

Improving Entrepreneurial Orientation Through Entrepreneurship Motivation and Innovation Capability

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Abstract

This study investigates the association between Entrepreneurial Motivation and Innovation Capacity in Entrepreneurial Orientation. Entrepreneurial orientation refers to the rules and practices foundation for entrepreneurial company choices and activities. Under the COVID-19 pandemic, businesses must embrace entrepreneurialism to achieve corporate success. This research aims to ascertain the entrepreneurial drive and innovativeness of Indonesian SMEs. This investigation was conducted in 2021 and included 104 SMEs situated across Indonesia. The quantitative research approach utilized to address the study topics is descriptive and regression analysis. As a result of this study's results, it is evident that Entrepreneurial Motivation and Innovation Capacity play a significant role in Entrepreneurial Orientation. Businesses must promote employee entrepreneurial motivation to boost the company's innovation capability and ensure that the Entrepreneurial Orientation is crystal apparent.

Keywords

Entrepreneurship Motivation, Innovation Capability, Entrepreneurial Orientation, SMEs

Introduction

Small and Medium-Sized Businesses (SMEs) are expected to have a market-renewing and opportunity-capturing strategy. Pressures and global commercial competition, such as the Covid 19 pandemic, technical advancements, demographic and societal changes, the ability to innovate, financial support, and entrepreneurship, impact Small and Medium Enterprises (SMEs). (Ganlin et al. 2021). However, small and medium-sized enterprises continue to find it challenging to satisfy the expectations of the current business environment. Small and Medium-Sized Businesses with low-quality human resources, such as a lack of qualified personnel and a lack of business orientation, find it challenging to develop in the market. Companies with a robust entrepreneurial mindset will innovate more effectively than other businesses. Entrepreneurial Orientation (E.O.) is crucial for economic expansion, innovation, and employment (Mthanti & Ojah 2017).

Entrepreneurial motivation and entrepreneurial orientation are the two most frequently researched performance variables. Motivation to start a business is easily defined as the drive or purpose for a person to do so. (Murnieks et al. 2020). Motivation is sometimes divided into two main groups: opportunity motivation, which is connected with individuals who opt to establish their own enterprises in response to perceived entrepreneurial prospects. Second, the need motive is related to persons who show enterprises because alternative career opportunities do not exist or are not satisfactory. (Nguyen et al. 2019). It is crucial to analyze business motivation and orientation: understanding these motives and behaviors helps to comprehend how they connect to the owner's everyday operations and fit into the surrounding environment.

Innovation Capability is the key to strengthening the competitiveness of small and medium-sized enterprises. Innovation ability is a significant factor in the success of small and medium-sized enterprises (SMEs) in producing better product processes to fulfil the requirements and desires of customers. (Sok et al. 2013). The capacity of small and medium-sized enterprises (SMEs) to innovate is one of the most critical factors enabling them to reach a high degree of competitiveness in the national market. Therefore, the promotion and maintenance of innovation capacities should be bolstered with the current strategy as a practical guide for SMEs to innovate to strengthen their ability to generate better goods and boost their performance. (R. J. Lin et al. 2010). The continuation of the innovative nature of the launch of a new product may be seen as an indication of the success of small and medium-sized enterprises (SMEs) as assessed by innovation activities.

1.1 Objectives

This study aims to determine the influence of Entrepreneurial Orientation Through Entrepreneurship Motivation and Innovation Capability in Indonesia SMEs.

2. Literature Review

2.1. Entrepreneurial Orientation

Entrepreneurial orientation is the capacity to recognize and seize untapped market possibilities and the willingness to take calculated risks in uncertain results, which differentiate entrepreneurially oriented businesses. (Salim 2020). As a widely established firm-level concept in the entrepreneurship literature and a central issue in entrepreneurship studies, entrepreneurial orientation has received extensive attention in organizational research. (Wales et al. 2013). In addition, it is seen as a corporate resource that helps businesses to distinguish themselves from rivals. The entrepreneurial mentality and conduct are crucial when companies uncover new and current information possibilities.

