The effects of entrepreneurial skills, benchmarking, and innovation performance on culinary micro-small-medium enterprises

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CHRONICLE	ABSTRACT
	This study was to analyze the effect of entrepreneurial skills and benchmarking on the performance of culinary innovations (restaurants, restaurants, and cafes) of micro-small-medium enterprises (MSMEs) in Indonesia sub-urban areas. Online questionnaires were used as the instrument to collect data, and the data were analyzed by deception analysis to illustrate various features of the variables studied. Hypothesis test was conducted by Partial Least Square Path Modeling (SEM-PM). The MSME population was 231 and the representative sample was 144 culinary companies. It was found that entrepreneurial skills, benchmarking, and performance of culinary MSME innovations tended to be lower than expected. The results of this study revealed that entrepreneurship and benchmarking skills had significant effects on innovation performance. To improve innovation performance, companies must pay more attention to practical knowledge, especially knowledge of bookkeeping and digital marketing, and make more comparisons on financial aspects.

1. Introduction

The creative economy sector has become the backbone of the national economy, as seen from its ever-increasing contribution in the past decade. In 2018, the contribution of the gross domestic product (GDP) of the creative industries in Indonesia has reached 1,105 trillion rupiah. This sector also absorbs a large workforce of up to 12 percent of the total productive workforce. One of five creative industry workers is 20-24 years old. Besides that, the export performance of the creative industries also continues to increase. In 2018, the export value of this sector reached 316.4 trillion rupiah, up to 5 percent compared to the previous year. The main contributors of Small-Medium Enterprises (SMEs) are culinary (41.7%), craft (15.7%) and fashion (18.2%). Nevertheless, according to the Creative Economy Agency (2019), the main problem faced by the creative economy industry in Indonesia is the lack of funding, namely 92.4% of SMEs rely on their capital, 2.4% get loans from banks, 0.7% are financed by ventures, and 96.6% are not the formal business entities. The creative businesses that have completed company legality requirements only reach 1% of the total number of business entities in Indonesia (Bappenas, 2014). The creative economic growth in Indonesia has not been evenly distributed. BPS and Bekraf (2018) noted that 65.4% of the 8.2 million creative economy ventures in 2016-2018 are still concentrated in Java. Meanwhile, almost every district in Indonesia has special and unique culinary, fashion, and craft industries that need a lot of improvement in the packaging and marketing concept (BPS & Bekraf, 2018).

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Although the culinary industry contributes the most to the creative economy, the contribution of culinary exports is still relatively small (6%) compared to fashion (56%) or craft (37%) products. It can be said that the potential of the Indonesian culinary sector has not been well managed in the interests of increasing the country's foreign exchange. The production of creative economy export commodities in Indonesia does not yet involve all provinces which have great commodity export potential evenly. According to BPS and Bekraf (2018), five provinces in Indonesia massively dominate the production of creative economy export commodities: West Java (33.56%), East Java (20.85%), Banten (15.66%), Central Java (14.02%) and Jakarta (10.50%). Other provinces can learn from the five provinces in developing their creative economic potential for macro and micro-economic improvement and progress in Indonesia. In West Java, there are still many creative economic potentials that can be further developed. Nevertheless, the low utilization of culinary creative industries is inseparable from the lack of understanding from the public and creative industry practitioners on the industrial changes (Selvam et al., 2016). Most of the people of Indonesia do not realize the importance of developing innovation and the factors that support company performance for business continuity. Business people use a relatively conservative mindset in doing business; that is, just to sell products to gain profits and win trade competition without thinking about the need for involvement of intellectual capital in the form of creativity and innovation (Dawson, 2014; Firer & Williams, 2003; Qureshi & Mahmood, 2018). Today's business and manufacturing institutions continue to change dynamically to suit all demands and needs of the modern market; therefore, all processes are carried out in achieving company performance. The phenomena of problems related to the profile of the creative economy shows that the culinary creative industry is the creative economy subsector that contributes the most to the National GDP, but the contribution has tended to decline to date. Likewise, the contribution of export value for culinary creative industries is still low compared to the fashion subsector. Absorption of labor and funding is also a classic problem for the development of this creative culinary industry sector. All of these problems lead to the lack of optimal performance of Micro-Small-Medium Enterprises (MSMEs) in the culinary sector. These problems also arise because of the limitations of culinary businesses in developing innovative products and services.

