

A Performance Study of Micro-Small-Medium-Enterprises (MSMEs) in Emerging Economy: Role of Entrepreneurial Orientation

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Diajukan : 30 April 2024
Direvisi : 03 Mei 2024
Diterima : 06 Mei 2024

ABSTRACT

The role of MSMEs in economic growth across the world has become more critical over recent years because of the intensively changing business environment. MSMEs especially in Indonesia have contributed to reducing the unemployment rate. However, the problem of MSMEs is maintaining their businesses because of inefficiency in operating and producing competitive advantage. This research aims to examine the performance of MSMEs in emerging economies, particularly Surabaya City, Indonesia. The dimensions of entrepreneurial orientation were used to measure firms' performance. They are proactiveness, innovativeness, risk-taking, autonomy, and competitive aggressiveness. The multiple linear regression analysis, classic assumption test, and purposive sampling technique were applied in this research. The findings of this study indicate that innovativeness, risk-taking, autonomy, and competitive aggressiveness variables significantly influence firms' performance. Only the proactiveness variable was found not significant.

Keywords: MSMEs; Entrepreneurial Orientation; Firms' Performance

ABSTRAK

Peran UMKM dalam pertumbuhan ekonomi di seluruh dunia menjadi semakin penting dalam beberapa tahun terakhir karena perubahan lingkungan bisnis yang intensif. UMKM khususnya di Indonesia telah berkontribusi dalam mengurangi angka pengangguran. Namun permasalahan UMKM adalah mempertahankan usahanya karena tidak efisiennya operasional dan menghasilkan keunggulan kompetitif. Penelitian ini bertujuan untuk mengkaji kinerja UMKM di negara berkembang, khususnya Kota Surabaya, Indonesia. Dimensi orientasi kewirausahaan digunakan untuk mengukur kinerja perusahaan. Diantaranya adalah proaktif, inovatif, berani mengambil risiko, otonomi, dan agresivitas kompetitif. Analisis regresi linier berganda, uji asumsi klasik, dan teknik purposive sampling digunakan dalam penelitian ini. Temuan penelitian ini menunjukkan bahwa variabel inovasi, pengambilan risiko, otonomi, dan agresivitas kompetitif berpengaruh signifikan terhadap kinerja perusahaan. Hanya variabel proaktif yang ditemukan tidak signifikan.

Kata Kunci: UMKM; Orientasi Kewirausahaan; Kinerja Perusahaan

INTRODUCTION

Over the past few years, the world has been changing rapidly, dynamically, and unpredictably, especially in the business environment (Masa'deh et al, 2018; Santoso et al, 2023). International issues such as trade wars, pandemics, high inflation rise, etc. have impacted the global economy around the world and are forcing companies to re-examine their internal issues, strategies, and mission to maintain their competitive advantages (Almajali et al, 2016). Moreover, current resources in emerging economies may not be sufficient to deal with the increased unemployment rate due to rising population and consumption. Hence, many

governments started to focus on strengthening entrepreneurship to increase entrepreneurial ventures to revive the economy (Hossain et al, 2023). The importance of entrepreneurship has grown prominently nowadays as it can create jobs to fight the rising unemployment rate and assist the economic development of a country (Porfirio et al, 2022).

Indonesia is categorized as one of rapidly growing emerging economies (Jupesta et al, 2011), and its economic developments are very dependent on the contribution of micro-small-medium-enterprises or MSMEs (Manzoor et al, 2021). Pandey et al (2022) mentioned that MSMEs around

the world contribute to a total of 95% of businesses and assist in fighting the global unemployment rate, accounting for 60% of global employment. Talking more particularly in Indonesia, according to Indonesia-Investment.com (2022), MSMEs contribute around 97% of jobs in Indonesia, making them a fundamental aspect of the Indonesian economy. Additionally, 99% of businesses in Indonesia are categorized as MSMEs, contributing to around 61% of the total GDP. Nevertheless, there are many challenges for MSMEs which mostly experience slow growth and decline resulting in the closure of the enterprises (Arabeche et al 2022). Enterprises need to improve their overall performance and innovate to upgrade their capabilities to face future uncertainty.

