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The Influence of Corporate Entrepreneurship on MSME Business Performance: The mediating role of Entrepreneurial Collaborative Capability

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Abstract: The growth of MSMEs should be a central focus for various stakeholders, particularly the government, as MSMEs play a vital role in driving economic growth in Indonesia, especially at the regional level such as in Jambi Province. In 2023, MSMEs in Jambi Province experienced a decline, which poses a potential threat to regional economic growth. Given this context, the performance of MSMEs must be prioritized to ensure their resilience also capacity for sustainable growth. Achieving optimal performance in meeting organizational objectives requires the implementation of corporate entrepreneurship. However, for corporate entrepreneurship to effectively enhance business performance, it must be supported by the entrepreneurial collaborative capability of business owners. A review of existing literature indicates a lack of studies investigating MSME business performance influenced by corporate entrepreneurship through the mediating role of entrepreneurial collaborative capability. Accordingly, this study aims to: (1) examine the effect of corporate entrepreneurship on MSME business performance; (2) examine the effect of corporate entrepreneurship on entrepreneurial collaborative capability; (3) examine the effect of entrepreneurial collaborative capability on MSME business performance; also (4) assess the mediating role of entrepreneurial collaborative capability in the relationship between corporate entrepreneurship also MSME business performance. This study adopts a quantitative research design to analyze the relationships also causal effects among variables. The analytical approach employs Structural Equation Modeling (SEM) using the SmartPLS software for data processing also hypothesis testing.

Keyword: Corporate Entrepreneurship; Entrepreneurial Collaborative Capability

INTRODUCTION

Adults increasingly engage in entrepreneurial pursuits, as evidenced by the persistent expansion of Micro, Small, also Medium Enterprises (MSMEs). This sector's development warrants focused attention from multiple stakeholders, particularly governmental institutions. MSMEs play a vital role in Indonesia's economic advancement, especially in regions like Jambi Province. Although there was a decline in the number of MSMEs in Jambi in 2023, the preceding year saw growth—rising from 165,497 enterprises in 2021 to 184,042 in 2022, before decreasing to 176,051 in 2023 (Badan Pusat Statistik, 2024). These fluctuations reflect the autonomous initiatives of local communities also contribute significantly to poverty alleviation by generating employment.

Any downturn in MSME numbers may adversely affect economic progression, hence sustained performance also resilience of MSMEs must be prioritized. Within MSME structures, expertise also practical skillsets take precedence over formal education levels, with the expectation human capital in these enterprises will demonstrate heightened innovation also creativity (Zhao et al., 2023; Papaioannou et al., 2024). As the business landscape transitions from localized products to a globalized marketplace, proficient management becomes indispensable for cultivating competitive advantage.

Business performance can be evaluated through metrics such as profit enhancement, market share expansion, customer base growth, also return on investment (Nagiah et al., 2024; Hina et al., 2024). Moreover, performance can also be gauged through new product sales volume also share of market penetration (Lu et al., 2023; Ammar & Tamzini, 2024).

In navigating global market uncertainties, organizations must adopt proactive dispositions also devise innovative strategies to maintain competitiveness (Lumpkin & Pidduck, 2021). MSMEs, however, face various limitations—externally, a lack of innovation, poor adaptation to strategic shifts, also insufficient agility in seizing emerging opportunities; internally, constrained access to technology, financial capital, also managerial competence (Taleb et al., 2023). These internal limitations often stem from inadequately developed human resources (Biswas, 2024).

According to Afshar Jahanshahi et al. (2018), corporate entrepreneurship represents the embodiment of innovation, whereby individuals within an organization exhibit creative capacity in problem-solving also opportunity recognition. Attaining optimal organizational performance hinges on the integration of corporate entrepreneurship practices.

To enhance business outcomes through corporate entrepreneurship, entrepreneurs must be supported by collaborative capabilities. The concept of entrepreneurial collaboration has evolved to encompass dynamic capabilities, social capital, also institutional marketing frameworks (Austin et al., 2021). Capability, in this context, denotes the competence derived from accumulated knowledge also experiential learning, enabling efficient resource management also consistent output delivery (Khalil et al., 2022; Omotosho et al., 2019).

