

Innovation as a Mediator of Entrepreneurial Characteristics on Business Success in MSMEs

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Abstract

This research aims to determine the extent to which entrepreneurial characteristics influence business success through innovation. This type of research is explanatory with a quantitative approach. The population in focus is the MSME (Micro, Small, and Medium Enterprises) actors in Malang City. A total of 97 MSME actors were selected as samples using the purposive sampling technique. Data collection was carried out using questionnaires distributed via Google Forms, and the results were analyzed using path analysis. The results of the study indicate that entrepreneurial characteristics influence business success through innovation.

Keywords: Business Success, Entrepreneurial Characteristics, Innovation.

Abstrak

Tujuan penelitian ini adalah untuk mengetahui sejauh mana karakteristik bisnis mempengaruhi kesuksesan bisnis melalui inovasi. Penelitian ini bersifat eksplanatori dengan komponen kuantitatif. Fokus utamanya adalah mahasiswa UMKM Kota Malang. Sebanyak 97 mahasiswa UMKM dijadikan sampel dengan menggunakan teknik purposive sampling. Pengumpulan data dilakukan dengan menggunakan kuesioner yang dibuat menggunakan Google Forms, dan hasilnya dianalisis menggunakan analisis statistik. Hasil penelitian menunjukkan bahwa karakteristik suatu bisnis berdampak pada keberhasilannya melalui inovasi.

Kata kunci: Inovasi. Karakteristik Wirausaha, Keberhasilan Usaha

Introduction

Micro Business refers to a productive business owned by an individual or individual business entity that meets the requirements as a Micro Business regulated by law. Purba (2019) stated that MSMEs are economic activities that are independent, operate on a small scale, and are managed by community groups, families, or individuals. MSMEs that are currently attracting a lot of attention from various groups, including the younger generation and adults, are in the culinary field. Culinary MSME actors can be found in various places, ranging from street vendors, stalls, restaurants, and the like.

Based on data taken from the Coordinating Ministry for Economic Affairs of the Republic of Indonesia in 2021, MSMEs have an important contributor to gross domestic product (GDP). Where MSMEs contribute 60% of GDP and contribute 16% to total national exports. Observing the situation at that time, it can be seen that many Micro, Small and Medium Enterprises (MSMEs) sectors need to have

the ability to maintain and create the brand identity of the products to be sold. Therefore, it is important to pay attention to how to display images, logos, names, words, letters, numbers, and special symbols so that the product becomes attractive to consumers.

Launching data from the Central Statistics Agency (BPS) of Malang City, the number of sub-district MSMEs in Malang City (units) in 2022 can be known based on Figure 1.

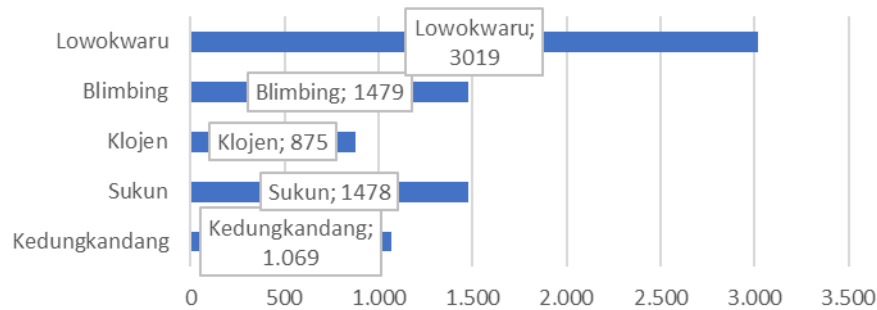


Figure 1. Number of MSMEs in Malang City

Source: BPS Malang City (2022)

From Figure 1, it can be seen that the number of MSMEs in 2022 in Malang City is based on sub-districts with a total of 7920 MSMEs. The number is divided into five sub-districts, namely Kedungkandang with a total of 1069 MSMEs. Sukun District with a total of 1478 MSMEs. Klojen District has 875 MSMEs while Blimbing District has 1479 MSMEs. Lowokwaru District is the district with the highest number of MSMEs with a total of 3019.

An entrepreneur is an individual who is able to establish, run and institutionalize a business or business that he owns. The high number of competitors among culinary Micro, Small and Medium Enterprises (MSMEs) in Malang City requires MSME actors to have resilience in facing variations in market conditions and continue to monitor the development of their MSME businesses. The good character of business owners can also provide significant support to the operations of Micro, Small, and Medium Enterprises (MSMEs). Especially when an owner has employees, most employees feel comfortable working with an owner who shows good characteristics. If this happens, MSMEs will automatically experience development and smooth operations.

