The Influence of Entrepreneurial Competencies on Business Performance

A Study of Embroidery Industry Business Actors in Tasikmalaya City

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Abstract. This study aims to analyze the influence of entrepreneurial competencies on business performance among embroidery industry entrepreneurs in Tasikmalaya City. A quantitative approach was employed using a survey method involving 114 business owner respondents. The research instrument, in the form of a questionnaire, was developed based on indicators of abilities, skills, and knowledge, as well as five dimensions of business performance: financial, product, market, human resources, and innovation. Data analysis was conducted using Partial Least Square (PLS) with the assistance of SmartPLS 4 and SPSS 27 software. The results show that entrepreneurial competencies have a positive and significant effect on business performance, with a coefficient of determination (R^2) of 80.3%. These findings indicate that improving entrepreneurial competencies can significantly enhance the competitiveness and sustainability of local embroidery businesses. This study offers practical contributions to the development of human resource capacity in MSMEs within the regional creative economy sector.

Keywords: Entrepreneurial Competencies, Business Performance, MSMEs, Embroidery Industry.

1 Introduction

Entrepreneurship is one of the key pillars in supporting a country's economic growth, as it fosters innovation, creates jobs, and strengthens national competitiveness [1]. This significant role is further reinforced by entrepreneurship's contribution to accelerating technological change and creativity, both of which are essential in facing the challenges of competitive markets [2]. According to Indonesia's Ministry of Trade policy, national economic growth will become stronger if at least 2% of the population becomes entrepreneurs [3]. Furthermore, entrepreneurship is considered crucial in reducing social inequality through job creation [4].

The intensifying global competition has compelled business actors to become more adaptive in maintaining their competitive advantage. Not only large corporations, but

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Micro, Small, and Medium Enterprises (MSMEs) are also required to compete in a dynamic market [5]. Unfortunately, the reality shows that many MSMEs in developing countries still face serious challenges in maintaining their business performance due to low managerial capacity and limited business strategies [6].

Business performance, as an indicator of a business's success, reflects the extent to which business goals are achieved effectively and efficiently [7]. This performance is not only measured from a financial perspective such as profit and sales, but also includes customer satisfaction, market growth, and resilience against competitors [8, 9]. At the macro level, MSMEs contribute significantly to the national economy, both in terms of employment absorption and Gross Domestic Product (GDP) [10]. Ayyagari et al. noted that MSMEs account for a large portion of GDP and employment in many countries [11].

Indonesia is recorded as having the highest number of MSMEs in the ASEAN region, totaling 65.46 million units in 2021, absorbing around 97% of the workforce and contributing more than 60% to the national GDP [12]. However, in terms of productivity and export contribution, Indonesian MSMEs still lag behind neighboring countries. West Java is the province with the highest number of MSMEs, reaching 1,494,723 business units in 2022. However, several regions have experienced a decline in the number of business units, one of which is Tasikmalaya City [13]. Tasikmalaya City, known as a center for handicrafts—particularly embroidery—has seen a significant decrease in the number of MSMEs over the past four years.

Table 1. Micro and Small Enterprises in Tasikmalaya City 2018-2022

Year	Number of Business Units
2018	25.680
2019	33.101
2020	33.089
2021	30.306
2022	26.706

According to data from BPS, the number of micro and small enterprises in Tasikmalaya City declined from 33,101 in 2019 to 26,706 in 2022 [14]. The embroidery industry, which once thrived and even penetrated export markets, is now in decline due to high production costs, competition from imported products, and a lack of innovation [15, 16].

As the second leading commodity in Tasikmalaya City, the embroidery industry employs thousands of workers and serves as a livelihood source for the local community. However, shifting market trends, changes in consumer preferences, and limitations in technology adoption have made it difficult for business actors to maintain their performance. Based on interviews and field data, a decline in revenue of up to 75%, reduced production volume, and a surge in business closures have become common occurrences [17, 18].

This decline in business performance indicates that MSMEs, particularly the embroidery industry in Tasikmalaya, require reinforcement in human resources, especially in terms of entrepreneurial competencies. These competencies are considered capable of enhancing adaptability, innovation, and strategic decision-making in facing market

challenges. Therefore, this study will focus on analyzing the influence of entrepreneurial competencies on business performance among embroidery industry entrepreneurs in Tasikmalaya City.

