

# Business Performance Model: The Role of Management Abilities and Entrepreneurial Character in Penta helix Coaching Collaboration

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**ABSTRACT:** This research aims to reveal the impact of the Penta-Helix collaborative business coaching process on entrepreneurial character, management abilities, and business performance. The study used a quantitative approach. The population in this study was 250 active members of the Tangerang MSME community. The research sample was 150 MSMEs. Data was processed using SEM PLS software. The results indicate that coaching improves entrepreneurial character and management abilities but does not directly enhance business performance. This research proves that entrepreneurial character and Management Capability mediate the influence of coaching on business performance. This research provides theoretical implications for developing corporate resource-based strategic management theory, where external parties must mobilize company resources, which are the primary key to achieving business performance. The practical implications of the findings include how they can guide MSME coaching programs. Further research should explore whether collaborative business coaching can directly improve business performance.

**Keywords:** Business Performance, Management Abilities, Entrepreneurial Character, Penta Helix Coaching

## I. INTRODUCTION

Indonesia's economy will have strong fundamentals if the community has become the main actor in improving the local, national, and global economy. In Indonesia, the number of entrepreneurs is 3.47% [1]. In addition, the involvement of the SMU sector in Indonesia in the global value chain is also relatively low. Only 6.3% of the total SMEs in Indonesia can be involved in the trade chain in Southeast Asia [2].

This country's low interest or entrepreneurial spirit triggers the need for more entrepreneurs in Indonesia compared to the total population. Mental problems, lack of knowledge, and a business climate could be more favorable to the birth of new entrepreneurs. Therefore, it is time for entrepreneurial development at all levels of society to become a top priority in national economic growth. Entrepreneurship development for the younger generation can become a priority in increasing financial stability. Developing your entrepreneurial potential will help you overcome employment problems and encourage national economic growth. The government has made various efforts to build entrepreneurship through the National Entrepreneurship Movement (GKN) program. The Ministry of Higher Education offers entrepreneurship programs for students, the Ministry of Youth and Sports has implemented Facilitation Support activities for Beginner Young Entrepreneurs and the Youth Entrepreneurship Center through the Youth Entrepreneurship Capital Institute (LPKP), the Ministry of Cooperatives and SMEs has provided financial assistance for budding entrepreneurs. The Ministry of Social Affairs has implemented entrepreneurship development by providing skills improvement training and business funding. However, these efforts have not been able to increase the number of entrepreneurs to reach the ideal point of 4% of the population, let alone match the achievements of neighboring countries [2].

Improving MSME performance must be done by increasing knowledge and understanding of business. Global competition requires every MSME actor to learn to enhance their capabilities. Organizational learning will improve entrepreneurs' ability to respond to internal and external environment changes. According to

Distanont and Khongmalai [19], learning is necessary to adapt to the environment. The advice provided to MSME participants is centered on the educational journey, involving organizational tasks that generate and utilize knowledge to enhance their competitive edge. These benefits consist of acquiring and exchanging data regarding customer requirements, market developments, and rivals' strategies; in addition to innovating new technologies to produce superior products compared to competitors [3], businesses should enhance their ability to learn within the organization to establish connections with business partners. Every business actor needs a continuous learning process to enhance the achievement of company goals. Companies must consider learning orientation as a critical factor in obtaining superior performance.

MSME players need to have an entrepreneurial character that encourages innovation and the ability to take risks that support business success. MSME players with a solid entrepreneurial character can increase their business and compete in the global landscape. MSMEs with a high entrepreneurial character will tend to take actions based on innovative decisions, dare to take business risks and take proactive actions in anticipating business competition and taking advantage of opportunities. This will encourage better performance. Mandhachitara and Allapach [4] emphasize that developing the concept of entrepreneurship is essential for small companies because the personal attributes of the owner that shape entrepreneurial orientation strongly influence the organization's profitability and growth.

To generate fresh possibilities, it is anticipated that an entrepreneur can implement managerial tasks based on entrepreneurial orientation [5]. Entrepreneurs often struggle to succeed due to management weaknesses, such as business founders and managers, traditional financial reports, insufficient records, weak computerized systems, and lack of clarity, which impede effective management, such as inadequate cash flow for promotional and research activities. The market requires additional specialized professional employees, while managers have broad skills, not specific ones. Challenges frequently arise due to the inability to foresee unpredictable business factors, choosing a poor initial location, expanding prematurely, limited market and banking access, and inadequate technology and information expertise [12]. It can be inferred that entrepreneurs encounter challenges such as managerial deficiencies, reliance on traditional financial statements, ineffective cash flow management, limited marketing and market research efforts, shortage of specialized workforce, employment of generalist managers rather than specialists, and inability to foresee uncertain factors affecting the business and engaging in business in the future, choosing a subpar location at first, expanding prematurely, facing restricted market and financial access, and having limited tech and info knowledge.

