

## ENTREPRENEURIAL COMPETENCE, ORIENTATION AND PRODUCT INNOVATION: DRIVERS OF MSMEs SUCCESS IN OK OCE INDONESIA

**Muh Faqih Ikhwan Aditiya Nugraha**

Faculty Economics and Business, Universitas Negeri Jakarta, Indonesia

Email: muhammadfaqihikhwan@gmail.com

**Agus Wibowo**

Faculty Economics and Business, Universitas Negeri Jakarta, Indonesia

Email: agus-wibowo@unj.ac.id

**Suparno**

Faculty Economics and Business, Universitas Negeri Jakarta, Indonesia

Email: suparno@feunj.ac.id

### ABSTRACT

This study aims to analyze the influence of competence and entrepreneurship on business success, with product innovation as a mediating variable, in micro, small, and medium enterprises (MSMEs) assisted by OK OCE Indonesia in the DKI Jakarta region. A quantitative approach was used, collecting data through questionnaires distributed to 150 MSMEs selected through purposive sampling. Data analysis was conducted using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method using SmartPLS 3.0 software. The results showed that competence and entrepreneurship have a positive and significant effect on business success. Both variables also have a significant contribution to product innovation, which is further proven to have a positive effect on business success. Product innovation has been shown to act as a mediator, although the resulting mediation effect is relatively limited. The practical implications of this study can be the basis for the development of more targeted training, mentoring, and capacity building programs to support the effectiveness of MSME empowerment programs by OK OCE.

**Keywords: Entrepreneurial competence, Entrepreneurial orientation, Product innovation, Business success**

### ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh kompetensi dan orientasi kewirausahaan terhadap keberhasilan usaha, dengan inovasi produk sebagai variabel mediasi, pada usaha mikro, kecil, dan menengah (UMKM) binaan OK OCE Indonesia di wilayah DKI Jakarta. Pendekatan kuantitatif digunakan dengan pengumpulan data melalui kuesioner yang disebarkan kepada 150 pelaku UMKM yang dipilih melalui teknik purposive sampling. Analisis data dilakukan dengan metode Partial Least Squares Structural Equation Modeling (PLS-SEM) menggunakan perangkat lunak SmartPLS 3.0. Hasil penelitian menunjukkan bahwa kompetensi dan orientasi kewirausahaan berpengaruh positif dan signifikan terhadap keberhasilan usaha. Kedua variabel tersebut juga memiliki kontribusi signifikan terhadap inovasi produk, yang selanjutnya terbukti turut berpengaruh positif terhadap keberhasilan usaha. Inovasi produk terbukti memainkan peran sebagai mediator, meskipun efek mediasi yang ditimbulkan tergolong terbatas. Implikasi praktis dari penelitian ini dapat menjadi dasar pengembangan program pelatihan, pendampingan, dan penguatan kapasitas yang lebih terarah dalam rangka mendukung efektivitas program pemberdayaan UMKM oleh OK OCE.

**Kata kunci: Kompetensi wirausaha, Orientasi wirausaha, Inovasi produk, Keberhasilan usaha**

**INTRODUCTION**

Small and Medium Enterprises (SMEs) play a pivotal role in Indonesia’s economy, contributing over 60% to national GDP and absorbing a significant portion of the labor force. With more than 65.4 million units across the country, SMEs represent 99% of all businesses (Kementerian UMKM, 2024). Despite their scale, many still face structural challenges, particularly in urban hubs like Jakarta. Studies by Zhahirah et al. (2023) and Zulfikar & Novianti (2018) reveal that a substantial number of MSMEs struggle with low entrepreneurial competence, limited innovation capacity, and weak strategic orientation factors that inhibit business scalability and sustainability. The challenge is amplified in Jakarta, where over 1.2 million MSMEs account for 98% of business units (BPS, 2016), yet a large portion remain micro-sized with annual turnovers below IDR 300 million (Table 1). This indicates a disproportion between the number of enterprises and their economic contribution, emphasizing the need for capacity-building initiatives that enhance both entrepreneurial quality and innovation readiness.

