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DETERMINANTS OF ENTREPRENEURIAL SUCCESS ON INDONESIAN FOOD SERVICE MSMEs

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ABSTRACT

In developing countries, facts show that micro, small and medium enterprises (MSMEs) play an important role in the country's economical development (Jasra, Khan, Hunjra, Rehman, & Azam, 2011, p. 274). Some contributions of MSMEs (Abimanyu, et al., 2011, p. 2) include substantial supports in reducing poverty, increasing gross domestic product (GDP), and in turns, the country's economic growth (Tambunan, 2008, p. 41). As approximately 90% of the total Indonesian enterprises are considered micro, small and medium, it becomes essential to pay special attention on MSMEs (Abimanyu, et al., 2011, p. 1).

It is indispensable for entrepreneurs to have the proper combination of entrepreneurial competencies to sustain businesses (Neneh & Vanzyl, 2012, p. 8327; Krueger, 2012), particularly the proper entrepreneurial mindset (fixed and entrepreneurial mindset) and entrepreneurial characteristics (Anantadjaya et al., 2011; Neneh & Vanzyl, 2012, pp. 8329, 8340-41; Dweck, 2008). There are also factors that determine successful entrepreneurs; opportunity obsession, commitment and determination, and tolerance of ambiguity (Neneh & Vanzyl, 2012, pp. 8329-8330). It is supported by facts that most successful entrepreneurs share identical characteristics (Hall, 2012). In addition to the entrepreneurial mindset and successful factors, entrepreneurs run into risks in their daily operational activities. Previous research reveals that measuring job performance of employees is one of the substantial processin HRM that has a significant impact towards business performance (Ali & Opatha, 2008; Indra & Anantadjaya, 2011).

This study attempts to evaluate the relationships among variables; entrepreneurial mindset and entrepreneurial characteristics toward performance management practices and business performance. It is expected that all relationships are positive among variables as a way to denote the determinants on entreprenurial success, at least in Indonesian food service MSMEs.

Keywords: entrepreneurial mindset, entrepreneurial characteristics, business performance

1. INTRODUCTION

The term widely used in the society about the third-world countries is in conjunction with the terms about the first-world and the second-world. Though there are no fixed definitions, a general explanation exist (Bari, 2012). The definition was first introduced by Alfred Sauvy, a French demographer and economist (Karakir, 2012, p. 195; Osondu, 2011, p. 1). If the term "First World" refers to the capitalist, developed and industrial countries, the term "Second World" denotes the communist and socialist countries, and the term "Third World" is used to represent all countries other than those classified in the first and second world countries. This is commonly signifies the developing countries around the globe.

Figure 1: Three World Model

Source: (One World Nations Online, 2013)

Concerning the developing countries, small and medium enterprises (SMEs) play an important role in the economy of a country. Hence, the existence of these enterprises is substantial for those developing countries (Jasra, Khan, Hunjra, Rehman, & Azam, 2011, p. 274). SMEs contributions towards a country development include supporting the increase of employment, which potentially reduce the country's poverty, the increase of gross domestic product (GDP), and supporting the economic growth (Abimanyu, et al., 2011, p. 2).

In Indonesia, 90% of the total enterprises are considered as micro, small and medium. This fact conforms the notion that MSMEs contribute toward economic growth (Tambunan, 2008, p. 41). Hence, it is deemed important to provide special attention towards the MSMEs to create a significant growth on the country's economy (Abimanyu, et al., 2011, p. 1).

Table 1: Sales of Indonesian Consumer Food Service Sector

(US$ million)	2003	2004	2005	2006	2007	2008
Full-service restaurant	13,139	15,186	15,662	19,444	21,636	22,269
Cafes/bars	1,625	1,876	1,970	2,348	2,465	2,551
Fast food	588	682	694	836	906	935
Other	702	828	884	1,070	1,213	1,215
Total	16,054	18,572	19,210	23,698	26,220	26,970

Source: (HKTDC Research, 2011)

Previous research attests that there is a variance increase towards sales value in the food service industry in Indonesia. It can be seen from Table 1: Sales of Indonesian Consumer Food Service Sector that the average sales had increased from 2003 to 2008 by about 10%. The increased sales in the food service sector supports the fact that there is greater opportunity for new entrepreneurs to open businesses in this industry (HKTDC Research, 2011).

Entrepreneurs, or business owners in the MSMEs as the ones who run the business (Sethi, 2006), are acting as leaders in the decision making process. Consequently, those entreprenuers/business owners have great responsibilities in making the action plans toward goals attainment (Neneh & Vanzyl, 2012, p. 8327). It is crucial for entrepreneurs/business owners to possess the proper combinations of entrepreneurial competencies to maintain their business viabilities (Neneh & Vanzyl, 2012, pp. 8327-8341; Krueger, 2012). It is also important for entrepreneurs/business owners to maintain their employee performance to ensure their constant growth on business performance (Ali & Opatha, 2008; Indra & Anantadjaya, 2011).

