

The Effect of Entrepreneurial Behavior and Organizational Innovation on MSMEs Performance

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ABSTRACT

Performance is a reflection of the organization's ability to manage and allocate its resources. This study aims to analyze the influence of entrepreneurial behavior and organizational innovation simultaneously and partially on the performance of MSMEs organization in Lumajang Regency, as well as to analyze the dominant variable affecting organizational performance. The sample in this research is 40 MSMEs with questionnaire as the data collection method. The analysis technique used in this research is multiple regression analysis. The result of the analysis shows that entrepreneurship behavior and organizational innovation influence simultaneously and partially influence organizational performance. Organizational innovation has a dominant influence on organizational performance.

Keywords: Entrepreneurship Behavior; Organizational Innovation; Organizational Performance; MSME

1. INTRODUCTION

1.1 Research Background

Organizational performance is a very important end of all organizational activities because it can be used to evaluate the level of ability and the success of the work process carried out by the organization whether it is in line with expectations or not. Performance is a reflection of the organization's ability to manage and allocate its resources. Micro, Small and Medium Enterprises (MSMEs) are believed to provide support in development and economic growth in a country, not only in developing countries but also in developed countries. The micro, small and medium enterprises sector is one form of an alternative strategy to support economic development in the long run in which they run several programs such as community empowerment and poverty reduction programs based on the empowerment of MSMEs through job creation carried out both by the central government and regional governments. The facts show that the employment opportunities created by MSMEs are bigger than those of large business groups.

MSMEs have a significant influence on the number of business unit growth and the availability of jobs but have several problems like the slow growth of the MSMEs economy to contribute to the value of the gross domestic product, investment, and especially the value of total exports. This makes UMKM the spearhead of National economic growth expected to be able to compete in the global era, especially entering the era of ASEAN economic integration as a stable and prosperous economic region.

Competition in business is natural and will face many challenges in winning a business competition, one of which is by entrepreneurial behavior. Fadiati (2011), stated that entrepreneurial behavior is the result of a work that relies on concepts and theories, not because of the nature of one's personality or based on intuition. So according to this theory, entrepreneurship can be learned and mastered systematically and planned. The results of the study by Adinoto (2010) stated that entrepreneurial behavior does not affect performance. According to Sumantri (2011), entrepreneurial behavior patterns are reflected in entrepreneurial behavior and abilities. This can be seen in the entrepreneurial behavior of MSME entrepreneurs, including personalities that can be



seen and observed in terms of creativity, self-discipline, self-confidence, courage to face risks, strong drive and willingness, relationships that can be seen from indicators of interpersonal communication and relationships, entrepreneurial leadership and management, marketing which can be seen from the ability to determine products and prices, inventory, and promotions. Expertise in managing is manifested in the form of goal setting, planning, scheduling, and personal arrangements.

In addition to entrepreneurial behavior, organizational innovation also affects organizational performance. The research results of Suryo (2010) and Sartika (2015) proved that organizational innovation influences organizational performance. MSMEs innovate on products, processes, and procedures as well as improve the qualifications of their employees who have adequate knowledge with the technology used, good skills and communication so that they are responsive to macroeconomic changes, process technology changes and market tastes that continue to occur, also, they can always be anticipatory if led by a visionary leader who is able to encourage employees to always develop themselves to be in harmony with the demands of their work.

1.2 Research Problem

- a) Do entrepreneurial behavior and organizational innovation partially affect organizational performance?
- b) Do entrepreneurial behavior and organizational innovation simultaneously affect organizational performance?

1.3 Research Purpose

This study aims to analyze the simultaneously or partially effect of entrepreneurial behavior and organizational innovation on MSMEs Organizational Performance in Lumajang.

2. THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

2.1 Entrepreneurial Behavior

Entrepreneurship is a process of applying creativity and innovation in solving problems and finding opportunities to improve life (Zimmerer, Scarborough, & Wilson, 2008). Robbins (2003) added that entrepreneurship is a process to pursue opportunities to meet needs and wants through innovation. Borg & Meredith (1983) defined entrepreneurial behavior as the behavior of people who can see and assess business opportunities, gather the resources needed to take advantage and take appropriate actions to ensure success. Entrepreneurial behavior is very important in entrepreneurship. Someone who has an entrepreneurial mindset will take various actions related to entrepreneurship passionately (Septiana, Kantun, & Sedyati, 2017). Rante (2011), Iskandar (2017), Ekaputri, Sudarwanto, & Marlana (2018) concluded that there is a positive relationship between entrepreneurial behavior and business performance.

