

# The Effect of Entrepreneurial Orientation and Talent Management on Business Performance of the Creative Industries in Indonesia

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Received: September 15, 2021 Revised: November 20, 2021 Accepted: December 01, 2021

## Abstract

This study aims to develop a concept based on empirical research on improving optimal business performance. This goal is achieved by examining the relationship between variables of entrepreneurial orientation, talent management, market orientation, and business performance. The construction of the relationship between research variables, namely entrepreneurial orientation, talent management, on business performance is mediated by market orientation on handicraft businesses in Indonesia. The sampling method was used to collect data from 145 businessmen in Indonesia, using surveys and questionnaires. Data was collected using a survey technique carried out from June 2020 to December 2020. The data obtained was analyzed using the PLS Pro 19. This study developed 9 hypotheses that were tested directly, indirectly, and through mediation. This study has five findings. First, Entrepreneurship Orientation does not directly affect Business Performance. Second, Entrepreneurship Orientation also has a significant direct effect on Talent Management and market orientation. Third, Talent Management and market orientation have a direct and significant impact on business performance. Fourth, market orientation mediates the effect of entrepreneurial orientation on business performance. Fifth, talent management mediates the effect of entrepreneurial orientation on business performance. The results show that entrepreneurial orientation mediated by talent management and market orientation can improve creative industry business performance for the better.

**Keywords:** Entrepreneurship Orientation, Talent Management, Market Orientation, Business Performance, Creative Industry, SMEs

**JEL Classifications Code:** L8, L81, L84, M31

## 1. Introduction

The development of the creative industry in Indonesia has a significant contribution to the economic resilience of society. The creative industry has an essential role in empowering human resources. The Creative Industry is

expected to become a new force for the national economy in the future, in line with the condition of natural resources that are increasingly degraded every year.

The creative industry is an industry that comes from harnessing individual creativity, skills, and talents to create welfare and employment by generating and empowering the creative power and creativity of the individual. Simatupang (2008) explains that the creative industry is an industry that relies on talent, skills, and creativity which are the essential elements of every individual. Therefore, the main elements of the creative industry are creativity, expertise, and talents that have the potential to increase welfare through the offering of intellectual creations.

The Special Region of Yogyakarta is one of the creative silver handicraft processing industry centers that can survive. The silver handicraft industry has been able to pass down from generation to generation for hundreds of years. In addition, silver handicrafts have been able to drive the economy of the Special Region of Yogyakarta as a tourist destination city.

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Based on empirical research, the success of the creative industry business is influenced by many variables. This study explores the relationship between entrepreneurial orientation, talent management, market orientation, and business performance. Empirically, the relationship between entrepreneurial orientation and business performance is significant (Wiklund & Shepherd, 2003; Hult et al., 2004; Runyan & Droge, 2008; Poudel et al., 2012; Mahmmod & Hanafi, 2013; Arshad et al., 2014). However, several studies show a low correlation between entrepreneurial orientation and performance (Dimitratos et al., 2004; Baker & Sinkula, 2009). Furthermore, the linkage between talent management and business performance is still rare and needs further testing (Keoye, 2017; Park et al., 2017). On the other hand, the relationship between market orientation and business performance is significant (Kajalo et al., 2015; Park et al., 2017).

The study results still show a contradiction that entrepreneurial orientation and market orientation are complementary and interrelated constructs in improving business performance (Baker & Sinkula, 2009). Therefore, this study will also examine the results of previous studies (Perez et al., 2005; Mandhachitara & Allapach, 2017; Bino et al., 2017; Lien et al., 2017; Kajalo & Lindblom, 2015; Keoye, 2017; Hans, 2014; Georgellis, 2006) in an integrated and comprehensive manner so that it can be proven whether the influence between variables is still consistent or produces new findings.

The description above shows that entrepreneurial orientation and talent management through market orientation mediation can create added value in improving the performance of small and medium enterprises. However, it is still a matter of debate in research. Therefore, the researcher seeks clarity on the effect of entrepreneurial orientation and talent management on business performance mediated by the market orientation of the silver handicraft industry in the Special Region of Yogyakarta.

## 2. Literature Review and Hypothesis

### 2.1. Entrepreneurial Orientation

Entrepreneurship is the ability to create added value in the market through the process of managing resources in new and different ways, through (1) developing new technologies, (2) discovering new scientific knowledge, (3) improving existing goods and services, and (4) finding new ways to produce more goods by utilizing resources optimally and more efficiently (Zimmerer & Scarborough, 2008: 98). Entrepreneurial attitude means a person's degree of acceptance of entrepreneurship. This attitude can come from a rational mindset that considers the advantages and disadvantages of being an entrepreneur, both from

economic, personal, social, and employment aspects (Setiyawan et al., 2021).

Entrepreneurial orientation as a process is related to the implementation of decision-making that focuses on capturing new market opportunities. The entrepreneurial orientation has three main characteristics, namely innovation, risk-taking, and proactivity. Entrepreneurial orientation is indicated by the extent to which top managers tend to take risks related to business (risk dimension), support change and innovation in order to gain a competitive advantage for their company (innovation dimension) and compete aggressively with other companies (Lumpkin & Dess, 1996; Covin & Selvin, 1991; Qodriah et al., 2021).