1.1. Research Problems

In general, the economics of country are mainly supported by MSMEs, and the growth of those MSMEs is dependent on many factors (Jasra, Khan, Hunjra, Rehman, & Azam, 2011, p. 274). In Indonesia alone, MSMEs becomes the country's backbone as approximately 90% of the total enterprises are SMEs (Tambunan, 2008, p. 41). This indicates that their existence contributes to the economy of the country. Hence, a special attention toward MSMEs may likely enhance their future development (Khumaelah, 2011). Nevertheless, there are 3 facets of the problem identification, as follows;

1. Entrepreneurs, who tend to have a narrow mindset and are not open to opportunities.
2. Entrepreneurs, who tend to have a low ability in dealing with risk and uncertainties.
3. Entrepreneurs, whose employees are relatively low qualities of work performance.

Hence, considering the above situations, there are factors to focus in this study, particularly concerning the matters that influence business performance (Ali & Opatha, 2008; Indra & Anantadjaya, 2011). Those factors include entrepreneurial mindset (Anantadjaya, Finardi, & Nawangwulan, 2011; Dweck, 2008), entrepreneurial characteristics (Dhliwayo & Vuuren, 2007), and employee performance (Jasra, Khan, Hunjra, Rehman, & Azam, 2011). It is expected that through an investigations on such factors from the entrepreneurs' perspective, this study can be beneficial in offering a better view toward proper business handlings.

2. LITERATURE REVIEW

2.1 Entrepreneurial Mindset

Entrepreneurs with the right combinations of entrepreneurial competencies are believed to have better abilities in maintaining business viability (Neneh & Vanzyl, 2012; Krueger, 2012). As there are several factors in entrepreneurial competencies, as previously mentioned, this study focuses on entrepreneurial mindset (Anantadjaya, Finardi, & Nawangwulan, 2011; Dweck, 2008) and entrepreneurial characteristics (Dhliwayo & Vuuren, 2007). The entrepreneurial mindset theory are used in this study to provide information about what does entrepreneurial mindset means and what are the types of entrepreneurial mindset (Anantadjaya, Finardi, & Nawangwulan, 2011; Dweck, 2008).

According to Dweck (2008), entrepreneurs are believed to possess either a fixed mindset or a growth mindset. A fixed mindset represents individual's belief onto the fixed thinking pattern. This is to say that entrepreneurs with a fixed mindset have a tendency to believe that personality (intelligence or talent), cannot be changed. In contrast, growth mindset represents individual's belief that the basic skills can be improved through dedication and hard work. These growth-mindset-entrepreneurs also believe that intelligence and talent are just additional advantages (Ibrahim, 2012; Johnson, 2009). This growth mindset often leads to better entrepreneurs with better perspectives and sets of strategy.

Based on a previous research by Anantadjaya, Finardi & Nawangwulan (2011), two types of strategies, which represent growth mindset (concentration strategy and internal growth strategy), are used to measure the survivability of micro and small enterprises. The concentration strategy emphasizes in enhancing the market share, building a niche market, and reduces cost. The internal growth strategy stresses on developing products or services, encouraging innovation, and searching for possible ventures (Timmons, Spinelli, & Prescott, 2010).

Relying on the entpreneurial mindset theory (Dweck, 2008) and entrepreneurial mindset development model (Anantadjaya, Finardi, & Nawangwulan, 2011), this study attempts to formulate a similar model of mindset, which emphasizes in reflecting the entrepreneurial mindset of MSMEs in the region of South Tangerang, in the suburban area of the Indonesia's capital city of Jakarta.

2.2 Entrepreneurial Characteristics

It is also important for entrepreneurs to possess a personality that could support their business performance. According to Neneh & Vanzyl (2012), an individual can be categorized as a strong and effective entrepreneur based on his/her personality. There have been many studies in determining the characteristics for strong, successful, and effective entrepreneurs. Those characteristics include commitment and determination, tolerance of ambiguity, creativity, self-reliance and ability to adapt, and opportunity obsession.

Based on a previous study by Heslin et al. (2006), they introduced implicit person theories (IPTs) on the flexibility of human's characteristics, which influence individual's willingness in assisting other people. The previous research applied the theory to identify the influence between managers' IPTs towards their employee performance. The result was that the manager's type of characteristic could be used to predict their employee performance following the on-going coaching process (Heslin, Vandewalle, & Latham, 2006). This is evident that there is an influence between manager characteristics and employee performance.

Hence, relying on those previous researches, this study attempts to study the similar condition whether there is an influence between the characteristics possessed by entrepreneurs towards their employee performance.

2.3 Performance Management Practices

Performance management (PM) practices involve several organization processes. One of those processes is measuring employee performance (Toppo & Prusty, 2012, p. 5). Hence, in this study, the terms PM practices and employee performance are used interchangeably. In a previous study by Kondrasuk (2011), measuring employee performance can increase business efficiency, and boost employees' motivation toward work (Istijanto, 2006). PM practices are used in this study to measure employee performance concerning their quality of performance, quantity of performance, customer service, concientiousness, and punctuality (Ebert & Griffin, 2009).

Regarding the usage of PM practices in this research, a previous study by Toppo & Prusty (2012) explains the importance of PM practices towards business performance (Ali & Opatha, 2008; Indra & Anantadjaya, 2011). It is stated that a company is administrated and controlled by manpower, which through these people, a company's goal is implemented. Hence, it is crucial for firms to ensure a high level of performance in order to compete and to survive within the competitive environment.

