
Building business strategies through entrepreneurship competence and product innovation to improve performance

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ABSTRACT

The purpose of the study was to determine and empirically test the relationship between entrepreneurial competence and product innovation on performance through business strategies for PKK women, Banjarsari District, Surakarta City, Central Java, Indonesia. The sample consists of 100 PKK women who have a business or side business of batik patchwork, taken using a purposive random sampling technique. The data were analyzed concerning the Validity and Reliability test, Linearity, t-test, F-test, Coefficient of Determination, Path analysis and Correlation. The results of the test partially that product innovation and entrepreneurial competence and business strategy have a positive and significant effect on performance. Entrepreneurial competence and product innovation have a positive and significant effect on business strategy partly. The variables of entrepreneurial competence, product innovation and business strategy were able to contribute to improving performance by 78.22%, and the rest is explained by other variables such as entrepreneurial orientations, environment, competitive advantage and others. From the path analysis, it was found that business strategy could better mediate the effect of entrepreneurial competence and product innovation on performance. To improve performance through business strategies it is more effective if by increasing product innovation, after that entrepreneurial competence.

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ABSTRAK

Tujuan penelitian adalah untuk mengetahui dan menguji secara empiris hubungan antara kompetensi kewirausahaan dan inovasi produk terhadap kinerja melalui strategi bisnis pada Ibu-ibu PKK Kecamatan Banjarsari Kota Surakarta, Jawa Tengah, negara Indonesia. Sampel penelitian ini adalah Ibu-ibu PKK yang mempunyai usaha atau usaha sampingan kain perca batik sebanyak 100 responden, dengan teknik purposive random sampling. Analisis data: uji Validitas dan Reliabilitas, Linieritas, Uji-t, Uji-F, Koefisien Determinasi, analisis Jalur dan Korelasi. Hasil analisis data secara parsial variabel inovasi produk dan kompetensi kewirausahaan serta strategi bisnis berpengaruh positif dan signifikan terhadap kinerja. Kompetensi kewirausahaan dan inovasi produk berpengaruh positif dan signifikan terhadap strategi bisnis secara parsial. Variabel kompetensi kewirausahaan, inovasi produk dan strategi bisnis mampu memberi kontribusi guna meningkatkan kinerja sebesar 78,22%, sisanya dijelaskan oleh variabel lain, misalnya orientasi kewirausahaan, lingkungan, keunggulan bersaing. Dari analisis jalur, diperoleh hasil bahwa strategi bisnis mampu dan lebih baik memediasi pengaruh kompetensi kewirausahaan dan inovasi produk terhadap kinerja. Untuk meningkatkan kinerja melalui strategi bisnis lebih efektif bila dengan meningkatkan inovasi produk, setelah itu kompetensi kewirausahaan.

Keywords:

Entrepreneurial competence, Product innovation, Business strategy, Performance

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1. INTRODUCTION

The city of Surakarta is one of the level II local governments in Central Java, Indonesia. Surakarta is also one of the cities in Central Java, Indonesia with an area of 4,404.06 hectares consisting of five sub-districts, namely; Serengan, Laweyan, Pasar Kliwon, Jebres, and Banjarsari sub-

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districts. According to 2018 data (BPS Surakarta City 2019) the condition for Banjarsari District as an industrial and housing development zone is 1,668 farmers, 57 farm workers, 14,170 temporary workers, 5,631 temporary workers. Dispendukcapil District data in 2018, Banjarsari has 176 RW and 877 RT and 57,763 KK. Banjarsari sub-district is the largest sub-district located in the center of the city of Surakarta, Central Java, Indonesia.

Studies of entrepreneurial competence, product innovation, business strategy, and performance have not been widely carried out in Indonesia (Access, n.d.). According to Isa (Fuad, 2019) the competencies that must be possessed by an entrepreneur are: managerial skills or managerial skills, conceptual skills, the ability to formulate goals, and policies. Business strategy is the main basis for successful entrepreneurship, human skills (skills to understand, understand, communicate and relate), decision making skills (skills to formulate problems and make decisions), time managerial skills (skills to manage and use time). Previous studies by Nuryati and Suwarni (2017) indicate that the dimension of communication skills affect performance. Research found that entrepreneurial competence has a significant positive effect on company performance as it has been carried out by Agha (2015), Nimsith, *et. al.*, (2016), Pramuswari (2018), Hariyanti and Nuryati (2019), Nuryati, *et., al* (2020). Meanwhile, Adiputra and Mandala (2017) also found that competence had a positive and insignificant effect on company performance.

