

# The SMEs Performance: Mediation of Ambitious Entrepreneur

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**Submission date:** 10-Jan-2020 09:57AM (UTC+0800)

**Submission ID:** 1282933020

**File name:** IJPR\_2020\_SImilarity.doc (480K)

**Word count:** 3897

**Character count:** 22383

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## The SMEs Performance: Mediation of Ambitious Entrepreneur

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**Abstract:**

**Purpose:** Research study focuses on examining Human Resources behavior with market orientation, ambitious entrepreneur, and SMEs performance. In which the final objective is evaluating SME's performance through an entrepreneur in Indonesia.

**Design/Methodology/Approach:** Research conducted in Indonesia with the sample used is 133, namely the entrepreneur of SMEs. Data from an entrepreneur obtained through a questionnaire, and it processed by using SmartPLS with a path analysis technique. The research result emphasized through a model test of the research hypothesis.

**Findings:** Research results known that market orientation has a positive impact on an ambitious entrepreneur. Besides that, an ambitious entrepreneur can influence the improvement of SME's performance. However, market orientation cannot truly directly good impact on the improvement of SME's performance. Actually, in evaluating SMEs performance is needed ambitious entrepreneur that is supported by the soul of market orientation. And it is not in examining the improvement of SME's performance, which does not focus on market orientation directly.

**Practical Implications:** Information is related to Human Resources behavior, which is market orientation and ambitious entrepreneur can be a suggestion for SMEs in determining policy on a business strategy, which involves human resources. From the government side, taking a policy for SMEs can learn an entrepreneur's behavior, and it makes that policy can improve SMEs in Indonesia.

**Originality/Value:** It found the mediation model of an ambitious entrepreneur in improving the relationship of market orientation to SME's performance.

**Keywords:** Market Orientation, Ambitious Entrepreneur, SMEs Performance.

### 1. Introduction

SMEs in Indonesia continues to grow, and it comes to government's attention because they are stronger in accepting the economic stability (Hasibuan, 2015). In fact, SMEs are highly developed in the developing countries because they help supporting the economy (Akinboade & Kinfack, 2012). The establishment of SMEs in developing countries such as Indonesia continues to be driven by government with the various financial or non-financial policies (Indris & Primiana, 2015). However, SMEs itself are required to continue to survive in business competition both with small and large companies (Najib & Kiminami, 2011). Business competition is actually profitable, because company will provide the best of business strategy in competition (Suh & Kim, 2014). In identical business competition with SMEs performance, where business profits are assessed over the implementation of business strategies over a certain period.

SMEs performance is company's performance which is assessed from the various aspects including financial benefits and non-financial benefit (Hasibuan, 2015). Many things can be done by companies that related to performance; one of them are through the empowerment of human resource within it (Herrera Madueño et al., 2016). Because Human Resource plays an important role in controlling business strategy in achieving SMEs performance (Suh & Kim, 2014). In the science of human resources, it is known as the organizational behavior related to ambitious entrepreneur soul (Sidiqqoh & Alamsyah, 2017). Ambitious is closely related to the entrepreneur's soul in behavior, namely the level of aspirations owned in their work (Ammeter et al., 2002). In a previous study, it was revealed

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that ambitious entrepreneur has an important role in controlling company's performance (Sidiqqoh & Alamsyah, 2017). It explains the importance of entrepreneur's behavior through an ambitious soul in controlling his company. In this study, it surely focuses on SMEs which is very well-known for entrepreneur's behavior within it. Understanding to ambitious entrepreneurs, SMEs need control over several behaviors such as the aspiration's soul owned by entrepreneur, the desire level of soul stated by entrepreneur and the hope possessed by businessman in delivering their company to competition (Alamsyah et al., 2020; Todericiu & Stăniț, 2015). Because entrepreneur has a full power in determining business strategy and its implementation in designing SMEs performance.