One of the indicators of a firm's performance success is entrepreneurial orientation (Dzomonda and Fatoki, 2019). Business people in enterprises need to adopt entrepreneurial orientation competency. By having an entrepreneurial orientation, an entrepreneur would be willing to innovate, taking more calculated risks to grow their businesses (Erista et al, 2020). Lumpkin and Dess (1996) explained that entrepreneurial orientation is the drift of a person to innovate, be proactive, and be willing to calculate and take risks when managing a business. Furthermore, it deals with creative and innovative capabilities and resources to seek opportunities to improve business performance (Kraus et al, 2012). Many studies proved that there is a positive association between entrepreneurial orientation and firms' performance (Masa'deh et al, 2018; Kraus et al, 2012; Barroso-Martinez, 2016).

Based on the literature review above, this study intends to take a closer look at the relationship between entrepreneurial orientation and MSMEs' performance. Businesses with MSMEs scale are selected because they are the economic pillar of a nation categorized as an emerging economy such as Indonesia (Putra and Santoso, 2020). Moreover, the objective of this study is to try to contribute to the strategic management field, in the MSMEs context.

The remainder of this research is structured in the following manner. Firstly, the research introduces the background and objectives of the study. Secondly, the literature review and hypotheses are formulated. Moreover, the paper elaborates on the research methodology and analyzes the results. Lastly, the discussion covers the implications, conclusions, and limitations of the research, along with future research suggestions.

Literature Review and Development of Hypotheses

Entrepreneurial Orientation

Aldrich and Cliff, (2003) elaborated that the basic aspects of entrepreneurship include examining potential business opportunities, often executed through the establishment of new firms. Moreover, Audretsch (2012) added that entrepreneurship is measured beyond merely creating new enterprises; it involves the capability and willingness of innovative entrepreneurs to invent new products and processes grounded in new knowledge. Entrepreneurship demonstrates to be a valuable concept leading enterprises on how to participate in change and renew processes to increase and maintain their competitiveness (Wales et al, 2016).

The importance of entrepreneurial orientation has attracted many academics and researchers to research it, becoming one of the most identified concepts in the field of entrepreneurship, stressing decision-making styles and practices related to firms' entrepreneurial activities (Putnins and Sauka, 2020). Research done by Karami and Tang (2019) pointed out the conceptual use of entrepreneurial orientation by many firms to enhance the development of entrepreneurship, provide the identification of new business opportunities, and increase associated benefits. Famous scholar in the field of entrepreneurship, Miller (1983) founded the concept of entrepreneurial orientation and defined it as the capability to embrace market innovation on a product and transform a venture into somewhat risky initiatives to improve competitive advantages to outperform competitors. Furthermore, Miller (1983) also categorized entrepreneurial orientation into three dimensions namely: pro-activeness, risk-taking, and innovativeness. Lumpkin and Dess (1996) introduced two other dimensions of entrepreneurial orientation: autonomy and competitive aggressiveness. This study will try to develop hypotheses based on those five dimensions of entrepreneurship to find out if they influence firms' performance with the MSMEs scale.

Firms' Performance

The main goal of any firm is to improve its performance. Consequently, strategic management and firms' performance cannot be separated because most of its enhancements are from the field of strategic management. Thus, firms commonly spend more effort on this aspect Tseng and Lee (2014). However, there are some challenges in conceptualizing and measuring firms' performance faced by many researchers. Various academics have

diverse opinions, conceptualizations, and measurement tools for firms' performance. Masa'deh et al (2016) revealed that there is a lack of consensus on the meaning of firms' performance and the appropriate tools to measure it.

The term 'performance' refers to the extent to which an organization or a company meets its goals or the potency of individuals, groups, and the overall organization. Individual performance involves various factors, for example, job satisfaction, goal attainment, and personal adjustment. Additionally, at the group level, it encompasses morale, cohesion, efficiency, and productivity. Performance at the organizational or firm level, on the other hand, includes managing efficiency, maintaining productivity, absenteeism rate, turnover rate, and adaptability, as elaborated by Tseng and Lee (2014). Consequently, a firm's performance is defined as a company's capability to reach its objectives by managing resources efficiently and effectively (Lee et al, 2019). Moreover, it is important to have measurement systems providing clear guidance for managers and employees set by the companies. Having a clear measurement system, allows firms to examine the field that needs improvement and start shifting consideration to it after reviewing how well the job is done based on cost, quality, and time (Abebe, 2014).

