Analysis Of The Impact Of Entrepreneurial Orientation On Innovation Capability And Organizational Performance

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Abstract. The purpose of this study was to investigate and assess, within the framework of SMEs Roti Maros in Makassar, the impact of entrepreneurial orientation on organizational performance through innovation capabilities. In order to collect data for this study, surveys and interviews were used in conjunction with questionnaires. The Partial Least Square (PLS) technique was employed in the structural equation modeling (SEM) analysis of the research data. Ten SMEs served as both the population and sample. Additionally, 31 respondents—a combination of managers and owners—were used. This study demonstrated that: (1) entrepreneurial orientation directly and significantly improved innovation capability as indicated by a p-value of less than 0.000; and (2) entrepreneurial orientation directly and significantly improved organizational performance as indicated by a p-value less than 0.000. (3) Based on a p-value of less than 0.000, innovation capability directly and significantly improves organizational performance; (4) Through innovation capability, entrepreneurial orientation significantly improves performance, as indicated by a p-value of 0.006.

Keywords: Entrepreneurial Orientation, innovation capability, organizational performance

1 Introduction

The turbulence in the business environment has made innovation a dominant source for developing sustainable competitive advantage. Companies that engage in greater innovation are more likely to succeed in the development of new technologies and responding to environmental changes, thus achieving superior performance [1]. Innovation capability can also be described as the ability to continuously develop innovations in response to a changing environment [2]. Therefore, innovative capability is expected to be a crucial factor that facilitates an innovative organizational culture, internal promotional activities, and the ability to accurately understand and respond to the external environment [3].

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A company's ability to generate innovation has been suggested to be highly critical for its success. Innovation can take the form of new products or services, new production processes, or new administrative structures or systems [4,5], A company's ability to generate creative outputs is referred to as its innovation capability. Furthermore, to maintain performance and survive in the highly dynamic and competitive current environment, companies are not only required to engage in simultaneous exploitative innovation capability but also need the willingness to involve the concept of entrepreneurship, referred to as entrepreneurial orientation [6].

Entrepreneurial orientation and innovation capability are considered as primary sources of strength in achieving firm performance, particularly in a continually changing business environment. In numerous studies on the dimensions of entrepreneurial orientation (EO), experts concur that EO comprises three key sub-dimensions, spesifically innovativeness, risk-taking, and proactiveness [7]. In contrast, based on research [8] conducted with 450 employees and bank customers in Ghana, innovation capability is delineated by four critical dimensions: organizational innovation, product innovation, process innovation, and market innovation.

Several empirical studies indicate that entrepreneurship significantly influences innovation capability and performance [9]. A case study conducted by [10] on textile companies in Taiwan concluded that a high level of entrepreneurship affects innovation capability and fosters sustainable innovation. Research findings by [11] revealed that entrepreneurship practiced by SMEs should be oriented toward innovation to have a somewhat better chance of financial success compared to competitors.

Research on the relationship between innovation capability and firm performance has been extensively explored by scholars, but it has yielded inconsistent results. Some empirical studies suggest a strong correlation between innovation capability and firm performance. Empirical research conducted by [12] on 120 small and medium-sized handwoven businesses in Jepara found that innovation capability has a positive and significant impact on SME performance. Furthermore, a study conducted by [13] concluded that management capability and technological innovation have a positive and significant influence on performance in financial aspects, internal business processes, learning, and growth. However, it's worth noting that innovation can often lead to new product failures in some cases, with failure rates ranging from around 40% to 75% and an annual failure rate of approximately 50% [14]

Several studies indicate that entrepreneurial orientation can enhance business performance [15,16,17,18] and financial performance [19]. Conversely, other research presents differing results, suggesting that entrepreneurial orientation negatively impacts financial and operational performance, and that innovation as a dimension of entrepreneurial orientation also does not influence business performance.[20]

Based o n the findings of empirical research, it is evident that there are still inconsistent research results or research gaps concerning the relationship between innovation capability and firm performance, as well as the relationship between entrepreneurial orientation and firm performance. Therefore, this study aims to investigate the relationship between how entrepreneurial orientation influences firm performance, mediated by innovation capability, with the primary focus of the research on the variable of innovation capability as the mediating variable.