Table 1. Group Number of Businesses/Companies by Region and Income/Turnover Group of DKI Jakarta Province Results of SE2016 (Business)

<b>Regency/city</b>	<b>&lt;= IDR 300 M</b>	<b>300 M - 2.5 B</b>	<b>&gt; 2.5 B</b>	<b>Total</b>
Seribu Islands	3398	333	29	3760
South Jakarta	179040	49409	15089	243538
East Jakarta	203645	50213	8838	262696
Central Jakarta	99160	48553	12094	159807
West Jakarta	239847	67111	9651	316609
North Jakarta	180679	38913	8418	228010
<b>Total</b>	<b>905769</b>	<b>254532</b>	<b>54119</b>	<b>1214420</b>

Amidst this backdrop, the role of entrepreneurship programs becomes crucial. One notable initiative is OK OCE (*One District One Center for Entrepreneurship*) a community-based movement aiming to reduce unemployment and improve the quality of MSMEs through training, mentoring, licensing facilitation, marketing support, and access to financing. OK OCE operates based on the 7 TOP (*OK OCE Prima Stages*) model, which includes Registration, Training, Mentoring, Licensing, Marketing, Reporting, and Capital access. Through these structured stages, OK OCE seeks to foster sustainable entrepreneurship and economic self-reliance at the grassroots level. Despite its wide implementation, there remains limited empirical evidence on how entrepreneurial competence and orientation, two essential qualities for entrepreneurship success interact with product innovation to influence business success among OK OCE assisted MSMEs. Prior studies have explored similar relationships. For example, Siregar (2022) highlighted the importance of entrepreneurial competence in business adaptation and growth, while Lumpkin and Dess (1996) emphasized the strategic importance of entrepreneurial orientation, encompassing innovation, proactiveness, risk-taking, and competitive aggressiveness.

Despite the growing recognition of MSMEs as vital contributors to economic development, empirical investigations into the mechanisms by which entrepreneurial qualities translate into business success, especially within structured development programs, remain limited. Most existing studies tend to examine variables such as entrepreneurial competence, entrepreneurial orientation, or product innovation in isolation or in general MSME populations (Fahmi et al., 2022; Siregar, 2022). There is a notable lack of research that integrates these factors simultaneously within a targeted entrepreneurship development initiative such as OK OCE. Moreover, the role of product innovation as a mediating variable is often underexplored, despite its increasing relevance in dynamic market environments. Innovation has been widely recognized as a key driver of competitive advantage and long-term performance (Fahmi et al.,

2022; Kristian & Gofur, 2022), yet its mediating role between entrepreneurial competence/orientation and business success is rarely validated in empirical models, particularly in Indonesia's MSME sector.

This study attempts to address these gaps by developing an integrated framework that examines the influence of entrepreneurial competence and orientation on business success, with product innovation serving as a mediating variable, within the context of MSMEs assisted by the OK OCE program in DKI Jakarta. Unlike previous studies, this research isolates the effect of these entrepreneurial factors within a structured, community-based entrepreneurship initiative. The novelty of this study lies in its contextualized approach: combining individual-level entrepreneurial attributes (competence and orientation) with firm-level outcomes (success), while recognizing the mediating impact of innovation. It enriches the theoretical discourse by empirically validating this mediation effect and provides practical implications for policy and program development. Specifically, it offers insights for policymakers, program managers, and entrepreneurship trainers seeking to enhance the impact of community-based initiatives like OK OCE. Accordingly, this research addresses the central question: "To what extent do entrepreneurial competence and orientation influence MSME success, and how does product innovation mediate this relationship within the context of OK OCE Indonesia in DKI Jakarta?" By answering this, the study contributes to both academic scholarship and practical strategies for empowering MSMEs in Indonesia.

## LITERATURE REVIEW

### Business Success

Business success is commonly defined as a condition in which a business achieves better and more sustainable performance compared to its previous state. According to Nagel and Suhartatik (2022), business success reflects the progressive development of a company, where all operational activities are aligned toward achieving goals and ensuring long-term sustainability. This success can be observed through various measurable aspects, such as increasing revenue, expanding market reach, enhancing customer satisfaction, and improving operational efficiency. Nabila and Suharsono (2023) reinforce this perspective by emphasizing that business success is reflected in the entrepreneur's ability to meet planned targets, not only in terms of financial gains but also in non-financial achievements, such as brand reputation, innovation, and employee satisfaction. Similarly, Masykuri (2014) explains that business success is often marked by the expansion of business scale, which includes the ability to grow in capacity and market influence. Business success in this study is measured as the level of achievement of OK OCE Indonesia's fostered MSME businesses in meeting the established business goals, both from financial and non-financial aspects. outlines several key dimensions of business success, including capital accumulation, customer base growth, business expansion, product diversification, and increased business income. These dimensions highlight both internal improvements and external market responses to a business's performance. Furthermore, Faidah (2024) identifies specific indicators of business success, such as increased capital, production volume, number of customers, marketing area expansion, physical facility improvements, and business income growth. To assess business success more comprehensively, this study adopts the framework proposed by (Mutaqin & Apriadi, 2023), which includes four integrated dimensions: profitability, productivity and efficiency, competitiveness, and the ability to build a strong and positive business image. These indicators are particularly relevant for measuring the success of MSMEs in dynamic market conditions.