Hypotheses Development

Entrepreneurial orientation competency and its relationship with firms' performance either common firms or firms with MSMEs scale has been researched over the past decades. The results of the studies may be different because it may depend on the location of the research, scale of the businesses, sample size, etc. A study by Masa'deh et al (2018) found a positive and significant effect of entrepreneurial orientation and firms' performance in the Jordanian pharmacy industry. Similarly, Arabeche et al (2022) also found a positive and medium effect on entrepreneurial orientation and business performance after researching 180 MSMEs in Algeria. However, research done by Onwe et al (2020) found that there is no significant effect of entrepreneurial orientation on the firms' performance of 221 MSMEs in Southeast Nigeria. Therefore, this study intends to use the five dimensions of entrepreneurial orientation elaborated above as the measurement tool to identify firms' performance in an emerging economy, Indonesia.

Pro-activeness and Firms' Performance

Storey and Hughes (2013) mentioned that being proactive encompasses applying a forward-

looking perspective in which enterprises strive to generate new products, increase existing ones, look for changes and opportunities, advocate for strategic shifts within the organization, and examine the demand of future markets. Kurtulmus and Warner (2015) defined proactivity as the capability to manage resources to produce innovative products and services ahead of the business competition. Proactive firms can identify new business opportunities through inter-organizational activity and demonstrate the company's capability to find and execute opportunities on the market before their competitors (Basco et al, 2020).

Several academics and researchers have studied the relationship between entrepreneurial orientation including its dimensions and firms' performance. A study by Erista et al (2020) found that there is no significant effect of proactiveness and firms' performance of food industry MSMEs in Salatiga, Indonesia. However, Ibrahim and Abu (2020) found the opposite result where there was a significant influence of proactiveness and MSMEs performance in Nigeria. Similarly, Fairoz et al (2010) found in their study that there was a positive and significant influence of proactiveness and firms' performance with MSMEs scale in Sri Lanka. Based on those differences, this study formulates hypothesis 1 namely:

H1: Proactiveness has a significant influence on Firms' performance

Innovativeness and Firms' Performance

Nikoomaram and Ma'toofi (2011) explained that the unique quality of the process of innovation would determine better firms' performance and, afterward, the businesses' ability to fascinate new customers and keep up with their current clients (Li et al, 2009) Ramezan et al (2013) added that innovativeness refers to the tendency of individuals or businesses to support new inventions, creativity, and experimentation, to develop new products, services, and the application of new technologies. Fulfilling the changing customer needs and behavior is the goal of innovativeness of firms. A study by Erista et al (2020) found the significance of innovativeness on firms' performance with the MSMEs scale. Similarly, Fairoz et al (2010) also found the same result, in Sri Lanka's MSMEs. Based on the theoretical review above, hypothesis 2 is formulated namely:

H2: Innovativeness has a significant influence on firms' performance

Risk-taking and Firms' Performance

According to Belgacem (2015), entrepreneurial behavior cannot be separated from

risk. Risk-taking behavior represents the “willingness to take risks”, “dealing with uncertainty”, and “exploring potential opportunities” (Wijetunge and Pushpakumari, 2014). Lumpkin and Dess (1996) defined risk-taking as the readiness to shift resources toward entrepreneurial activities even if the result is still uncertain. Additionally, risk-taking is regarded as the level to which an entrepreneur is ready and prone to make significant business commitments (Covin and Slevin, 1990). Several studies have found a positive and significant effect of risk-taking and firms’ performance (Erista et al, 2020; Ibrahim and Abu, 2020; Fairoz et al, 2010; Shah and Ahmad, 2019). Based on the theoretical review and previous studies above, hypothesis 3 is formulated, namely:

H3: Risk-taking has a significant influence on Firms’ performance

Autonomy and Firms’ Performance

According to Balodi (2014), autonomy in the entrepreneurial orientation refers to independent action by an individual or group with the objectives of bringing a fresh business concept or vision and working hard to complete it. Lisboa et al (2011) added that entrepreneurial firm performance relies upon the achievement of new ideas occurring through the autonomy needed by the workers, which later on constitute the new ideas to become a reality.