In this paper, several problems can be identified by the MSMEs of the culinary sector: (1) Seen from innovation performance, MSMEs have not fully developed business with an up-to-date management system, which in this case MSMEs still rely on unique menus without being supported by more effective technological advances in increasing sales and marketing as well as efficient use of business resources. This condition also shows that the performance of culinary MSME innovations is not yet fully optimal. (2) The ability and entrepreneurial skills of culinary MSME entrepreneurs, including its human resources, have not been fully in line with the expected standards so that this condition can, directly and indirectly, affect the innovation performance of the business. (3) Culinary MSMEs do not fully focus on benchmarking strategies in achieving goals and have advantages in the efficiency of time, energy and resource allocation, so it is not in line with the development of innovation performance.

This research is based on the research gap in this study with several previous studies, related to the innovation performance that is not yet optimal because it has not been based on entrepreneurial skills and benchmarking (Lahindah & Mitra (2017; Taneo et al., 2017; Bhaskaran, 2006; Rani et al., 2019; Tehseen & Ramayah, 2015, Parida et al., 2013; Artz et al., 2010; and Sambasivan et al., 2009). This research is expected to bridge the research gap related to the influence of entrepreneurial skills (ES) and benchmarking (BM) on innovation performance (IP) in the MSMEs of the culinary sector.

2. Literature Reviews

2.1 Entrepreneurial Skills

Entrepreneur is someone who has a soul and ability that is creative and innovative, able to create something new and different, able to start a business (startup), able to make something new (creative), able to look for opportunities, dare to take the risk, and able to develop ideas and gather resources. So it can be concluded that entrepreneurs are people who are creative, innovative, independent, confident, resilient, diligent, disciplined, ready to take risks, keen to see and seize opportunities, expert in managing resources, in creating, developing, advancing and making business excellence (Soegoto, 2014).

There are several dimensions and measurements related to entrepreneurial skills, among others, according to Man, et al. (2008), Kasmir (2011), Suryana (2014), and Soegoto (2014). Man, et al., (2008) explain six entrepreneurial skills: (1) Strategic competencies (goal and vision setting, strategy formulation, profit orientation, growth orientation, long-term or sustainability orientation); (2) Opportunity competencies (market orientation, environmental scanning, opportunity recognition); (3) Relationship competencies (cooperation and networking, using networks and connections, negotiation and persuasiveness); (4) Conceptual competencies (initiative-creativity-innovativeness, understanding complex information, risk-taking); (5) Organizing competencies (communication clarity, vision clarity, competitiveness, result orientation, flexibility and willingness to adapt); and (6) Commitment competencies (business passion, long and irregular hours, motivation and ambition, willingness to learn new things, accountability, emotional coping). Besides that, it includes the initiative and proactive, risk-taking, achievement-oriented, and commitments. According to Kasmir (2008), the indicators of entrepreneurial skills are self-knowledge, imagination, practical knowledge, search skills, foresight, computation skills, and communication skills.

2.2 Benchmarking

One of the keys to success in running an entrepreneurial business startup is implementing the right strategy under the vision and mission that the company wants to achieve. One of the many strategies that are considered to be very effective in achieving goals and has an advantage in the efficiency of time, energy, and also the allocation of resources, is a benchmarking activity. Boxwell (1994: 18) states that benchmarking "*is the process of comparing one's business processes and performance metrics to industry bests or best practices from other industries*". In the benchmarking process, management identifies the best businesses in the industry, or other industries with similar processes, and compares the results and processes learned with the results and processes of their business. In this case, entrepreneurs can learn how well achieving targets and business processes can explain why a company can achieve the desired success and can avoid various problems in business processes. In general, the benefits of benchmarking can be divided into three large groups (Frandsen, et al, 2013): cultural change, performance improvement, increasing the ability of human resources. According to Anand & Kodali (2008), there are various types of benchmarking, including: (1) Strategic Benchmarking, (2) Process Benchmarking, (3) Functional Benchmarking, (4) Performance Benchmarking, (5) Product Benchmarking, and (6) Financial Benchmarking.