Entrepreneurship coaching that can effectively improve business performance is coaching oriented towards the real needs of entrepreneurs and is carried out comprehensively so that coaching is carried out in an integrated manner and not partial. The government has made various efforts to guide MSMEs. However, the performance of MSMEs still needs to be optimal, including not being able to be involved in local, national, or regional trade chains, and the contribution of MSMEs to national exports still needs to be higher. A study of the guidance provided by the government to increase economic empowerment still needs to be carried out. Entrepreneurship coaching for entrepreneurs must take a multidimensional approach, so it is necessary to develop a coaching model to improve business performance.

Based on the background above, the research problems are formulated as follows. (1) Can MSME development affect management skills? (2) Can MSME development affect the entrepreneurial character? (3) Can MSME development affect business performance? (4) Can management skills affect business performance? (5) Can entrepreneurial character affect business performance?

The paper structure: the Background Theory in Section II, the Literature Review in Section III, the discussion in Section IV, and the conclusion in Section V.

## II. LITERATURE REVIEW

### 1. ENTREPRENEURSHIP DEVELOPMENT

Kharabsheh's study in 2017 found that strategies for entrepreneurial growth should focus on creating a favorable business environment, improving financial access, enhancing market reach by enhancing quality, design, and competitive pricing, and boosting entrepreneurs' entrepreneurship and skills, particularly their entrepreneurial mindset. It is crucial to prioritize promoting economic activities in the informal micro-sector, especially among low-income households, by enhancing business capacity, skills, protection, and development.

When viewed by business actors, the implementation of entrepreneurship coaching is the application of the learning process in running their business. Business actors learn to develop openness in the organizational environment. Learning is new and can be seen as a model for organizing the future. Organizational learning

responds to changes in the internal and external environment. From a cultural perspective, learning is a managerial process intended to increase insight, knowledge, and understanding [6].

Organizational learning involves gathering creativity, skills, and knowledge to enhance behavior and apply new insights. Learning orientation is defined by critical aspects such as transferring knowledge from individuals to groups, dedication to learning, willingness to engage with external sources, overall emphasis on knowledge, methods for fostering understanding, and processes for keeping the organization up-to-date [7][3].

## 2. THEORY OF THE PENTA HELIX

The Pentahelix model is a collaborative framework involving five key stakeholders: government, business, academia, community, and media. This model aims to foster synergies among these entities to address complex societal issues, drive innovation, and enhance development efforts [21]. Recent studies highlight its application in various contexts, including public health, disaster management, and economic development. For instance, during the COVID-19 pandemic, the Pentahelix approach proved effective in mobilizing resources and strategies across sectors to enhance resilience and adaptability in communities.

The Pentahelix model encourages stakeholder collaboration by leveraging their unique strengths and perspectives, thereby promoting comprehensive solutions to local challenges [22]. It has been particularly emphasized in the context of e-government, where it aims to improve service delivery and reduce corruption through enhanced transparency and accountability.

Developing a coaching model whose implementation involves the roles of government, entrepreneurs, academics, community, and media is necessary for coaching new entrepreneurs.

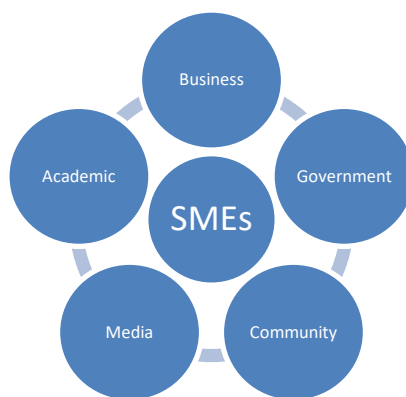


FIGURE 1. Penta helix model.

## 3. BUSINESS PERFORMANCE

The performance of a business is determined by its internal and external factors affecting activities to reach specific goals within a specified timeframe. Overall, finding one particular metric to assess company performance can be challenging. Empirical research frequently employs a subjective perspective, relying on company executives' opinions on performance. Operational performance is a crucial dimension for evaluating SME performance, according to Dubihlela and Dhurup [10]. This includes shorter production waiting times, improved forecasting accuracy, more effective resource planning, enhanced operational efficiency, lower inventory levels, reduced costs, and improved financial accuracy.

