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Is Entrepreneurial Orientation The Most Important Thing for The Performance of Micro, Small, and Medium Enterprises?

Haqi Fadillah[1] | Yvonne Augustine[2] *

[1]*Faculty of Economics and Business, Trisakti University, Jakarta, Indonesia*
[2]*Faculty of Economics and Business, Trisakti University, Jakarta, Indonesia*

*Correspondence to: Yvonne Augustine, Universitas Trisakti, Faculty of Economics and Business, Jl. Kyai Tapa No. 1, Jakarta Barat 11440, Indonesia.
E-mail: yvonne.augustine@trisakti.ac.id

Abstract: This study examines the impact of entrepreneurial orientation and Management Control System Packages (MCS Packages) on the performance of Micro, Small, and Medium Enterprises (MSMEs), with a competitive strategy scale as a moderating variable. This study used a mixed approach, which combines quantitative analysis through multiple regression and a qualitative approach through analysis of interview results. The study results indicate that entrepreneurial orientation and MCS packages positively affect MSME performance, with Entrepreneurial Orientation having a more significant influence than the MCS Package. This result confirms the importance of Entrepreneurial Orientation in improving MSME performance. The competitive strategy scale has also proven effective in moderating the influence of both variables. This study has practical implications in helping MSMEs enhance performance by implementing appropriate management control systems and entrepreneurial strategies. Socially, these results can guide stakeholders in designing policies that support the sustainability of MSMEs. The study's originality lies in developing the entrepreneurial orientation variable by adding the entrepreneurial literacy dimension and the MSME performance variable by adding the business sustainability dimension. This research shows that MSME practices can support sustainability through resource optimization, environmentally friendly product innovation, and improving community welfare, contributing to economic competitiveness and sustainable development goals.

Keywords: competitive strategy scale, entrepreneurial orientation, management control system packages, MSME performance.

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) act as the backbone of the economy in developing countries, including Indonesia, to reduce poverty (Kurniasari, 2023; Tukamuhabwa et al., 2023; Yaqub et al., 2024). MSMEs have an essential role, one of which is creating job opportunities that globally cover around 95% of all businesses, around half of the total value generated, and contribute 60–70% of total employment in most markets (Gherghina et al., 2020; Yaqub et al., 2024). In Indonesia, the labor absorption from MSMEs is 96.9% of the total national labor absorption.

In addition, MSMEs play a significant role in the national economy because of their enormous contribution to economic and social development (Sugiyanto et al., 2023). MSMEs run almost two-thirds of the economy. MSMEs significantly contribute to the country's GDP (Gross Domestic Product) and encourage innovation and sustainable business development. MSMEs saved the domestic economy when the Covid-19 pandemic broke out several years ago. The Coordinating Ministry for Economic Affairs in 2022 explained that the contribution of MSMEs to gross domestic product (GDP) reached 60.5%.

Several things enable MSMEs to survive, even as a savior of the Indonesian economy when the crisis hits (Meryana, 2012). First, generally, MSMEs produce goods and services that meet the community's needs. Second, on average, MSME actors do not rely on imported goods and can utilize local resources, such as capital, human resources, raw materials, and equipment. Third, MSME owners are usually not supported by bank loans; instead, the capital comes from themselves. However, Agustina & Augustine (2024) explain that MSMEs face challenges in developing countries like Indonesia, including credit shortages, limited market connections, inadequate training, dependency problems, low-quality human resource development, low productivity, and limited market share and capital. These problems make MSME performance less than optimal.

West Java Province has the largest population in Indonesia, with 49.40 million people by mid-2023. Due to these abundant resources, West Java Province is in first place in the number of MSMEs, with 1.4 million units. However, according to Bank Indonesia data in 2015, MSME actors in West Java have many problems running their businesses, such as financial, marketing, infrastructure, human resources (HR), business climate, and others aspects.

Harahap et al. (2020) explained that MSMEs in Depok, West Java, showed expertise in innovation, but MSMEs showed weaknesses in financial accounting. This neglect can result in significant economic losses because operational and other costs can be interrelated and avoid accurate documentation. As a result, the ability to calculate profit or loss is impaired, which causes increased vulnerability to inaccurate financial data. Sembiring et al. (2021) stated that the common problems faced by culinary MSME owners in Bandung City who are members of the WJS Cooperative (West Java New Entrepreneurs Prosperous) are difficulties related to funds, both in terms of access and governance. This problem makes it difficult for MSMEs to develop and move up a class.

Based on Santia (2023), the Ministry of Cooperatives and SMEs stated that textile businesses and industry operators in West Java are facing the possibility of stopping production. This condition is due to the implementation of predatory pricing strategies on social trading platforms such as TikTok Shop and others. The adverse effects of this predatory pricing practice are mainly felt by textile business operators, currently experiencing a decline in demand. As a result, these effects impact their turnover, and this even causes a decrease in production and, ultimately, layoffs (PHK) for employees in the MSME sector.

These phenomena indicate that many MSMEs' performance, especially those in West Java, is less than optimal. Performance describes the company's condition within a certain period, which is the result or achievement of its operational activities using its resources (Chandra & Augustine, 2020; Haseeb et al., 2019; Rehman et al., 2023). Performance is a measure used to assess the company's ability to achieve company targets such as profit levels, investment levels, and sales developments. Performance is an important component of a sustainable business in increasing profits and achieving company goals.

Performance can be seen from financial and non-financial aspects (Basco et al., 2019; Rehman et al., 2023; Tsamenyi et al., 2011). This aspect examines how MSMEs achieve profitability, sales growth, and market share value in human resource development. MSME's performance can be measured from business sustainability

or sustainability performance that measures how MSMEs produce environmentally friendly products (Abdul-Rashid et al., 2017; Haseeb et al., 2019; Sugiyanto et al., 2023). Another important aspect of business sustainability is that MSMEs pay attention to stakeholders.