Product innovation is an important way for companies to stay adaptable to the market, technology, and competition. Product innovation is potential to create people's thoughts and imaginations that ultimately create customers (Soendro, 2017). The variable of innovation (Mahmoud *et al.*, 2016) and business strategy (Awan, 2015); (Yuliansyah *et al.*, 2016) can be included to assess company performance. Product innovation becomes a sustainable market strategy as needed to maintain Nasir's marketing performance (2017). In a previous study conducted by Hariyanti & Nuryati (2019), it was found that the entrepreneurial orientation in the dimension of product innovation significantly affects the performance of street vendors in Surakarta. Research conducted by Karabulut (2015), Ramadani *et. al.*, (2019), and Nasir (2017) provide evidence that product innovation has a significant and significant effect on marketing performance.

The finding of a research by Porter (1980) proved that business strategy can improve business performance. This study implies that the ability of small businesses to formulate and implement effective strategies has a great influence on the survival or failure of small businesses. Determining a good business strategy will have an impact on achieving superior performance. Some results of empirical studies indicate that business strategies can generate performance for other companies (Prajogo, 2016; Leonidou *et. al.*, 2017).

The novelty of this research is to develop product innovation variable from the previous studies, namely product innovation and the effect on marketing performance. Therefore, the current study assumes that product innovation has an effect on business performance. In addition to the novelty, in which previously the object of research was street vendors (PKL), small businesses, medium sized businesses and companies, in the

current study are PKK women. The reason for using the object of PKK mothers is that during the research team implementing community service assistance, they found a phenomenon that PKK mothers in Banjarsari District, Surakarta, Central Java, Indonesia consisted of PKK mothers who had a business or side business. In fact, some of these PKK women are MSMEs that is batik cloth, as their main business and PKK women who have side businesses.

Based on the description above, this study aims to investigate the role of entrepreneurial competence and product innovation in influencing business performance through business strategy. There is an essential community empowerment, especially PKK women so that they can help the welfare of their families and the Indonesian government in developing the economy through entrepreneurship. This is done by improving the quality of small and medium economic enterprises. Therefore, it is necessary to examine whether business strategy can mediate the influence of entrepreneurial competence and product innovation on performance.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Performance

Company performance can be seen from various dimensions. Some arguments related to the dimensions are discussed for measuring company performance. According to Ha et al., (2016), the measurement of company performance can be seen from two dimensions, namely financial and non-financial. In this acse, a competitive success requires a constant awareness of the condotion under which the company may lose or generate value, Besides that, a company's competitiveness reflects its long-term performance and relationships within the industryand with competitors. Lloret (2016) said that performance refers to the level of achievement or the company's achievement in a certain period of time. The company's performance is, therefre, very decisive in the development of a company. In general, every company aims to survive, earn profits, and develop. The company can achieve this aim if they have a good performance.

Performance according to the Didctionary of Kamus Besar Bahasa Indonesia (KBBI) is (a) something that is achieved, (b) the achievement shown, and (c) the ability to work. Furthermore, performance according to Prabu (2017) is the result of work in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him. The overall aim of performance management is to establish a high performance culture in which individuals and teams take responsibility for the continuous improvement of business processes. This is for their own skills and contributions within a framework provided by effective leadership. The key purpose is to focus people on doing the right things by achieving goal clarity.

In the case above, each business unit will always measure and assess their performance in order to know the level of tangible results that can be achieved within the unit. Prabu (2017) states that a company have their performance appraisals based on two main reasons, namely: (1) managers need an objective evaluation of employee performance in the past that is used to make decisions in the field of human resources in the future; and (2) managers need enabling tools to help employees to improve performance, plan work, develop abilities and skills for career

development and strengthen the quality of the relationship between managers concerned with their employees. In other words, the purpose of assessing the performance of small retail businesses is to formulate human resource planning properly and correctly, determine training needs according to needs, evaluate the achievement of company goals, as information for identifying goals, evaluating human resource systems and strengthening to the development needs of small or retail businesses.

