

The Mediating Role of Entrepreneurial Competence in the Relationship Between Entrepreneurial Orientation and Business Performance of Primary Clinics

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Abstract

The development of primary clinics in healthcare industry has necessitated an economic method to improve performance, particularly in the aspect of delivering quality services. Therefore, this study aims to thoroughly examine the influence of entrepreneurial orientation (EO) on entrepreneurial competence (EC) and the performance of primary clinic businesses as well as to analyze the mediating role of EC in the relationship. The study population was comprised primarily of clinic business owners affiliated with Social Security Agency for Health (BPJS Health) in Riau Province, Indonesia. Using G*power, a sample size of 108 samples was determined and selected through a stratified random sampling method. Accordingly, Smart PLS was adopted to assess both the measurement and structural models of EO and EC in relation to the performance of primary clinic businesses. The obtained results showed that EO had a significant effect on EC (P-value = 0.000), EC had a positive influence on business performance (BP) (P-value = 0.004), and EC also effectively mediated the relationship between EO and BP (P-value = 0.013). These results invariably emphasize the significant role of EC in enhancing the performance of primary clinic businesses, thereby buttressing the importance for primary clinic owners to continually improve respective EC in order to enhance the human resource quality in the sector.

Keywords: *Entrepreneurial Orientation, Entrepreneurial Competence, Business Performance, Primary Clinics.*

INTRODUCTION

Public health in Indonesia is a very important aspect of economic development. Based on observations, sustainable economic growth depends significantly on investments in public health. In this context, a key sector capable of advancing public health while contributing to the economy is healthcare industry. In Indonesia, healthcare industry

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comprises entities such as hospitals, clinics, pharmaceutical industries, medical devices, and other healthcare service providers, all of which continue to grow in response to the increasing demand for quality health services.

As the fourth most populous country in the world, following China, India, and the United States, Indonesia holds immense potential for healthcare sector development. Regardless of this fact, the distribution of quality health facilities has remained uneven between regions. This invariably shows how the potential is yet to be fully realized, attributed to the hindrance caused by the inconsistencies in service standards, and persistent challenges such as uneven distribution of services and limited funding. According to Endalamaw et al. (2024), financial constraints and gaps in healthcare service delivery were among the most significant barriers in the sector. Therefore, advancing healthcare industry requires the integration of an economy. Effective healthcare services demand not only human capital but also substantial investment, advanced technology, and long-term financial commitment. The Indonesian healthcare industry can evolve significantly and compete on a global scale by carrying out strategic investment and integrating proper technology.

Based on statistical data, the sector has been experiencing continuous growth, driven in part by supportive government policies. This is evidenced by the report of Indonesian Central Statistics Agency (BPS), which showed how health services and social activities sector in the country experienced a 5.43% growth rate between 2020 and 2022 (BPS, 2022). The growth in this context was evidenced by the increasing enrollment in National Health Insurance (JKN) program administered by Social Security Agency for Health (BPJS Health). Among the major components of this industry is the primary clinic, which serves as a frontline provider of basic healthcare services and maintains close connections with other sectors. As a business operating in a high-risk segment of healthcare, primary clinics are categorized as micro, small, and medium enterprises (MSMEs) under Government Regulation No. 7 of 2021. According to Akkaya & Üstgörül (2020), partnerships between MSMEs and health organizations play a very significant role in sustainable national development and in setting quality standards.

As evidenced by data obtained from the 2025 website of the Primary-Level Clinic under JKN program, the number of primary clinics ranked second only to community health centers. This invariably shows that the utilization of health services through primary clinics in Indonesia is both substantial and growing in popularity. Considering the efforts made by the government for citizens to become BPJS Health participants and to use primary clinics as a main point of care, it is very important that these clinics show strong performance. A significant indicator of this performance is accreditation, as mandated by the Regulation of the Minister of Health Number 46 of 2015. However, based on a 2023 report by the Directorate General of Health Services of Indonesia, only 42.7% of primary clinics have achieved accreditation. In addition to this requirement, primary clinics are expected to honor the cooperation

agreements stipulated in the Regulation of the Minister of Health Number 71 of 2013. Regardless of the mandated criteria, data from Health Office of Riau Province showed that several primary clinics have had respective cooperation with BPJS Health terminated over the past five years.