2.2 Organizational Innovation

Organizational innovation is a solution to real problems faced every day. The process that requires everyone, without exception, to participate (Widjajanti, 2014). The concept of innovation in organizations has a long history and different understanding, especially based on competition and the company's strategy in competing. In general, innovation is defined as a way of organization to improve its competitiveness. Many indicators show that the lack of innovation can cause an organization to lag behind the competition or even go out of business. The term innovation was first used by Schumpeter in 1934, as a creation, implementation, and new combination. New combinations can refer to new products, services, work processes, markets, policies, and systems.

According to Schumpeter, innovation consists of introducing new products, introducing new processes, opening new markets, developing new sources of supply for raw materials or other inputs and changes in industrial organizations.

According to Schumann (1994), innovation is the way an organization implements new ideas and creative concepts as a basis for competitive advantage in anticipating and fulfilling consumer needs. According to Chen & Huang (2008), innovation is related to the introduction of new combinations of essential production factors into the production system. Innovation is a terminology to explain how an organization creates value by developing new knowledge and using existing knowledge in new ways. Furthermore, Tan & Nasurdin (2011) defined organizational innovation as the ability to create new ideas or concept and to create new behaviors for organizations; this consists of innovation in products, innovation in processes and innovation in administration (procedures). Innovation Management is the management of all processes of innovation, research and development, in the broad sense, R & D management can be interpreted as innovation management when it comes to invention processes and innovation processes.

According to Schumann (1994), innovation can be seen from two dimensions; they are the nature and how much change is made. The dimension of nature can be classified into three categories:

- a) Product innovation is all that relates to functions that can be given to customers (internal and external) or forms that function. Product Innovation involves the way things interact with things.
- b) Process innovation is anything that involves the way a product is developed, produced, and prepared, for example, improving the manufacturing process and distribution system. Innovation Process involves the interaction of people with things.
- c) Innovation procedures are anything that involves any way in which products and processes are integrated into the operations of an organization — for example, improvement marketing methods and administrative methods. Procedure Innovation involves the way people interact with people.

The results of the research by Mustikowati & Tysari (2014) states that innovation influences the performance of the company. The results of this study are in line with Sartika (2015), which stated that innovation influences organizational performance.

2.3 Organizational Performance

Organizational performance is the level of achievement of the organization in carrying out its activities in a certain period (usually in one year). Performance is a reflection of whether the organization or company has succeeded or not in its business venture (Triatmanto, 2011). Performance is a process used by leaders to determine whether an employee does the work according to his/her duties and responsibilities or not so that the steps used to represent performance are chosen based on the state of the organization being observed (Puryantini, Arfati, & Tjahjadi, 2017). Performance is a description of the success or failure of the organization in carrying out its main duties and functions to realize the goals, objectives, vision, and mission. In other words, performance is an achievement that can be achieved by an organization in a certain period. Organizational performance is important according to Robbins & Coulter (2005) because it will produce good asset management (tangible assets and intangible assets), increase the ability to provide customer value, create a good company reputation, and improve the size of organizational knowledge. Companies need to carry out performance evaluations that focus on inadequate employee skills and potential so that they can be developed and improved to achieve high organizational performance.



Based on the three conceptual frameworks described, it can be concluded that the hypotheses in this study are:

- H₁: Entrepreneurial behavior and organizational innovation simultaneously affect organizational performance.
 H₂: Entrepreneurial behavior and organizational innovation partially affect organizational performance.

3. RESEARCH METHOD

3.1 Research Design

This study classified as quantitative research due to the aim of the research is to investigate the effect of entrepreneurial behavior and organizational innovation on MSME Organizational Performance in Lumajang was obtained by using a survey method, by using a questionnaire as the main instrument with Likert scale. The data analysis technique used in the study was multiple linear regression analysis. The following equation can be seen below:

$$Y = a + b_1X_1 + b_2X_2 + e$$

Description:

Y = Organization Performance

a = Constant

b_{1,2} = Coefficient

X₁ = Entrepreneurial Behavior

X₂ = Organizational Innovation

Table 1 Variable and Indicator

No	Variable	Definition	Indicator
1	Entrepreneur Behavior (Borg & Meredith, 1983)	The behavior of people who can see and assess business opportunities, gather the resources needed to take advantage and take appropriate actions to ensure success.	Confidence, task and result oriented, risk taker, leadership, originality, and visionary.
2	Organizational Innovation (Schumann, 1994)	The way an organization implements new ideas and creative concepts as a basis for competitive advantage in anticipating and fulfilling consumer needs.	Product innovation, process innovation, and procedure innovation
3	Organizational Performance (Triatmanto, 2011)	A reflection of whether the organization or company has succeeded or not in its business venture.	Financial performance and Marketing Performance