A study by Dzulkarnain et al (2014) on 104 companies in Northern Malaysia found that autonomy does not significantly influence firms’ performance. Similarly, Hughes and Morgan (2007) also found that autonomy has no impact on business performance at the stage of firm growth. The negative impact resulted from the study above also motivates this research to identify the connection between autonomy and firms’ performance. A study by Ibrahim and Abu (2020) found in their study that autonomy has a significant and positive influence on firms’ performance. Similarly, a study by Maldonado-Guzman (2017) also found a positive association between autonomy and firms’ performance in terms of growth. Based on the past studies above, the hypothesis 4 is formulated, namely:

H4: Autonomy has a significant influence on Firms’ performance

Competitive Aggressiveness and Firms’ Performance

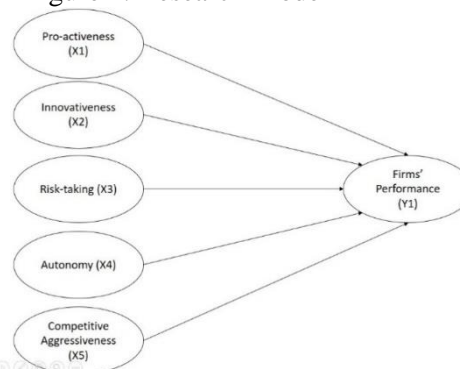
According to Lumpkin and Dess (2001), competitive aggressiveness refers to the intensity of firms’ efforts to outperform their competitors in the industry. It is characterized by a solid offensive

attitude and forceful reaction to competitors’ actions depending on its market position or aggressively joining a market after identifying rivals. Many academics and researchers have been attracted to research to find if competitive aggressiveness is related to firms’ performance. Diaz and Sensini (2020) found in their study that there is no significant influence of competitive aggressiveness on firms’ performance of Argentine companies. On the other hand, Ibrahim and Abu (2020) found in their study that competitive aggressiveness positively influences firms’ performance, but the strength is not significant. Based on the theoretical review and past studies above, we formulated hypothesis 5, namely:

H5: Competitive Aggressiveness has a significant influence on Firms’ performance

From the formulated hypotheses above, the research model of this study can be seen below in Figure 1:

Figure 1. Research Model



Source: Processed Data, 2024

RESEARCH METHOD

This study is a quantitative descriptive research, to find the relationship between entrepreneurial orientation and firms’ performance with the MSMEs scale. The multiple linear regression analysis is used to test the five hypotheses by using SPSS software. As explained by Uyanik and Guler (2013), the multiple regression analysis technique is commonly used to measure the extent to which independent variables influence dependent variables. Additionally, this study will employ the classical assumption test which is a test to determine the relation between variables (Ainiyah et al, 2016). It includes the multicollinearity test, heteroscedasticity test, and normality test.

Primary data for this study is obtained from disseminating questionnaires to the target respondents. Additionally, this study adopted the Likert scale ranged 1 to 5 from Sunyoto et al (2023) as a measurement tool to evaluate respondents’

responses. A scale of 1 represents “strongly disagree”, while a scale of 5 represents “strongly agree”. Respondents received the questionnaires from the email and requested to complete them. After completing the questionnaire, respondents were asked to return the complete questionnaire to the researcher. Furthermore, the completed questionnaire will be filtered for further examination purposes. The chosen questionnaires were those that followed the listed instructions and had been comprehensively filled out. Moreover, after the selection process, any little readability issues were addressed to ensure clarity and accuracy. The distributed questionnaire was divided into two parts. The first part focused on collecting general information about the respondents, including their demographic details, to evaluate their suitability for inclusion in the sample. The second part of the questionnaire encompasses statements designed by the researcher to obtain data to investigate the relationship between the dimensions of entrepreneurial orientation which are: proactiveness, innovativeness, risk-taking, autonomy, and competitive aggressiveness, and firms’ performance with MSMEs scale in emerging economies.

The indicators used as statements for the questionnaire were adapted from past studies as seen below in Table 1:

Table 1. Statements for Variable Measurement

Variable	Number of Statements	Source
Proactiveness	4	Herlinawati et al (2019), Nasution et al (2020), Masa’deh et al (2018)
Innovativeness	4	Herlinawati et al (2019), Nasution et al (2020), Masa’deh et al (2018)
Risk-taking	4	Herlinawati et al (2019), Nasution et al (2020), Masa’deh et al (2018)
Autonomy	4	Shah and Ahmad (2019)
Competitive Aggressiveness	3	Herlinawati et al (2019)
Firms’	6	Franco and

Performance		Prata (2019)
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Source: Processed Data 2023

