

**ANALYSIS OF BUSINESS SUCCESS INFLUENCED
BY ENTREPRENEURIAL COMPETENCE WITH
INNOVATION AS A MEDIATING VARIABLE**

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Abstract

Micro, Small and Medium Enterprises (MSMEs) play an important role in the Indonesian economy as a large labour absorber, Gross Domestic Product (GDP) enhancer, and inflation rate reducer. The growth in the number of MSMEs shows the increasing public interest in the business world. Despite the economic crises in 1998 and 2008 that weakened the economy, MSMEs survived with significant contributions to the Gross Domestic Product (GDP). However, challenges such as declining business commitment and changing business focus point to the need for a deeper understanding of the factors that influence MSME success. This study is important to understand the relationship between entrepreneurial competence, innovation, and small business success in Jambi City, with innovation as a mediating variable. Using data from 362 small business owners in Jambi City, an analysis using Partial Least Square (PLS) was conducted to explain the relationship between these variables. The results of the study are expected to provide an overview of the condition of entrepreneurial competence, innovation, and small business success in Jambi City. In addition, the analysis will also reveal the relationship between these variables. The findings of this study are expected to be the basis for government policy in supporting the development of the MSME sector and maintaining its existence as a pillar of the national economy.

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INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are one of the supports for the economy because SMEs can absorb a large workforce, increase Gross Domestic Product (GDP), reduce the inflation rate and can grow the economy. The number of MSMEs in Indonesia is increasing over time. This shows that business interest from the community is increasing, this phenomenon of increasing SME growth must be taken seriously by a number of parties, especially the government, in order to maintain its existence (Fitria N., 2022).

The phenomenon that occurred in 1998 and 2008, Indonesia experienced an economic crisis which caused the country's economy to weaken, in this condition only the SME sector was able to survive, while the larger sectors were actually collapsed by the economic crisis. This crisis has resulted in the position of economic sector actors changing. One by one, large businesses went bankrupt because imported raw materials increased drastically, debt servicing costs increased as a result of the decreasing and fluctuating rupiah exchange rate against the dollar. The banking sector which is also in decline also worsens the industrial sector in terms of capital, many companies are no longer able to continue business because of high interest rates. However, this is different from SMEs, most of which continue to survive, and even tend to increase (Ministry of Cooperatives and SMEs, 2021).

The entrepreneurial competence of Indonesian business actors continues to be developed, as can be seen from several training efforts provided by the government, training through business incubators and so on. However, there is quite a bit of a decrease in commitment, because the entrepreneurial spirit in doing business is not supported by entrepreneurial competence. Ultimately, the business declines and tends to change the focus of the business being carried out. So these MSMEs tend to repeat new businesses rather than studying and maintaining existing businesses. This means that you are struggling from the start in your business. Of course, this is not good, considering that the business is not growing but tends to run in place (Rahayu, Y., 2018).

Competition in the business world is very tight, requiring business actors to look at existing market opportunities in preparing strategies and plans to be implemented in order to increase sales to obtain optimal profits. What business actors need to do is increase entrepreneurial and innovation competence.

The development of small businesses in Jambi City has increased in number from 3,506 units in 2021 to 3,835 units in 2022 (Jambi City Cooperatives and Small and Medium Enterprises Office, 2023). One of the factors that cause failure in running a business is a lack of commitment, ideas, innovation, competence and self-efficacy (Zimmerer et al., 2015). Many entrepreneurs have started a business but lack entrepreneurial ability or competence so that as a result the business has difficulty developing and ultimately fails.

To become a successful entrepreneur, one of the keys is to have entrepreneurial competence and innovation. Several factors. Business success can be measured in various ways, including the amount of profit earned by the entrepreneur within a certain period of time. Business success can usually be seen in terms of business or business progress. Entrepreneurial success requires extensive planning, vision, mission, perseverance and the courage to take responsibility. Business success is essentially a business that can achieve its business goals (Suryana, 2014).