Sure, researchers believe the best way to determine if an organization is on the right track is by looking at its profitability. Small businesses' main focus of financial status is cash flow and other marketing-related growth factors like employee count, production efficiency, and customer retention. According to Mahmoud [3], small businesses often use sales, growth, net profit, and gross profit as marketing metrics unrelated to financial data. Financial performance can show how well a business is doing by examining liquidity, solvency, and profitability. Small and medium enterprise (SME) performance can also be evaluated by looking at financial performance, customer loyalty, customer satisfaction, customer retention, and acceptable performance. Using an unbiased method, assessing business success includes measuring ROI, profits, sales, revenue growth, and market share. Evaluate business performance using a subjective method involves non-economic or non-financial indicators such as market performance, market effectiveness, market dominance, service quality,

customer satisfaction, productivity, market valuation, buyer and supplier power, sales concentration, customer retention, company reputation, employee turnover, and organizational commitment [3].

The evaluation of business performance involves two perspectives, one based on objective measurements and the other on subjective judgments. Economic performance pertains to objective measurements, while non-economic aspects of performance are associated with subjective measurements. Customer satisfaction, customer retention, company image, and employee satisfaction are examples of non-economic performance. The success of small and medium-sized enterprises can be assessed by their accomplishments in marketing and finances [3]. Marketing performance is determined by the sales growth rate, the capacity to attract new customers, control of market share, and increased sales volume. Evaluating financial performance involves assessing the capacity to generate profits and ROI and accomplish corporate objectives.

#### 4. MANAGEMENT CAPABILITY

Capability is a person's ability, skill, and strength in doing something. Management Capability is a sequence of work or activities carried out by managers, including taking actions of planning, organizing, implementing, and supervising, as well as having management skills including spiritual energy, emotional skills, intellectual strength, physical quality, and mastery of applied technology to achieve predetermined targets [11]. According to this viewpoint, businesses of all sizes must apply management principles for effective and efficient results. The leader's understanding and implementation of essential management functions are crucial for future business success.

Nowadays, competition and development in the business world are getting stronger and sharper, so to increase business, serious management is required from every entrepreneur to be able to compete with other companies. One of the efforts that must be made is to increase internal resources to improve business success. The most crucial internal resource is management capability. Entrepreneurship and management are the most important internal factors influencing business success [12]. The success of a business or the business world depends on management and entrepreneurial skills; the company leader takes advantage of opportunities and manages all resources optimally and productively. Therefore, management and entrepreneurial skills must be developed through education, training, workshops, and opportunities to gain broader insight. Management Capability is managing a business by planning, organizing, motivating, supervising, and assessing [13]. The management functions used by MSMEs are as follows: (a) Planning, (b) Decision-making, (c) Budgeting, (d) Organizing, (e) Coordinating, and (f) Supervision. If an entrepreneur has management skills, then the entrepreneur believes in planning, organizing, mobilizing, and supervising, supported by creativity, innovation, and the courage to take risks.

Naturally, the goals to be achieved will be fulfilled. Management Capability is mobilizing other people to utilize existing resources to achieve organizational goals efficiently and effectively. The measure of how efficient and effective a manager is is how well he sets plans to achieve adequate goals. The ability to lead effectively is the key to organizational success. Based on expert opinions and research results, Management Capability influences in determining business success. So, entrepreneurs who want to improve their businesses must improve their management skills. If an entrepreneur has management skills, then that entrepreneur believes in planning, organizing, driving, and supervising, supported by creativity, innovation, and the courage to take risks. Naturally, the goals to be achieved will be fulfilled. Management Capability is mobilizing other people to utilize existing resources to achieve organizational goals efficiently and effectively. The measure of how efficient and effective a manager is is how well he sets plans to achieve adequate goals. Leading effectively is the key to organizational success [14].

Assessing management skills involves various indicators such as effective communication with employees, timely delivery of goods, decision-making proficiency, problem-solving capabilities, leadership and motivation skills, delegation skills, strategic planning skills, and awareness of environmental changes. Creating a dependable team that can effectively handle conflicts is essential in business.

#### 5. CHARACTERISTICS OF AN ENTREPRENEUR

A person with entrepreneurial tendencies possesses three key traits: innovation, willingness to take risks, and proactivity. Entrepreneurial orientation is shown by how willing top managers are to take business risks (risk dimension), promote innovation to stay ahead of competitors (innovation dimension) and engage in fierce competition with other companies (proactive dimension). [15]. Entrepreneurial orientation is connected to psychometrics, demonstrated in innovation, proactivity, and willingness to take chances. A person's entrepreneurial orientation is visible through these three dimensions. Entrepreneurial character pertains to a business's strategic approach to acquiring techniques, rituals, and decision-making. Moreover, it was also disclosed that entrepreneurial orientation indicates how a company functions compared to what was intended.