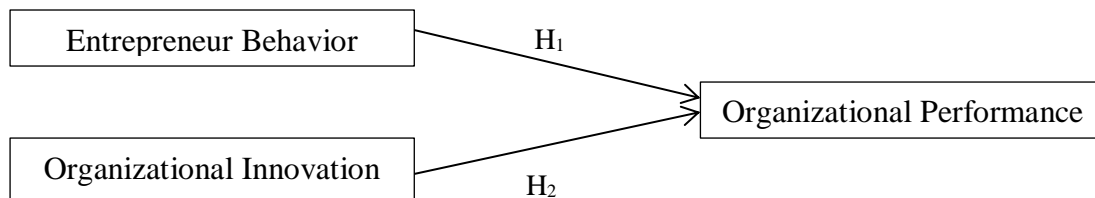
3.2 Population and Sample

The population was the MSME entrepreneurs in Lumajang who have SIUP (business permit from the government) which is amounted to 196. The reason in choosing Lumajang as research object is because there are many MSME in Lumajang that not operating in an effective and efficient way. According to Arikunto (2010) for the population that higher than 100 respondent, the sample



size should amount 10-20% from the total population. Therefore, the number of samples in the study was 39.2 (or 40 MSMEs). The sampling technique used in this research was simple random sampling.

3.3 Research Framework



Picture 1 Research Framework

4. RESEARCH RESULT AND ANALYSIS

4.1 Descriptive Analysis

Characteristics of respondents in the study are presented in the following table.

Table 2 Characteristics of Respondents

Category	Frequency	Percentage (%)
Age		
20 – 30 years old	8	20,0
31 – 40 years old	13	32,5
40 – 50 years old	19	47,5
Sex		
Male	28	70,0
Female	12	30,0
Business Ages		
1 – 5 years	7	17,5
5,1 – 10 years	16	40,0
More than 10 years	17	42,5

Source: Primary Data Processed, 2019

Based on Table 2, it can be seen that the majority category in this study is 40 - 50 years old with 19 respondents (47,%), male with 28 respondents (70%) and have a duration of business more than 10 years with 17 respondents (42,5%).

4.2 Validity and Reliability

Measuring the validity of this instrument was done by Pearson Product Moment correlation between the scores of the items with the scale score. Overall, the results of testing the validity of each variable are presented in the following table.

Table 3 Validity Result

Variable	Indicator	Item	r-value	r critical	Probabilty	Description
Entrepreneurial behavior	Confidence	X1.1.1	0,603	0,312	0,000	Valid
		X1.1.2	0,823	0,312	0,000	Valid
	Task and result oriented	X1.2.1	0,728	0,312	0,000	Valid
		X1.2.2	0,818	0,312	0,000	Valid
	Risk taker	X1.3.1	0,735	0,312	0,000	Valid
		X1.3.2	0,759	0,312	0,000	Valid
	Leadership	X1.4.1	0,707	0,312	0,000	Valid
		X1.4.2	0,776	0,312	0,000	Valid
	Originality	X1.5.1	0,823	0,312	0,000	Valid
		X1.5.2	0,745	0,312	0,000	Valid
Visionary	X1.6.1	0,617	0,312	0,000	Valid	
	X1.6.2	0,749	0,312	0,000	Valid	
Organizational Innovation	Product innovation	X2.1.1	0,770	0,312	0,000	Valid
		X2.1.2	0,690	0,312	0,000	Valid
	Process innovation	X2.2.1	0,612	0,312	0,000	Valid
		X2.2.2	0,473	0,312	0,002	Valid
	Procedure innovation	X2.3.1	0,573	0,312	0,000	Valid
		X2.3.2	0,675	0,312	0,000	Valid
Organizational Performance	Financial performance	Y1.1.1	0,560	0,312	0,000	Valid
		Y1.1.2	0,755	0,312	0,000	Valid
	Marketing performance	Y1.2.1	0,533	0,312	0,000	Valid
		Y1.2.2	0,804	0,312	0,000	Valid

Source: Primary Data Processed, 2019

Table 3 shows that all of the questionnaire item has coefficient r value greater than r critical and probability value smaller than $\alpha = 5\%$, it means that the instruments used are valid and can be used to measure variables of entrepreneurial behavior, organizational innovation, and organizational performance.