A striking empirical phenomenon is the increase in the number of Small Businesses in Indonesia, especially in Jambi City. Data shows year-on-year growth, however, a number of challenges and problems were identified. Despite the government's efforts to train and develop entrepreneurial competencies, there has been a decline in the commitment of business actors. This

phenomenon causes business decline and changes in business focus, with some businesses tending to repeat new ventures rather than maintaining existing ones. In the midst of intense business competition, it is important for business actors to improve their entrepreneurial and innovative competencies so that they can develop effective strategies and plans to increase sales and obtain optimal profits. This phenomenon is the basis for research to explore the relationship between entrepreneurial competence, innovation, and business success in small businesses in Jambi City, with innovation as a mediating variable.

The phenomenal growth of Small Businesses in Indonesia is the main highlight of this research. With the number of small businesses increasing over time, it can be seen that people's interest in entrepreneurship is also growing. In the context of the national economy, small businesses have a vital role with their ability to absorb labor, increase Gross Domestic Product (GDP), and reduce the inflation rate (BPS, 2023). This phenomenon, especially during the economic crisis in 1998 and 2008, showed the extraordinary resilience of small businesses, where this sector was able to survive while larger sectors experienced bankruptcy. With the contribution of small businesses to Gross Domestic Product (GDP) reaching 57%, this phenomenon has become the focus of research to understand the factors, especially entrepreneurial competence and innovation, that influence the success of small businesses

RESEARCH METHODS

Research Design

The type of research that researchers use is quantitative research. Quantitative methods are research methods that are positivist in nature. Quantitative research methods can be defined as research methods that are based on the philosophy of positivism, used to research certain populations and samples (Sugiyono, 2018). The location of this research was carried out at Small Businesses in Jambi City

Data Types and Sources

The types of data used are primary data and secondary data. Primary data is a data source that directly provides data to data collectors. In this research, primary data is a recapitulation of data from questionnaires distributed during the research with a Likert scale of 1-5.

Secondary data is a data source that does not directly provide data to data collectors, for example through other people or through documents. In this research, the source of secondary data is books, journals, articles related to the research topic (Hancock et al, 2010).

Population and Sample

The generalization area consists of: objects/subjects that have certain characteristics and qualities determined by the researcher to be studied and then conclusions drawn. The population used in this research was 3,835 small business actors in the Jambi City area.

The sample is part of the number and characteristics of the population. The sampling technique used the Slovin method so that the number of samples in this research was 362 small business actors in Jambi City (Sevilla, 1992).

Data Analysis Techniques

In this research, the data analysis technique used is Partial Least Square (PLS). PLS is a component or variant-based Structural Equation Modeling (SEM) model. Structural Equation Modeling (SEM) is a field of statistical study that can test a series of relationships that are relatively difficult to measure simultaneously.

PLS is used to explain whether there is a relationship between latent variables (prediction). PLS is a powerful analysis method because it does not assume flow data with measurements on a

certain scale, the number of samples is small (Ghozali & Latan, 2015). The aim of PLS-SEM is to develop theory or build a prediction orientation theory (Basbeth et al, 2012). PLS-SEM analysis consists of two sub models, namely the measurement model (measurement model) or outer model and the structural model (structural model) or inner model.

Data analysis is an activity to collect data from all data sources or respondents. The function of data analysis is to collect data according to the variables of all respondents, bring data for each variable studied, make calculations to answer the problem formulation and make calculations to test the proposed hypothesis (Tayur et al, 2012).

RESEARCH RESULT

Respondent Characteristics

Based on the data obtained regarding the length of business in less than 1 year, there were 78 people (21.5%), while those with a business duration of 1-3 years were 116 people (32.1%), those with a business duration of 4-6 years were as many as 102 people (28.2%) and 66 people (18.2%) with more than 6 years of business experience.

It can be said that the majority of respondents' monthly income was less than IDR 5,000,000, namely 188 people (51.9%), then respondents whose monthly income was between IDR 5,000,001 - IDR 10,000,000, namely 76 people (21%), then those who 64 people earned between Rp. 10,000,001 and Rp. 15,000,000 (17.7%) and 34 respondents who earned more than Rp. 15,000,000 or (9.4%).