Researchers such as Arshad, Rasli, and Zain [16] stated that innovation, risk-taking, and proactiveness uniquely contribute to a company's entrepreneurial orientation. This is characterized by several organizations that can innovate boldly and regularly by taking quite significant risks in their product marketing strategies. An entrepreneurially oriented company is a company that carries out product-market innovation undertakes risky ventures and is the first to succeed in obtaining proactive innovation to beat its competitors. A company's entrepreneurship level is the total sum of these three sub-dimensions, where a truly "entrepreneurial" company will display a high level in each sub-dimension.

## 6. CONCEPTUAL FRAMEWORK

The conceptual framework used in this research is based on theory and empirical studies on the relationship between coaching, entrepreneurial character, Management Capability, and business performance. Previous studies have shown that coaching, entrepreneurial character, and management abilities are essential to improve business performance.

Several studies have exploited the relationship between coaching and improving entrepreneurial character and Management Capability and its impact on business performance. Coaching can bring about a behavior change that will improve and increase performance. Organizational learning is a capability development process carried out continuously by an organization to create a better future. Organizations need effective learning capabilities to succeed in a complex, competitive, and challenging world. The ability of companies and business systems to support learning and adaptation has become essential for survival in competition. Coaching can give business actors a learning orientation, which is the organization's ability to mobilize resources to create customer value and achieve higher performance [3]. Coaching pertains to the wide range of organizational efforts focused on leveraging knowledge to improve competitive edge. These activities involve acquiring and exchanging information on customer requirements, market dynamics, and rivals' strategies and creating innovative technologies and products that outperform competitors. Therefore, companies need to view learning orientation as crucial in achieving high performance. Learning shows how an organization is inclined to learn and adjust to the environment. Improving a company's skills through learning can impact its business performance positively. It is further clarified that acquiring new knowledge through learning can enhance a company's competitive edge.

A study by Hussain, Abbas, and Khan [15] tried to see the differences in the role of an entrepreneurial character in business performance in established and new companies. The results of his research show that the entrepreneur's character significantly contributes to the profit level. A company's high or low performance depends on the entrepreneur's character in established and new companies (startups).

In its development, Sandybayev [17] found the significance of the influence of Management Capability on business performance. It is said that there is a strong relationship between entrepreneurial leadership and business performance. Management Capability significantly impacts business performance because if you have good management skills, your business performance will be good, and business success can be achieved [18].

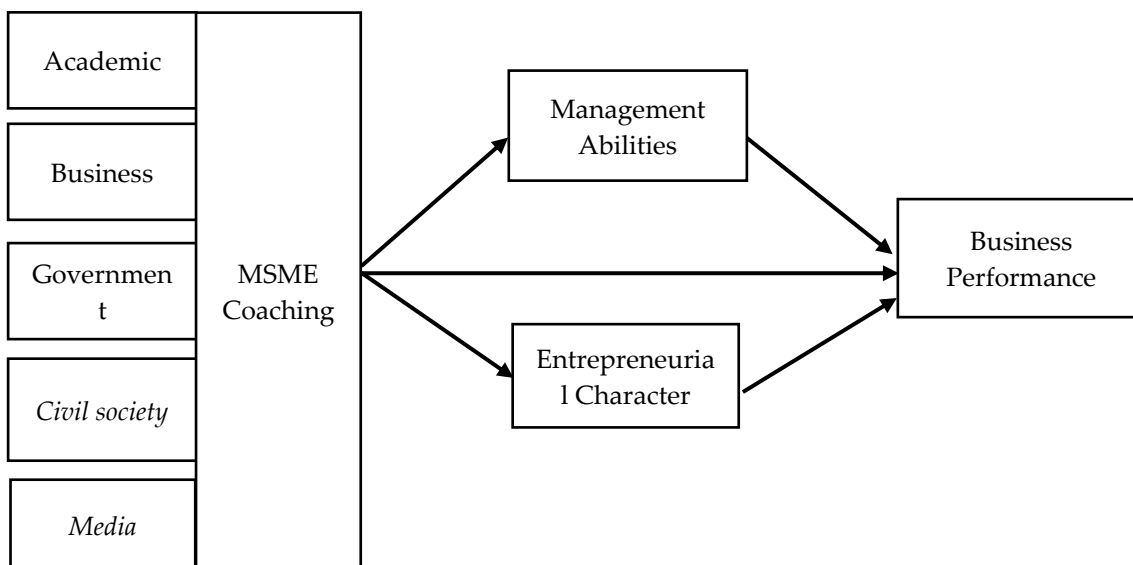


FIGURE 2. MSME development model with the Penta helix approach.