Based on a previous research by Ali & Opatha (2008), they find a postive and significant impact on measuring job performance towards business performance. They also explained that job performance measurement is considered as one of the most essential process derived from human resource management (HRM). Tying the knot between the study by Ali & Opatha (2008) and Toppo & Prusty (2012), HRM becomes an important asset in business administrations. It is interesting to find the influence between employee performances in MSMEs towards the business performance.

2.4 Business Performance

As mentioned, it is important to understand business performance and the reasons why entrepreneurs need to measure their business performance. After all, Peter Drucker had said, *"what gets measured gets managed"* (Prusak, 2010). It is crucial to comprehend that people cannot manage what they cannot measure. This study attempts to measure business performance via the observation of the organizational productivity (Spring Singapore, 2011).

Productivity measures the extent to which an organization produces goods/services (Cambridge University Press, 2013). Organizational survivability depends on the ability to cope/adapt to the competitive environment, as well as maintaining efficiency. Via a direct comparison between output[1] and input[2], the level of organizational productivity can be evaluated over time. To note the organizational productivity, this study relies on several productivity ratios, such as; average check, employee to customer ratio, sales and total number of employees.

2.5 Previous Empirical Researches

Several empirical researches that support this study consist of the following;

Table 2: Previous Empirical Researches

No.	Research Title	Variables	Findings & Results
1.	The Viability of Small/Micro Businesses in Indonesia: Implications of the Entrepreneurial Mindset Development Model? (Anantadjaya, Finardi, & Nawangwulan, 2011)	• Concentration Strategy: market share, niche market, and cost reduction • Internal Growth Strategy: product/service development, innovation, and ventures • Viability of Small & Micro Business: sales, expenses, total asset, and growth rate	• There is an influence between the concentration strategy and internal growth strategy toward the viability of small and micro businesses. • There is a significant relationship cost reduction and ventures toward the viability of

[1] Outputs are delivered goods/services, which may take forms in physical quantities, or financial values (Spring Singapore, 2011)

[2] Inputs are the required capital to generate outputs, which may take forms in the numbers of labor, labor hours, or monetary-based capital (Spring Singapore, 2011).

No.	Research Title	Variables	Findings & Results
			small & micro business in comparison with any other indicators in the strategy.
2.	Performance Appraisal System and Business Performance: An Empirical Study in Sri Lankan Apparel Industry (Ali & Opatha, 2008)	• Performance Appraisal: objectives, policies, criteria and standards, appraisal form and procedure, training of appraisers, feedback discussion interview, procedure for ensuring accurate implementation, make decisions and store, and review and renewal • Business Performance: financial perspective, customer perspective, internal efficiency, and innovation	• The performance appraisal system of a company has a significant and positive relation to its business performance.
3.	Towards Establishing Long Term Surviving Small and Medium Enterprises (SMEs) in South Africa: An Entrepreneurial Approach (Neneh & Vanzyl, 2012)	• Entrepreneurial mindset • Entrepreneurial Characteristics: commitment and determination, tolerance of ambiguity, creativity, self-reliance and ability to adapt, and opportunity obsession • Business Practices: teamwork, strategic planning practices, marketing practices, and performance management practices • Business Age: 3-5, 6-10, and >10 • Survival	• There is a positive correlation between business age and survival. • There is a strong positive relationship between the combination of 3 entrepreneurial competencies (entrepreneurial mindset, entrepreneurial characteristics and business practice) toward business survival.
4.	The Strategic Entrepreneurial Thinking Imperative (Dhliwayo & Vuuren, 2007)	• Entrepreneurial Thinking • The Strategic Entrepreneurial Mindset: innovation, creativity, competitiveness, opportunity seeking, risk taking, advantage seeking, mission/vision, proactively, and create/shape own environment • Strategic Thinking	• There is no difference between strategic thinking and entrepreneurial thinking. • The strategic entrepreneurial mindset is derived from the combination of entrepreneurial thinking and strategic thinking.
5.	From Performance Appraisal to Performance Management (Toppo	• Performance Appraisal • Performance Management	• The performance management consists of all organization process that determine how well

No.	Research Title	Variables	Findings & Results
	& Prusty, 2012)		employees, teams and ultimately, the organization perform.

Source: (Anantadjaya, Finardi, & Nawangwulan, 2011; Ali & Opatha, 2008; Neneh & Vanzyl, 2012; Dhliwayo & Vuuren, 2007; Toppo & Prusty, 2012)

This study is significantly different from those previous researches, in terms of the following;

1. Geographically, this study focuses on a different location than the previous researches.
   a. The first previous study was conducted in Indonesia, in the cities of Jakarta and Bandung.
   b. The second previous study was conducted in Sri Lanka.
   c. The third previous study was conducted in South Africa.
   d. The fourth and the fifth previous studies were qualitative-based researches, which did not have a specific geographical location.