Research Model Analysis

Model Test Results

The data analysis tool for testing the research model uses SmartPLS Version 4 software. The aim is to measure all indicators in this research. The testing model that will be carried out in this research consists of latent variables that have reflective indicators. The independent variables are entrepreneurial competency which is measured through 12 indicators, innovation which is measured through 8 indicators, and business success which is measured using 9 indicators.

Outer model analysis

The Outer model definition explains how each indicator is related to its latent variable. There are three criteria for using data analysis techniques with SmartPLS to assess the outer model, namely convergent validity and composite reliability.

Data analysis using PLS by evaluating the measurement model (Outer Model) is carried out with 4 assessment criteria, namely:

1. Composite Reliability and Cronbach's Alpha

Measuring the accuracy and precision or reliability of a concept in the research conducted. Ways that can be used to measure reliability are Composite Reliability and Cronbach's Alpha. Composite reliability is a reliability test of the composite reliability value of indicators that measure variables. As for the assessment criteria for composite reliability, the value obtained must be higher than 0.70, so the data can be considered reliable. The following are the results of the composite reliability assessment

Table 1. Composite Reliability Assessment

| Variable | Composite Reliability |
|---------------------------------|-----------------------|
| Entrepreneurship Competency (X) | 0,855 |
| Innovation (Z) | 0,887 |
| Business Success (Y) | 0,902 |

Source: Processed data, 2024

In table 1, it can be seen that all reliable variables meet the criteria for the composite reliability assessment, namely having a value above 0.7. Where the variables of entrepreneurial competence, innovation and business success have values above 0.7, meaning that all of these variables are reliable and valid. So that all assessments have met the estimates in the outer model assessment. In addition to the reliability value of each research variable being tested as a basis for strengthening the reliability value, Cronbach's Alpha testing needs to be carried out, so that the construct can be said to have strong data validity. Cronbach's Alpha must have a value of > 0.7, following the Cronbach's Alpha assessment:

Table 2. Cronbach's Alpha Assessment

| Variable | Cronbach's Alpha |
|---------------------------------|------------------|
| Entrepreneurship Competency (X) | 0,887 |
| Innovation (Z) | 0,798 |
| Business Success (Y) | 0,845 |

Source: Processed data, 2024

Based on table 2, it can be seen that the Cronbach's Alpha test results obtained a value for each construct higher than 0.7, so each variable already has a strong reliability value.

Convergent validity

The outer loading or loading factor value is used to test convergent validity. An indicator is declared to meet convergent validity in the good category if the outer loading value is > 0.7. The following are the outer loading values for each indicator in the research variables:

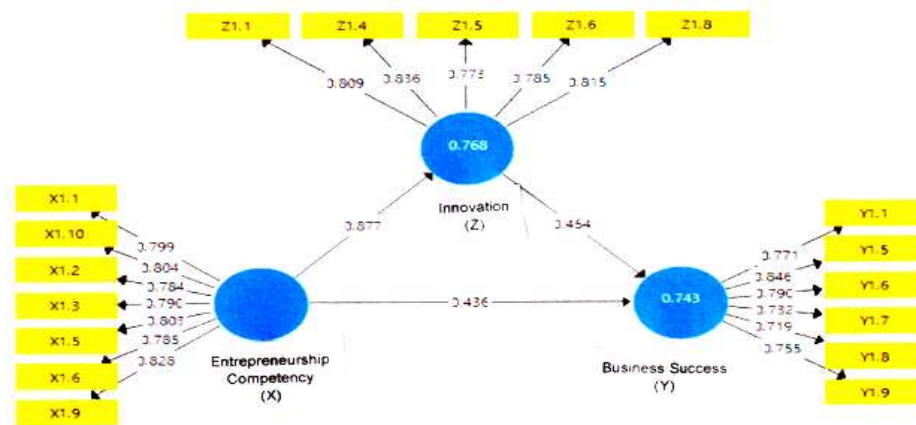


Figure 1. PLS Algorithm Calculation Results for the Third Research Model

Based on the data presentation in Figure 3, it is known that each indicator of the research variable has an outer loading value > 0.7. so that the statement indicator is declared feasible or valid for research use and can be used for further analysis.

