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Factors Influencing Agribusiness Entrepreneurial Orientation And Its Impact On The Performance Of Msmes In Gorontalo City

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Abstract

This study aims to analyze the influence of internal and external factors on agribusiness entrepreneurial orientation, the influence of both sets of factors on the performance of micro, small, and medium enterprises (MSMEs), and the influence of entrepreneurial orientation on MSME performance in Gorontalo City. The study employed a quantitative approach with 50 respondents who were MSME actors in agribusiness-based processed food, selected through purposive sampling. Data were collected using a Likert-scale questionnaire and analyzed using Partial Least Squares-based Structural Equation Modeling (PLS-SEM) with the assistance of SmartPLS 4. The hypothesis testing results indicate that internal and external factors have a positive and significant influence on both entrepreneurial orientation and MSME performance, and that entrepreneurial orientation has a positive and significant influence on MSME performance. The findings confirm that strengthening internal resources and external environmental support, channeled through entrepreneurial orientation, is the key to improving the performance of agribusiness MSMEs in Gorontalo City.

Keywords: Entrepreneurial Orientation; Internal Factors; External Factors; MSME Performance; PLS-SEM.

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INTRODUCTION

Entrepreneurship has become an important concern in the development of a country's socioeconomic growth because it introduces innovation, creates employment opportunities, and enhances competition and welfare (Wulandary et al., 2021). In Indonesia, MSMEs play a major role in advancing the community's economy, both as an alternative source of new employment and as a driver of economic growth (Ramadhani & Salqaura, 2024). The Ministry of Cooperatives and SMEs of the Republic of Indonesia reported that MSMEs contribute more than 60% of Gross Domestic Product (GDP), or approximately IDR 8,573 trillion per year, and absorb 97% of the workforce, or approximately 116 million people.

Despite this contribution, many MSMEs face problems related to capital, marketing management, and limited human resources, which may affect business sustainability. Small businesses are also still perceived as poor performers, while globalization has made competition unavoidable and the business environment increasingly complex. MSMEs need to identify the factors that can improve their business performance so that they can adapt, and improved MSME performance is expected to strengthen the national economy as a whole (Sowang & Hidayah, 2023). Performance concerns the existence and continuity of a business; without performance, MSMEs are considered unable to make a beneficial contribution to their managers and the other parties involved (Huda et al., 2020). Performance improvement is reflected in annual increases in profit, number of customers, sales volume, and assets (Safrianti et al., 2022), and MSME growth is also measured, among other indicators, by increases in the number of workers and capital compared with the previous year (Gunawan, 2024). However, the rapid development of MSMEs has not been accompanied by optimal performance because of the obstacles faced by business actors (Chow & Utama, 2023).

This vulnerability is evident in Gorontalo Province. According to data from the Ministry of Communication and Informatics (Kominfo) for 2021, 29,396 MSMEs (31% of 94,829 MSMEs) went out of business during the COVID-19 pandemic, partly because production costs were disproportionate to sales profits. This decline in the number of MSMEs is reported to have been the main factor behind the renewed increase in unemployment and poverty in the region. In 2025, 14,507 MSME units were recorded as active and operating in Gorontalo City.

Beyond the pandemic, the collapse of MSMEs is suspected to be related to weak entrepreneurial character in managing businesses. In this context, entrepreneurial orientation is recognized as a new approach to renewing MSME performance and is regarded as a key foundation of business success (Daniella & Utama, 2023). Businesses with an entrepreneurial orientation continually strive to develop innovative new products and are willing to face risks (Fitriana et al., 2023). This orientation is evident in business

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owners who demonstrate innovative, proactive, and risk-taking behavior (Liekyhung & Soelaiman, 2022), as well as in entrepreneurial capability that serves as a basis for seeking opportunities for success (Silviasih & Iskandar, 2016). Improving business performance also requires a sound understanding of market orientation and entrepreneurial orientation, as well as self-confidence that motivates business actors to take bold steps and formulate strategies, for example through collaboration with other parties (Halik et al., 2025).

MSME performance is influenced by both internal and external factors. Internal factors are those within the organization that are under the control of the business owner, whereas external factors lie beyond that control (Gunawan, 2024). This study classifies work experience and available facilities as internal factors, and the level of competition and government policy as external factors. Diverse work experience is associated with higher entrepreneurial skills. Adequate facilities, equipment, and infrastructure, such as access to electricity, clean water, and a strategic business location, enable MSMEs to operate more efficiently and productively, whereas limitations in these resources can slow business development and restrict opportunities for expansion (Wahyuni et al., 2021). From the external perspective, globalization makes competition among business actors unavoidable (Sowang & Hidayah, 2023), and government policy and support are among the external factors that influence MSMEs (Gunawan, 2024).

In general, MSME actors have limited knowledge, including in the area of management, so they are less oriented toward the long term. Limited capital and human resources also affect performance if they are not properly addressed. From the foregoing discussion, three relationships emerge that need to be examined: internal and external factors in relation to entrepreneurial orientation, internal and external factors in relation to performance, and entrepreneurial orientation in relation to performance.