In this study, the measurement of the concept of entrepreneurial orientation is based on dimensions referring to the research of Lumpkin and Dess (1991), Arsyad et al. (2014), Lechner and Gudmundsson (2014), Boso et al. (2013), Bambang et al. (2021) measured by the following five indicators:

1. Innovativeness is behavior that tends to engage and support new ideas, novelty, experiments, and creative processes that produce novelty.
2. Pro-activeness is behavior in creating opportunities for products already owned by the company and making improvements in managing the business.
3. Risk-taking is entrepreneurial behavior related to the courage to commit to taking and managing risks for the company's development.
4. Competitive aggressiveness is the behavior of entrepreneurs in increasing the company's competitive position to take over the market.
5. Autonomy (autonomy) is the entrepreneur's independent behavior in creating new ideas and concepts as an individual or a team. Autonomy provides an opportunity to develop creativity, not the result of imitating competitors. Autonomy shows the behavior of entrepreneurs in utilizing their resources and still applies business ethics to establish business independence.

### 2.2. Market Orientation

Market orientation is the behavior of entrepreneurs in maintaining their business by determining the satisfaction of customer needs and desires (Baker & Sinkula, 2009). Market orientation is the skill and ability to see market satisfaction and regularly know changes in customer satisfaction.

Kohli and Jaworski (1990) defined market orientation from the perspective of market intelligence behavior concerning current and future customer needs, cross-departmental

intelligence dissemination, and organizational responses to them. Taleghani et al. (2013) explained that market orientation contains three dimensions: customer orientation, which consists of customer analysis and response to customers, competitor orientation, which consists of an analysis of competitors and reactions to challenging competitors; and coordination. inter-functional (inter-functional coordination), which consists of disseminating information, collecting data, and utilizing information.

Market orientation in this study uses indicators developed by Narver and Stanley (1990), adopted by Huhtala et al. (2014), Lin et al. (2008), Mandhachitara and Allapach (2017), and modified with indicators developed by Sangmi (2014).

1. Customer orientation includes all activities involved in obtaining information about customers in the currently available target market and its developments in accordance with internal dynamics and market dynamics and disseminating it to all business units. Customer orientation is a sufficient understanding of the target customer to create superior value continuously (Narver & Stanley, 1990).
2. Competitor orientation includes all activities involved in obtaining information about competitors in the currently available target market and their developments in accordance with internal dynamics and market dynamics and disseminating it to all business units. Companies need to know the short-term strengths and weaknesses and long-term capabilities, as well as the current and future strategies of competitors (Narver & Stanley, 1990).
3. Inter-functional coordination is the coordination of all company units' resources to create superior value for target customers. Coordination is generally based on information technology developments, customers, and competitors, which usually involve more than the marketing department, to create superior value for buyers (Narver & Stanley, 1990).
4. External resources orientation is an organizational effort to recognize and benefit from resources from external parties, including the government, CSR programs of large donor companies, and volunteers (Sangmi, 2012).

### 2.3. Talent Management

Talent management concerns developing strategies, identifying talent gaps, planning and recruiting succession, selecting, educating, motivating, and retaining talented employees through various initiatives (Davies & Davies, 2010; Annakis, 2014). Talent management can be specific and depends on the organizational context. Farndale

et al. (2010) explain that talent management is an entire organizational activity that aims to attract, select, develop and retain the best employees in strategic roles globally. This approach identifies strategic roles or key positions in the organization to become a central element in talent management in large-scale organizations.

Talent management in the company is carried out from the start by formally placing employees who are following the job description, and this formal job role continues to be determined as the organization grows (Krishnan & Scullion, 2017). In the context of small and medium-sized companies, talent management is developed for several reasons, including: the company's success is determined by the profit factor as measured in terms of the company's growth. In addition, growth is significant for small and medium-sized companies related to production innovation; however, managerial skill gaps become an obstacle to organizational growth (Keoye, 2017).

Davies and Davies (2010) developed the dimension of talent management, which was disclosed by Annakis (2014) as the Davies Model. The dimension of Davies' talent management model is based on three elements, namely: talent identification, talent development, and talent culture.

Talent identification is a process and activity to define and find sources of talent. Attracts people with the right talent who will be enthusiastic, highly capable, and loyal to the organization's values, beliefs, and mission. Companies operate in an increasingly dynamic environment, and to be truly successful, they must stay one step ahead of the game and predict who will be the main drivers of their future success (Davies & Davies, 2010).

Talent development is the development of employee capabilities that focuses on talent. An effective company will have an established process for the professional development of all staff, which is effectively linked with other processes such as performance management (Davies & Davies, 2010; Annakis, 2014; Farooq et al., 2016).

Talent culture is the formation of employee management values that focuses on talent. The company maintains loyalty, commitment, and employee retention in the process of developing employees. Career opportunities will help talented employees feel motivated and aligned with the company's needs for future talent to be available at the right time (Davies & Davies, 2010; Annakis., 2014; Farooq et al., 2016).

