

**THE EFFECT OF ENTREPRENEURIAL ORIENTATION, PARTNERSHIP,
AND BRAND EQUITY ON BUSINESS PERFORMANCE IN MSMEs IN
SEMARANG CITY**

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Abstract: *This study aims to analyze the influence of Entrepreneurial Orientation (EO), Partnership, and Brand Equity on Business Performance in MSMEs in Semarang City. The method used is quantitative with a SmartPLS approach. The results show that EO has a significant effect on Partnership, Partnership has a significant effect on Brand Equity and Business Performance, and Brand Equity also has a significant effect on Business Performance. This study emphasizes the importance of synergy among variables in improving the business performance of SMEs.*

Keywords: *Entrepreneurial Orientation, Partnership, Brand Equity, Business Performance, SMEs.*

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in the Indonesian economy,

particularly in economic growth and job creation. Based on data from the Office of Cooperatives and SMEs in Central Java Province, the number of

MSMEs in Semarang City is almost 12,000 units. This great potential requires MSMEs to continue to grow through adaptive strategies that are in line with the dynamics of the digital and global era. One strategy that is considered important in the development of MSMEs is Entrepreneurial Orientation (EO), which is an entrepreneurial strategic attitude that includes innovation, risk-taking courage, and proactivity in facing market opportunities. However, previous studies have shown inconsistent results regarding the relationship of EO to Business Performance. Some studies state a significant positive effect, while other studies show a weak or insignificant relationship, depending on the industrial context and business environment.

To answer these inconsistencies, this study introduces two mediation variables: Partnership and Brand Equity. Partnership refers to the strategic relationship between MSMEs and external parties, such as distribution partners or suppliers, that can increase efficiency and

competitiveness. While Brand Equity illustrates the power of brands in creating positive consumer perceptions that can drive loyalty and increased sales.

By integrating EO, Partnership, and Brand Equity in one research framework, this study aims to fill the gap in the literature and make theoretical and practical contributions in the development of MSME business strategies, especially in Semarang City. This approach is expected to be able to explain how the combination of internal and external resources can encourage continuous improvement of business performance.

THE BASIS OF THE PROBLEM AND THE PURPOSE OF THE RESEARCH

Previous research on the effect of Entrepreneurial Orientation (EO) on Business Performance (BP) showed inconsistent results. Some studies show a significant effect, while others do not show a significant relationship. This inconsistency encourages the

need for further studies to understand the mechanisms that bridge the relationship.

Based on the Resource-Based View (RBV) theory, EO, Partnership, and Brand Equity are strategic internal resources that can create competitive advantage. In the context of MSMEs, limited resources make these variables play an important role in increasing business competitiveness. Partnerships serve as a means of expanding networks and accessing external resources, while Brand Equity forms a positive perception that supports consumer loyalty.

This study formulates the main questions:

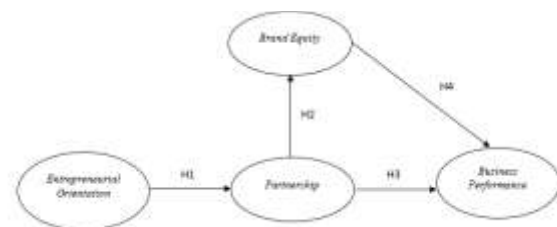
"How does Entrepreneurial Orientation affect Business Performance in MSMEs in Semarang City, considering the mediation role of Partnership and Brand Equity?"

Research Objectives

1. Explain the effect of Entrepreneurial Orientation on MSME Business Performance.
2. Analyze the role of the Partnership as a mediator of EO's relationship to Business Performance.
3. Analyze the influence of EO on Brand Equity and its mediating role on Business Performance.
4. Develop a conceptual model based on the Resource-Based View (RBV) theory to improve MSME business performance.

This research is expected to fill the gap in the literature and make a practical contribution to the development of internal resource-based business strategies in MSMEs.

RESEARCH FRAMEWORK AND HYPOTHESIS



H1: *Entrepreneurial Orientation* has a positive effect on *Partnership*

H2: *Partnership* has a positive effect on *Brand Equity*.

H3: *Partnership* has a positive effect on *Business Performance*

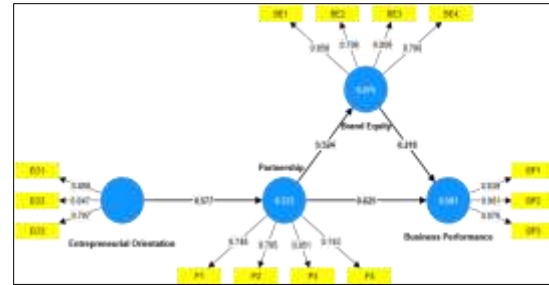
H4: *Brand Equity* has a positive effect on *Business Performance*.

