

## Strengthening Enterprise Performance On Youth Entrepreneurs Through Sustainable Entrepreneurial Orientation and Competitive Advantage

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### Abstract

*This study aims to determine the factors that influence Enterprise Performance at startups in East Java. The magnitude of the failure of MSME actors to maintain business sustainability due to increasing fierce market competition is the reason to focus on this research. As a startup company that is still pioneering, support, entrepreneurship skills, and innovation are very much needed to achieve sustainable business performance. The difficulties faced by entrepreneurs are lack of knowledge or skills, lack of capital, lack of mastery of information technology, and distribution of services/products produced. The number of samples in this study was 100 entrepreneurs in the cities of Surabaya and Malang. Data analysis using SEM-PLS. The results of this study indicate a significant effect of Sustainable Entrepreneurial Orientation on Competitive Advantage and Enterprise Performance; competitive Advantage has a direct impact on Enterprise Performance in startup entrepreneurs.*

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### PRELIMINARY

Competition in the business world is getting more challenging; it is inevitable, where more and more business actors continue to emerge, making business actors must be able to maintain their business. Every company will face various opportunities and threats and be challenged to survive in a constantly changing business environment (Sundiman, 2018). To stay in these conditions, business organizations must understand the current market conditions and adapt to the wishes and demands of consumers; this is done considering that consumers play a vital role in the success of business organizations in creating new products or services. The competition faced by companies is currently getting higher with Micro, Small, and Medium Enterprises. The development of the industrial world itself, marked by the emergence of the industrial revolution 4.0 requires every



business organization to adapt to technological developments. This is due to the characteristics of industrial revolution 4.0, where all activities must be based on digital technology and the internet of things. Therefore, this is a challenge and can also be an excellent opportunity for creative individuals. Individuals who see this phenomenon as an opportunity will seek to establish a business organization based on digital technology, more commonly known as a startup.

A startup company or institution designed to develop products or services sustainably in environmental conditions with extreme uncertainty (Dessyana and Riyanti, 2017). According to Salamzadeh (2015), startup companies are generally internet-based, where the company has just been established and is in the development and research phase to find the right market. In Indonesia itself, many startups since 2007 – 2018; it is known that as many as 992 startups are based on the startup database mapping (BEKRAF Database, 2018). Companies' startups will trigger very tight competition in the national market and will doubt affect the company's performance. One of the startup's efforts in facing competition is to maintain business continuity. Research by Ahmad et al. (2010) suggests that critical resources are likely held by individual entrepreneurs, which tends to be reflected in skills, knowledge, experience, and education.

To maintain business continuity in fierce competition, companies must have a competitive advantage (Supranoto, 2009). The most crucial factor for a business to face intense market competition is to create a competitive advantage to maintain the existence of a company (Paramita, 2015). By having a competitive advantage and even claiming that competitive advantage, the performance of a business will be superior to its business competitors who do not have a competitive advantage (Sigalas and Papadakis, 2018). Competitive advantage and business performance are two components that cannot be separated and have a complementary relationship. Good competitive advantage will improve the performance of a business or vice versa (Herman et al., 2018). In other words,

Furthermore, according to (Siagian et al., 2019), the obstacles that business organizations often experience are capital, human resources, management, lack of mastery of information technology, business climate, and distribution of services/products produced. Therefore, in facing business competition, in addition to being required to have a competitive advantage, companies must also implement the right business strategy (Herman et al., 2018). According to Supranoto (2009), apart from the product or service offered, business strategy is also essential for competing with other competitors. The business strategy used in this study is the orientation strategy proposed by (Criado-Gomis et al., 2017), namely Sustainable Entrepreneurial Orientation (SEO). Criado-Gomis et al. (2017) have proposed categorization and measurement of SEO and have empirically compared their proposed SEO construct. The business strategy proposed by Criado-Gomis et al.



(2017) is a dual strategy orientation formed based on integrating two strategic

orientations, namely entrepreneurial orientation. orientation) and sustainability orientation (sustainable orientation) is defined as a high-order concept (third-order). SEO is a cornerstone of a strategy that will significantly affect an organization in that research. orientation) and sustainability orientation (sustainable orientation) is defined as a high-order concept (third-order). SEO is a cornerstone of a strategy that will significantly affect an organization in that research. orientation) and sustainability orientation (sustainable orientation) is defined as a high-order concept (third-order). SEO is a cornerstone of a strategy that will significantly affect an organization in that research.

