

## **THE EFFECT OF ENTREPRENEURIAL ORIENTATION, IT AND SERVICE INNOVATION ON THE PERFORMANCE CULINARY MSMES AT THE PANDEMIC 2020-2021**

**Edi Wibowo<sup>1\*</sup>, Feronika Martha Azizah<sup>2</sup>**

<sup>1,2</sup> Management Study Program, Faculty of Economics, Universitas Slamet Riyadi, Surakarta  
E-mail: <sup>1)</sup> [ediwibowo58@gmail.com](mailto:ediwibowo58@gmail.com), <sup>2)</sup> [feronika830@gmail.com](mailto:feronika830@gmail.com)

### ***Abstract***

*This study aims to analyze the effect of entrepreneurship orientation, information technology, and service innovation on the performance of culinary MSMEs in Banjarsari, Surakarta during the 2020-2021 pandemic. This research was both qualitative and quantitative. The sample in this study were 121 culinary MSMEs with purposive sampling method. Data were analyzed using multiple regression analysis techniques. The results showed there was entrepreneurial orientation, information technology and service innovation had a significant effect on the performance of culinary MSMEs in Banjarsari, Surakarta during the 2020-2021 pandemic. As for suggestion for MSME owners that MSMEs are expected to have entrepreneurial orientation ideas because entrepreneurship skills are needed in realizing marketing strategies in order to obtain a good competitive advantage through the value of responsiveness to customer needs.*

**Keywords:** *Entrepreneurship Orientation, Information Technology, MSME Performance, Service Innovations*

## **1. INTRODUCTION**

At the beginning of 2020, the corona virus emerged that was endemic throughout the world, including Indonesia. According to the World Health Organization, the coronavirus has infected more than 118.000 cases with 4.291 deaths. The condition of the outbreak of the corona virus caused a major shock experienced by the world economy. In terms of economic growth data for 2019-2020, Indonesia experienced a contraction of -5,32% in the quarter of 2020 and in the third quarter of 2020 experienced a contraction of -3,49%. The instability of the Indonesian economy has an impact on Micro, Small and Medium Enterprises (MSMEs). MSMEs are one of the main sectors driving national economic growth. Given the importance of MSMEs in Indonesia, MSME owners must be able to maintain the quality of their performance in order to survive the COVID-19 pandemic. To achieve superior performance, a business must achieve the expected target with greater efficiency and effectiveness to be able to compete.

Surakarta City's Office of Cooperatives and Micro, Small, and Medium Enterprises disseminates policies and initiatives to strengthen the location economy for MSME owners. MSMEs in Surakarta are encouraged to continue to improve their performance in order to survive and compete in the current pandemic conditions. Along with the local government's activeness in developing the market potential of MSME owners, it is hoped that in the future it can help support the regional economy, especially in Surakarta City.

**Table 1. Data for SMEs in Surakarta**

Category	Amount
Batik	99
Fashion	165
Packaged Food	52
Handicraft	468
Service	578
Culinary	1729
Agriculture and Livestock	-
Trading	7

Source: dinkop.surakarta.go.id/umkm

In this case, we used the culinary SMEs of Banjarsari sub-district as the object of research. In Banjarsari sub-district there were many culinary SMEs with various kinds of diversity. The performance quality of culinary SMEs can be improved through the application of the concept of entrepreneurial orientation, namely the tendency to innovate and be proactive and courageous in making decisions to start or manage a business. In addition to having an entrepreneurial mindset, culinary SMEs may increase their performance by utilizing information technology and service innovation. Information technology may be utilized to improve the efficacy and efficiency of an MSMEs. After implementing an entrepreneurial orientation and utilizing information technology, MSME owners can use service innovations to improve the quality of MSME performance. Hence, they should survive and even compete with other MSMEs even under Covid-19 pandemic conditions. The defense and competitive power of culinary SMEs are considered effective in boosting the declining economy, especially the renewal of new innovations in the business being carried out.

The goal of this research was to find out the level of significant influence of the variables of entrepreneurial orientation, information technology, and service innovation on the performance of culinary SMEs in Banjarsari, Surakarta during the 2020-2021 pandemic.