2.2. The relationship between entrepreneurial motivation and entrepreneurial orientation

In the entrepreneurial literature, entrepreneurial purpose refers to an individual characteristic of entrepreneurial motivation. Numerous research has used various terminologies to explore the problem, but with few exceptions, most phrases pertain to the same concept. In the studies undertaken on the issue of entrepreneurial motivation, a clear distinction has been made between opportunity motivation and need inspiration. (Murnieks et al. 2020). People create businesses for several reasons, including the desire to live and identifying exploitative possibilities. Opportunity motivation is acknowledged to favour entrepreneurs' performance, but there is no statistically significant and robust signal of the need for stimulation in performance. (Kiruja 2013). When it comes to amassing a personal fortune, entrepreneurs are likely to be driven by a commercial mindset rather than a necessity. Opportunity-driven individuals are motivated to pursue success by exploiting economic opportunities, while need-driven individuals are motivated mainly by the need to survive. Essential to analyzing both business motivation and orientation: understanding both motives and behaviors helps to comprehend how they connect to the owner's daily operations and fit into the surrounding environment. (Eijdenberg 2016). The following hypotheses are generated from the empirical analysis of the relationship between constructs H1: Entrepreneurial motivation has a positive relationship with Entrepreneurial Orientation

2.3. The relationship between innovation capability and entrepreneurial orientation

Innovation capability is a company's and its stakeholders' ability to continuously convert fresh ideas and information into new products, processes, and systems. The capacity to effectively manage a new company is simply one part of an organization's ability to innovate; the ability to synthesize operational paradigms is also included. (Türker 2012). The company's capacity for innovation is defined as the skills and knowledge required to accept, learn, master, and successfully improve current technologies and develop new ones. Additionally, inventiveness is the capacity to acquire, create, and use new technologies for design and manufacturing. (Assink 2006). Define innovation-based capabilities as integrating a company's combined knowledge, skills, and resources to engage in innovation-related technological endeavours. Innovation and non-technical innovations are a company's and its stakeholders' capacity to convert fresh ideas and information into new assets continuously, processes, and systems. In addition to the capacity to effectively manage enterprises, an organization must also be able to synthesize operational paradigms to be innovative. (Slater et al. 2014). A collection of skills and knowledge is required to properly accept, study, and enhance existing technology while generating new technologies. Additionally, creativity is the capacity to acquire, develop, and use new technologies for design and manufacture. (H. F. Lin 2007)

In today's well-established business practices, the literature has long underlined the significance of an organization's capacity for innovation. Entrepreneurship is based on a firm or individual's or entrepreneur's degree of innovation and inventiveness while beginning a business. The previous study has shown the connection between innovative capability and entrepreneurial orientation. (Lee et al., 2019). The following hypotheses are generated from the empirical analysis of the relationship between constructs: H2: Innovation capability influences the Entrepreneurial Orientation

3. Methods

According to Sekaran and Bougie (2016), A research design is a data collection, measurement, and analysis strategy derived from the study's research statement. Researchers will have an easier time collecting and analyzing data with a study design. A researcher uses the research technique to perform or discover systematic answers to particular research challenges. The quantitative research approach used in this study is described as "quantitative." The quantitative research method is a technique for collecting numerical data using structured questions. (Sekaran & Bougie 2016). The researchers then utilize the knowledge from this data to make judgments or solve issues. This study employs an associative approach to research. An associative study establishes the association between two or more variables, describing the influence of variable X on variable Y.Y (Sekaran & Bougie 2016). This study design includes data gathering approaches using questionnaires. The data will be derived from quantitative sources of primary data. In general, this research aims to explain phenomena in the form of variable connections. Figure 1 depicts the factors Entrepreneurial Orientation (Y), Entrepreneurial Motivation (X1), and Innovation Capability (X2).

This study uses five dimensions for Entrepreneurial Orientation based on (Lumpkin & Dess 1996). innovativeness, risktaking, proactiveness, competitive aggressiveness, and Autonomy. Seven indicators are used for the Entrepreneurial motivation variable (Eijdenberg 2016). Meanwhile, the Innovation Capability variable uses two dimensions based on Taherparvar et al. 2014 namely innovation speed and innovation quality

4. Data Collection

In this study, the researchers used data collection techniques using questionnaires through electronic questionnaires or g forms. According to (Sekaran & Bougie 2016), A questionnaire is a set of previously established written questions in which respondents record their responses, often in the form of clearly defined options. For a high response rate, questionnaires were disseminated utilizing a questionnaire. From June to August 2021, 104 SMEs were given questionnaires. The regression approach is used to analyze the data using SPSS 26.

5. Results and Discussion

Simple regression analysis evolved into regression analysis. Multiple independent variables are utilized to explain the variation of the dependent variable in the multiple regression test. Using SPSS version 26.0 statistical analysis software, Table 1 displays the results of the regression test:

R² has a value of 0.631%, according to the SPSS result. Thus, it can be stated that Entrepreneurial motivation and Innovation Capability account for 63.1% of the variance in the variable Entrepreneurial Orientation. Other factors explain the remaining 36.9%. The following are the t-test results: $t_{count\ 1}$ of 1,953 demonstrates that entrepreneurial motivation has a favourable and substantial influence on entrepreneurial orientation. The acquired findings from the analysis are sig 0.000 0.05. Thus, the research findings reveal a marginally significant relationship between Entrepreneurial motivation and Entrepreneurial Orientation.