Implementing a management control system (MCS) is necessary to improve the performance of MSMEs. A management control system (MCS) is defined as a complete set of management control practices integrated into one unit, regardless of whether the practices are interdependent or not (Frare et al., 2021; Nuhu et al., 2019; Rehman et al., 2023). This approach allows organizations to manage various control aspects more comprehensively, improving management decision-making and overall organizational performance. MCS is essential for companies to improve the integrity of their goals and employee attitudes to suit the business environment and situation. This is integral to understanding how management seeks to achieve organizational goals and objectives, including how MSMEs achieve good performance.

Malmi & Brown (2008) provide a new concept of MCS by terming management control systems as packages. MCS Packages have five dimensions: cultural control, planning, cybernetic control, rewards and compensation, and administrative control. The cultural control dimension examines the business organization's beliefs, values, vision, and mission. The planning dimension examines how the business organization designs and implements short, medium, and long-term planning and aligns it with all units and subordinates. The cybernetic control dimension becomes the standard or goal of performance within the business organization itself. The reward and compensation dimension and administrative control are how the business organization evaluates and measures employee performance.

Entrepreneurial orientation is another important aspect in improving MSME performance, which can help business actors make decisions, bet on new markets, and create innovative ideas, leading to better business performance (Correia et al., 2022). There are three dimensions of entrepreneurial orientation, namely innovation, risk-taking, and proactiveness (Al-Dhaafri & Al-Swidi, 2014; Basco et al., 2019; Budiati et al., 2021; Galbreath et al., 2020; Mahenthiran et al., 2023). Entrepreneurial orientation examines how business organizations carry out the latest innovations from products produced through the research and development process and how business organizations solve problems in producing new product innovations. The next aspect of entrepreneurial orientation is the risk-taking taken by the business organization - whether the business organization is a risk or adverse taker. Then, the proactive aspect. This aspect examines whether the business organization is a pioneer in implementing the latest innovations. Entrepreneurial orientation needs to show how literate a person is about entrepreneurial skills, which consist of creativity, flexibility, innovation, discipline, collaboration and cooperation, problem-solving, leadership and communication, and building relationships (Farooq, 2018; Lyons et al., 2019; Reyad et al., 2019).

Entrepreneurial orientation significantly contributes to creating sustainable business practices by encouraging efficient use of resources, green product innovation, and reducing environmental impacts (Rojas-Cruz & Husted, 2024). In the context of MSMEs, an entrepreneurial orientation that includes dimensions of innovation, proactivity, and risk-taking enables business actors to adapt to sustainability demands and take advantage of emerging market opportunities. Through environmentally friendly product innovation, MSMEs can reduce dependence on environmentally damaging raw materials and introduce recycled or sustainable material-based products (Sugiyanto et al., 2023). The proactive attitude applied in entrepreneurial orientation also helps MSMEs anticipate changes in environmental regulations and consumer demand that is increasingly aware of sustainability issues. In addition, the courage to take risks related to investments in green technology and more efficient production processes allows for waste reduction and better energy efficiency, ultimately impacting long-term business sustainability.

In order to generate profits and improve performance, MSMEs need unique and different methods from competitors. This step is called a competitive strategy scale, a framework for creating competitive advantage through differentiation or cost efficiency by aligning business goals and organizational functions to improve company performance (Galbreath et al., 2020; Gonzalez-Benito et al., 2022). Strategic management aims to achieve potential competitive advantage by identifying ideas, understanding the strategy-making process, company characteristics, and company reactivity (Zairbani & Prakash, 2023). The competitive strategy scale is a moderating variable that strengthens the relationship between the MCS Package and performance. By implementing a differentiation or cost strategy, the MCS Package is more effective in helping MSMEs manage resources efficiently, improve quality, and create competitive products/services. Then, the competitive strategy scale will strengthen entrepreneurial orientation by encouraging relevant innovation and efficiency that aligns with market needs, resulting in better performance.

This study is a development of the results of previous researchers. Frare et al. (2021) stated that MCS Packages positively influence company performance. Haseeb et al. (2019) research shows that MCS Packages positively influence business sustainability. Basco et al. (2019), Budiati et al. (2021) and Galbreath et al. (2020) show that there is a positive influence between entrepreneurial orientation and company performance. Finally, there are two sources of previous research references to see the competitive strategy scale moderating the influence of entrepreneurial orientation on company performance, namely research by Budiati et al. (2021) and Santos-Vijande et al. (2012). Both studies show that the competitive strategy scale with dimensions of differentiation strategy and cost moderates the influence of entrepreneurial orientation on company performance.

The difference between this study and previous researchers is the addition of financial performance dimensions. In addition to financial and non-financial factors, we also includes business continuity factors. Previous researchers generally only included one performance dimension— financial and non-financial dimensions or business continuity alone. Then, this study was conducted in MSMEs in West Java. Based on the phenomena and research gaps described above, this research aims to test the factors suspected of influencing MSME performance, including management control systems packages (MCS), entrepreneurial orientation (OK), and competitive strategy scale (CSC).

METHODS

This study uses a mixed method that combines and integrates qualitative and quantitative research methods, or research (Creswell & Clark, 2017). Furthermore, Sugiyono (2016) explains that mixed-method research involves using qualitative and quantitative methods to obtain comprehensive, valid, reliable, and objective data. The qualitative approach addresses the first problem formulation, while the quantitative approach is used for the second problem formulation.