This study represents an extension of research conducted by [13] and the research carried out by [12] that examined the relationship between innovation capability

and firm performance. Furthermore, the research [15,19] only explored how entrepreneurial orientation relates to firm performance. Therefore, it is necessary to conduct research to investigate the influence of entrepreneurial orientation on firm performance through innovation capability as a mediating variable.

2 Literature Review and Hypotesis

2.1 Entrepreneurial Orientation/EO

Fgf Miller originally presented the idea of Entrepreneurial Orientation (EO) in his 1983 study, "The correlates of entrepreneurship in three types of firms." According to Miller, *"Entrepreneurial Orientation is an entrepreneurial firm as one that engages in product marketing innovation, undertakes somewhat risky ventures, and is first to come up with proactive innovations."* According to this concept, creativity, taking risks, and proactiveness are three essential EO aspects. Refs. [21] state that created a five-dimensional model of EO by adding two more dimensions: autonomy and competitive aggressiveness. EO is closely related to firm performance. Companies with a high entrepreneurial orientation have the ability to identify or seize opportunities in highly competitive business environments. This ability gives them a competitive advantage over other firms. This research incorporates all five dimensions, which are a combination of Miller's and Lumpkin & Dess's perspectives. These five dimensions include innovation, risk-taking, pro-activeness, autonomy, and competitive aggressiveness.

According to Refs. [21] defined innovation as a company's tendency to engage in and support new ideas, experiments, experimentation, and creative processes or research and development that can result in new products, services, or technological processes. Proactiveness refers to how a business responds to market opportunities by developing prospects, seeking opportunities, where new products and services are introduced ahead of competitors as a means to enhance competitiveness. Risk-taking is viewed as a company's inclination to engage in risky projects with high levels of uncertainty regarding outcomes and unknown probabilities of success, as a means to achieve corporate objectives [21]. According to Refs. [21] emphasized that competitive aggressiveness focuses on how a business relates to existing market trends and conditions. Autonomy is considered as one's strong desire to freely develop and implement their ideas[22]. When employees are given autonomy, they will strive to act entrepreneurially and, thus, contribute to enhancing business performance [22].

2.2 Innovation Capability

ff Innovation is a vital organizational capability as the success of new products serves as an engine for growth, resulting in increased sales, profits, and competitive strength for many organizations [23]. Moreover, a company's innovation capability ultimately yields superior firm performance [24]

According to Refs. [25] state that innovation capability involves generating new ideas and knowledge to capitalize on market opportunities. Meanwhile, according to Muskat, B *et al*. (2010), innovation capability for products is the ability to bring in new knowledge or technology to develop new products. Innovation capability is

indispensable in a business environment with many competitors and susceptible to saturation.

In empirical research on innovation capability, several dimensions can be employed. According to Refs.[26] the dimensions of innovation capability involve: (a) the company seeks new ways to do things; (b) the introduction of new products has increased in recent years; (c) the company consistently explores new ideas; and (d) the company is the first to market new products and services.

Furthermore, the dimensions constructed by [27] are more focused on product innovation, such as: (a) Several product-related innovations are introduced to develop new products; (b) High-quality technical innovations are introduced to develop new products; (c) Compared to similar products developed by competitors, this product offers unique features/attributes/benefits; (d) This product introduces many entirely new features in its product class.

- Organizational Innovation

The point to which modifications are made to an organization's management style is known as organizational innovation. The implementation of unique organizational techniques in a company's, organization's, or external relationships' business practices is defined as organizational innovation by Refs. [28]. Thus, by reducing expenditures and raising customer and staff satisfaction, organizational innovation could enhance organizational performance [8].

- Product Innovation

Refs [28] characterize product innovation as a newly developed good or service that greatly enhances its features or intended application. This can involve a major improvement in terms of technical specs, parts and materials, integrated software, environmental friendliness, or other useful features. Technical specifications, features, components and materials, embedded software, environmental friendliness, portability, durability, and other important attributes must all be significantly improved as part of product innovation [8]. Product innovation therefore refers to a product's quality, prominent characteristics, and technique for operation.