Tabel 3. Outer loading ke 3

| Variable | Indicator | Outer Loading | Description |
|--------------------------------|--|---------------|-------------|
| Entrepreneurial Competence_(X) | X1.1 <- Entrepreneurial Competence _(X) | 0,799 | Valid |
| | X1.10 <- Entrepreneurial Competence _(X) | 0,804 | Valid |
| | X1.2 <- Entrepreneurial Competence _(X) | 0,784 | Valid |
| | X1.3 <- Entrepreneurial Competence _(X) | 0,790 | Valid |
| | X1.5 <- Entrepreneurial Competence _(X) | 0,803 | Valid |
| | X1.6 <- Entrepreneurial Competence _(X) | 0,785 | Valid |

| | | | |
|----------------|--|-------|-------|
| | X1.9 <- Entrepreneurial Competence _(X) | 0,828 | Valid |
| _(Y) | Y1.1 <- Business Success _(Y) | 0,771 | Valid |
| | Y1.5 <- Business Success _(Y) | 0,846 | Valid |
| | Y1.6 <- Business Success _(Y) | 0,790 | Valid |
| | Y1.7 <- Business Success _(Y) | 0,732 | Valid |
| | Y1.8 <- Business Success _(Y) | 0,719 | Valid |
| | Y1.9 <- Business Success _(Y) | 0,755 | Valid |
| Innovation_(Z) | Z1.1 <- Innovation _(Z) | 0,809 | Valid |
| | Z1.4 <- Innovation _(Z) Business Success | 0,836 | Valid |
| | Z1.5 <- Innovation _(Z) | 0,773 | Valid |
| | Z1.6 <- Innovation _(Z) | 0,785 | Valid |
| | Z1.8 <- Innovation _(Z) | 0,815 | Valid |

Source: Data Processed, 2024

Based on the results of the third data processing, by eliminating invalid instruments, the value of the instruments above has met the criteria of more than 0.7, thus the statement indicators are declared feasible or valid for research use and can be used for further analysis.

Discriminant validity

Discriminant validity is the measurement of indicators with latent variables (Ghozali, 2016). To test discriminant validity, it can be done by examining cross loading, namely the correlation coefficient of the indicator against its association construct (cross loading) compared to the correlation coefficient with other constructs (cross loading). The indicator correlation construct value must be greater for the association construct than for other constructs. This greater value indicates the suitability of an indicator to explain its association construct compared to explaining other constructs. Validity testing is carried out to determine how precisely a measuring instrument performs its measurement function (Ghozali, 2016).

Table 4 Discriminant Validity Value (Cross Loading)

| | Entrepreneurial Competence (X) | Business Success (Y) | Innovation (Z) |
|-------|--------------------------------|----------------------|----------------|
| X1.1 | 0,799 | 0.265 | 0.482 |
| X1.10 | 0,804 | 0.563 | 0.358 |
| X1.2 | 0,784 | 0.507 | 0.413 |
| X1.3 | 0,790 | 0.503 | 0.220 |
| X1.5 | 0,803 | 0.425 | 0.411 |
| X1.6 | 0,785 | 0.415 | 0.342 |
| X1.1 | 0,799 | 0.332 | 0.333 |
| Y1.1 | 0.604 | 0,771 | 0.334 |
| Y1.5 | 0.411 | 0,846 | 0.368 |
| Y1.6 | 0.335 | 0,790 | 0.294 |
| Y1.7 | 0.276 | 0,732 | 0.264 |
| Y1.8 | 0.372 | 0,719 | 0.432 |
| Y1.9 | 0.471 | 0,755 | 0.435 |
| Z1.1 | 0.301 | 0.354 | 0,809 |
| Z1.4 | 0.496 | 0.382 | 0,836 |
| Z1.5 | 0.402 | 0.253 | 0,773 |
| Z1.6 | 0.498 | 0.333 | 0,785 |

| | | | |
|------|-------|-------|-------|
| Z1.8 | 0.252 | 0.401 | 0,815 |
|------|-------|-------|-------|

Source: Data Processed, 2024

Based on table 4, it states that the indicators in the study have good discriminat validity in compiling each variable. This is indicated by the value of each indicator on the variable formed has a greater cross loading value than the cross loading value on other variables.