In order to effectively enhance the performance of primary clinic businesses, which are classified as MSMEs, numerous studies have emphasized the importance of entrepreneurial traits and competencies among clinic owners, who are often medical doctors. Considering the fact that many of these professionals may not have received formal education in entrepreneurship, it is increasingly important to recognize and develop entrepreneurial characteristics across all business domains, including healthcare.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

This study adopts Resource-Based View (RBV) as its theoretical foundation because of the method emphasis on a company's internal resources and performance. RBV is anchored on the proposition that superior performance and sustainable competitive advantage are the results of the possession of valuable, rare, inimitable, and non-substitutable resources (Barney, 1991). It also provides a framework for assessing the resources, competencies, capabilities, and performance of MSMEs (Barney, 1991; Masakure et al., 2009), recognizing that these resources can be both tangible and intangible. According to a previous investigation, RBV emphasizes the significance of intangible resources, such as human capital characteristics, including competencies (Barney et al., 2001; Noe et al., 2021).

Entrepreneurial competence (EC), which is a very essential intangible asset, can be shaped by entrepreneurial orientation (EO), defined by attributes such as creativity, innovativeness, proactiveness, autonomy (Al Mamun & Fazal, 2018), as well as risk-taking propensity (Khan et al., 2021). Consistent with the results of Aftab et al. (2024), EO possesses a strong relationship with EC. It is equally important to assess the role of EO in enhancing business performance (BP). EO has been recognized for over three decades as a fundamental construct in entrepreneurship investigation. This factor serves as a very significant mechanism for adapting and corresponding to both internal and external capabilities in dynamic business environments (Covin & Wales, 2019). Various empirical studies have reported a significant positive association between EO and BP (Dwumah et al., 2024; Pulka et al., 2021; Karami & Tang, 2019; Alvarez-Torres et al., 2019; Radulovich et al., 2018). Moreover, another study regarded EO as a very significant driver for achieving improved business outcomes (Abu-Rumman et al., 2021).

Nakku et al. (2020) adopted the use of autonomy, competitive aggressiveness, innovativeness, proactiveness, and risk-taking to measure entrepreneurial orientation. To achieve high performance, innovation, as an indicator of entrepreneurial orientation, is a crucial factor and has a positive effect on performance. Accordingly, Caseiro & Coelho (2018) emphasized that innovation, as an indicator of EO,

positively influenced BP. In the present rapidly evolving environment, leveraging digital innovation, which forms the backbone of sustainable business development, has become indispensable. In this context, Hafeez et al. (2012) commented that companies with a strong entrepreneurial orientation will have the ability to innovate more strongly than other companies.

Both EO and EC have been reported to play essential roles in enhancing organizational performance (Khan et al., 2021). However, the scarcity of necessary skills has continued to challenge the long-term survival of small businesses, making it very essential to explore the interaction between EO, EC, and performance outcomes. As stated in a previous exploration, EC served as an effective mediator in the relationship between EO and the performance of micro-enterprises (Al Mamun & Fazal, 2018). Furthermore, EO has been found to not only influence BP directly but also contribute to shaping EC, which mediated its impact on performance (Aftab et al., 2024).

Key competencies, such as strategic, managerial, and conceptual skills, have been considered very important for ensuring effective BP and long-term success (Grimmer et al., 2017). Other studies have consistently shown that entrepreneurial competencies significantly influence business outcomes (Al Mamun et al., 2019). For small and medium enterprises, these competencies are particularly significant, as each competence relates directly to the establishment, survival, and growth of a business (Chomba S. J, 2019). Despite a growing body of literature in this area, limited explorations have focused specifically on the role of human capital and entrepreneurial competencies in shaping BP (Zainol et al., 2018).

