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**The Influence of Entrepreneurial Orientation on Social and Economic Benefits with Shared Value Creation as Moderization in Sumedang MSMEs**

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**Abstract**

This research aims to investigate the influence of entrepreneurial orientation on social and economic benefits with the creation of shared value as a moderator in Micro, Small and Medium Enterprises (MSMEs) in Sumedang. Entrepreneurial orientation is measured through aspects such as innovation, proactiveness, risk taking, competitive aggressiveness and autonomy. Social and economic benefits are assessed as a result of MSME entrepreneurial activities, while the creation of shared value is considered a factor that moderates the relationship between entrepreneurial orientation and the benefits generated. This research uses the Partial Least Square (PLS) method to test the relationship between variables. The results are expected to provide additional insight regarding the factors that influence the social and economic benefits of MSMEs in Sumedang, as well as the moderating role of shared value creation in this context. It is hoped that the findings of this research will provide guidance for stakeholders, including entrepreneurs, government and academics, to increase the contribution of MSMEs to social and economic development in the region.

**Keywords:** Creating shared Value (CSV), Entrepreneurial Orientation (EO)

**1. Introduction**

Micro, Small and Medium Enterprises (MSMEs) have a very important role in the economic progress of a country. Reading the data shown by the Indonesian Ministry of Cooperatives and SMEs, MSMEs as a whole are experiencing continuous development and growth. For example, in 2010, the total number of MSME units was 52 million units. Then, in the latest news, this number has reached 63 million in 2017 and by 2020 it will be at 64 million units (Setiawan, 2022)

MSMEs are the driving force of the economy which has a huge positive impact on economic growth, job creation, poverty reduction, increasing per capita income, and contributing to the

development of innovation and technology. In addition, MSMEs contribute most of a country's Gross Domestic Product (GDP). Increasing productivity and growth of MSMEs can increase their contribution to National GDP. In Indonesia, the contribution of MSMEs to GDP will reach IDR 8,573 trillion in 2021 (Nurhaliza, 2022). In general, MSMEs are different from large companies. Most large companies have sophisticated technology and focus on reaching markets on a wider scale or you could say reaching international markets. However, MSMEs have limited resources, amateur strategies, lack of experience, and tend to focus on local markets. This limitation means that MSMEs are more likely to fail than large companies. MSMEs need to identify the driving forces to overcome these limitations.

In general, the development of MSMEs is critical in growth strategies due to their ability to respond quickly to systematic shocks and their potential to generate employment and income at a time when the large corporate sector is experiencing rapid decline (Al-Mamary et al., 2020). Thus, entrepreneurs must satisfy not only their business in terms of economic benefits for owners and employees, but also its external dimensions, including consumers and society as social benefits. Therefore, entrepreneurial orientation (Entrepreneurial Orientation) and creating shared value (Creating Shared Value) can fulfill business responsibilities from both a financial and non-financial perspective (Seo et al., 2023).

The concept of Entrepreneurial Orientation begins with (Miller, 1983) and Miller defines entrepreneurial orientation as one that is involved in product market innovation, undertakes somewhat risky ventures, and is the first to produce 'proactive' innovations, beating competitors to the punch. Entrepreneurial orientation is known as a new approach to updating company performance. Entrepreneurial Orientation (EO) has been defined as a method of strategic orientation, which is used by companies to identify ways and create a specific set of opportunities through various decision-making skills and entrepreneurial practices (Mojikon et al., 2017). Entrepreneurial activity is one of the main elements in reviving the economic condition of a country that wants to develop and revive. In the long run, economic progress and success in any country depends on creative methods or entrepreneurial actions and activities. Entrepreneurship is one of the factors that directly or indirectly influences the economy of a nation; it plays an important role in shaping a country's economic landscape (Al-Mamary et al., 2020).