### 2.4. Business Performance

Business performance is viewed as 2 (two) perspectives with objective and subjective measurements. Objective performance measurement is in the form of economic performance, and subjective measurement is related to

the performance of non-economic aspects. For example, non-economic performance can be manifested in the form of customer satisfaction, customer sustainability, company image, and employee satisfaction. In addition, business performance in SMEs can be measured based on the achievements of marketing and financial performance (Merrilees & Thiele, 2010).

The business performance variables used in this study use measurements from Ummah and Haleem (2021), Mahmoud et al. (2016); Huhtala et al. (2014); Calantone et al. (2002); Boso et al. (2013); Lien et al. (2008); Mahmoud and Hanafi (2013).

1. Financial performance is measured by: gross profit margin, net profit margin, return on investment, return on sales, and revenue growth.
2. Market performance is measured by an increase in sales and an increase in market share in the number of customers.
3. Operational performance is measured by improving product quality, efficiency in turnaround time, and innovation performance.

## 2.5. The Relationship Between Research Variables

It has been explained in the theoretical study that the issue of competitive advantage if the red thread is drawn lies in the applied business system. The business system referred to is a configuration of resources (input), activity (throughput), and products offered (output), which are all aimed at creating value for customers (Meyer, 2010; Teece, 2010; Porter, 1985; Ray et al., 2004). Therefore, a competitive advantage is only obtained when the business system creates superior value to customers. Furthermore, Bob & Meyer (2010) proposed that a company must be able to provide products or services closer to client needs than competitors if they want to have a competitive advantage. For this reason, the company must have a strong market orientation culture, and the company must always learn to increase knowledge of its business processes. Therefore, based on the proposition, entrepreneurial orientation, market orientation, and talent management are necessary factors in building competitive advantage.

Market orientation is a derivative of a market-based strategy perspective that emphasizes the outside-in perspective. This perspective develops strategies starting with environmental analysis to identify attractive market opportunities. This perspective also fits with Porter's five-factor model of competitive strengths. The power of suppliers and buyers, the strength of new entrants and substitute products as well as competitors in the industry are external components whose dynamics should be anticipated.

Based on these reviews, it is increasingly evident that market orientation is an antecedent of competitive advantage.

The second perspective discussed in the theoretical study states that the resource-based strategy, which is the inside-out perspective, believes that the strategy should not only be based on external factors but built from the company's strengths. In this perspective, successful companies are based on the argument that a superior company's tangible assets are necessary for a competitive advantage. Proponents in this perspective note the importance of dynamic capability as a long-term process that must be developed. Finding resources that are complex and unique, and difficult to imitate by competitors is a priority for the company to always be in a superior position over rivals. Therefore, dynamic capability is a factor that will strengthen the company's competitive position and, at the same time, become a factor that deserves to be considered in creating a competitive advantage (Bob & Meyer, 2010).

## 2.6. Hypothesis

**H1:** *The higher the entrepreneurial orientation ability, the better the talent management will be.*

**H2:** *The higher the entrepreneurial orientation ability, the better is the implementation of market orientation.*

**H3:** *The higher the entrepreneurial orientation ability, more the business performance will increase.*

**H4:** *The more capable entrepreneurs implement talent management; the more market orientation abilities will be.*

**H5:** *The more capable entrepreneurs are in implementing talent management, the business performance will increase.*

**H6:** *The ability to carry out high talent management can increase the influence of entrepreneurial orientation on business performance.*

**H7:** *The higher the market orientation capability, the business performance will increase.*

**H8:** *High market orientation ability can increase the effect of entrepreneurial orientation on business performance.*

**H9:** *High market orientation ability can increase the influence of talent management on business performance.*

## 3. Research Methods

This study uses a quantitative approach, an explanatory research type, to find a causal relationship between research variables. The population is 145 small and medium-scale silver craftsmen in Kota Gede and Wonosari areas. The data was obtained from the Yogyakarta Industry and Trade Office in 2020. This study used a purposive sampling technique.



In detail, the variables, dimensions, and indicators that were developed into data collection instruments are as follows:

Entrepreneurial orientation covers indicators such as innovative, pro-active, risk-taking, and aggressive behavior in competition. Talent management is indicated by talent identification, talent development, and talent culture variables. The variables of market orientation variables consist of indicators ranging from customer orientation, competitor orientation, coordination between functions to the orientation of external resources. Finally, business performance variables cover financial performance, market performance, and operational performance indicators.

The testing instruments in this research were carried out by testing on 20 respondents. Hair (2014: 171) stated that the sample size to influence the generalization of the results uses a minimum ratio of 5:1, which means that five observations are made for each independent variable. The validity is tested by calculating the correlation between the item scores. Expected value is  $>0.3$  for all items. (Hair, 2014). To test the reliability of the instrument in this study, Cronbach Alpha was used. Cronbach Alpha strengthens the reliability test. Expected value is  $>0.6$  for all constructs (Arikunto, 1998).

This study uses statistical analysis Partial Least Square-Structural Equation Modeling (PLS-SEM) to test the hypothesis and produce a fit model.

