

# The Effects of Strategic Competence, Ethical Competence, Entrepreneurial Orientation, and Network Competence on Culinary-Business Growth in Belitung Island

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## ABSTRACT

Belitung Island is one among the tourism destinations in Indonesia, which is now starting to rise after the easing of the Covid-19 pandemic. Now, entrepreneurs in the culinary-tourism sector must prepare themselves with various strategies to be able to achieve business growth. For this reason, entrepreneurs must be able to develop networks with outside parties in order to obtain information resources. Companies must be able to build a good image to outsiders by developing ethical values. Then to achieve business growth, entrepreneurs can develop entrepreneurial orientation values such as being proactive, innovative, and risk-taking. The purpose of this paper is to investigate the effects of strategic competence, ethical competence, and entrepreneurial orientation on business growth in culinary tourism in Belitung Island, mediated by network competence. The sample used in this research is as many as 64 respondents who are the owners of the culinary-tourism business in Belitung Island. This study used data analysis with the Partial Least Square (PLS) approach in the SmartPLS version 3.0 application. This research shows that strategic competence, ethical competence, and entrepreneurial orientation have positive and significant effects on network competence, while network competence has a positive and significant effect on business growth. Finally, network competence can mediate the effects of strategic competence, ethical competence, and entrepreneurial orientation on culinary business growth.

**Keywords:** Strategic Competence, Ethical Competence, Entrepreneurial Orientation, Network Competence, Culinary Business Growth

## 1. INTRODUCTION

Traveling is one of the most popular activities for people to take a vacation during the holiday [1]. Tourism itself is a relatively large industry capable of sustaining the local economy and offering economic and social opportunities for the wider community [2]. Indonesia, an archipelagic country, has a variety of natural panoramas that are so beautiful and enchanting. Therefore, it is not surprising that Indonesia has become one of the objects of foreign tourist destinations. Belitung Island is one among the tourist attractions in Indonesia, which is famous for its beautiful beaches, such as Tanjung Tinggi Beach, Tanjung Kelayang Beach, and Lengkuas Island. In addition, Belitung also has a variety of regional specialties that are also tourist attractions, such as seafood, crackers, kemplang, and other typical snacks. Although it had experienced a decline due to the Covid-19 pandemic, now the world's conditions are starting to gradually recover from the pandemic, so now the tourism industry is starting to bounce back. Therefore,

MSMEs need the right strategy to restore their business conditions after undergoing this pandemic [3].

In managing a business, business growth is a goal that becomes a top priority for a business [4]. Business growth can be seen from an increase in sales, output, or an increase in the size and quality of a company [5]. Several kinds of literature have revealed that entrepreneurial competence can succeed SMEs [6] [7]. According to Man et. al [8] and Bird, B. [9], entrepreneurial competence consists of several dimensions, namely strategic competence, conceptual competence, opportunity competence, network competence, personal competence, learning competence, and ethical competence. Nevertheless, among many dimensions, according to Tehseen et al. [6], the things that have the most influence on business growth are only strategic competence, ethical competence, and network competence. Strategic competence allows companies to be able to face market conditions that are volatile and full of uncertainty. The company uses its strategy to increase its sales, attract customers, acquire resources, and expand

market reach [6]. Ethical competence is related to honesty and transparency in all business dealings of a company in order to gain customer trust so that it can affect the company's growth. Setting a transparent, honest, and fair attitude, will bring an effort to achieve successful business growth [7]. Network Competence is the ability of a company to establish relationships with external parties such as customers, suppliers, and other business stakeholders, to obtain the resources needed to support the strategy that will be applied [6] [7]. Business actors can expand their business more broadly by developing a business network to identify external factors [10].

Apart from entrepreneurial competence, entrepreneurial orientation also contributes to business growth. Entrepreneurial orientation is a decision-making and business process, which indicates the level of behavior of an organization [11]. Entrepreneurial orientation emphasizes three main dimensions, namely innovative, proactive, and risk-taking [12]. Business actors need to increase values in entrepreneurial orientation such as proactive attitude, courage to take the risks, and innovation, as well as being able to compete with competitors and respond to demands in the market [13].