2. This study combines and develops the variables and dimensions, which were used in the previous researches, including additional theories from other sources. This study focuses on four variables; entrepreneurial mindset, entrepreneurial characteristic, performance appraisal and business performance.
   a. Entrepreneurial mindset is based on the first, third and fourth previous research.
   b. Entrepreneurial characteristics are based on the third previous research.
   c. PM practices are based on the third and the fifth previous research.
   d. Business performance is based on the second previous research.

To sum up, based on the previous studies as mentioned above, it is important for entrepreneurs to possess the right combinations of entrepreneurial competencies, which include entrepreneurial mindset and entrepreneurial characteristics (Dweck, 2008; Neneh & Vanzyl, 2012; Anantadjaya, Finardi, & Nawangwulan, 2011; Krueger, 2012). In addition, it is also important for entrepreneurs to maintain their employee performance (Prusak, 2010; Toppo & Prusty, 2012). However, there are barriers for entrepreneurs to possess the right combination of such mindset and characteristics, as well as to maintain their employee performance. This research attempts to investigate this matter.

3. RESEARCH METHOD

3.1 Research Model

The population in this study includes the MSMEs business owners, which are specializing in food service industry in the region of South Tangerang. South Tangerang is a suburban area of the Indonesia's capital city, Jakarta. Since there are 7 sub-districts within the municipality of South Tangerang, initially, the sampling method follows the probabilistic cluster sampling. Of those 7 sub-districts within the municipality of South Tangerang, one sub-district of Serpong is chosen due to the rapid development in this area in comparison to the other sub-districts within the municipality of South Tangerang (Pandiangan, 2011). In addition, since the sub-district of Serpong is the closest to "population generator", such as; education institutions, offices, and malls, the sub-district of Serpong is concentrated. With this concentration, it is expected that this study is able to provide positive impact towards the general population. It means that this study expects to provide enlightenments for entrepreneurs toward better performance. Such better performance may influence better products/service provided. This may likely push toward positive impact to public, particularly in the sub-district Serpong. Within the sub-district of Serpong, samples of respondents are attempted to be chosen randomly, as well as conveniently based on their actual locations (Sarwono, 2012, p. 18).

Based on the previous studies by Neneh & Vanzyl (2012) and Dhliwayo & Vuuren (2007), "entrepreneurial mindset" is used as a variable to measure the framework of thinking of entrepreneurs. This variable is proxied by "fixed mindset" and "growth mindset", as mentioned by Dweck (2008). The "growth mindset" is approximated by "concentration strategy" and "internal growth strategy" (Anantadjaya, Finardi, & Nawangwulan, 2011). The concentration strategy emphasizes on enhancing the market share, building a niche market, and reduces costs. On the other side, the internal growth strategy stresses on developing products/services, encouraging innovation, and searching for ventures (Timmons, Spinelli, & Prescott, 2010).

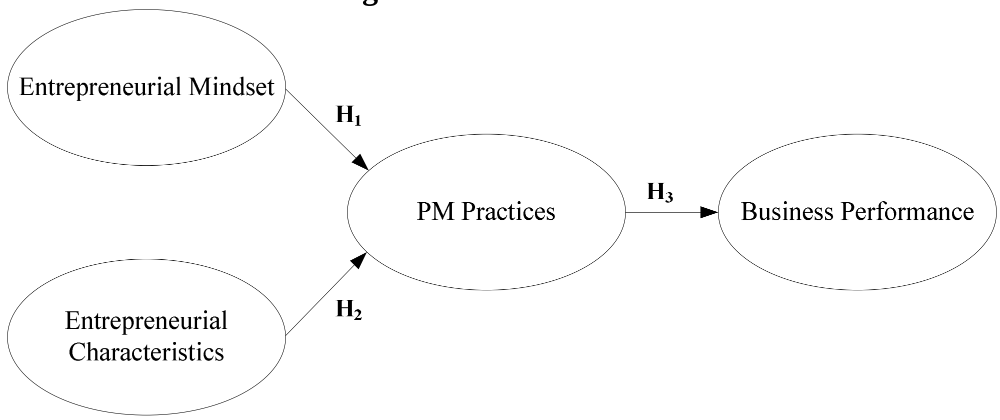
Also, "entrepreneurial characteristics" is used in study as a variable to measure the required characteristics of entrepreneurs. This variable is proxied by "commitment and determination", "tolerance of ambiguity", "creativity", "self-reliance and ability to adapt", and "opportunity obsession" (Neneh & Vanzyl, 2012). Such approximations of dimensions are incorporated in this study to note the relationship towards employee performance.

In addition, "PM practices" is also used in this study to represent the employee performance within organizations (Toppo & Prusty, 2012; Kondrasuk, 2011). The sets of dimensions used to approximate "PM practices" include; "quality of performance", "quantity of performance", "customer service", "conscientiousness", and "punctuality". The use of those dimensions is incorporated in this study to evaluate the influence of employee performance toward business performance (Prusak, 2010). In this study, "business performance" is approximated by "average check", "employee to customer ratio", "sales", and "total number of employees".

Based on those variables, research questions can be developed, as follows;
Q_1: Does entrepreneurial mindset influence PM practices?
Q_2: Do entrepreneurial characteristics influence PM practices?
Q_3: Do PM practices influence business performance?