RESEARCH METHOD

This study used a quantitative approach with data collection techniques through questionnaires. The research population were MSME actors in Semarang City. The sample was 100 respondents with purposive sampling technique. The data were analyzed using Structural Equation Modeling (SEM) based on Partial Least Squares (PLS) through SmartPLS software. Validity was tested through Convergent Validity (loading factor ≥ 0.5), Average Variance Extracted (AVE ≥ 0.5), and Discriminant Validity (cross loading and AVE root comparison). Reliability was tested through Cronbach's Alpha and Composite Reliability scores (≥ 0.7). Structural models were tested through R-Square, F-Square, and goodness of fit using SRMR and NFI.

Results

Model Development



Convergent Validity Test

Items	Loading Factor	Keputusan
EO <i>Entrepreneurial Orientation</i> ((Aloulou 2018), (Rachmawati, Suliyanto et al. 2020))		
EO1 Inovasi	0.898	Valid
EO2 Resiko yang diambil	0.847	Valid
EO3 Proaktif	0.797	Valid
P <i>Partnership</i> (Rezaei, Ortt et al. 2018)		
P1 Kemitraan dalam pemasaran dan penjualan	0.748	Valid
P2 Kemitraan dalam penelitian dan pengembangan	0.795	Valid
P3 Kemitraan dalam pembelian dan logistik	0.851	Valid
P4 Kemitraan dalam produksi	0.743	
BE <i>Brand Equity</i> (Fitriani, Y., & Haryanto, J. O. 2020)		
BE1 Brand Awareness	0.839	Valid
BE2 Brand Association	0.706	Valid
BE3 Perceived Quality	0.806	Valid
BE4 Brand Loyalty	0.790	Valid
BP <i>Business Performance</i> (Rachmawati, Suliyanto et al. 2020)		
BP1 Sales growth	0.839	Valid
BP2 Profit growth	0.861	Valid
BP3 Asset growth	0.879	Valid

All indicators have a loading factor above 0.5 so it can be said that the data is valid.

	Cronbach's alpha	Composite reliability	Keputusan
<i>Brand Equity</i>	0.811	0.870	Reliabel
<i>Business Performance</i>	0.824	0.895	Reliabel
<i>Entrepreneurial Orientation</i>	0.804	0.885	Reliabel
<i>Partnership</i>	0.792	0.866	Reliabel

All variables have a Composite Reliability value and Cronbach's Alpha > 0.7 . Indicates that the consistency and stability of the instrument used are high. It was concluded that all constructs of this

study had become a fit measuring instrument, and had good reliability.

	<i>Brand Equity</i>	<i>Business Performance</i>	<i>Entrepreneurial Orientation</i>	<i>Partnership</i>
<i>Brand Equity</i>	0.792			
<i>Business Performance</i>	0.545	0.860		
<i>Entrepreneurial Orientation</i>	0.664	0.591	0.848	
<i>Partnership</i>	0.524	0.739	0.577	0.786

In this test, the results obtained from the comparison of AVE roots with other model constructs. If the number is greater than the correlation value between other variables, it can be concluded that the data has good discriminant validity.

	R-square	R-square adjusted
<i>Brand Equity</i>	0.275	0.267
<i>Business Performance</i>	0.581	0.572
<i>Partnership</i>	0.333	0.326

The higher the R^2 , the better the model in explaining endogenous variables. In the context of PLS-SEM: $R^2 = 0.75 \rightarrow$ substantial (strong), $R^2 = 0.50 \rightarrow$ moderate (moderate). $R^2 = 0.25 \rightarrow$ weak (weak) (Chin, 1998; Hair et al., 2014). From the results above, it can be said that Brand Equity: $R^2 = 0.275 \rightarrow$ Weak. Business Performance: $R^2 = \rightarrow 0.581$ Medium-strong and Partnership: $R^2 = 0.333 \rightarrow$ Medium.

	<i>Brand Equity</i>	<i>Business Performance</i>	<i>Partnership</i>
<i>Brand Equity</i>		0.082	
<i>Entrepreneurial Orientation</i>			0.499
<i>Partnership</i>	0.379	0.675	

If the number F^2 produces a value of $0.02 \leq F^2 < 0.15$ then the effect is small, $0.15 \leq F^2 < 0.35$ then the effect is medium and the value of $F^2 \geq 0.35$ then the effect of exogenous latent variables is declared large (Ghozali and Latan, 2015:81). It can be concluded that $EO \rightarrow Partnership = 0.499$ (large), $Partnership \rightarrow Brand Equity = 0.379$ (large). $Partnership \rightarrow Business Performance = 0.675$ (large) and $Brand Equity \rightarrow Business Performance = 0.082$ (small).