In addition to ambitious entrepreneur soul, there are other factors which will have a support for SMEs performance. In the science of entrepreneurship, it is known as the entrepreneurial orientation, which is often used in determining business strategies and evaluating SMEs performance (K. Zhou et al., 2009). As stated in previous studies that focuses on SMEs, it mentions that SMEs need market orientation in understanding the target market, with the final goal of improving SMEs performance (Sutapa et al., 2017). Market orientation is used by entrepreneurs that always related to business strategy, human resource in company is controlled and given direction in implementing business strategies with market orientation (Hariyanto & Alamsyah, 2019; K. Zhou et al., 2009). Because market orientation focuses on market behavior and market needs, and the efforts in controlling market intention. So, the entrepreneur works hard in the final expectation of improving SMEs performance. Sometimes, there is a misperception of market orientation, where the entrepreneurs assume as marketing strategies that provide the opportunities to approach the market. However, market orientation is a tool in implementing business strategies with the objective is firm performance (Best, 2009).

Examining the problem phenomenon of SMEs performance in Indonesia, and its relation to ambitious soul of entrepreneur and the implementation of market orientation, so this study focuses on examining the impact of market orientation on SMEs performance through mediation from ambitious soul of entrepreneur. The research focuses on SMEs in Indonesia, so it seems clearly the research focus on SMEs behavior through entrepreneurs.

## 2. Literature Review

### 2.1 Market Orientation on SMEs

Market orientation and customer orientation have a same goal, which is the understanding of customer behavior as a target market (K. Zhou et al., 2009). Competitors often control to market orientation as part of a business strategy, coordinating with all of lines across in company so that business targets are in line with company goals (Hikmawati & Alamsyah, 2018; Jogaratnam, 2017). Along the way, the implementation of market orientation has an impact to company's performance. It means that SMEs performance requires a support from a strategy based on market orientation. The two important things related to market orientation are the collaboration between human resources and companies in business strategies (Maryam et al., 2014; Setiadi et al., 2018). Market orientation in theory is part of marketing management science, but it is often used in human resource science that relates to entrepreneur behavior (Mare et al., 2013). Based on the initial theory of market orientation, it is said that the purpose of market orientation is to examine customer's needs and intention and it satisfies their needs more effectively and efficiently than competitors (K. Z. Zhou et al., 2005). So, it is very clear that market orientation requires a business strategy because of the existence of market competition goals. Understanding the market orientation means SMEs carry out three orientation matters, which are customer, competitor, and inter-functional coordinator (Jogaratnam, 2017).

In service industry, market orientation is often used as a guide in achieving company's performance (Maryam et al., 2014). It is similar with SMEs, where market orientation is an important part that relates to business strategy and company's performance. However, a previous study has been

conducted that market orientation has a potential to develop an ambitious entrepreneur soul (Soininen et al., 2013). Because market orientation is part of strategy and it is often controlled by entrepreneurs in SMEs. In assessing market orientation, it can be known through several indicators, particularly for SMEs which are usually assessed from risk taking behavior, the development of innovation, proactive and aggressive actions towards competition (Gnizy et al., 2014). However, the previous studies have been conducted relating to small industries which need to instill some actions in business that are independent in making decisions, it has intuition in doing business and it conducts integration with all parts of company (Jogaratnam, 2017).

## **2.2 Soul of Ambitious Entrepreneur**

Entrepreneurs are actually company's leader in SMEs; all of entrepreneur's policies affect to company's performance in the end (Ammeter et al., 2002). The policies made are actually sourced from entrepreneur's behavior, one of them are known as ambitious entrepreneur soul in conducting business (Sidiqqoh & Alamsyah, 2017). Ambitious entrepreneur is related to entrepreneur's expectations in running a business in a period time to gain benefits in accordance with company goals (Hockerts & Wüstenhagen, 2010). Because entrepreneurs play the important role in creating innovation in companies which have an impact to sustainability of their business (Triguero et al., 2013). In theory, ambitious entrepreneurs are stated to be entrepreneur's behavior in entrepreneurship that promotes a prosperity, investment and knowledge in achieving a greater profits (Sidiqqoh & Alamsyah, 2017). In its journey, the implementation of ambitious entrepreneur has a positive impact to SMEs performance. It is in line with previous studies that explain the importance of SMEs performance assessed from the soul of ambitious entrepreneurs (Ammeter et al., 2002).