Based on the above discussions, and following to the research questions, a research model is formulated as follows:

Figure 1: Research Model



Referring the above research model, the 3 hypotheses are;
H_1: Entrepreneurial mindset influences PM practices.

H_2: Entrepreneurial characteristics influence PM practices.
H_3: PM practices influence business performance.

3.2 Research Variables and Measurements

As mentioned earlier, there are 2 variables used in this study to represent entrepreneurial competencies; "entrepreneurial mindset" and "entrepreneurial characteristics". In addition, there are also "PM practices" and "business performance" to measure employee performance and business performance.

The variable "entrepreneurial mindset" is used to show whether the MSMEs business owners use this perspective in running their business operations. It expected that as MSMEs business owners follow the entrepreneurial mindset, they tend to have perception towards growth mindset.

The variable "entrepreneurial characteristics" is used to show whether the MSMEs business owners use this perspective in running their business operations. It is expected that as MSMEs business owners follow the entrepreneurial characteristics, they tend to posses the best-fit characteristics as entrepreneurs, which are; commitment and determination; tolerance of ambiguity; creativity, self-reliance, and ability to adapt; and opportunity obsession.

The variable "PM practices" is used to measure employee performance. It is expected that as MSMEs can reveal any indications toward performance, particularly from quality of work, quantity of work, customer service, conscientiousness, and punctuality. The more indications found, it is expected that employee performance is better.

The variable "business performance" is used to examine business performance. The performance is measured by observing MSMEs business productivity, particularly from average check, employee to customer ratio, sales, and total number of employees. It is expected that the higher the average checks, employee to customer ratio, sales, and numbers of employees, the better the MSMEs business performance.

Table 3: Questions Design

Variables	Dimensions	Indicators	Scale
Entrepreneurial Mindset (Neneh & Vanzyl, 2012)	Fixed mindset (Dweck, 2008)	Fixed mindset (Dweck, 2008)	Likert Scale
	Growth mindset (Anantadjaya, Finardi, & Nawangwulan, 2011; Johnson, 2009)	Concentration strategy (Anantadjaya, Finardi, & Nawangwulan, 2011)	
		Internal growth strategy (Anantadjaya, Finardi, & Nawangwulan, 2011)	
Entrepreneurial Characteristics (Neneh & Vanzyl, 2012)	Commitment & determination (Meredith & Applegate, 2013)	Persistence, Commitment, Engagement, Willingness, and Enthusiasm (Meredith & Applegate, 2013)	Likert Scale
	Tolerance of ambiguity (Meredith & Applegate, 2013)	Calculated Risk, Problem Solving, Minimize Risk, Uncertainty, Conflict, Stress, Comfortableness, and Detailed-Oriented (Meredith & Applegate, 2013)	

Variables	Dimensions	Indicators	Scale
	Creativity, self-reliance and ability to adapt (Meredith & Applegate, 2013)	Think Creatively, Doing New Things, Quick Learning, Adaptation (Meredith & Applegate, 2013)	
	Opportunity obsession (Meredith & Applegate, 2013)	Opening Business, Following Trends, and Customer-Orientation (Meredith & Applegate, 2013)	
Performance Appraisal (Ali & Opatha, 2008; Toppo & Prusty, 2012)	Quality of performance (Ebert & Griffin, 2009)	Quality of Task Performance (Ali & Opatha, 2008; Ebert & Griffin, 2009; Toppo & Prusty, 2012)	Likert Scale
	Quantity performance (Ebert & Griffin, 2009)	Numbers of Task Performed per Employee (Ali & Opatha, 2008; Ebert & Griffin, 2009; Toppo & Prusty, 2012)	
	Customer service (Ebert & Griffin, 2009)	Service Performance Toward Customers (Ali & Opatha, 2008; Ebert & Griffin, 2009; Toppo & Prusty, 2012)	
	Conscientiousness (Ebert & Griffin, 2009)	Accuracy in Task Performance (Ali & Opatha, 2008; Ebert & Griffin, 2009; Toppo & Prusty, 2012)	
	Punctuality (Ebert & Griffin, 2009)	Meeting Deadlines (Ali & Opatha, 2008; Ebert & Griffin, 2009; Toppo & Prusty, 2012)	
Business Performance (Ali & Opatha, 2008)	Internal efficiency (Ali & Opatha, 2008)	Average check (Spring Singapore, 2011)	Ratio Scale
		Employee to customer ratio (Spring Singapore, 2011)	
		Sales (Spring Singapore, 2011)	
		Number of employees (Spring Singapore, 2011)	

Source: (Ali & Opatha, 2008; Ebert & Griffin, 2009; Spring Singapore, 2011; Toppo & Prusty, 2012; Meredith & Applegate, 2013; Anantadjaya, Finardi, & Nawangwulan, 2011; Dweck, 2008; Neneh & Vanzyl, 2012)

4. RESULTS & DISCUSSION

Based on the process of a sample size determination in PHStat, the minimum requirement of sample is 97 respondents[3]. Thus, based on this sample size determination, data collection is conducted via distributions of questionnaires toward MSMEs business owners in food services in Serpong.

Out of 100 questionnaires collected, there are only 97 questionnaires, which can be used and processed. The 97 questionnaires are conforming to the Table 4: Sample Size Determination.