This Outer Model analysis specifies the relationship between latent variables and their indicators, or it can be said that the outer model defines how each indicator relates to its latent variables. Tests performed on the outer model:

1. Convergent Validity. The value of convergent validity is the value of the loading factor on the latent variable with its indicators. Expected value is  $> 0.7$ .
2. Discriminant Validity. This value is the value of the cross-loading factor, which helps know whether the construct has sufficient discriminant by comparing the loading value of the intended construct, which must be greater than the loading value with other constructs.
3. Composite Reliability. Data that has composite reliability  $> 0.7$  has high reliability.
4. Cronbach Alpha. Cronbach Alpha strengthens the reliability test. The expected value is  $> 0.6$  for all constructs (Solimun, 2017).

Inner/structural model analysis is carried out to ensure that the structural model built is robust and accurate. Inner model evaluation can be seen from several indicators, which include the coefficient of determination ( $R^2$ ), Predictive Relevance ( $Q^2$ ), Goodness of Fit Index (GoF) (Gozali, 2017; Solimun, 2017).

Hypothesis testing is done by looking at the probability value and the  $t$ -statistic. For probability values, the  $p$ -value with an alpha of 5% is less than 0.05, so that the criteria for acceptance of the hypothesis is when the  $t$ -statistic  $> t$ -table.

The effect of the mediating variables in this study will be tested using the Sobel test. The determination of the role of the mediating variable is as follows: 1) If the path coefficient of the indirect effect is significant and the path coefficient of the direct effect is also significant, it is stated as a partial mediation variable; 2) If the path coefficient of the indirect effect is significant and the path coefficient of the direct effect is not significant, it is stated as a complete partial mediation variable (Solimun, 2017).

## 4. Research Results

### 4.1. Analysis

Convergent validity of the measurement model with reflexive indicators can be seen from the correlation between the item/indicator score and the construct score. Individual indicators are considered reliable if they have a correlation value above 0.7. However, at the research stage of the scale development, the loading value of 0.50 to 0.60 is still acceptable (Ghozali, 2016).

The results of the convergent validity test of entrepreneurial orientation variables can be explained as follows:

1. Innovative indicators have a loading value of 0.707, which is greater than 0.7, which means that these indicators can be used to measure entrepreneurial orientation variables. In addition, the  $t$  statistic value on this indicator is 9.660, which is greater than 1.96, which means that the indicator is significant and can be used to measure entrepreneurial orientation variables.
2. Proactive indicators have a loading value of 0.916 greater than 0.7, which means that these indicators can be used to measure entrepreneurial orientation variables. In addition, the  $t$  statistic value on this indicator is 71.217, which is greater than 1.96, which means that the indicator is significant and can be used to measure the entrepreneurial orientation variable.
3. The risk-taking indicator has a loading value of 0.704, greater than 0.7, which means that this indicator can be used to measure the entrepreneurial orientation variable. In addition, the  $t$  statistic value on this indicator is 8.805, which is greater than 1.96, which means that the indicator is significant and can be used to measure the entrepreneurial orientation variable.
4. The aggressive indicator in competition has a loading value of 0.760, which is greater than 0.7,

which means that this indicator can be used to measure the entrepreneurial orientation variable. In addition, the  $t$  statistic value on this indicator is 14.178, which is greater than 1.96, meaning that the indicator is significant and can be used to measure the entrepreneurial orientation variable.

5. The autonomy indicator has a loading value of 0.787, greater than 0.7, which means that this indicator can be used to measure the entrepreneurial orientation variable. In addition, the  $t$  statistic value on this indicator is 17.216, which is greater than 1.96, which means that the indicator is significant and can be used to measure the entrepreneurial orientation variable.

The results of the convergent validity test of the talent management variable can be explained as follows:

1. Talent identification indicator has a loading value of 0.772 greater than 0.7, which means that this indicator can be used to measure talent management variables. In addition, the  $t$  statistic value on this indicator is 17,304, which is greater than 1.96, which means that the indicator is significant and can be used to measure the talent management variable.
2. The talent development indicator has a loading value of 0.802, which is greater than 0.7, which means that this indicator can be used to measure talent management variables. In addition, the  $t$  statistic value on this indicator is 21,300, greater than 1.96, which means that the indicator is significant and can be used to measure the talent management variable.
3. The talent culture indicator has a loading value of 0.853 greater than 0.7, which means that this indicator can be used to measure the talent management variable. In addition, the  $t$  statistic value on this indicator is 22.858, greater than 1.96, which means that the indicator is significant and can be used to measure the talent management variable.

The result of convergent validity of market orientation between the indicator and its construct is as shown in the following figure:

1. The customer orientation indicator has a loading value of 0.959, which is greater than 0.5, which means that this indicator can be used to measure market orientation variables. In addition, the  $t$  statistic value on this indicator is 21,896, greater than 1.96, meaning that the indicator is significant and can be used to measure market orientation variables.
2. The competitor orientation indicator has a loading value of 0.902, which is greater than 0.5, which means that this indicator can be used to measure market

orientation variables. In addition, the  $t$  statistic value on this indicator is 15,388, greater than 1.96, which means that the indicator is significant and can be used to measure the market orientation variable.

