



# The Impact of Enterprise Networks, Innovation, and Propensity to Take Risks on the Success of SMEs in the Food and Beverage Sector in West Jakarta

Winna Meiliana<sup>1</sup>  and Lydiawati Soelaiman<sup>1</sup> 

<sup>1</sup> Faculty of Economics and Bussines, Universitas Tarumanagara,  
West Jakarta – 11440, Indonesia  
lydiawatis@fe.untar.ac.id

**Abstract.** Micro, Small, and Medium Enterprises (SMEs) have made significant contributions to the Indonesian economy, especially in the fast-growing food and beverage sector. This study aims to investigate the influence of enterprise networks, innovation, and propensity to take risks on the success of SMEs in the food and beverage sector in West Jakarta. This research employs descriptive and quantitative methods, and the research hypothesis was tested using PLS-SEM with SmartPLS 4.0 software on 75 respondents. The population in this study comprised business owners or SME managers in the food and beverage field in West Jakarta. The questionnaires were distributed online and offline using nonprobability and purposive sampling techniques. The hypothesis test results revealed that business networks and the propensity to take risks did not significantly affect the business's success. In contrast, innovation positively and significantly impacted the business's success.

**Keywords:** enterprise networking, innovation, risk-taking tendency, enterprise success.

## 1 Introduction

Micro, Small, and Medium Enterprises (SMEs) constitute a group of enterprises significantly contributing to the Indonesian economy [1]. Regulation No. 20 Year 2008 emphasizes the importance of SMEs in national economic development [2] SMEs encompass a broad spectrum of sectors, from manufacturing to services, with the food sector playing a crucial role in driving the fastest-growing Indonesian economy [3].

By 2020, the food and beverage SME had emerged as the largest within Indonesia, comprising 1.51 million business units or approximately 36% of the total national GDP [4]. The food and beverage industry experienced a growth of 2.54% from 2020 to 2021, reaching a value of Rp.775.1 trillion [3].

SME growth in Jakarta has also shown substantial expansion, with 5,159 SMEs in the food and beverage sectors surpassing the average business growth of the past decade [5] Business success is a primary focus for entrepreneurs, necessitating the formulation of strategies to navigate intense competition. Therefore, factors contributing to the success of enterprises need careful consideration.

Business networking stands out as a critical factor influencing the success of SMEs. Organizations that effectively network with suppliers, buyers, and competitors can gain

a crucial advantage in avoiding competition [6]. Previous research by (Candra & Soelaiman, 2022; Tan et al., 2019; Thomas & Soelaiman, 2023; Thrikawala, 2011; Zhao & Ha-Brookshire, 2014; Zho & Jung, 2018) has indicated a positive and significant influence between enterprise network and enterprise success [7], [8], [9], [10], [11], [12]. However, another study, conducted by Pulka et al. (2021), revealed the opposite result, stating that enterprise networks have no influence on business success [13].

Innovation drives businesses seeking to compete in Jakarta, particularly within the food and beverage sector [14]. Innovation is not solely the domain of large companies but is equally essential for smaller enterprises to ensure business survival [15]. The results of previous research conducted by (Hanaysha et al., 2022; Setiawan & Soelaiman, 2022; Tan et al., 2019) indicate a positive and significant influence between innovation and enterprise success [8], [16], [17]. However, another study conducted by Amelia et al. (2021) suggests that while innovation has a positive impact, it is not significant on enterprise success [18].

The tendency to take risks is one of the most critical factors in business success. Businesses must consider risk a challenge rather than a threat in their development [19]. Entrepreneurs perceive risk not as a menace but as an opportunity to overcome it [20]. The results of a previous study conducted by (Al Issa, 2021; Egele et al., 2018; Messikh, 2022) revealed a positive and significant influence between risk-taking tendencies and enterprise success [21], [22], [23]. However, another study carried out by Al Mamun & Fazal (2018) found that the tendency to take risks has a positive but insignificant influence on the performance of micro-enterprises [24].