Source: researcher, 2024



## 7. HYPOTHESIS DEVELOPMENT

Small and medium enterprises (SMEs) benefit greatly from skill transfers, particularly in business acumen, which can be facilitated through mentorship and coaching. Although coaching and mentoring share similarities, each offers distinct advantages for entrepreneurial growth, a point highlighted in this qualitative study conducted at the University of Stellenbosch Business School's (USB) Small Business Academy. The study underscores the importance of distinguishing between coaching and mentoring in entrepreneurial development programs, as both methods contribute uniquely to participants' growth. It suggests that each approach should have tailored definitions within programs like USB's Development Programme, recognizing the separate roles each plays in fostering entrepreneurial skills [24]. Based on the findings above, the research hypothesis is formulated as follows:

**H1:** Coaching influences the management abilities.

Wright, et.al. [26], evaluated the effectiveness of a blended learning program known as Operational Coaching on MSMEs, focusing on how it influences management behaviors related to performance and productivity. The research involved a randomized controlled trial (RCT) that compared SMEs participating in the coaching program against a control group. It was found that SMEs that received coaching experienced significant improvements in management practices, which correlated with enhanced organizational performance. [26]. Yun Sae [27] has been highlighted the importance of coaching leadership (CL) in enhancing human capital development within MSMEs. It discusses how continuous coaching practices empower employees, foster a culture of collaboration, and improve overall organizational performance. The case study of a small consulting firm illustrates how coaching practices led to significant employee development and retention, ultimately driving business success. Based on the findings above, the research hypothesis is formulated as follows:

**H2:** Coaching influences entrepreneurial character.

Azizi et al. [30] discusses how coaching can be a powerful tool for enhancing innovation within MSMEs. It presents a theoretical framework and measurement scale for entrepreneurial coaching. It emphasizes the importance of effective coaching relationships in boosting individual capabilities, ultimately leading to improved productivity and quality in MSME performance. Olanrewaju, O., [31] has examined how coaching can enhance performance in MSMEs. Coaching improves management practices, employee engagement, and overall organizational efficiency. Both articles highlight how coaching contributes positively to the development and performance of MSMEs, providing valuable insights into the benefits of these interventions for small businesses. Ikupolati, et.al., [28] has examined how entrepreneurs' conceptual and technical skills influence the growth of SMEs. It finds that both skills significantly contribute to business growth, measured by factors such as the number of employees and clients. The research involved a survey of 304 SMEs, and the results indicated a strong positive correlation between these managerial skills and enterprise growth. Specifically, conceptual skills were linked to strategic planning and decision-making, while technical skills were essential for effective management and operational success. Based on the findings above, the research hypothesis is formulated as follows:

**H3:** Coaching influences business performance.

Khalid Thaher Amayreh [25], *The Impact of Managerial Competencies on the Performance of SMEs in Jordan*,

This study found a positive link between entrepreneurial orientation, strategic thinking, and financial management skills and the performance of Jordanian SMEs. Managerial competencies help SMEs adapt to market changes and improve resource management, which boosts business outcomes and competitive positioning.

Sebastian and his friends [29], examines how managerial skills such as financial management, marketing, and human relations impact the performance of Micro, Small, and Medium Enterprises (MSMEs) focusing on businesses in Africa. Through thematic content and regression analyses, it was found that these skills are essential for MSME performance, especially in challenging and dynamic business environments in low-income countries. This highlights the need for targeted training and support to enhance managerial competencies among MSME owners and managers for improved business outcomes. Based on the findings above, the research hypothesis is formulated as follows:

**H4:** Management Capability Influences Business Performance

Ayu Fitriani Gunawan [32] mentions how entrepreneurial characteristics such as creativity, innovation, and risk-taking affect business performance in the creative industry in Indonesia. The study finds that these characteristics are essential in helping entrepreneurs overcome resource constraints and improve business competitiveness. Using statistical analysis, the study shows that entrepreneurs' characteristics have a significant positive relationship with their business's customer growth and sales growth.

Xie et al. [33] examined the characteristics of entrepreneurs, including leadership, planning, innovation, and social skills. The results showed that leadership and innovation significantly positively affected business performance. However, social skills were found to have no significant effect, which may be because early audiences often do not take vloggers seriously before they achieve success. This study underscores the importance of innovation and leadership skills for entrepreneurs in building their reputation and improving their business performance in the competitive creative industry: Entrepreneurial character influences business performance.

### III. MATERIAL AND METHOD

#### 1. POPULATION AND RESEARCH SAMPLE

The population of this research is MSMEs in the capital city of Tangerang, Indonesia. This study's population was MSMEs with business licenses registered in the MSME community in Tangerang City. This study targets active business actors with a minimum criterion of five years of business experience and are members of business associations in Tangerang City. Based on interviews with MSME coordinators, data was obtained from 250 business people; only 150 MSMEs are still actively running their businesses, so all of these active MSMEs were taken as samples using the saturation sampling technique.