Table 4: Sample Size Determination

[3] Based on the assumptions of 50% as the "estimate of true proportion", 10% as the "sampling error", and 95% as the "confidence level".

Data	
Estimate of True Proportion	**0.5**
Sampling Error	**0.1**
Confidence Level	**95%**
Intermediate Calculations	
Z Value	-1.95996398
Calculated Sample Size	96.03647052
Result	
Sample Size Needed	**97**

Source: PHStat

The summary of the respondents' characteristics is as follows: (1) about 74% of respondents are male; (2) about 63% of respondents are between 41-60 years old; (3) about 66% of respondents are the holders of a bachelor degree; (4) about 95% of respondents are married; and (5) about 41% of respondents are kiosk's owner.

4.1 Reliability Test

The following table shows the reliability test results, which verify the scaling internal consistency.

Table 5: Reliability Tests

Cronbach's Alpha Based on Standardized Items **(Pre-Test)**	Cronbach's Alpha Based on Standardized Items **(Post-Test)**	N of Items
.753	**.822**	48

Source: SPSS, modified

Based on the post-test standardized value of the Cronbach's Alpha, 0.822, it means that the data used in this study is 82.2% reliable. This indicates that the data are reliable for further tests.

4.2 Validity Test

The following table shows the validity test results, which verify the level of validity of the responses with regard to the sets of statements on the questionnaires.

Table 6: Validity Tests

		Pre-Test	**Post-Test**
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		**.571**	**.636**
Bartlett's Test of Sphericity	Approx. Chi-Square	**37.267**	**2629.445**
	Df	**10**	**1128**
	Sig.	**.000**	**.000**

Source: SPSS, modified

Since the value of post-test KMO is 0.636, this indicates that the data is adequate for further tests. The level of significance, as indicated in Barlett's Test of Sphericity is .000. This means that the data used in this study is considered significant. Thus, the data used in this study is valid.

To support the relatively minimal level of sampling adequacy of only 0.636, as shown in Table 6: Validity Tests, the data are also analyzed using the communalities test. This test is beneficial to evaluate how large is the variance in each item. Of course, the higher the value of communalities, the smaller variance that each of the item contains. The smaller the variance, the data used in this study is better fit, and/or conforming to the components of the research model, otherwise.

Table 7: Communalities

	Initial	Extraction		Initial	Extraction
q1	1.000	.875	q25	1.000	.709
q2	1.000	.851	q26	1.000	.693
q3	1.000	.825	q27	1.000	.778
q4	1.000	.865	q28	1.000	.790
q5	1.000	.697	q29	1.000	.611
q6	1.000	.740	q30	1.000	.643
q7	1.000	.741	q31	1.000	.724
q8	1.000	.706	q32	1.000	.710
q9	1.000	.696	q33	1.000	.724
q10	1.000	.666	q34	1.000	.713
q11	1.000	.681	**q35**	**1.000**	**.584**
q12	1.000	.749	q36	1.000	.689
q13	1.000	.828	q37	1.000	.716
q14	1.000	.760	q38	1.000	.746
q15	1.000	.702	q39	1.000	.800
q16	1.000	.783	q40	1.000	.750
q17	1.000	.676	q41	1.000	.855
q18	1.000	.696	q42	1.000	.808
q19	1.000	.655	q43	1.000	.719
q20	**1.000**	**.554**	q44	1.000	.882
q21	1.000	.718	q45	1.000	.762
q22	1.000	.660	q46	1.000	.818
q23	**1.000**	**.592**	q47	1.000	.815
q24	1.000	.753	q48	1.000	.804

Extraction Method: Principal Component Analysis.

Source: SPSS, modified

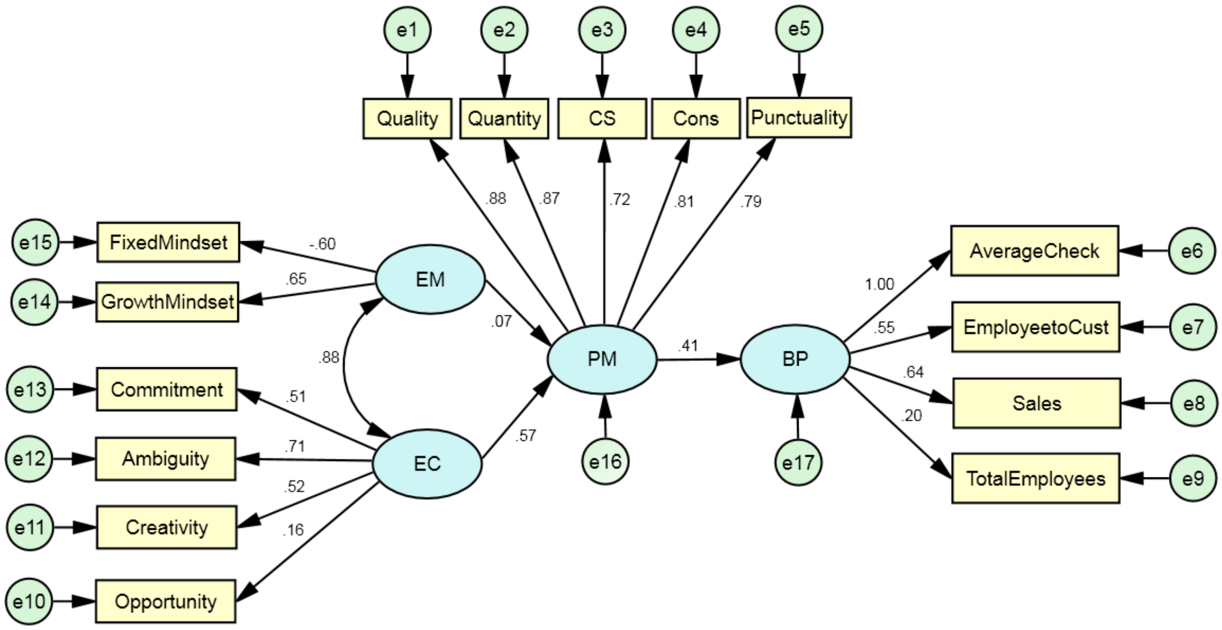
In Table 7: Communalities above, most of the value per item is relatively high. Nonetheless, there are 3 items whose values are below 0.6; q20 (with a communality value of 0.554), q23 (with a communality value of 0.592), and q35 (with a communality value of 0.584). Hence, those 3 items are excluded from further analysis since those items have a low ability to provide explanation toward the conformation of entrepreneurial characteristic variable[4].