3. The coordination indicator between functions has a loading value of 0.658, which is greater than 0.5, which means that the indicator can be used to measure market orientation variables. In addition, the  $t$  statistic value on this indicator is 8.988, which is greater than 1.96, which means that the indicator is significant and can be used to measure the market orientation variable.
4. The external resource orientation indicator has a loading value of 0.870, which is greater than 0.5, which means that this indicator can be used to measure the market orientation variable. In addition, the  $t$  statistic value on the indicator is 38.019, which means that it is greater than 1.96; this means that the indicator is significant and can be used to measure business performance variables.

#### 4.1.1. The Composite of Reliability

Composite reliability determines the reliability of indicators that measure constructs (Ghozali, 2017: 192). The results of composite reliability of  $> 0.70$  are interpreted as very good (Ghozali, 2017: 192). The results of the Composite Reliability test can be seen in the following description:

1. The value of the composite reliability of entrepreneurial orientation is 0.9195 because the value is more than 0.7, indicating that the composite reliability value is very good. This study indicates that respondents' responses on indicators of being innovative, proactive, risk-taking, aggressive in competition, and autonomy are reliable (internal consistency occurs).
2. The composite reliability value for talent management is 0.963, which is more than 0.7, indicating that the composite reliability value is very good. Thus, the results of this study indicate that respondents' responses on indicators of talent identification, talent development, and talent culture are reliable (internal consistency occurs).
3. The composite reliability market orientation value is 0.957, which is more than 0.7, indicating that the composite reliability value is very good. In addition, the results of this study indicate that respondents' responses to indicators of customer orientation, competitor orientation, coordination between functions, and orientation of external resources are reliable (internal consistency occurs).

4. The composite reliability value for business performance is 0.918, which is more than 0.7, indicating that the composite reliability value is very good. Thus, the results of this study indicate that respondents' responses on indicators of financial performance, market performance, and operational performance are reliable (internal consistency occurs).

#### 4.1.2. Inner Model Test or Structural Model Test

Inner model test / structural model analysis is carried out to ensure that the structural model built is robust and accurate. The inner model evaluation in this study is seen from several indicators, which include: coefficient of determination ( $R^2$ ) and Predictive Relevance ( $Q^2$ ).

Assessing a model with PLS starts by looking at the  $R$ -Square for each dependent latent variable. Changes in the  $R$ -Square value can assess the effect of certain independent latent variables on the dependent latent variable whether it has a substantive effect. For example, the endogenous latent variables in the structural model can be explained in table appendix 1.

Based on the table, it can be explained as follows:

1. The determinant coefficient ( $R^2$ ) of the talent management construct is 0.672, indicating that the influence of the entrepreneurial orientation construct on talent management is 67.2%.
2. The determinant coefficient ( $R^2$ ) of the market orientation construct is 0.876, indicating that the influence of the entrepreneurial orientation and talent management constructs on market orientation is 87.6%.
3. The determinant coefficient ( $R^2$ ) of the business performance construct is 0.660, indicating that entrepreneurial orientation, talent management, and market orientation constructs influence on business performance is 66%. The suitability of the structural model can be seen from  $Q^2$ , as follows:

The  $Q^2$  test result of 98.6%, which is close to 1, indicates that the overall model is fit with the data or is able to reflect the reality and phenomena that exist in the field. Furthermore, the analysis results show that all valid and reliable indicator variables reflect the latent variables by testing the model resulting in a fit model conclusion.

#### 4.2. Hypothesis Testing

This study has nine research objectives that need to be answered based on the SEM PLS statistical test that will be used to answer the research objectives. The nine research objectives can be described as follows (a) testing the effect

of entrepreneurial orientation ability in improving talent management, (b) testing the effect of entrepreneurial orientation ability in improving market orientation, (c) testing the effect of entrepreneurial orientation ability in improving business performance, (d) testing the influence of the entrepreneur's ability to carry out talent management in improving market orientation, (e) testing the effect of the entrepreneur's ability to carry out talent management in improving business performance, (f) testing the ability of market orientation in improving business performance. (g) Examining the effect of the entrepreneur's ability to carry out talent management in improving business performance mediated by market orientation. (h) examining the effect of entrepreneurial orientation abilities in improving business performance mediated by talent management and (i) examining the effect of entrepreneurial orientation abilities in improving business performance mediated by market orientation. The results of the inner-model analysis can be seen in the table below.

Based on the table above, the results of the direct effect test can be explained:

1. The  $t$  value of entrepreneurial orientation  $\rightarrow$  talent management is 23.043. The  $t$  value is  $> 1.96$ ; therefore, it can be said that entrepreneurial orientation affects talent management. Entrepreneurial orientation affects talent management by 0.82. The results of this study indicate that the first hypothesis (H1) is accepted.
2. The  $t$  value of entrepreneurial orientation  $\rightarrow$  market orientation is 10.14; because the  $t$  value is  $> 1.96$ , it can be said that entrepreneurial orientation affects market orientation. Entrepreneurial orientation affects business performance by 0.785. The results of this study indicate that the second hypothesis (H2) is accepted.
3. The  $t$  value of entrepreneurial orientation  $\rightarrow$  business performance is 0.113. Since the  $t$  value is  $< 1.96$ , it can be said that entrepreneurial orientation does not significantly affect business performance. The results of this study indicate that the third hypothesis (H3) is rejected.
4. The  $t$  value of talent management  $\rightarrow$  market orientation is 2.118. The  $t$  value is  $> 1.96$ ; therefore, it can be said that talent management affects market orientation. Talent management affects market orientation by 0.117. The results of this study indicate that the fourth hypothesis (H4) is accepted.
5. The  $t$  value of talent management  $\rightarrow$  business performance is 2.123. Since the  $t$  value is  $> 1.96$ , it can be said that talent management affects business performance. Talent management affects business performance by 0.280. The results of this study indicate that the fifth hypothesis (H5) is accepted.