Entrepreneur itself needs some basic values in order to the implementaion of ambitious characters to be fulfilled, it includes responsibility, productivity, and it is based on profit (Urbano & Aparicio, 2016). It emphasizes ambitious entrepreneurs in entrepreneurship with the final goal of making a profit. Ambitious can actually be evaluated through three main things, are the level of aspirations possessed, the desire level of entrepreneurship possessed and the level of hope to get benefits (Sidiqqoh & Alamsyah, 2017). Because the process of entrepreneurship itself is part of entrepreneurship begins with an initiative in developing ideas so that aspirations, desire and hope to develop in their business (Lindman, 2013) emerge. Every entrepreneur wants to his business to run longer and to take advantage more optimally. However, all of them requires the effort both through support from inside of SMEs and from the outside (Gomezelj & Kušce, 2013). At least, the most important thing from support can begin with ambitious entrepreneurs who have confidence in running their business. It is cited from the previous studies, there are factors which can develop and strengthen to ambitious soul of entrepreneurs , namely the implementation of market orientation strategies (Sidiqqoh & Alamsyah, 2017). Because market orientation is a study of market behavior and by understanding market behavior, entrepreneurs are more confident in developing their business strategies.

### 2.3 SMEs Performance

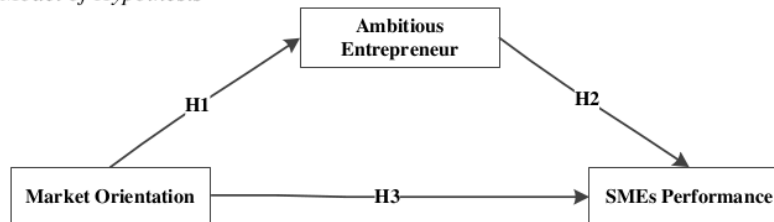
There have been many studies on SMEs performance; all related to measuring tools from work results and the effort is undertaken by entrepreneurs in their business at certain time units which are assessed both financially and non-financially (Ndubisi & Agarwal, 2014). Performance is a description of whether all of business strategies have been achieved in getting business profits (Alamsyah et al., 2019; Wijk & Persoon, 2006). Many goals and objectives in business strategy, but sometimes it is not in accordance with the expectations. It is due to many factors which affect to firm performance, including internal or external entrepreneurs such as competition (Parnell, 2011). Theoretically, it talks about SMEs which is said to be a measure of success from a company in achieving its goals (K. Z. Zhou et al., 2008). This success can be assessed from two main factors, namely financial and non-financial benefits (Agha et al., 2011). The point is that SMEs performance puts forward a company's profitability that will be achieved. SMEs are actually more developed in developing countries, because the level of entrepreneur's self-confidence controls the success of a business (Suh & Kim, 2014). It emphasizes that ambitious entrepreneurs provide the opportunities for the success of SMEs performance. Ideally, SMEs who understand their performance must carry out several activities including the entrepreneurial characteristics (Todericiu & Stăniț, 2015). Where in these activities, entrepreneurs are expected to prioritize the soul of entrepreneurship, one of them are controlling to ambitious entrepreneur. This illustrates the close relationship between ambitious entrepreneur and the achievement of SMEs performance.

In theory, SMEs performance strives to make the institutional environment run perfectly, because if entrepreneurs are not supported by the internal environment, so the implementation of business strategies is difficult to be developed (Hasibuan, 2015). The institutional environment is closely related to rules that need to be obeyed by all of elements in SMEs. Furthermore, it has been known the indicators in assessing of SMEs performance which are related to the level of profitability, the level of company benefits and the level of market share they have (Sidiqqoh & Alamsyah, 2017). The last target has a relationship with the achievement level of market share; it indicates clearly a relationship of market orientation with SMEs performance (K. Z. Zhou et al., 2008).