Based on the background that has been described, this research aims to investigate the influence of enterprise networks, innovation, and risk-taking on the success of SME enterprises in the food and beverage sector.

## **2 Literature Review & Hypothesis Development**

According to Pfeffer & Salancik, as mentioned by Hosny & Elgharbawy (2022), the theory of resource dependence explores how organizations' behavior is influenced by the external resources they possess [25].

Additionally, a key theoretical reference in this research is the theory of innovation diffusion developed by Everett M. Rogers in 1962. Widely recognized, this theory addresses the decision-making process related to innovation [26].

Within the entrepreneurial context, a theory specifically linked to the tendency to take risks is the theory of effectuation. Sarasvathy (2001) describes this theory as an approach to decision-making employed by entrepreneurs [27].

### **2.1 The Influence of Business Networks on Business Success**

Business networking plays a crucial role in the success of a business and is instrumental in navigating the market. Enterprise networks are helpful in building business partnerships, gaining competitive advantage, and improving business performance. Furthermore, a well-developed network allows entrepreneurs to access new ideas that align with market trends and orientation. The more extensive the external network, the greater the potential benefits for the business [7], [9], [10], [11], [12].

**H1: There is a positive and significant influence between Business Networks on Business Success.**

## 2.2 The Influence of Innovation on Business Success

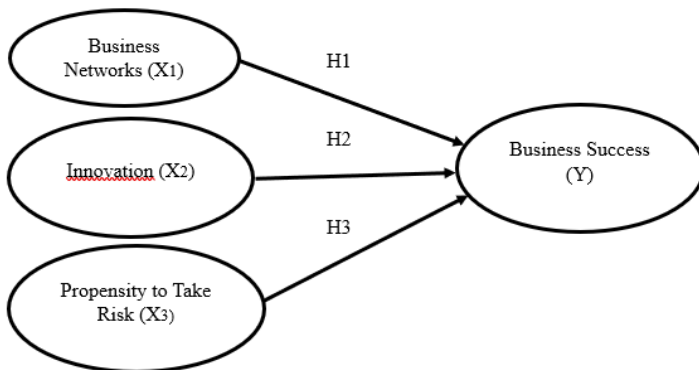
Fundamental aspect of business lies in its ability to innovate consistently within its developmental processes. Innovation is crucial for enhancing a business's competitiveness in a dynamic market environment. Practical innovation is essential for producing new products or creating processes that contribute to the continuous renewal and growth of the business. Innovation leads to the success of a business by establishing and maintaining a competitive advantage [8], [16], [17].

**H2: There is a positive and significant influence between Innovation on Business Success.**

## 2.3 The Influence of Propensity to Take Risk with Business Success

The inclination to take risks is vital to entrepreneurship, requiring determination and courage to exploit resources effectively. A business can excel by implementing robust entrepreneurial risk-taking strategies, ultimately enhancing the overall success rate of the business [19], [22], [23].

**H3: There is a positive and significant influence between Propensity to Take Risk on Business Success.**



**Fig. 1.** Research Model

## 3 Research Methodology

In this research, the employed method is quantitative research using descriptive research designs. The study's population comprises owners or managers of micro, small, and medium-sized enterprises (SMEs) in the food and beverage sector in West Jakarta. The sample for this study was selected using purposive sampling techniques, specifically targeting business owners with a track record of operating for more than 3 years.

The research employs data analysis through the Structural Equation Model - Partial Least Square (SEM-PLS) approach, utilizing the SmartPLS application tool version 4.0. The variables considered in this study include enterprise networking, innovation, risk-taking tendencies, and enterprise success.