Based on the background that has been described previously, this study has several objectives, namely 1) to determine whether there are significant effects of strategic competence, ethical competence, and entrepreneurial orientation on network competence; 2) to reveal whether there is a significant effect of network competence on business growth; and 3) to reveal whether network competence is able to mediate the effects of strategic competence, ethical competence, and entrepreneurial orientation on business growth.

## **2. LITERATURE REVIEW & HYPOTHESES DEVELOPMENT**

### ***2.1. The Effect of Strategic Competence on Network Competence***

To carry out the strategic competence, an entrepreneur needs the support from outside parties and information resources that can be obtained from the existing relationships. Strategies can be appropriately implemented if a company has good business network [6] [7].

**H<sub>1</sub>: There is a positive and significant effect of Strategic Competence on Network Competence.**

### ***2.2. The Effect of Ethical Competence on Network Competence***

A business needs ethical competence in order to form close and long-term relationships with customers, suppliers, and other parties involved as business stakeholders. This phenomenon will then lead to business growth [6] [7] [14].

**H<sub>2</sub>: There is a positive and significant effect of Ethical Competence on Network Competence.**

### ***2.3. The Effect of Entrepreneurial Orientation on Network Competence***

Companies need networks from outside parties to be able to develop innovative, proactive, and risk-taking values. Companies use their network to increase their resources so that they will gain competitive advantages that can lead to business growth [15] [16].

**H<sub>3</sub>: There is a positive and significant effect of Entrepreneurial Orientation on Network Competence.**

### ***2.4. The Effect of Network Competence on Business Growth***

Network Competence enables entrepreneurs to obtain essential resources by developing relationships with external parties, including customers, suppliers, competitors, and other related organizations that will affect business growth [6].

**H<sub>4</sub>: There is a positive and significant effect of Network Competence on Business Growth.**

### ***2.5. The Effect of Strategic Competence on Business Growth through Network Competence***

Network Competence provides a company's ability to establish relationships with external parties to obtain valuable information and resources to develop strategies and implement them promptly. Successful strategy implementation will influence the business growth of a company [6].

**H<sub>5</sub>: Network Competence mediates the effect of Strategic Competence on Business Growth.**

### ***2.6. The Effect of Ethical Competence on Business Growth through Network Competence***

By implementing transparency, honesty, and good governance, a company will form a network of trust with external parties such as customers, suppliers, and other related organizations. When entrepreneurs build close and deep relationships with these outsiders, they can build and maintain trust with them, which finally can lead to business growth [6].

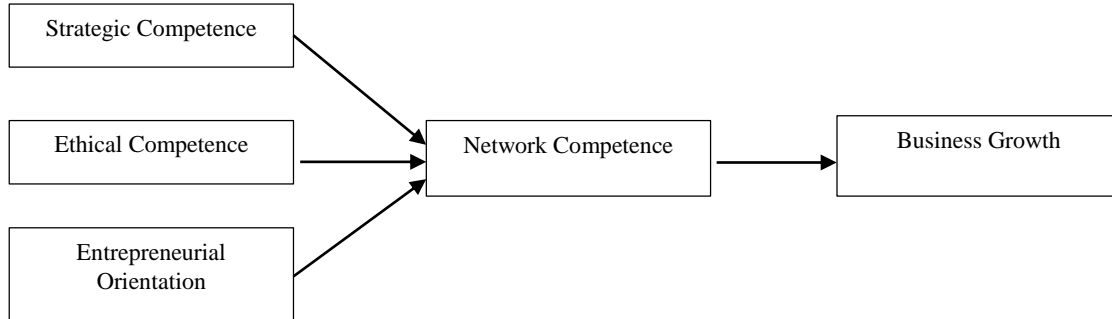
**H<sub>6</sub>: Network Competence mediates the effect of Ethical Competence on Business Growth.**

### ***2.7. The Effect of Entrepreneurial Orientation on Business Growth through Network Competence***

Companies need networks to be able to adopt an innovative, proactive, and risk-taking attitude. With the network possessed, a company can develop the existing resources, obtain information, and take opportunities. By being

directly involved with external networks, companies will be able to develop their resources, which will then lead to business growth by offering innovative products, being proactive, and being dare to take the risks [15].