The quantitative approach uses causal-explanatory, a study designed to determine whether one or more variables explain the cause or effect of one or more outcome variables (Cooper & Schindler, 2013). In this study, the author attempts to test the effect of MCS packages and entrepreneurial orientation on performance with competitive strategy scale as a moderating variable. Based on the research time horizon, this study is included in the category of cross-sectional studies, which is research conducted over a certain period; data is collected only once, perhaps in several days, weeks, or months, to answer research questions (Sekaran & Bougie, 2016), so that it will get a fundamental answer about cause and effect by analyzing the factors causing the phenomenon in the concept raised in this study, namely the phenomenon related to MSME performance. In the qualitative approach, the author uses interview techniques with MSME actors.

The objectives described in the previous paragraph do not make this research deep enough, but its generalization is high because it uses statistical testing. The research environment is natural, without any specific experiments or simulations. The statistical testing used is multiple regression hypothesis testing. This study unit of analysis is MSMEs in West Java. The population of MSMEs in West Java is huge (based on 2022 data, the number of MSMEs in West Java is 1.4 million units), so sampling was carried out to become research respondents. The sampling technique uses the Hair et al. (2019) model by adding the highest indicators of each variable multiplied by ten.

The data collection method in this study is primary data in the form of a survey. The survey in this study used a questionnaire with ordinal scale data measurement measured based on an attitude scale using the Likert approach. The questionnaire measurement scale used in this study is semantic differential (Charles Osgood). This scale measures attitudes not in the form of multiple choices but is composed of a continuous line with negative values on the left. In contrast, very positive values are located on the right, or this measuring instrument is a set of scales with pairs of opposing adjectives. The scale is 1 = strongly disagree; 6 = strongly agree. The research questionnaire was distributed by visiting the respondents directly (meeting, face-to-face, interview), through delivery services, and via electronic mail.

The variables used in this study are identified as follows: MCS Packages consist of dimensions of cultural control, planning, cybernetic control, rewards and compensation, and administrative control. Entrepreneurial Orientation variables consist of innovation, risk-taking, proactiveness, and entrepreneurial literacy. The Competitive Strategy Scale consists of cost differentiation and cost strategy dimensions. MSME performance consists of financial and non-financial dimensions and business sustainability. More detailed identification can be seen in Appendix 1.

The data analysis technique in this study uses the Structural Equation Modeling (SEM) equation model with an approach based on variance or component-based Structural Equation Modeling (SEM). The program used is Linier Structural Relation (LISREL). The structural equation model in this study is as follows.

Hypothesis 1 and 2 $KUMKM = \beta 0 + \beta 1MCS + \beta 20K + \varepsilon$

Hypothesis 3a and 3b $KUMKM = \beta 0 + \beta 1MCS + \beta 20K + \beta 3MCS * CSC + \beta 40K * CSC + \varepsilon$

RESULTS AND DISCUSSION

Descriptive analysis describes data and variables based on a study's minimum, maximum, mean, and standard deviation values. The following descriptive statistical analysis results were obtained based on the data processing results.

Table 1 Descriptive Statistics Results

	N	Minimum	Maximum	Mean	Std. Deviation
X1	230	21.00	126.00	102.4696	16.79848
X2	230	17.00	102.00	86.2739	11.59238
X3	230	11.00	66.00	54.3565	9.13383
Y	230	12.00	72.00	55.7261	10.05742
Valid N (listwise)	230				

Based on the Descriptive Statistics results in Table 1, we can describe the data obtained by the researcher as follows:

Management Control Systems Packages (MCS Packages) (X1): From the data, it can be described that the minimum value is 21 while the maximum value is 126, and the average MCS Packages is 102.4696. The standard deviation of the MCS Packages data is 16.79848. The MCS Packages have the highest average compared to other variables, indicating that the implementation of management control systems varies significantly among respondents. The relatively high standard deviation suggests substantial differences in how management control systems are applied across MSMEs.

Entrepreneurial Orientation (X2): The data show a minimum value of 17, a maximum value of 102, and an average of 86.2739. The standard deviation of the Entrepreneurial Orientation data is 11.59238. The Entrepreneurial Orientation has an average of 86.27, indicating that most MSMEs in the sample exhibit a relatively high level of entrepreneurial orientation. The lower standard deviation compared to MCS Packages suggests that differences in the level of entrepreneurial orientation are not as pronounced as the variations in management control systems.

Competitive Strategy Scale (X3): The data show that the minimum value is 11, the maximum value is 66, and the average is 54.3565. The standard deviation of the Competitive Strategy Scale data is 9.13383. The Competitive Strategy Scale has a lower average compared to the previous two variables. This suggests that the implementation of competitive strategies in MSMEs is more concentrated around the mean value and shows less variation than MCS Packages and Entrepreneurial Orientation.

MSME Performance (Y): The MSME Performance variable has an average of 55.73, with a minimum value of 12 and a maximum value of 72. The standard deviation of 10.06 indicates that MSME performance levels vary considerably but remain within a relatively stable range.

From the results of the descriptive analysis, the following conclusions can be drawn: The Management Control Systems Packages (MCS Packages) variable has the highest average value, indicating that management control and monitoring systems are generally well implemented in MSMEs. However, the relatively high standard deviation suggests significant variations in how these systems are applied across different businesses. The Entrepreneurial Orientation variable also has a relatively high average, showing that most MSMEs exhibit a strong entrepreneurial spirit. Nevertheless, differences in innovation, risk-taking, and proactiveness among MSMEs are evident, though not as varied as the implementation of management control systems. The Competitive Strategy Scale variable has a lower average compared to the first two variables, suggesting that the adoption of competitive strategies among MSMEs is more consistent and concentrated around the mean, with less variation. The MSME Performance variable shows a considerable level of variation, but the average value indicates that most MSMEs achieve a moderate to good level of performance.