## **2. THEORITICAL REVIEW**

### **2.1. Micro Finance**

Micro finance is considered as services provided for many sorts of service providers to underprivileged and low-income consumers. In actuality, the phrase is frequently used more narrowly to refer to loans and other services provided by providers identifying themselves as microfinance organizations (Handbook on Microfinance Institutions).

Microfinance is a source of financial services for small enterprises that do not have access to banks or other financial services. The two primary mechanisms for providing financial services to these consumers are:

- 1) Relationship-based banking for sole proprietors and small enterprises.
- 2) Group-based approach, in which a group of entrepreneurs applies for loans and other services as a whole.

According to Banking Law No. 10 of 1998, credit is defined as the provision of money or claims that can be equated with it based on an agreement or loan agreement between a bank and another governing coalition that requires the borrower to repay the loan along with the interest on the loan after a certain period of time. In general, the objective of finance is separated into two types: macro and micro financing. On a macro basis, financing aims to improve the people's economy, increase productivity, create jobs, provide funds to increase business. Meanwhile, micro financing is intended for business actors with the aim of distributing surpluses, utilizing economic resources, and maximizing profits.

## **2.2. Micro, Small and Medium Enterprises (MSMEs)**

MSMEs are defined as a productive business carried out by people or business units that may be carried out independently and can be renovated to participate in Indonesia's macroeconomic growth (Putri & Puspaningtyas, 2021). It is crucial for MSMEs to participate in creating job opportunities and national economic growth, so that they are able to realize national-scale economic stability. MSMEs are assumed to be able to maintain business continuity against the economic crisis, on the grounds that MSMEs are large enough producer and consumer entities, so that the circulating funds only experience circulation within the community, while the MSMEs are managed by the community itself.

The criteria for businesses that are included in Micro, Small and Medium Enterprises have been regulated in Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises. The law has outlined the criteria used to define the meaning of MSMEs. The criteria for net worth/business capital for MSMEs according to Government Regulation No. 7 of 2021:

- a. Micro business
- b. Maximum IDR 1.000.000.000,00
- c. Small business
- d. More than IDR 1.000.000.000,00 and up to IDR 5.000.000.000,00
- e. Medium Enterprise
- f. More than IDR 5.000.000.000,00 and up to IDR 10.000.000.000,00 Excluding land and business premises.

In an effort to maintain the sustainability of MSMEs in a pandemic, business strategies are needed such as involving application of digital marketing, consumer loyalty and purchasing power, and product quality improvement and service enhancement

## **2.3. MSME Performance**

The measure of the success of a business in achieving its goals is seen from its performance. In general, MSMEs have certain goals to be achieved in an effort to meet consumer needs. Success in achieving these goals is an achievement of MSME management itself. Measurement of business performance or achievement is carried out as the basis for making a decision both internally and externally. MSME performance is the efficiency or effectiveness of an action in MSME activities (Tanzil et al., 2021:143). Performance is a representation of a company's financial performance that is analyzed by financial analysis techniques, so that effective or negative financial management of a company may be identified as a reflection of work performance throughout a specific

time period. However, not only from a financial point of view, performance can also be measured from a non-financial perspective. Performance is not just a result or achievement, but an effort or action to produce something effectively and efficiently. MSME performance is an achievement obtained by MSMEs including profitability, total business capital growth and total sales. The performance of Micro, Small and Medium Enterprises can be viewed from several aspects, namely: added value, business units, labor and productivity, export value. The indicators for measuring the performance of MSMEs according to Widiastuti et al. (2019) are: 1) Marketing reach; 2) Target market; 3) Sales growth; and 4) Increased revenue.

Thus, the use of MSME performance measurement is very important to find out how far culinary MSMEs are able to achieve their goals, especially in dealing with the Covid-19 pandemic conditions.