2.3 Innovation Performance

To maintain competitiveness in global markets, modern organizations must be flexible and fast in reacting to changes and this depends on their ability to adapt quickly. To be able to adapt, organizations must be able to innovate, not only occasionally, but consistently and successfully (El-Bassiti, 2016). Mastering the innovation process requires the identification of factors that support and hinder the achievement of innovations (Otieno et al, 2016). To improve reliability, adoption, and usability for various actors involved in developing innovation, here a deliberate set of guiding principles is chosen to consider innovation performance specifications (Xiao & Ramsden, 2016), such as accuracy, benefit, consistency, flexibility, informativeness, and specialty. Albaladejo & Romijn (2001) mention seven dimensions or supporting factors that are commonly used in building innovation of a company, namely (1) human resource capability, (2) technology use, (3) interaction and communication with external parties, (4) marketing capability, (5) new product development, (6) production and operational capabilities, and (7) research and development.

3. Conceptual Framework and Hypotheses

The conceptual framework shows the relationships among the variables: entrepreneurial skills, benchmarking, and innovation performance. Speaking about the relationship between Entrepreneur Skills and Innovation Performance, it can be stated that entrepreneurial behavior shows the ability of entrepreneurs to look ahead, think with full calculations and look for choices from various alternative problems and solutions that lead to an increase in a company's innovation performance (Ahmad et al., 2018). The relationship between benchmarking and innovation performance shows that more effective benchmarking leads to creativity and innovation across firm boundaries that improve the innovation performance (Azadegan & Teich, 2010). Based on the literature reviews, we propose three hypotheses:

H1: entrepreneurial skills and benchmarking have a significant effect on innovation performance.
H2: entrepreneurial skills have a positive effect on innovation performance.
H3: benchmarking has a positive effect on innovation performance.

4. Research Methods

This study was a quantitative approach using questionnaires (scaled 1 to 7) as the main instrument to collect data. The data were analyzed by deceptive analysis to describe various features of the variables studied. To test the hypothesis, the Partial Least Square Path Modeling (SEM-PM) was used. The object of this study was the MSMEs of culinary (eatery, restaurant, and café) in Suburban Areas. The population of MSMEs was 231 and the representative sample was 144 culinary businesses. The construct of each variable is explained as follows.

- The entrepreneurial skills (ES) was as the exogenous latent variable with seven manifest variables, i.e.: self-knowledge (ES1), imagination (ES2), practical knowledge (ES3), search skills (ES4), foresight (ES5), computation skills (ES6), and communication skills (ES6).
- The benchmarking (BM) was also the exogenous latent variable with six manifest variables, i.e.: strategic benchmarking (BM1), process benchmarking (BM2), functional benchmarking (BM3), benchmarking performance (BM4), product benchmarking (BM5), and financial benchmarking (BM6).
- The innovation performance (IP) was as the endogenous latent variable with seven manifest variables, i.e.: human resource capability (IP1), technology use (IP2), interaction and communication with external parties (IP3), marketing capability (IP4), new product development (IP5), production & operational capabilities (IP6), and research & development (IP7).

The model framework of the effect of entrepreneurial skills (ES) and benchmarking (BM) on innovation performance (IP) was built upon three hypotheses: (1) ES and BM have a simultaneous effect on IP; (2) ES has a positive effect on IP, and (3) BM has a positive effect on IP. The F-test and t-test were used to test the significance to reject or accept the hypotheses.

5. Results and Discussion

The descriptive analysis describes the tendency of the percentage of each manifest and latent variable (higher if $\geq$ 50% or lower if < 50%) and the category (high or low). The tendency of the percentage of each manifest and latent variable is presented in Table 1.