This study pointed out the population of firms with MSMEs scale in Surabaya, Indonesia, an emerging economy. However, there is a problem in identifying the exact numbers of the population which leads the researchers to apply a non-probability sampling technique. The primary data used in this study was obtained from the questionnaires. Moreover, this research applies the purposive sampling technique which allows the researchers to use their judgment to choose and select respondents who they think can offer the most appropriate information to complete the research objectives. Hair et al (2010) recommended a way to determine the sample size for a quantitative study which should be around five to ten times the number of indicators used in the study. This study uses a total of 21 indicators. Therefore, an appropriate sample size should be a minimum of 105 samples and a maximum of 210 samples. This study employs the maximum number of samples which is 210 calculated from 21 indicators multiplied by 10. Top-level management such as the business owners, CEO, and managers were chosen as the respondents to the questionnaire with the consideration that they know better about the operation of the firms than low-level management employees. The firms’ criteria must be businesses that have a total annual revenue below 4.8 billion IDR to fulfill the Indonesian MSMEs criteria. A total of 250 questionnaires were distributed to the potential respondents, however, only 210 will be analyzed in the study.

FINDINGS AND DISCUSSION

Descriptive Statistics

Data collection in this study includes information gathering from respondents based on questionnaire statements. Primary data of this study was originally obtained from business owners/CEOs/managers of the firms with the MSMEs scale in Surabaya, Indonesia, an emerging economy. A total of 210 respondents have participated in the collection of data. Below in Table 2 is the classification of the respondents based on the industry field:

Table 2. Respondents’ classification

Business Category	Number	Percentage
Food and Beverage	82	39%
Fashion	39	18.6%
Services	18	8.6%
Manufacturing	13	6.2%
E-commerce retailer	30	14.3%
Automotive	11	5.2%

Others	17	8.1%
Total	210	100%

Source: Processed primary data, 2024.

The food and beverage industry accounted for 39% which was the highest among other industries followed by fashion and e-commerce retailers accounted for 18.6% and 14.3% respectively as seen in Table 2 above. This can be understood because those 3 industries may have the lowest entry barrier. Any people may start small by opening a food and beverage stall on the street. Selling fashion in e-commerce is also relatively easy to start but hard to maintain.

Table 3. Mean and Deviation Standard

Variable	Mean	Deviation Standard
Proactiveness	3.374	.7823
Innovativeness	3.801	.5211
Risk-taking	3.823	.7158
Autonomy	3.458	.6937
Competitive Aggressiveness	3.478	.7370
Firms' Performance	3.379	.7211

Source: Processed data, 2024

As seen in Table 3 above, the variable with the highest mean average is risk-taking and innovativeness which accounted for 3.823 and 3.801 respectively. This suggests that respondents generally agree with the indicators related to risk-taking and innovativeness compared to the other variables. On the other hand, the proactiveness variable has the highest standard deviation score of .7823. According to Cronk (2019), this means that respondents' answers regarding proactiveness are less consistent or homogeneous among other variables.

Validity and Reliability Test

Table 4. Validity Test

Variable	Indicator	Pearson Correlation	Sig	Interpretation
Proactiveness	X1.1	.883	.000	Valid
	X1.2	.826	.000	Valid
	X1.3	.848	.000	Valid
	X1.4	.793	.000	Valid
Innovativeness	X2.1	.567	.000	Valid
	X2.2	.547	.000	Valid
	X2.3	.634	.000	Valid
	X2.4	.648	.000	Valid
Risk-taking	X3.1	.714	.000	Valid
	X3.2	.821	.000	Valid
	X3.3	.762	.000	Valid
	X3.4	.850	.000	Valid
Autonomy	X4.1	.738	.000	Valid
	X4.2	.758	.000	Valid

	X4.3	.729	.000	Valid
	X4.4	.630	.000	Valid
Competitive Aggressiveness	X5.1	.657	.000	Valid
	X5.2	.795	.000	Valid
	X5.3	.788	.000	Valid
Firms' Performance	Y1.1	.829	.000	Valid
	Y1.2	.762	.000	Valid
	Y1.3	.817	.000	Valid
	Y1.4	.791	.000	Valid
	Y1.5	.806	.000	Valid
	Y1.6	.541	.000	Valid

Source: Processed Data, 2024

As seen in Table 4 above, all of the indicators are valid because the Pearson correlation value accounted for higher than the guidance level of 0.05 as guided by Cronk (2019).