Performance indicators according to Sudarsono (2015) includes 1. survive (stay standing), 2. benefit (earn profit), 3. growth (develop) in a certain n period of time.

Business strategy

Strategic planning experts believe that the general philosophy that describes the company's business or business is reflected in the mission that must be translated into statements in the established business strategy. Strategic planning with a longterm strategy is derived from the company's efforts to find the basis for competitive advantage from business strategy (Edward & Muturi, 2016), namely:

- a. Pursuing to achieve low cost (overall Cost Leadership) in the industry.
- b. Pursuing to create unique, varied or differentiated products.
- c. Pursuing to serve the demands of one or more consumer groups or industries.

Business strategy indicators, according to Edward & Muturi (2016), include: a. Over all Cost Leadership, pursuing to achieve low cost in entrepreneurship., b. Differentiation, pursuit to create unique products for varied customers. c. Focus, pursuing to serve the special demands of one or more consumer groups or industries.

Entrepreneurship Competence

The study of entrepreneurial competence, which develops the same set of skills and abilities, is always found in management or leadership theory. There are two additional skills in this case, (1) Reading odds, and (2) Manage yourself. Competencies that must be owned by an entrepreneur are (Putri, Y H 2020): a. Managerial Skills, b. Conceptual skills, c. The ability to formulate business goals, policies and strategies, d. Human skills, e. Sociable, easy to get along with, sympathy for others, g. Decision making skills, h. An entrepreneur, i. Time managerial skills

According to Suryana (2019) entrepreneurial competence is influenced by such as a. Communication, b. Problem solving, c. Initiative and enterprise, d. Planning and organizing, e. Self-awareness, f. Technology.

Product Innovation

Innovation will increase the added value of a product. It also creates a new product that can provide better solution for solving problems faced by consumers (Trott, 2017). Therefore, one way to win the business competition is to present products that have high quality and are able to meet the changing demands of society.

Product Innovation Indicators (Marlina, 2019) include several indicators of product innovation: a. Product Expansion (line extensions), b. Product expansion, c. Product imitation (me-too products), d. New-to-the-world products

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Hypotheses

The Effect of Entrepreneurial Competence on Business Strategy

According to Suryana (2019) entrepreneurial competence is influenced by communication, problem solving, initiative and enterprise, planning and organizing, self-awareness and technology. Besides that, entrepreneurial competence is a dynamic unit of knowledge, skills and abilities exhibited by an entrepreneur or organization so that it can be seen from his behavior to achieve success in his business on an ongoing basis. This approach assumes that this entrepreneurial competence is not enough to make a competent entrepreneur. It is more appropriate if entrepreneurial competence is seen from a person's behavior that matches the dynamic characteristics of competitiveness (Sobirin, *et. al*, 2020). The finding of a study shows that entrepreneurial competence has an effect and is significant on the business strategy of Nuryati, *et al* (2020) and Sobirin, *et al* (2020). Based on the empirical findings and the theory above, the following hypothesis can be formulated:

H₁: Entrepreneurial competence affects business strategy

The Effect of Product Innovation on Business Strategy

Product innovation can be seen as a product's functional progress that can take the product one step further compared to competing products (Pattipeilohy, 2018). Innovation will increase the added value of a product. It will also create a new product that can provide better solutions for solving problems faced by consumers (Trott, 2017). The findings of previous research by Hariyanti and Nuryati (2019), Nuryati and Hariyanti (2020), Pattipeilohy (2018) and Trott (2017) stated that product innovation has an effect on business strategy. Based on the empirical findings and the theory above, the following hypothesis can be formulated:

H₂: Product innovation has a significant effect on business strategy

The Effect of Entrepreneurial Competence on Performance

Competence is often used as the main criterion for determining the work of employees such as professionals, managers or senior managers. It due to the fact that competence is an individual's skills and abilities in develing and using his potential in responding to changes that occur in the business environment or job demands that describe a performance (Suryana, 2019). The previous researchers Nuryati and Suwarni (2017) found that the dimensions of communication skills affect performance.