Table 1
Percentage of Manifest and Latent Variables

Manifest and Latent Variables	Lower Percentage	Higher Percentage	Category
ES1	59.3	40.7	Low
ES2	52.5	47.5	Low
ES3	62.0	38.0	Low
ES4	56.5	43.5	Low
ES5	57.2	42.8	Low
ES6	58.1	41.9	Low
ES7	58.6	41.4	Low
Entrepreneurial Skills	57.7	42.3	Low
BM1	56.9	43.1	Low
BM2	60.8	39.2	Low
BM3	60.4	39.6	Low
BM4	62.5	37.5	Low
BM5	56.3	43.8	Low
BM6	64.6	35.4	Low
Benchmarking	60.2	39.8	Low
IP1	59.7	40.3	Low
IP2	56.7	43.3	Low
IP3	61.1	38.9	Low
IP4	58.8	41.2	Low
IP5	58.1	41.9	Low
IP6	56.3	43.8	Low
IP7	59.3	40.7	Low
Innovation Performance	58.6	41.4	Low

Based on Table 1, the entrepreneurial skills of culinary business owners in Suburban Areas have a lower tendency (57.7%). It means the culinary MSMEs have a low propensity of entrepreneurial skills in general. The lowest skill is Practical Knowledge (ES3) compared to other skills. It seems that most entrepreneurs do not have adequate practical knowledge in managing the production, financial, and marketing processes. Nevertheless, they usually have higher imagination related to business development, can develop business ideas, and can learn from past failures. They also have adequate self-knowledge, especially interest and knowledge about the current business, and commit to realize the occupied business. They also have a reasonable ability to find new ideas and information and share that information. Ultimately, they need to improve their ability to design, implement and evaluate their vision. They also need to improve their ability to estimate costs or profits, supported by adequate information technology, so they can predict market conditions. Communication aspects also need to be considered, especially when communicating with consumers and business partners.

The benchmarking has also a lower tendency (60.2%). It means that there are a few entrepreneurs who learn about to achieve the best business targets and improve the business process from this very benchmarking activity. Financial Benchmarking (BM6) is the lowest among them. It has been hard for the entrepreneur in this culinary business to compare the company's financial management with other companies. Most of them are also difficult to achieve targeted profits. However, in essence, the entrepreneurs can produce quality culinary products/services that meet the standards and produce products/services that meet the internal and external parties of the organization. They also need to conduct a strategic competitive analysis of partners/competitors, feedback from strategic competitive analysis for the company. In addition, a comparison is needed related to the suitability of the target with the cost, and a comparison between the suitability of the product with the target. The enterprises need to compare certain business functions with other companies and apply certain business functions after benchmarking. After that, the enterprises can compare the outcome characteristics with other companies and then achieve the planned performance targets. The innovation performance of culinary business in Suburban Areas tends to have a lower percentage (58.6%). Most of the culinary enterprises are rarely collaborate with third parties, do the promotions, exhibitions

or bazaars, and rarely build partnerships and networks with customers. However, the entrepreneurs seem to increase the ability to use the internet in product promotion, the ability to build prospective business networks, and the ability to market products online. They also have enough innovative human resources because they have attended training and been involved in several seminars, exhibitions, and bazaars so that the human resources can be creative in developing products to achieve targeted profits. In addition, the enterprises are also quite capable of evaluating culinary products, introducing products with special menus, and determining product selling prices. This is supported by the existence of plans and ideas for developing products that are competitive and in line with market demands. More than that, enterprises can innovate to meet consumer demand, use raw materials effectively and efficiently, and control product quality. In research & development, enterprises are quite capable of identifying market segments, expanding market networks, and expanding product distribution. To test the hypotheses, the analysis of PLS-PM was used. The analysis consists of two stages (evaluation of the outer and inner model). The first stage is evaluating the outer model or measurement model, which includes the value of outer loading (valid if the outer loading > 0.5 and ideally outer loading > 0.7), average variance extracted (AVE) is valid if > 0.5, composite reliability (CR) is valid if > 0.7, and Cronbach's Alpha is valid if > 0.7. The measurement model describes the variance of each manifest variable that can be reflected in latent variables. These outer loadings represent the absolute contribution of each manifest variable (dimension or indicator) in reflecting its latent variables. Through the measurement model, it can be seen which manifest variable is more dominant in reflecting latent variables. This test is essentially a test of unidimensionality (validity and reliability) of each latent variable using Confirmatory Factor Analysis (CFA). The summary of the measurement model of each variable is summarized in Table 2.