**Table 1.** Variable Measurement Indicators

No.	Variable	Code	Indicators	Source
1.	Business Networks	JU1	Take the time to build a network.	[9], [12]
		JU2	Having some business partners.	
		JU3	Believe that in the long term, good relationships with business partners will be beneficial to the business.	
		JU4	Exchanging experiences with other entrepreneurs.	
		JU5	Often discussing strategies to grow the business.	
2.	Innovation	I1	Often trying to offer new ideas.	[8], [9]
		I2	Introducing new products and services.	
		I3	Having special menus.	
		I4	Always trying to expand new market segments.	
		I5	Developing new ways to connect with customers.	
		I6	Implementing marketing strategies with creative techniques.	
3.	Propensity to Take Risk	KMR1	Dare to take aggressive action in business to maximize the market.	[17], [23], [24]
		KMR2	Tend to act 'courageously' to try new opportunities.	
		KMR3	Can quickly rise if facing risks.	
		KMR4	Open to new experiences.	
		KMR5	Dare to accept the consequences and risks of the decisions taken.	
		KMR6	Willing to invest a significant amount of time and/or money in the business to deliver high returns.	
4.	Business Success	KU1	Feel satisfied with the growth of current business revenue.	[8], [9], [22], [23]
		KU2	Feel satisfied with the current business profit margin.	
		KU3	Feel satisfied by the growth in current business sales.	
		KU4	Feel satisfied about the return on current business investments.	
		KU5	Feel satisfied with today's growth in business market share.	
		KU6	Feel satisfied about the strength of the current competitive position of the business.	

No.	Variable	Code	Indicators	Source
		KU7	Feel satisfied to be able to respond well to the needs of current customers.	

### 4 Results & Discussions

Respondents in the study were predominantly male, accounting for 53.3%, with the most prevalent age group being ≤ 20-30 years (48%). Business owners constituted 62.7% of the participants, and the majority had been in business for 3-5 years (76%), with a predominant monthly income of up to 25 million (76%).

The collected data underwent processing using the SmartPLS 4.0 application, involving the outer measurement stages of the model to assess validity and reliability. Based on the outer loading tests conducted, it is observed that certain variable indicators have outer load values below 0.708. Consequently, the elimination of these indicators was executed. Examples of indicators to be removed include I5 from the innovation variables with a value of 0.643 and KMR1 from the risk-taking variables with a value of 0.659.

Results from the convergent validity analysis reveal that each variable's Average Variance Extracted (AVE) value surpasses 0.5, categorizing the AVE of each variant as valid. The reliability analysis concluded that each variable meets the minimum value requirement, with Cronbach's alpha exceeding 0.6 and composite reliability surpassing 0.70. This indicates that the measures of the variables, namely enterprise networks, innovation, and risk-taking tendencies, are reliable.

Table 2 Data Analysis

Variable	Indicators	Loading Factor	AVE	Cronbach's Alpha	Composite Reliability	R <sup>2</sup>	Q <sup>2</sup>
Business Networks	JU1	0.785	0.638	0.859	0.868		
	JU2	0.828					
	JU3	0.800					
	JU4	0.772					
	JU5	0.807					
Innovation	I1	0.846	0.735	0.910	0.919		
	I2	0.861					
	I3	0.785					
	I4	0.890					
	I6	0.900					
Propensity to Take Risk	KMR2	0.764	0.642	0.862	0.881		
	KMR3	0.829					
	KMR4	0.831					
	KMR5	0.759					
	KMR6	0.819					
Business Success	KU1	0.923	0.800	0.958	0.962	0.553	0.473
	KU2	0.857					
	KU3	0.908					
	KU4	0.910					

Variable	Indicators	Loading Factor	AVE	Cronbach's Alpha	Composite Reliability	R <sup>2</sup>	Q <sup>2</sup>
	KU5	0.911					
	KU6	0.848					
	KU7	0.899					

Table 2 indicates that the R<sup>2</sup> result for the success of the enterprise is 0.553. Subsequently, the Q<sup>2</sup> result, which is greater than 0 (0.473), suggests that the model can predict the variable. Additionally, the Goodness of Fit (GOF) score is 0.624, signifying that the confidence level in this research model falls within the Great GOF category.

