



UDC 332

DETERMINANTS OF ENTREPRENEURIAL ORIENTATION CHALLENGES IN MUSLIM FASHION RETAIL SMALL AND MEDIUM ENTERPRISES

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ABSTRACT

This study is intended to find entrepreneurial steps taken by small and medium business owners in the field of Muslim fashion retail in facing the challenges of change in the era of innovation. Using a quantitative approach, the determinant factor of entrepreneurial orientation is expected to find latent proxies from indicators that explain the reflection for the measurement construct. SmartPLS is used to help find the performance of dimensional significance in the prediction process. The results showed the relationship between innovation, proactiveness, prudent risk-taking, responsiveness to the market, and self-responsibility in employees.

KEY WORDS

Entrepreneurial orientation, determinants, SME, retail, fashion.

Since its initial introduction by Miller (Miller, 1983; Omar et al., 2019) and further developed by Lumpkin & Dess (Lumpkin & Dess, 1996), the concept of "entrepreneurial orientation" (EO) has been a major focus in organizational research to understand how entrepreneurial orientation affects organizational behavior. EO is identified as a set of entrepreneurial behaviors that include innovativeness, proactiveness, propensity to take risks, opportunity orientation, and customer orientation. Over time, EO research has highlighted its influence on organizational performance, innovation success, and how factors internal and external to the organization influence EO adoption and implementation (Al Mamun et al., 2017; Alborathy et al., 2023; Wei et al., 2023). Accordingly, EO has become one of the key concepts in understanding how organizations can develop an entrepreneurial attitude to achieve competitive advantage in a dynamic business environment.

The definition of "entrepreneurial orientation" (EO) has evolved since it was first introduced. Miller (1983) initially described EO as a strategic orientation involving entrepreneurial behaviors, including innovation, risk-taking, and new product development. Later, Lumpkin & Dess (1996) expanded this concept by emphasizing five key dimensions: innovativeness, proactiveness, risk-taking propensity, opportunity orientation, and customer orientation. Subsequent developments by researchers such as Wiklund & Shepherd (Wiklund, 1999; Wiklund & Shepherd, 2005) highlighted other aspects of EO, including creativity and contextual factors. Similarly, further research by Rauch, Wiklund, Lumpkin, and Frese emphasized the influence of environment, organizational culture, and individual characteristics in influencing entrepreneurial orientation (Rauch et al., 2009). While the definition is evolving, EO still reflects an organization's entrepreneurial attitude with a focus on innovation, proactivity, risk-taking, and opportunity pursuit, while considering broader environmental and organizational factors in the business context.

Research on EO continues to grow with a focus on the influence of EO on organizational performance, the identification of different EO dimensions, the influence of the business environment and internal organizational factors on EO adoption, and its relationship with innovation and competitive advantage. The research also expands the understanding of EO in various organizational contexts, such as startups, large enterprises, and the public sector, while continuing to develop better measurement methods to reflect more accurate aspects of



entrepreneurship. As a whole, EO research continues to deepen the understanding of how organizations can adapt, enhance, and implement entrepreneurial principles to achieve competitive advantage and long-term growth (Khan et al., 2021).

The development of research on EO is faced with several obstacles. One of them is the difficulty of measuring the concept of EO, which involves dimensions such as innovation, proactivity, risk-taking, and opportunity orientation (Qosasi et al., 2019). Limitations in accessing organizationally sensitive data as well as sample limitations in research are also challenges, often limiting the generalizability of results. Determining the cause-and-effect relationship between EO and organizational performance and adapting research findings to different business contexts are also obstacles that need to be overcome. In addition, criticisms of the EO model that it may not be able to explain all aspects of entrepreneurship and the constant changes in the business environment are also factors that complicate the development of this research. Overcoming these challenges requires a concerted effort to develop better research methods, cross-disciplinary cooperation, and a deeper understanding of the role of entrepreneurship in diverse organizations.