Table 4 Reliability Result

Variable	Alpha Cronbach	Description
Entrepreneurial Behavior	0,924	Reliable
Organizational Innovation	0,701	Reliable
Organizational Performance	0,690	Reliable

Source: Primary Data Processed, 2019

The reliability test results presented in Table 4 shows that each reliability coefficient value was greater than 0,6 so that the instruments used have a high chance of being answered consistently by the respondents.



4.3 Research Analysis

In order to obtain an unbiased and efficient estimator value from a multiple regression equation, the data analysis must fulfill the following classic assumptions:

a. Multicollinearity

A regression model is free from multicollinearity if the VIF (Variance Inflation Factors) value of each independent variable is less than 10, and the tolerance value is more than 0,10.

Table 5 Multicollinearity Test Results

Variable	Collinearity Statistics	
	Tolerance	VIF
Entrepreneurial Behavior	0,560	1,786
Organizational Innovation	0,560	1,786

Source: Primary Data Processed, 2019

Based on the VIF calculation results, it can be seen that the variables of entrepreneurial behavior, organizational innovation, and organizational competence have a VIF value < 10 and tolerance $> 0,10$, thus it can be concluded that the regression model does not have a multicollinearity problem.

b. Autocorrelation

To determine the presence or absence of autocorrelation symptoms in the regression analysis model used was by testing the serial correlation model with the Durbin-Watson (DW) method. Conventionally it can be said that a regression equation is said to have fulfilled the assumption that there is no autocorrelation if the value of the Durbin-Watson test is between the dU and (4-dU). The dU value in the Durbin-Watson table is 1,60. Based on the calculation results, it can be seen that the value of the Durbin-Watson test is 1,712 so that it is greater than 1,60 (dU) and smaller than 2,40 (4-dU). It means there is no autocorrelation in the regression model.

c. Heteroscedasticity

Heteroscedasticity means that there are unequal residual variations for all observations, or there is a presence of greater residual variations in the number of observations that are getting bigger. Testing for symptoms of heteroscedasticity was using the Park test as presented in the following table.

Table 6 Park Test Result

Model	t	Sig.
(Constant)	,491	0,626
Ln Entrepreneurial Behavior	-1,427	0,162
Ln Organizational Innovation	1,159	0,254

Source: Primary Data Processed, 2019

Based on the table above, the t value of the variable entrepreneurial behavior (LnX1) is -1,427 which is smaller than the t table value of 2,021, or the significance value is 0,162, which is greater than $\alpha = 0,05$, and the value of the calculated variable t-test of organizational innovation (LnX2) is 1,159, which is smaller than t table value of 2,021, or the significance value is 0,254, which is greater than $\alpha = 0,05$. Thus there are no symptoms of heteroscedasticity.

d. Normality

Data assumption has been normally distributed is one of the important assumptions in conducting research with regression. This test aimed to test whether, in the regression model, the independent and dependent variables are normally distributed or not. The results of the normality

test were obtained through the Kolmogorov Smirnov Test (KST) calculation presented in the following table.

Table 7 One K-S Results

Description	Entrepreneurial Behavior	Organizational Innovation	Organizational Performance
N	40	40	40
Kolmogorov-Smirnov Z	0,886	0,895	0,842
Asymp. Sig. (2-tailed)	0,441	0,407	0,478

Source: Primary Data Processed, 2019

Based on the results of the Kolmogorov Smirnov Test (KST), the significance asymp value of entrepreneurial behavior, organizational innovation, and organizational performance variable are 0.866, 0,895, 0,842 with a significance value of 0,441, 0,407, 0,478 which is greater than the standardized significant value of 0,05. This shows that the variables of entrepreneurial behavior, organizational innovation, and organizational performance are normally distributed.