	Saturated model	Estimated model
SRMR	0.095	0.129
Chi-square	207.829	237.613
NFI	0.731	0.692

NFI values ranging from 0 – 1 are derived from the comparison between the hypothesized model and a certain independent model. The model has a high match if the value is close to 1 (Ghozali, 2014). With the results above, it can be seen that the SRMR value is 0.095 so that the model is in accordance or has met the criteria of goodness of fit model. Meanwhile, the NFI value is at 0.731 which means

that it has a model match that can be stated well.

Hypothesis Testing (Influence between variables)

	Coefficient	Standard Deviation	T statistics	P values	Conclusion
Brand Equity (BE) → Business Performance (BP)	0.218	0.084	2.596	0.010	Supported
Entrepreneurial Orientation (EO) → Partnership (P)	0.577	0.067	8.630	0.000	Supported
Partnership (P) → Brand Equity (BE)	0.524	0.070	7.438	0.000	Supported
Partnership (P) → Business Performance (BP)	0.625	0.060	10.488	0.000	Supported

All hypotheses in this study were proven to be significant and accepted. Entrepreneurial Orientation has a positive effect on Partnership, Partnership has a positive effect on Brand Equity and Business Performance, and Brand Equity also has a positive effect on Business Performance. This shows that the synergy between these variables contributes directly in improving the business performance of MSMEs.

	Coefficient	Standard Deviation	T statistics	P values	Conclusion
Brand Equity (BE) → Business Performance (BP)	0.218	0.084	2.596	0.010	Supported
Entrepreneurial Orientation (EO) → Brand Equity (BE)	0.382	0.066	4.592	0.000	Supported
Entrepreneurial Orientation (EO) → Business Performance (BP)	0.428	0.064	6.655	0.000	Supported
Entrepreneurial Orientation (EO) → Partnership (P)	0.577	0.067	8.630	0.000	Supported
Partnership (P) → Brand Equity (BE)	0.524	0.070	7.438	0.000	Supported
Partnership (P) → Business Performance (BP)	0.739	0.058	19.428	0.000	Supported

The results of the analysis showed that all mediation effects in this study were significant. Entrepreneurial Orientation has an effect on Brand Equity and Business Performance through Partnership, and Partnership

has an effect on Business Performance through Brand Equity, with a value of $p < 0.05$ in all mediation channels.

DISCUSSION

The results of this study support the Resource-Based View (RBV) theory which emphasizes the importance of internal resources such as EO, strategic partnerships, and brand equity in creating competitive advantage. Partnerships allow MSMEs to access external resources, while Brand Equity increases consumers' positive perceptions. Both of these variables play an important role in bridging the influence of EO on Business Performance. The following is a description of the results of the analysis of each relationship between variables.

Entrepreneurial Orientation towards Partnership

The results showed that the higher the entrepreneurial orientation possessed by MSME actors, the stronger their tendency to build strategic partnerships. EO encourages openness to

collaboration opportunities, network readiness, and initiatives in establishing business relationships. Thus, EO acts as an internal factor that also influences the strengthening of external relations through productive and valuable Partnerships.

Partnership towards Brand Equity

A good partnership has a positive impact on Brand Equity. MSME collaboration with partners such as suppliers or distribution networks can improve the credibility and consistency of services. This has an impact on the formation of a more positive brand image in the eyes of customers. Therefore, the Partnership not only plays a role in operational aspects, but is also an important strategy in building strong brand equity.

Partnership on Business Performance

Partnership proved to be significant in improving the business performance of MSMEs. Strategic partnerships provide benefits in the form of efficiency, wider market access, and

increased competitiveness. With business relationships built on trust and shared vision, MSMEs can run their businesses more stably and adaptively. This contributes positively to the success and sustainability of the business.

Brand Equity to Business Performance

Brand Equity also shows a significant direct effect on business performance. Dimensions such as brand awareness, quality perception, positive associations, and customer loyalty increase consumer trust and encourage repurchases. Thus, MSMEs that successfully build solid Brand Equity have great potential to increase revenue and expand market share in a sustainable manner.

CONCLUSION

This study concludes that Entrepreneurial Orientation encourages the formation of strong Partnerships, which in turn has a positive effect on Brand Equity and Business Performance of MSMEs. Partnerships prove to be an important link between entrepreneurial

orientation and the achievement of business performance. In addition, good Brand Equity also directly improves business performance. This finding supports the Resource-Based View theory that a combination of

internal and external resources can increase the competitive advantage of MSMEs on an ongoing basis.

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