Organizational human resources are expected to possess strong collaborative acumen. Collaborative synergy among personnel within the business process significantly contributes to improved MSME performance (Zhang, 2018). Conversely, others argue leadership must model collaborative behavior to effectively inspire employee engagement (Aidoo et al., 2020). Although existing literature has explored the link between corporate entrepreneurship also business performance, previous studies have predominantly introduced mediators such as transformational leadership (Borde et al., 2022), innovation (Alford & Duan, 2018), also digital capability (Mele et al., 2024). The mediating role of entrepreneurial collaborative capability, however, remains underexplored—despite its critical relevance for fostering inter-human synergy within MSME environments.

Given this gap in the literature, it is imperative to investigate the influence of corporate entrepreneurship on MSME performance through the intermediary role of entrepreneurial collaborative capability.

Prior studies on MSME performance have underscored the impact of motivation, skill, also creativity, with creativity emerging as the most influential factor (Jaya & Sumarni, 2020). Further, Wediawati et al. (2022) emphasize enhanced performance is underpinned by resource availability also innovation. Business performance in organizational settings is often assessed in terms of both quantity also quality (Hariyono & Narsa, 2024). The contribution of human capital in generating tangible outcomes within an enterprise constitutes the essence of performance (Latifah & Soewarno, 2023).

To elevate MSME performance, a robust conceptual framework is essential. Given MSMEs' adherence to entrepreneurial models, the application of corporate entrepreneurship principles becomes a suitable approach. Corporate entrepreneurship entails activities carried out within an organization embody entrepreneurial values (Sakhdari et al., 2023). Elements such as creativity, competitiveness, innovation, responsiveness to change, also technological adaptation are fundamental for elevating business performance (Kuratko et al., 2022; Hampel et al., 2020).

This entrepreneurial model fosters innovation to remain competitive globally by introducing new business models, developing novel products, also streamlining operational processes (Bayiley et al., 2022). For such innovations to translate into superior performance, they must be bolstered by entrepreneurial collaborative capabilities.

Human capital within organizations must therefore be adept in collaborative functions (Alonso et al., 2020). These capabilities influence global market readiness by encompassing risk-taking, assertive competitiveness, also organizational autonomy (Álvaro-Moya et al., 2020). According to Aidoo et al. (2020), enhancing performance through entrepreneurial collaborative capability necessitates reciprocal engagement also strengthened inter-organizational relationships.

Although existing study has addressed corporate entrepreneurship via various mediating constructs, entrepreneurial collaborative capability has yet to be fully examined within this framework. No conclusive evidence currently exists linking corporate entrepreneurship to MSME performance through this specific mediator. Addressing this study void is critical for advancing understanding of collaborative dynamics within entrepreneurial ecosystems also their impact on business performance.

METHOD

The population targeted in this study comprises Micro, Small, also Medium Enterprises (MSMEs) operating within Jambi Province. Given the dynamic nature of MSME counts, the sample size was determined based on the recommendation by Hair et al. (2014), who propose Structural Equation Modeling (SEM) requires a sample ranging from 100 to 200 observations. Consequently, this study utilizes a sample of 200 MSMEs located in Jambi Province.

Data utilized in this study consists of two categories: (1) secondary data, which includes information gathered from scholarly journals, academic books, also official government publications; also (2) primary data, which is obtained through structured questionnaires, direct interviews, also field observations.

The methodological framework adopted for this study employs a quantitative approach, aiming to empirically test the relationships also influences among the study variables. The study is categorized as explanatory survey study, intended to evaluate the interactions among constructs also to elucidate empirical patterns derived from the analysis.

Quantitative data analysis is conducted using Structural Equation Modeling (SEM), facilitated through the SmartPLS software platform. The analytical procedures involve assessment of both the outer model also the inner model. Evaluation of the outer model includes constructs such as Average Variance Extracted (AVE), factor loadings, also communality values, while reliability is assessed using Cronbach's alpha also composite reliability metrics. For the inner model, analysis focuses on T-statistics also R-square (R^2) values.

The operationalization of variables in this study involves three core constructs: the independent, dependent, also mediating variables, defined as follows:

(1) Independent variable (X): Corporate entrepreneurship, measured through indicators such as innovation, self-renewal, proactiveness, new business creation, competitive intensity, also autonomy.

(2) Dependent variable (Y): Business performance, evaluated through indicators including profit growth, market expansion, also social impact.

(3) Mediating variable (Z): Entrepreneurial collaborative capability, characterized by indicators such as information also knowledge sharing, reciprocal partnerships, conflict-resilient relationships, willingness to collaborate, also the capacity to foster adoption-based relationships.