The validity test serves as a measuring tool to calculate data accuracy. Based on the results of the validity test that has been carried out on the variables MCS Packages, Entrepreneurial Orientation, Competitive Strategy Scale, and MSME Performance, it is known that all dimensions have a calculated r value> 0.361 so it can be concluded that all data used is said to be valid to meet research needs. Then, reliability testing can be carried out. More detailed test results can be seen in Appendix 2.

A reliability test can be conducted to prove the instrument's accuracy, consistency, and precision in measuring the constructs in the research data. Data can be reliable if each variable's Cronbach's Alpha value is > 0.7. The following are the results of the reliability test that has been carried out:

Table 2 Reliability Test Results

Variables	Cronbach's Alpha	Conclusion
Management	0.9714	Reliable
Control Systems Packages	0.9425	Reliable
Entrepreneurship Orientation	0.9514	Reliable
MSME Performance	0.9506	Reliable

The Table 2 shows the reliability test results on all service quality variables. The reliability test results using the Cronbach's Alpha method (using a statistical test program) show that the Cronbach's Alpha value for each indicator in the variable is> 0.7, which means that all variables are reliable. Respondents are consistent in answering the questions given.

The normality test aims to determine whether the research variables are normally distributed. The Kolmogorov-Smirnov Test (KS) is the normality test in this research activity. A typical residual has a significant value > 0.05. The following are the results of the normality test that has been carried out:

Table 3 Normality Test Results

Indicator	Test Statistics	P-Value	Conclusion	Indicator	Test Statistics	P-Value	Conclusion
KB1	0.04	0.2	Normal	LTKW1	0.0372	0.2	Normal
KB2	0.0447	0.2	Normal	LTKW2	0.0287	0.2	Normal
KB3	0.0551	0.087	Normal	LTKW3	0.0317	0.2	Normal
PRC1	0.0322	0.2	Normal	LTKW4	0.0439	0.2	Normal
PRC2	0.0347	0.2	Normal	LTKW5	0.0387	0.2	Normal
PRC3	0.0313	0.2	Normal	LTKW6	0.0453	0.2	Normal
PRC4	0.0389	0.2	Normal	LTKW7	0.0315	0.2	Normal
PRC5	0.0408	0.2	Normal	LTKW8	0.0238	0.2	Normal
KC1	0.0336	0.2	Normal	SD1	0.0616	0.134	Normal
KC2	0.0321	0.2	Normal	SD2	0.0478	0.2	Normal
KC3	0.0351	0.2	Normal	SD3	0.0534	0.2	Normal
KC4	0.0365	0.2	Normal	SD4	0.0328	0.2	Normal
KC5	0.0578	0.06	Normal	SD5	0.0371	0.2	Normal
PK1	0.0504	0.2	Normal	SD6	0.0364	0.2	Normal
PK2	0.0337	0.2	Normal	SB1	0.0699	0.108	Normal
PK3	0.0288	0.2	Normal	SB2	0.0427	0.2	Normal
KA1	0.0419	0.2	Normal	SB3	0.0315	0.2	Normal
KA2	0.0396	0.2	Normal	SB4	0.0504	0.2	Normal

Indicator	Test Statistics	P-Value	Conclusion	Indicator	Test Statistics	P-Value	Conclusion
KA3	0.0531	0.2	Normal	KNK1	0.0339	0.2	Normal
KA4	0.0467	0.2	Normal	KNK2	0.0568	0.069	Normal
KA5	0.0435	0.2	Normal	KNK3	0.0365	0.2	Normal
INOV1	0.0408	0.2	Normal	KNK5	0.0438	0.2	Normal
INOV2	0.0497	0.2	Normal	KNK6	0.0438	0.2	Normal
INOV3	0.0358	0.2	Normal	KNK7	0.0507	0.2	Normal
PRISK1	0.0327	0.2	Normal	KU1	0.0292	0.2	Normal
PRISK2	0.0566	0.071	Normal	KU2	0.0615	0.055	Normal
PRISK3	0.0317	0.2	Normal	KU3	0.0455	0.2	Normal
PRO1	0.0353	0.2	Normal	KU5	0.0594	0.148	Normal
PRO2	0.0247	0.2	Normal				

Based on the results of the normality test in Table 3, it is known that all indicators from all variable dimensions have a significant value > 0.05. This indicates that the data is normally distributed.

From the results of the SEM analysis model, it can be seen that no single indicator and dimension must be removed from the test. The equation of this study is as follows:

KUMKM = 0.51*MCS + 0.58*OK + 0.57*CSC + 0.45*MDRT1 + 0.48*MDRT2, Errorvar. = 0.09,

$R^2 = 0.91$

(0.025) (0.029) (0.037) (0.040) (0.040)

20.88 19.89 15.46 11.34 11.94

A determination coefficient test (R2) was carried out to measure the model's ability to explain the influence between dependent variables in the study. Based on the calculations carried out, an R-square value of 91% was obtained, which means that the diversity that can be explained by the factors in the model is 91%, while the remaining 9% is explained by other factors outside the model.

The T-test is conducted to see the influence between independent and dependent variables. The following are the results of statistical processing for the T-test and coefficient test (Table 4 and Table 5).