### Entrepreneurial Competencies

Entrepreneurial competence refers to a set of knowledge, skills, and attitudes that enable individuals to identify, seize, and manage business opportunities effectively. Esubalew

and Raghurama, (2020) define entrepreneurial competence as a dynamic combination of attributes that empower entrepreneurs to explore and exploit business opportunities in a competitive environment. These competencies are essential for sustaining and scaling a business. Rehman et al. (2023) expands this view by emphasizing that entrepreneurial competence is not merely technical, but also interpersonal and strategic. It includes confidence, deep knowledge of the business sector, interpersonal and communication skills, managerial capabilities, and networking abilities. These components collectively shape the entrepreneur's capacity to respond to challenges and drive business performance. Furthermore, Sakib et al., (2022) distinguish between innate elements, such as personal attitudes, entrepreneurial characteristics, and self-concept and acquired components, such as skills, knowledge, and experience, often developed through formal education and practical exposure. These elements are closely aligned with the Human Capital Theory formulated by McClelland (1987), which posits that individual productivity and economic value can be enhanced through continuous investment in education, training, and real-world experience. Jemal Sultan (2020) adds that entrepreneurial competence also entails the capacity to plan, organize, and operate a business effectively while managing potential risks. It reflects a proactive approach in adapting to changing business environments. Permata Sari et al., (2023) categorize entrepreneurial competence into four main indicators: (1) practical competence, which refers to the ability to apply entrepreneurial knowledge in real business situations; (2) marketing competence, which involves the ability to understand and respond to market needs; (3) financial management competence, which reflects the entrepreneur's ability to manage and control financial resources effectively; and (4) personal relationship competence, which includes the ability to maintain constructive relationships with stakeholders.

### **Entrepreneurial Orientation**

Entrepreneurial orientation refers to a strategic mindset and behavioral tendency that drives individuals or businesses to actively seek out opportunities, embrace innovation, and remain competitive in dynamic environments. According to Darmanto et al. (2020), entrepreneurial orientation is a process aimed at recognizing, developing, and transforming a vision into tangible action. This vision may include innovative ideas, the exploitation of market opportunities, or more efficient ways of performing business activities often emerging in high-risk or uncertain situations. Entrepreneurial orientation is recognized as a critical foundation for achieving sustainable business growth and fostering long-term competitive advantage (Rahmadi et al., 2020). Covin and Lumpkin (2011) define entrepreneurial orientation as a company's strategic approach to identifying and leveraging business opportunities. It encompasses a firm's willingness to innovate, proactively engage the market, and take calculated risks to support transformation and maintain market relevance. Similarly, Naparin (2024) highlights that entrepreneurial orientation reflects the risk propensity of business leaders in responding to environmental shifts and in leading change for strategic gain. In the context of this study, entrepreneurial orientation refers to the capacity of MSME actors under the OK OCE Indonesia program to generate innovative ideas, adapt to external environmental changes, and compete effectively in their respective markets. This aligns with the core mission of OK OCE, which seeks to cultivate independent entrepreneurs through structured training, mentorship, and business development support. According Lumpkin & Dess (1996), entrepreneurial orientation consists of four main dimensions 1) Innovativeness 2) Proactiveness 3) Risk-taking 4) Competitive aggressiveness. These four indicators are essential for assessing how entrepreneurial orientation influences business success, particularly among MSMEs being supported through OK OCE Indonesia's entrepreneurial development ecosystem.