EC refers to the ability of MSME owners or managers to effectively carry out respective responsibilities and tasks by utilizing resources appropriately to enhance BP (Al Mamun & Fazal, 2018). According to a recent exploration, decision-makers are better equipped to set and achieve strategic goals through the application of EC (Aftab et al., 2024). In a qualitative study on the service sector in Hong Kong, Man & Lau (2000) explored EC among MSMEs owners and managers as well as identified several key dimensions, namely opportunity recognition, organizational ability, relationship management, strategic thinking, commitment, as well as conceptual understanding. To further support these insights, Hazlina Ahmad et al. (2010) proposed six core entrepreneurial competencies including strategic, conceptual, opportunity, relationship, learning, as well as personal and family ethics.

Vij & Bedi (2016) defined MSMEs performance as a comprehensive measure of the ability of a business to meet the expectations of its stakeholders, which comprises both financial and non-financial metrics. As stated by Santos & Brito (2012), these performance indicators include profitability, growth, market value, customer satisfaction, employee satisfaction, environmental performance, and social performance.

Primary clinics are considered first-level healthcare facilities that provide basic medical services. These entities are often community-

managed and receive support or collaborate with the government. It is important to comprehend that as MSMEs engaged in partnerships with the government, primary clinics become subject to regulatory standards capable of contributing to respective entire performance. Therefore, this study introduces regulatory compliance as an additional dimension for evaluating the performance of primary clinic businesses. This dimension is grounded in the Regulation of the Minister of Health Number 46 of 2015 on clinic accreditation and Regulation Number 71 of 2013 on the cooperation agreement between primary clinics and BPJS Health. These regulations outline specific commitments that primary clinics must fulfill in order to meet the expected standards of performance. MSMEs, including primary clinics, have been reported to possess a unique correspondence of human and financial resources, social capital, and educational background, positioning these aspects as some of the most influential agents in advancing entrepreneurial efforts (Duman et al., 2015).

This present study specifically focuses on primary clinic businesses that collaborate with BPJS Health. These clinics were selected as the unit of analysis because the entities represented the only MSME segment in healthcare industry of Indonesia that was engaged in sustained partnerships with the government through BPJS Health. The role of these clinics as frontline providers in safeguarding public health emphasizes the significance of this study. Therefore, this present study investigates and evaluates the performance of primary clinic businesses operating in collaboration with BPJS Health in Riau Province. Based on this framework, several hypotheses are proposed as follows:

H₁: Orientation has an effect on entrepreneurial competence.

H₂: Entrepreneurial orientation has a significant effect on business performance.

H₃: Entrepreneurial competence has an effect on the performance of primary clinic businesses.

H₄: Entrepreneurial orientation has an effect on the performance of primary clinic businesses mediated by entrepreneurial competence.

Figure 1 presents the study model built based on the background, theoretical review, and previous investigations.