### 2.4 Hypothesis Model

Based on the study of previous literature review, it is known that there are several relationship variables which can develop the main variables related to SMEs performance. In which it is known that market orientation has an impact to increasing ambitious entrepreneurs (Verheul & Mil, 2011), besides ambitious entrepreneurs have an impact to achieving SMEs performance (Sidiqqoh & Alamsyah, 2017). Market orientatin has also directly the potential to support SMEs performance (K. Zhou et al., 2009). Examining the study of the relationship between variables, so in hypothesis model design is presented in Figure 1, with three research hypothesis design.

*Figure 1. Model of Hypothesis*



Hypothesis 1. Market orientation impacts positively to ambitious entrepreneur

Hypothesis 2. Ambitious entrepreneur impacts positively to SMEs Performance

Hypothesis 3. Market orientation impacts positively to SMEs Performance

### 3. Methodology

The research method used was a survey, in which it was conducted to entrepreneurs in Indonesia, particularly in West Java which had many SMEs. The number of entrepreneurs was taken as many as 133 data through questionnaire made quantitatively. The questionnaire was made with predetermined answers to make it easier to process, where the value of “1” described the level of strongly disagree and the value of “6” described the level of strongly agree with the statement given. The statements of all latent variables were determined by different numbers. In market orientation, it was used seven indicators, while in ambitious entrepreneur and SMEs performance were assessed from three of each indicator.

Data from the questionnaire was tabulated and processed with SEM analysis techniques and SmartPLS analysis tools. So, the model testing was done through Inner and Outer Models, and to emphasize the results of research hypothesis test based on Figure 1 which was about research hypothesis model. Inner model test was done by assessing Outer Weight, while Outer Model was done by assessing several criteria, namely Convergent Validity, Composite Reability, Average Variance Extracted, and Discriminant Validity. The two of tests were needed in accordance with the criteria, after that it was explained the model through the relationship and the impact of latent variables.

### 4. Results and Discussions

#### 4.1 Research Model

Data from respondents which are SMEs entrepreneurs in West Java obtained 133; data is processed through SmartPLS without explaining the characteristics of entrepreneurs. Before explaining the study results, an Inner and Outer Model test was performed, where the results were known that all tests were said to be valid and reliable (good of fit). These results are based on a Convergent Validity value > 0.3, Discriminant Validity value > 0.7, Average Variance Extracted value > 0,5, Cronbach’s Alpha value > 0,7, and Outer Weight value for t-statistical > 3,092. A summary of test results is attached in Table 1, Table 2 and Table 3.

**Table 1.** Values of Outer Loading

Instrument	Market Orientation	Ambitious Entrepreneur	SMEs Performance
Taking Risk	0,661		
Innovation	0,776		
Proactive	0,713		
Aggressive	0,628		
Independent	0,674		
Feeling	0,625		
Integration	0,621		
Aspiration		0,850	
Desire		0,850	
Hope		0,812	
Profitability			0,874
Benefit			0,908
Market Share			0,875

**Table 2.** Values of Reliability and Validity

Variables	Cronbach's Alpha	Composite Reliability	Average Variance Extracted
Market Orientation	0,646	0,711	0,798
Ambitious Entrepreneur	0,788	0,876	0,702
SMEs Performance	0,862	0,916	0,784

**Table 3.** Values of Outer Weight

Instrument	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (IO/STDEV)	P Values
Risk Taking ← Market Orientation	0,211	0,208	0,024	3,092	<b>0,000</b>
Innovation ← Market Orientation	0,246	0,330	0,061	5,704	<b>0,000</b>
Proactive ← Market Orientation	0,281	0,266	0,065	4,317	<b>0,000</b>
Aggressive ← Market Orientation	0,235	0,234	0,095	3,373	<b>0,000</b>
Independent ← Market Orientation	0,338	0,327	0,077	4,382	<b>0,000</b>
Feeling ← Market Orientation	0,429	0,418	0,096	4,467	<b>0,000</b>
Integration ← Market Orientation	0,351	0,245	0,020	3,503	<b>0,000</b>
Aspiration ← Ambitious Entrepreneur	0,447	0,450	0,039	11,575	<b>0,000</b>
Desire ← Ambitious Entrepreneur	0,360	0,361	0,029	12,384	<b>0,000</b>
Hope ← Ambitious Entrepreneur	0,386	0,382	0,029	13,188	<b>0,000</b>
Profitability ← SMEs Performance	0,373	0,371	0,025	14,624	<b>0,000</b>
Benefit ← SMEs Performance	0,394	0,397	0,030	13,294	<b>0,000</b>
Market Share ← SMEs Performance	0,363	0,362	0,025	14,371	<b>0,000</b>

