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THE EFFECT OF ENTREPRENEURIAL ORIENTATION, MOTIVATION, AND DIGITAL TECHNOLOGY ON THE PERFORMANCE OF VILLAGE-OWNED ENTERPRISES WITH INNOVATION AS A MODERATING VARIABLE

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ABSTRACT

This study seeks to provide empirical evidence on the effects of entrepreneurial orientation, motivation, and digital technology on the performance of Village-Owned Enterprises (BUMDes), with innovation examined as a moderating variable. The research focuses on BUMDes located in Gunungkidul Regency, with participants consisting of BUMDes managers, including directors, secretaries, treasurers, and heads of business units. A quantitative approach was employed, utilizing primary data collected through structured questionnaires. The sample comprised 55 BUMDes selected through purposive sampling. Data analysis was conducted using SmartPLS 4.0 and IBM SPSS version 22. The findings reveal that both entrepreneurial orientation and motivation have a positive impact on BUMDes performance. However, digital technology does not significantly influence performance, and innovation does not moderate the relationship between entrepreneurial orientation and BUMDes performance.

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I. INTRODUCTION

Recent developments in rural economic development have undergone significant changes since the introduction of Law Number 6 of 2014 concerning Villages. This legislation granted villages greater autonomy, particularly in managing their own

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administrative affairs and village funds. According to the law, village development is a government initiative aimed at improving the quality of life and overall well-being of rural communities. It focuses on poverty alleviation by fulfilling basic needs, building infrastructure, developing local economic potential, and ensuring the sustainable use of natural and environmental resources (Law No. 6 of 2014).

The policy has encouraged villages to further explore and optimize their potential to enhance community welfare (Irawan, 2020). However, the implementation of rural economic development programs has not consistently met its intended targets. Persistent issues such as high poverty rates and ongoing socio-economic challenges remain prevalent in many rural areas. In 2021, data from the Central Statistics Agency (BPS) indicated an increase in the rural poverty index from 0.57 in March to 0.59 in September. Moreover, BPS reported that some rural residents had yet to receive government assistance. Despite the range of programs and policies introduced by the government, the success or failure of rural economic development largely depends on the effectiveness of both government institutions and community involvement (BAPPEDA, 2016).

Several factors contribute to the limited success of government-led rural economic development initiatives. One of the key issues is excessive government intervention, which can stifle the creativity and innovation of rural communities in managing their own economic resources. In practice, village economic institutions often rely heavily on government assistance, which undermines the spirit of self-reliance among rural populations. In response, the government introduced a new institutional framework to support rural economic management.

This institutional form is known as the Village-Owned Enterprise (Badan Usaha Milik Desa or BUMDes), a business entity established by the village government and jointly managed by both the village administration and the local community (Minister of Home Affairs Regulation No. 39, 2010). The establishment of BUMDes is supported by Law No. 23 of 2014, which permits local governments to establish village enterprises to foster rural economic development and provide public benefits.

According to the Ministry of Villages (KEMENDES), there were 57,273 registered BUMDes in Indonesia as of 2021. Of these, 45,233 were active, while 12,040 were inactive. Among the active BUMDes, approximately 15,768 (or 35%) were negatively affected by the COVID-19 pandemic, resulting in the closure of their operations and the layoff of 123,176 workers (Waseso, 2021).

These figures include BUMDes in Gunungkidul Regency. Data from the Office of Community and Village Empowerment, Population Control, and Family Planning (DPMKPPKB) of Gunungkidul shows that there were 144 BUMDes in the region by the end of 2020, with 130 active and 14 inactive. Several of these BUMDes operate as social enterprises, engaging in initiatives such as waste management, clean water provision, tourism villages, and village markets (DPMKPPKB, 2021). Nevertheless, multiple challenges have hindered the performance of BUMDes in Gunungkidul. A significant issue is the lack of attention from village governments, which adversely affects BUMDes operations. For instance, BUMDes "Maju Mandiri" has become

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inactive since the COVID-19 pandemic due to the absence of concrete measures by the village government to revive the MSME sector during the new normal era (Godepok, 2021).

In another case, BUMDes Karangrejek was established in response to environmental concerns. Although its management has adopted an entrepreneurial orientation, in practice, some BUMDes have deviated from this vision and operate solely for profit. This shift undermines the original spirit of social entrepreneurship (Mulyono, 2019). As noted by Sukasmanto in a seminar organized by the Center for Rural and Regional Studies at Gadjah Mada University, one key factor behind BUMDes failure is their narrow focus on generating revenue for the village without broader social impact. In contrast, successful BUMDes are often driven by the presence of local social entrepreneurs and "entrepreneur bio" individuals—entrepreneurs equipped with strong management skills and expertise (Mulyono, 2019).

