

The Role Of Entrepreneur Networking In Moderating The Relationship Of Leadership Style To MSME Performance

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Abstract.

This study aims to determine the role of entrepreneurial networking in moderating the relationship of leadership style to the performance of MSMEs in Pematangsiantar City. Literature and field research design with quantitative approach. Research subjects taken in this study are MSME in the city of Pematangsiantar. The research was conducted in eight districts in the city of Pematangsiantar. Data collection techniques using observation, interviews, questionnaires and documentation. The data analysis method used is Partial Least Square (PLS). Data analysis test equipment using Smartpls statistical software. The results obtained were positive and significant between Transformational Leadership with Entrepreneur Networking, Transformational Leadership with MSME performance, and Entrepreneur Networking with MSME performance and positive and no significant between situational leadership with Entrepreneur Networking. Moderation results obtained Entrepreneur Networking is not able to moderate the relationship between situational leadership on MSME performance, and Entrepreneur Networking proved capable of moderating the relationship between transformational leadership on MSME performance.

Keywords: *Entrepreneurial networking, Leadership Style and MSME Performanc.*

I. INTRODUCTION

MSMEs or micro, small and medium enterprises are one of the economic actors that are an important part of driving the economy in developing countries, including in Indonesia itself. Optimism towards MSMEs in Indonesia is also evidenced by the statement of Deputy Governor of Bank Indonesia (BI), Rosmaya Hadi that Indonesian MSMEs have great opportunities in their participation in international trade and Global Value Chain (GVC). To achieve this, good MSME performance is needed. Performance is a description of the level of achievement obtained in an organization in realizing the goals, objectives, vision and mission of the organization. Good business performance will be seen from the company's ability to manage its resources in order to conduct business development or so-called expansion. An economically strong country is determined by the business practices in it.

Indonesia as one of the countries that are currently experiencing strengthening in the economic sector is expecting continuous growth, especially in the Micro, Small and Medium Enterprises (MSMEs) sector because it is undeniable that this sector is able to contribute to the growth of the economy. MSMEs are one of the contributors to Gross Domestic Product which plays a major role in absorbing Labor [1]. Based on data from the Ministry of cooperatives, small and Medium Enterprises in 2019, MSMEs were able to absorb 96.92% of the workforce in Indonesia, with details on micro enterprises of 89%, small businesses of 4.81%, and medium enterprises of 3.07%. The contribution of MSMEs to Gross Domestic Product in Indonesia also reached Rp 9,580.8 trillion, giving awareness of how important the role of MSMEs in the country should always be addressed in order to continue to grow. Every year MSME business actors in Indonesia, have increased as seen from the picture below:



Fig 1.Development of the Number of MSMEs

Every organization that conducts business activities will expect to always get the best performance results even though the global situation will always change in a volatile manner [2]. MSMEs often experience delays in their development, this is due to various conventional problems that are not completely resolved such as human resource capacity problems, ownership, financing, marketing and various other problems related to Business Management [3]. MSME actors in Pematangsiantar City are still lacking in knowledge related to how to improve their business performance [4]. The behavior of a leader can affect the understanding of subordinates and will provide an understanding of the organization's goals and achieve these goals. The main problem lies in the SMEs in the city of Pematangsiantar is the small understanding and implementation of the spirit of entrepreneurship so that their main focus is only on selling profit-oriented course, not entrepreneurship-oriented business development or productivity. The lack of understanding related to digital marketing and inconsistency in management are factors that hinder business growth.

In addition to these other problems that occur weak management in managing human resources is also another problem that must be considered. Therefore, a strong leadership spirit is needed in building a business so that the resources owned can be utilized effectively and efficiently and the business can be large and beneficial to the community. The urgency of this study is the existence of the development and sustainability of MSMEs in Indonesia, especially in the city of Pematangsiantar, needs special attention considering that MSMEs are an important business sector that is able to boost the country's economy and reduce unemployment through job creation. Therefore, there is a need for understanding of MSME actors about entrepreneurial networking and leadership styles that can improve MSME performance. The researcher believes that through this research, it is expected to provide a fundamental contribution in the form of information that supports strategic steps in entrepreneurial networking and leadership styles that can be applied to improve the performance of MSMEs. Based on the problem phenomenon described above, the specific purpose of this study is to determine the role of entrepreneurial networking in moderating the relationship of leadership styles to the performance of MSMEs in Pematangsiantar City.

