



Understanding the Moderation Effect on Entrepreneurial Orientation in SMEs Context

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Abstract. The aim of the study was to ascertain how organizational and religious beliefs influenced the relationship between entrepreneurial orientation and the performance of small and medium firms in the city of Padang. Quantitative research, which includes surveys, is this kind of study. The leaders of small and medium-sized businesses in the city of Padang make up the research's target group. A total of 152 respondents made up the study's sample. A questionnaire was given out to participants as the data collection. Using PLS-SEM to analyze the data This survey has shown that SMEs in Padang City perform better when they are entrepreneurially oriented. The association between organizational culture and religiosity and the performance of SME's in Padang has not been strengthened. This study suggests that it will be explored and discussed.

Keywords: Organizational culture · religiosity · entrepreneurial orientation · SME performance

1 Introduction

Small and medium enterprises (SMEs) are one of the key economic drivers of today's world and are seen as key generators of jobs and economic growth [1]. SMEs continue to face the challenge of responding to changing environmental factors such as standards for improving product quality in emerging markets and around the world, shorter lead times, and the need for closer business partnerships [2]. In addition, SMEs have unique characteristics that are different from the marketing activities of large companies [3]. The individual traits and conduct of the entrepreneur or owner/manager can be used to determine these traits. As an alternative, it might be decided by the company's specific constraints, scale, and level of sophistication. These constraints include finite resources (money, time management, marketing aspects, etc.), a lack of owners' or managers' particular expertise, which is frequently found, and a limited market effect. There are SMEs play a significant part in all nations in the world as they significantly increase each nation's gross domestic product as well as Indonesia's economy [1]. In developing countries such as Indonesia, SMEs are the main economic agents, accounting for a total of 56.54 million units, or 99.99% of the national economic agents. Based on data from the

Co-operatives and the Ministry of Small and Medium Enterprises in 2021, the number of SMEs reached 64.2 million, contributing 61.07% or Rp8.57.89 trillion to gross domestic product. MSME can absorb 97% of the total workforce and raise 60.42% of the total investment in Indonesia.

Previous research shows that in an era of globalization and intensifying competition, entrepreneurial SMEs tend to improve their performance [3]. The findings of this study corroborate those of earlier research by [2, 4–6] stated entrepreneurial orientation has a positive impact on performance. With limited resources and inadequate skills, SMEs need to look for new opportunities and always focus on the direction of owners-managers. Entrepreneurial orientation (EO) is central to strategic development and a phenomenon at the organizational level. Therefore, in order to achieve a competitive advantage, decision makers need to increase their entrepreneurial orientation [7].

Other elements, like religiosity, are crucial to boosting performance. In general, Religiosity factors also have a significant impact on a company's performance. A study by [8] in his study showed that religiousness has a positive impact on entrepreneurial orientation and corporate success. Based on the research conducted so far, it can be proved that reliability affects the performance of the company. On the other hand, according to a survey conducted by [5], religion could not ease the relationship between entrepreneurial orientation and SME performance.

Organizational culture also includes established behavioral norms that staff members might follow in resolving issues inside the organization. Organizational culture has also been defined broadly as a group of individuals' actions, attitudes, values, presumptions, and beliefs. As a result, organizational culture plays a crucial part and

directly affects how well an organization performs. Organizational culture has been recognized to have a significant impact on organizational performance due to its ability to mediate the organization in adapting to the environment [9]. Therefore, the purpose of this study is to show whether an organization's growing organizational culture is a factor in the performance and success of SME's [9–11]. Organizational culture as a mediator between entrepreneurial orientation and small business performance is not a topic that is often investigated in research. This study, which begins with a gap analysis, attempts to examine the link between entrepreneurial orientation and SME performance as well as the function of religiosity and organizational culture as moderators.

Figure 1 depicts the conceptual research framework employed in the study.