A study that found that entrepreneurial competence has a significant positive effect on company performance as it has been carried out by Agha (2015), Nimsith & Cader (2016), Pramuswari (2017), Hariyanti and Nuryati (2019) and Nuryati, *et. al* (2020). Meanwhile, Adiputra and Mandala (2017) found that competence had a positive and insignificant effect on company performance. Based on the empirical findings and the theory above, the following hypothesis can be formulated:

H₃: Entrepreneurial competence has a significant effect on performance

The effect of Product Innovation on Performance

The right concept of innovation is the capacity to innovate, more specifically on technical innovation. This is supported by the evidence showing that technical innovation has a strong and positive influence on marketing performance (Rajapathirana, 2018). Therefore, one way to win the business competition is to present products that have high quality and are able to meet the changing demands of society.

In a previous study by Nuryati and Suwarni (2017), it was found that the entrepreneurial orientation in the dimension of product innovation significantly affects the business strategy and performance of street vendors in Surakarta. Another study by Nasir (2017) also provided evidence that product innovation has an effect significantly on marketing performance. Based on the empirical findings and the theory above, the following hypothesis can be formulated:

H₄: Product innovation has a significant effect on performance.

The Effect of Business Strategy on Performance

Strategic planning experts believe that the general philosophy that describes the company's business or business is reflected in the mission that must be translated into statements in the established business strategy. Strategic planning with a long-term strategy is derived from the company's efforts to find the basis of competitive advantage from business strategy (Edward & Muturi, 2016). They are such as pursuing to achieve low costs (overall Cost Leadership) in the industry, pursuing to create unique products for customers varies or differentiation and pursues to serve the specific demands of one or more consumer groups or industries. The results of previous research conducted by Sudarsono (2015), Nuryati, (2020) show that business strategy has an effect and are significant on performance. Based on the empirical findings and the theory above, the following hypothesis can be formulated:

H₅: Business strategy has a significant effect on performance.

Theoretical Framework

The main problem in this study is the importance of community empowerment done by increasing entrepreneurial competence, product innovation and business strategies within PKK women in Banjarsari District, Surakarta, Central Java, Indonesia. This has an impact on improving performance (Fuad, 2019). Based on the basic theory model and hypothesis development, an empirical research model was developed, which can be seen in Figure 1.

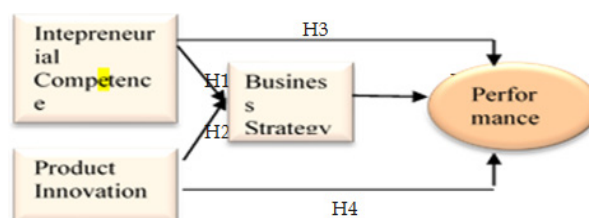


Figure 1

Model of Performance Improvement Through Entrepreneurial Competence, Product Innovation, and Business Strategy

3. RESEARCH METHODS

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The population consists of all PKK women in Banjarsari District, Surakarta, Central Java, Indonesia. The sample of this study were PKK women who were in Banjarsari District, Surakarta, Central Java, Indonesia, with a total of 100 respondents. The sample was taken using a purposive random sampling technique, which is a method of determining the sample based on certain criteria at random. The criteria are dealt with such as PKK women who have a business or side business made from patchwork of batik cloth.

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The reason for taking this sample in this sector is based on the results of the evaluation of community service in the same place and object there is an increase in knowledge and skills reaching 75%. In addition, many PKK women in the Banjarsari sub-district, Surakarta, Central Java, Indonesia still have a lot of free time, and many are still productive. Most of the PKK women in the Banjarsari sub-district, Surakarta, Central Java, Indonesia work as employees both private and public and there is still plenty of free time to do other activities, apart from formal work (Hariyanti and Nuryati, 2020). So this study aims to analyze how building a business strategy can play a role in improving the performance of PKK women who have business made from patchwork in the District, Banjarsari, Surakarta, Central Java, Indonesia through entrepreneurial competence and product innovation.

The research uses survey methods, namely investigations carried out to obtain facts from existing symptoms and draw factual information, whether social, economic or political institutions from a group or an area (Nazir, 2014).