Table 2
Measurement Model of Manifest Variables

Latent/Manifest Variables		Loadings	Composite Reliability	Average Variance Extracted	Cronbach's Alpha	Goodness of Fit
ES	ES1	0.933				
	ES2	0.934				
	ES3	0.935				
	ES4	0.932	0.978	0.863	0.974	Fit Model
	ES5	0.931				
	ES6	0.916				
	ES7	0.922				
BM	BM1	0.858				
	BM2	0.908				
	BM3	0.872	0.958	0.791	0.947	Fit Model
	BM4	0.896				
	BM5	0.914				
	BM6	0.890				
IP	IP1	0.896				
	IP2	0.938				
	IP3	0.900				
	IP4	0.938	0.979	0.867	0.974	Fit Model
	IP5	0.949				
	IP6	0.948				
	IP7	0.947				

The summary of the measurement model reveals that all outer loadings of each manifest variable are above 0.5 or even 0.7 (that means all outer loadings are valid). The values of Composite Reliability Cronbach's Alpha are above 0.7, and the value of AVE is above 0.5 (that means the latent variables are all reliable). All measurements indicate that each model is fitted. In other words, each variable in the model is valid and reliable. Each manifest variable is valid and reliable in reflecting its latent variables. The second stage is the evaluation of the inner model (the structural model), as well as the latent variable correlations, path coefficients, and R-squared (R^2) values, which exhibits the variance of endogenous constructs explained by exogenous constructs simultaneously. The effect of each exogenous latent variable on the endogenous latent variable is illustrated in Fig. 1. The value of R-Squared (0.790) indicates a significant simultaneous effect of entrepreneurial skills and benchmarking on innovation performance. About 79.0% variance of innovation performance can be explained by entrepreneurial skills and benchmarking. The error of 21.0% is influenced by other factors not examined in the model. The value of this R-Squared also indicates the importance of entrepreneurial skills and benchmarking on innovation performance, shown by the positive value of the path coefficients (0.562 and 0.352 respectively). In other words, the higher is the entrepreneurial skills and benchmarking, the higher the innovation performance will be.
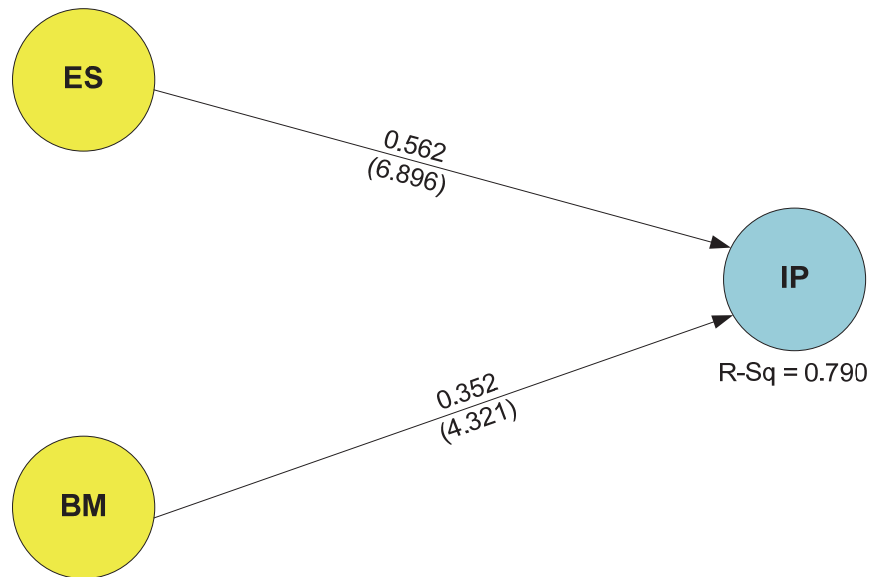
Fig. 1. Structural Model