To become an independent entrepreneur, every individual needs to be prepared to face various obstacles and obstacles in the business world, as well as have the ability to compete in an increasingly competitive market. In general, entrepreneurs have similar characteristics; They are individuals who have a strong determination and passion to start their own business. The risk of failure in the business world is an inevitable reality, and every entrepreneur will face this challenge. There is no guarantee of success, so all business people will feel this pressure. To continue playing a role and achieving success, an entrepreneur must have confidence, strong determination because often faced with various external and internal challenges, an entrepreneur is considered an important and valuable resource in a business (Suryana & Burhanuddin, 2021).

Entrepreneurial characteristic factors have a significant impact on business progress. Fitria et al. (2022) suggests that there are eight key elements in the

traits of an entrepreneur involving working hard, being optimistic, being careful to use the best available methods, the drive to enable self-expression, helping the organization, being responsible, being oriented to the currency, instruction on profits. This statement is in line with research conducted by Almaidah & Endarwati (2019) on the analysis of the influence of entrepreneurial characteristics, capital, motivation, experience, and business ability on the business success of cashew-producing SMEs in Wonogiri Kabupaten which shows a significant influence between entrepreneurial characteristics on business success. However, there are differences in the results of research conducted by Ependi & Winarso (2019) which states that entrepreneurial characteristics have no effect on business success.

Success in business can be reflected in the nature and actions of an entrepreneur, but achieving such success is not easy. Entrepreneurs who have intelligence, creativity, curiosity, and the ability to keep up with and apply technological developments with the right productivity, tend to achieve success in their businesses. The success of an entrepreneur is influenced by a variety of factors, including ability and motivation, perseverance, precision and skill. Svetlana (2018) business success is defined as the achievement of an action within a certain time frame or within set parameters, or it can also reflect the achievement of a goal or achieve a target.

Business success is a situation where business actors experience an increase in results from previous conditions such as increased turnover, need more employees, and the business is famous. Previously, a presurvey had been carried out and most MSME actors in Lowokwaru District, Malang City, said that MSMEs were difficult to develop even though they had been established for a long time, one of which was because of the many competitors who required MSME actors to be innovative.

The city of Malang can take advantage of MSME products to improve and develop its economic sector. The MSME sector is one of the main contributors to the regional economy. MSME products in Malang City, especially in the food and beverage category, continue to develop among the community. From 2021 to 2022, the number of micro businesses that grew and developed increased significantly. In 2021, the number of micro enterprises reached 2,339, increasing to 3,019 in 2022. This means an increase of 680 business units in just one year.

Another thing that is no less important is innovative efforts so that Micro, Small and Medium Enterprises (MSMEs) continue to grow. Mandey (2018) innovation is not only focused on developing a new product or service but also must innovate starting from business thinking and also new processes. Prasetyo (2020) Product innovation is an interesting new inspiration so that it can be developed. Innovations are used deliberately for development purposes and interesting strategies. In order to be able to compete with other companies, innovation must continue to be carried out and developed. Aspects such as entrepreneurial characteristics are elements that must be fulfilled by a business owner who wants to develop his business.

The existence of this phenomenon is the background for further research on the impact of entrepreneurial characteristics on the success of MSMEs in Malang through innovation. The results of this study are expected to provide information that can be considered and become the basis for understanding why

the factors studied are considered key elements in the success of MSMEs.

Micro, small, and medium-sized enterprises (MSMEs) are companies that employ no more than fifty people. Micro-scale businesses are mostly forms of micro businesses and small businesses, such as street vendors, handicrafts, souvenir businesses, and the like (Warkum, 2004). Meanwhile, according to Law Number 20 of 2008 on MSMEs, micro business units are productive enterprises owned by individuals and/or individual business entities that meet the criteria for micro businesses as outlined in the law. The criteria for microbusinesses include: 1) Have a net value of no more than Rp. 50 million, excluding property and buildings where the firm is located; or 2) have an annual sales income of no more than Rp. 300 million.

MSMEs are intended for business growth and development in helping the national economy based on justice. Meanwhile, MSME empowerment efforts have the goal, namely Creating an equal, growing and fair national economic system; Optimizing the level of MSME capability to become a strong and independent business, optimizing the function of MSMEs in efforts to form regions, creating job vacancies, efforts to distribute income, economic growth and improving people's living standards (Ni'mah, 2022).

Business success can be interpreted as a condition where the business experiences an increase in results from the previous condition. Achieving business success is the main goal for a company, where all activities in it are directed to achieve these achievements. Business success is the success of a business in achieving its goals, namely by increasing capital, revenue, sales volume, production and labor (Fajrin & Susanto, 2020).