- Process Innovation

Process innovation is the introduction of new and enhanced methods of production or service delivery by a company, which involves significant changes in techniques, equipment, as well as tools and machinery [29] (Muskat, B *et al*., 2021). According to the OECD (2005), process innovation is any organization implementing a significant new production process over a specified period defined by the organization. This typically entails incremental improvements carried out by employees and managers.

- Market Innovation

Marketing innovation inact a highly significant role in ensuring and enhancing the success of innovation. Marketing innovation encompasses all innovation management activities that aid in promoting the market success of new products and services. It is the successful marketing of new products or services to meet customer needs. Marketing innovation is geared towards anticipating future needs and assisting in identifying future market opportunities [30]

2.3 Company Performance

Company performance is the result of management processes that provide benefits to the organization. According to Ref [31], performance can be defined as the ability of a measurement object to achieve results in relation to the organization's goals. Performance can refer to the actual output of a specific activity, how an activity is performed, or the ability to achieve results [32].

The output of the organization is referred to as performance in this study, and performance is predicted by innovation and innovation capability. In short, there are two primary categories of performance for a company: financial performance and operational performance [31]. Profitability and other outcomes are related to financial performance, whereas productivity and other outcome determinants are related to operational performance. Cost-based measurements are useful to evaluate financial performance; however, both cost-based and non-cost-based data can be applied to evaluate operational performance [31,32].

According to Kurniawan *et al*. (2020) [33], financial performance includes indicators such as sales growth, profitability, and earnings per share. However, a broader (non-financial) operational performance encompasses measures such as market share, product quality, new product introductions, marketing effectiveness, manufacturing added value, and other technology efficiency measures.

This study follows the research results [32], which classify company performance as a two-dimensional construct focusing on the B2B (Business-to-Business) context. In this B2B context, it is assumed that the organization's level of success in achieving both high financial and non-financial performance consists of factors such as sales revenue, profit margin, cash flow, market share, product and service quality improvement, and customer satisfaction.

3 Method

The research design employed in this study is an explanatory research, which aims to explain and analyze the direct and indirect relationships among the hypothesized variables using structural equations. Survey methods are typically utilized in exploratory and descriptive research to collect data about individuals, events, or situations [34]. The study's location is Micro, Small, and Medium-sized Enterprises (SMEs) Roti Maros, located in Maros Regency and Makassar City. This study will be conducted among the owners and staff involved in the operational and financial decision-making processes.

The research population consists of the entire group of people, events, or entities that the researcher wishes to investigate [34]. The research population for this study comprises ten (10) Micro, Small, and Medium-sized Enterprises (SMEs) operating in the Maros Regency and Makassar City. Due to the small population size, it is feasible to employ a saturated sample. A saturated sample is a sampling technique that includes the entire population [33]

Furthermore, the units of analysis in this research are the owners of the SMEs and the staff members in the operational and financial departments who are involved in

decision-making (Decision Making). Questionnaires will be administered to the SMEs owners and managerial staff to explore their perceptions of entrepreneurial orientation practices, which encompass five indicators: innovation, risk-taking, proactiveness, autonomy, and competitive aggressiveness. Additionally, the questionnaire will inquire about the perceptions of SMEs owners and managerial staff regarding innovation capability, which includes organizational innovation, product innovation, process innovation, and market innovation, as well as the measurement of the performance of SMEs Roti Maros using two dimensions: financial performance and operational performance. Subsequently, the selected respondents will be provided with a questionnaire containing several closed and open-ended questions, employing a five-point Likert scale reflecting responses from strongly disagree (Point 1) to strongly agree (Point 5).

Furthermore, the units of analysis in this research encompass both owners and employees holding managerial positions in top management, middle management, and low management levels, who are involved in decision-making. Therefore, the scope of the sample selection is constrained by the following criteria: (a) the current position of the respondent is managerial staff or owner; (b) the banking institutions where the respondents work have been in operation for more than three years; (c) the banking institutions where the respondents work have published their financial reports for at least the past three years. Subsequently, the selected respondents will be provided with a questionnaire containing several closed and open-ended questions, utilizing a five-point Likert scale that ranges from strongly disagree (Point 1) to strongly agree (Point 5).

This study will employ two data collection methods, spesifically questionnaires and interviews. The questionnaire method will be administered to approximately 37 respondents, comprising owners and staff in the operational and financial departments involved in decision-making (Decision Making). The questionnaire method will be utilized to explore the respondents' perceptions of entrepreneurial orientation practices, innovation capability, and the performance of SMEs Roti Maros.