The equation of the structural model is formulated as follows.

$$IP = 0.562\ ES + 0.352\ BM,$$
$$\text{with R-Squared} = 0.790 \text{ and } e = 0.210$$

The positive value of path coefficient of entrepreneurial skills on innovation performance supports a good foundation for MSMEs to manage entrepreneurial skills such as communication skills, decision-making skills, and risk-taking propensity, to improve the innovation performance, especially in the new product and new market (Ndirangu et al., 2016). Moreover, the positive value of the path coefficient of benchmarking on innovation performance reveals that the benchmarking process is indispensable to assess the innovation performance and firm performance. The comprehensive benchmarking may build an innovation model for MSMEs to determine best innovation practices to be measured (Galvez et al, 2013). To test the significance of the simultaneous effect of entrepreneurial skills and benchmarking on innovation performance, the F-test was used. Meanwhile, to test the significance of each path coefficient, the t-test was used. The result of the significance test is presented in Table 3.

Table 3
Test of Significance

Model		Path Coefficient	t-stat (significance)	F-stat (significance)	R-Squared and e values
IP	ES → IP	0.562	6.896*	279.74*	0.790
	BM → IP	0.352	4.321*		(0.210)

*Significant at $\alpha = 0.05$.

The test of significance shows the value of F-stat = 279.74 ≥ F-table = 2.44, that is rejecting H_0 and accepting H_1. It means that the hypothesis of "entrepreneurial skills and benchmarking have a significant effect on innovation performance" can be accepted. Furthermore, the test of significance also indicates that the values of t-stat (6.896 and 4.321, respectively) are above the critical value = ±1,977. It means that the hypothesis of "entrepreneurial skills have a positive effect on innovation performance" can be accepted and that the hypothesis of "benchmarking has a positive effect on innovation performance" can be also accepted. The implication of those hypotheses' acceptance is that the higher the entrepreneurial skills of the MSMEs and the higher the benchmarking activity, the higher the practicability of innovation performance at culinary MSMEs in Suburban Areas.

From the model above, we can see that to improve the innovation performance, the first step that MSMEs have to do is to improve the entrepreneurial skills focusing on practical knowledge because it is the most important aspect that reflects entrepreneurial skills of the culinary industry. After ensuring the other entrepreneurial skills are above the average, then the culinary enterprises may administer the benchmarking activities focusing on the financial aspect. The culinary enterprises must confirm that the other benchmarking activities (strategic, process, functional, performance, and product) are working efficiently. It is expected that by improving the critical aspects of entrepreneurial skills and benchmarking activities, the innovation performance of the culinary enterprises may also recondition the interaction and communication with external parties and also the human resource capability to use the digital technology appropriately to reach the optimum level of innovation in the

culinary industry. The culinary MSMEs may compete or cooperate to build superior innovation performance. For example, one eatery specifically for food and one eatery specifically for drinks can collaborate in benchmarking activities. In this way, the collaboration will result in a balanced-strong 'coopetition' that produces superior innovation performance for both of them (Park, 2014). In short, the balanced benchmarking, supported by high performed entrepreneurial skills, will lead to a better innovation performance.

6. Conclusion

This study reveals that entrepreneurial skills and benchmarking activities can determine the level of innovation performance. Although the achievement of entrepreneurial skills, benchmarking, and innovation performance in the culinary industry is still relatively low, there is strong evidence that entrepreneurial skills and benchmarking can influence innovation performance. The model of improving innovation performance will be better if a company first fixes deficiency in entrepreneurial skills, then after that, it practices benchmarking activities to strengthen the position of innovation performance that has been, is, and will be applied. The next research needs to be carried out mainly related to innovation performance and company performance in terms of profitability, growth, market value, customer satisfaction, employee satisfaction, environmental performance, and social performance.

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