Data was collected through questionnaires distributed by MSME coordinators in each region. This approach aims to reduce the potential for data bias, assuming that the coordinator has direct knowledge of the conditions of the business actors who are respondents.

#### 2. DATA COLLECTION

Data was collected using a questionnaire. All questionnaires are adapted from previous studies. Five items measuring business coaching are adapted from Seeman et al. [24]; consisting of 5 items measuring entrepreneurial character adapted from Lumpkin and Dess [34]; Arsyad et al. [36]; Lechner and Gudmundsson [35]; Boso et al. [37]. 4 items measuring management capability were adapted from P Renu Agarwal [38], Siagian [13]. 6 items measuring business performance were taken from Mahmoud et al. [3]; Bayraktar et al., [39]; Sels et al., [40]. All questionnaires were designed using a five-point Likert scale.

Data collection using questionnaires distributed to respondents through MSMEs coordinators. Questionnaires that can be analyzed are 148 sets.

#### 3. DATA ANALYSIS TECHNIQUES

This study uses Partial Least Square-Structural Equation Modeling (PLS-SEM) statistical analysis to test the hypothesis and produce a fit model. The model analysis consists of two sub-models, namely (1) the measurement model or, commonly called the outer model, which assesses the validity and reliability of the research instrument. The criteria for determining validity and reliability in this study refer to two things, namely convergent validity, discriminant validity, and composite reliability, (2) the structural model or inner model, which shows the strength of the estimate between latent variables and/or constructs, significance value and R Square of the research model.

The reason for choosing PLS is because PLS-SEM is more tolerant of small sample sizes compared to traditional SEM. This allows researchers to obtain significant results even with few respondents.

### IV. DATA ANALYSIS

#### 1. RESULT AND DISCUSSION

The graphics above provide a detailed demographic overview of MSMEs in Tangerang City across several dimensions: business type, years of operation, location, and type distribution within each district.

The first bar chart displays the distribution of MSMEs by business type, with the food and beverage sector leading, followed by fashion, services, and information technology. This breakdown highlights the city's diverse entrepreneurial focus and strong presence in consumer-driven sectors like Food and fashion.

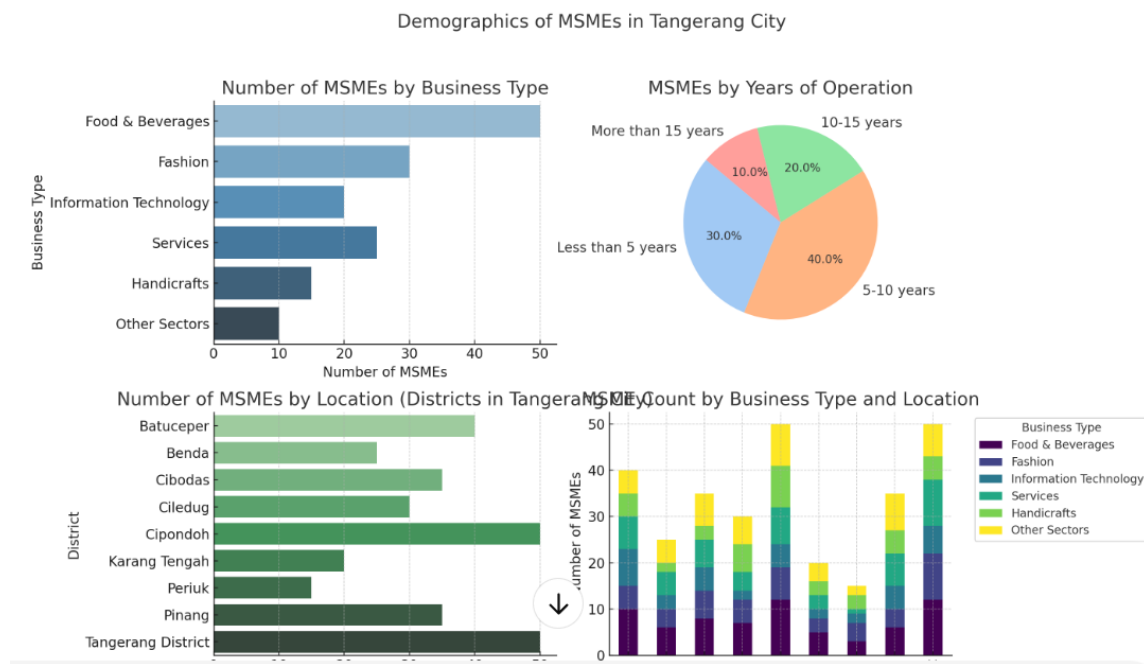


FIGURE 3. Demographics of Tangerang City MSMEs.