**H7: Network Competence mediates the effect of Entrepreneurial Orientation on Business Growth.**



**Figure 1** Research Model

**3. RESEARCH METHODOLOGY**

The type of this research is quantitative research using a descriptive research design. This study used a cross-sectional data collection, whereas the data was only collected once. The population of this study is the culinary-tourism business in Belitung Island. The sample in this study was taken by using the purposive sampling technique. The sample in this study is 64 owners of the culinary-tourism business located in Belitung Island. This study uses data analysis with the Partial Least Square (PLS) approach, specifically in the form of SmartPLS version 3.0 application. The variables used in this study are Strategic Competence, Ethical Competence, Entrepreneurial Orientation, Network Competence, and Business Growth.

The data that has been obtained was processed using the SmartPLS 3.0 application, with the outer-model measurement stages to test its validity and reliability. The inner-model measurement was then carried out to analyze the relationship among variables in this study and to test the hypotheses that have been developed previously [20]. Based on the results of convergent validity tests, it can be found that the Average Variance Extracted (AVE) in every variable is greater than 0.5, so the AVE from every variable is considered valid. Similarly, the results of the cross-loading analysis show that all indicators have a higher loading-factor than the cross-loading value. This shows that all indicators used in this study are considered valid. From the results of reliability tests, the conclusion can be drawn, in which the Cronbach's alpha and composite reliability in each variable are greater than 0.7. This indicates that the measuring instruments, which are the variables of strategic competence, ethical competence, entrepreneurial orientation, network competence, and business growth are considered reliable. Table 2 shows that the result of R<sup>2</sup> from network competence and business growth are consecutively 0.984 and 0.883. Then, the result of Q-square (Q<sup>2</sup>) is greater than 0, thus this model can predict the variables. In addition, the Goodness-of-Fit (GoF) results are respectively 0.840 and 0.794, which means that the level of confidence in this research model is categorized as Large GoF [20].

**Table 1.** Variable Measurement Indicators

No.	Variable	Indicators	Source
1.	Strategic Competence	7	[6] [7] [8]
2.	Ethical Competence	6	[6] [7]
3.	Entrepreneurial Orientation	8	[16] [17] [18]
4.	Network Competence	5	[6] [7] [8] [17]
5.	Business Growth	6	[6] [7] [19]

**4. RESULTS & DISCUSSIONS**

Descriptively, the respondents in this study had a majority of female gender by 55%, aged 30-35 years by 33%, type of restaurant business by 47%, 2-5 years of business establishment by 38% with the majority owners domiciled in Tanjungpandan by 48%.

**Table 2** Data Analysis

Variable	Indicator	Loading Factor	AVE	Cronbach's Alpha	Composite Reliability	R <sup>2</sup>	Q <sup>2</sup>
Strategic Competence	KS1	0.849	0.665	0.916	0.933		
	KS2	0.807					
	KS3	0.791					
	KS4	0.876					
	KS5	0.828					
	KS6	0.834					
Ethical Competence	KE1	0.891	0.758	0.935	0.949		
	KE2	0.889					
	KE3	0.812					
	KE4	0.928					
	KE5	0.750					
	KE6	0.937					
Entrepreneurial Orientation	OK1	0.837	0.763	0.954	0.962		
	OK2	0.928					
	OK3	0.898					
	OK4	0.705					
	OK5	0.955					
	OK6	0.925					
	OK7	0.741					
	OK8	0.959					
Network Competence	KJU1	0.829	0.744	0.913	0.935	0.948	0.664
	KJU2	0.764					
	KJU3	0.877					
	KJU4	0.936					
	KJU5	0.897					
Business Growth	PU1	0.836	0.714	0.919	0.937	0.883	0.564
	PU2	0.780					
	PU3	0.906					
	PU4	0.899					
	PU5	0.902					
	PU6	0.730					

**Table 3** Path Analysis and Hypothesis

Hypothesis	Path-Coefficient	t-ststistics	p-Value	Result
Strategic Competence --> Network Competence	0.360	4.020	0.000	Supported
Ethical Competence --> Network Competence	0.419	3.778	0.000	Supported
Entrepreneurial Orientation --> Network Competence	0.221	2.057	0.040	Supported
Network Competence --> Business Growth	0.940	35.051	0.000	Supported
Strategic Competence --> Network Competence --> Business Growth	0.338	3.923	0.000	Supported
Ethical Competence --> Network Competence --> Business Growth	0.394	3.770	0.000	Supported
Entrepreneurial Orientation --> Network Competence --> Business Growth	0.207	1.972	0.049	Supported