Entrepreneurial competencies are a combination of knowledge, skills, and attitudes that enable an entrepreneur to run and grow their business effectively and sustainably. These competencies include the ability to identify opportunities, think strategically, manage risks, as well as lead and innovate [19]. An entrepreneur with high competency is considered more capable of surviving in dynamic market conditions and utilizing resources efficiently to achieve business goals.

The concept of entrepreneurial competencies is not limited to technical aspects but also includes behavioral and managerial competencies. Spencer and Spencer [20] classify competencies into five main categories: motives, traits, self-concept, knowledge, and skills. In the context of MSMEs, these five aspects are crucial since business owners often serve simultaneously as proprietors, managers, and operational executors [2]. Therefore, improving competencies in various aspects is essential to ensure the sustainability and performance of the business.

Business performance is defined as the result of business processes, which can be observed from both financial and non-financial perspectives. Financial performance includes profitability, cost efficiency, and sales growth; while non-financial performance includes customer satisfaction, consumer loyalty, and business reputation [9]. Business performance is often used as a primary indicator to measure the effectiveness of a business strategy and managerial decisions [7].

The relationship between entrepreneurial competencies and business performance has been demonstrated in various previous studies. Ibidunni et al. [21] showed that entrepreneurial competencies directly contribute to improved business performance through enhanced innovation processes, decision-making, and resource management. Similar findings were revealed by Nuryanti and Hanifah [18], who stated that entrepreneurial competencies have a positive correlation with the achievement of business goals. Yani et al. [2] even emphasized that competency dimensions such as proactiveness and creativity are dominant factors in strengthening business performance.

Previous studies have also shown that the influence of entrepreneurial competencies on business performance applies across various sectors, including the creative industry, culinary, fashion, and manufacturing. However, few studies have specifically explored this relationship in the context of traditional embroidery industries, such as those in Tasikmalaya City. In fact, the characteristics of home-based and traditional businesses pose unique challenges, particularly in innovation, production efficiency, and marketing strategies. Therefore, this study attempts to fill that gap by focusing on the embroidery sector as a regional leading industry.

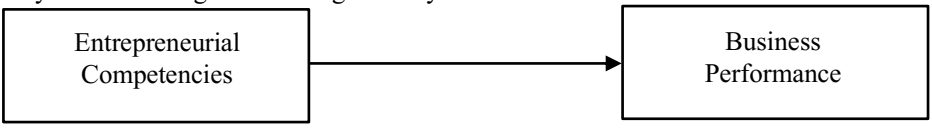

Fig. 1. Research Paradigm

Based on the aforementioned explanation, the paradigm of this study assumes that entrepreneurial competencies have a significant influence on business performance. Enhancing competencies in managerial, innovative, and leadership aspects is expected to directly contribute to increased revenue, productivity, and the resilience of embroidery businesses amid market competition and the influx of imported products.

2 Methods

This study uses a quantitative approach with a survey method to collect primary data from embroidery business actors in Tasikmalaya City. The research design is causal in nature, aiming to examine the influence of the independent variable (entrepreneurial competencies) on the dependent variable (business performance).

The population of this study consists of all entrepreneurs in the embroidery industry in Tasikmalaya City. The sampling technique used is non-probability sampling. A total of 114 respondents were obtained, based on the recommendation by Hair et al. [22], who state that the minimum sample size for PLS analysis is 5–10 times the number of indicators.

The research instrument was developed in the form of a questionnaire using a 7-point Likert scale, consisting of two main constructs: entrepreneurial competencies and business performance. The entrepreneurial competencies variable was adapted from indicators developed by Man et al. [19], which include abilities, skills, and knowledge. Meanwhile, business performance is measured through financial performance, product performance, market performance, human resource performance, and innovation performance, in line with the concept developed by Alyahyaei et al. [23].