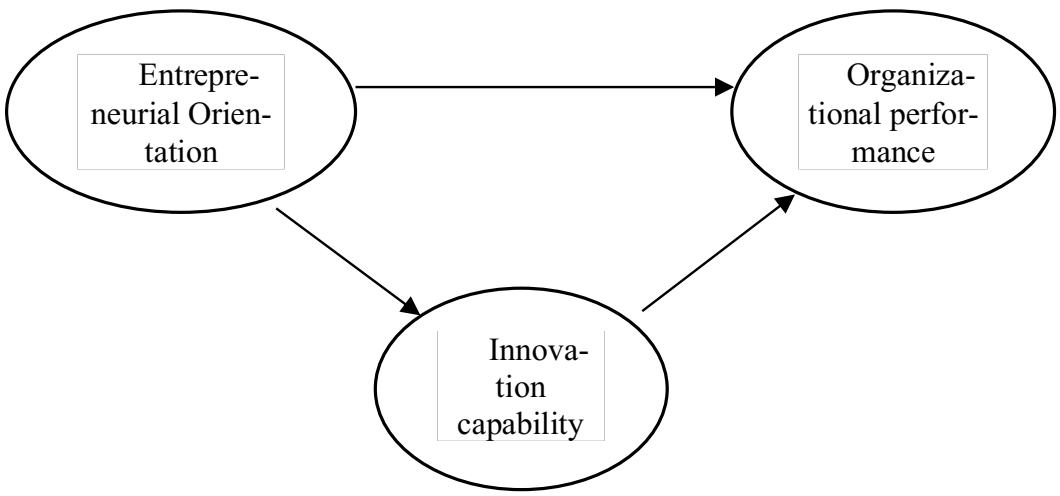

Figure 1 Research Model

The following are the hypotheses that will be investigated in this study based on the relationship between theory and previous study results.

H1: Entrepreneurial Orientation impacts Innovation capability.
H2: Entrepreneurial Orientation impacts organizational performance.
H3: Innovation capability impacts organizational performance
H4: Entrepreneurial Orientation impacts organizational performance throught Innovation capability

4 Analysis, Result and Discussion

4.1 Respondent Characteristic

The units of analysis in this research are the SMEs Roti Maros in Maros and Makassar, with respondents including owners, managers, and supervisors. A total of 37 questionnaires were distributed to the respondents across the 10 SMEs. Out of this number, 6 questionnaires were not completed and returned, resulting in a total of 31 questionnaires that were suitable for data processing.

The characteristics of the respondents based on gender, age, duration in their current position, length of employment in the company, and level of education are presented in Table 1.

Table 1. ***SMEs Roti Maros Respondent Characteristic***

Respondent Characteristic		Total (Person)	Percentage (%)
1. Gender	a. Male	23	74.41
	b. Female	8	25.58
2. Age	a.25 – 40	12	0.38
	b.41 – 50	7	0.29
	c.51 – 60	10	0.31
	d. Above 60	3	0.09
3. Duration in their current position (Year)	0 – 5	13	0.41
	6 - 10	9	0.28
	11 - 15	7	0.22
	Above 15	3	0.09
4. Length of employment in the company (Year)	0 – 5	7	0.22
	6 - 10	8	0.25
	11 - 15	11	0.34
	Above 15	16	0.19
5. Level on education	SHS	25	0.81
	Bachelor	5	0.16
	Diploma	1	0.03

Table 1 shows that male respondents dominate, accounting for approximately 74.4% of the total. In general, the respondents' ages are on average between 25-40 years and 51-60 years. Respondents are predominantly employees who have been working for 0-

5 years (41%). Furthermore, most respondents have been employed for 11-15 years, with an average education level of Senior High School (SHS).

4.2 Assesing of Measurement Model (Outer Model)

Three criteria are used in SEM-PLS data analysis techniques to evaluate the measurement model (outer model). The formative measurement model and the reflective measurement model comprise the measurement model. The reflective measurement model is used in this study. Convergent validity, discriminant validity, and internal consistency reliability—composite reliability and Cronbach's Alpha—are requirements for the reflective measurement model [35].