$t_{count\ 2}$ of 2,842. The research findings reveal that the Innovation Capability variable substantially positively influences the Entrepreneurial Orientation variable; sig 0.000 > 0.05. The research findings indicate a marginally significant relationship between the Innovation Capability and Entrepreneurial Orientation variables.

The theoretical implications are based on the findings of prior investigations from a different source. The author used this study as a reference while doing this research. These are the theoretical consequences of this study: It is shown that the Entrepreneurial motive variable (X1) has a substantial influence on the Entrepreneurial Orientation variable (Y), and this result is comparable to the findings of prior research examined by the authors. (Eijdenberg 2016). In this research, there is a substantial relationship between entrepreneurial motivation and the variable of entrepreneurial orientation. Moreover, it is shown that the Innovation Capability variable (X2) considerably influences the Entrepreneurial Orientation variable (Y) and is comparable to the findings of prior research by (Lee et al. 2019).

5.1 Numerical Results (11 font)

Table 1. Regression analysis test

Variable	Sig	t count	Regression coefficient	Remark
X1 to Y	0,000	1,953	0,354	Significant
X2 to Y	0,000	2,842	0,584	Significant
Constanta = 23, 851				
Adjusted R ² = 0,631				
F count = 13,458				
Sig = 0,000				

5.2 Graphical Results

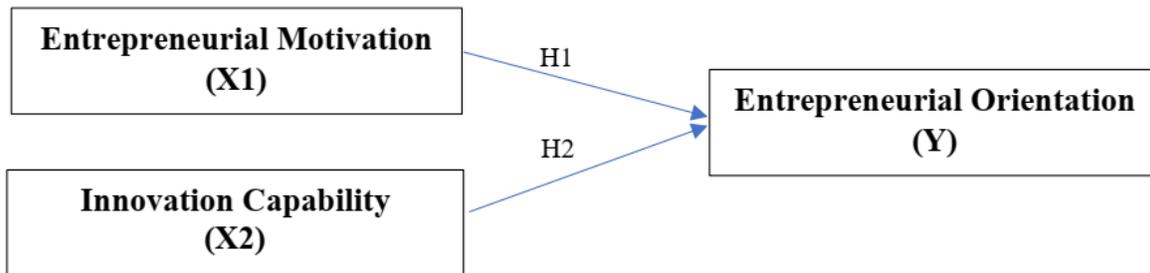


Figure 1. Research Framework

5.3 Proposed Improvements

Based on a summary of the respondents' replies and the data processing findings in this research, several concerns demand attention. The indicator was the questionnaire item with the highest average value for the Entrepreneurial Motivation variable (X1). Entrepreneurship motivation has a considerable beneficial influence on opportunity motivation and entrepreneurial orientation, such that persons who see opportunities likely to have a greater level of essential personal wealth growth. In general, the entrepreneurial motive may not be applicable in the informal sector since dire economic circumstances produce other motivations for establishing a firm, such as societal pressure. Therefore, the entrepreneurial drive must be reassessed and understood more deeply; other variables must be investigated. This research indicates that regulators should concentrate on innovativeness and competitiveness that enhance entrepreneurial orientation. The design of entrepreneurship education programs strengthens the link between innovativeness, competitiveness, and entrepreneurial orientation. In addition, this study has several limitations, such as using just two variables to predict entrepreneurial inclination; future research may include more variables. This study employs entrepreneurship education as a moderator, but other studies may use it as a mediator, and its analysis should also include a cross-country comparison.

5.4 Validation

The validity test is a step to test the accuracy level of an instrument in a specific concept (Uma Sekaran & Roger Bougie 2016). By performing a validity test, the researchers can verify that the measurement instrument is indeed adequate. In this study, the results of the validity test of the instrument for the variables Entrepreneurial motivation (X1), Innovation Capability (X2), and Entrepreneurial Orientation (Y) show the appropriate level of precision, namely $r_{count} > r_{table}$ 0.15. When using the statistical analysis software SPSS version 26.0, the results of the reliability test of the Entrepreneurial Orientation variable are 0.843; Entrepreneurial motivation is 0.884; Technology Strategy is 0.865

6. Conclusion

Entrepreneurial motivation has a positive and substantial effect on Entrepreneurial Orientation, according to the findings of the study and data analysis conducted to determine the relationship between entrepreneurial motivation and innovation capability and entrepreneurial orientation. It demonstrates that the company's Entrepreneurial Orientation improves with the level of entrepreneurial enthusiasm. The Innovation Capability has a substantial and beneficial effect on Entrepreneurial Orientation. It proves that the more the company's Innovation Capability implementation, the greater its entrepreneurial orientation.

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Biography

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