Julius & Nagel (2018) stated that business success is a state where the business experiences an increase in results that were previously the main part of a company where all activities in it are shown to achieve success.

Something related to people's characteristics, dispositions, behaviors, habits, and attitudes towards the struggle of life to achieve physical and inner happiness is the meaning of entrepreneurial characteristics. Jusmawi (2020) entrepreneurial characteristics are a character possessed by a person to create a business and be able to face the risks faced directly by directly identifying them in achieving success.

Mulyana et al. (2020) The characteristics of entrepreneurship are that if an entrepreneur wants to succeed, he must have tenacity, not give up easily and have a forward orientation. An entrepreneur is always committed to doing his job until he gets the expected results. He is not half-hearted in doing his work because he is always diligent, tenacious, and never gives up. His actions are not based on speculation, but through careful calculations. He dares to face risks to his work because he has done careful calculations.

Prasetyo (2020) Innovation is an interesting new inspiration so that it can be developed. Innovations are used deliberately made for interesting development purposes. In order to be able to compete with other companies, innovation must continue to be carried out and developed. Alternatively, innovation includes developing creative ideas into useful products or working methods.

Apriliani & Widiyanto (2018), entitled "The Influence of Entrepreneurial Characteristics, Business Capital, and Labor on the Success of Batik MSMEs in

Pekalongan City". This study uses a quantitative type and the sampling technique used is census sampling. The results of the study show that the variables of entrepreneurial characteristics, business capital, and labor have an effect on the success of batik MSMEs.

Susyanti et al. (2020), entitled "Influence of Business Capital Factors, Psychological Capital, Entrepreneur Characteristics, and Innovation on Business Sustainability in the Creative Economy of the Fashion Sub-Sector in Malang Raya". This study uses a quantitative type and sampling technique used based on the slovin formula. The results of the study showed that the variables of business capital, psychological capital and entrepreneurial characteristics had a positive effect on the success of the business while the innovation variable had no effect on the success of the business.

Mustofa & Anisa (2021) entitled "The Influence of Entrepreneurial Characteristics, Business Capital, and Marketing Strategies on the Success of Micro, Small and Medium Enterprises (MSMEs) with Innovation as an Intervening Variable". This research employs a survey method and is quantitative in nature. The study's findings demonstrate that while company capital has little bearing on MSMEs' growth, entrepreneurial traits and marketing tactics do have an impact on their performance. While corporate capital has little effect on innovation, marketing techniques and entrepreneurial trait variables do. Business success is influenced by innovation factors. Additionally, marketing tactics and entrepreneurial trait variables influence MSME business success via innovation, however business capital has no effect on MSME business performance through saturated innovation. The study's findings demonstrate the influence of the factors of innovation, company capital, and entrepreneurial traits.

Mardhiyyah et al., (2022) entitled "The Influence of Entrepreneurial Characteristics, Business Capital and Innovation on Business Success (MSMEs Nasi Goreng Kelapa Gading Region, North Jakarta)". A questionnaire is used as the data gathering tool in this quantitative investigation. The study's findings demonstrate that the factors of innovation, company capital, and entrepreneurial traits significantly impact the performance of businesses.

Based on the background, problem formulation, and research objectives that have been described above, the hypothesis of this research is:

H1: Entrepreneurial characteristics affect business success

H2: Entrepreneurial characteristics affect innovation

H3: Innovation affects business success

H4: Entrepreneurial characteristics affect the success of innovation efforts

Research Methods

This study employs a quantitative, explanatory research design. The MSME actors in Malang City make up the study's population. Using purposive selection approaches for MSMEs, the research sample consisted of 97 respondents who met the requirements of culinary enterprises that already had a Business Identification Number. A questionnaire with a Likert scale is used in the data collection method. The analysis tool uses Path Analysis.

Result and Discussions

The Influence of Entrepreneurial Characteristics on Business Success

Entrepreneurial characteristics have a significant effect on business success in MSME actors in Malang City with coefficients $b = 0.1202$ and $p = 0.019$. This statement is supported by Purnama et al. (2022) which states that the entrepreneurial spirit in the form of confidence, risk-taking, innovative, and hardworking is correlated with business success in the form of increased business growth, turnover, and production.

Support for the theory of Siregar & Jaffisa (2020) is found in the results of this study, which emphasizes that one of the determining factors for the growth of MSMEs is the role of the government in empowering MSMEs through credit distribution or socialization in the form of MSME trainings. With the proven fact that the highest MSME in Malang City based on the sub-district is Lowokwaru District, the Malang City government has succeeded in fulfilling its responsibility in educating MSME actors to continue to be entrepreneurial and achieve a successful business.