#### **2.4. Entrepreneurship Orientation**

Entrepreneurial orientation is an organizational skill to contribute in creating unique organizational resources and positional advantages that affect performance. Entrepreneurship orientation has an effect on the growth of MSMEs, meaning that the higher the quality of the entrepreneurial orientation, the higher the quality of MSME performance. This means that the growth and profitability of MSMEs can be increased through an entrepreneurial orientation with innovation, creativity and the courage to take risks and be proactive (Sharifah in (Mustari et al., 2021:167)).

The entrepreneurial orientation referred to in this study is the ability of the culinary MSME owners in Banjarsari sub-district, Surakarta to achieve the goal of managing their business by having an attitude of independence and openness to the surrounding environment so that the business they run can develop, as well as the confidence of the culinary MSME owners that the results obtained influenced by the efforts that have been made.

According to Porter in Kesuma & Istanto (2021:240), the indicators used in the entrepreneurial orientation variable are: 1) Risk taking; 2) Proactive; 3) Competitive aggressiveness; and 4) business ethics.

#### **2.5. Information Technology**

Information technology is a set of tools that help in carrying out work with information and information processing (Suryantini, 2020:127). Information technology needs to be used by MSMEs to increase business competitiveness, considering that the era of technological progress is taking place in the midst of a pandemic. That way, business owners need a strategy to balance these two conditions for business continuity. Information technology promises to solve problems in the business world during a pandemic. The advantages provided by the application of information technology are in business processes and transactions both internally and externally. These benefits can be in the form of increased insight and information in managing the business, as well as reduced transaction costs. The indicators used to measure information technology include: 1) Speed; 2) Information Processing; 3) Computer Connectivity; and 4) Internet Technology.

Information technology used in running a business is often referred to as e-commerce. Information can be useful for MSMEs in creating flexibility in production,

facilitating faster and more precise distribution, sending and receiving offers quickly and efficiently, and supporting fast transactions. In the face of an increasingly open and competitive market mechanism, especially in the current pandemic conditions, the mastery of the culinary MSME market, especially in Banjarsari sub-district, Surakarta is a prerequisite for increasing competitive advantage. The number of culinary SMEs competition in Banjarsari sub-district can actually be a driving force for business actors to compete, one of which is by adopting information technology or increasing the use of information technology. With information technology,

## **2.6. Service Innovation**

Service innovation is the development of new services that are expected to be new and become an important part of the strategy and operations of a business. Service-based innovation capability is associated with customer value which is the customer's preference for additional attributes of the product, reliability and after-sales. The same thing needs to be done by culinary SMEs in Banjarsari sub-district, Surakarta, especially in the distribution of culinary from sellers to buyers through e-commerce-based service innovations. This service will provide convenience for sellers and buyers so that they do not need to interact directly to choose the type of menu or transact, but can be done through courier services provided by available e-commerce according to Yulianto (2019) in Saputri (2020): 1) Use of technology; 2) Interaction with customers; 3) New service development; and 4) Service delivery system.

Every MSMEs have the opportunity to create new and unique ideas. In contrast to large business operational systems, MSMEs are easier to create many creative service innovations. With the new idea, MSME players can more easily enter the target market and attract consumers to make purchases. One of the service innovations that can be carried out by MSMEs is by utilizing technology. Utilization of technology to increase service innovation in the form of the use of delivery service applications. The offer of delivery services is not new in the business world, in big cities this service has become the service of a big business but there are still some small businesses that have not implemented this innovation.

## **3. RESEARCH METHODS**

This research was both qualitative and quantitative. A qualitative study was one in which the results were achieved without the use of statistical processes or other types of computation (Gunawan & Serlyna, 2018:235). While quantitative research was study in the form of numbers, and statistics were used to analyze the data, qualitative research was research in the form of words (Sugiyono, 2018:15). This study was carried out in Surakarta, a city known for its variety and home to a wide range of culinary SMEs. In addition, the diversity of culinary tourism has its own interest for researchers to conduct research. Research on the performance of culinary SMEs was carried out to find out what factors can affect the performance of these culinary SMEs during the current pandemic.