6. The  $t$  value of market orientation business performance is 2.176. because the  $t$  value is  $> 1.96$ , it can be said that market orientation affects the orientation of business performance. Market orientation affects business performance by 0.785. The results of this study indicate that the seventh hypothesis (H7) is accepted.

The results of PLS, the indirect effect between entrepreneurial orientation variables on business performance through talent management and market orientation, can be seen in the table below.

1. Entrepreneurial orientation has an indirect effect on business performance through talent management of 0.229. The  $t$  value is 2.056.; because the  $t$  value is  $> 1.96$ , it can be said that talent management can significantly mediate the effect of entrepreneurial orientation on business performance. The results of this study indicate that the sixth hypothesis (H6) is accepted.
2. Talent management has an indirect effect on business performance through market orientation of 0.095. The  $t$  value is 1.407. Since the  $t$  value is  $< 1.96$ , it can be said that market orientation cannot significantly mediate the effect of talent management on business performance orientation. The results of this study indicate that the eighth hypothesis (H8) is accepted.
3. Entrepreneurial orientation has an indirect effect on business performance through market orientation of 0.419. The  $t$  value is 2.187. As the  $t$  value is  $> 1.96$ , it can be said that market orientation can significantly mediate the effect of entrepreneurial orientation on business performance orientation. The results of this study indicate that the ninth hypothesis (H9) is accepted.

### 4.3. Discussion

Research findings support the concept by Barney (1991), which stated that for companies to achieve superior performance, the company's resources must be valuable, rare, inimitable, and non-substitutable (VRI). These resources are very important for the creative industry, which has the characteristics of creativity, skills, and talents (Teece, 2010). Entrepreneurs who have a high level of competitiveness, coupled with technological advances and the employment of skilled workers, are very important for the sustainability of small businesses. In contrast to other sectors that are highly dependent on the exploitation of natural resources, the strength of the handicraft industry as a sub-sector of the

creative economy relies more on the excellence of human resources. Efforts to develop a creative economy require efforts to explore the regional potential and local wisdom. The creative industry is a business activity that focuses on creation and innovation (Sijabat et al., 2020). The creative industry is still potential to work on, and Indonesia is rich in culture and traditions that can be a source of creativity. The diverse and varied cultural wealth is a source of inspiration, and its potential will be even greater if it is supported by technology.

#### 4.3.1. The Influence of Entrepreneurship Orientation on Market Orientation

Based on the findings of this study and previous research, it can be stated that entrepreneurship orientation consistently influences market orientation for both large and small, and medium enterprises. Entrepreneurs in silver handicrafts in the Special Region of Yogyakarta who have a strong desire to succeed will dare to take risks to make innovations. The findings of this study confirm the premise of Kajalo and Lindblom (2014) that entrepreneurial orientation and market orientation have a positive and significant relationship. The findings of this study also support research conducted by Arsyad et al. (2014), Lechner and Gudmundsson (2014), Boso et al. (2013), who developed a measurement of entrepreneurial orientation using indicators of innovative, proactive, risk-taking, aggressive behavior in competition and autonomy.

#### 4.3.2. The Effect of Entrepreneurial Orientation on Business Performance

The results showed that entrepreneurial orientation had a positive but insignificant effect. A good entrepreneurial orientation will not directly improve business performance. Entrepreneurial orientation is an organizing principle that identifies and exploits untapped market opportunities (Lumpkin and Dess, 1996). Entrepreneurial orientation is indicated by the extent to which top managers tend to take risks related to business (risk dimension), support change and innovation in order to gain a competitive advantage for their company (innovation dimension) and compete aggressively with other companies (proactive dimension) (Covin & Slevin, 2009). Entrepreneurial orientation is related to psychometrics as seen from its innovation, proactive nature, and courage to take risks. Entrepreneurial orientation is a process and implementation of decision-making that focuses on capturing new market opportunities. Entrepreneurial orientation is characterized by innovation, risk-taking, proactive, aggressive competition, and autonomy (Lumpkin & Dess, 1996; Arsyad et al., 2014; Lechner & Gudmundsson, 2014; Boso et al., 2013).



#### 4.3.3. Talent Management Has a Positive and Significant Effect on Business Performance

Talent development is very much needed in business, especially in the creative industry. The ability to do an innovative business depends on the placement of human resources according to their respective talents. The company's performance will depend on the creativity of the craftsmen and business managers. Employees who are managed according to their talents will be able to produce works that have high sales value. The research findings support the results of Keoye's (2017) conceptual research, emphasizing that talent development is needed in business, especially in the creative industry, so business performance increases.