2 Method

Concerning the conceptual framework of the research above, we can see that the performance of SMEs is influenced by entrepreneurial orientation. SME performance is mitigated by religion and organizational culture. The population is the total number of elements or members of the population under study [12]. This study uses an organization-level analysis to ensure that all population members are responsible or owners of small businesses in Padang-West Sumatera. This survey does not use all members of the population, so it is sufficient to obtain some of the representative population members, or what is called a survey sample [12]. This survey is a type of survey that collects data using surveys. Closed-end questions were used to retrieve the data according to the study

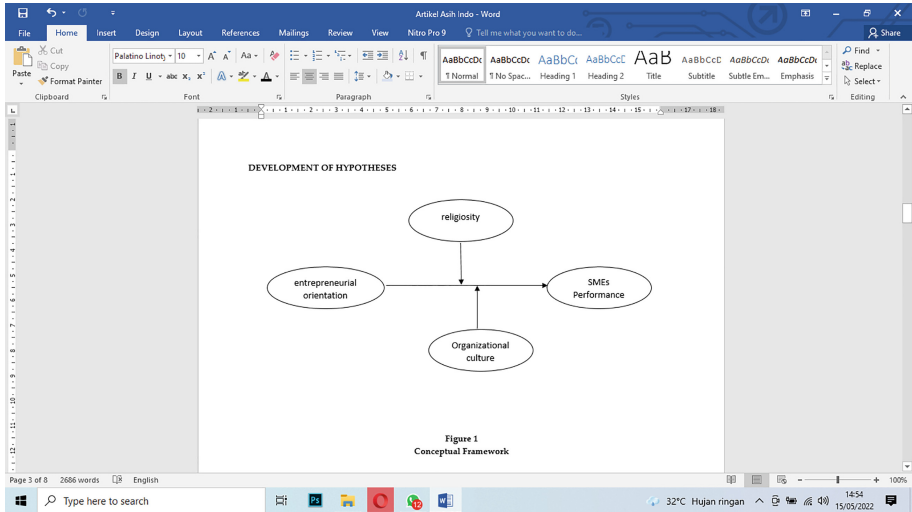


Fig. 1. Conceptual framework

design. Survey samples were taken using the non-probability method, that is, targeted sampling. Entrepreneurial orientation indicators used in this study are innovation, risk-taking, initiative, aggression, and autonomy [2, 3]. The indicator of religion used in this study is prayer. The Prophet Muhammad SAW is a role model for me when it comes to seducing and believing Allah (God) [13]. The indicators of organizational involvement used in this study are openness, conflict, trust, credibility, initiative, autonomy, collaboration, and experimentation [14]. The SME performance indicators used in this study (sales growth, profit growth, employment growth, etc.) [15]. In this study, the variables in this study were measured using a Likers scale of 1–5 with a weighting range of Strongly Agree-(5); Agree-(4); Neutral-(3); Disagree-(2); Strongly Disagree-(1).

3 Result

Concerning the conceptual framework of the survey above, we can see that a total of 160 questionnaire performances were distributed to small business owners in Padang City. A total of 152 respondents gave complete answers, while as many as eight respondents gave incomplete answers. Respondent trait descriptive analysis is used to explain respondent traits, and SEM-PLS analysis is used to test the hypothesis proposed in this study. As shown in Table 1, the characteristics of respondents can be distinguished by gender, age, and education level.

Based on the output of the external model analysis, all propositional items for each variable have a load factor value greater than 0.5. All variants have AVEs between 0.525 and 0.718, according to the AVE analysis results. This demonstrates that measurement model's convergence validity is sound. Furthermore, we assess Cronbach's alpha (α) value is above 0.7. These results indicate that all variables used in this study are declared reliable. Even CR values between 0.6 and 0.9 are considered acceptable and declared reliable (Table 2).

