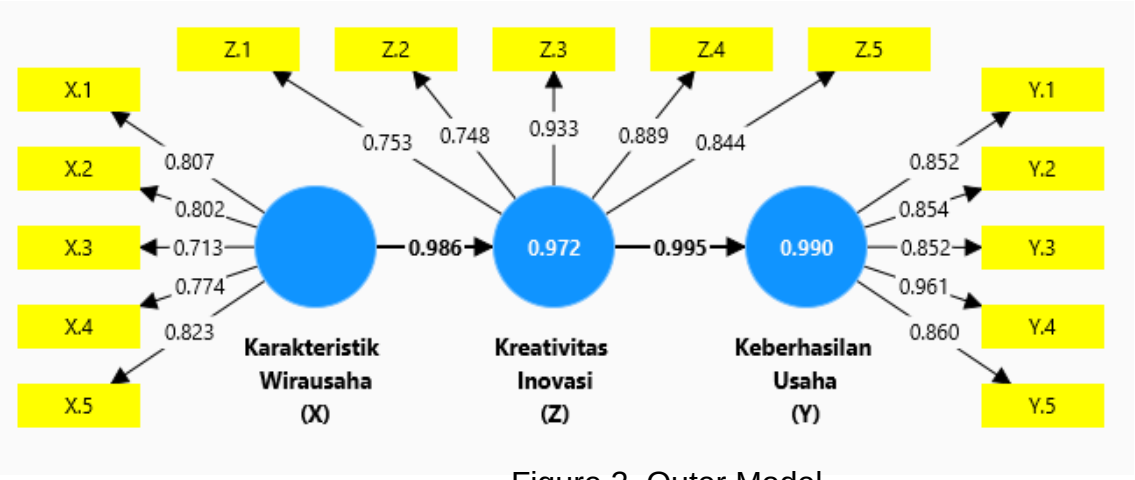


Figure 2. Outer Model

1. Validity at the Convergence

   The construct score is computed from the item/component score and compared to the item/component score using PLS to assess the measurement model's convergent validity with the reflecting indicator model. All indicators in this study are dependable, as shown in Figure 4.1, where all loading factor values are larger than 0.7. Therefore, research factors may be assessed using these markers.

2. Discriminant Validity

   We compare the correlations of the model's other components to the AVE values of each concept to get the discriminant validity. All of the cross-loading values of the targeted indicators are more strongly associated with each variable than with any of the other variables, as shown in Figure 4.1. When everything is taken into account, the indicators that were indicated before are valid.

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Reliability Test

An instrument can be reliable if its Average Variance Extracted is more than 0.5, Cronbach Alpha is more than 0.6, and Composite Reliability is more than 0.7.

Table 2 Calculation of AVE, Cronbach Alpha, and Composite Reliability

	Cronbach's Alpha	*rho_A*	*Composite Reliability*	*Average Variance Extracted (AVE)*
Entrepreneurial Characteristics (X)	0.887	0.891	0.889	0.616
Business Success (Y)	0.943	0.945	0.943	0.769
Innovation Creativity (Z)	0.920	0.926	0.920	0.700

Source: Primary data processed (2024)

Based on Table 2 above, the Cronbach Alpha value of the Business Success variable (Y) is 0.943, the Innovation Creativity variable (Z) is 0.920, and the Entrepreneurial Characteristics (X) is 0.887. All indicators are reliable in measuring the latent variables from the calculations above.

Structural Model Evaluation (Inner Model)

Several metrics, such as the Goodness of Fit Index (GoF), Predictive Relevance (Q2), and coefficient of determination (R2), may be used to evaluate the inner model (Hussein, 2015). In this study, Smart PLS 3.0's structural model yielded the following results:

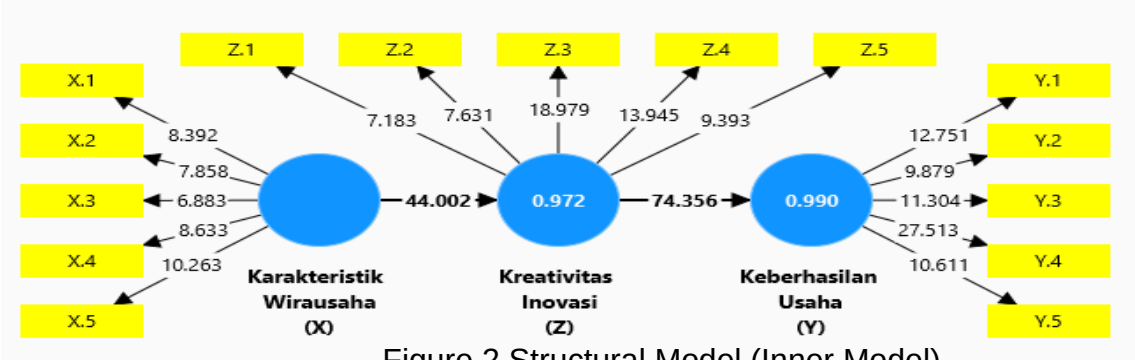


Figure.2 Structural Model (Inner Model)

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R2 Results (R-square)

In assessing the model with PLS, start by looking at the R-square for each dependent latent variable. The results of the r2 calculation in this study are as follows:

Table 3 Correlation Value (r2)

	R-square	***Adjusted R-square***
Business Success (Y)	0.990	0.989
Innovation Creativity (Z)	0.972	0.972

Source: Primary data processed (2024)

According to the data in Table 4.14, which shows the results of the bootstrapping calculations, the innovation creativity (Z) variable has a r2 value of 0.972, meaning that the entrepreneurial characteristics (X) variable contributes 97.2% to the innovation creativity (Z) variable. With a r2 value of 0.989, the independent variable Entrepreneurial Characteristics (X) and the dependent variable Innovation Creativity (Z) have a 98.9% impact on the dependent variable Business Success (Y). Put another way, the independent variable contributes 98.9% to the dependent variable.