Data collection was conducted directly by distributing the questionnaires to respondents through field visits and with the assistance of enumerators.
The data analysis process in this study consists of five main steps:

1. Data preparation, which includes checking the completeness of respondent identities, data integrity, and the alignment of responses with the research objectives.
2. Data selection, conducted to ensure the accuracy and validity of the information obtained from the respondents.
3. Data tabulation, which includes:

   a) Inputting data into Microsoft Excel,
   b) Scoring each questionnaire item,
   c) Summing the scores for each indicator,
   d) Ranking the scores for each research variable.

4. Data analysis, which involves processing the data using statistical methods to interpret the findings and draw conclusions about the relationships between variables.
5. Hypothesis testing, conducted using descriptive and explanatory analysis. In this study, the data analysis technique used to examine the correlation between variables

is path analysis, assisted by IBM Statistical Product for Service Solutions (SPSS) version 27.0 for Windows.

The testing includes evaluation of the outer model (convergent validity, construct reliability) and the inner model (R-square, path coefficients, and significance testing using bootstrapping). The Variance Inflation Factor (VIF < 5) is used to assess multicollinearity, while the Q-square is used to assess the model's predictive relevance.

3 Result and Discussion

3.1 Respondent Characteristics

This study involved 114 embroidery business owners in Tasikmalaya City. The characteristics of the respondents are described based on gender, age, marital status, education, business duration, number of employees, income, and monthly production. The majority of respondents were male (78.9%), over the age of 50 (56.2%), married (97.4%), and had completed high school education (63.1%). Most of the businesses had been operating for more than 15 years (77.2%) and employed more than 10 workers (83.3%). The majority of monthly income ranged between IDR 10 million and IDR 20 million (38.6%), and the most common production volume was between 1,000 and 5,000 pieces per month (45.6%).

3.2 Result of Descriptive Data Analysis

Recapitulation of Responses to Entrepreneurial Competencies Variables
The entrepreneurial competencies variable consists of three dimensions: abilities, skills, and knowledge. The total scores of each dimension indicate that respondents provided positive responses regarding the entrepreneurial competencies they possess. The following is the summary of these scores:

Table 2. Recapitulation of Responses to Entrepreneurial Competencies Variables

No	Dimension	Total Score	Ideal Score	Average Score	Percentage
1	Abilities	16.747	19.152	5.582,34	87,44%
2	Skills	16.617	19.152	5.539	86,76%
3	Knowledge	12.546	14.364	4.182	87,74%
	Total	**45.910**	**52.668**	**15.303,34**	**87,31%**

Source: Author's work

The dimension with the highest score is knowledge with a percentage of 87.74%, while the lowest is skills at 86.76%. The total score from all dimensions is 45,910, which falls into the "good" category based on the following continuum line:



Fig. 2. Entrepreneurial Competencies Assessment Continuum

Recapitulation of Business Performance Variable Responses

The business performance variable consists of five dimensions: financial, product, market, human resource, and innovation performance. A summary of respondents' response scores for each dimension is presented in the following table:

Table 3. Recapitulation of Business Performance Variable Responses

No	Dimension	Total Score	Ideal Score	Average Score	Percentage
1	Financial Performance	11.918	14.364	3.972,67	82,97%
2	Product Performance	8.304	9.578	4.152	86,72%
3	Market Performance	12.579	14.364	4.193	87,57%
4	Human Resource Performance	8.296	9.578	4.148	86,63%
5	Innovation Performance	8.379	9.578	4.149,50	87,50%
	Total	**49.476**	**57.456**	**20.615,17**	**86,10%**

The dimension with the highest percentage was market performance (87.57%), while the lowest was financial performance (82.97%). The total score of 49,476 out of a maximum score of 57,456 falls into the "good" category according to the following continuum:

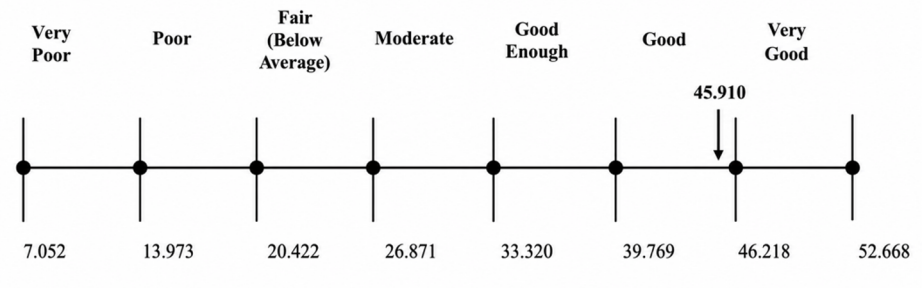

Fig. 3. Business Performance Assessment Continuum

3.3 Result of Verification Data Analysis

Testing Classical Assumption

Normality Test

This study conducted a normality test to determine whether the data obtained from the research results on respondents was normally distributed. The normality test was conducted using SPSS (Statistical Product for Service Solution) 27.0 for Windows. The results of the normality test can be seen in table below.