The data were collected by using a questionnaire (self report). Questionnaires were used to obtain data on respondents' responses regarding the dimensions of the constructs developed in the study, namely:

- a. Entrepreneurial compensation is measured using indicators developed by (Fuad, 2019) which consist of: Managerial Skills, conceptual skills, human skills, decision making skills, and time managerial skills.
- b. Product innovation is measured using indicators developed by Marlina (2019) consisting of: line extensions, me-too products, and new-to-the-world products.
- c. Business Strategy is measured using indicators developed by Sudarsono (2015) which consist of cost-efficient products, improved coordination of various products, optimization of production tools and facilities, conducting cost analysis, increasing availability of work equipment, keeping costs lower than competitors, service relationship network, use of brand strategy in products, marketing relationship network, always introduce new products, create unique products, and always do market research
- d. Performance is measured using indicators developed by Liem dan Saerce (2016) which consist of: sales growth, market growth, market share (exists), and the ability to earn a profit.

The data were analyzed using instrument validity and reliability test, linearity test t-test, F-test, coefficient of determination test (R^2), correlation analysis test, and path analysis test.

4. DATA ANALYSIS AND DISCUSSION

Statistical Description

Based on the results of the analysis of a sample of 100 PKK women, Banjarsari District, Surakarta, Central Java, Indonesia, the statistical description of each variable is presented in Table 1.

Table 1
Descriptive Statistics

	N	Minimum	Maximum	Mean	Standard Deviation
Entrepreneurial Competence (X1)	100	15	25	21.77	2.079
Product Innovation (X2)	100	12	20	16.75	1.935
Business Strategy (X3)	100	44	60	51.89	4.647
Performance (Y)	100	14	20	17.45	1.648
Valid N (Listwise)	100				

Source: Primary Data Processed, 2021

Table 2
Validity Test Results

Item of Number	Corrected Item -Total Correlation	Discription
X1.1	0,375	Valid
X1.2	0,306	Valid
X1.3	0,380	Valid
X1.4	0,460	Valid
X1.5	0,701	Valid
X2.1	0,399	Valid
X2.2	0,513	Valid
X2.3	0,416	Valid
X3/Y1.1.	0,679	Valid
X3/Y1.2	0,558	Valid
X3/Y1.3	0,544	Valid
X3/Y1.4	0,717	Valid
X3/Y1.5	0,668	Valid
X3/Y1.6	0,451	Valid
X3/Y1.7	0,533	Valid
X3/Y1.8	0,311	Valid
X3/Y1.9	0,647	Valid
X3/Y1.10	0,658	Valid
X3/Y1.11	0,403	Valid
X3/Y1.12	0,698	Valid
Y2.1	0,349	Valid
Y2.2	0,551	Valid
Y2.3	0,422	Valid
Y2.4	0,684	Valid

Source: Processed Data, 2021

Validity Test

Based on Table 2, all items in the questions are valid because the Corrected Item-Total Correlation is greater than 0.3 as described by Sugiono (2019), if the correlation of each factor is positive and the magnitude is higher than 0.3 and above, this factor is a strong construct.

Reliability Test

The level of reliability of a research variable or construct can be seen from the results of the Cronbach Al-pha statistical test (a). The variable or construct is said to be reliable if the Cronbach Alpha value is > 0.6 . The closer the alpha value is to 1, the more reliable the data reliability value is. The results of the reliability test are as shown in Table 3.

Linearity Test

From Table 4, it shows the R^2 value of 0.000 with a total sample of 100, the value of C^2 count = $100 \times 0.000 = 000$ while the table C^2 value is 98.6. The value of calculated $C^2 < C^2$ table, thus it can be concluded that the correct model is a linear model.

Path Analysis (Path Analysis)

Path analysis in this study has 3 equations to show the effect of the independent variable with the dependent variable.

Table 3
Reliability Test Results

No	Variable	Cronbach Alpha Value	Discription
1	Entepreneurial Competence	0,681	Reliable
2	Product Innovation	0,675	Reliable
3	Business Strategy	0,877	Reliable
4	Performance	0,709	Reliable

Source: Processed Data, 2021

Table 4
Linearity Test

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.010	0.000	-.031	1.09858017

Source: Processed Data, 2021

Table 5
Path Analysis equation 1

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	15.208	3.896		3.996	.000
Entrepreneurial Competence	.956	.182	.428	5.250	.000
Product Innovation	.947	.196	.394	4.840	.000

Dependent Variable: Strategi Bisnis

Source: Processed Data, 2021

Equation I

This analysis is used to determine the effect of the independent variable on the dependent variable by using the equation as in Table 5.