In order to ensure convergent validity for reflective constructs, the outer model needs to satisfy two requirements: (1) loading factors must be greater than 0.70, and (2) the p-value must be less than 0.05 [36]. It is possible that loading factors exceeding 0.70 will not always be met, particularly in the case of recently developed questionnaires. Loading factors in the range of 0.40 to 0.70 should thus continue to be taken into account and used [36]. Table 2 displays the estimation outcomes of the outer loading for the three variables.

Table 2. **Outer loading estimation**

	Entrepreneur Orientation	Innovation Capability	Organization Performance
EO1	**0.934**		
EO2	**0.677**		
EO3	**0.807**		
IC1		**0.784**	
IC2		**0.876**	
IC3		**0.815**	
OP1			**0.933**
OP2			**0.933**

The loading factor values for the Entrepreneurial Orientation variable with three measurement indicators are X11=0.934, X12=0.677, X13=0.807. Additionally, the values for the Innovation Capability variable with three measurement indicators are Y11=0.784, Y12=0.876, Y13=0.815. The values for the Organization Performance variable with two measurement indicators are Y21=0.933, Y22=0.933. All the indicators for the Entrepreneurial Orientation, Innovation Capability, and Organization Performance variables have loading factor values above 0.60, thus meeting the criteria for validity.

After evaluating convergent validity, the next evaluation involves examining discriminant validity by comparing the square root of the average extracted (AVE) values for each construct with the correlations between the constructs and other constructs in the model. If the square root of AVE is greater than the correlation coefficient with other variables, then the questionnaire is considered to have discriminant validity. The AVE and Average Variance Extracted (AVE) values are shown in Table 3

Table 3. AVE Value

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Entrepreneur Orientation	0.773	0.852	**0.661**
Innovation Capability	0.765	0.865	**0.682**
Organization Performance	0.851	0.931	**0.871**

The AVE values for each construct are as follows: Entrepreneurial Orientation is 0.661, Entrepreneur Orientation is 0.682, and BPR Performance is 0.871. Therefore, all three constructs have values ≥ 0.50, indicating that these three constructs are considered valid. The next step is to perform a discriminant validity test by comparing the square root of AVE values with the correlations between latent constructs.

Table 4. **AVE value Latent value of correlation variables, AVE and Square Root AVE**

	Entrepreneur Orientation	Innovation Cafability	Organization Performance
Entrepreneur Orientation	**0.813**	0.667	0.778
Innovation Capability	0.667	**0.826**	0.743
Organization Performance	0.778	0.743	**0.933**

Table 4 shows that all variables have AVE > 0.50, and the square root of AVE values (on the main diagonal) is higher than the correlations with other variables. For example, the Entrepreneur Orientation variable has a square root of AVE of 0.813, with correlations of 0.667 (Innovation Capability) and 0.778 (Organization Performance). Therefore, it can be concluded that the measurement model evaluation has good discriminant validity.

The final measurement evaluation is to determine the values of Composite Reliability and Cronbach's Alpha for each variable. If the Composite Reliability values for each variable are > 0.70, it can be said that the constructs have high reliability. Similarly, if the Cronbach's Alpha values for each variable are > 0.70, it can be said that the constructs have high reliability. The Cronbach's Alpha and Composite Reliability values are shown in Table 5.

Table 5. Cronbach's Alpha Value and Composite Reliability

	Cronbach's Alpha	Composite Reliability
Entrepreneur Orientation	0.773	0.852
Innovation Cafability	0.765	0.865
Organization Performance	0.851	0.931

The results indicate that the Composite Reliability for the Entrepreneur Orientation construct is 0.852, for the Innovation Capability construct is 0.865, and for the Organization Performance construct is 0.931. All of these composite values are above 0.70. Similarly, the Cronbach's Alpha values for all constructs are above 0.70. Thus, the Entrepreneur Orientation, Innovation Capability, and Organization Performance constructs are considered to have good reliability or are categorized as reliable.

4.3 Structural Model Evaluation (Inner model)

After the measurement model evaluation, the next step is to evaluate the structural model by examining the values of R-squared (R^2) or the coefficient of determination of relationships between constructs. R-squared indicates the proportion of the response variable that can be explained by the predictor variable. From the data processing results, the value of R-squared can be determined, as shown in table 6.

