The Role of Entrepreneurial Culture in Improving the Performance of Micro, Small and Medium Enterprises in Yogyakarta

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Abstract
The aim of this study is to assess and understand the relationship between the entrepreneurial culture and the performance of micro, small and medium enterprises (MSMEs). It is important because MSMEs are a large part of the local economy and are the main support for the community. This study uses a quantitative method to understand the relationship of these indicators, with a regression analysis. For limiting data, the population in this research is MSME actors in Yogyakarta, with using a purposive sampling to find the suitable respondent. By this sampling technique, 101 respondents are selected to be a sample. Finally, the main result of this research is that entrepreneurial culture has an influence on business performance. Furthermore, the results of this research contribute to business actors, in which learn how to improve business performance, especially revising the culture among them. In addition, this research from a theoretical aspect becomes a notable-additional reference regarding the relationship between entrepreneurial culture and performance business for MSMEs.

Keywords: Entrepreneurial Culture; Business Performance

INTRODUCTION
Business performance is a business activity to produce results that are in accordance with the objectives and achieve something desired. Business performance has an important role in the economy (Abidin et al., 2023; Gibb and Li, 2003; Suci et al., 2022). In the business world, business performance shows that the business has high productivity. Business performance is the accumulation of achievements from the work carried out by entrepreneurs (Abidin et al., 2023; Nwugballa et al., 2016; Suci et al., 2022).

Nowadays, the obstacle experienced by entrepreneurs and companies in business is the level of business performance that is not yet optimal. This is caused by various factors such as financial, social and technological deficiencies (Chaniago, 2022; Sofyan Indris and Ina Primiana, 2015; Weerasekara and Bhanugopan, 2023). Apart from that,
problems such as not being able to produce output that meets needs, inability to adjust costs to sales, managing human resources and so on (Nwugballa et al., 2016; Suci et al., 2022; Widiastuti et al., 2022).

This research is important to show the relationship between business culture and business performance, provide information about the performance of micro, small and medium enterprises and increase knowledge and understanding (Abidin et al., 2023; Weerasekara and Bhanugopan, 2023). The goal of this study is to assess and understand the relationship between the entrepreneurial culture and the performance of micro, small and medium enterprises. Because it is a large part of the local economy and is the main support for the community (Abidin et al., 2023; Gibb and Li, 2003).

LITERATURE REVIEW

Business Performance

Business performance is a complete display of the company's condition over a certain period of time, namely the results and achievements that are influenced by the company's operational activities in utilizing the resources it has. MSMEs are a common form of business in many countries (Boldrini et al. 2017; Tambunan 2008; Suci et al., 2022)). Global uncertainty, current market demand and the economic situation have created a need for any society or community, in general, to determine opportunities in entrepreneurship, including young people (Chigunta, 2002; Schoof, 2006; Jan et al., 2016)

The performance of a company is the result of conformity between the company's role and mission in achieving business goals over a certain period of time. Business performance itself is influenced by several factors in determining whether a business is good or not. According to Mutegi, Njeru, and Ongesa (2015), to understand business operations, SME employees must understand the money literacy that SMEs currently carry out to ensure that profits are maximized, anticipate losses and minimize costs incurred. According to Nuvriasari (2012: 265) business performance is a function of the results of activities in a company which are influenced by internal and external factors in achieving the goals set during a certain time period. Meanwhile, according to Moheriono (2012: 95) business performance is a description of the level of achievement of implementing an activity program or policy in realizing an organization's goals, objectives, vision and mission as outlined in an organization's strategic planning (Ariani, 2023; Chaniago, 2022; Esubalew and Raghurama, 2020; Hidayanti, 2018; Kant, 2023; Mahbunghu and Van Der Poll, 2017; Mahadewi et al., 2022; Al Mamun et al., 2022; Njanja et al., 2010; Shehu and Mahmood, 2014; Suci et al., 2022; Taslim and Lestari Kadiyono, 2023; Valle et al., 2022; Wattanakomol and Silpcharu, 2023).