Equation II

This analysis is used to determine the effect of the independent variable in this case is the entrepreneurial orientation as measured by the innovative, proactive and risk-taking variables and entrepreneurial competence on the dependent variable. The dependent variable is the performance of PKK women in Banjarsari District, Surakarta, Central Java, Indonesia. The path analysis for equation II is in Table 6.

Direct Effect, Indirect Effect, and Total Effect

The purpose of path analysis is to take into account direct and indirect effects. Based on the results of the analysis above, the conclusions of the overall analysis can be drawn up in Table 7.

Direct Effect

The direct effect based on the table above is that the independent variable affects other variables not/without going through an intermediary variable or commonly referred to as an intervening/intermediary variable, which can be explained as follows:

Table 6
Path Analysis of Equation II

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	3.264	1.353		2.412	0.018
Entrepreneurial Competence	0.136	0.068	0.172	2.006	0.048
Product Innovation	0.389	0.072	0.456	5.410	0.000
Business Strategy	0.091	0.033	0.256	2.713	0.008

Dependent Variable : Performance

Source: Processed Data, 2021

Table 7
Path Regression Results

No	Variable Correlation	Regression		Correlation		Error
		Beta	Sig	r	Sig	
1	Entre. Comp.- Business Strategy	0,956	0,000	0,0611	0,000	0,6565
2	Product Innov.- Business Strategy	0,947	0,000	0,0593	0,000	
3	Entre. Comp.- Performance	0,136	0,048	0,0541	0,000	0,7822
4	Product Innovation- Performance	0,389	0,008	0,0688	0,000	
5	Business Strategy- Performance	0,091	0,008	0,0632	0,000	

Source: Processed Data, 2021

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- a. The entrepreneurial competence of PKK women in Banjarsari District, Surakarta, has an effect and is significant on performance with a coefficient of 0.136. **JBB 11, 2**
- b. Product innovation of PKK women in Banjar-sari District, Surakarta, has a significant effect on performance with a coefficient of 0.389.

Indirect Effect

Indirect effect is the relationship between independent variables that affect the dependent variable through the mediation of other variables called intervening variables (intermediary). Based on Table 7, it can be explained as follows:

- a. The entrepreneurial competence of PKK women in Banjarsari District, Surakarta, has an effect and is significant on business strategy. Business strategy has a significant effect on performance with a coefficient of $0.956 \times 0.091 = 0.087$.
- b. Product innovation of PKK women in Banjarsari Surakarta has a significant effect on business strategy. Business strategy has a significant effect on performance with a coefficient of $0.947 \times 0.091 = 0.086$

Total Effect

- a. Based on the results of multiple linear regressions testing, the first and second equations show the total effect of direct and indirect effects, namely $0.136 + 0.087 = 0.223$. These results indicate that the overall effect of the entrepreneurial competence of PKK women, Banjarsari Surakarta, Central Java, Indonesia on performance through business strategies is 0.223.
- b. Based on the results of multiple linear regressions testing, the first and second equations show the total effect of direct and indirect effects, namely $0.389 + 0.086 = 0.475$. These results indicate that the overall effect of product innovation by PKK women in Banjarsari Surakarta on performance through business strategy as an intervening variable is 1.033.

The answers to the research problems are summarized in Table 8 and Figure 2.

Table 8
Path Coefficient, Direct and Indirect Effect, Total Effect of
Entrepreneurial Competence (X_1), Product Innovation (X_2), and
Business Strategy (X_3 / Y_1) on Performance (Y_2)

Variable	Effects		
	Direct	Non Direct	Total
	Beta	Beta	Beta
Entrepreneurial Competence-Performance	0,136	-	0,136
Entrepreneurial Competence-Business Strategy-Performance	0,136	$0,956 \times 0,091$	0,223
Product Innovation to Performance	0,389	-	0,389
Product Innovation-Business Strategy-Performance	0,389	$0,947 \times 0,091$	0,475
Business Strategy to Performance	0,091	-	0,091