Surabaya and Malang are cities located in East Java Province, Indonesia, where Malang occupies the 10th position as the city with the most population in Indonesia with 874,890 inhabitants. Surabaya is the second-largest city with a population of 2,806,306. As one of the largest cities in Indonesia, Surabaya and Malang is also very attractive to young people because of the many universities available in Surabaya and Malang. Apart from being a destination city for young people to gain knowledge, it is also a place to find work or start a business because a vast and fast-moving city environment supports it. Some entrepreneurs in Surabaya have started businesses as startups and have succeeded in their fields, such as IDN Media, Laundry, and many others. In addition, Surabaya and Malang have several communities that house young entrepreneurs to interact and exchange information to support the sustainability and development of their businesses. In this study, researchers will examine the role of SEO on competitive advantage and business performance in startup companies in Surabaya and Malang.

### RESEARCH METHODS

This study used a survey and quantitative research approach. Following the research objectives, this research approach is explorative descriptive, namely research by conducting and describing the symptoms and phenomena that occur in the field (Sugiyono, 2010). However, this research also explains the effect between variables (explanatory) by conducting a hypothesis test. The unit of analysis of this research is the owner of the startup scattered in the research location. The population of this study is young entrepreneurs who are members of the community of business actors scattered in Surabaya and Malang.

The communities in this research are E-UKM Surabaya and DILO. technique sampling; this study uses the proportional random sampling method. First, the number of samples is determined using the Roscoe formula, which is at least ten times the number of variables studied and multiples thereof with a degree of error of 5%. This study uses 30 times the number of variables (three variables) so that the total sample is 90 respondents. The number of respondents will be proportionally randomly from the two cities. The data used in this study is primary data collected by

distributing questionnaires to business owners who are members of the entrepreneur association with the online method using google. Forms. The research hypothesis was tested using a Structural Equation Model (SEM) approach based on Partial Least Square (PLS), carried out with the Smart-PLS 3. 0 programs. The analysis technique in this study used Descriptive Statistical Analysis Techniques and PLS Techniques. The PLS technique is carried out in two stages, namely: the first stage is a measurement model, namely testing the validity and construct reliability of each indicator; the second stage is the structural model test which aims to determine whether there is an influence between variables/correlation between the constructs being measured. Based on the theoretical studies and literature, the following is a picture of the proposed research concept model. the second stage is the structural model test which aims to determine whether there is an influence between variables/correlation between the constructs being measured. Based on the theoretical studies and literature, the following is a picture of the proposed research concept model. the second stage is the structural model test which aims to determine whether there is an influence between variables/correlation between the constructs being measured. Based on the theoretical studies and literature, the following is a picture of the proposed research concept model.

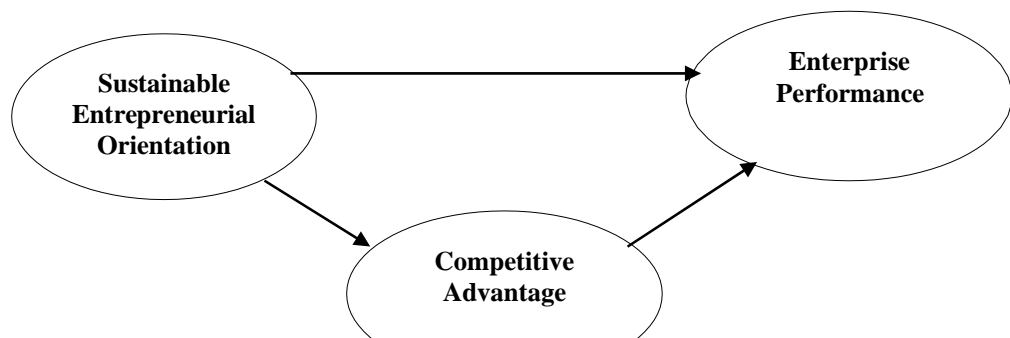


Figure 1. Research Hypothesis Model

- While the hypothesis proposed in this study is as follows:
- H1: Sustainable Entrepreneurial Orientation effect on Competitive Advantage
  - H2: Sustainable Entrepreneurial Orientation affects Enterprise Performance
  - H3: Competitive Advantage affects Enterprise Performance