Table 4. Normality Test Results

Parameter	Unstandardized Residual
N	114
Mean	0.0000000
Std. Deviation	11.5127853
Most Extreme Differences (Absolute)	0.050
Most Extreme Differences (Positive)	0.028
Most Extreme Differences (Negative)	-0.050
Test Statistic	0.050
Asymp. Sig. (2-tailed)	0.200
Monte Carlo Sig. (2-tailed)	0.688
99% CI Lower Bound	0.676
99% CI Upper Bound	0.700

Based on the table above, the data obtained from the Kolmo-Gorov-Smirnov calculation obtained a value of 0.2. This value is >0.05, so it can be stated that the research variable data is normally distributed.

Linearity Test

The linearity test aims to determine the form of the relationship between the independent variable, namely entrepreneurial competencies (X1), and the dependent variable, namely business performance (Y). The basis for decision making is if Sig. deviation from linearity > 0.05, then there is a linear relationship between the independent variable and the dependent variable. If the Sig. deviation from linearity value < 0.05, then there is no relationship between the independent variable and the dependent variable. The results of the linearity test can be presented in table below.

Table 5. Linearity Test Results

Source of Variation	Sum of Squares	df	Mean Square	F	Sig.
Between Groups (Combined)	93,886.217	49	1,916.045	13.932	.000
Linearity	82,482.998	1	82,482.998	599.755	.000
Deviation from Linearity	11,403.219	48	237.567	1.727	.206
Within Groups	8,801.783	64	137.528	–	–
Total	102,688.000	113	–	–	–

Based on table above, the Sig. deviation from linearity is 0.206 > 0.05, which can be interpreted as meaning that there is a linear relationship between the entrepreneurial competency variable and the business performance variable.

Heteroscedasticity Test

The heteroscedasticity test is a component of the classical assumption test, which aims to determine whether variances and residual values are similar. The basis for making a decision regarding heteroscedasticity testing is that if the significance value (Sig) is greater than 0.05, it can be concluded that there is no heteroscedasticity. Conversely, if the significance value (Sig) is less than 0.05, it can be concluded that heteroscedasticity is present. The results of the heteroscedasticity test are presented in table below.

Table 6. Heteroscedasticity Test Results

Model	Variable	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
1	(Constant)	25.075	9.848	–	2.546	.012
1	EC	0.026	0.050	0.103	0.511	.610

Based on the output results in figure above, it is known that the significance value (Sig.) for the Entrepreneurial Competencies (X1) variable is 0.610. This value is greater than the significance limit of 0.05, so it can be concluded that there are no symptoms of heteroscedasticity in the regression model used.

Testing of Correlation Coefficient and Path Correlation

This test aims to examine the influence of exogenous variables, namely the entrepreneurial competencies variable (X1) on the endogenous variable, namely business performance (Y).

Table 7. Correlation Matrix Between Entrepreneurial Competencies Dimensions (X1) and Business Performance (Y)

Variable	X_1	Y
X_1	1	0,896
Y	0,896	1

Information:

X_1 = *Entrepreneurial Competencies*

Y = *Business Performance*

Table above shows the correlation between each entrepreneurial competency variable (X1) and the business performance variable (Y). Based on the matrix results, the correlation between variable X1 and Y is 0.896.

To obtain the path coefficient, this correlation matrix will be linked to the coefficient values from the results of the regression analysis that has been conducted. Next, Figure 4.5 will present a chart of the path coefficients and correlation coefficients between the variables studied.