#### 4.3.4. Market Orientation Has a Positive and Significant Effect on Business Performance

The results showed that market orientation had a positive and significant effect on business performance. A good market orientation will improve business performance. Companies that can carry out market intelligence and competitor intelligence properly will be able to identify market and consumer needs to provide better service to consumers. The findings of this study extend the applicability of Morgan et al., concept. (2009) that market-based knowledge assets, such as market orientation, and market-related organizational capabilities, such as marketing capabilities, complement each other in significant ways that improve business performance. Several research results state that the success of the business performance is determined by market orientation. The results of these studies have empirically tested the relationship between market orientation and business performance. The findings of this study also support research conducted by (Narver & Slater, 1990; Kajalo & Lindblom, 2014; Emma, 2006).

### 5. Conclusion

Based on the results of the analysis and discussion in the previous section, the following conclusions can be obtained:

1. The analysis results show that there is a positive and significant influence of entrepreneurial orientation on the talent management of silver handicraft entrepreneurs. Thus, the higher the entrepreneurial orientation, the higher the talent management.
2. The analysis results show that there is a positive and significant influence of entrepreneurial orientation on the market orientation of silver handicraft

entrepreneurs. Thus, the higher the entrepreneurial orientation, the higher the market orientation.

3. The analysis results show that there is no significant effect of entrepreneurial orientation on the business performance of silver handicraft entrepreneurs. Thus entrepreneurial orientation is not able to improve business performance.
4. The result of the analysis shows that there is a positive and significant influence of talent management on the market orientation of silver handicraft entrepreneurs. Thus, the higher the talent management, the higher the market orientation.
5. The analysis results show that there is a positive and significant influence of talent management on the business performance of silver handicraft entrepreneurs. Thus, the higher the talent management, the higher the business performance.
6. The analysis results show that there is a positive and significant influence of market orientation on the business performance of silver handicraft entrepreneurs. Thus, the higher the market orientation, the higher the business performance.
7. The analysis results show that entrepreneurial orientation through talent management has a positive and significant effect on the business performance of silver handicraft entrepreneurs. This reflects that the higher the ability to perform in entrepreneurial orientation, the business performance will increase if it is mediated by talent management.
8. The analysis results show that entrepreneurial orientation through market orientation has a positive and significant effect on the business performance of silver handicraft entrepreneurs. This reflects that the higher the ability to perform in entrepreneurial orientation capability, the business performance will increase if it is mediated by market orientation.
9. The analysis results show that talent management through market orientation does not affect business performance. Market orientation does not function as a mediator. This reflects that talent management affects business performance without going through market orientation variables.

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### Appendix 1: Confirmatory Factor Analysis

Construct	R-square
Talent management	0.672
Market orientation	0.876
Business performance	0.660
$Q^2 = 1 - [(1 - R_1^2)(1 - R_2^2)(1 - R_3^2)]$ $= 1 - [(1 - 0.672)(1 - 0.876)(1 - 0.660)]$ $= 1 - [(0.014)]$	0.986

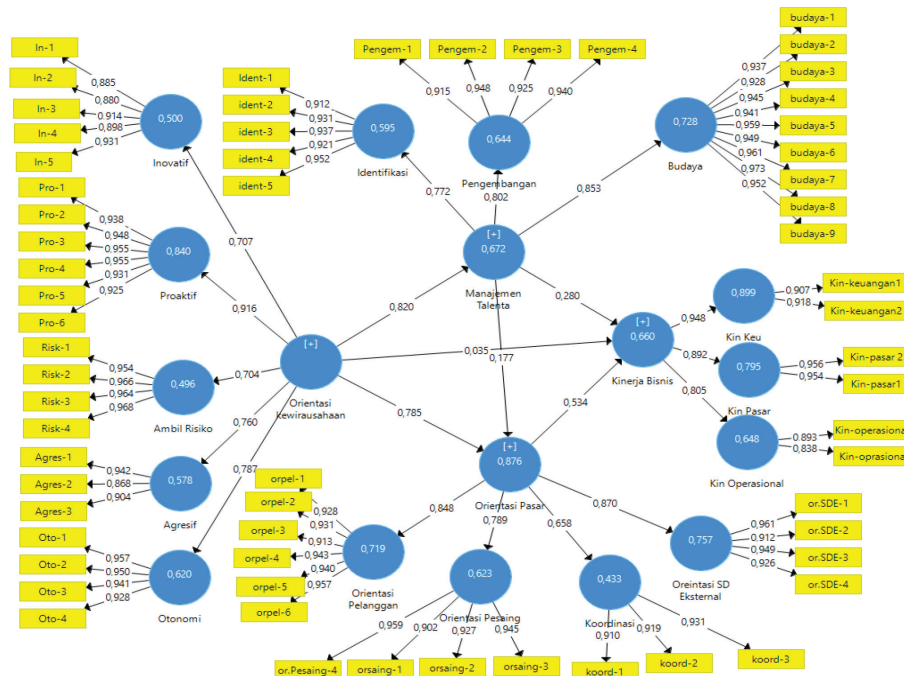
### Appendix 2: Direct Relation Results

	Coefficients	T count	P values	Level
Entrepreneurial Orientation → Talent Management	0.820	22.120	0.000	Accepted
Entrepreneurial Orientation → Market Orientation	0.785	10.045	0.000	Accepted
Entrepreneurial Orientation → Business Performance	0.035	0.111	0.912	Not Accepted
Talent Management → Business Performance	0.280	2.062	0.040	Accepted
Market Orientation → Business Performance	0.534	2.118	0.035	Accepted