This study is necessary because MSMEs contribute substantially to GDP and employment, yet their sustainability is vulnerable, as shown by the closure of a number of MSMEs in Gorontalo Province during the pandemic. Entrepreneurial orientation is regarded as a key to business success, while internal and external factors are associated with MSME performance. Furthermore, studies on the internal and external factors affecting MSME performance have largely been conducted in Java, so research outside Java and in other business sectors is still recommended (Gunawan, 2024). This study was conducted on food-processing agribusiness MSMEs in Gorontalo City, which is located outside Java. An understanding of the internal and external factors that influence entrepreneurial orientation, as well as their impact on performance, is needed as a basis for business owners to maintain the sustainability of their enterprises.

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METHOD

The study was conducted on food-processing agribusiness MSMEs in Gorontalo City, which was selected because it is one of the centers of economic activity in Gorontalo Province, with a continuously growing number of MSMEs. The study took place from November to June 2026. The research instrument was a questionnaire using a 1-5 Likert scale (1 = strongly disagree, 3 = sometimes, 5 = strongly agree) (Sugiyono, 2018). The analytical tool used was SmartPLS 4.

This study employs a quantitative approach grounded in positivism to test hypotheses on a specific sample (Sugiyono, 2018). The study is non-experimental and therefore does not use an experimental design. The stages are as follows: (1) a preliminary survey; (2) sample determination; (3) questionnaire distribution; and (4) data processing using PLS-SEM.

Primary data were obtained directly from respondents through a questionnaire. Secondary data consisted of business owners' identities and the number of MSMEs in Gorontalo City (14,507 units). The population comprised food-processing agribusiness MSME actors, whose exact number is unknown. The sample was determined through purposive sampling based on the following criteria: being located in Gorontalo City, operating in food-processing agribusiness, having been in operation for at least two years, using QRIS payments, and being willing to complete the questionnaire. The minimum sample size follows the 10-times rule (Hair et al., 2021), whereby the MSME performance construct receives three structural paths, yielding a minimum of 10 × 3 = 30 respondents. This study used 50 respondents. PLS-SEM was selected because it does not require a large sample or normally distributed data. The research variables used in this study are presented in Table 1 below:

Table 1. Research Variables

Variable	Indicators
Internal Factors	Work experience, available facilities
External Factors	Level of competition, government policy
Entrepreneurial Orientation	Innovativeness, proactiveness, risk-taking, competitive aggressiveness, marketing capability, adaptability, financial management capability
MSME Performance	Sales growth, capital growth, number of employees, customer satisfaction, profit growth

The data were analyzed using PLS-SEM with SmartPLS 4, because this method is capable of analyzing relationships among latent variables simultaneously and is

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suitable for predictive purposes, complex models, and non-normal data (Hair et al., 2021). The stages, tests, and test criteria are presented in Table 2 below.

Table 2. Stages, Tests, and Testing Criteria for the Research Data

Stage	Test	Criteria
Measurement Model	Convergent Validity	*Outer loading* > 0,70; AVE > 0,50
	Discriminant Validity	Fornell-Larcker: square root of AVE > inter-construct correlations
	Reliability	*Composite reliability* > 0,70 (in addition to *Cronbach's alpha*)
Structural Model	R-square	0,75 substantial; 0,50 moderate; 0,25 weak
	Hypothesis Testing	*Bootstrapping*: significant if t > 1,96 and *p* < 0,05

(Hair et al., 2021)

RESULTS AND DISCUSSION

A. Research Results

a) Respondent Characteristics

The respondents were 50 food-processing agribusiness MSME actors in Gorontalo City. The majority were female (76%), aged 36–45 years (46%), had completed senior high school or vocational/Islamic senior high school (52%), had operated their businesses for 3–5 years (66%), and were engaged in the food business (66%). A more detailed presentation is given in Table 3 below:

Table 3. Respondent Characteristics

Characteristic	Category and Frequency (%)
Gender	Female = 38 (76%)
	Male = 12 (24%)
Age (years)	23 – 35 years = 13 (26%)
	36 – 45 years = 23 (46%)
	46 – 55 years = 12 (24%)
	>55 years = 2 (4%)

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Highest Level of Education	Elementary school = 2 (4%)
	Junior high school = 10 (20%)
	Senior high school = 26 (52%)
	Bachelor's degree (S1) = 12 (24%)
Length of Business Operation	<3 years = 5 (10%)
	3 – 5 years = 33 (66%)
	6 – 10 years = 9 (18%)
	>10 years = 3 (6%)
Type of Business	Food = 33 (66%)
	Beverages = 11 (22%)
	Food and beverages = 6 (12%)

Source: Processed Primary Data (2026)

b) SmartPLS Analysis Results

1. Evaluation of the Measurement Model (Outer Model)

All indicators have outer loadings above 0.70 and all constructs have an AVE above 0.50, so convergent validity is satisfied. Discriminant validity is also satisfied, as the √AVE of each construct (0.811–0.934) is greater than its highest correlation with any other construct (0.696, between entrepreneurial orientation and MSME performance). Cronbach's alpha and composite reliability all exceed 0.70, so all constructs are reliable. The results are presented in full in Table 4 below:

Table 4. Results of the Measurement Model (Outer Model) Evaluation

Construct	Number of Items	Outer Loading Range	AVE	*Cronbach's Alpha*	*Composite Reliability*
Internal Factors	4	0,903 – 0,959	0,872	0,951	0,965
External Factors	4	0,884 – 0,940	0,847	0,940	0,957
Entrepreneurial Orientation	14	0,721 – 0,872	0,658	0,960	0,969
MSME Performance	10	0,815 – 0,939	0,784	0,969	0,973

Source: Processed Primary Data (2026)

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2. Evaluation of the Structural Model

Internal factors, external factors, and entrepreneurial orientation explain 71.1% of the variance in MSME performance (R-square = 0.711; adjusted = 0.693), which falls into the moderate category according to the criteria of Hair et al. (2021). Internal and external factors explain 29.2% of the variance in entrepreneurial orientation (R-square = 0.292; adjusted = 0.262), which falls into the weak category. All five hypotheses are accepted ($t > 1.96$; $p < 0.05$). The largest effect is that of internal factors on entrepreneurial orientation ($\beta = 0.419$), and the weakest is that of external factors on entrepreneurial orientation ($\beta = 0.301$; $p = 0.036$, close to the 0.05 threshold). The full hypothesis testing results are presented in Table 5 below.

Table 5. Hypothesis Testing Results

Hypothesis	Path	β	t	*p*	Decision
H1	Internal factors → Entrepreneurial orientation	0,419	3,560	0,000	Accepted
H2	External factors → Entrepreneurial orientation	0,301	2,099	0,036	Accepted
H3	Internal factors → MSME performance	0,372	3,871	0,000	Accepted
H4	External factors → MSME performance	0,385	4,586	0,000	Accepted
H5	Entrepreneurial orientation → MSME performance	0,395	3,786	0,000	Accepted

Source: Processed Primary Data (2026)

Discussion

Internal factors and entrepreneurial orientation (H1). Internal factors, measured through work experience and available facilities, have a positive and significant effect on entrepreneurial orientation ($\beta = 0.419$). Business owners who are experienced and supported by adequate facilities may be better prepared to face risks, act proactively, and adapt to market changes. This finding is consistent with the results of Nurfarida & Sarwoko (2019), who found that experience and training increase entrepreneurial orientation, and of Wahyuni et al (2021), who found that adequate business facilities influence entrepreneurial behavior, so that business owners have greater room to innovate and act proactively. Diverse work experience is also associated with higher entrepreneurial skills (Gunawan, 2024).

External factors and entrepreneurial orientation (H2). External factors, which encompass the level of competition and government policy, have a significant effect on

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entrepreneurial orientation, but with the smallest coefficient among the five paths (β = 0.301). A competitive business environment and government support may encourage business owners to innovate and be more proactive. This finding is consistent with Yani & Saputra (2023), who reported that government support has a positive effect on the entrepreneurial orientation of SMEs. Government policy and support are among the external factors that influence MSMEs (Gunawan, 2024), and competition among business actors is unavoidable amid globalization (Sowang & Hidayah, 2023). Because competition and government policy are represented by a single construct, the effect of each cannot be separated.

Internal and external factors and MSME performance (H3 and H4). Both factors have a positive and significant effect on performance, with nearly equal magnitudes (β = 0.372 and 0.385), so the performance of food-processing agribusiness MSMEs in Gorontalo City is associated with both the resources within the business and the conditions outside it. This result is consistent with Ardiyanti & Kahfi (2023) who stated that internal factors in the form of the abilities, knowledge, and resources possessed by business owners have a positive effect on performance improvement. That study explained that the greater the ability of MSMEs to increase productivity and competitiveness, [the better their performance], and Rasmikayati et al (2026) affirmed that entrepreneurial competence and business opportunity management have a dominant effect on horticultural agribusiness performance.

Entrepreneurial orientation and MSME performance (H5). Entrepreneurial orientation has a positive and significant effect on performance (β = 0.395). This means that business owners who are more innovative, proactive, risk-taking, competitive, adaptive, and capable of marketing and managing finances tend to achieve better performance. This result is consistent with Anisa et al (2023), Sefanya & Ie (2024), and Liekyhung & Soelaiman (2022), who showed that entrepreneurial orientation, consisting of innovativeness, proactiveness, and competitive aggressiveness, has a positive effect on improved business performance.

CONCLUSION

Internal factors (work experience and available facilities) and external factors (level of competition and government policy) have a positive and significant effect on entrepreneurial orientation among food-processing agribusiness MSMEs in Gorontalo City. Both factors also have a positive and significant effect on MSME performance, and entrepreneurial orientation itself has a positive and significant effect on MSME performance. Accordingly, the performance of food-processing agribusiness MSMEs in Gorontalo City is associated with internal factors, external factors, and the entrepreneurial orientation of business owners.

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