Research on the determinants of EO formation is expected to contribute significantly to further development in the field of Muslim fashion retail. Identifying the factors that influence organizations in adopting and implementing entrepreneurial attitudes will provide a deeper understanding of this process. With a better understanding of the factors that influence EO, organizations can develop more effective strategies to strengthen their entrepreneurial aspects. This can help organizations achieve a competitive advantage, sustainable innovation, and improve their long-term performance in a changing business environment (Mustafa et al., 2022). As a result, research on the determinants of EO formation is expected to provide important insights for the development of entrepreneurial management theory and practice in the context of Muslim Fashion Retail Small and Medium Enterprises.

METHODS OF RESEARCH

The quantitative approach in analyzing the determinants of EO dimensions involves a series of systematic steps. First, the process begins with the selection of variables related to EO, such as innovativeness (H1), proactiveness (H2), risk-taking (H3), and self-responsibility (H4) (Sa Liow et al., 2018). Then, the researcher developed a valid and reliable assumption of probability structured questionnaire to collect data related to these variables from respondents representing the research sample. The research sample of 250 small and medium-sized Muslim fashion retail businesses in Bandung City became the research subject.

The next step is data collection through surveys to respondents. After the data were collected, statistical analysis was conducted to identify the factors that influence EO. The commonly used analysis method is regression analysis to determine the effect of latent variables manifested by indicators and dimensions in the construct of research variables. Other statistical analyses such as factor analysis, path analysis, or multivariate analysis can also be applied to reveal more complex patterns and relationships among the variables. Once the analysis is complete, the results are interpreted to identify the variables that have a significant influence on EO. This helps in providing a better understanding of the factors that are most influential in shaping EO in the context under study.

RESULTS AND DISCUSSION

The results of research on the determinants of EO usually include findings on certain variables or factors that have a significant influence in shaping entrepreneurial orientation in Muslim fashion retail businesses. The results show that the factors of innovativeness, proactiveness, risk-taking, and self-responsibility show strong validity and reliability in building



the EO framework. This is evidenced by the value of the Loading factor Composite Reliability, Average Variance Extracted, and variance inflation factor by the required eligibility test provisions contribute positively to the EO level of a company (Hair et al., 2014, 2017).

Table 1 – Validity and Reliability Testing

Indicator	Variable	Loading Factor	Composite Reliability	Average Variance Extracted (AVE)	Outer VIF	Inner VIF	Accepted
EO1	Innovativeness	0.713	0.885	0.721	1.563	2.390	Yes
EO2		0.906					
EO3		0.913					
EO4	Proactiveness	0.922	0.925	0.860	2.506	3.032	Yes
EO5		0.933					
EO6	Risk Taking	0.852	0.848	0.736	1.286	2.527	Yes
EO7		0.863					
EO8	Self Responsibility	0.772	0.770	0.531	1.261	2.254	Yes
EO9		0.601					
EO10		0.798					

The provision of a loading factor value that meets the test standard of -1 to 1, indicates a stronger relationship between the indicator and the EO construct it represents with criteria above 0.6 and close to the value of 1 in exploratory research (Hair et al., 2014; Hair Jr et al., 2021). In the first-order measurement, it is found that indicators EO1 to EO10 have reflective properties on EO. The results of the second measurement regarding composite reliability state that the indicator consistency value in manifesting consistently forms the EO variable, with a standard value above 0.7 (Ghozali, 2020; Hair et al., 2014). The third measurement is carried out through the AVE value test where the amount of manifest diversity in building variable latent constructs is greater than 0.5 so that it appears that there is very little error rate found from respondents' answers (Hair et al., 2014). Finally, the multicollinearity test according to Frisch (1965) with the variance Inflation Factor criterion shows that the amount of increase in diversity from the regression estimation coefficient is not orthogonal with a tolerance value below 10 and above 0.01 (Dyckhoff, 2019).