RESULTS AND DISCUSSION

The results of the Cronbach's alpha also composite reliability scores are more than 0.7, indicating data accuracy also reliable data. The result of the Average Variance Extracted (AVE) score being more than 0.5 indicates the variable meets validity.

Table 1. Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Business Performance	0.960	0.962	0.966	0.737
Corporate Entrepreneurship	0.964	0.967	0.968	0.717
Entrepreneurial Collaborative Capability	0.972	0.973	0.976	0.802

Source: processed data, 2024

The results of the outer loading of all indicators are >0.6, so all indicators are considered significant:

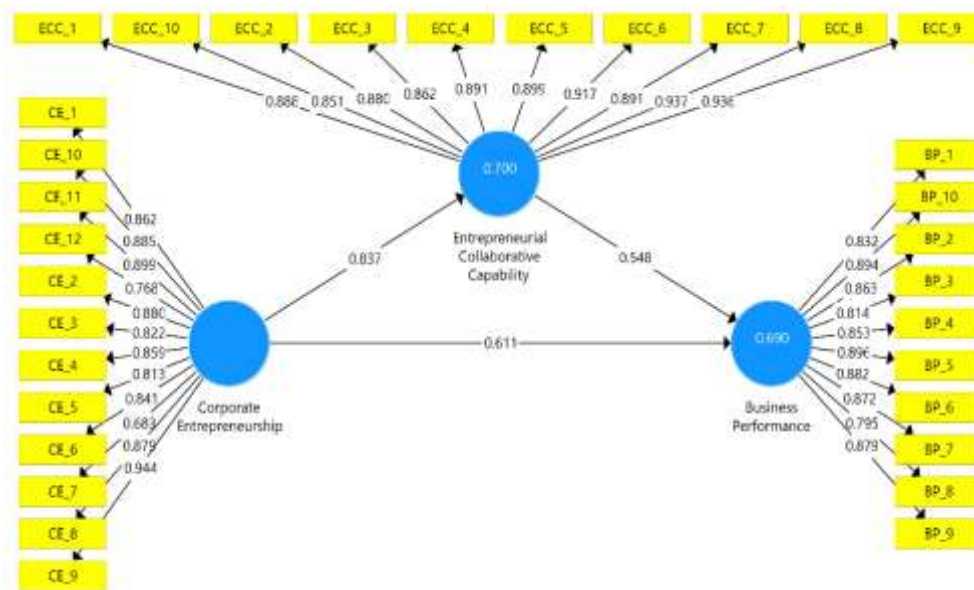
Table 2. Outer Loadings

	Business Performance	Corporate Entrepreneurship	Entrepreneurial Collaborative Capability
BP_1	0.832		
BP_10	0.894		
BP_2	0.863		
BP_3	0.814		
BP_4	0.853		
BP_5	0.896		
BP_6	0.882		
BP_7	0.872		
BP_8	0.795		
BP_9	0.879		
CE_1		0.862	
CE_10		0.885	
CE_11		0.899	
CE_12		0.768	
CE_2		0.880	
CE_3		0.822	
CE_4		0.859	
CE_5		0.813	
CE_6		0.841	
CE_7		0.683	

Business Performance	Corporate Entrepreneurship	Entrepreneurial Collaborative Capability
CE_8	0.879	
CE_9	0.944	
ECC_1		0.888
ECC_10		0.851
ECC_2		0.880
ECC_3		0.862
ECC_4		0.891
ECC_5		0.899
ECC_6		0.917
ECC_7		0.891
ECC_8		0.937
ECC_9		0.963

Source: processed data, 2024

The measurement model can be described as follows:



Source: processed data, 2024

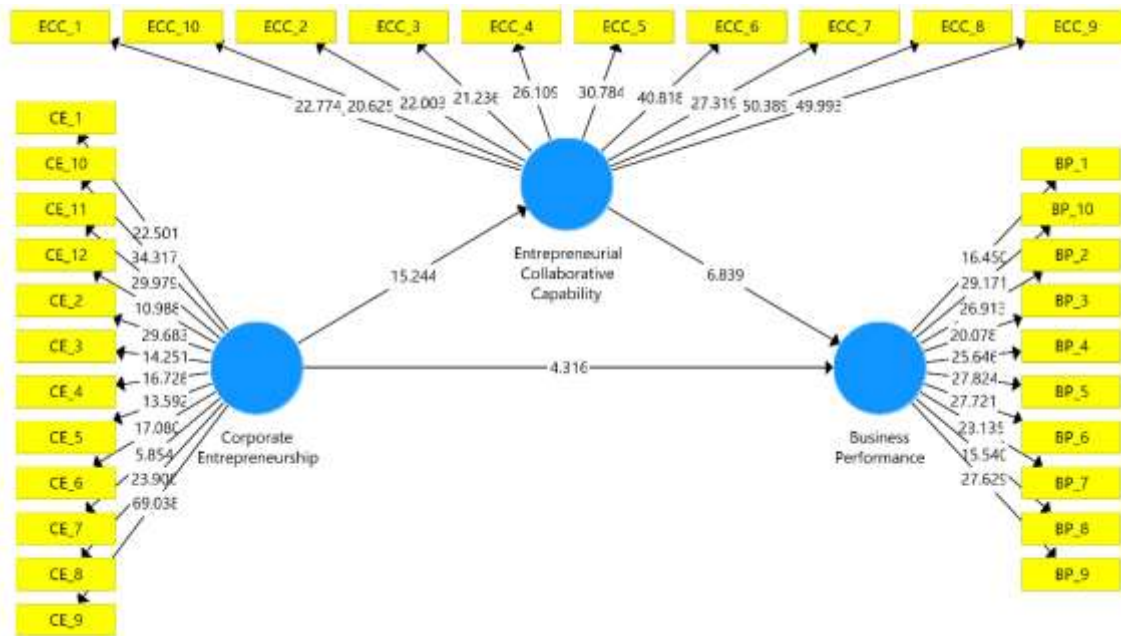
Figure 1. Measurement Results Model

An R square value > 0.3 indicates the ability of the influence relationship between variables to meet the criteria:

Table 3. R Square Value

	R Square	R Square Adjusted
Business Performance	0.690	0.680
Entrepreneurial Collaborative Capability	0.700	0.695

Source: processed data, 2024



Source: processed data, 2023
Figure 2. Bootstrapping Model

Testing the relationship between variables:

Table 4. Relationship between variables

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Result
Corporate Entrepreneurship -> Business Performance	0.611	0.693	0.142	4.316	0.001	Accepted
Corporate Entrepreneurship -> Entrepreneurial Collaborative Capability	0.837	0.840	0.055	15.244	0.000	Accepted
Entrepreneurial Collaborative Capability -> Business Performance	0.548	0.569	0.135	6.839	0.000	Accepted
Corporate Entrepreneurship -> Entrepreneurial Collaborative Capability -> Business Performance	0.608	0.629	0.104	7.679	0.000	Accepted

The P-value results for all variable interactions are <0.005, indicating all relationships among the variables exert a significant also acceptable effect. BCorporate entrepreneurship exerts a positive impact on business performance, as evidenced by a P-value <0.005 (0.001) also a T-statistic of 4.316. This relationship suggests stronger corporate entrepreneurship within an organization corresponds to enhanced MSME business performance.

The analysis of entrepreneurial collaborative capability’s influence on business performance reveals a positive relationship, indicated by a P-value <0.005 (0.000) also a T-statistic of 6.839. Greater implementation of entrepreneurial collaborative capability translates into improved MSME business performance. The impact of entrepreneurial collaboration on MSME performance also demonstrates a positive effect, implying higher entrepreneurial collaborative capability within an organization aligns with superior MSME performance.

The examination of corporate entrepreneurship’s influence on entrepreneurial collaborative capability identifies a positive relationship, with a P-value <0.005 (0.000) also a T-statistic of 7.679. Strengthened corporate entrepreneurship enhances entrepreneurial

collaborative capability. This effect also underscores greater corporate entrepreneurship within an organization fosters higher levels of entrepreneurial collaborative capability.

The assessment of corporate entrepreneurship's effect on MSME performance through entrepreneurial collaborative capability indicates a positive relationship, suggesting enhancing corporate entrepreneurship to improve MSME performance requires a vital contribution from the entrepreneurial collaborative capability of MSME leaders. This is evidenced by a P-value <0.005 (0.002) also a T-statistic of 7.679.

CONCLUSION

1) Corporate entrepreneurship exhibits a statistically significant positive effect on the business performance of MSMEs; 2) Corporate entrepreneurship exhibits a statistically significant positive effect on entrepreneurial collaborative capability; 3) Entrepreneurial collaborative capability exhibits a statistically significant positive effect on the business performance of MSMEs; and 4) Entrepreneurial collaborative capability, functioning as a mediating variable for corporate entrepreneurship, exhibits a statistically significant positive effect on the business performance of MSMEs.

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