This research provides use of both secondary and primary data. Secondary data was derived from Surakarta MSME statistics, while primary data was derived from respondents' beliefs about the assertions in the questionnaire. The population of this study was the owners of Micro, Small and Medium Culinary Enterprises in Banjarsari sub-district, Surakarta which are registered at the Surakarta Cooperatives and MSME Service.



The number of culinary MSMEs in Banjarsari sub-district, Surakarta affected by the Covid-19 pandemic is 174 culinary MSMEs and had been registered with the Surakarta Cooperatives and MSMEs Office. The sample used in this study were 121 culinary SMEs in Banjarsari sub-district, Surakarta which were obtained by calculating the Slovin formula.

In this study, the data analysis technique used an instrument test and a classical assumption test with multicollinearity test having a tolerance value  $> 0,10$  or a VIF value below the number 10, autocorrelation test provided that the p-value  $0,05$  then the data was free of autocorrelation, otherwise if p-value  $0,05$  then the data does not pass the autocorrelation. The normality test used the One Sample Kolmogorov Smirnov test with the provision that the significance value was  $0,05$ , so the data had a normal distribution. The heteroscedasticity test is carried out with the provisions, if the p-value  $0,05$  then there is no heteroscedasticity, and vice versa if the p-value  $< 0,05$  then heteroscedasticity occurs. Multiple linear regression analysis with the equation  $Y' = a + b_1X_1 + b_2X_2 + b_3X_3 + e$  (Ghozali, 2016), t test, F test, and coefficient of determination ( $R^2$ ) are the following tests.

## **4. RESULTS AND DISCUSSION**

### **4.1. Research Results**

#### **4.1.1. Classic Assumption Test**

The classical assumption test is required for doing regression analysis in order for the regression as an estimate to be correct or unbiased and not diverge.

**Table 2. Classical Assumption Test Results**

Classic Assumption Test	Test Results	Conclusion
Normality test	$0,330 > 0,05$ $0,648 > 0,05$	Data is normally distributed
Autocorrelation test	Tolerance ( $X_1:0,697; X_2:0,671; X_3:0,895$ ) $> 0,10$	There is no autocorrelation
Multicollinearity test	( $X_1:1,434; X_2:1,491; X_3:1,117$ ) $< 0,10$	There is no multicollinearity
Heteroscedasticity test	p-value ( $X_1:0,933; X_2:0,696; X_3:0,070$ ) $> 0,05$	There is no heteroscedasticity

Source: secondary data processed, 2021

#### **4.1.2. Multiple Linear Regression Test**

In this study, regression analysis was utilized to assess the extent to which the independent variables of Entrepreneurship Orientation ( $X_1$ ), Information Technology ( $X_2$ ), and Service Innovation ( $X_3$ ) influenced the dependent variable of MSME Performance ( $Y$ ).

**Table 3. Multiple Linear Regression**

Variable	Coefficients	t	Sig
(Constant)	-5,239	-1,777	0,078
EO	0,291	3,007	0,003
IT	0,476	5,847	0,000
SI	0,472	3,028	0,003
Fstatistic 40,695			0,498
adj. R square 0,498			

Source: secondary data processed, 2021

$$Y = -5,239 + 0,291 X1 + 0,476 X2 + 0,472 X3 + e$$

On above regression equation is determined using the formula:

- $\alpha$  : -5,239 (negative) interpretation of the regression suggests that if the Entrepreneurship Orientation (X1), Information Technology (X2), and Service Innovation (X3) all seem to be zero (0), then the MSME Performance (Y) is -5,239.
- $b_1$  : 0,291 Entrepreneurial Orientation has a positive effect on MSME performance, which means that as Entrepreneurial Orientation increases, so will MSME performance, given the variables of Information Technology (X2) and Service Innovation (X3) remain constant or stable.
- $b_2$  : 0,476 Information Technology has a positive effect on MSME performance, which means that as Information Technology increases, so will MSME performance, given the variables of Entrepreneurial Orientation (X1) and Service Innovation (X3) remain constant or stable.
- $b_3$  : 0,472 Service Innovation has a positive effect on MSME Performance, which means as Service Innovation increases, so will MSME Performance given the variables of Entrepreneurial Orientation (X1) and Information Technology (X2) remain constant or stable.