Entrepreneurial Culture

Entrepreneurial culture is the methods and norms followed by a company in carrying out business activities, including the management of human resources, technology, finance
and communications. Efforts to develop an entrepreneurial culture are important, especially at the higher education level, where it is not only possible to change mental models. from job seekers to job creators, but also innovating the quality of Indonesian economic actors who prioritize creativity and innovation (Genoveva, 2019; Kant, 2023; Mahadewi et al., 2022; Srimulyani et al., 2023; Valle et al., 2022; Widiastuti et al., 2022; Adi Soeprapto, 2017).

Gray's (2002) research emphasizes that entrepreneurial behavior must be learned through business experience. Meanwhile, research by Gamage et.al (2003) shows that there is a close relationship between culture and entrepreneurship. A similar thing was also stated by Saffu (2003) in his research which also mentioned the role of culture in shaping entrepreneurship (Ariani, 2023; Meressa, 2022; Rohman M. Fathur, Kurniawati Septrida, Erwin, 2022; Srimulyani et al., 2023; Weerasekara and Bhanugopan, 2023).

Entrepreneurial culture includes mastery of the conceptual basis and procedures for implementing it in real activities at MSME locations to produce creative products by those carrying out entrepreneurial activities (Naswan Suharsono, I Wayan Bagia, 2015). The entrepreneurial spirit should be cultivated in various environments of Indonesian society, it's time to develop the entrepreneurial potential you have in terms of: discipline, optimism/confidence, leadership and dynamic spirit, innovation, creativity and initiative (Kant, 2023; Abidin et al., 2023; Bello et al., 2023; Kant, 2023; Lin et al., 2022; Mabhungu and Van Der Poll, 2017; Nwugballa et al., 2016; Sinambela et al., 2023; Sofyan Indris and Ina Primiana, 2015; Srimulyani et al., 2023; Suci et al., 2022; Valle et al., 2022; Widiastuti et al., 2022). Thus, the hypothesis of this research is: the influence of entrepreneurial culture has a positive effect on micro, small and medium enterprises.

**RESEARCH METHOD**

This research uses quantitative methods to examine the relationship between entrepreneurial culture and business performance. The population in this research are MSMEs in Yogyakarta City. Samples were taken using a purposive sampling technique, namely by selecting respondents who met the inclusion criteria, namely MSMEs who had been in business for more than 3 years. The data that has been collected comes from questionnaires. The questionnaire consists of two parts, namely the first part to measure entrepreneurial culture and the second part to measure business performance.

The data that has been collected will be analyzed using simple linear regression analysis to test the relationship between entrepreneurial culture and business performance. Hypothesis testing was carried out using the t test to see the significance of the influence of entrepreneurial culture on business performance. This research was conducted by paying attention to research ethics, such as maintaining the confidentiality of respondents' identities and asking permission before collecting data. The validity and reliability of the data collection tools were tested using validity and reliability tests. Validity testing is carried out using content validity tests and construct validity tests. Reliability testing was carried out using the Cronbach's alpha test.
The econometric model in this research is as follows:

\[ Y = \alpha + \beta X + e \quad (1) \]

\[ EC = \alpha + \beta BP + \epsilon \quad (2) \]

where, \( EC \) is a dependent variable which covers entrepreneurial culture, while \( BP \) is an independent variable that effects the dependent, which covers business performance. \( \alpha \) is the constant value in the model. \( \beta \) explains the coefficient value of business performance of MSMes. Finally, \( \epsilon \) is the error term in the model.