**Product Innovation**

Product innovation is a critical component for sustaining competitiveness in a rapidly evolving and dynamic market landscape. It enables companies to continuously adapt by offering new or improved products that align with changing consumer preferences. According to Rosenfeld in Arifudin et al. (2020), innovation is the transformation of knowledge into new and valuable outcomes, be it in the form of products, services, or methods that have not existed before. Vontana, also cited in Arifudin et al. (2020), further asserts that innovation is a catalyst for both economic and social advancement, taking place when new approaches or combinations of existing ideas generate greater value for consumers, society, and the environment. Kotler and Amstrong (2010) describe product innovation as an interconnected series of processes that influence one another. In line with this, Utterback and Abernathy (1975) define product innovation as the commercial application of new technology or technological combinations to fulfill specific market needs. Abdullah et al. (2023) expand this notion by highlighting that product innovation involves purposeful efforts to enhance, improve, and develop product quality in order to elevate market value, customer satisfaction, and competitiveness both in physical characteristics and service dimensions. Drawing from these perspectives, product innovation can be understood as a strategic, iterative process that incorporates creativity, knowledge, and technology to create or refine products that deliver added value. It serves not only as a tool for market differentiation, but also as a mechanism to anticipate and respond to evolving consumer demands. Kotler et al. (2016) categorize product innovation into several dimensions: New to the world products, New product lines, Additions to existing product, Improvements and revisions of existing products, Repositioning, Cost reductions. These dimensions illustrate the broad strategic scope of product innovation, underscoring its role in enhancing firm performance, customer satisfaction, and long-term business sustainability.

From the theoretical literacy above, This research examines seven hypotheses concerning the factors affecting business success among OK OCE-assisted MSMEs in DKI Jakarta. H1) and H2) suggest that entrepreneurial competence and orientation positively impact business success. H3 posits that product innovation also contributes positively to business success. H4) and H5) state that both competence and orientation significantly influence product innovation. Meanwhile, H6) and H7) propose that product innovation mediates the relationship between entrepreneurial competence, orientation, and business success (Figure 1).

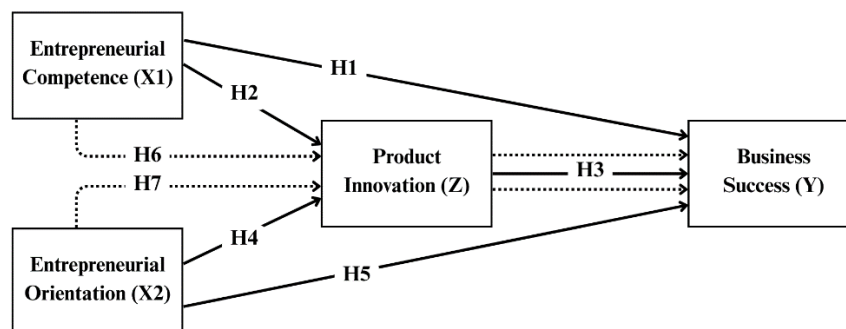


Figure 1. Hypothesis Development

**METHOD**

This study used a quantitative method with a Structural Equation Modeling (SEM) design. In this study, the population studied is Micro, Small, and Medium Enterprises (MSMEs) participating in the OK OCE Indonesia mentoring program in the DKI Jakarta region. Based on the latest available data, the number of MSMEs included in this program has reached 3,513. This population reflects various types of businesses with varying business scales, which have received guidance from OK OCE through various mentoring programs, training, and access to a broader business network. Participants were selected through

purposive sampling from active OK OCE members. Using the Yamane formula with a 10% margin of error, the minimum sample size was 100, but 150 valid responses were collected. Details of the respondent's profile can be seen in Table 2.

Table 2. Summary of Respondent Profile

No	Region	Total MSMEs	Proportion (%)	Total Sample
1	North Jakarta	250	7,12%	11
2	West Jakarta	498	14,18%	21
3	East Jakarta	1.511	43,00%	65
4	Central Jakarta	340	9,68%	15
5	South Jakarta	914	26,02%	38
<b>Total</b>		<b>3.513</b>	<b>100%</b>	<b>150</b>