The pie chart on years of operation shows that nearly 40% of MSMEs have been operating for 5-10 years, indicating a relatively established business base. However, a notable proportion of businesses (30%) are relatively new, having been established within the last five years, suggesting recent growth and a dynamic business environment.

The second bar chart on MSMEs by location emphasizes that districts such as Cipondoh and Tangerang Districts have the highest concentrations of MSMEs, suggesting these areas may serve as business hubs within the city. Other districts, like Batucapeer and Pinang, also show significant activity, while regions like Periuk and Karang Tengah have fewer businesses.

The stacked bar chart combines business type with location, providing a more nuanced view of district sectoral distribution. This chart reveals that Food and beverages are consistently prominent across most districts, while other sectors like Services and Information Technology are concentrated in specific areas. This reflects a diversity of economic activities and localized strengths within Tangerang City.

Ghozali [20] emphasizes that Cronbach's alpha values should exceed 0.6 to confirm internal consistency among measurement items. As shown in Table 1, the alpha values for each construct fall within the range of 0.712 to 0.807, indicating reliable data. To ensure validity, convergent and discriminant validity were examined. According to Ghozali [20], item loadings should exceed 0.5 to confirm convergent validity, while Fornell and Larcker (1981) recommend a composite reliability (CR) value above 0.7 and an average variance extracted (AVE) value above 0.5 for each construct. Table 1 shows that item loadings range from 0.620 to 0.904, CR values from 0.918 to 0.957, and AVE values from 0.511 to 0.733, verifying that the data is both consistent and reliable.

Table 1. Assessment of measurement model.

Indicator	Factor Loading	
Business Coaching		CR=0,963
Take training from universities	0.869	AVE = 0,543
Get assistance to develop your business	0.743	$\alpha=0,807$
Get easy permits from the government	0.827	
Join the business community	0.790	
Get coverage by mass media	0.735	



Entrepreneurial Character		CR=0,963
Creating new product variations	0.797	AVE=0,595
Creating new target markets	0.851	$\alpha$ =0,712
Anticipate changes in the business environment	0.602	
Get ahead of competitors in introducing new products	0.644	
Take risks in every business decision	0.620	
Management Capability		CR=0,957
Setting targets in business. (Business planning)	0.760	AVE=0,571
Able to share work with employees or business partners well. (Organizing)	0.904	$\alpha$ =0,728
Motivate employees or yourself well. (Briefing)	0.844	
Evaluate business implementation in a certain period (Supervision)	0.861	
Business Performance		CR=0,918
Increase in profit percentage	0.888	AVE=0,653
Increased profit growth	0.890	$\alpha$ =0,727
Increased sales growth	0.764	
Increase in the number of customers	0.759	
Increased accuracy in completing work	0.741	
Increased speed in completing work	0.727	

Note: CR=Composite Reliability; AVE= Average Variance Extracted.

Discriminant validity refers to the extent to which each indicator can effectively differentiate its construct from other constructs. One approach to evaluate discriminant validity is to compare the square root of the average variance extracted (AVE) for each construct against the correlations between that construct and other constructs in the model. If the square root of the AVE for a construct exceeds its correlations with other constructs, it demonstrates strong discriminant validity. Additionally, the validity of a construct can also be assessed through its AVE value, which is ideally greater than 0.5. As shown in Table 2, the square root of the AVE for all constructs is higher than the correlations among them, providing evidence of discriminant validity.

**Table 2.** Discriminant validity.

	Business Coaching	Entrepreneurial Character	Management Capability	Business Performance
Business Coaching	0,737			
Entrepreneurial Character	0,613	0,771		
Management Capability	0,632	0,569	0,756	
Business Performance	0,471	0,672	0,634	0,808

## 2 HYPOTHESIS TESTING

Hypothesis testing consists of direct and indirect influence tests. Table 3 shows the results of the PLS inner-model analysis.

**Table 3.** Results of path analysis and significance between construct relationships.

	Path Coefficient	T Count	P Values	Information
Coaching → Management Capabilities	0.527	8,094	0,000	Significant
Coaching → Entrepreneurial Characteristics	0.414	4,327	0,000	Significant
Coaching → Business Performance	- 0.088	0.702	0.912	Not significant

Management Capabilities → Business Performance	0.704	8,120	0.03 0	Significant
Entrepreneurial Characteristics → Business Performance	0.224	1,997	0.040	Significant
Coaching → Management Capabilities, → Business Performance	0.229	1,967	0.050	Significant
Coaching → Entrepreneurial Character → Business Performance	0.419	2,095	0.037	Significant