Based on Table 2, the results of hypotheses testings show that strategic competence, ethical competence, and entrepreneurial orientation have significant effects on Network Competence. Similarly, H<sub>4</sub> states that Network Competence has a positive and significant effect on Business Growth. The other results from this study can be

seen in Table 3, which states that Network Competence can positively mediate the effects of strategic competence, ethical competence, and entrepreneurial orientation on business growth. The results of this study are in line with previous researches conducted by Tehseen et al. [6], Ahmad [7], and Eggers et al. [15].

## 5. CONCLUSIONS AND IMPLICATIONS

Based on the results of data analysis that has been performed, this study obtained several results. First, there is a positive and significant effect of strategic competence on network competence. Business owners in Belitung Island can obtain the resources needed to apply their strategies by establishing relationships with customers, suppliers, partners, and other parties such as tourism institutions. The support from outsiders will help a company obtain the demanded resources, such as tools and materials, information, accessibility, and others [6]. Tourism institutions usually provide information to culinary-tourism business owners about the condition of the tourism environment, demand, etc. With this information, Belitung culinary-tourism entrepreneurs can adjust the strategies they will implement. Then the network from customers and tourism institutions will greatly help culinary-tourism business owners to be able to carry out their word-of-mouth marketing activities, especially for businesses located in the remote areas of Belitung, namely Sijuk, Badau, Selat Nasik, and Membalong, in which their marketing activities are still deficient.

Next, there is a positive and significant effect of ethical competence on network competence. The owners of culinary-tourism businesses in Belitung can build a relationship with outside parties by paying attention to ethical competence in their businesses. By applying ethical values such as being transparent, honest, responsible, and offering products at reasonable prices, it can form an image in this business to establish relationships with customers, suppliers, and tourism institutions. With this exemplary image, they may be able to maintain long-term relationships with key parties in the future because of their ethical competence.

In addition, there is a positive and significant effect of entrepreneurial orientation on network competence. By developing a network with outsiders, culinary-tourism businesses in Belitung will communicate the values of their entrepreneurial orientation, such as being innovative, proactive, and risk-taking to outsiders through their network competencies.

Furthermore, there is a positive and significant effect of network competence on business growth. The better the network between the company and external parties, the better the benefits will be obtained. By developing a network of customers, it is expected that these customers will be able to recommend the places to eat, gift shops, or traditional snacks that they subscribe, to other consumers. Then, the network with tourism institutions can help promote the culinary-tourism business to travelers who come to Belitung Island for tours. This is certainly expected to increase the sales in this business that finally may have an impact on business growth.

Finally, there is a positive and significant effect of strategic competence, ethical competence, entrepreneurial orientation on business growth, through network competence as a mediating variable. Network competence is a company's ability to establish relationships with

external parties to obtain valuable information and resources. With these resources, the owners of culinary-tourism businesses in Belitung can develop and implement their strategies, which will lead to business growth. Such owners can also build the relationships with external parties by applying ethical competences. By this way, their companies can gain trust. Network competence also let business owners develop the existing resources, obtain the information, and see the opportunities that exist. This way is expected to affect the growth of culinary-tourism business, especially in Belitung Island.

## 6. LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

This study has several limitations, such as the limited number of samples due to the lack of accommodation of researchers in contacting and visiting business owners. A sample of 64 companies is relatively small that may not represent the whole culinary-tourism business. In addition, this research was only conducted toward businesses domiciled in Belitung Island that are engaged in the culinary-tourism industry, so the implications will be different if the research is carried out in different geographical areas and types of businesses. For future research, it is possible to examine other industrial sectors that support the Belitung tourism industry. Besides, there are several dimensions of entrepreneurial competence which are also considered quite influential for business growth that was not used in this study, namely conceptual competence, opportunity competence, personal competence, and learning competence, whereas these competencies require further research in the future.

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