Source: Processed Data, 2021

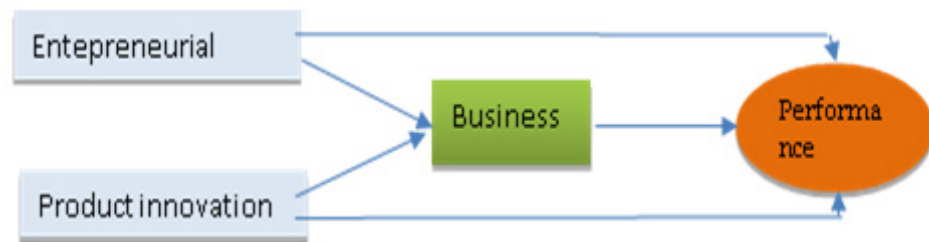


Figure 2
Summary of Results Model Performance Improvement Through
Entrepreneurial Competence, Product Innovation and Business
Strategy

Source: Processed Data, 2021

Interpretation and Discussion of Research Results

The Effect of Entrepreneurial Competence on Business Strategy

The effect of entrepreneurial competence on business strategy, based on the *t*-test has a significance level of $0.000 < 0.05$ ($\alpha = 5\%$). Therefore, it can be said that the entrepreneurial competence variable has a significant effect on business strategy. The test results simultaneously with other variables also have a significant effect. The results of this study support the research that has been carried out by Nuryati and Hariyanti (2020) and Sobirin *et. al.*, (2020). PKK women to improve strategies need to improve their competence by managing time and improving skills in formulating various problems in their business and policies in decision making.

The Effect of Product Innovation on Business Strategy

As for the effect of product innovation on business strategy, based on the *t*-test, it has a significance level of $0.000 < 0.05$ ($\alpha = 5\%$). Therefore, it can be said that the product innovation variable has a significant effect on business strategy. Product innovation still has a significant effect on the business strategy variable when tested together with other variables. The results of this study support research conducted by previous studies, namely Hariyanti and Nuryati (2019), Nuryati and Hariyanti (2020), Pattipeilohy (2018), Lloret (2016) and Nuryati and Suwarni (2017). To improve the business strategy of PKK women, it can be done by creating new products that are already on the market but not yet in the company. In addition, making or creating new products that he does or does not yet exist in the market.

The Effect of Entrepreneurial Competence on Performance.

From the results of the *t*-test, the entrepreneurial competence variable has a significance level of $0.048 < 0.05$ ($\alpha = 5\%$) on performance. It can be said that entrepreneurial competence has a significant effect on performance. Tested together with other variables, entrepreneurial competence has an effect on performance. This result supports research conducted by Agha, (2015), Nimsith, *et., al* (2016), Pramuswari (2018), Hariyanti and Nuryati (2019), Nuryati, *et al* (2020). However, it rejects the results of Adiputra and Mandala (2017) research shows that competence has an insignificant positive effect on company performance. It can be concluded that in order

to improve the performance of PKK women, it is necessary to increase entrepreneurial competence by managing time and skills in decision making.

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The Effect of Product Innovation on Performance.

From the results of the *t*-test, the product innovation variable has a significance level of $0.000 < 0.05$ ($\alpha = 5\%$) on performance. It can be said that Product Innovation has an effect on performance. Simultaneously, with other variables, product innovation has a significant effect on performance. The result supports previous research, namely Nuryati and Suwarni (2017), suggesting that the entrepreneurial orientation with the dimension of product innovation significantly affects the business strategy and performance of street vendors in Surakarta.

This research also supports the research conducted by Nasir (2017) that found that product innovation has an effect and is significant on marketing performance. This dynamic market growth requires companies to always innovate. To improve the performance of PKK women who are entrepreneurs made from batik patchwork can be done by increasing product innovation. This is done by creating new types of products that are not yet in their business but in the market or competitors already exist, this can be done with the same product in the market but created. In addition, it must be good at making or creating new products that have not been in business or in the market.

The Effect of Business Strategy on Performance

From the results of the *t*-test, business strategy variable on performance has a significant effect, because the significance level shows $0.008 < 0.05$ ($\alpha = 5\%$). Simultaneously, with other variables, business strategy has a significant effect on performance. This research supports previous research conducted by Porter (1980), that business strategy can improve business performance. Several empirical studies show that business strategies will be able to generate performance for companies, including: Nuryati and Suwarni (2017); Sudarsono (2015) and Nuryati, *et. al* (2020). To improve its performance can be done by improving business strategy such as with efficient cost and analyzing related to costs. Thus, they can get higher profits.