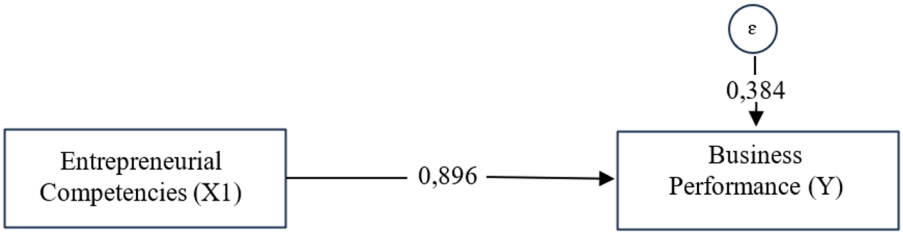

Fig. 4. Correlation Coefficient Diagram

Information:
X_1 = Entrepreneurial Competencies variable as an influencing variable
Y = Business Performance variable as the dependent variable
= Influence between variables
= Epsilon (Other influencing factors)

Total Determination Coefficient (R2)

Table 8. Coefficient of Determination of X1 Against Y

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.896	0.803	0.801	13.43137

Based on figure above, it is known that the coefficient of determination (R Square) is 0.803 or if expressed as a percentage is 80.3%. This means that 80.3% of the variation or change in the Business Performance (Y) variable can be explained by the Entrepreneurial Competencies (X1) variable. The remaining 19.7% is explained by other variables not included in this research model. Based on the interpretation according to Guilford in Sugiyono (2016), this value is included in the strong category. Thus, it can be concluded that the Entrepreneurial Competencies (X1) variable has a strong influence on Business Performance (Y) partially.

Direct and Indirect Influences

To determine the magnitude of the direct and indirect influence between the Entrepreneurial Competencies (X1) variable and Business Performance (Y), path analysis was used based on the beta coefficient and correlation values between the variables. The results of the data processing are presented in table below:

Table 9. Results of Direct and Indirect Effect Tests

Variable	Beta Coefficient	Direct Influence	Total Indirect Effect	Total
X_1	0,896	0,802	0,712	1,514

Based on table above, it is known that Entrepreneurial Competencies (X1) have a direct influence on Business Performance (Y) of 0.802.

Hypothesis Testing

Partial testing was conducted to determine the influence of independent variable, namely Entrepreneurial Competencies (EC), on the dependent variable, namely Business Performance (BP). The results of this test were conducted using SPSS 24.0 for Windows and are displayed in figure below.

Table 10. Hypothesis Test Results

Model	Variable	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
1	(Constant)	12.147	16.606	–	0.732	.466
	EC	0.506	0.085	0.467	5.983	.000

Based on the data processing results in table above, the significance value for the constant is 0.466. Since the sig. value is > 0.05, it can be concluded that the constant is not significant and does not have a significant influence in this regression model. The significance value for the Entrepreneurial Competencies (EC) variable is 0.000 (<0.05). This means that EC has a significant positive effect on Business Performance. With a t-value of 5.983 and a B coefficient of 0.506, it shows that a unit increase in EC will increase Business Performance by 0.506 units, if other variables are constant.

Testing The Influence of Entrepreneurial Competencies (XI) on Business Performance (Y)

Table 11. Testing the Influence of Entrepreneurial Competencies (X1) on Business Performance (Y)

Hypothesis	Path Coefficient	t_{count}	T_{table}	Decision
X1 has an effect on Y	0,896	5,983	1,981	H_0 rejected

Based on Table 11, it was found that the entrepreneurial competencies variable had a t-value of 5.983, which was greater than the t-value of 1.981. Thus, H0 was rejected. This means that there is a significant influence between entrepreneurial competencies and business performance.

4 Conclusion

This study shows that entrepreneurial competencies have a positive and significant influence on business performance among embroidery industry players in Tasikmalaya City. This is proven through various statistical analyses, including correlation, regression, and path analysis, which show a coefficient of determination of 80.3%. The dimensions of entrepreneurial competencies—abilities, skills, and knowledge—have a high level of perception from respondents, which is directly correlated with business performance in financial, product, market, human resources, and innovation aspects.

Thus, improving entrepreneurial competencies is crucial to strengthening the competitiveness and sustainability of MSMEs, especially in facing market pressures and globalization.

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