Data were collected through a structured, closed-ended questionnaire using a five-point Likert scale (1 = strongly disagree to 5 = strongly agree) to measure four key variables: entrepreneurial competence, entrepreneurial orientation, product innovation, and business success and the measurement instruments were developed and adapted from previous research. The survey was distributed online via Google Forms. Analysis was performed using SmartPLS 3.0 with a two-stage SEM-PLS approach: evaluation of the measurement model (outer model) and structural model (inner model). The data analysis technique used in this study was Structural Equation Modeling-Partial Least Squares (SEM-PLS) with the assistance of SmartPLS 3.0. SEM-PLS is a variance-based statistical method used to test causal relationships between latent constructs in complex models. SEM-PLS was chosen based on several advantages, including: its suitability for development theory, its lack of normality assumptions, its ability to be used on small to medium sample sizes, and its ability to handle models with many indicators and variables, such as those in the context of OK OCE's MSMEs. Validity refers to the extent to which the indicators reflect the theoretical concept being assessed. This includes convergent validity evidenced by loading factors greater than 0.70 and Average Variance Extracted (AVE) values above 0.50 as well as discriminant validity, which ensures that each construct is distinct and non-overlapping with others. Reliability, on the other hand, evaluates the internal consistency of the model, indicating whether the items within a construct yield stable and dependable results. This is commonly assessed through Cronbach's Alpha and Composite Reliability, both of which should ideally exceed 0.70. Therefore, establishing validity and reliability is a fundamental step prior to conducting structural model analysis, as it provides a robust methodological foundation for interpreting the causal relationships among variables (Ghozali & Kusumadewi 2023). Predictive power was evaluated using R<sup>2</sup>, with thresholds of > 0.67 (strong), > 0.33 (moderate), and > 0.19 (weak) (Chin & Huynh, 2024). Multicollinearity was checked using VIF (< 10) and tolerance (> 0.10), (Ghozali & Kusumadewi 2023). Mediation analysis showed product innovation significantly mediated the relationship between entrepreneurial competence/orientation and business success if p < 0.1 (Ghozali & Kusumadewi, 2023).

## RESULTS AND DISCUSSION

### Descriptive Analysis

Descriptive analysis was conducted to provide an overview of the respondents' perceptions regarding each variable used in the study, including business success, entrepreneurial competence, entrepreneurial orientation, and product innovation. The descriptive statistics include the number of respondents (n), minimum and maximum scores, average (mean), and standard deviation (STDEV). The results are presented in Table 3. The findings indicate that all variables have mean scores above 4.00, reflecting generally positive respondent perceptions. Entrepreneurial orientation scored the highest (M = 4.228), followed

by business success ( $M = 4.167$ ) and entrepreneurial competence ( $M = 4.162$ ). Product innovation, while slightly lower ( $M = 4.010$ ), still shows favorable views. Standard deviations between 0.640 and 0.797 suggest moderate response variation across variables.

Table 3. Descriptive Analysis

Variable	n	Min	Max	Average	STDEV
Business Success	150	2	5	4,167407	0,639777
Entrepreneurial Competence	150	2	5	4,161818	0,696432
Entrepreneurial Orientation	150	1	5	4,228148	0,665651
Product Innovation	150	1	5	4,00963	0,79699

### Outer Model Analysis

#### *Convergent Validity (Loading Factor)*

Table 4 presents the results of the loading factor analysis. The table shows that each construct indicator has a loading factor value  $> 0.7$ , indicating that all construct indicators in this study meet the validity criteria and are considered valid.

Table 4. Loading Factor Analysis Result

Construct	Encode	Indicator	Outer Loading
KW	X1.1	Technical Competence	0.708
	X1.2		0.744
	X1.3	Marketing Competence	0.819
	X1.4		0.787
	X1.5	Personal Relationship Competence	0.749
	X1.6		0.760
	X1.7		0.789
	X1.8		0.812
	X1.9	Innovativeness	0.783
	X1.10	Proactiveness	0.833
	X1.11		0.741
OW	X2.1	Risk Taking	0.808
	X2.2		0.779
	X2.3		0.804
	X2.4	Competitive Aggressiveness	0.858
	X2.5		0.837
	X2.6	Profit	0.847
	X2.7	Productivity and Efficiency	0.765
	X2.8		0.825
	X2.9		0.810
KU	Y1	Competitiveness	0.734
	Y2		0.766
	Y3	Creating a Good Image	0.777
	Y4		0.761
	Y5	New Products	0.831
	Y6	New Product Lines	0.782
	Y7	Additional Product Lines	0.819
	Y8		0.819
	Y9		0.796
IP	Z1	Reinventing	0.738
	Z2		0.869
	Z3	Technical Competence	0.845
	Z4		0.856
	Z5		0.828
	Z6	Marketing Competence	0.816
	Z7		0.840
	Z8	Financial Competence	0.843
	Z9		0.862