### RESULTS AND DISCUSSION

#### RESULTS

The total numeral of respondents in this study was 100 people with male sex as many as 40 people or 40.0%, while for female respondents as many as 60 people or 60.0%. Female business actors dominate the number of respondents, as many as 60 people. Table 1 below is the distribution of respondents based on the

communities that are followed:

**Table 1.** Community Startups

Community Startups	Frequency (People)	Percentage (%)
DILO	35	35%
E-SME Community Surabaya	65	65%
Total	100	100%

Source: Source: processed data 2022

The evaluation of the outer model of this research evaluates the relationship between latent variables and their indicators. There are three latent variables used in this study, including Sustainable Entrepreneurial Orientation (SEO), Competitive Advantage (CA), and Enterprise Performance (EP). The measurements taken in the evaluation of the outer model of this research are Convergent validity (all indicators have a factor loading value  $> 0.5$ ), Discriminant Validity (the cross-loading construct, Sustainable Entrepreneurial Orientation (SEO), Competitive Advantage (CA), and Enterprise Performance (EP) is greater than the correlation value built from these variables to other constructs) and the composite reliability on all variables is worth  $> 0.70$ ). results Composite Reliability in detail are presented in Table 2 below.

**Tables. 2** Composite Reliability

Variable	Cronbach's Alpha	Composite Reliability	(AVE)
Sustainable Entrepreneurial Orientation (SEO)	0.798	0.881	0.712
Competitive Advantage(CA)	0.899	0.922	0.664
Enterprise Performance (EP)	0.853	0.911	0.774

Source: Source: processed data 2022

The first step in evaluating the structural model is to check for collinearity between constructs and the predictive ability of the model (Hair et al., 2017). Then proceed with measuring the predictive power of the model using four criteria, namely the coefficient of determination ( $R^2$ ), where Competitive Advantage (CA) has an R-square of 40.2%, Enterprise Performance (EP) has an R-square of 56.4 %; Predictive Relevance ( $Q^2$ ) by 74%; effect size ( $f^2$ ) is the effect of the value of the Sustainable Entrepreneurial Orientation (SEO) variable on the Competitive Advantage (CA) of 0.672, the influence of the variable value of Sustainable Entrepreneurial Orientation (SEO) on the variable Enterprise Performance (EP) ) of 0.337 and the impact of the value of the Competitive Advantage (CA) to the Enterprise Performance (EP) variable of 0.151.

**Table 3. R-Square**

Exogenous Variables	R-Square(R2)
Competitive Advantage(CA)	0.402
Enterprise Performance (EP)	0.564

Source: Source: processed data 2022

The path coefficient value of the Sustainable Entrepreneurial Orientation (SEO) variable on Competitive Advantage (CA) is 0.634 with a p-value of 0.000 (>0.05). These results show that Sustainable Entrepreneurial Orientation (SEO) has a positive and significant impact on Competitive Advantage (CA). The path coefficient value of the Sustainable Entrepreneurial Orientation (SEO) variable to Enterprise Performance (EP) is 0.706 with a p-value of 0.000 (>0.05). These results indicate that Sustainable Entrepreneurial Orientation (SEO) has a positive and significant impact on Enterprise Performance (EP). Variable path coefficient value Competitive Advantage (CA), to Enterprise Performance (EP) of 0.331 with a p-value of 0.001 (>0.05). This result shows Competitive Advantage (CA) has a positive and significant impact on Enterprise Performance (EP). Table 4 below shows the level of significance of each path.