Table 4 T-Test Results

	Koef Path	T statistics	Information
MCS → MSME	0.51	20.88	Significant
OK → MSME	0.58	19.89	Significant
CSC → MSME	0.57	15.46	Significant
CSC x MCS → MSME	0.45	11.34	Significant
CSC x MCS → MSME	0.45	11.34	Significant

Table 5 Path Coefficient Test Results

Variables	Dimensions	Code	Loading Factor	Path Coefficient X--Y	The Total Effect of Dimensions on MSMEs
Management Control Systems Packages	Cultural Control	X1	0.75	0.51	0.38
	Planning	X2	0.96		0.49
	Cybernetic Control	X3	0.91		0.46
	Awards and Compensation	X4	0.96		0.49
	Administrative Control	X5	0.87		0.44
Entrepreneurship Orientation	Innovation	X6	0.97	0.58	0.56
	Risk Taking	X7	0.96		0.56
	Proactive	X8	0.93		0.54
	Entrepreneurship Literacy	X9	0.96		0.56
Competitive Strategy Scale	Differentiation Strategy	X10	0.93	0.57	0.53
	Cost Strategy	X11	0.87		0.50

The statistical results of testing the influence of Management Control System Packages on MSME Performance obtained a t-value of 20.88 > t table 1.96, meaning that there is a positive influence between MCS packages and MSME performance in Bogor City (Hypothesis accepted). The statistical results of testing the influence of Entrepreneurial Orientation on MSME Performance obtained a calculated t value of 19.89 > t table 1.96, meaning that there is an influence between the Entrepreneurial Orientation package and the performance of MSMEs in Bogor City. The statistical results of testing the influence of Management Control System Packages on MSME Performance moderated by the Competitive Strategy Scale obtained a calculated t-value of 11.34 > t table 1.96. This means that the competitive strategy scale can strengthen the influence of MCS packages and the performance of MSMEs in Bogor City. The statistical results of testing the influence of Entrepreneurial Orientation on MSME Performance moderated by the Competitive Strategy Scale obtained a calculated t value of 11.94 > t table 1.96, meaning that the Competitive Strategy Scale can strengthen the influence between entrepreneurial orientation and MSME performance in Bogor City.

The path coefficient in the T-test usually refers to the path coefficient in the path analysis model or Structural Equation Modeling (SEM). This coefficient indicates the strength and direction of the model's relationship between the independent (exogenous) and dependent (endogenous) variables. The tests that have been carried out show that the path coefficient of the relationship between entrepreneurial orientation and MSME performance is 0.58, higher than other tests. This explains that entrepreneurial orientation is the most important factor influencing MSME performance. These results mean that every MSME actor must have a foundation in entrepreneurship so that the business they run can produce good results.

Based on the test results, the variables of management control system packages consisting of cultural control, planning, cybernetic control, rewards and competencies, and administrative control positively influence MSME performance. This means that MCS packages as a tool for monitoring and correcting performance can help MSMEs manage their resources effectively and efficiently to achieve business goals. With good cultural control in the work environment, ethics and attitudes of mutual respect for one another will grow and raise the enthusiasm of employees so that they can meet the expected business performance targets. For everyone involved in the business to know and understand the business goals, good planning is needed to improve

performance. Cybernetic control in this study is an effort to get feedback on performance. The better the cybernetic control that is carried out, the better the results will be obtained. The awarding of awards aims to foster employee loyalty to the company and can also increase motivation and work competition. Administrative monitoring of employees needs to be carried out by the company so that business operational activities run well, business performance increases, and the business can grow and compete in the business world.

The results of this study are in line with research conducted by (Frare et al., 2021; Haseeb et al., 2019), which stated that management control system packages affect performance. These findings reinforce the views of Malmi & Brown (2008) on how a combination of cultural control elements, planning, and performance evaluation can help organizations achieve operational efficiency.

From the results of interviews conducted with several MSMEs, the sources agreed that the management control system packages are a significant part of MSME management. This is part of achieving business goals, as conveyed by Asri Pramesti, the manager of MSME laundry,

"*Sistem Pengendalian Manajemen sangat penting karena akan membantu usaha saya dalam mencapai tujuan usaha*." (Management Control System is very important because it will help my business achieve its goals).

Farida Ratna Dewi, the owner of a culinary business selling laksa in Bogor City, stated that the management control system packages allow her to see how MSMEs have been performing so far.

"*Sangat penting, sekalipun bisnis kami masih ultra mikro, namun kami sudah menerapkan seluruh fungsi dan aspek manajemen dalam operasional usaha kami. Seperti dalam produksi kami memiliki SOP (Sistem Operasional Perusahaan), dalam pengelolaan keuangan agar kami bisa mengetahui kinerja usaha kami menyusun laporan keuangan sesuai standar EMKM. Hal ini bermanfaat bagi pengambilan keputusan. Selain itu dalam cost management perhitungan harga pokok produksi kami lakukan sebagai dasar penentuan harga jual, begitu pula dalam manajemen SDM, dalam proses recruitment juga diterapkan dengan proses wawancara dan test memasak*." ("It is very important, even though our business is still ultra micro, but we have implemented all functions and aspects of management in our business operations. Like in production, we have SOP (Company Operational System); in financial management, so that we can know the performance of our business, we prepare financial reports according to EMKM standards. This is useful for decision-making. In addition, in cost management, we calculate the cost of production as a basis for determining the selling price, as well as in HR management; in the recruitment process, it is also applied to the interview process and cooking test.")

The management control system packages have a cultural aspect. According to Asri Pramesti, this aspect is characteristic of SMEs that win the competition. Farida Ratna Dewi explained that culture influences how she manages her UMKM business.

"*Iya sangat mempengaruhi. Sebagai contoh di usaha kami. Karena bisnis kuliner, maka kebersihan menjadi sangat penting. Selain itu, keramahan kepada pengunjung juga diterapkan. Budaya yang kami contohkan kepada karyawan pada saat melayani konsumen dan menyiapkan makanan. Dengan budaya yang kami contohkan dan terapkan, hal ini cukup membantu peningkatan kinerja usaha*." ("Yes, it affects, for example, in our business. Because it is a culinary business, cleanliness is essential. In addition, friendliness to visitors is also applied. The culture that we exemplify to employees when serving consumers and preparing food. With the culture that we exemplify and apply, this is quite helpful in improving business performance.")