4.4 Research Discussion

Table 8 Multiple Linear Regression Result

Variable	Regression Coefficient	t _{-test}	Sig.	Description
Entrepreneurial Behavior (X ₁)	0,414	4,094	0,000	Significant
Organizational Innovation (X ₂)	0,651	5,911	0,000	Significant
Constant		-0,209		
R		0,895		
R square		0,802		
Adjusted R Square		0,791		
F _{-test}		74,847		
Sig. F		0,000		
N		40		
F table		3,26		
t table		2,021		
Dependent variable	Organizational Performance (Y)			

Source: Primary Data Processed, 2019

From the results of the multiple regression calculation above, it can be seen that the value of the determination coefficient (R square) is 0,802. This means that entrepreneurial behavior (X₁) and organizational innovation (X₂) can simultaneously contribute to organizational performance by 80.2%, while the remaining 19,8% is caused by other variables not included in this study. Meanwhile, the results of the hypothesis test in this study can be seen as follows:

a) H₁ Testing

To test the first hypothesis which states that entrepreneurial behavior and organizational innovation simultaneously affect organizational performance was to use the F test. The results of the calculation of multiple regression analysis with SPSS obtained F-test of 74,847, F_{table} on $\alpha = 5\%$, df₁ = 3, and df₂ = 37 of 3,26; it means F_{test} > F_{table} (74,847 > 3,26) while the probability value is

smaller than $\alpha = 0,05$ ($0,000 < 0,05$), then H_0 is rejected and H_a is accepted, which means that the independent variable: Entrepreneurial behavior and organizational innovation simultaneously have a significant effect on organizational performance. Thus the first hypothesis is statistically tested.

b) H_2 Testing

To test the second hypothesis which states entrepreneurial behavior and organizational innovation partially affect the performance of the organization was by using the t-test. T-test is used to test whether each independent variables of Entrepreneurial behavior and organizational innovation partially have a significant effect on organizational performance, by comparing between t-test with t-table. The each t-test dan t_{table} value of the independent variable is as follows:

Table 9 Comparison of t-test and t_{table} $\alpha = 5\%$

Variable	t_{test}	t_{table}	Sig.	Description
Entrepreneurial behavior (X_1)	4,094	2,021	0,000	Significant
Organizational innovation (X_2)	5,911	2,021	0,000	Significant

Source: Primary Data Processed, 2019

The results of the Entrepreneurial behavior regression analysis obtained a value of t-test = 4,094 while the value of $t_{table} = 2,021$ so that $t_{test} > t_{table}$ or significance value $0,000 < 0,05$ so H_0 is rejected or H_a is accepted, and it is proven that entrepreneurial behavior variable (X_1) has a significant effect on organizational performance (Y). Meanwhile, the results of the Organizational innovation regression analysis obtained the value of t-test = 5.911 while the value of $t_{table} = 2,021$ so that $t_{test} > t_{table}$ or significance value $0,000 < 0,05$ so H_0 is rejected or H_a is accepted, and it is proven that organizational innovation variable (X_2) has a significant effect on organizational performance . Therefore, based on the results of the t-test, it can be proven that entrepreneurial behavior and organizational innovation partially have a significant effect on organizational performance. Thus the second hypothesis is statistically accepted.

4.4.1 The Effect of Entrepreneurial Behavior and Organizational Innovation on Organizational Performance

Entrepreneurial behavior and organizational innovation simultaneously affect organizational performance. This shows that better entrepreneurial behavior and supported by organizational innovation can improve organizational performance. Entrepreneurial behavior is formed by self-confidence, task and results-oriented, risk takers, leadership, originality and future-oriented, with the greatest contribution to leadership reflected in the work environment being able to get along with others. This is in accordance with the finding by Borg & Meredith (1983) which stated that entrepreneurial behavior is the behavior of people who have the ability to see and assess business opportunities, gather the resources needed to take advantage and take appropriate actions to ensure success. Organizational innovation is formed from product innovation, process innovation, and procedure innovation. The biggest contribution to the formation of organizational innovation is process innovation reflected by improving quality in the process. In operational activities, companies must be able to simplify the work process in order to obtain efficiency or make a completely new process by leaving the old operating process or make the improvement of existing processes in achieving the work results of the organization. Process innovations include significant implementations in productions and delivery methods, including techniques, tools, and software. According to Tan & Nasurdin (2011), organizational innovation is the ability to create new ideas or concept and to create new behaviors for organizations; this consists of innovation in products, innovation in processes and innovation in administration (procedures). UMKM practitioners who



have high entrepreneurial and innovative behavior are one of the keys to entrepreneurship. Every person is equipped with talent or entrepreneurial spirit in varying degrees of capability. If the entrepreneurial spirit or talent have a good platform, the development and progress will produce the expected results. This is supported by respondents who were mostly 40-50 years old, male and have had more than ten years of business, so that they can produce high innovative behaviors especially to make the best decisions that have an impact on improving organizational performance.