Further regarding CSV, CSV is an important factor that ensures sustainable and successful business performance (Porter & Kramer, 2011). CSV is more focused on innovation and has a more customer-centric view than CSR (Ardillah et al., 2022; Setiawan et al., 2021; Yoo & Kim, 2019). Moreover, CSV helps obtain social and economic benefits simultaneously. Understanding what society needs and meeting those requirements is the basis of social benefit in CSV. The economic benefits of CSV are expanding business profits, sales, return on investment (ROI), etc., thereby providing a competitive advantage. Although CSV is important, MSMEs lack knowledge about the concept. They need to understand that CSV is necessary to gain a competitive advantage, give a boost to the business, and increase its social contribution.

The research conducted by (Seo et al., 2023) shows that entrepreneurial orientation (EO) has a positive influence on financial and non-financial performance and Creating Shared Value (CSV) has a positive influence in moderating the relationship between Entrepreneurial Orientation and financial and non-financial performance. finance in SMEs in Korea.

Thus, researchers are interested in testing whether there is an influence of entrepreneurial orientation on financial performance (economic benefits) and non-financial performance (social benefits) and whether there is an influence CSV in moderating the relationship between Entrepreneurial Orientation and financial and non-financial performance in MSMEs in Indonesia.

## **2. Theoretical Background**

### **Resources-Based View Theory (RBV Theory)**

The RBV theory in improving the skills of business actors states that the importance of applying skills and abilities in managing a business, identifying competitors, being able to see opportunities and being able to do these things is feedback from entrepreneurial orientation according to expectations (Song et al., 2019). Business development opportunities from the skills of business actors can improve the performance of business actors in terms of time and energy, business resources that have various innovative characteristics in creating or developing new ideas. The reference for increasing the ultimate goal of a business is income, based on the RBV theory, namely that good entrepreneurial orientation factors will create a sustainable business as a positive response in increasing business (Kristinae et al., 2023).

### **Entrepreneurial orientation**

Miller, (1983) said a company is considered entrepreneurial only if it scores high on all three traditional dimensions: innovation, proactiveness, and risk taking. Subsequently, many researchers and scholars used and further developed the views (Miller, 1983) in various industries, countries, and cultures. For example, (Lumpkin & Dess, 1996) provides an alternative view of entrepreneurial orientation. They provide a combination of five dimensions; the three defined by Miller plus competitive aggressiveness and autonomy. Research conducted by (Al-Mamary et al., 2020) and (Seo et al., 2023) shows that these five dimensions are used by business actors in their countries to have a positive influence on financial and non-financial performance.