Goodness of Fit Model

Goodness of fit calculations can help determine the extent to which exogenous variables contribute to endogenous variables. The GoF value in PLS analysis can be determined by utilizing Q-square predictive relevance (Q2). Here are the results of the Goodness of Fit Model calculations conducted in this research:

$$Q^2 = 1 - (1 - r12)\ (1 - r22)$$
$$Q2 = 1 - (1 - 0.972)\ (1 - 0.989)$$
$$Q2 = 0.9996$$

A value of 0.9996, or 99.96%, for Q-square predictive relevance (Q2) was determined using the calculations shown above. This can be seen as a result of the 99.96% contribution of the entrepreneurial traits (X) and innovation creativity (Z) variables to the overall variable business success (Y), or as evidence of the diversity of variables able to explain the model (Y = 0.9996). On the other hand, factors that aren't included in this research account for the remaining 0.04%.

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Hypothesis test

According to the results of the outer model, all the hypotheses that were tested have fulfilled the necessary criteria to be utilized as analysis models in this research. The hypothesis testing in this study employs an alpha level of 5%. This implies that the t-statistic value must be greater than or equal to 2.048, or the probability value must be less than or equal to the level of significance (α = 5%). The significance level of 0.05 indicates a low probability of deviation, with 95% of the data supporting the acceptance of the hypothesis. The research on hypothesis testing is divided into two parts: direct influence testing and indirect influence testing (mediation). When examining the direct effect, bootstrapping will be employed in the Smart PLS 3.0 software. On the other hand, the indirect effect will be assessed using t-statistics on the indirect effect.

Table 4. Path Coefficients

	Original Sample (O)	*Sample Mean (M)*	*Standard Deviation (STDEV)*	*Q statistics (|O/STDEV|)*	*P Values*
Entrepreneurial Characteristics (X)->Business Success (Y)	0.981	0.983	0.028	34,856	0,000
Entrepreneurial Characteristics (X)-> Innovation Creativity (Z)	0.986	0.987	0.022	44,002	0,000
Innovation Creativity (Z) ->Business Success (Y)	0.995	0.996	0.013	74,356	0,000

Source: Primary data processed (2024)

Based on Table 4. the test results for each hypothesis are obtained as follows:

a. The Relationship Between Entrepreneurial Traits (X) and Financial Success (Y) in a Company According to the data in Table 4.3, the t-statistic for the link between the entrepreneurial characteristics (X) and business success (Y) variables is 34.856, which is statistically significant. The value is 0.000. As can be seen from the test results, both the t-statistic and the sig value are less than or equal to 1.96 at the 5% level of significance. So, we accept the first

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hypothesis, which states that X is an entrepreneurial trait that influences Y in a company's financial performance.

b. The Impact of Entrepreneurial Traits on Innovation and Creativity (X)
The t-statistic value of the connection between the variables Entrepreneurial Characteristics (X) and Innovation Creativity (Z) is 44.002 with a significance level of 0.000, as shown in the test results in Table 4.3. As can be seen from the test results, both the t-statistic and the sig value are less than or equal to 1.96 at the 5% level of significance. The second hypothesis, that entrepreneurial traits (X) impact creativity and invention (Z), is therefore accepted.

c. The relationship between innovation and Creativity (Z) and Business Success (Y)
The t-statistic value of the link between the variables Innovation Creativity (Z) and Business Success (Y) is 74.356 with sig., according to the test findings in Table 4.3. The value is 0.000. As can be seen from the test results, both the t-statistic and the sig value are less than or equal to 1.96 at the 5% level of significance. The third hypothesis, that innovation and creativity (Z) impact company success (Y), is therefore accepted.

The indirect influence test assesses the strength of the independent variable's indirect influence. A declaration of significance can be made for an indirect influence when both of its constituent direct influences are deemed significant. The test results are presented in the table below:

Table 5. Indirect Effects

	Original Sample (O)	*Sample Mean (M)*	*Standard Deviation (STDEV)*	*Q statistics (|O/STDEV|)*	*P Values*
Entrepreneurial Characteristics (X)-> Innovation Creativity (Z) ->Business Success (Y)	0.981	0.988	0.028	34,856	0,000

Source: Primary data processed (2024)

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The impact of entrepreneurial characteristics on business success is primarily driven by innovation and creativity. The test results in Table 4.4 reveal a significant relationship between the variables Entrepreneurial Characteristics (X), Business Success (Y), and Innovation Creativity (Z). The t-statistic value for this relationship is 34.856, with a significance level of 0.000. Based on the test results, it can be observed that the t-statistic is greater than or equal to 1.96, while the significance value is less than or equal to the level of significance (α = 5%). The fourth hypothesis is confirmed: Entrepreneurial Characteristics (X) have a notable impact on business Success (Y) through Innovation and Creativity (Z).

CONCLUSION

Based on the results of the research and discussion in the previous chapter, it can be concluded as follows:

1. The results of testing the first hypothesis were accepted: Entrepreneurial Characteristics (X)influence on Business Success (Y).
2. The results of testing the second hypothesis are accepted. Entrepreneurial characteristics (X)influence Innovation and Creativity (Z).
3. The results of testing the third hypothesis were accepted that Innovation Creativity (Z) affected business Success (Y).
4. The results of testing the third hypothesis were accepted that Innovation Creativity (Z) affected business Success (Y).

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