4.4.2 The Effect of Entrepreneurial Behavior on Organizational Performance

Entrepreneurial behavior has a significant effect on organizational performance. Entrepreneurial behavior described by the originality in which reflected in work performed in accordance with the experience, meaning that it is done creatively, innovatively, and flexible, with great knowledge, so that it can improve the performance, which is shown in financially where the managed MSMEs were experiencing increased business profits. To win the competition, an entrepreneur must have high creativity. The creative power should be based on advanced thinking, full of new ideas that are different from the products that have been available in the market. Creative ideas generally cannot be limited by space, form, or time. It is often the genius ideas that provide breakthroughs in the initial business world based on creative ideas that seem impossible. However, good ideas, if not implemented in everyday life, will only become a dream.

Genius ideas generally require high innovation power from the entrepreneur concerned. High creativity still requires a touch of innovation to sell well in the market. The innovation needed is the ability of entrepreneurs to add use value/benefit to a product and maintain product quality by paying attention to "market-oriented" or what is being sold in the market. With the increase in the use value or benefits of a product, the selling power of the product increases in the eyes of consumers because there is an increase in economic value for the product for consumers. The results of this study are consistent with the research conducted and Rajabi, Brashear-Alejandro, & Chelariu (2018), which stated that entrepreneurial behavior affects performance. The results of this study also support Rante (2011) that entrepreneurial behavior affects business performance. Iskandar (2017) found that entrepreneurship affects business performance. Furthermore, the results of the study by Ekaputri, Sudarwanto, & Marlina (2018) found that entrepreneurial behavior affects company performance. However, the results of Adinoto (2010) stated that entrepreneurial behavior does not affect performance.

4.4.3 The Effect of Organizational Innovation on Organizational Performance

Organizational innovation has a significant effect on organizational performance. Organizational innovation is an effort to maintain the existence of the organization and improve organizational progress. With organizational innovation, an organization is expected to be able to respond to the complexity of the environment and the dynamics of changes in the environment, especially in the cut-throat competition and to create sources for competitive advantage. This can be achieved through product innovation, process innovation, and procedure innovation. According to Tan & Nasurdin (2011), organizational innovation is the ability to create new ideas or concept and to create new behaviors for organizations, this consists of innovation in products, innovation in processes and innovation in administration (procedures). The product innovation can be realized from new product innovations with the technically different specifications and functions from those already available; the renewal of the product leads to improved customer use and satisfaction; product development now uses different components and materials than before; there is a decrease in the production costs, components, and materials of the current product and there is an increase in the quality of production in terms of the components and materials of the product. Process



innovation can be realized by reducing the activities of distribution that do not have added value for the company, reducing variable costs and increasing the speed of delivery in terms of logistics processes, reducing process steps so that production costs become lower, it is important for companies to choose the right location to get low-cost production factors locally and globally, and to optimize the energy so that the production process is at the highest efficiency. Procedural innovations can be realized in the improvement of the administration system, so the procedures to be faster and more efficient, a decrease in the intensity of interaction between a person and another person to make the administration process run faster, new distribution channels are made, so that product delivery to markets become faster without reducing quality, new marketing policy is also created to make administrative requirements to be easier and faster with openness/transparency. It will encourage employees to work better in the administration/work of the company. The indicator of organizational innovation that most influences organizational performance is procedure innovation. Procedure Innovation involves how products and processes are integrated into the operations of an organization. The better the application of organizational investment can improve organizational performance in terms of marketing performance and financial performance. The results of this study support the research result by Suryo (2010) and Sartika (2015), which stated that organizational innovation affects organizational performance. The results of this study also support Mustikowati & Tysari (20114) who found that innovation affects company performance. The results of this study are also in line with Sartika (2015) who stated that innovation affects organizational performance.

5. RESEARCH CONCLUSION AND LIMITATION

5.1 Conclusion

The results of the analysis showed that entrepreneurial behavior and organizational innovation affect organizational performance, which means that the better entrepreneurial behavior supported by organizational innovation can improve organizational performance. Entrepreneurial behavior partially affects organizational performance, which means that an entrepreneur who has entrepreneurial behavior believes that planning, organizing, mobilizing, and controlling and supported by creativity, innovation, and risk-taking can improve organizational performance. Organizational innovation partially affects organizational performance and is a variable that has a greater impact to organizational performance, which means that MSMEs capable of innovating in terms of product innovation, process innovation, and procedure innovation can improve organizational performance.

5.2 Limitation

The conception of organizational performance that are affected by entrepreneurial behavior and organizational innovation still requires a broader study both in the subject and the object to be accepted as the standard model.

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