Table 6. R-squared (R2) and P value

	R-squared (R^2)	P Value
Innovation Capability	**0.520**	<0.01
Organization Performance	**0.710**	<0.01

Based on the output from the bootstrap analysis, the R-Square value for the Innovation Capability variable is 0.520, which means that 52% of the variability in Innovation Capability can be explained by the Entrepreneurial Orientation in the model, categorizing it as strong. Furthermore, the R Square Adjusted value for the Organization Performance variable is 0.710, signifying that 71% of the variability in performance that can be explained by the Innovation Capability and Entrepreneurial Orientation variables in the model is also categorized as strong.

With these coefficient of determination (R-Square) values, the Predictive Relevance Model (Q2) can be calculated as follows:

$$Q_2 = 1 - (1-R_1^2)\,(1-R_2^2)$$
$$Q_2 = 1 - (1 - 0{,}520)\,(1 - 0{,}710)$$
$$Q_2 = 0{,}86$$

The calculated result indicates that the Q2 value is 86%, which means that the accuracy or precision of this research model can explain 86% of the variation in the Entrepreneurial Orientation variable towards Innovation Capability and Organization Performance. The remaining 14% is explained by other unanalyzed variables. Therefore, the research model is considered to be quite good as it has a Q2 > 0.000 (Latan and Ghozali, 2012), making the model suitable for hypothesis testing.

4.4 Structural Equation Modeling Partial Least Square Result (SEM-PLS)

Based on the evaluation of the measurement model (outer model) and structural model (inner model) as discussed earlier, the structural path model is depicted as follows:

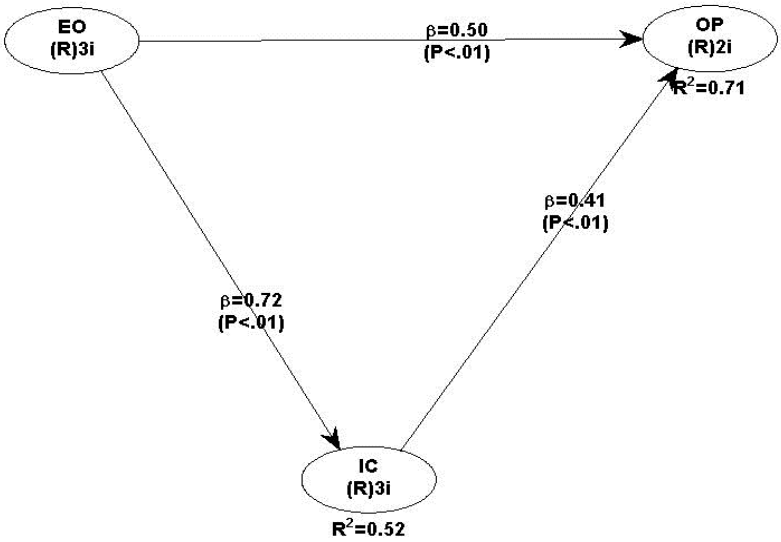

Figure 2. PLS Result

4.1.1. *Hypotesis Testing Result*

Hypothesis testing is essentially conducted to examine theories based on empirical evidence in the field. From the data analysis results, the magnitude of the relationships between exogenous and endogenous variables can be determined, including direct relationships, indirect relationships, and the overall relationships, as well as the test of significance. The decision criteria for hypothesis testing are as follows: if the p-value is <= 0.10 or alpha 10%, it is considered weakly significant; if the p-value is <= 0.05 or alpha 5%, it is considered significant, and if the p-value is <= 0.01 or alpha 1%, it is considered highly significant [37]. The results of hypothesis testing regarding direct relationships are presented in tables 7 and 8.