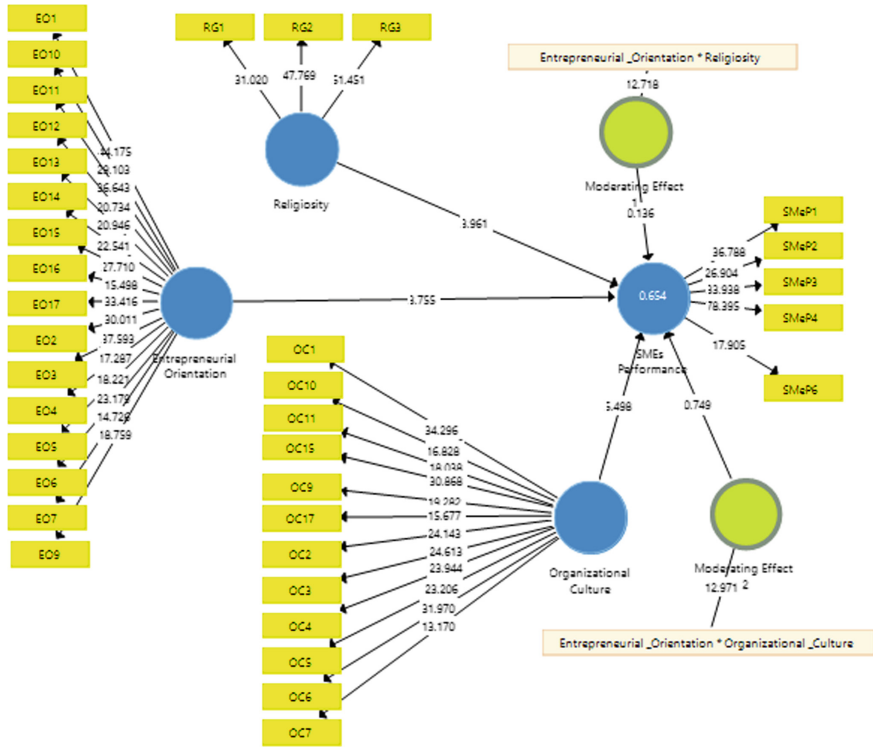
Table 1. Respondent characteristics

No.	Characteristics of Respondents		Frequency	Persentase
			(People)	(%)
1	Gender	Male	66	43
		Woman	86	57
		Amount	152	100
2	Age	≤25 years	2	1
		26–30 years	33	22
		31–35 years	40	26
		36–40 years	34	22
		≥40 years	43	28
		Amount	152	100
3	Level of education	High School	2	1
		Diploma	23	15
		Bachelor	124	82
		Postgraduate	3	2
		Amount	152	100
4	Business Length	<3 Years	12	8
		3–5 Years	34	22
		>5 Years	106	70
		Amount	152	100

Table 2. Cronbach's Alpha (CA), Composite Reliability (CR), Average Variance Extracted (AVE)

Variables	CA	CR	AVE
Entrepreneurial Orientation	0,940	0,947	0,528
Organizational Culture	0,918	0,930	0,525
Religiosity	0,803	0,884	0,718
SMEs Performance	0,875	0,910	0,671

To evaluate the study model, the bootstrap method was applied and replaced 5000 randomly sampled samples were used with a 95% confidence level [16].



Based on Table 3, we can conclude the result of the hypothesis test that the first hypothesis is positive and the p-value is 0.000. These findings demonstrate that EO significantly improves the performance of SMEs. In other words, the higher the entrepreneurial orientation of SME owners, the higher the performance of SMEs in Padang City, and the hypothesis is accepted. The second hypothesis is negative, with a p-value = 0.971. Both hypotheses are rejected because these results indicate that religion as a medium variable cannot enhance EO and performance of SMEs. The third hypothesis is negative, with a p-value = 0.971. These results indicate that organizational culture as a medium variable does not provide an enhancement between EO and performance in the city of Padang, thus rejecting the hypothesis (Figs. 2 and 3).

Table 3. Summary of Hypothesis Test

Hypothesis	Original Sample	Sample Mean (M)	Standard Deviation	T-value	P Value
H1: Entrepreneurial Orientation ↔ SMEs Performance	0,281	0,288	0,066	4,294	0,000
H2: Entrepreneurial Orientation x Religiosity ↔ SMEs Performance	-0,002	-0,009	0,063	0,036	0,971
H3: Entrepreneurial Orientation x Organizational Culture ↔ SMEs Performance	-0,024	-0,027	0,056	0,427	0,669

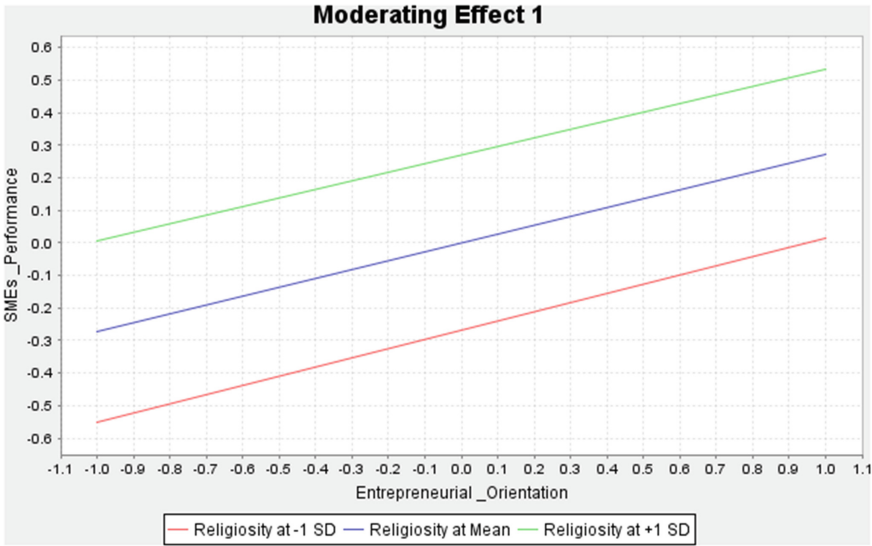


Fig. 2. Moderating effect 1 (Entrepreneurial Orientation*Religiosity - > SMEs Performance)