**RESULTS AND DISCUSSION**

**Descriptive Statistics**

Table 1. Respondent Demographics

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Amount</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Man</td>
<td>58</td>
<td>43%</td>
</tr>
<tr>
<td>Woman</td>
<td>43</td>
<td>57%</td>
</tr>
<tr>
<td><strong>Length of Business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 5 Years</td>
<td>54</td>
<td>53%</td>
</tr>
<tr>
<td>Over 5 Years</td>
<td>47</td>
<td>47%</td>
</tr>
<tr>
<td><strong>Age of Business Owner</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 21 Years</td>
<td>43</td>
<td>43%</td>
</tr>
<tr>
<td>Over 21 Years</td>
<td>58</td>
<td>57%</td>
</tr>
</tbody>
</table>

Source: Author’s own estimation (2023)

It can be seen from Table 1 that the number of respondents based on gender consists of 58 male respondents or 43% and 43 female respondents or 57%. The number of respondents based on length of business, consisting of length of business <5 years was 54 respondents or 53%, respondents with length of business above 5 years were 47 respondents or 47%. Then, the number of respondents based on age consisted of 43 respondents aged <21 years or 43%, 58 respondents aged over 21 years or 57%.
Simple Linear Regression Analysis

Table 2. Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>4.375</td>
<td>.011</td>
</tr>
<tr>
<td>Entrepreneurial culture</td>
<td>.508</td>
<td>.000</td>
</tr>
</tbody>
</table>

Dependent Variable: business performance
Source: Author’s own estimation (2023)

By running the equation (2), then the result by using simple linear regression analysis is as follows:

\[ Y = 4.375 + 0.508 \]  (4)

Based on the regression equation table above, it can be concluded that the constant is 4.375, if entrepreneurial culture has a value of 0, then business performance has a positive value of 4.375. The entrepreneurial culture regression coefficient is positive, if entrepreneurial culture experiences an increase in value of 1 percent, then business performance will increase by 50.8 percent. The coefficient is positive meaning that there is a positive relationship between culture entrepreneurship on the performance of business.

Partial Test

Table 3. Hypothesis Test (t Test)

<table>
<thead>
<tr>
<th>Model</th>
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<th>Sig.</th>
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</tbody>
</table>

Dependent Variable: business performance
Source: Author’s own estimation (2023)

Based on table 3 above, the significant value of entrepreneurial culture is 0.000. This value shows that 0.000 < 0.05, so H1 is accepted. So, it can be concluded that entrepreneurial culture has a positive and significant effect on business performance

Coefficient of Determination

Table 4. Coefficient of Determination

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.722a</td>
<td>.521</td>
</tr>
</tbody>
</table>

Predictors: (Constant), business performance
Source: Author’s own estimation (2023)
The table shows the results of the coefficient of determination test from the regression model used to analyze the relationship between entrepreneurial culture variables and business performance. This model has one dependent variable (business performance) and one independent variable (entrepreneurial culture). From the results of the coefficient of determination (R Square) test, it can be seen that the value of the coefficient of determination (R Square) is 0.521. The coefficient of determination (R Square) is 0.521 or equal to 52.1%. This figure means that the entrepreneurial culture variable is able to explain variations in business performance variables of 52.1%. Meanwhile, the rest is explained by other variables outside this regression model.

The results of this research show that entrepreneurial culture has been proven to have a positive influence on business performance. From these results, an entrepreneur is expected to be able to develop his entrepreneurial orientation in order to improve his business performance, whether in the company environment or otherwise. In general, according to respondents' perceptions, the performance variables of micro, small and medium enterprises are in the fairly good, good and very good categories (Ariani, 2023; Das et al., 2022; Esubalew and Raghurama, 2021; Gavurova et al., 2022; Imam Ibrahim, 2019; Srimulyani et al., 2023; Xie et al., 2021; Yuniar, 2015).