**Table.4 Path Coefficient**

Variable	Coefficient Path	T Statistics	P Values	Description
Sustainable Entrepreneurial Orientation(SEO)-> Competitive Advantage (CA)	0.634	7.053	0.000	Significant
Sustainable Entrepreneurial Orientation(SEO)-> Enterprise Performance (EP)	0.706	7.569	0.000	Significant
Competitive Advantage (CA)-> Enterprise Performance (EP)	0.331	3,490	0.001	Significant

Source: Source: processed data 2022

There is an indirect influence between Sustainable Entrepreneurial Orientation (SEO), Competitive Advantage (CA), and Enterprise Performance (EP) of 0.210 with a p-value of 0.001 (> 0.05), which is significant. According to Baron and Kenny (1986), if the independent variable does not directly influence the dependent variable after controlling for the mediator variable, it can be declared as perfect or complete mediation. Meanwhile, if the influence of the independent variable on the dependent variable after controlling for the mediator variable is

reduced but still significant, then it is declared as partial mediation. Therefore, mediation from a competitive advantage (CA) on Sustainable Entrepreneurial Orientation (SEO) and Enterprise Performance (EP) is a partial mediation. Here are the values for the indirect effect.

**Table.5** Indirect Influence

Variable	Coefficient Path	T Statistics	P Values	Description
<i>Sustainable Entrepreneurial Orientation (SEO) -&gt; Competitive Advantage (CA) -&gt; Enterprise Performance (EP)</i>	0.210	3.259	0.001	Significant

Source: Source: processed data 2022

### DISCUSSION

Based on the Generation Theory proposed by Karl Mannheim in 1923, the millennial generation was born in the ratio of 1980 to 2000 (Bejtkovský, 2016). Therefore, millennials take an essential role in growth and development startups in Surabaya and Malang, which automatically transforms youth entrepreneurs. According to Pendergast (2009), youth entrepreneurs are young people who organize and operate large or small businesses, complete with the challenges they face.

The business performance of youth entrepreneurs is influenced by Competitive Advantage by implementing a Sustainable Entrepreneurial Orientation (SEO) strategy, where business actors must maintain business continuity by capturing new opportunities, innovating, and online to take business risks to compete with competitors. The results of this study Sustainable Entrepreneurial Orientation (SEO) has a significant effect on Competitive Advantage and Enterprise Performance (EP); this is in line with the opinion of Hakala (2011) orientation strategy as the principles that direct and influence the activities of a business that aims to exploit opportunities to ensure business continuity and performance to maintain competitive advantage. Porter (1990) also states that progress and innovation create competitive advantage. With an SEO strategy that is constantly innovating, responsive to current opportunities, and following trends, it will be easier to maintain business sustainability and compete in the national market. When business actors can support the sustainability of their business and compete with competitors, it will indirectly increase the company's income. In this study, Competitive Advantage directly has a significant effect on Enterprise Performance (EP), following Porter's opinion in Anwar (2018), that competitive advantage is a superior strategy of a company that is not owned by other competing companies where the excellent approach allows the company to have better





performance. In line with William et al. (2005), which states that the factors that affect business performance success in MSMEs are consumers and consumers' market share. A business with a competitive advantage is an added value for an enterprise itself because its performance is affected by the competitiveness of a business (Herman et al., 2018). This research also supports a previous study conducted by Kakati and Dhar, (2002); excellent good competition can increase the performance of a business.

As for the significant indirect influence between Sustainable Entrepreneurial Orientation (SEO) on Enterprise Performance (EP) through Competitive Advantage as a mediator, it can be concluded that competitive advantage grows from the company's ability to carry out sustainable development and innovation strategies. Thus the company can maintain long-term business sustainability in fierce market competition. To face market competition, companies must be responsive in capturing business opportunities and following technological developments so as not to be left behind, where the needs and desires of consumers always try to follow existing trends. By taking advantage of these opportunities and constantly innovating, the company will maintain its business sustainability and compete in the market.

### CONCLUSIONS AND RECOMMENDATIONS

*Sustainable Entrepreneurial Orientation*(SEO) directly has a positive and significant influence on Competitive Advantage and Enterprise Performance (EP), Competitive Advantage and Enterprise Performance mediation Competitive Advantage (CA) partially mediates the effect of Sustainable Entrepreneurial Orientation (SEO) on Enterprise Performance (EP). Subsequent research can add other variables that can influence the strategy of micro, small and medium enterprises in fierce market competition to maintain company sustainability. Likewise, the sample is in 2 cities in East Java and can be added to other cities with startup companies or MSMEs.



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