*Discriminant Validity*

Table 5 demonstrates the reliability and validity results of the measurement model through Cronbach’s Alpha, Composite Reliability, and Average Variance Extracted (AVE). All constructs; Entrepreneurial Competence (X1), Entrepreneurial Orientation (X2), Business Success (Y), and Product Innovation (Z) exhibited Cronbach’s Alpha values above 0.7, ranging from 0.923 to 0.945, indicating high internal consistency. Composite Reliability values also exceeded the recommended threshold of 0.7, with the highest reliability observed in the Product Innovation variable (0.954), followed by Entrepreneurial Orientation (0.947), Entrepreneurial Competence (0.943), and Business Success (0.936), confirming strong construct reliability. In terms of convergent validity, all constructs achieved AVE scores above 0.5, specifically 0.602 (X1), 0.665 (X2), 0.62 (Y), and 0.695 (Z), meeting the criteria for acceptable convergent validity. These findings collectively confirm that the measurement model has adequate levels of reliability and validity.

Table 5. AVE Analysis Result

Construct	Cronbachs Alpha	Composite Reability	AVE
Business Success	0.934	0.943	0.602
Entrepreneurial Competencies	0.937	0.947	0.665
Entrepreneurial Orientation	0.923	0.936	0.62
Product Innovation	0.945	0.954	0.695

**Inner Model Analysis**

*Significance Test*

As shown in Table 6, all hypotheses are supported, with p-values below 0.1 and t-statistics above 1.645. Entrepreneurial competence, entrepreneurial orientation, and product innovation each have a significant direct effect on business success. Additionally, both entrepreneurial competence and orientation significantly influence product innovation. The indirect effects via product innovation are also significant, confirming its mediating role. Overall, both direct and indirect paths contribute meaningfully to explaining MSME business success.

Table 6. Significance Test Analysis Result

	Original Sample (O)	T Statistics ( O/STDEV )	P Values
Entrepreneurial Competence -> Business Success	0.395	4.860	0.000
Entrepreneurial Orientation -> Business Success	0.241	2.593	0.005
Product Innovation -> Business Success	0.225	2.655	0.004
Entrepreneurial Competence -> Product Innovation	0.421	3.128	0.001
Entrepreneurial Orientation -> Product Innovation	0.248	1.853	0.033
Entrepreneurial Competence -> Product Innovation -> Business Success	0.095	1.738	0.042
Entrepreneurial Orientation -> Product Innovation -> Business Success	0.056	1.764	0.040

*Goodness of Fit Test: R-Square (R<sup>2</sup>)*

Table 7 shows the R-square results used to evaluate model fit. The R<sup>2</sup> value for product innovation is 0.362, and for business success is 0.531, both fall within the moderate category (0.33–0.67). This indicates that the model explains a substantial portion of the variance in the dependent variables, making it appropriate for further interpretation and analysis.

Table 7. R Square Analysis Result

	R Square	R Square Adjusted
Product Innovation	0.362	0.353
Business Success	0.531	0.521

*Multicollinearity Test: Variance Inflation Factor (VIF)*

Table 8 presents the results of the Variance Inflation Factor (VIF) analysis conducted to assess multicollinearity among the indicators. The VIF values for all indicators covering entrepreneurial competence, entrepreneurial orientation, product innovation, and business success are found to be below the threshold of 10. The VIF scores range from 1.907 to 3.789, indicating that none of the indicators exhibit multicollinearity problems. Since all values remain well within the acceptable limit, it can be concluded that the model is free from multicollinearity and the constructs can be reliably used in further analysis.

Table 8. VIF Analysis Result

	<i>Variance Inflation Factor (VIF)</i>
X1.1	2.091
X1.2	2.631
X1.3	2.755
X1.4	2.491
X1.5	2.248
X1.6	2.937
X1.7	3.437
X1.8	3.265
X1.9	3.114
X1.10	3.726
X1.11	2.333
X2.1	2.370
X2.2	2.294
X2.3	2.449
X2.4	3.272
X2.5	3.026
X2.6	3.134
X2.7	2.150
X2.8	2.651
X2.9	2.655
Y1	2.155
Y2	2.428
Y3	2.343
Y4	2.186
Y5	2.856
Y6	2.277
Y7	2.827
Y8	3.101
Y9	2.269
Z1	1.907
Z2	3.732
Z3	3.570
Z4	3.340
Z5	2.976
Z6	2.748
Z7	3.216
Z8	3.598
Z9	3.789

*Hypothesis Test Analysis*

Table 9 presents the path coefficient analysis, showing that all tested hypotheses are statistically significant, with p-values below 0.05 and t-statistics above 1.645. Entrepreneurial competence ( $\beta = 0.395$ ), entrepreneurial orientation ( $\beta = 0.241$ ), and product innovation ( $\beta = 0.225$ ) all have significant direct effects on business success. Additionally, entrepreneurial competence ( $\beta = 0.421$ ) and orientation ( $\beta = 0.248$ ) significantly influence product innovation.