#### Analysis Results and Significance Between Construct Relations

1. Business coaching has a calculated t value of 8.094, indicating strong management capabilities. With a t-value > 1.96 and a p-value of 0.000 < 0.05, it is clear that business coaching significantly impacts management capabilities. The impact of business coaching on management capabilities is equal to 0.527. The study's findings show that the initial hypothesis (H1) was supported.
2. The calculated t-value for business coaching impacting entrepreneurial character is 4.327, indicating a significant effect with a t-value > 1.96 and a p-value of 0.000 < 0.05. Business coaching positively impacts entrepreneurial character by a factor of 0.414. The study's findings show that the second hypothesis (H2) was supported.
3. Business coaching had a calculated t-value of 0.702, indicating that its effect on business performance is insignificant. The t-value was less than 1.96, and the p-value of 0.912 was more critical than 0.05. The study's findings show that the third hypothesis (H3) was invalid.
4. The t-value for management capabilities is 8.120. Since the t-value is greater than 1.96 and the p-value is less than 0.05 at 0.030, it can be concluded that management capabilities impact business performance. Management capabilities impact business performance with a coefficient of 0.704. The findings of this study show that the fourth hypothesis (H4) was supported.
5. The t-value for entrepreneurial character affecting business performance is 1.997. Since the t-value is greater than 1.96 and the p-value is less than 0.05 at 0.040, it indicates that entrepreneurial character impacts business performance. The entrepreneurial personality has a 0.224 impact on business success. The findings from this research show that the sixth hypothesis (H4) was supported.
6. Business coaching indirectly impacts business performance by 0.229 by enhancing management capabilities. The t-value was computed to be 1.967. Since the t-value calculated exceeds 1.96, management skills can effectively moderate the impact of business growth on business performance focus.
7. Business coaching impacts business performance through a 0.419 increase in entrepreneurial character. The calculated t value is 2.095; since the calculated t value is greater than 1.96, it can be concluded that entrepreneurial character can effectively mediate the impact of business development on business performance.

## V. DISCUSSION

The study results indicate that management skills and entrepreneurial character are positively influenced by MSME development. Development that is carried out well will improve MSME management skills. Development for small business actors focuses more on the continuous business learning process to become resilient entrepreneurs. Learning can help improve an entrepreneur's problem-solving ability in business activities. Development for business actors, if followed effectively, will motivate innovative and creative power.

Entrepreneurial character, including innovative, creative behavior and the courage to take risks, will strengthen. Generally, entrepreneurs learn from the experience of establishing and managing a business, including the learning process, the ability to recognize why a problem occurs, and the ability to overcome it. The acquisition of these abilities is the result of the learning process. Therefore, entrepreneurs who study seriously tend to improve their management skills compared to those who do not.

Organizations need practical learning skills to succeed in a complex, competitive, and challenging world. A study by Mahmoud et al. (2016) [3], concluded that organizational learning significantly affects business performance. The ability of entrepreneurs in small companies to experience a learning process through coaching can bring their companies to success more quickly. However, this study shows different results. Coaching for MSMEs does not have a direct effect on their business performance. Coaching can improve MSME business performance if mediated by management skills and entrepreneurial character.

This study also shows that the mediation effect of management skills and entrepreneurial character is complete mediation. Complete mediation occurs because the direct impact of the MSME coaching variable on the business performance variable is insignificant. On the other hand, the effect of the MSME coaching variable on the business performance variable after being mediated by the management skills and entrepreneurial character variables is significant. This shows that the entrepreneurial orientation variable cannot influence the business performance variable without going through the talent management variable.

## VI. CONCLUSION

The coaching process motivates MSMEs to develop a resilient entrepreneurial mindset. MSME participants who engage in the coaching process will enhance their management skills. MSME development does not directly promote improved business performance for MSMEs. However, MSMEs with a solid entrepreneurial spirit will enhance business outcomes. The capacity to manage effectively is a key factor in enhancing the business performance of MSMEs. The practical implications of this study can be used to develop SME development programs involving Penta helix. However, this study's limitations include only examining SMEs in Jakarta and did not reflect the national population. Further research should explore whether collaborative business coaching can directly improve business performance by expanding the population's reach.

## Finding Statement

This study's findings are that coaching is a long-term process for improving the performance of MSMEs. The results indicate that business coaching will affect performance if mediated by management skills and entrepreneurial characteristics.

## Author Contribution

All authors contributed according to their roles in writing this paper. The first author compiled the introduction, literature review, presentation, and data analysis. The second author contributed to the translation and search of the bibliography used as references. The third author contributed to the technical revision of the writing and reviewed the research data.

## Conflict of Interest

The author hereby declares that the data published in the manuscript has no conflict of interest with any party. If found in the future, the author will be fully responsible.

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