**Table 3** Path Analysis and Hypothesis

Hypothesis	$\beta$	t-Statistics	p-Value	Result
Business Networks -> Business Success	-0.030	0.188	0.851	Supported
Innovation -> Business Success	0.491	3.478	0.001	Not supported
Propensity to Take Risk -> Business Success	0.323	1.814	0.070	Not supported

Based on the data from Table 3, it was found that the test results of the data hypothesis indicate that innovation has a positive and significant influence on the success of the enterprise. These findings align with previous research. [8], [13], [16], [17], [24].

## 5 Conclusions and Implications

Based on the results of the data analysis conducted, this study has yielded several key findings. First, there is no significant influence between the network of enterprises and the enterprise's success. Networking within the SME food and beverage sector involves stakeholders such as producers, distributors, retailers, and fellow entrepreneurs. However, SME entrepreneurs in the field of food and beverages, particularly in West Jakarta, did not perceive a significant impact of enterprise networking on the success of their ventures. Instead, these entrepreneurs seem to rely more on personal or family efforts to foster the development of their businesses.

Second, innovation and enterprise success have a positive and significant influence. Food and beverage entrepreneurs in West Jakarta recognize the crucial role of ongoing innovation in their businesses. Given the dynamic business environment and increased competition, these entrepreneurs understand the necessity of adapting and introducing innovative ideas. Changing consumer trends make innovation imperative for businesses aiming to remain relevant in the competitive food and beverage market.

Furthermore, there is no significant relationship between risk-taking tendencies and enterprise success in the food and beverage SME industry in West Jakarta. Entrepreneurs in this sector tend to be cautious and less inclined to take substantial risks in their business operations. The recent impact of the COVID-19 pandemic has left economic conditions unstable, contributing to their reluctance to take risks.

Additionally, consumer trends and market preference uncertainties may discourage these SME entrepreneurs from embracing risk. Entrepreneurs may feel more secure in stable and conservative consumer trends relying on proven strategies. Furthermore, the avoidance of significant risks can be influenced by a fear of failure, as entrepreneurs may be hesitant to undertake actions that could jeopardize the sustainability of their businesses.

## 6 Limitations and Suggestions for Future Research

This research has certain limitations, notably the determination coefficient of independent variables affecting dependent variables, which is only 55.3%. This is attributed to the study's focus on a limited set of variables—precisely, the network of enterprises, innovation, and risk-taking tendencies—to explore business success. Additionally, constraints related to budget, time, and energy led to the inclusion of only 75 respondents from the SME food and beverage sector in West Jakarta in this study's data collection.

For entrepreneurs, it is advisable to cultivate relationships with sectoral peers, attend networking events, or engage with the local business community. Such initiatives can foster opportunities for collaboration and the exchange of valuable information. Furthermore, SME entrepreneurs are encouraged to consistently innovate by staying attuned to market trends and developing novel approaches to meet customer needs and satisfaction. Adopting more assertive business strategies to maximize market potential and a reasonable understanding and management of associated risks is also recommended. Training or consulting in risk management may enhance comprehension and preparedness in the face of uncertainty.

For future research, adding other variables influencing enterprise success, such as entrepreneurial orientation, proactive measures, financial support, and other relevant factors, could contribute to a more comprehensive understanding of the subject.

**Acknowledgement.** The researchers are grateful to LPPM UNTAR for providing the funding, and also to the respondents who willingly answered the questionnaire.

**Disclosure of Interest.** The authors have no competing interests to declare that are relevant to the content of this article.

## References

1. Nuansa, "Peran usaha mikro kecil dan menengah (UMKM) dalam perekonomian Indonesia," *Jurnal Nuansa*. Accessed: Oct. 25, 2023. [Online]. Available: <https://nuansa.nusaputra.ac.id/2021/03/30/peran-usaha-mikro-kecil-dan-menengah-umkm-dalam-perekonomian-indonesia/>
2. G. O. DS and E. Trimeiningrum, "Pengaruh percaya diri dan keberanian mengambil risiko terhadap keberhasilan usaha pada UMKM makanan ringan di Kota Semarang (Studi kasus pada sentra industri kerupuk, keripik, peyek dan sejenisnya di Kota Semarang)," *Jurnal Ekonomi, Manajemen, Akuntansi dan Perpajakan*, vol. 1, no. 1, pp. 26–40, Apr. 2018.
3. A. M. Dewi, "Kondisi industri pengolahan makanan dan minuman di Indonesia," *Kementerian Keuangan Republik Indonesia*. Accessed: Oct. 16, 2023. [Online]. Available: <https://www.>