The study also confirms the mediating role of product innovation, with significant indirect effects from entrepreneurial competence ( $\beta = 0.095$ ) and orientation ( $\beta = 0.056$ ) on business success. These findings highlight product innovation as both a result of entrepreneurial traits and a contributing factor to business performance.

Table 9. Path Coefficient Analysis Result

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
Entrepreneurial Competence -> Business Success	0.395	0.396	0.081	4.860	0.000
Entrepreneurial Orientation -> Business Success	0.241	0.244	0.093	2.593	0.005
Product Innovation -> Business Success	0.225	0.223	0.085	2.655	0.004
Entrepreneurial Competence -> Product Innovation	0.421	0.428	0.134	3.128	0.001
Entrepreneurial Orientation -> Product Innovation	0.248	0.243	0.134	1.853	0.033
Entrepreneurial Competence -> Product Innovation -> Business Success	0.095	0.099	0.054	1.738	0.042
Entrepreneurial Orientation -> Product Innovation -> Business Success	0.056	0.051	0.032	1.764	0.040

## Discussion

### H1: *Entrepreneurial Competence Has a Direct Positive Effect on Business Success*

The results of the first hypothesis indicate that entrepreneurial competence significantly and positively influences business success. This suggests that MSMEs with higher levels of competence covering technical, managerial, and interpersonal abilities are more likely to achieve business success. This supports the definition by Mitchelmore and Rowley (2013), who explain entrepreneurial competence as an integration of knowledge, skills, and personal traits that equip entrepreneurs to capitalize on opportunities and navigate business challenges. In the OK OCE context, this result reinforces the value of the 7P model, especially in areas of training and mentoring. These findings align with prior research by Ahmad et al. (2010), Taleghani (2025), Listiana (2025), Putri and Sirine (2024) and Amelia et al. (2025), all of which emphasize the critical role of entrepreneurial competence in driving MSME success.

### H2: *Entrepreneurial Orientation Has a Direct Positive Effect on Business Success*

The second hypothesis testing demonstrates that entrepreneurial orientation has a significant and positive impact on the business success of MSMEs supported by OK OCE. These results support the acceptance of H2, showing that greater entrepreneurial orientation encompassing innovation, proactive behavior, willingness to take risks, and competitive drive Lumpkin and Dess (1996) correlates with better business performance. This is in line with OK OCE Indonesia's broader mission, which aims to shape entrepreneurial mindsets, not just improve technical know how, through its 7 PAS development model. Programs such as mentoring and digital business training are instrumental in building adaptability and opportunity-seeking behavior. These findings are supported by prior studies e.g. Farrington & Matchaba (2011); Herlinawati (2019); Azis and Bado (2022); Wahyuni and Sara (2020); and Yaskun et al. (2023), which similarly highlight the importance of entrepreneurial orientation in driving MSME growth and resilience. For OK OCE-assisted entrepreneurs, developing these traits is crucial for maintaining competitiveness and long-term viability in changing markets.

### *H3: Product Innovation Has a Direct Positive Effect on Business Success*

Hypothesis testing for H3 shows that product innovation significantly and positively affects the business success of OK OCE-assisted MSMEs. This means MSMEs that innovate by improving product efficiency, responding to market needs, or maintaining quality at lower costs tend to perform better. However, the study found that radical innovation remains limited. These results align with OK OCE's emphasis on product development through training and mentoring. Similar findings by Dahmiri and Khalik (2023); Walipah (2023); Kristian and Gofur (2022) also confirm that innovation drives competitiveness and sustainability.