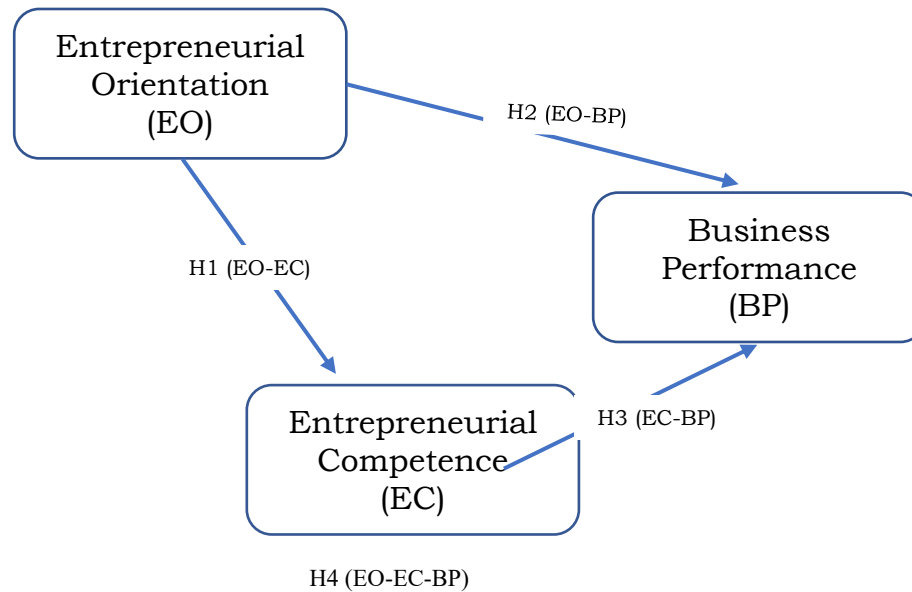


Figure 1 Study Model

METHODS

This present study was conducted using a quantitative method supported by structural equation modeling. As outlined by Creswell (2003), the characteristics of a quantitative method include predetermined variables, the use of instrument-based questionnaires, performance and observational data, census information, and statistical analysis. The study population consisted of 197 individual primary clinic business owners with annual turnovers of less than 1 billion IDR, all of whom were in collaboration with BPJS Health. Furthermore, the exploration was conducted across four regions in Riau Province, namely Pekanbaru City, Kampar Regency, Pelalawan Regency, and Rokan Hulu Regency.

In order to effectively determine the minimum required sample size, G*Power software was adopted, resulting in a total of 108 primary clinic businesses. This software proved useful in estimating the required sample size and conducting statistical power analysis (Kang, 2021). Accordingly, a stratified random sampling method was used to select the sample. Data collection was carried out through the distribution of questionnaires, provided both in printed form and through Google Forms. The questionnaire items were measured using a five-point Likert scale, ranging from "strongly disagree" to "strongly agree."

This study included three key variables, namely BP, EO, and EC. BP variable was adapted from Santos and Brito (2012), with two additional indicators, including compliance with regulations and commitment to cooperation, incorporated based on the Regulation of the Minister of Health Number 46 of 2015 and Regulation Number 71 of 2013. These additions were considered relevant, specifically because of the study's focus on health service businesses operating in partnership with the government. EO variable was adapted from Nakku (2020), while

EC was adapted from the frameworks proposed by Man & Lau (2000) and Hazlina Ahmad et al. (2010).

The measurement and structural models were analyzed using a two-stage approach. In the first stage, the measurement model was estimated to assess the validity and reliability of the latent constructs, both first-order and second-order, without considering the structural relationships among the determined constituents. In the second stage, the latent construct scores obtained from the measurement model were used as independent and dependent variables in the structural model, and the relationships among latent variables were subsequently tested. The analysis method adopted in this study was Structural Equation Modeling (SEM), using a component-based or variance-based method known as Partial Least Squares (PLS).

RESULTS AND DISCUSSION

SPSS software was adopted in this study to carry out descriptive analysis. The total number of questionnaires distributed was 150, out of which 108 were found to be eligible for the investigation. Table 1 shows the characteristics of respondents included in this study.

Table 1. Respondents' Characteristics

Characteristics	Frequency	%
Gender		
Female	61	56.5
Male	47	43.5
Age		
20-29	12	11.1
30-39	34	31.5
40-49	38	35.2
50-59	23	21.3
>60	1	0.9
Education level		
Diploma 3/4	4	3.7
Bachelor's Degree (S1)	88	81.5
Master's/Doctoral Degree (S2/S3)	15	13.9
Senior High School	1	0.9
Family background		
Not Entrepreneur	56	51.8
Entrepreneur	52	48.2
Amount of turnover		
<100 million	18	16.7
100-249 million	43	39.8
250-499 million	20	18.5
500-749 million	19	17.6
750-999 million	8	7.4
Source of capital		
Own Capital	72	66.6
Joint Capital	19	17.6
Family Capital	11	10.1
Bank Loan	6	6

Inferential analysis was subsequently conducted using PLS-SEM. Considering the fact that all the variables considered in this study were reflective in nature, the outer model was evaluated through confirmatory factor analysis, adopting the multitrait-multimethod (MTMM) method developed by Campbell & Fiske (1959). Two main criteria were used to assess the validity of the outer model, namely convergent validity and discriminant validity. In a study conducted by Chin et al. (2003), it was stated that during the early stages of instrument development, a loading factor greater than 0.5 was considered acceptable for establishing indicator validity. Convergent validity was further supported by Average Variance Extracted (AVE) value of ≥ 0.5 .