Table 5. Reliability Test

Variables	Cronbach Alpha	Interpretation
Proactiveness	.914	Reliable
Innovativeness	.644	Reliable
Risk-taking	.873	Reliable
Autonomy	.803	Reliable
Competitive Aggressiveness	.798	Reliable
Firms' Performance	.888	Reliable

Source: Processed Data, 2024

According to Cronk (2019), the guidance level for the reliability test is that the Cronbach alpha value must exceed 0.60. Table 5 above shows that all of the Cronbach alpha values are higher than the guidance level which, therefore, all variables are reliable.

Multiple Linear Regression Analysis

Table 6. Multiple Linear Regression Analysis Result

Hypotheses	Coeff.	t sig	Expected Hypothesis	Result	
H1	Proactiveness has a significant influence on Firms' performance	-.011	.768	Significant	Rejected
H2	Innovativeness has a significant influence on Firms' performance	.106	.008	Significant	Accepted
H3	Risk-	-	.000	Signifi	Accep

	taking has a significant influence on Firms' performance	.181		cant	ted
H4	Autonomy has a significant influence on Firms' performance	.583	.000	Significant	Accepted
H5	Competitive Aggressiveness has a significant influence on Firms' performance	.448	.000	Significant	Accepted

Source: Processed Data, 2024

The significance level for the multiple linear regression analysis is that the t-sig value must be accounted for below .050 as guided by Cronk (2019). As seen in Table 6 above, only the proactiveness variable has no significant influence on firms' performance. The other 4 dimensions have a positive and significant influence on firms' performance.

Classic Assumption Test

Figure 2. Normality Test: One sample

		Unstandardized Residual
N		210
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.34349464
Most Extreme Differences	Absolute	.043
	Positive	.036
	Negative	-.043
Test Statistic		.043
Asymp. Sig. (2-tailed)		.200 ^{c,d}

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. This is a lower bound of the true significance.

Kolmogorov-Smirnov

Source: Processed Data 2024

A normality test is utilized to identify if the distribution of data is normal (Ainiyah et al, 2016). In SPSS, it is done by one sample Kolmogorov-Smirnov, and if the Asymp sig value is higher than the significance level of 0.05, it means that the data is distributed normally. The result of the test as seen in Figure 2 above is that the Asymp sig value accounted for 0.200 and is higher than the significance level meaning that the residual data is distributed normally.

Figure 3. Multicollinearity and heteroscedasticity test result

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta				Tolerance	VIF
1	(Constant)	1.801E+16	.220			.000	1.000		
	X1	.000	.035	.000	.000	1.000		.773	1.294
	X2	.000	.054	.000	.000	1.000		.727	1.375
	X3	.000	.043	.000	.000	1.000		.618	1.618
	X4	.000	.051	.000	.000	1.000		.454	2.201
	X5	.000	.043	.000	.000	1.000		.589	1.698

a. Dependent Variable: Unstandardized Residual

Source: Processed Data

According to Ainiyah et al (2016), a multicollinearity test is used to identify the existence of a high correlation between variables. It is commonly used in a multiple regression analysis model. They added that a good regression model should not have a correlation between independent variables or might be mutually collinear but not highly correlated. As seen in Figure 3 above, the VIF value is less than 10 and is higher than 1, and the tolerance value is higher than 0.05, it can be interpreted that there is no multicollinearity between the VIF values which refers to the independent variables (Ainiyah et al, 2016).

Ainiyah et al (2016) explained that the purpose of conducting a heteroscedasticity hypothesis test is to determine if the absolute residuals across all examinations indicate uniformity. If the assumption of homoscedasticity is not met, it interprets that the estimator misses its effectiveness, resulting in poor accuracy in estimating the coefficient. The quality of a regression model is contingent on its capability to preserve homoscedasticity. Moreover, all of the sig levels seen in Figure 3 accounted for 1.000 and is higher than the guidance level of 0.05 which can be concluded that there is no problem with heteroscedasticity.