Average Variance Extracted (AVE)

Apart from observing the cross loading value, discriminant validity can also be known through other methods, namely by looking at the Average Variant Extracted (AVE) value for each indicator, it is required that the value must be > 0.5 for a good model.

Table 5. Average Variant Extracted (AVE)

| Variabel | AVE |
|--------------------------------|-------|
| Entrepreneurial Competence (X) | 0.603 |
| Business Success (Y) | 0.723 |
| Innovation (Z) | 0.698 |

Source: Data Processed, 2024

Based on table 5, it is known that the AVE value of entrepreneurial competency variables, business success and commitment > 0.5. So, it can be stated that the variable has good discriminant validity.

Inner Model Analysis

Inner model is a structural model used to predict causal relationships between latent variables or variables that cannot be measured directly. Inner model testing is done using the bootstrapping test (Hair et al, 2021).

R-square

In assessing the inner model, it can be done by looking at the R-Square value for the dependent construct. Changes in R-Square can be used to explain whether there is a substantive influence between certain exogenous latent variables on endogenous latent variables. R-Square values of 0.67, 0.33 and 0.19 can be concluded that the model is strong, moderate and weak (Wong , 2019; Ghozali, 2016).

Table 6. R-Square Value

| | R-Square | Adjusted R-Square |
|----------------------|----------|-------------------|
| Business Success (Y) | 0.454 | 0.387 |
| Innovation (Z) | 0.328 | 0.269 |

Source: Data Processed, 2024

Based on table 6, it can be concluded that the r-square value of the business success variable (Y) is influenced by entrepreneurial competence (X) of 0.454 or 45.4%. And the rest is influenced by other variables outside the proposed model. It can be concluded that the results of the inner model test of the Business Success and Innovation variables are in the “medium” model category.

The r-square value of the innovation variable (Z) which is influenced by entrepreneurial competence (X) and business success (Y) is 0.328 or 32.8%. And the rest is influenced by other variables outside the proposed model.

F-Square

The F-square value is carried out to calculate the magnitude of the influence between variables with effect size or F-square. The meaning of the F-square value of 0.02, 0.15 and 0.35

can be interpreted whether the latent variable predictor has a weak, medium or large influence at the structural level. If the value is less than 0.02, it can be ignored or considered to have no effect (Hair et al, 2021; Ghozali, 2016).

Table 7. F-Square Value

| | Entrepreneurial Competence (X) | Business Success (Y) | Innovation (Z) |
|--------------------------------|--------------------------------|----------------------|----------------|
| Entrepreneurial Competence (X) | | 0.266 | 0.324 |
| Business Success (Y) | | | |
| Innovation (Z) | | 0.125 | |

Source: Data Processed, 2024

Based on the results of data processing in table 7 above, it can be seen that there is no large effect with the f-square > 0.35 criterion. And the medium effect is the effect of entrepreneurial competence (X) on business success (Y) of 0.266 or 26.6%, entrepreneurial competence (X) on commitment (Z) of 0.324 or 32.4% while commitment (Z) to business success (Y) of 0.125 or 12.5%.