Table 2 – Regression Model Testing

Regression	T Statistics (O/STDEV)	P Values	Significance Level
Innovativeness -> Entrepreneurial Orientation (H1)	57.2732	0.0000	***
Proactiveness -> Entrepreneurial Orientation (H2)	61.4328	0.0000	***
Proactiveness -> Innovativeness	17.3905	0.0000	***
Risk Taking -> Entrepreneurial Orientation (H3)	33.8799	0.0000	***
Risk Taking -> Innovativeness	12.7660	0.0000	***
Risk Taking -> Proactiveness	19.1098	0.0000	***
Self Responsibility -> Entrepreneurial Orientation (H4)	36.8040	0.0000	***
Self Responsibility -> Innovativeness	15.4112	0.0000	***
Self Responsibility -> Proactiveness	20.0550	0.0000	***
Self Responsibility -> Risk Taking	15.6638	0.0000	***

EO (Second Order) modelling regression testing shows the t value is greater than the t statistic. With a significance value of 0.05, the t value above 1.96 is declared to meet the criteria for a significant effect on the construct variable. The second test of the modeling regression shows that the sample measurement prediction can provide a probability value that indicates an assumption that rejects the null hypothesis with a p-value below 0.05 (Hair Jr et al., 2021).

Research exploring the influence of innovation as a shaping element of EO on Muslim fashion retail entrepreneurs reveals significant findings. The results of this study highlight important aspects of the close link between innovation and entrepreneurial behavior (Šlogar & Andrijanic, 2023). One of them is the responsiveness of entrepreneurs in facing business competition with their competitors in the Muslim fashion retail market. They are actively involved in providing the best products and improving services to meet customer needs, suggesting that innovation is not only limited to new products but also to the services provided. In addition, the findings also illustrate the visionary nature of entrepreneurs who can look ahead and realize the



importance of innovation as an entrepreneurial driver. They not only focus on short-term strategies but also consider innovation as the foundation for long-term business growth. Proactive aspects of decision-making and the ability to initiate small changes also emerge as hallmarks of such entrepreneurs (Wach et al., 2023). They do not just wait for external changes but are active in creating changes within their organizations. Another important finding is that entrepreneurs are risk-takers (Muindi & Masurel, 2022). Despite the risk that the products they buy may not sell, they still dare to store them in the store's warehouse. In addition, entrepreneurs show self-responsibility (Du et al., 2021) by giving trust to employees, from giving store keys to reporting transfers to business accounts with the characteristics of the Muslim fashion retail industry. These findings provide a strong picture of how innovation plays a role in shaping entrepreneurship in Muslim fashion retail entrepreneurs, with creativity, adaptability, prudent risk-taking, and self-responsibility as key elements in this process.

The Entrepreneurial Orientation (EO) theory proposed by Miller (1983) emphasizes three main dimensions, namely innovation, proactivity, and risk-taking as core elements of the company's business strategy. Meanwhile, Lumpkin & Dess (1996) expanded the concept of EO to include an opportunity-oriented attitude and the ability to utilize resources. The findings from the research related to Muslim fashion retailers that show the link between innovation, proactiveness, prudent risk-taking, responsiveness to the market, and self-responsibility in employees are by the concept of EO introduced by Miller and modified by Lumpkin and Dess. The integration of these concepts provides a solid understanding (Margahana & Sugandini, 2022) of how Muslim fashion retail entrepreneurs adopt entrepreneurial principles in their business strategies and behaviors.

CONCLUSION

Based on the results of previous research on the determinants of Entrepreneurial Orientation (EO), it can be concluded that the context of Muslim fashion retail businesses, such as innovation, proactivity, risk-taking, and self-responsibility, has a major influence on entrepreneurial orientation. This influence is also multifactorial, including individual psychological aspects, team dynamics, and the impact of the external environment. For future research, it is suggested that there should be a multidisciplinary approach to analyzing EO by integrating concepts from various disciplines. In addition, more in-depth research on the contextual factors that influence EO in a more specific context and the development of a comprehensive conceptual framework can provide a deeper understanding.

For future research, it is important to consider the influence of technology and digital transformation on EO within organizations. Long-term studies that observe the development of EO over time can provide insights into changes and the factors that drive them. In addition, comparative research across countries or industries is also important to understand the differences and similarities in the determinants of EO and its implications for organizational performance. With the focus on more integrative, applicable, and in-depth research, it is hoped that future research can provide more comprehensive insights into how certain factors shape EO and its impact on organizational performance and success.

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