The next result is testing hypothesis based on the previous hypothesis model in Figure 2, where it is known that market orientation has a significant influence on ambitious entrepreneurs, and it has a significant influence on SMEs performance (Table 4). Whereas the orientation model cannot directly cannot significantly influence to SMEs performance (Table 4). Based on these results, it can be concluded that ambitious entrepreneurs are able to mediate between market orientation and SMEs performance.

Figure 2. Correlation Values and Loading Factors

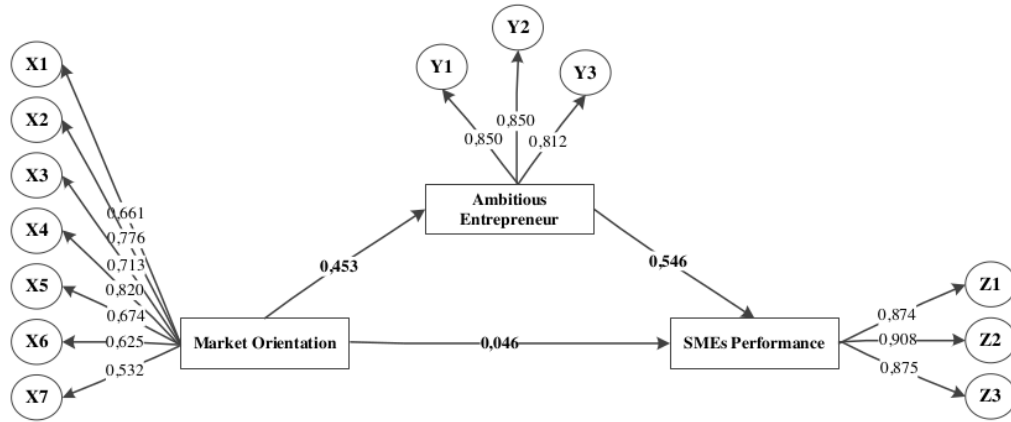


Table 4. Hypotheses Tests

Hypotheses	t-value
Market Orientation → Ambitious Entrepreneur	5,976
Ambitious Entrepreneur → SMEs Performance	6,028
Market Orientation → SMEs Performance	0,499

#### 4.2 The Impact of Market Orientation to Ambitious Entrepreneur

As it is known in research results where market orientation has an impact on positive changes in ambitious entrepreneurs. This is indicated by a correlation value of 0.453 or a large effect of 20.5% (Figure 2), which explains that the higher of market orientation implementation on business strategy, the better it affects to ambitious soul of entrepreneur. Part of this study results are actually in line with and perfecting the previous research (Verheul & Mil, 2011), where research for SMEs in Netherlands explains that the importance of an ambitious soul is owned by entrepreneurs through an entrepreneur’s understanding of market orientation. Because in market orientation, there are a clear segments and company’s targets for customer’s targets. An entrepreneur is required to understand and to control market intention, so market orientation becomes an important part which needs to be understood by entrepreneurs. In a market orientation, several things that need to be recognized by entrepreneurs, such as risk taking, innovation, proactivity, aggression, independence, feeling and integration. All these elements become entrepreneur’s tools in understanding and controlling target market.

The findings of this study are emphasized by the hypothesis test attached in Table 4, where market orientation has a significant impact to ambitious entrepreneurs. So that information is related to entrepreneur’s behavior can be important information for government in understanding SMEs behavior and providing the policies which can develop to SMEs in Indonesia. So the existence of SMEs are able to sustain the economy of country and the economy of society, remember that SMEs are companies which is more able to survive in critical economic (Durst & Gueldenberg, 2010).