Path Analysis Test (Path Diagram)

From the path analysis test (Path Diagram) shows that Entrepreneurship Competence has a direct effect of 0.136 on performance. The entrepreneurship competence has a total effect (indirect + direct) of 0.223 on performance through business strategy as an intervening variable. The result of the study show that the path of entrepreneurship competence towards performance is more effective indirectly, namely through business strategy.

From the path analysis test (Path Diagram), it indicates that product innovation has a direct effect of 0.389 on performance. This product innovation has a total (indirect + direct) effect of 0.475 on performance through business strategy as an intervening variable. The result of the study also indicates that the product innovation path towards more effective performance is indirectly, namely through business strategy.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

Conclusion

Based on the results of data analysis and hypothesis, the following conclusions can be drawn:

- a. Entrepreneurial competence and product innovation have a positive and significant effect on business strategy for PKK women, Banjarsari District, Surakarta, Central Java, Indonesia, who are entrepreneurs using batik patchwork as raw materials.
- b. Entrepreneurship competence, product innovation, and business strategy have a positive and significant effect on the performance of PKK women, Banjarsari District, Surakarta, Central Java, Indonesia, who are entrepreneurs using batik patchwork as raw materials.
- c. The result of the coefficient of determination test shows that the total R Square value is 0,7822 or 78.22%. It means that performance of PKK women in Banjarsari Surakarta is explained by the entrepreneurial competence variable and product innovation of capital structure with business strategy as an intervening variable of 78, 22%. Thus, the remaining 21.78% is explained by other variables outside the research model such as competitive advantage, environment, entrepreneurial orientation and others
- d. The results of the path analysis show that, to improve the performance of PKK women, Banjarsari Surakarta, Central Java, Indonesia is better through a business strategy, rather than direct influence without going through a business strategy.
- e. The effect of entrepreneurial competence is smaller than the total effect of product innovation. Therefore, to improve performance is more effective to increase product innovation first and then entrepreneurial competence.

Implication

It was found that a business strategy needs to be developed in order to improve business performance made from batik patchwork of PKK women in Banjarsari Surakarta, Central Java, Indonesia through Entrepreneurship Competence and Product Innovation. The managerial implications for PKK (Family Welfare Education) mothers in Banjarsari Surakarta, Central Java, Indonesia are as follows:

- a. To build a business strategy, it is necessary to increase entrepreneurial competence by improving the skills of PKK women in managing time, increasing skills in formulating problems and making decisions. The business strategy is also built by increasing product innovation by: creating new products that actually already exist in the market but do not yet exist for PKK women's companies. In addition, making new products is neither in the market nor in the company yet.
- b. The ability to increase innovation in making new products that already exist or do not exist in the market but do not exist in the company will improve the business performance of the women of PKK Banjarsari, Surakarta, East Java, Indonesia.
- c. The skills of managing and using time, as well as skills in formulating and making decisions from PKK women will improve the business performance of PKK women, Banjarsari, East Java, Indonesia.

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- d. A business strategy to improve the business performance of PKK women by producing products at a more efficient cost, conducting market research and serving consumers not only individuals but groups (communities) and industry so that the business performance of PKK women is better or increased.

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Suggestion

- a. This study is expected to consider PKK women in Banjarsari District, Surakarta, Central Java, Indonesia who are entrepreneurs using batik patchwork as raw materials to further improve product innovation to improve performance.
- b. The results of this study are expected to provide input for further research by using competitive advantage variables in order to increase the business of PKK women, Banjarsari District, Surakarta, Central Java, Indonesia.

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Research limitations

- a. This study uses a sample that is less representative because it only includes PKK women in Banjarari District, Surakarta, Central Java, Indonesia who are entrepreneurs using batik patchwork as raw materials. Future research is expected to cover a larger area with a larger number of respondents so that it can be generalizable.
- b. The limited number of variables used in this study are product innovation, entrepreneurial competence, business strategy and performance variables. Further research is expected to add other variables that are predicted to be able to affect the company's performance, such as entrepreneurial orientation, competitive advantage, environment, and others.

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