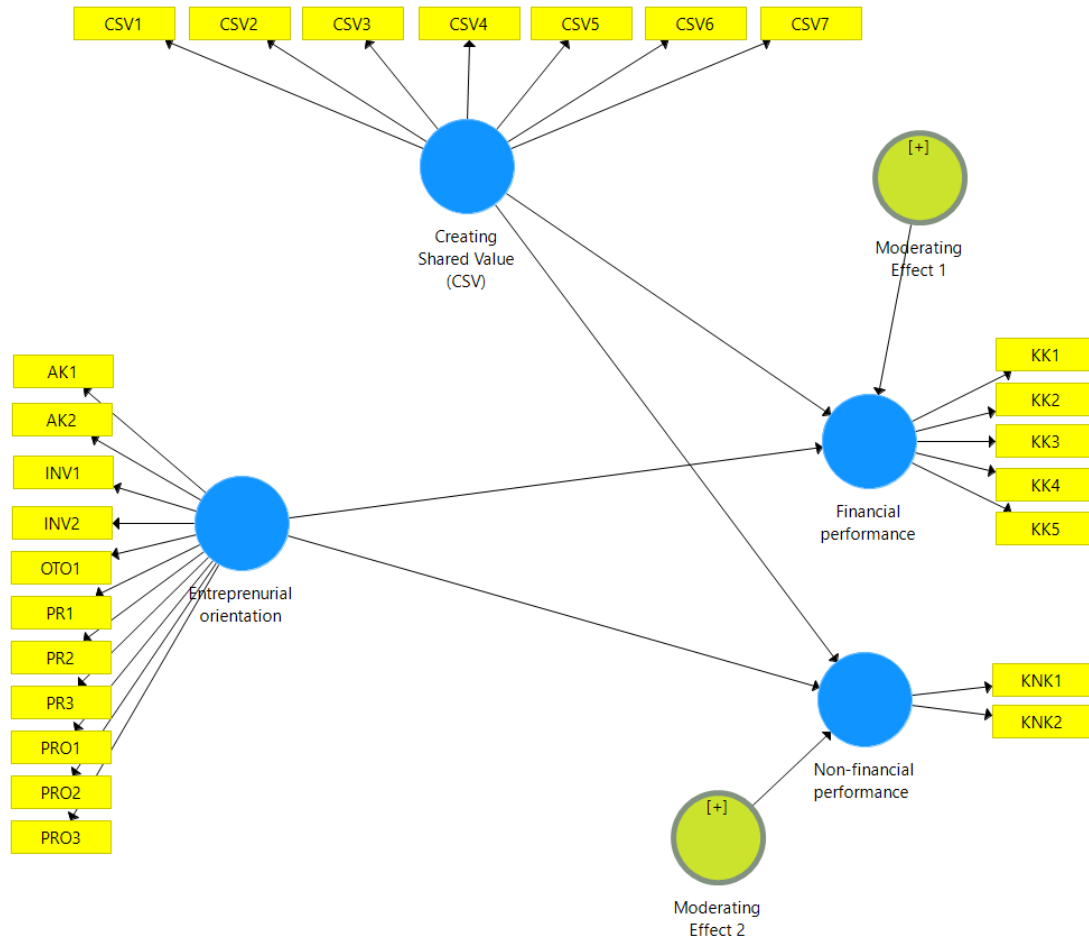
### **Creating Shared Value**

Companies that implemented CSR in the past only received social value, while CSV provided sustainable social and economic value for the company. Therefore, CSV encourages companies to run truly sustainable business models. Companies that implement CSV demonstrate that they have a sustainable business model, which is expected to provide benefits to the surrounding community and company, as well as increasing overall economic and social value. The economic value includes increasing profits, productivity and wider market share (Rachmawati et al., 2019; Setiawan & Purwanti, 2021). CSV can be used as a corporate strategy that aims to achieve sustainable growth in the long term by coexisting with society, not just maximizing short-term profits. Financial, social and environmental benefits can be achieved simultaneously. Creating

shared value presents two types of value business and social that must be integrated through the company's strategy, aligning it with its core activities (Hasbu et al., 2022).

**Conceptual Framework**

To understand this research, the framework is described as follows:



Picture 1

Based on the hypothetical image model for this research, it is as follows:

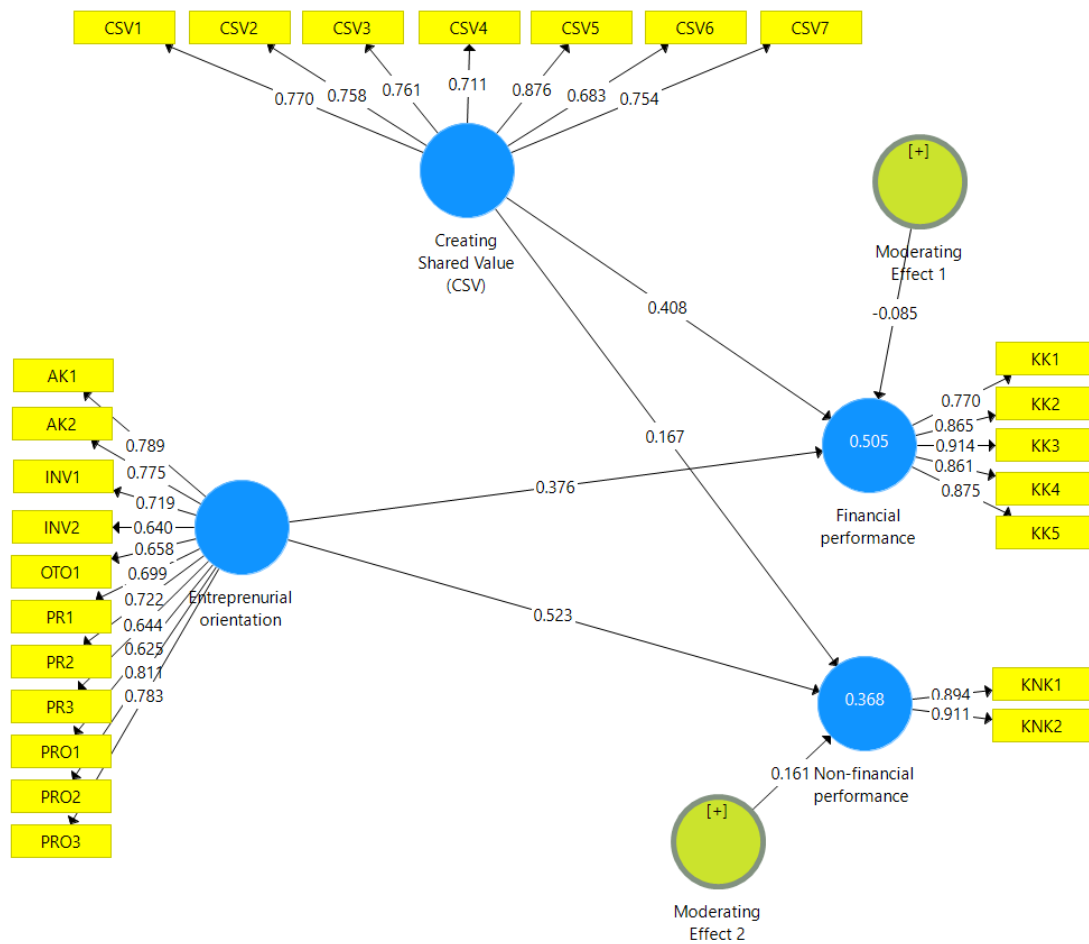
- H1: Entrepreneurial orientation has a positive effect on financial performance
- H2: Entrepreneurial orientation has a negative effect on non-financial performance
- H3: CSV moderates the relationship between entrepreneurial orientation and financial performance
- H4: CSV moderates the relationship between entrepreneurial orientation and non-financial performance

**4. Method**

The research subjects in this study are Micro, Small and Medium Enterprises (MSMEs) operating in Sumedang. The sampling technique was carried out using probability sampling. The criteria for sampling were Sumedang MSMEs which are in the food and beverage business sector, and which have been operating for more than one year. Data collection was carried out by distributing questionnaires directly to respondents and interacting directly with respondents to help understand the statements in the questionnaire. Respondents' answers will be measured using a Likert scale. The Likert scale is a scale that can be used to measure the attitudes, opinions and perceptions of a person or group of people about a social phenomenon or phenomenon. The answer to each instrument item using a Likert scale has a gradation from very positive to very negative (Sugiyono, 2022). In processing the research data, Partial Least Squares (PLS) was used as the data analysis technique.

**3. Results**

*3.1 Uji Outer Model*



Picture 2 Outer model

Convergent validity is used to measure whether each construct indicator in the research is valid or not. Convergent validity testing can be seen through the loading factor value for each construct indicator. The rule of thumb for assessing convergent validity is that the loading factor value must be  $> 0.7$  and the average variance extracted (AVE) value must be greater than 0.5 (Ghozali, 2021).

From Figure 1 it can be concluded that the indicators contained in the financial performance and non-financial performance variables have met the requirements of convergent validity. For indicators in the entrepreneurial orientation and CSV variables, there are still some that do not meet convergent validity. In entrepreneurial orientation, the indicators that do not meet are innovation 2, risk taking 1 and 3, proactive 1, autonomy 1.

Reliability testing in PLS can use two methods, namely Cronbach's alpha and composite reliability. Composite reliability is used to measure the true value of the reliability of a construct. Composite reliability is considered better in estimating the internal consistency of a construct. The rule of thumb for composite reliability is  $> 0.6$ . Cronbach's alpha is used to measure the lower limit of the reliability value of a construct and ensure the value of composite reliability. The rule of thumb for Cronbach's alpha is  $> 0.7$  (Ghozali, 2021).