4.3 Model Testing

Since the sets of data used in this study have successfully passed the reliability and validity tests, the data analysis can be continued into a path analysis. In the path analysis (Ghozali, 2004), data are processed using IBM SPSS AMOS Software. The output is shown as follows;

4 Statements q17-40 concern about "entrepreneurial characteristics".

Figure 2: Structural Equation Modeling (SEM)



Source: AMOS

Whereby; (1) “Ambiguity” refers to tolerance of ambiguity, (2) “BP” refers to business performance, (3) ”Cons” refers to conscientiousness, (4) “Commitment” refers to commitment and determination, (5) “Creativity” refers to creativity, self-reliance, and ability to adapt, (6) “CS” refers to customer service, (7) “EC” refers to entrepreneurial characteristics, (8) “EM” refers to entrepreneurial mindset, (9) “Employee to cust” refers to employee to customer, (10) “Opportunity” refers to opportunity of obsession, (11) “PM” refers to performance management practices, (12) “Quality” refers to quality of performance, and (13) “Quantity” refers to quantity of performance.

In the research model presented, it shows a graphically illustrated model of variables used in this study, along with all indicators and errors. According to the hypotheses in this study, this study is specifically observed the influence among variables. Based on Figure 2: Structural Equation Modeling (SEM), the following analyses are performed.

1. There are strong correlations between “entrepreneurial mindset” and its dimensions.
    a. A correlation of -0.60 between “entrepreneurial mindset” and “fixed mindset” means that the less the entrepreneur’s perception towards fixed mindset, the better the entrepreneurial mindset. Entrepreneurs with fixed mindset firmly believe that they are unable to expand their abilities and talents (Ibrahim, 2012). Therefore, it is important for entrepreneurs to dispossess fixed mindset, unless they would like to lead their businesses into trouble and possibly bankruptcy (Neneh & Vanzyl, 2012).

    b. A correlation of 0.65 between “entrepreneurial mindset” and “growth mindset” means that 65% of entrepreneurial mindset can be measured with growth mindset. The positive correlation means the higher the entrepreneurs’ perception towards growth mindset, the better the entrepreneurial mindset. This is in conformance with the previous discussions in the literature section that entrepreneurs with growth mindset are believed to have the ability to produce better perspectives and strategies (Neneh & Vanzyl, 2012; Johnson, 2009).

2. Though there are strong correlations between ”entrepreneurial characteristics” and its dimensions, but there is also a weak correlation.
    a. A correlation between “entrepreneurial characteristics” and “commitment and determination” shows a positive value of 51%. This means that the higher the level of commitment and determination, the better the entrepreneurial characteristics.

    b. A correlation between “entrepreneurial characteristics” and “tolerance of ambiguity” shows a positive value of 71%. The positive correlation means that the higher the level of tolerance of ambiguity, the better the entrepreneurial characteristics.

    c. A correlation between “entrepreneurial characteristics” and “creativity, self-reliance and innovation” shows a positive value of 52%. The positive correlation means that the higher the level of creativity, self-reliance and innovation, the better the entrepreneurial characteristics.

    d. A correlation between “entrepreneurial characteristics” and “opportunity obsession” shows a positive value of 16%. Although there is a positive correlation, but the strength of the correlation is weak. This contradicts the initial expectation of this study. At first, this study expects that entrepreneurs with high opportunity obsessions will have a relatively high focus on their objectives, which eventually lead their businesses to success.