- djkn.kemenkeu.go.id/kanwil-suluttenggomallut/baca-artikel/15588/Kondisi-Industri-Pengolahan-Makanan-dan-Minuman-di-Indonesia.html
4. A. Ahdiat, "Mayoritas industri mikro-kecil bergerak di sektor makanan," databoks. Accessed: Oct. 25, 2023. [Online]. Available: <https://databoks.katadata.co.id/datapublish/2022/03/30/mayoritas-industri-mikro-kecil-bergerak-di-sektor-makanan#:~:text=Mayoritas%20usaha%20atau%20industri%20skala,4%2C21%20juta%20unit%20usaha>.
  5. V. A. Dihni, "Jumlah usaha penyedia makanan & minuman di DKI Jakarta terbanyak se-Indonesia," databoks. Accessed: Oct. 15, 2023. [Online]. Available: <https://databoks.katadata.co.id/datapublish/2022/06/20/jumlah-usaha-penyedia-makanan-minuman-di-dki-jakarta-terbanyak-se-indonesia>
  6. G. Johnson, K. Scholes, and R. Whittington, *Exploring corporate strategy: text and cases*, 7th ed. Mateu Cromo: Financial Times Prentice Hall Imprint, 2005. [Online]. Available: [www.booksites.net](http://www.booksites.net)
  7. R. Candra and L. Soelaiman, "The effects of strategic competence, ethical competence, entrepreneurial orientation, and network competence on culinary-business growth in Belitung Island," *Tenth International Conference on Entrepreneurship and Business Management 2021 (ICEBM 2021)*, vol. 216, pp. 394–399, 2022.
  8. B. L. Tan, C. L. Tan, S. F. Yeo, and S. L. Ching, "Examining the business venture success of restaurants: the role of innovation capability as a mediator," *Jurnal Pengurusan*, vol. 55, pp. 179–192, 2019, DOI: 10.17576/pengurusan-2019-55-15.
  9. Thomas and L. Soelaiman, "The influence of family support, finance, and business networks on the success of young entrepreneurs with innovation capability as mediation," *IRJEMS International Research Journal of Economics and Management Studies*, vol. 2, no. 1, pp. 87–93, Feb. 2023.
  10. S. S. Thrikawala, "Impact of strategic networks for the success of SMEs in Sri Lanka," *World Journal of Social Sciences*, vol. 1, no. 2, pp. 108–119, May 2011, [Online]. Available: <http://ssrn.com/abstract=2333280>
  11. L. Zhao and J. Ha-Brookshire, "How did you survive in the first five years? secrets to success described by apparel new ventures in China," *Journal of Enterprising Culture*, vol. 22, no. 4, pp. 485–503, Dec. 2014, DOI: 10.1142/s0218495814500204.
  12. L. Zhao and H. B. Jung, "The winning personality: impact of founders' personality traits and firms' network relationships on Chinese apparel new venture performance," *International Journal of Entrepreneurial Behaviour & Research*, vol. 24, no. 2, pp. 553–573, Mar. 2018, DOI: 10.1108/IJEER-09-2016-0281.
  13. B. M. Pulka, A. Ramli, and A. Mohamad, "Entrepreneurial competencies, entrepreneurial orientation, entrepreneurial network, government business support and SMEs performance. The moderating role of the external environment," *Journal of Small Business and Enterprise Development*, vol. 28, no. 4, pp. 586–618, 2021, DOI: 10.1108/JSBED-12-2018-0390.
  14. N. A. D. Wiratama, M. A. Rahmadi, V. Cahyadi, and S. Candra, "Analysis the effect of entrepreneurship and innovation in food and beverage SMEs in Jakarta," *Proceedings of the 7th North American International Conference on Industrial Engineering and Operations Management, Orlando, Florida, USA*, pp. 12–14, Jun. 2022, Accessed: Nov. 30, 2023. [Online]. Available: <https://ieomsociety.org/proceedings/2022orlando/483.pdf>
  15. W. Dhewanto, H. D. Mulyaningsih, A. Permatasari, G. Anggadwita, and I. Ameka, *Manajemen inovasi: peluang sukses menghadapi perubahan*. Kabupaten Sleman, Yogyakarta: Andi, 2014.
  16. J. R. Hanaysha, M. E. Al-Shaikh, S. Joghee, and H. M. Alzoubi, "Impact of innovation capabilities on business sustainability in small and medium enterprises," *FIIB Business Review*, vol. 11, no. 1, pp. 67–78, Mar. 2022, DOI: 10.1177/23197145211042232.
  17. J. Setiawan and L. Soelaiman, "Pengaruh faktor psikologis dan keterampilan terhadap keberhasilan wirausaha wanita," *Jurnal Muara Ilmu Ekonomi dan Bisnis*, vol. 6, no. 1, pp. 85–94, Apr. 2022, DOI: 10.24912/jmie.v6i1.15974.