Hypothesis testing of direct effect

To determine the structural relationship between latent variables, hypothesis testing must be carried out on the path coefficient between variables by comparing the p-value with alpha (<0.05). The amount of p-value is obtained from the output on smartpls using the bootstrapping method. This test is carried out to test the hypothesis which consists of 3 hypotheses:

H1 : Entrepreneurial Competence Has a Positive and Significant Effect on Business Success;

H2 : Entrepreneurial Competence Has a Positive and Significant Effect on Innovation;

H3: Innovation Has a Positive and Significant Effect on Business Success

Table 8. Path Coefficients

| | Sample Original (O) | Average Sample (M) | Standard Deviation (Stdev) | T Statistic | P Value |
|--|---------------------|--------------------|----------------------------|-------------|---------|
| Innovation _(Z) -> Business Success _(Y) | 0,454 | 0,457 | 0,061 | 7,443 | 0,000 |
| Entrepreneurial Competence _(X) -> Innovation _(Z) | 0,877 | 0,878 | 0,011 | 79,374 | 0,000 |
| Entrepreneurial Competence _(X) -> Business Success _(Y) | 0,436 | 0,433 | 0,064 | 6,796 | 0,000 |

Source: Data Processed, 2024

From table 8, the test results are obtained using the bootstrapping method using SmartPls so that the hypothesis test results are obtained as follows:

Hypothesis testing 1

Ho1: There is no effect of entrepreneurial competence on business success

Ha1: There is an influence of entrepreneurial competence on business success.

With a P-value of 0.000 because the P value is <5% (0.000 <0.05), Ho1 is rejected and Ha1 is accepted where it can be interpreted that entrepreneurial competence affects business success.

Hypothesis testing 2

Ho2: There is no effect of entrepreneurial competence on innovation

Ha2: There is an effect of entrepreneurial competence on innovation.

With a p value of 0.000, because the P value is <5% (0.000 <0.05), Ho2 is rejected and Ha2 is accepted, which means that entrepreneurial competence affects innovation.

Hypothesis testing 3

Ho3: There is no effect of innovation on business success

Ha3: There is an influence of innovation on business success.

With a P value of 0.000, because the P value is $> 5\%$ ($0.000 < 0.05$), it can be concluded that innovation has a significant influence on business success, thus Ho3 is rejected and Ha3 is accepted, which means that innovation has an effect on business success.

Hypothesis testing of indirect effects

The results of testing the hypothesis of indirect influence through innovation as an intervening variable using the sobel test calculator program can be presented in the following table:

Tabel 9 Result For Sobel Test

| | Sample Original (O) | Average Sample (M) | Standard Deviation (Stdev) | T Statistic | P Value |
|---|---------------------|--------------------|----------------------------|-------------|---------|
| Entrepreneurial Competence (X) -> Inovation (Z) -> Business Success (Y) | 0,398 | 0,401 | 0,054 | 7,318 | 0,000 |

Source: Data Processed, 2024

Hypothesis testing 4

Ho4: There is no effect of entrepreneurial competence on business success through innovation as an intervening variable.

Ha4: There is an effect of entrepreneurial competence on business success through innovation as an intervening variable.

With a p-value of 0.000, because the value is $> 5\%$ ($0.000 < 0.05$), Ho4 is rejected and Ha4 is accepted, which means that entrepreneurial competence has a significant effect on business success through innovation as an intervening variable. So it proves that innovation (Z) is able to act as a connecting or intermediary variable in the relationship *between the influence of entrepreneurial competence on business success*.

Discussion**Effect of Entrepreneurial Competence (X) on Business Success (Y)**

The results of statistical testing of hypothesis 1 show that entrepreneurial competence has a significant effect directly on business success in small businesses in Jambi City. This can be interpreted that the higher the entrepreneurial competence of small business actors, it will encourage the high level of achievement of business success, and vice versa if entrepreneurial competence is low, the level of achievement of business success will also be low.

The results of this study are consistent with the findings of previous studies which show that entrepreneurial competence has a positive and significant impact on SME business success (Yustian et al, 2021; Wulandari, 2022; Ilham & Joni, 2021). This study also supports the findings of other researchers who reveal that there is a significant effect of entrepreneurial competence directly on business success (Marei et al, 2023; Hazlina Ahmad et al, 2010; Rifanto, 2019). In addition, the results of this study are in line with other studies which emphasize that entrepreneurial competence plays an important role in determining business success. The research also highlights the importance for an entrepreneur to have entrepreneurial competence in planning and implementing business activities to achieve the desired success (Sánchez et al, 2012; Suhartatik & Nagel, 2022; Yani et al, 2020; Aulia et al, 2020).