#### 4.1.3. Hypothesis Test

##### 1) T Test

T test was used to determine the level of significance of each independent variable's partial influence on the dependent variable.

- a) The influence of the entrepreneurial orientation variable on the performance of culinary SMEs obtained a p-value of  $0,003 < 0,05$ , indicating that entrepreneurial orientation has a significant effect on the performance of culinary SMEs, so H1 which states that "entrepreneurship orientation has a significant effect on the performance of culinary SMEs in Banjarsari, Surakarta during the 2020-2021 pandemic" the truth is proven.
- b) The influence of the information technology variable on the performance of culinary SMEs obtained a p-value of  $0,000 < 0,05$ , indicating that information technology has a significant effect on the performance of culinary SMEs, so H2 which states that "information technology has a significant effect on the performance of culinary SMEs in Banjarsari, Surakarta during the 2020-2021 pandemic" the truth is proven.

- c) The influence of the service innovation variable on the performance of culinary SMEs obtained a p-value of  $0,003 < 0,05$ , indicating that service innovation has a significant effect on the performance of culinary SMEs, so H3 which states that "service innovation has a significant effect on the performance of culinary SMEs in Banjarsari, Surakarta during the 2020-2021 pandemic" the truth is proven.

2) F Test

The F test helps to determine the regression model's accuracy in predicting the effect of the independent variable on the dependent variable. The calculation results show that this regression model has a F statistic value of 40,695 with a significance value (p-value) of  $0,000 < 0,05$ , which means that the model correctly predicts the effect of Entrepreneurship Orientation (X1), Information Technology (X2), and Service Innovation (X3) on the performance of culinary SMEs (Y).

**4.1.4. Coefficient of determination test ( $R^2$ )**

The coefficient of determination ( $R^2$ ) is used to determine how much the independent variable affect the dependent variable. The corrected R Square value is 0,498 based on the results of analyzing the coefficient of determination ( $R^2$ ). This means that the independent variables of entrepreneurial orientation, information technology, and service innovation account for 49,8% of the contribution, with the remaining 50,2% influenced by variables outside the model such as access to capital, marketing, social networks, business plans, legality, human resources, and financial knowledge.

**4.2. Discussion**

**4.2.1. The Effect of Entrepreneurship Orientation on MSME Performance**

The findings revealed that the Entrepreneurial Orientation (X1) had a p-value of  $0,003 < 0,05$ , indicating that it has a substantial influence on the performance of culinary SMEs. So H1 (Entrepreneurship Orientation has a substantial influence on the success of culinary SMEs in Banjarsari, Surakarta during the 2020-2021 pandemic) is proved to be correct. MSME owners must be able to preserve and develop their entrepreneurial orientation, which includes an innovative, proactive attitude, courage to take risks, autonomy, and competitive aggressiveness, in order to improve the performance of MSMEs. This study also supported by Layoo & Rahman (2019) which found similar result.

**4.2.2. The Effect of Information Technology on MSME Performance**

The results indicated that Information Technology had a p-value of 0,05, indicating that it has a significant influence on the performance of culinary SMEs (X2). So, according to H2, "During the 2020-2021 pandemic, information technology has a substantial impact on the performance of culinary SMEs in Banjarsari, Surakarta. The usage of information technology is one of the most effective strategies for improving the intention of company owners, especially MSMEs, to utilize information technology. This is in line with research conducted by wahid (2020).



#### 4.2.3. The Effect of Service Innovation on MSME Performance

The findings revealed that Service Innovation (X3) had a p-value of 0,003 0,05, indicating that it has a significant influence on the performance of SMEs. As a result, H3's claim that "Service Innovation has a substantial influence on the performance of culinary SMEs in Banjarsari, Surakarta during the 2020-2021 pandemic" is proved to be correct. According to the findings of this study, the greater the level of service innovation, the better the level of customer satisfaction, which would have an impact on the performance of MSMEs.