As presented in Table 2, each indicator showed the highest loading factor value when compared to other constructs (cross-loading), showing strong discriminant validity. During the course of this study, all elements of discriminant validity were satisfied. Furthermore, the results of the convergent validity test showed how all indicator loading factors exceeded 0.5, confirming that the questionnaire items met the required criteria for convergent validity.

A reliability test was carried out using two criteria, namely indicator reliability and internal consistency reliability. Based on predefined standards, both Cronbach's alpha and composite reliability values must exceed 0.7 in order to meet reliability (Hair, 2019). The obtained results showed that both values were above this threshold, signifying how the instrument fulfilled the reliability requirements.

Table 2. AVE, CR, Loading

2nd Order Construct	AVE (>0.5)	Composite Reliability (0.7)	Cronbach Alpha (>0.7)	1st Order Construct	Items	Loading (>0.5)	AVE (>0.5)	Composite Reliability (0.7)	
Entrepreneurial Orientation	0.807	0.885	0.807	Proactive	EO1	0.840	0.715	0.883	
					EO 2	0.862			
					EO 3	0.834			
				Creativity and Innovation	EO 4	0.824	0.718		0.884
					EO 5	0.863			
					EO 6	0.854			
				Competitive Aggressiveness	EO 7	0.838	0.726		0.888
					EO 8	0.843			
					EO 9	0.875			
Entrepreneurial Competence	0.689	0.917	0.887	Organizing	EC1	0.926	0.865	0.927	
					EC2	0.933			
				Learning	EC3	0.924	0.828	0.906	
					EC4	0.895			
				Commitment	EC5	0.938	0.885	0.939	
					EC6	0.943			
				Relations	EC7	0.899	0.804	0.891	
					EC8	0.894			
				Strategy	EC9	0.966	0.933	0.966	
					EC10	0.966			
Business Performance	0.501	0.827	0.737	Profitability	BP1	0.780	0.606	0.822	
					BP2	0.793			
					BP3	0.762			
				Employee Satisfaction	BP4	0.772	0.702	0.875	
					BP5	0.927			
					BP6	0.807			
				Patient Satisfaction	BP7	0.723	0.597	0.816	
					BP8	0.788			
					BP9	0.804			

				Social and Environmental Performance	BP1 0	0.894	0.809	0.894
					BP1 1	0.905		
				Compliance with Standards and Regulations	BP1 2	0.933	0.854	0.921
					BP1 3	0.915		

The inner model test formed a very important part of PLS-SEM analysis. In this study, the inner model assessment included the coefficient of determination (R^2) and hypothesis testing. As shown in Table 3, R^2 value for EO was 0.312, signifying that approximately 31.2% of the variation in EC could be explained by EO. Meanwhile, R^2 value obtained for BP was 0.329, suggesting that 32.9% of the changes in BP were influenced by both EO and EC. The remaining 67.1% of variation in BP was attributed to factors beyond the scope of this study.

Table 3. Coefficient of Determination Test Results

Structural Model	R Square
Entrepreneurial Competence (EC)	0.312
Business Performance (BP)	0.329

Figure 2 presents the results of the bootstrapping procedure applied to the structural model in the two-stage method, conducted using the SmartPLS application.