Micro, Small and Medium Enterprises (MSMEs)

The growth of MSMEs is currently oriented towards the development of a decentralized people's economy but still able to compete in local and international markets. The development of MSMEs is able to become a stabilizer and dynamicator of the economy. The MSME sector has a vital role in encouraging the pace of economic growth in Indonesia, the existence of the MSME sector in each industrial sector, the unemployment rate that is not absorbed in the world of work can be reduced [5]. MSMEs have a strategic role including:

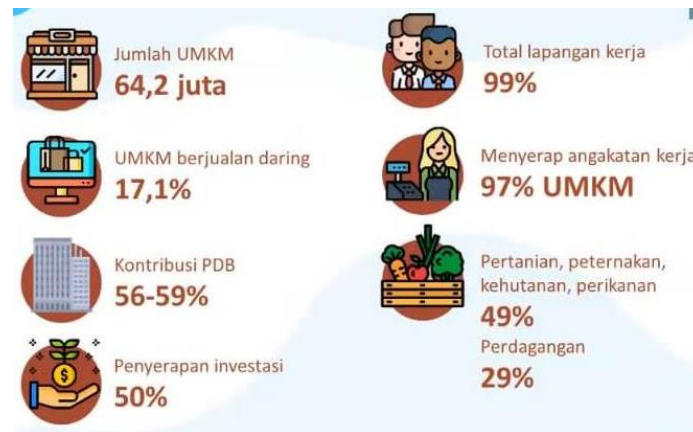


Fig 2.The Role of MSMEs in the Indonesian Economy

Source: *Ministry of Communication and Information (2021) [6]*

MSMEs contribute to job creation, economic development, and poverty alleviation and improve the welfare of local communities and local communities [7].

MSME Performance

In general, MSMEs measure business performance by being oriented towards multi-dimensional aspects with measurements on short-term achievements [8]. Business performance refers to the ability of an enterprise to achieve goals in the form of higher profits, quality products, large market share, good financial results, and survival at a predetermined time with relevant strategies for action [9]. Business performance is an important standard used by an economic entity to assess business success. Performance measurement is very useful for taking corrective actions that are considered necessary. Performance measures become important as a guideline for assessing business performance. Standardization of sizes is required as a meter and evaluation material in the preparation of future plans [10].

Leadership Style

The leadership system seeks to direct the behavior of its subordinates as expected and has a commitment to the organization, security, and justice that is felt [11]. Leadership as a tool, means or process to persuade people to be willing to do something voluntarily or joyfully. A leader must have a higher level of intelligence than his own and have high motivation and encouragement to achieve. Various leadership styles have been applied in running organizations that bring the led company to develop and compete.

1. Situational Leadership

This leadership style explains how leaders create effectiveness in many types of diverse organizational settings, where they see the leader's behavior in dealing with sharing situations [12]. Followers of different levels need this leadership to support the improvement of their respective self-performance [13]. There are four styles on which the situational leadership style is based, namely the instruction, consultation, participation, and delegation styles [14].

2. Transformational Leadership

Transformational leadership is leadership that represents the behavior of leaders in inspiring their followers to perform at a higher level than expected [15]. A high-quality and persuasive leader is most likely to succeed in his leadership. Transformational leadership can only succeed if the leader and his followers dare to take risks in transforming circumstances [16]. The components contained in transformational leadership are charisma, motivation, intellectual stimulation, and personal and individual attention [11].

Entrepreneur Networking

Entrepreneur networking is one of the most powerful assets that anyone can have where there is access to power, information, knowledge and capital [17] [18]. Entrepreneur networking can support companies to become established and can help businesses to go beyond the early stages of business development. The entrepreneurial networking building component of personal relationships, and having a favorable attitude [19] [20]. In building an effort to build good relationships between individuals and with organizations, it is often seen as the right way to achieve company goals [20].

II. METHODS

A quantitative approach was used in this study with literature and field design [21]. The location of research on MSME actors in Pematangsiantar City. The population in this study is the overall number of MSMEs in Pematangsiantar City. The sample determination method used in this study is the convenience sampling method. According to (Hair, 2014), the number of samples can be determined from 10 times the number of indicators used in a single construct. This study used 14 indicators from existing constructs, so the number of samples obtained was 140 samples. The analysis stage consists of testing validity and reliability, and evaluating outside models with convergent validity. The expected convergent validity criterion is > 0.7 (Hair, 2014). The evaluation model is deep by reviewing the value of R Square (R²) with the criteria if the value of R² is in the range of 0.5-0.6, which means good, 0-0.33, which means medium and 0-0.19, which means weak. Furthermore, reviewing the value of F-Square (f²) with a scoring criterion of 0.02 which means weak, 0.15 which means medium, and 0.35 which means large [23]. Finally, hypothesis testing which is the criterion for measuring significance and probability values < 0.05 .

III. RESULT AND DISCUSSION

The questionnaire was distributed to MSME actors in Pematangsiantar City. Based on the results of the recapitulation of respondents' answers that filled out the questionnaire, 140 respondents were found to fill in the data.