The results of this study reinforce the results of previous research that has been conducted by Apriliani & Widiyanto (2018) which proves that entrepreneurial characteristics affect business success as well as research conducted by Almaidah & Endarwati (2019) which proves that entrepreneurial characteristics affect business success.

The Influence of Entrepreneurial Characteristics on Innovation

Entrepreneurial characteristics have a significant effect on innovation with coefficient values $b = 0.3059$ and $p < 0.001$. The R^2 value for this model is 0.158, which indicates that the entrepreneurial characteristics explain about 15.8% of the variation in innovation.

According to Hendarwan (2018), entrepreneurship is a creative and innovative skill that serves as a foundation and a source of resources for identifying prospects for success. Only those with creative and innovative personalities—that is, those with an entrepreneurial spirit, attitude, and behavior—who possess the qualities of self-assurance, optimism, dedication, discipline, and responsibility—are able to carry out the creative process.

Support for Prayoga et al. (2022) theory, which holds that self-efficacy is one of the key elements influencing innovative behavior, since innovative work behavior and confidence in one's own abilities can lead to a competitive advantage in a business or during trading. With innovative work behavior and high self-confidence, it will be easier to achieve a successful business.

The results of this study reinforce the results of previous research conducted by Prayoga & Nurchayati (2023) which proves that entrepreneurial characteristics have a significant influence on the level of innovation.

The Influence of Innovation on Business Success

Innovation has a significant effect on business success in MSME actors in Malang City with a coefficient of $b = 0.3560$ and $p < 0.001$. This result is reflected

in the statement item for the development of my product variety different from other similar products, and this result is in accordance with the business success statement item, namely I have employees whose number is always increasing. This statement is supported by Yunus et al. (2021) which states that as there is variety and increase in products, the distribution channels are increasingly different levels. A manufacturer will try to increase the types and varieties of products and widen its distribution channels so that sales can increase. With the increasing distribution, it is necessary for many employees to work to make the distribution process easier.

Support for Wibowo et al. (2021) was found in the results of this study, which confirms that in recent years, the number of culinary businesses in Indonesia has continued to increase with a variety of products offered. Therefore, qualified employees are needed to prevent insufficient capacity of old employees. Employees with good quality are one of the success factors in creating a good product.

The results of this study reinforce the results of previous research that has been conducted by Syafi'i & Jalaludin (2021) which proves that innovation has a significant effect on business success.

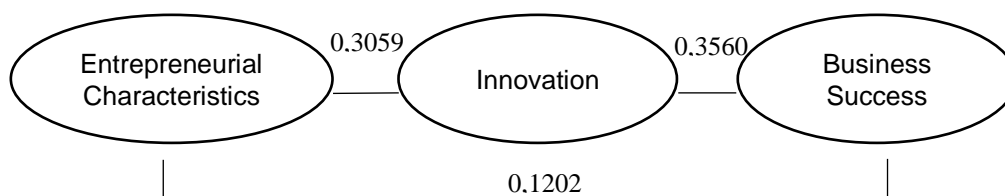


Figure 2. Analysis Result

The Influence of Entrepreneurial Characteristics on Business Success through Innovation

Innovation mediates the influence of entrepreneurial character on the success of MSME businesses with a coefficient $b = 0.1089$. Innovation is a mediating variable part of the influence of entrepreneurial character on the success of MSME businesses in Malang City. As a mediating variable, the coefficient of influence of innovation is slightly lower than the direct influence of entrepreneurial characteristics on business success, but the coefficient of direct influence of innovation on business success is quite large, so MSMEs in Malang City still need to pay attention to innovation in running their businesses.

Conclusion

Entrepreneurial characteristics play a crucial role in determining business success. Traits such as risk-taking, creativity, and perseverance are essential for enhancing the overall performance and sustainability of a business. Entrepreneurs who embody these qualities are more adept at navigating challenges and seizing opportunities, which ultimately leads to greater success.

Additionally, these entrepreneurial traits significantly influence innovation. The findings suggest that entrepreneurs with strong innovative abilities are more capable of developing new products, services, and processes. This capacity to

innovate is vital for maintaining competitiveness in the market and effectively addressing the changing needs of customers, thus promoting the growth and adaptability of the business.

Innovation, in turn, has a substantial impact on the success of Micro, Small, and Medium Enterprises (MSMEs). The research indicates that businesses which prioritize and implement innovative practices generally achieve higher levels of success. Innovation fosters efficiency, enhances product quality, and opens up new market opportunities, all of which contribute to the overall success and sustainability of MSMEs. This research is only limited to MSMEs in Malang City. Suggestions for further research can expand the scope of the research and deepen the innovations carried out and add other variables to measure business success.

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