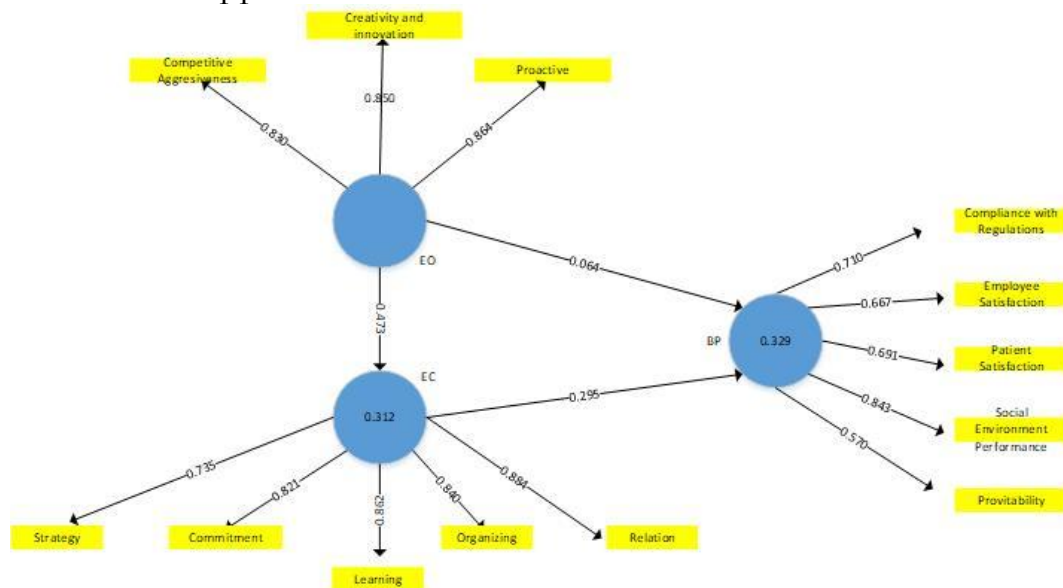


Figure 2. Structural Model Results (Bootstrapping)

Hypothesis Test

A hypothesis test was carried out using the t-test and p-value for the 4 hypotheses proposed in this study. The results obtained for this test are shown in Table 4:

Table 4. Hypothesis Test Results

No	Effect	Path Coefficient	T Statistics	P Values	Decision
1	EO -> EC	0.473	5.633	0.000	Supported
2	EO -> BP	0.064	0.707	0.480	Not Supported
3	EC -> BP	0.295	2.868	0.004	Supported
4	EO -> EC -> BP	0.139	2.488	0.013	Supported

As presented in Table 4, a path coefficient of 0.473 with P-value of 0.000 was obtained, signifying that EO had a significant effect on EC. This invariably showed how fluctuations in EC were directly influenced by levels of EO, leading to the acceptance of Hypothesis 1 (H1). The results for Hypothesis 2 (H2) showed a coefficient value of 0.064 with P-value of 0.480, reflecting that EO did not have a significant effect on the performance of primary clinics. This implies that variations in the performance of primary clinic businesses were not directly affected by EO, hence, leading to the rejection of Hypothesis 2. For Hypothesis 3 (H3), the analysis showed a coefficient value of 0.295 with P-value of 0.004, signifying how EC had a significant positive effect on the performance of primary clinics. Based on this result, Hypothesis 3 was accepted. Finally, Hypothesis 4 (H4) showed a coefficient value of 0.139 with P-value of 0.013. This result invariably reflects how EO significantly affected the performance of primary clinic businesses when mediated by EC, leading to the acceptance of Hypothesis 4.

This study showed that EO had a direct effect on EC. Proactiveness, innovation, and increased competitive aggressiveness can affect the ability to organize strategy, commitment, opportunities, and the ability to build better relationships. Primary clinic owners with an entrepreneurial orientation tend to be open and directly form and improve their entrepreneurial competence. Aftab et al. (2024) found that entrepreneurial orientation can significantly impact entrepreneurial competence. In the context of Primary Clinics, this is important because entrepreneurial skills play a major role in increasing competitiveness, business sustainability, and the quality of health services provided. Prineas et al. (2021) stated that running a healthcare business requires technical and non-technical skills. It is highly recommended that stakeholders emphasize strengthening the basic mechanisms of entrepreneurship in primary clinics. Entrepreneurial orientation and entrepreneurial competence both influence and contribute to improving organizational performance (Khan et al., 2021). This necessitates the study of entrepreneurial orientation and entrepreneurial competence in relation to performance. Entrepreneurial orientation serves as a foundation for attitudes, while entrepreneurial competence is the manifestation of practical and technical abilities that enable the realization of business goals. Both support and strengthen each other to produce superior business performance.