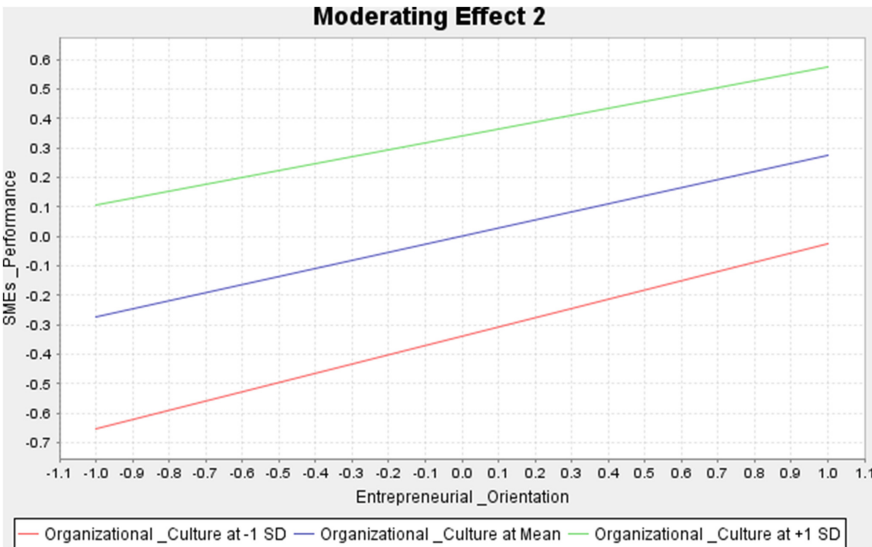


Fig. 3. Moderating effect 2 (Entrepreneurial Orientation*Organizational Culture - > SMEs Performance)

4 Discussion

Based on the results of a survey on the performance of SMEs, been demonstrated, that entrepreneurial orientation (EO) positive and significantly affects the performance of SMEs. This implies that a small business’s performance will be considerably enhanced

if it possesses an entrepreneurial orientation. The findings of this study corroborate those of earlier research by [2, 4–6] state that EO has a positive and significant impact on SMEs performance. The association between EO and SME success has not been demonstrated to be strengthened by religion, according to other findings. As a result, there is a less correlation between a person's entrepreneurial orientation and their ability to run a small business. Therefore, just as Muslim owners withhold debt because they violate religious teachings, the level of risk-taking of religious people is low. When owners are active and take risks, business success increases. Religious people are not allowed to use this dimension when developing their business. Because such behavior leads to anxiety. Therefore, religious people develop their businesses according to existing rules. As a result, the development of the business cannot be accelerated, but the blessing of Allah is the main foundation [8].

In addition, the organizational culture as a moderator between entrepreneurial orientation and the performance of SMEs in Padang City has not been proven. This means that organizational culture weakens the relationship between entrepreneurial direction and the performance of SMEs in Padang City. This suggests that UK owners are not confident in their ability to make important decisions about their work and tend to exploit them as a factor of production. UK owners tend to weaken their ability to develop ability to take the lead in managing their work. This situation suggests that UK owners are not able to take full advantage of their employees' skills and abilities. Qualified staff can be discouraged or dissatisfied with the underutilization of their skills and knowledge by UK owners, encouraging staff to look for better opportunities elsewhere. May prompt you. Organizational culture can affect SME performance if leaders take open attitudes, conflicts, and positive behavior [9, 10].

5 Conclusions

The study's findings demonstrate that SMEs' performance is significantly impacted directly by entrepreneurial orientation (EO). Religiosity and organizational culture did not succeed in enhancing the link between SMEs' performance and entrepreneurial orientation. This study suggests that it will be looked at and discussed again. Owners or managers of SMEs are expected to reevaluate their religious beliefs and organizational cultures in order to enhance their performance by enhancing and establishing aspect of religious and corporate cultural values.

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