Overall, this study reinforces the view that entrepreneurial competencies are a key factor in determining venture success. The findings suggest that mastery of entrepreneurial skills not only has a direct positive impact on business performance, but is also an important component of business planning and management strategies. Therefore, improving entrepreneurial competencies can be a strategic step for SMEs, especially in the culinary sector, to achieve better and more sustainable results.

Effect of Entrepreneurial Competence (X) on Innovation (Z)

The results of statistical testing of hypothesis 2 show that entrepreneurial competence has a positive and significant effect directly on commitment is accepted. The results of this study indicate that the higher the entrepreneurial competence, the higher the innovation of small businesses in Jambi City, and vice versa, if entrepreneurial competence is low, business innovation will also be low.

The results of this study are in line with previous studies which show that competence has a positive and significant effect on organizational commitment. This finding is also in accordance with other studies which reveal that competence directly affects organizational commitment with a positive and significant impact. In addition, the results of this study support the view that competence is an essential ability in carrying out a job or task, which is built from skills, knowledge, and work attitudes that are in accordance with the demands of the job (Martini et al, 2018; Srie kaningsih & Setyadi, 2015; Ketut & Wayan, 2023; Wibowo, 2017; Anggraini, 2022)..

Overall, this study reinforces the importance of competence in increasing organizational commitment. Competencies, which include skills, knowledge, and work attitudes, are proven to play a significant role in encouraging the commitment of organizational members. Thus, strengthening individual competencies can be an effective strategy to improve commitment and performance in various organizations, including in the context of cultural services or other sectors. This research provides a clear picture of how competencies can contribute to organizational development and provide a foundation for efforts to improve work quality in various fields.

Effect of Innovation (Z) on Business Success (Y)

Based on the results of statistical testing of hypothesis 3, it shows that innovation has a significant effect directly on business success. The results of this study indicate that innovation has a significant effect on business success. The results of this study mean that the higher the business innovation, the higher the level of achievement of business success, and vice versa, if the commitment is low, the achievement of business success is also low.

Based on the review of previous research, it can be concluded that innovation has a significant influence on business success. These studies show that innovation, whether in the form of products, processes, or strategies, plays a crucial role in achieving business success and competitiveness. Previous research concluded that product innovation significantly affects firm performance, including customer satisfaction and market share (Hsu et al., 2018; Dahmiri et al, 2024). Successful innovation in product development can increase competitiveness and business success. Process innovation is positively related to operational efficiency and financial performance. Companies that implement innovation in their business processes tend to experience increased productivity and profitability (Jin & Choi, 2019; Hajar, 2015; Lestari et al, 2020). Other research reveals that innovation strategies are positively related to business success in international markets (Herrera, 2016; Ortiz-Villajos & Sotoca, 2018; Gupta & Sahu, 2019). Companies that are active in strategic innovation tend to be more successful in global expansion. Technological innovation has a significant impact on increasing production capacity and operational efficiency

(Ju et al, 2016; Abdallah et al, 2016; Nguyen & Nguyen, 2021). New technologies adopted through innovation can strengthen competitive positions and business results. Meanwhile, other research confirms that marketing innovation has a positive influence on brand equity and customer loyalty. Innovation in marketing strategies can increase brand visibility and customer attractiveness (Xu et al, 2014; Tunç, 2022; Kim et al, 2022).

Effect of Entrepreneurial Competence (X) on Business Success (Y) through innovation (Z)

Based on the results of statistical testing of hypothesis 4, it shows that entrepreneurial competence has a significant effect on business success through innovation. The results of this study indicate that entrepreneurial competence has a significant effect on business success through innovation as a mediating variable.