Discussion of the findings

The objective of this study is to examine firms with MSMEs scale performance through the dimensions of entrepreneurial orientation: proactiveness, innovativeness, risk-taking, autonomy, and competitive aggressiveness. Researchers will elaborate and discuss each result of the variables. The first variable is proactiveness, the result from the multiple linear regression analysis found that there is no significant influence of proactiveness on firms' performance because the significance value accounted for .0768 and is higher than the standard of .050 (Cronk, 2019), therefore hypothesis 1 is rejected and does not support past studies by Ibrahim and Abu (2020) and Fairuz et al (2010) where they found in their research that proactiveness positively influence firms' performance. This can be understood

because the location of the study is different. In an emerging economy like Indonesia, MSMEs commonly hard to maintain their business because of their scale. Therefore, renewing technology is a challenging issue, particularly in terms of capital. Similarly, capital gain is also the main issue for MSMEs to expand their business to other regions unless there is an investment from an external investor.

Secondly, innovativeness was found to have a significant influence on firms' performance in the MSMEs scale because the result of the multiple linear regression analysis was accounted for .008 and is below the guidance level of .050 by Cronk (2019). Therefore, hypothesis 2 is accepted and supports past studies by Erista et al (2020) and Fairouz et al (2010). Even though hypothesis 1 was rejected because of the capital issue regarding investing to renew the technology and expanding the business into other regions, being innovative in developing a new product that fits the market is still critical. Firms may improve their performance by innovating their products and services to align with the regularly changing market needs. Furthermore, they may respond to the changing business environment such as taking bold action to react to the competitors' actions.

Thirdly, risk-taking was found to have a significant influence on firms' performance because the result of the multiple linear regression analysis accounted for .000 and is below than the significance level of .050 by Cronk (2019). Hence, hypothesis 3 is accepted and is aligned with past studies conducted by Erista et al, (2020); Ibrahim and Abu, (2020); Fairouz et al, (2010); Shah and Ahmad, (2019) where they found a positive association between risk-taking and firms' performance. This result can be understood because to expand the business, firms with MSMEs scale need to do a calculated risk taker. After all, when there is risk there is an opportunity (Shah and Ahmad, 2019). If firms are trying to avoid any risks, they also miss the opportunity. Risks cannot be avoided but can be minimized by creating a strategic plan (Nasution et al, 2020).

Moreover, the autonomy variable influences firms' performance significantly as a result of the multiple regression analysis which accounted for .000 and is below the significance level of .050 guided by Cronk (2019). As a result, hypothesis 4 is accepted and aligns with past studies by Ibrahim and Abu (2020) and Maldonado-Guzman (2017) respectively. It is understood that when employees have autonomy in many aspects: decision-making, budgeting, and hiring people,

firms' performance will be enhanced because of their engagement towards the company (Shah and Ahmad, 2019).

Lastly, the competitive aggressiveness variable has also been found to have a significant and positive influence on firms' performance as a result of the multiple linear regression analysis which accounted for .000 and is below the significance level of .050 guided by Cronk (2019). Hence, hypothesis 5 is accepted and aligns with a past study by Ibrahim and Abu (2020). Being aggressive in a positive way and responding to changes in the business environment is important. Moreover, responding to changes and acting before other competitors in the industry matters. Once the peak moment is lost, firms may not get the maximum result from the opportunity that arises.

CONCLUSION

This study has successfully met its objectives by proving that there is a significant influence of innovativeness, risk-taking, autonomy, and competitive aggressiveness on firms' performance of MSMEs in Surabaya Indonesia. Only the proactiveness variable was found to not have a significant influence on firms' performance. This study also successfully facilitates implication for MSMEs in Surabaya, Indonesia from the result above, it is suggested that the MSMEs in Indonesia start paying more attention to those variables in responding to the global changing business environment which happens very regularly. When firms are late to respond to changes and to innovate, they may not be able to grab the opportunity maximally. Any risks that may occur can be calculated and minimized. So, firms are suggested not to avoid risks but to create a strategic plan to face them.

LIMITATION OF RESEARCH AND FUTURE RECOMMENDATIONS

This study has limitations, especially because it only walks around the influence of entrepreneurial orientation's dimensions on firms' performance. Additionally, the scope of the sample is relatively small to represent the emerging economy which is only located in Surabaya. It is therefore, for future researchers, suggested to obtain respondents from a bigger scope, such as province scale or even national scale. Moreover, the study can be conducted by using different variables to measure firms' performance with the MSMEs scale, for example, dynamic capability, knowledge management, transformational leadership, etc, or probably add the mediation variable by using the Sobel test to test the dependent variables.

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