Another aspect of the management control system packages is planning short-, medium-, and long-term planning. Several MSMEs we interviewed explained that the planning was only short-term in the months to one year ahead. It is still scarce for MSMEs to make medium-term plans of one to three years and long-term plans of

up to five years ahead. The way MSMEs measure planning is minimal, namely only by comparing planning and realization, especially in terms of sales and expenses, not to all aspects.

Aspects of management control system packages are related to employee performance issues. Some SMEs measure employee performance qualitatively, such as that done by Farida Ratna Dewi,

"*Pengukuran kinerja karyawan diukur secara kualitatif, seperti bersihnya dapur, meja makan pengunjung, kepuasan konsumen (melakukan riset pasar dan kepuasan konsumen walaupun belum rutin), serta nilai penjualan*." ("Employee performance measurement is measured qualitatively, such as the cleanliness of the kitchen, the visitors' dining tables, customer satisfaction (conducting market research and customer satisfaction even though it is not routine), and sales value.")

UMKM in Yan Noviar's place, which manages a lodging in Bogor City, gives bonuses to employees who are rated very well to measure the quality of work of his employees. Asri Pramesti also rewards and punishes employees to improve their performance. In addition, in building a solid team, Asri starts with good communication.

The results of the statistical testing show that the entrepreneurial orientation variables, which consist of innovation, risk-taking, proactiveness, and entrepreneurial literacy, positively influence the performance of MSMEs. This means that to support MSMEs' competitiveness, innovation is needed to produce newer, better, and higher-quality products. In addition, innovation and appropriate risk-taking can minimize unexpected events during business activities. Therefore, a proactive attitude and entrepreneurial literacy of all business activity implementers are needed to grow long-term innovation by meeting customer satisfaction.

Entrepreneurial orientation encourages the sustainability of MSMEs for environmentally friendly product innovation by reducing dependence on hazardous raw materials and introducing recycled-based products. It can also increase operational efficiency through investment in green technology and risk management; MSMEs can optimize costs and reduce waste. In addition, entrepreneurial orientation can help MSMEs adapt to changes in environmental regulations and consumer demand that is increasingly aware of sustainability.

The results of this study support the theory that innovation, risk-taking, and proactiveness are key elements for business success (Basco et al., 2019). This is relevant to the entrepreneurial orientation model, which emphasizes the importance of adaptability and innovation in a competitive environment. The results of this study are supported by research by Basco et al., 2019; Frare et al. 2021; and Haseeb et al. (2019), which state that entrepreneurial orientation affects performance.

In entrepreneurial orientation, there is an aspect of risk management. Based on the results of interviews with UMKM actors, on average, their answers were as risk-averse compared to risk takers, such as Nuraini, the operational manager of PT PKM, whose business provides cleaning services. Nuraini explained that,

"*Perusahaan melakukan pertimbangan sebelum melakukan melakukan investasi atau pembelanjaan sehingga meminimallisir resiko bisnis yang akan terjadi*." ("The company makes considerations before making investments or purchases so as to minimize the business risks that will occur.")

This is in contrast to Yan Noviar and Farida Ratna Dewi, who are risk averse and risk takers. Yan Noviar explains how the UMKM that is run takes a risk,

"*Dua-duanya, risiko yang terjadi kami kelola berdasarkan pengalaman dan sharing dengan teman-teman yang memiliki UKM yang sama untuk mencari solusi yang terbaik, sedangkan yang akan terjadi kami antisipasi berdasarkan anggaran dan SOP yang telah ditetapkan serta kontrol yang tinggi*." ("Both, we manage the risks that occur

based on experience and sharing with friends who have the same SMEs to find the best solution, while what will happen we anticipate based on the budget and SOP that have been set and high control.")

In entrepreneurial literacy, the understanding of a businessman, in this case, the managers of MSMEs, is very important. Based on the interview results, all the MSMEs who were the sources have made many innovations so that their businesses continue to grow. One of the sources, Asri Pramesti, explained the innovations made related to environmental aspects.

"*Dalam tiga tahun berinovasi, kami meniadakan penggunaan sampah plastik menggganti dengan tas yang ramah lingkungan.*" ("In three years of innovation, we have eliminated plastic waste and replaced it with environmentally friendly bags.")

The results of this study indicate that the competitive strategy scale variable consisting of cost differentiation strategy and cost strategy moderates the influence of management control system packages on MSME performance positively. In order to obtain sustainable profits, it is necessary to ensure that MSMEs have suitable MCS Packages and to be able to support sound business performance by considering the manufacture of products or services that have characteristics and differences from other products but by paying attention to quality and use of low costs so that they can be widely reached. This is supported by research by Haseeb et al., (2019), which states that competitive strategy scale moderates the influence of MCS packages on MSME performance.

Based on the results of the tests that have been carried out, the competitive strategy scale variable positively moderates the effect of entrepreneurial orientation on MSME performance. The activeness of MSMEs in maintaining customer needs is in line with entrepreneurial orientation while maintaining the quality of the products and services produced. Customers will provide long-term loyalty to MSMEs if they are satisfied with the products or services offered. This can positively impact MSMEs because it can help them gain profits and achieve sustainable financial performance. These findings provide a basis for MSMEs to prioritize innovation and better resource management through a strategic approach. Combining differentiation and cost strategies (Competitive Strategy Scale) with a management control system can create competitive advantages through operational efficiency and sustainability-oriented resource management. The results of this study are supported by research by Budiati et al., (2021) and Galbreath et al., (2020), which state that competitive strategy scale moderates the effect of entrepreneurial orientation on MSME performance.