Table 7. Direct Effect Structure

Construct	Direct Effect	P-Value	Description *)	Conclusion
EO -> IC	0.72	<0.01	Very Significant	Accepted
EO -> OP	0.50	<0.01	Very Significant	Accepted
IC -> OP	0.41	<0.01	Very Significant	Accepted

Table 8. Indirect Effect

	Indirect Effect	P value	Description
Entrepreneur Orientation -> Innovation Cafability -> Organization Performance	**0.296**	**0.006**	Significant

Based on Tables 7 and 8, the research test results can be explained as follows:

a. Entrepreneur Orientation has a significant positive effect on Innovation Capability, as indicated by a parameter coefficient of 0.72. The significance value, which is 0.000, is smaller than the 5% alpha level, so the hypothesis is accepted.
b. Entrepreneur Orientation does not have a significant effect on Organization Performance, as indicated by a parameter coefficient of 0.50, and the significance value, which is 0.000, is smaller than the 5% alpha level, so the hypothesis is accepted.
c. Innovation Capability has a significant positive effect on Organization Performance, as indicated by a parameter coefficient of 0.41, and the significance value is 0.000, which is smaller than the 5% alpha level, so the hypothesis is accepted.
d. Entrepreneur Orientation has a significant positive effect on Organization Performance through Innovation Capability, as indicated by a parameter coefficient of 0.296, with a significance value of 0.006, which is smaller than the 0.05 alpha level. In other words, the entrepreneurial orientation variable acts as a mediator or intervening variable. Innovation Capability plays a beneficial role in mediating the relationship between Entrepreneur Orientation and Organization Performance.

The Influence of Entrepreneurial Orientation on Innovation Capability

According to the study's conclusions, entrepreneurial orientation significantly and favorably affects innovation capability. Between these two variables, there is a statistically significant route coefficient. This finding suggests that the more effectively Entrepreneur Orientation is implemented, the more effectively Innovation Capability is implemented. A case study conducted by Lin, Miao, and Nie (2012)[10] in a textile company in Taiwan concluded that high entrepreneurial intensity affects innovation capability and promotes sustainable innovation. Saunila's research (2013)[31] found that entrepreneurship conducted by SMEs must be oriented towards innovation to have a slightly better chance of financial success compared to competitors.

The Influence of Entrepreneurial Orientation on organizational performance

Referring to the research findings, Entrepreneur Orientation has a positive and significant influence on organizational performance. The path coefficient between these two variables is statistically significant. This result indicates that the better the

implementation of Entrepreneur Orientation, the better the implementation of organizational performance. Several studies indicate that entrepreneurial orientation can enhance organizational performance [15-19]. Conversely, other research presents differing results, suggesting that entrepreneurial orientation negatively impacts financial and operational performance, and that innovation as a dimension of entrepreneurial orientation also does not influence business performance [20].

The Influence of Innovation Capability on organizational performance

Research indicates that Innovation Capability has a positive and significant impact on organizational performance. There is a statistically significant route coefficient between these two variables. This result implies that innovation capability is implemented more successfully when entrepreneur orientation is applied. Some empirical studies suggest a strong correlation between innovation capability and firm performance. The results of this study support the research [12] on 120 small and medium-sized handwoven businesses in Jepara found that innovation capability has a positive and significant impact on SME performance. Furthermore, accourding to Refs.[13] concluded that management capability and technological innovation have a positive and significant influence on performance in financial aspects, internal business processes, learning, and growth. However, it's worth noting that innovation can often lead to new product failures in some cases, with failure rates ranging from around 40% to 75% and an annual failure rate of approximately 50% [14]

The Influence of Entrepreneurial Orientation on organizational performance throught Innovation Capability

Through innovation capability, Entrepreneur Orientation significantly improves Organization Performance. Stated a certain way, the variable describing a sense of entrepreneurship functions as a mediator or intervening factor. The relation between Entrepreneur Orientation and Organization Performance is positively mediated through Innovation Capability.

5 Conclusion, Limitations, and Future Research

The results of this research indicate the significant effects of innovation capability and entrepreneurial orientation on business performance. The achievement of an organization can be continuously achieved by making adequate use of innovation capability, particularly in the SMEs Roti Maros. From a practical perspective, this research implies that in achieving good performance, both financial and operational performance, companies need to innovate continuously. The limitation acknowledges that when Likert scales are used, the results are proxies based on the respondent's perceptions rather than direct measures of each variable. This limitation is shared by the majority of questionnaire studies of this kind. Future research should measure other variables besides innovation capability and entrepreneurial orientation so that company performance is better, where these variables are external. For example, company performance assessments

involving consumer's perseptions. Thus, the results of the performance assessment get more comprehensive results.

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