The present study further showed that EO did not directly influence the performance of primary clinics. The result suggests that fluctuations in EO among clinic owners did not directly impact profitability, employee and patient satisfaction, social and environmental outcomes, or regulatory compliance. In this context, the obtained result is in line with Ishaq et al. (2024), who reported no direct relationship between EO dimensions and BP. For primary clinics, relying solely on innovation, future proactiveness, or competitive aggressiveness was observed to be insufficient to achieve desired performance outcomes. Therefore, a mediating mechanism, such as effective strategy

development, is essential. The impact of EO requires translation through specific competencies, including the ability to manage and organize, the drive to acquire new knowledge, the commitment to business goals, and the capacity to form external relationships.

The results of this study invariably showed that EC had a significant impact on the performance of primary clinic businesses, as reflected in indicators namely profitability, patient and employee satisfaction, social and environmental performance, as well as compliance with regulations. The better the entrepreneurial competence of primary clinic HR, the higher the performance of the primary clinic business. In line with Aftab et al. (2024), Khan et al. (2021), Zizile & Tendai (2018), and Al Mamun et al. (2019), entrepreneurial competence can affect business performance. Entrepreneurial competence is a core ability that influences how clinic owners manage, develop, and sustain the long-term viability of their businesses in the healthcare industry. To further support this elucidation, Hazlina Ahmad et al. (2010) stated that EC enables individuals to be aware of the potential positive or negative impacts of their behavior. Entrepreneurial competence, particularly in terms of organizational, conceptual, learning, strategic, and opportunity competence, is crucial for achieving higher primary clinic performance. Entrepreneurial competence is essential for business because it is related to the establishment, survival, and growth of the business itself (Chomba S. J., 2019). There is no doubt that entrepreneurial competence is a major driver of the success of a clinical business.

This study showed that entrepreneurial competence significantly mediated the effect of entrepreneurial orientation on business performance, thereby supporting the proposed hypothesis. This finding is in line with the RBV Theory proposed by Aftab et al. (2024), Khan et al. (2021), and Al Mamun & Fazal (2018). Entrepreneurial orientation was found to directly affect entrepreneurial competence and business performance, and entrepreneurial competence also mediated the relationship between the dependent and independent variables. Al Mamun & Fazal (2018) stated that competence mediated the effect of entrepreneurial orientation on business performance. In this context, the development of entrepreneurial orientation in all its dimensions can play a crucial role in enhancing entrepreneurial competence among small business owners. Risk, creativity, proactivity, and autonomy also have the capability to improve organizational performance because these elements are prerequisites for entrepreneurs to survive in a turbulent environment.

Based on these results, it is strongly recommended that stakeholders place greater emphasis on strengthening foundational entrepreneurial mechanisms in primary clinics. The investigation also emphasizes the broader opportunities available to small businesses to overcome unforeseen challenges and ensure long-term sustainability.

CONCLUSION

In conclusion, EC was found to effectively mediate the relationship between EO and the performance of primary clinic businesses. Accordingly, EO influenced the development of EC, which had a direct and significant effect on the performance outcomes of primary clinics. Competencies in organizational learning, commitment, relationship-building, and strategic management were considered very essential for enhancing the performance of these healthcare enterprises. Furthermore, the ability to efficiently manage resources, adapt strategic methods, and foster strong relationships with various stakeholders was found to significantly improve service quality, operational efficiency, and competitiveness in healthcare industry, particularly in the context of primary clinic businesses. This study also added indicators of compliance with regulations and commitment to cooperation to measure the business performance of primary clinics.

This study was subject to several limitations, first, it focused exclusively on EO, without accounting for other influential factors. Meanwhile, variables such as experience, knowledge, and individual attitudes in the human resources of primary clinics are important and warrant further investigation, as these issues have been found to significantly affect public trust and the decision of communities to utilize clinic services. Second, the study was geographically limited to select regions in Riau Province. To address the stated limitations, future explorations should consider broader geographic scopes, including national-level analyses across Indonesia, to enhance the generalizability of results.

This study contributes meaningfully to the development of healthcare sector, particularly in primary clinic businesses engaged in government collaboration. By incorporating the characteristics and entrepreneurial competencies of clinic owners, the exploration offers practical insights into how performance can be more effectively enhanced. Accordingly, with continued support through government policies that prioritize the growth and sustainability of primary clinics, as the frontline of public health in Indonesia, these businesses can better fulfill respective roles in advancing national healthcare outcomes.

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