Table 1. Respondent Description

Category	Information	Sum	Percentage
Gender	Man	53	44,17
	Woman	67	55,83
Age	20-29 Year	23	19,17
	30-39 Year	35	29,17
	40-49 Year	39	32,50
	50-59 Year	23	19,17
Start-up Capital	0-10 Million	98	81,67
	11-50 Million	35	29,17
	51-100 Million	7	5,83
Average Profit Per month	Less Than 5 Million	69	57,50
	5-10 Million	28	23,33
	11-50 Million	18	15,00
	51-100 Million	5	4,17
Product Sales System	Retail	23	19,17
	Distributor	56	46,67
	Direct Selling	41	34,17
Capital Needs	Loans From Individuals	23	19,17
	Trade Debt	9	7,50
	Remaining Profits	13	10,83
	Borrowing From The Bank	14	11,67
	Borrowing From Cooperatives	9	7,50
	Own Capital	52	43,33

Source: Data Processed 2022

The following is an explanation of Table 1, it is known that the majority of respondents are of the same sex with a percentage of 55.83%, and the average respondent is dominated by the age of 40-49 years with a percentage of 32.50%, then for the initial capital of the respondents the average of 0-10 million is 81.67%, the average monthly profit obtained by the respondents is less than 5 million by 57.50% of the product sales system carried out by the majority using distributors of 46.67%, and respondents' capital needs using their own capital of 43.33%. Measurement Outer Model Measurement, carried out to measure validity, reliability, and R-Square, the test results are as follows:

Table 2. Validity, Reliability and R-Square test

Variables	Item	Outer Loading	Average Variance Extracted (AVE)	Composite Reliability	Cronbach's Alpha
Situational Leadership	Directive Style (KS1)	0.702	0.616	0.864	0.788
	Coaching Style (KS2)	0.866			
	Style Support (KS3)	0.849			
	Delegation Style (KS4)	0.706			
Transformational Leadership	Individual Attention (KT1)	0.874	0.722	0.912	0.872
	Intellectual Stimulation (KT2)	0.862			
	Intellectual Stimulation (KT3)	0.847			
	Idealized Influence (KT4)	0.816			
Entrepreneur Networking	Building Personal Relationship (EN1)	0.972	0.954	0.977	0.953
	Having Favorable Attitude (EN2)	0.982			
MSME Performance	Benefits (KU1)	0.953	0.919	0.958	0.913
	Assets (KU2)	0.965			
R-Square					
		<i>R-square</i>		<i>R-square Adjusted</i>	
Entrepreneur Networking		0.146		0.132	
MSME Performance		0.379		0.362	

Source: Processed Data (2022)

In the validity test presented, the value of each loading factor and AVE on indicators of Situational Leadership variables, Transformational Leadership, Entrepreneur Networking and MSME performance is above 0.7 for loading factor and above 0.5 for AVE. Furthermore, the value for each of the above reliability obtained composite reliability value for each research variable is also above 0.7. Furthermore, the value of cronbach's alpha obtained for each variable is also above 0.60, it can be concluded that all research variables have a good reliability value. Furthermore, judging from the value of R-square endogenous variables, obtained a value of 0.146 for Entrepreneur Networking, this indicates that the overall ability of exogenous variables explain Entrepreneur Networking is weak. Then also obtained the R-square value of the next endogenous variable is the performance of MSMEs at 0.379, which means that the overall ability of exogenous variables explain the performance of MSMEs is weak.

Furthermore, to prove hypothesis testing, a significance test is carried out which is used to determine the relationship between exogenous variables and endogenous variables. The significant criterion is judging from the p-value. The results of hypothesis testing are as follows:

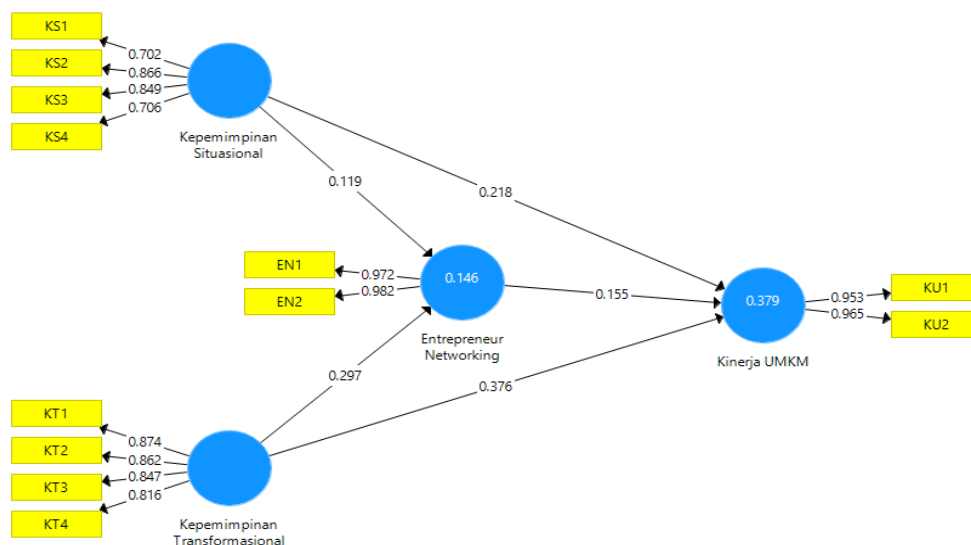


Fig 3. Full Model

Based on the above model, the results of the hypothesis can be summed up in the following table 3:

Table 3. Hypothesis Test Results

Hypothesis	Coefficients	t-Statistics	P-Value	Result
Situational Leadership → Entrepreneur Networking (H1)	0.119	1.105	0.270	Rejected
Transformational Leadership → Entrepreneur Networking (H2)	0.297	2.920	0.004	Accepted
Situational Leadership → MSME Performance (H3)	0.218	2.210	0.028	Accepted
Transformational Leadership → MSME Performance (H4)	0.376	4.046	0.000	Accepted
Entrepreneur Networking → MSME Performance (H5)	0.155	2.715	0.007	Accepted

Source: *Processed Data (2022)*

Based on the results of the first hypothesis test (H1), results were obtained that led to positive but insignificant results between Situational Leadership and Entrepreneur Networking. With situational leadership that understands the current situation, it will make it easier for MSME actors to develop their business with Entrepreneur Networking owned by the leader will facilitate the development of the business. Based on the results of the second hypothesis test (H2), results were obtained that led to positive and significant results between Transformational Leadership and Entrepreneur Networking. Leaders with a transformational style will make changes in accordance with the vision and mission to be achieved with Entrepreneur Networking, so the leader will get suggestions for future improvement [24]. Based on the results of the third hypothesis test (H3), results were obtained that led to positive and significant results between Situational Leadership and MSME Performance.

The leader becomes the backbone in developing the organization which can encourage and influence members in achieving the goals of the organization that have been set. Based on the results of the fourth hypothesis test (H4), results were obtained that led to positive and significant results between Transformational Leadership and MSME Performance. This shows that transformational leaders are able to motivate members in the organization to reach a level more than the expectations that the organization expects of them, with such leaders expected to work well and improve the performance of MSMEs set. Based on the results of the fifth hypothesis test (H5), results were obtained that led to positive and significant results between Entrepreneur Networking and MSME Performance. The business network owned by MSME actors will make it easier for MSME actors to improve the performance of MSMEs where business networks can be used in promoting programs and obtaining raw materials needed for business continuity and development [9].

Furthermore, to determine the effect of Entrepreneur Networking moderation on the relationship of Situational Leadership and Transformational Leadership on MSME Performance, a mediation test was carried out using a moderating effect approach, with explanations presented in table 3 as follows:

Table 3. Mediation Test Results Based on Moderating Effect

Hypothesis	Coefficients	t-Statistics	P-Value	Result
Situational Leadership → Entrepreneur Networking → MSME Performance (H6)	0.018	0.937	0.349	Accepted
Transformational Leadership → Entrepreneur Networking → MSME Performance (H7)	0.046	2.020	0.044	Accepted

Source: *Processed Data (2022)*

Based on the processed moderation test data based on the moderating effect, a conclusion can be drawn that the Entrepreneur Networking variable is not able to moderate the relationship between Situational Leadership and MSME Performance as evidenced by the acquisition of a p-value of 0.349 whose value is above 0.05. This shows that the existence of Entrepreneur Networking that is owned by the leader but not used properly will not improve the performance of MSMEs.

Furthermore, the Entrepreneur Networking variable has proven to be able to moderate the relationship between Transformational Leadership and MSME Performance by being proven to have a p-value of 0.000 whose value is below 0.05. Leadership that is ready to make changes in accordance with customer demands and take advantage of its Entrepreneur Networking will improve the performance of MSMEs it undergoes.

IV. CONCLUSION

In improving the performance of MSMEs in the leadership role, it is very necessary with situational leadership with leaders can change leadership styles by looking at the conditions that are being faced by the organization. situational leaders and combined with transformational will observe the condition of the organization and evaluate the extent to which the organization's achievements with predetermined goals will thus create a method that will improve the performance of MSMEs. With the Entrepreneur Networking owned by the leader, it will make it easier for companies to obtain business networks to develop businesses by promoting product results and obtaining raw materials to support the sustainability and success of the business union being run.

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