## 5. CONCLUSION

Based on the data processing and analysis findings, it is possible to infer that the factors of Entrepreneurship Orientation, Information Technology, and Service Innovation have a significant impact on the performance of culinary SMEs in Banjarsari, Surakarta during the 2020-2021 pandemic. Suggestions that can be given by researchers to MSME owners are that MSMEs are expected to have entrepreneurial orientation ideas because entrepreneurship skills are needed in realizing marketing strategies in order to obtain a good competitive advantage through the value of responsiveness to customer needs. Information technology needs to be used as a strategy to increase competitive power. Information technology application policies are systematic, integrative and comprehensive. Utilization of information technology that is run will be able to help improve the performance of MSMEs. The ability of MSME owners to create service innovations is influenced by consumer needs and tastes. The awareness of SMEs in the culinary field in Banjarsari sub-district, Surakarta is quite high in meeting consumer needs. The next need is a follow-up to the fulfillment of these needs in order to reach the customer. In this case, MSMEs in Banjarsari sub-district, Surakarta have an important role to be able to bridge between customers and MSMEs, especially in the culinary field through service innovation.

## REFERENCES

- Ghozali, I. (2016). Aplikasi Analisis Multivariate dengan Program IBM SPSS 23. Semarang: BPFE Universitas Diponegoro. *IOSR Journal of Economics and Finance*, 3(1).
- Gunawan, H., & Serlyna, S. (2018). Impact of information technology investment to financial performance on banking sector. *Journal of Applied Managerial Accounting*, 2(1), 41–46.
- Kesuma, D., & Istanto, Y. (2021). Pengaruh entrepreneurial orientation, market orientation dan innovation product terhadap market performance saat pandemi covid-19. *Kinerja*, 18(3), 349–356.
- Layoo, N., & Rahman, W. (2019). Pengaruh Orientasi Kewirausahaan Dengan Kinerja Usaha Mikro Kecil di Kabupaten Banggai. *Jurnal Ekonomi Pendidikan Dan Kewirausahaan*, 7(1), 29–44.
- Mustari, M., Arisah, N., Thaief, I., Fatmawati, F., & Hasan, M. (2021). Pengaruh Orientasi Kewirausahaan dan Orientasi Pasar terhadap Kinerja UMKM di Kota Makassar. *Seminar Nasional Teknologi Pendidikan*, 1(1), 165–177.
- Putri, O. C. M., & Puspaningtyas, M. (2021). Ketahanan UMKM di Masa Pandemi

- COVID-19 (Studi Kasus Usaha Jajanan Templek-Mamake di Banyuwangi). *Prosiding Nasional Seminar on Accounting, Finance and Economics1*, 1(3), 1–12.
- Saputri, N. H. (2020). *Pengaruh Inovasi Produk, Inovasi Proses, Inovasi Layanan Terhadap Kinerja UMKM (Studi Empiris Pada Homepreneur di kabupaten Temanggung)*. Skripsi, Universitas Muhammadiyah Magelang.
- Sugiyono, D. (2018). *Metode Penelitian Kuantitatif, Kualitatif dan R&D*. Alfabeta.
- Suryantini, L. P. (2020). *Pengaruh Kualitas Sumber Daya Manusia, Penggunaan Informasi Akuntansi, Pemanfaatan Teknologi Informasi dan Modal Pinjaman Terhadap Kinerja UMKM di Kecamatan Buleleng*. Universitas Pendidikan Ganesha.
- Tanzil, S. N., Sunarya, E., & Jhoansyah, D. (2021). Role of Entrepreneurial Orientation and Market Orientation to MSMES Performance. *Almana: Jurnal Manajemen Dan Bisnis*, 5(2), 141–147.
- Wahid, M. N. A. (2020). Pengaruh Teknologi Informasi terhadap Kinerja UKM Batik di Kota Malang pada Era Revolusi Industri 4.0. *Jurnal Ilmiah Mahasiswa FEB*, 8(2).
- Widiastuti, H., Putra, W. M., Utami, E. R., & Suryanto, R. (2019). Menakar tata kelola badan usaha milik desa di Indonesia. *Jurnal Ekonomi Dan Bisnis*, 22(2), 257–288.