3. There are strong correlations between “PM practices” or “employee performance” and its dimensions.
    a. A correlation between “PM practices” and “quality of performance” shows a positive value of 88%. The positive correlation means that the higher the employee quality of work, the better the employee performance.

    b. A correlation between “PM practices” and “quantity of performance” shows a positive value of 87%. The positive correlation means that the more the employees could manage their workload, the better the employee performance.

    c. A correlation between “PM practices” and “customer service” shows a positive value of 72%. The positive correlation means that the better the service provided by the employees, the better the employee performance.

    d. A correlation between “PM practices” and “conscientiousness” shows a positive value of 81%. The positive correlation means that the more accurate the jobs/tasks are performed by the employees, the better the employee performance.

    e. A correlation between “PM practices” and “punctuality” shows a positive value of 79%. The positive correlation means that the more punctual the employees on meeting deadlines, the better the employee performance.

4. There are adequately strong correlations between “business performance” and its sub-variables/dimensions.
    a. A correlation between “business performance” and “average check” shows a positive value of 100%. The positive correlation means that the higher the average check, the better the business performance.

b. A correlation between "business performance" and "employee to customer ratio" shows a positive value of 55%. The positive correlation means that the higher the ratio, the better the business performance.

c. A correlation between "business performance" and "sales" shows a positive value of 64%. The positive correlation means that the higher the sales value, the better the business performance.

d. A correlation between "business performance" and "total number of employees" shows a positive value of 20%. Although there is a positive correlation, but the strength of the correlation is weak. This contradicts with the initial expectation of this study. Nonetheless, this appears acceptable. First, it is expected that the higher the number of employees, the better the business performance. However, as the numbers of employees increase, MSMEs may have difficulties in monitoring their works, including meeting the wages/salary obligations. Hence, this increases financial burden for MSMEs. Thus, it becomes logically acceptable that the numbers of employees may not truly measure the impact toward business performance.

5. The relationship between "entrepreneurial mindset" and "PM practices" shows a weak correlation of 0.07. Though it is initially expected to show a high value, nevertheless, it shows a positive relation that entrepreneurs with growth mindset can produced better perspectives and strategies (Neneh & Vanzyl, 2012), which this condition will lead to employee performance improvement.

6. There is a strong relationship between "entrepreneurial characteristics" and "PM practices" for a total value of 0.57. This is expected to show a high value. With proper characteristics, entrepreneurs have potentials to lead their businesses to success by noting the dimensions of PM practices.

7. There is a positive relationship between "PM practices" and "business performance" for a total value of 0.41. This is expected as the higher the PM practices, the better the employees behaviors and/or motivation toward work, and the better the business performance (Neneh & Vanzyl, 2012).

5. CONCLUSION AND RECOMMENDATION

Based on the statistical results, it is evident that the initial expectation that entrepreneurs' mindsets and entrepreneurs' characteristics have a positive influence towards performance. The results also show that along with the increase of PM practices, the business performance improves. It is important for entrepreneurs to possess the proper combinations of entrepreneurial competencies to maintain performance, which enhances the possibilities on business success.

Based on the conclusion, it is recommended as follows:

1. Entrepreneurs may have to shape their mindset towards growth. There are several ways to do so. From the environment perspective, there are internal and external environment to consider (Faltin, 2001). The internal environment deals with the entrepreneurs' own way of thinking. It is advisable for entrepreneurs to start believing that their abilities can be developed further through dedication and hard work. It is also advisable for entrepreneurs to enhance their willingness to learn. From the externalities, it is about dealing with

limitations in expanding the entrepreneurs' way of thinking. It is advisable for entrepreneurs to take necessary courses or training. For example, off-the-job training, and other personal development courses.

2. According to the statistical results, the tolerance of ambiguity has the strongest influence in entrepreneurial characteristics as compared to other characteristics. It is recommended for entrepreneurs to enhance their capabilities to counter uncertainties (Anantadjaya, 2007). There are several ways to manage this matter. The first and most common way is through "learning by doing". It means by doing the business, the entrepreneurs/business owners have a chance to learn how to do the proper business dealings. As mentioned in the previous study by Anantadjaya (2007), business plans are important to provide guidance in running the business operations (Kirwan, 2009). It is advisable for entrepreneurs/business owners to take more time and directly involve in the routine operational activities to gain experience, particularly in countering uncertainties. The second is "learning from others". In this way, entrepreneurs observe not only from their own experience, but also from others.

3. According to the statistical results, there is a positive and significant influence between PM practices towards business performance. It is important for entrepreneurs to enhance their employee performance to increase the PM practices, which supports the possibilities of success. There are several techniques to do so. Entrepreneurs can provide employee training (on or off the job), extending recognition and appreciation, offering incentives, providing constructive feedbacks, and set goals for employees.

4. This study finds several factors, which influences business performance. Referring to Figure 2: Structural Equation Modeling (SEM), the combinations of those variables and indicators may be considered for entrepreneurship study (Henry, Hill, & Leitch, 2003). It may be recommended for education institutions to modify their entrepreneurship curricula to accommodate those variables, indicators, and relationships. It is expected that the new curricula may provide the updated influential factors, which may have to be recognized by students in their attempts toward running a business.

5. Since this study is limited to only MSMEs entrepreneurs/business owners in the food service industry, it is recommended that further studies may include more industrial sectors to see the significant differences in the influential factors.

6. Lastly, it is also recommended for further studies to cover more variables that may provide influence toward business performance.

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