From the review of previous research on the effect of Entrepreneurial Competence (X) on Business Success (Y) through Innovation (Z), it is found that entrepreneurial competence directly affects business success and innovation acts as an important mediator in the relationship. Innovation applied as a result of entrepreneurial competence can increase business success in a significant way.

Previous research revealed that entrepreneurial competence has a positive influence on SME business success, and innovation serves as a significant mediator. Entrepreneurial competence enhances the ability to innovate, which in turn contributes to business success (Pranowo et al, 2020; Tehseen & Ramayah, 2015; Noor & Zulkifli, 2018). Other research shows that entrepreneurial competence has a positive impact on innovation, and that innovation contributes to increased business success. Innovations developed through entrepreneurial competencies can improve business performance and competitiveness (Man et al, 2008; Kamuri, 2023; Sari & Pratama, 2019). In addition, there are also previous studies that confirm that entrepreneurial competence directly affects business success, with innovation as a mediating factor. Innovations resulting from entrepreneurial competencies have a positive impact on business outcomes (Wijaya & Indriani, 2020). Another study also found that entrepreneurial competencies contribute to innovation, which then affects business success. Innovations implemented based on entrepreneurial competencies strengthen the competitive position and business success (Lv et al, 2021; Amini Sedeh et al, 2022; Utami & Rahardjo, 2021). Meanwhile, there are studies that confirm that entrepreneurial competencies have a significant influence on innovation, and that innovation acts as a strong mediator in the relationship between entrepreneurial competencies and business success. Innovation driven by entrepreneurial competence contributes to increased business success (Mitchelmore & Rowley, 2010; Bauman & Lucy, 2021; Setiawan & Nugroho, 2022).

From this study, it can be concluded that entrepreneurial competencies play an important role in improving business success through innovation. Innovation driven by entrepreneurial competencies contributes significantly to business success by improving the competitiveness, efficiency and overall performance of the firm.

CONCLUSION

1. The majority of respondents have relatively new businesses with 32.1% of them having businesses operating between 1 to 3 years. Only 18.2% of the respondents have been in business for more than 6 years. This shows that most of the business owners in the study sample are entrepreneurs who are still in their infancy or early stages.
2. Most respondents (51.9%) had a monthly income of less than IDR 5,000,000. This indicates that most of the businesses run by respondents are on a small scale with relatively low income levels, suggesting potential for growth and improvement in business financial management.
3. Based on the outer model analysis, all variables studied (Entrepreneurial Competence, Innovation, and Business Success) show Composite Reliability and Cronbach's Alpha values above 0.7, which means that this research model is reliable and valid. However, some initial indicators did not meet the validity criteria, so indicator reduction was carried out to obtain a better model.
4. The results of hypothesis testing show that Entrepreneurial Competence has a positive and significant effect on Business Success and Innovation. In addition, Innovation also has a positive and significant effect on Business Success. This confirms that both increasing entrepreneurial competence and innovation can directly increase business success.
5. Entrepreneurial Competence has a significant influence on Business Success through Innovation as an intervening variable. This suggests that innovation serves as an intermediary that strengthens the relationship between entrepreneurial competence and business success, emphasizing the importance of innovation in the process of improving business performance.

RECOMMENDATIONS

1. Small business owners should focus on developing key entrepreneurial skills like business management, strategic planning, and leadership through targeted training and education programs, as these skills significantly impact business success and innovation.
2. Businesses must foster an environment that supports innovation by creating a culture of creativity, incentivizing new ideas, and investing in research and development, as innovation drives business success.
3. Entrepreneurs at different stages (≤ 1 year vs ≥ 6 years) require different types of support. Government and agency programs should provide mentorship for new entrepreneurs and innovation support for more established businesses.
4. With many entrepreneurs earning below IDR 5,000,000 monthly, training programs focused on skill enhancement, marketing strategies, and operational efficiency are essential to help increase income.
5. The study highlights the need to reevaluate invalid indicators. Future research should ensure that all indicators are valid and reliable to improve the accuracy and dependability of results.

Conflicts of Interest

The authors have disclosed no conflicts of interest.

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