Based on the interview results, the MSMEs' differentiation and cost strategies are different. Farida explains the differentiation and cost strategies carried out as follows.

"*Strategi diferensiasi produk tidak hanya pada produk fisik saja, namun kemasan, harga, dan bumbu, sedangkan untuk strategi biaya dengan memperbanyak supplier dengan bahan baku berkualitas serta menyimpan bahan baku dengan apik sehingga mengurangi kerugian dari bahan baku yang busuk.*" ("The product differentiation strategy involves not only physical products but also packaging, price, and seasoning. The cost strategy involves increasing the number of suppliers of quality raw materials and adequately storing raw materials to reduce losses from rotten raw materials.")

Briefly, Nur explained the differentiation and cost strategies of the MSME where he works, namely as follows.

"*Dengan melakukan realisasi pembelanjaan berdasarkan skala prioritas, sehingga bisa dilakukan berdasarkan urgensinya.*" ("Realizing spending based on a priority scale can be done based on urgency.")

CONCLUSION

According to the title of this research, entrepreneurial orientation is the most important factor in influencing MSME performance, both from a financial and non-financial perspective. As a result, every MSME actor must have a foundation in entrepreneurship so that the business they run can produce good results.Furthermore, we can draw several conclusions based on the analysis, data testing, and discussions presented in the previous chapters. Firstly, the performance of MSME is positively impacted by the Management Control System (MCS) package. This shows that the MCS package, as a tool for monitoring and improving performance, helps MSMEs manage their resources effectively to achieve business goals. Second, the performance of MSMEs is positively impacted by entrepreneurial orientation. For MSMEs to outperform their competitors, they need to innovate and produce newer, better-quality products. Third, the Competitive Strategy Scale moderates the positive influence of MCS packages on MSME performance. MSMEs can achieve sustainable profits by having beneficial MCS packages that support excellent business performance through the creation of unique products or services different from others while maintaining quality and minimizing costs for broader accessibility. Finally, the Competitive Strategy Scale moderates the favorable effect of entrepreneurial orientation on MSME performance. This signifies that MSME's activity in meeting customer needs, aligned with entrepreneurial orientation while maintaining product quality and services offered, leads to long-term customer loyalty, positively impacting MSME's ability to achieve sustainable financial performance. This research focuses its implications on three key parties. 1) MSME stakeholders who can understand and delve deeper into factors influencing and enhancing MSME financial and non-financial performance. This includes management control system packages, entrepreneurial orientation, and competitive strategy scale to sustain their businesses amid intense competition. 2) Government bodies responsible for fostering MSME growth should nurture MSME stakeholders, providing guidance on performance, entrepreneurial orientation, and competitive strategic scale. Creating standardized indicators for MSME performance is crucial to providing a clear business perspective. 3) Academia: This research can pave the way for further studies exploring other factors influencing MSME performance from various perspectives. Our study has limitations; this study only focuses on MSMEs in West Java. In addition, we limited the distribution of questionnaires to specific cities such as Bogor, Depok, and Cirebon. In questionnaire distribution and interviews, future researchers can expand the scope of MSMEs beyond West Java, providing different perspectives on management control system packages, entrepreneurial orientation, competitive strategy scale, and MSME performance. For future research, we recommended exploring other industry sectors such as technology and startups, banking and finance, healthcare, and energy and environment to obtain more comprehensive findings and stronger generalizability. This research could potentially develop an experimental study involving MSMEs in simulated scenarios to provide solutions related to management control system packages, entrepreneurial orientation, and competitive strategy scale, which can significantly influence MSME performance. To understand the long-term impact of entrepreneurial orientation and sustainability practices on the performance of MSMEs, we recommend that future researchers consider alternative approaches, such as longitudinal studies.

ORCID

Yvonne Augustine https://orcid.org/0009-0007-4776-375X

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APPENDIX 1. Identification Of Variables

No.	Variables	Dimensions	Item	Scale
1.	MCS Packages Source: Malmi & Brown (2008), Frare et al. (2021), Haseeb et al. (2019)	Cultural Control	Important organizational beliefs	Likert scale with 1 = strongly disagree; 6 = strongly agree
			The organization's values, mission, and vision are delegated to subordinates.	
			Organizational symbols indicate the prevailing aspects of organizational culture.	
		Planning	In short-term planning, functional area objectives are determined.	Likert scale with 1 = strongly disagree; 6 = strongly agree
			In short-term planning, functional area goals are passed on to employees.	
			Long-term planning allows for the alignment of standards and goals, aligning objectives across all functional areas.	
			In long-term planning, the activities of each subordinate are controlled.	
			In long-term planning, the activities of all organization sectors are controlled.	
		Cybernetic Control	Performance measurement is used to measure employee behavior.	Likert scale with 1 = strongly disagree; 6 = strongly agree
			Performance standards or objectives are used in organizations	
			The feedback process is adopted by comparing the results achieved with previously set standards.	
			Analysis of variation due to feedback is performed.	
			Subordinates are encouraged to improve their performance by providing rewards.	