### *H4: Entrepreneurial Competence Has a Direct Positive Effect on Product Innovation*

Hypothesis testing for H4 confirms that entrepreneurial competence has a positive and significant effect on product innovation among OK OCE-assisted MSMEs in DKI Jakarta, this indicates that MSMEs with stronger entrepreneurial competence covering technical, managerial, conceptual, and interpersonal skills are more capable of producing innovative products. These findings support McClelland (1987) human capital theory, which highlights that knowledge, skills, and attitude drive innovation. OK OCE's structured training model, particularly the 7 PAS program, plays a key role in equipping entrepreneurs with strategic and practical competencies. This is in line with studies by Noerchoidah et al. (2022); Fitri (2023); Ardyan et al. (2016), which also found entrepreneurial competence as a strong driver of innovation. Therefore, continuous capacity-building efforts are crucial to boosting MSME innovation and long-term business growth.

### *H5: Entrepreneurial Orientation Has a Direct Positive Effect on Product Innovation*

The hypothesis testing for H5 confirms that entrepreneurial orientation has a significant and positive influence on product innovation among OK OCE-assisted MSMEs in DKI Jakarta. This supports the acceptance of H5 and suggests that MSME actors with stronger entrepreneurial orientation characterized by innovativeness, proactiveness, risk-taking, and competitive aggressiveness are more likely to develop innovative products. Descriptive results show that the most dominant trait is proactiveness, especially in responding to market trends, while risk-taking scores lowest, indicating that many entrepreneurs are still cautious in facing uncertainty. This aligns with the findings of Wulandary et al. (2024) and Wayan et al. (2020), who found that entrepreneurial orientation plays a key role in driving innovation and shaping business competitiveness. In the OK OCE context, training programs such as digital marketing, product development, and trend analysis support the cultivation of entrepreneurial behavior. These initiatives help MSMEs move beyond simply following market trends to becoming trendsetters. Therefore, it can be concluded that entrepreneurial orientation fosters product innovation by enabling MSMEs to adapt, evolve, and create added value in competitive markets.

### *H6: Entrepreneurial Competence Has an Indirect Positive Effect on Business Success Through Product Innovation*

The hypothesis H6 test results show that entrepreneurial competence indirectly and significantly influences business success through product innovation. This implies that MSMEs with stronger entrepreneurial skills such as financial planning and strategic decision-making are more likely to create innovative products that drive business performance. In line with OK OCE's training model, this suggests that while entrepreneurial competence supports innovation, the impact could be strengthened through practical innovation-based training. These findings align with Fazri and Roza (2024) and Hwang et al. (2020), who also identified innovation as a key mediating factor.

### H7: *Entrepreneurial Orientation Has an Indirect Positive Effect on Business Success Through Product Innovation*

The results of hypothesis H7 indicate that entrepreneurial orientation indirectly and significantly affects business success through product innovation, the influence remains meaningful. MSMEs with strong entrepreneurial traits such as being proactive, innovative, and competitive tend to produce innovative products that enhance business outcomes, though many still hesitate to take bold risks. These findings support previous Wong (2012); Asad et al. (2024), and Bekata and Kero (2025), which found that innovation strengthens the link between entrepreneurial orientation and business success. OK OCE is encouraged to enhance innovation-focused training and risk-taking capacity to maximize this effect.

## CONCLUSION AND RECOMMENDATION

### Conclusion

This study concludes that both entrepreneurial competence and entrepreneurial orientation have a significant positive effect on business success among MSMEs supported by OK OCE in DKI Jakarta, both directly and indirectly through product innovation. While the mediating role of product innovation is statistically significant, its effect remains relatively limited. The findings underscore the importance of strengthening entrepreneurial capabilities and fostering innovation as strategic levers to enhance MSME performance. Theoretically, this study contributes to the literature by confirming the mediating role of innovation in entrepreneurship-performance linkage. Practically, it provides actionable insights for policymakers, incubators, and MSME actors in designing more targeted training, mentoring, and capacity-building initiatives.

### Recommendation

This study is limited by the relatively weak mediating effect of product innovation, highlighting a theoretical gap in understanding how and under what conditions innovation channels entrepreneurial competence and orientation into business success. Future research should explore potential moderating variables such as organizational learning culture, digital readiness, or absorptive capacity, that may strengthen or weaken this mediation. Moreover, since the study focuses solely on MSMEs within the OK OCE program, a comparative analysis with non-program MSMEs is necessary to critically assess the impact of structured interventions. Longitudinal research is also recommended to capture the evolving dynamics among competence, orientation, innovation, and success that cross-sectional designs cannot fully reveal.

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