**Construct Reliability and Validity**

| Matrix                      | Cronbach's Alpha | rho_A | Composite Reliability | Average Variance Extracted (AVE) |
|-----------------------------|------------------|-------|-----------------------|----------------------------------|
|                             | Cronbach's Alpha | rho_A | Composite Reliability | Average Variance Extracted (AVE) |
| Creating Shared Value (CSV) | 0.879            | 0.898 | 0.905                 | 0.579                            |
| Entrepreneurial orientation | 0.905            | 0.912 | 0.921                 | 0.515                            |
| Financial performance       | 0.910            | 0.925 | 0.933                 | 0.737                            |
| Moderating Effect 1         | 1.000            | 1.000 | 1.000                 | 1.000                            |
| Moderating Effect 2         | 1.000            | 1.000 | 1.000                 | 1.000                            |
| Non-financial performance   | 0.774            | 0.777 | 0.898                 | 0.815                            |

Based on the test results above, it can be said that all variables meet reliability because composite reliability  $> 0.6$  and Cronbach's alpha  $> 0.7$ .

*3.2 Uji Inner Model*

| Test Type | Results  | (Ghozali, 2021)   |
|-----------|--|---|
| R-Square  | Financial performance 0.505 and non-financial performance 0.368. | 0.67, 0.33 and 0.19 indicate strong, moderate and weak models |
| Q-Square  | Financial performance 0.347 and non-financial performance 0.247  | 0.02, 0.15 and 0.35 (small, medium and large)                 |

Based on the R square test results, it can be concluded that the model used is able to explain around 50.5% of the variation in financial performance and around 36.8% in non-financial performance. Meanwhile, the Q square results show that the model has a predictive ability of around 34.7% for financial performance and around 24.7% for non-financial performance.

*3.3 Estimation test for path*

| Influence  | P-value |
|--|---------|
| Entrepreneurial orientation →Financial performance     | 0,013   |
| Entrepreneurial orientation →Non-financial performance | 0,002   |
| Moderating effect 1 →Financial performance             | 0,351   |
| Moderating effect 2 →Non-financial performance         | 0,176   |

Based on the results of hypothesis testing, it can be concluded that:

Entrepreneurial orientation has a positive influence on financial performance with a p-value of 0.013, indicating a significant relationship between orientation variables and financial performance. The influence of entrepreneurial orientation on non-financial performance also has a positive influence because it is significant, because the p-value is 0.002, indicating that this variable has a significant impact on non-financial performance. The moderating effect of CSV on the relationship between entrepreneurial orientation and financial performance is not significant, because the p-value is 0.351. This shows that CSV does not significantly moderate the relationship between entrepreneurial orientation and financial performance.

**4. Discussion**

The results of this research show that entrepreneurial orientation has a significant positive effect on the social and economic benefits of Micro, Small and Medium Enterprises (MSMEs) in Sumedang. In this context, factors such as innovation, proactiveness, risk taking, and competitive aggressiveness that encourage an entrepreneurial attitude contribute to improving the financial and non-financial performance of Sumedang MSMEs.

However, the results of the analysis also show that shared value creation does not moderate the relationship between entrepreneurial orientation and MSME performance, both in financial and non-financial terms. This shows that, although entrepreneurial orientation plays an important role in creating social and economic benefits, shared value creation factors do not have a significant impact in strengthening or weakening this relationship.

These conclusions can provide valuable insights for practitioners, stakeholders and local governments. Although it is important to develop an entrepreneurial orientation in MSMEs, special attention needs to be paid to shared value creation strategies in order to maximize their positive impact on social and economic benefits. Stakeholders can identify potential areas to

increase shared value creation to support sustainable growth and positive impact of MSMEs in Sumedang.

This research also contributes to the literature on entrepreneurship, shared values, and MSMEs by highlighting the importance of moderating factors in understanding the complexity of the relationship between entrepreneurial orientation and MSME benefits. As a direction for future research, emphasis can be placed on identifying other factors that may moderate this relationship to deepen understanding of the dynamics of MSMEs in different contexts.

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