### **4.3 Mediation of Ambitious Entrepreneur**

Another finding that appears in Figure 2 is the relationship of ambitious entrepreneurs to SMEs performance. Where it is known to have a positive relationship of 0.546, in which if it is increased to be the influence so the number of effect is 29.8%. Examining the facts of this problem explains that the higher of ambitious soul possessed by entrepreneurs, the better in building and achieving SMEs performance. This part of study provides a new findings that actually refine the previous research (Sidiqqoh & Alamsyah, 2017). Where in the previous study that focused on SMEs in Indonesia explained that SMEs performance truly depends on entrepreneur's behavior as decision makers, namely commitment in entrepreneurship and ambitious entrepreneur in entrepreneurship. It seems clearly that ambitious entrepreneurs provide a great opportunities for achieving SMEs performance. In accordance with hypothesis test result in Table 4, where it is stated the impact of ambitious entrepreneur can influence to SMEs performance significantly.

In ambitious entrepreneurs, there are several things which need to be considered, namely aspiration, desire and hope. Aspiration is related to the level of aspirations such as suggestions and decisions which arise from entrepreneurs based on the previous experience. It is needed so entrepreneurs are able to compete in their business. Furthermore, desire relates to interest in entrepreneurship, which is needed in facing business competition. Finally, hope is always believed that his business can survive and to be excellent from their competitors. All of visible characteristics of ambitious entrepreneurs are the keys that need to be understood. Obviously, this information is important to be understood by entrepreneurs from SMEs in Indonesia, with the aim can motivate in building their business.

### **4.4 Insignificant Effect of Market Orientation**

The last finding that emerges in this study is the relationship of market orientation as one of business strategies of SMEs, which based on research findings has a relationship to SMEs performance of 0.046. However, it can be explored that the relationship is not closed, and it can be interpreted that SMEs performance cannot be controlled directly by implementing market orientation. In accordance with the hypothesis test results in Table 4, which mentions that market orientation cannot influence the achievement of SMEs directly. It seems clearly that these findings are inconsistent and it tends to argue the previous research (K. Zhou et al., 2009). It is happened and it is possible there are other factors which are more dominant in encouraging the achievement of SMEs performance. In this research, SMEs performance is very dependent on entrepreneur's behaviour, which is ambitious entrepreneur. So, it is very clear that there are other factors which give a greater hope of achieving SMEs performance.

From the other side, it is known that ambitious entrepreneur is an entrepreneur's behaviour which is clearly able to be controlled by the implementation of market orientation. Examining the results of several studies, it can be concluded, and it becomes novelty of this study, namely the ability of ambitious entrepreneurs to support the relationship of market orientation on achieving SMEs performance. It means that SMEs performance will be well-achieved through the implementation of market orientation if it is mediated by the support of ambitious entrepreneurs. Some important information reveals in this study is truly able to provide an input for SMEs and government in understanding entrepreneur behaviour in SMEs.

## **5. Conclusions**

This research focuses on the study of organizational behavior through SMEs in Indonesia with studies on market orientation, ambitious entrepreneurs and SMEs performance. Where SMEs performance becomes an evaluation in assessing entrepreneur's behavior in Indonesia. The research findings stated that SMEs performance can be controlled by ambitious soul of entrepreneur. So, the higher of ambitious soul is very beneficial in evaluating to firm performance. Other findings are stated that ambitious entrepreneurs can be well-supported by the implementation of market

orientation. Where business strategies through market orientation provide the opportunities in understanding the target market and it has an impact on ambitious entrepreneur behavior. The essence of the research findings explain that ambitious entrepreneurs can be a mediator in increasing the impact of implementing market orientation on SMEs performance.

The information is found in research of organizational behavior which relates to SMEs has certainly a positive impact to SMEs in Indonesia, more understanding in decision to determine business strategies through the implementation of market orientation. Besides that, this study results also provide the input for government in determining SMEs policies in Indonesia which are more beneficial in stimulating the growth of SMEs. More deeply, there are several things that is not examined in this study; so, the information is felt to be imperfect for stakeholders to know. In this case, it seems that this study does not examine the commitment and competence of entrepreneurs, even though both behaviors determine in evaluating SMEs performance. It becomes a limitation of research and it is recommended to be developed in subsequent studies.

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