18. D. Amelia, L. Syukmayettil, and Zuripal, "The effect of business knowledge, business skill, self confidence and innovation on business performance of small and medium industry in the city of Bukittinggi," *IOP Conf Ser Earth Environ Sci*, vol. 747, no. 1, May 2021, DOI: 10.1088/1755-1315/747/1/012084.
19. C. Margaretha and L. Soelaiman, "Entrepreneurial orientation, market orientation, and organizational culture on business performance," *Tenth International Conference on Entrepreneurship and Business Management 2021 (ICEBM 2021)*, vol. 216, 2022.
20. F. Wijaya and N. Hidayah, "Pengaruh pendidikan kewirausahaan, pengambilan risiko, dan efikasi diri terhadap niat berwirausaha," *Jurnal Manajerial dan Kewirausahaan*, vol. 4, no. 2, pp. 348–357, Apr. 2022.
21. H. E. Al Issa, "Advancing entrepreneurial career success: the role of passion, persistence, and risk-taking propensity," *Entrepreneurial Business and Economics Review*, vol. 9, no. 2, pp. 135–150, Jun. 2021, DOI: 10.15678/EBER.2021.090209.
22. A. C. Egele, K. Muhammad, and J. Mutenyo, "Entrepreneurial risk taking and performance of small and medium scale enterprises (SMEs) in Kano State, Nigeria," *KIU Journal of Social Sciences*, vol. 4, no. 3, pp. 213–224, 2018.
23. A. Messikh, "Does entrepreneurial risk-taking affect the business performance of micro-enterprises? evidence from Skikda in Algeria," *Naše gospodarstvo/ Our economy*, vol. 68, no. 2, pp. 65–77, Jun. 2022, DOI: 10.2478/ngoe-2022-0012.
24. A. Al Mamun and S. A. Fazal, "Effect of entrepreneurial orientation on competency and micro-enterprise performance," *Asia Pacific Journal of Innovation and Entrepreneurship*, vol. 12, no. 3, pp. 379–398, Dec. 2018, DOI: 10.1108/apjie-05-2018-0033.
25. K. Hosny and A. Elgharbawy, "Board diversity and financial performance: empirical evidence from the United Kingdom," *Accounting Research Journal*, vol. 35, no. 4, pp. 561–580, Jun. 2022, DOI: 10.1108/ARJ-02-2020-0037.
26. E. M. Rogers, *Diffusion of innovations*, 3rd ed. Free Press, 1983.
27. S. D. Sarasvathy, "Causation and effectuation: toward a theoretical shift from economic inevitability to entrepreneurial contingency," *Academy of Management Review*, vol. 26, no. 2, pp. 243–263, Apr. 2001, DOI: 10.5465/AMR.2001.4378020.

**Open Access** This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