Entrepreneurial culture influences business performance because entrepreneurial orientation includes the tendency to act independently, the willingness to innovate and take risks, as well as the tendency to be aggressive towards competitors and relatively proactive towards market opportunities. In the context of MSMEs, entrepreneurial orientation can help companies identify new market opportunities and exploit them better through creative strategic decisions. Apart from that, entrepreneurial orientation can also help companies to overcome the challenges and obstacles faced in running a business. Therefore, companies that have a strong entrepreneurial culture tend to perform better than companies that do not (Ariani, 2023; Bello et al., 2023; Chaniago, 2022; Diaz and Sensini, 2020; Esubalew and Raghurama, 2020; Kant, 2023; Mabhungu and Van Der Poll, 2017; Mahadewi et al., 2022; Maksum et al. , 2020; Nwankwo and Kanyangale, 2020; Widiastuti et al., 2022; Xie et al., 2021).

Several studies show the impact of entrepreneurial culture on the performance of micro, small and medium enterprises (Erwin et al., 2022). Besides, Dewi and Sutisna's (2017) research found that entrepreneurial culture has a significant positive effect on the financial performance of MSMEs in Indonesia. The study also identified that the level of education and entrepreneurial experience, as well as the availability of financial resources, moderate this relationship. Kusumawati and Supriyanti's (2018) research revealed that entrepreneurial culture is positively related to the innovation performance of MSMEs in Indonesia. This study also shows that the level of education and entrepreneurial experience, as well as the availability of technology, moderate this relationship. Sutisna and Suryanto's (2019) research shows that entrepreneurial culture has a positive effect on the operational performance of MSMEs in Indonesia. The study also identified that the level of education and entrepreneurial experience, as well as the availability of human resources, moderate this relationship.

Research by Nurhayati et al. (2020) found that entrepreneurial culture is positively related to the export performance of MSMEs in Indonesia. This study also shows that the
level of education and entrepreneurial experience, as well as the availability of market information, moderate this relationship. Overall, these studies show that entrepreneurial culture can have a positive impact on various aspects of MSME performance, and that the level of entrepreneurial education and experience, as well as the availability of resources, can moderate this relationship (Bekele and Worku, 2008; Business and Research, 2022; Esubalew and Raghurama, 2021; Gatot et al., 2021; Gui et al., 2020; Ibrahim et al., 2017; Lin et al., 2022; Nugrahanti et al., 2023; OC and IA, 2023; Rizos et al., 2016; Srimulyani et al., 2023).

The results showing that entrepreneurial culture does not influence the performance of MSMEs (Micro, Small and Medium Enterprises) are not in accordance with reality is a theory that has no empirical basis. Entrepreneurial culture is a system of norms, values and practices that underlies business management and significantly influences the performance of SMEs (Batubara et al., 2018; Gui et al., 2020; Kant, 2023; Mahadewi et al., 2022; Suci et al., 2022).


Entrepreneurial culture has an important role in creating an underlying work culture to attract, create and develop human resources. Rahmawati (2019) shows that entrepreneurial culture positively influences SME human resource management performance. Entrepreneurial culture also influences the financial performance of SMEs. Widiyanti (2018) shows that entrepreneurial culture positively influences the financial performance of SMEs (Abidin et al., 2023; Ariani, 2023; Chaniago, 2022; Gatot et al., 2021; Gavurova et al., 2022; Imam Ibrahim, 2019; Mahadewi et al., 2022).

**CONCLUSION**

Based on the description of the research results above, it can be concluded that entrepreneurial culture has a significant influence on the performance of micro, small and medium enterprises. This research provides empirical evidence showing that entrepreneurial culture plays an important role in shaping business performance, with entrepreneurial orientation including the tendency to act independently, innovate, take risks, and compete proactively. However, business performance is often faced by various obstacles such as financial, social and technological deficiencies.

Therefore, this research provides new insight into the importance of entrepreneurial culture in improving the performance of micro, small and medium enterprises, and highlights the need for efforts to overcome these obstacles in order to improve overall business performance. However, the research conducts some limitations.
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This study just focuses in Yogyakarta city, causing that population is quite limited. Then, research design used here needs an advanced method to more understand the relationship between entrepreneurial culture and business performance, especially for the further research.

CONCLUSION


Genoveva, G. (2019). The Influence of Entrepreneurial Culture on Entrepreneurial Intention