### Appendix 3: Indirect Relation Results

	Coefficients	T count	P values	Level
Entrepreneurial Orientation → Talent Management → Business Performance	0.229	1.967	0.050	Accepted
Entrepreneurial Orientation → Market Orientation → Business Performance	0.419	2.095	0.037	Accepted

### Appendix 4: Structural Model





**Appendix 5: Constructs**

Latent Variables	Constructs	Indicator	Factor Loading
Entrepreneurship Orientation	Innovative	Finding new business targets or markets	0.885
		Creating new products that will add value to new or existing customers	0.880
		Creating new processes that will increase customer satisfaction	0.914
		Finding new ways of serving customers to increase added value for customers	0.898
		Finding new ways to create supply chains from suppliers to sellers	0.931
	<b>Average</b>		<b>0.902</b>
	Proactive	Beat competitors to enter new markets	0.938
		Get ahead of competitors in introducing new products/services	0.948
		Get ahead of competitors in providing new ways of serving customers to increase added value for customers,	0.955
		Anticipating changes in the business environment that may occur in the future,	0.955
		Preceding competitors in establishing partnership activities with business partners,	0.931
		Continuously discover and implement more efficient technological processes,	0.925
	<b>Average</b>		<b>0.942</b>
	Risk-Taking	Thinking that there is a way to avoid failure	0.954
		The challenge of taking risks to get better results	0.966
		Considering high risk will get higher returns	0.964
		Dare to take risks consistently	0.968
	<b>Average</b>		<b>0.963</b>
	Aggressive in Competition	Seize customers from competing companies in the target market	0.942
		Develop a strategy that is oriented to beat competitors	0.868
		Responding to any changes in the business environment	0.904
	<b>Average</b>		<b>0.905</b>
	Autonomy	Involved in carrying out business operations,	0.957
		Attempt to make business decisions on their own before discussing them with employees,	0.950
		Manage your business operations,	0.941
		Make an effort to come up with new ideas first before discussing them with employees	0.928
Talent Management	Talent Identification	Have an assessment standard as a basis for recruiting new employees,	0.912
		Identifying employee performance developments periodically in order to find solutions to improve performance in the future	0.931
		Adapting business decisions to the capabilities of employees,	0.937
		Recognizing the level of employee ability to innovate,	0.921
		Looking for talented people to achieve business goals,	0.952
	<b>Average</b>		<b>0.931</b>

**Appendix 5: Continued**

	Talent Developing	Provide feedback on employee performance appraisals to motivate career development,	0.915
		Conduct an assessment of the individual development needs of employees,	0.948
		Understanding the employee's desire to learn to improve their work abilities	0.925
		Understand the employee's interest in his career,	0.940
	<b>Average</b>		0.932
	Talent Culture	Give awards to outstanding employees	0.937
		Provide salary increases to employees in accordance with their performance achievements	0.928
		Providing salaries to employees is in accordance with the salaries of employees in the labor market	0.945
		Provide job descriptions to employees to feel challenged to perform more optimally	0.941
		Provide job requirements to employees to feel challenged to perform more optimally	0.959
		Motivate employees to take advantage of available time and resources	0.949
		Employee commitment in carrying out the work	0.961
		Discuss with employees about plans related to the company's work schedule	0.973
		Responsibilities of employees in completing work	0.952
	<b>Average</b>		0.949
Market Orientation	Customer Orientation	Commit to the customer.	0.928
		Create value for customers.	0.931
		Understanding customer needs	0.913
		Have a goal for customer satisfaction.	0.943
		Evaluating customer satisfaction	0.940
		Provide after-sales service	0.957
	<b>Average</b>		0.935
	Competitor Orientation	Share competitor information with salespeople,	0.959
		Respond quickly to competitor actions	0.902
		Top managers discuss competitor strategies	0.927
		Target opportunities for competitive advantage	0.945
	<b>Average</b>		0.933
	Inter-Function Coordination	Functional integration in strategy	0.910
		Information is shared between various functions	0.919
		All functions contribute to customer value	0.931
	<b>Average</b>		0.920

**Appendix 5:** Continued

	External Resource Orientation	Take advantage of technological developments to expand the market	0.961
		Leveraging the craftsman community to expand the network	0.912
		Receive assistance in the form of product exhibition facilities from the government or other parties,	0.949
		Receiving grants from the government or other parties,	0.926
	<b>Average</b>		<b>0.937</b>
Business Performance	Financial Performance	Profit percentage	0.907
		Profit growth	0.918
	<b>Average</b>		<b>0.913</b>
	Market Performance	<i>Sales growth</i>	0.956
		An increasing number of customers	0.954
	<b>Average</b>		<b>0.955</b>
	Organizational Performance	The error rate in completion of work	0.893
		Speed of completion of work	0.838
	<b>Average</b>		<b>0.866</b>