No.	Variables	Dimensions	Item	Scale
		Awards and Compensation	There are several ways to measure how much employees are focused on the activities they perform.	Likert scale with 1 = strongly disagree; 6 = strongly agree
			There are several ways to measure the time employees spend performing various activities.	
			There are ways of measuring the number of individuals involved in pursuing organizational goals.	
		Administrative Control	The company constantly monitors performance, and employees must maintain their behavior.	Likert scale with 1 = strongly disagree; 6 = strongly agree
			Behavioral monitoring is used; employees are asked to be accountable for their behavior	
			The organizational chart in the organizational structure identifies the allocation of subordinates.	
			There are processes in the company that determine how tasks or behaviors should be performed.	
			The process of specifying how a task or behavior should be performed is adopted and passed on to subordinates.	
2.	Entrepreneurship Orientation Source: Frare et al. (2021), Basco et al. (2019), Farooq (2018), Lyons et al. (2019), Reyad et al. (2019)	Innovation	Investment in research and development (R&D)	Likert scale with 1 = strongly disagree; 6 = strongly agree
			Introduction of new products/services in the last three years	
			Find different ways to take action to solve problems.	
		Risk Taking	Performance in high-risk projects	Likert scale with 1 = strongly disagree; 6 = strongly agree
			Put the company at risk to explore opportunities	
			Making financial loans	
		Proactive	Pioneer in product/service/technology implementation	Likert scale with 1 = strongly disagree; 6 = strongly agree
			Initiatives that cause competitive reactions	
			Consistent monitoring of customer needs	
		Entrepreneurship Literacy	Creativity	Likert scale with 1 = strongly disagree; 6 = strongly agree
			Flexibility	
			Innovative	
			Discipline	
			Collaboration and cooperation	
			Problem-solving skills	
			Leadership and communication skills	
			Relationship building and collaboration skills	

No.	Variables	Dimensions	Item	Scale
3.	Competitive strategy scale Source: Budiati et al (2022), Santos-Vijande et al (2012)	Cost Differentiation Strategy	Providing extensive service before and after sales	Likert scale with 1 = strongly disagree; 6 = strongly agree
			Adopting new marketing techniques	
			Offering different products	
			Offering a broad product line	
			Emphasizing the company brand	
			Offering high-quality products	
		Cost Strategy	Optimizing production capacity	Likert scale with 1 = strongly disagree; 6 = strongly agree
			Conduct price negotiations when purchasing raw materials	
			Modernizing manufacturing	
			Increasing the productivity of manufacturing systems	
			Lowering production costs	
4.	MSME Performance Source: Frare et al. (2021); Tsamenyi et al. (2011)	Financial and non-financial	ROI	Likert scale with 1 = strongly disagree; 6 = strongly agree
			Profitability	
			Operating cash flow	
			Cost control	
			New product development	
			Market development	
			Human Resources	
		Business continuity	Company confidence in running a business	Likert scale with 1 = strongly disagree; 6 = strongly agree
			Sales growth and market share	
			Eco-friendly products	
			Products from recycled materials	
			Improving relations with the community and other stakeholders	

APPENDIX 2. Validity Test Results Table

Variables	Dimensions	Indicator	r count	Information
Management Control Systems Packages	Cultural Control	KB1	0.802	Valid
		KB2	0.808	Valid
		KB3	0.812	Valid
	Planning	PRC1	0.880	Valid
		PRC2	0.858	Valid
		PRC3	0.821	Valid
		PRC4	0.783	Valid
		PRC5	0.787	Valid

Variables	Dimensions	Indicator	r count	Information
	Cybernetic Control	KC1	0.892	Valid
		KC2	0.788	Valid
		KC3	0.893	Valid
		KC4	0.914	Valid
		KC5	0.832	Valid
	Awards and Compensation	PK1	0.962	Valid
		PK2	0.971	Valid
		PK3	0.946	Valid
	Administrative Control	KA1	0.966	Valid
		KA2	0.929	Valid
		KA3	0.918	Valid
		KA4	0.946	Valid
		KA5	0.912	Valid
Orientation Entrepreneurship	Innovation	INOV1	0.869	Valid
		INOV2	0.883	Valid
		INOV3	0.847	Valid
	Risk Taking	PRISK1	0.885	Valid
		PRISK2	0.924	Valid
		PRISK3	0.920	Valid
	Proactive	PRO1	0.819	Valid
		PRO2	0.733	Valid
		PRO3	0.840	Valid
	Entrepreneurship Literacy	LTKW1	0.946	Valid
		LTKW2	0.930	Valid
		LTKW3	0.830	Valid
		LTKW4	0.947	Valid
		LTKW5	0.898	Valid
		LTKW6	0.946	Valid
		LTKW7	0.880	Valid
		LTKW8	0.860	Valid
Competitive Strategy Scale	Differentiation Strategy	SD1	0.934	Valid
		SD2	0.901	Valid
		SD3	0.925	Valid
		SD4	0.923	Valid
		SD5	0.886	Valid
		SD6	0.921	Valid

Variables	Dimensions	Indicator	r count	Information
	Cost Strategy	SB1	0.870	Valid
		SB2	0.873	Valid
		SB3	0.942	Valid
		SB4	0.845	Valid
		SB5	0.839	Valid
MSME Performance	Finance and Non-Financial	KNK1	0.941	Valid
		KNK2	0.921	Valid
		KNK3	0.923	Valid
		KNK4	0.658	Valid
		KNK5	0.900	Valid
		KNK6	0.893	Valid
		KNK7	0.844	Valid
	Business Continuity	KU1	0.859	Valid
		KU2	0.927	Valid
		KU3	0.916	Valid
		KU4	0.751	Valid
		KU5	0.810	Valid

APPENDIX 3. Interview List

1. How important is a management control system for the SMEs that you manage?
2. Do cultural aspects influence how you manage your business in the SME you manage?
3. How do the SMEs in the place where you manage measure the planning that has been set, both short, medium, and long-term?
4. How do the SMEs where you manage measure employee performance?
5. What new product innovations has the company released in the last three years?
6. Are the SMEs where you manage risk takers or risk averse? How do you deal with the risks that have occurred and will occur?
7. How do the SMEs in your area deal with competition?
8. How do the SMEs where you manage build a solid team?
9. What differentiation and cost strategies do SMEs implement in the place where you manage?
10. How do the SMEs in your area improve their performance and business sustainability from financial and non-financial perspectives?