This study aims to examine and provide empirical evidence on the following relationships: (1) the positive impact of entrepreneurial orientation on BUMDes performance; (2) the positive impact of motivation on BUMDes performance; (3) the positive impact of digital technology on BUMDes performance; and (4) the moderating effect of innovation on the relationship between entrepreneurial orientation and BUMDes performance. The theoretical contribution of this study lies in the extension of the Resource-Based View (RBV) theory, particularly as it applies to village-owned enterprises supported by local governments in strengthening rural economies. This research remains relevant in the context of the "new normal" period, following the decline in performance of several BUMDes due to the COVID-19 pandemic, and in light of the limited existing literature exploring the role of entrepreneurial orientation, motivation, and digital technology in influencing BUMDes performance.

II. LITERATURE REVIEW

The success or failure of an organization can often be assessed through its performance outcomes. Organizational performance reflects the extent to which a program, activity, or policy has achieved its intended objectives, aligning with the organization’s vision, mission, and strategic plan. It serves as an essential measure of how effectively the organization has executed its core functions in pursuit of predetermined goals. Therefore, the achievement of these objectives is inextricably linked to the availability and utilization of organizational resources, particularly human resources who act as key agents in reaching those goals (Fitri, 2019). Performance is thus a crucial indicator in determining the success of organizations such as Village-Owned Enterprises (BUMDes) (Permana, 2020).

Entrepreneurial orientation is widely recognized as a significant factor in achieving sustainable superior performance. It encompasses the processes, practices, and decision-making activities within social organizations. From the perspective of the Resource-Based View (RBV), competitive advantage can be developed through the strategic use of heterogeneous resources. Entrepreneurial orientation equips social enterprise leaders with the capacity to innovate, proactively respond to external environmental changes, manage risk, operate efficiently, fulfill social missions, and maintain long-term

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sustainability through sound resource planning. Empirical studies by Permana (2020) and Ilham (2018) have demonstrated a positive and significant relationship between entrepreneurial orientation and the performance of social enterprises such as BUMDes. However, contrasting findings by Trihudiyatmanto and Purwanto (2018) suggest that entrepreneurial orientation does not have a statistically significant impact on social entrepreneurial performance.

Motivation can be defined as a driving force that supports and encourages individuals to act optimally. The decision to engage in entrepreneurial activities—rather than seeking employment from others—is often a rational process aimed at achieving financial gain. Motivation can be measured by three key dimensions: (1) profit motivation, defined as net earnings or the surplus of income over total expenses; (2) business aspiration, which reflects the desire to meet needs and generate income; and (3) entrepreneurial freedom, which refers to autonomy in business planning and goal-setting. Previous research by Mirah et al (2021) confirms that motivation has a positive and significant influence on the performance of social enterprises/BUMDes. However, studies by Trihudiyatmanto & Purwanto (2018) and Efriadi (2023) argue that social capital does not significantly influence the performance of BUMDes.

Digital technology plays a critical role in entrepreneurship by enhancing business sustainability through technological adoption. Entrepreneurial technology is a concept that integrates entrepreneurship and innovation through the application of technology. The performance of BUMDes can be improved through technology-driven innovations, particularly in the digital era where technological disruptions often emerge from new entrants or shifts within commercial industries. Entrepreneurs are now expected to create markets for new, complex technologies (Giones & Brem, 2017). Digitalization has transformed traditional entrepreneurial activities and fundamentally altered the entire entrepreneurial process. From a research perspective, digital entrepreneurship closely aligns with information system artifacts, platforms, and infrastructures (Giones & Brem, 2017). Studies by Permana (2020) highlight a positive and significant effect of digital technology on the performance of social enterprises/BUMDes. Armiati et al. (2017) further suggest that digital technology mediates business strategy while positively affecting business performance.

Innovation has also been identified as a critical factor influencing business performance. Galindo & Picazo (2013) argues that entrepreneurial orientation significantly enhances a firm's innovation capabilities, which in turn contributes to national economic development, particularly in developing countries. Hafeez et al. (2012) describe innovation as a bridge that links entrepreneurial orientation to the performance of small and medium-sized enterprises (SMEs) in Pakistan. Innovation and performance are shown to have a vital relationship in driving business growth and sustaining competitive advantage. Supporting this, Dhewanto (2014) contend that innovation is the lifeblood of a business, essential for growth and development. Innovation can emerge from any context and be carried out by any actor—it is not exclusive to large corporations but is equally essential for small enterprises to ensure business continuity.

According to Yaya et al. (2022), during the COVID-19 recession, innovation in BUMDes can be categorized as either radical (introducing new products or services to

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the broader economy) or incremental (new primarily to the firm itself). Many earlier studies, such as those by Freeman (1971), associate innovation with radical breakthroughs that turn ideas into novel products or services. Research based on the UK Science Policy Research Unit (Thwaites & Wynarczyk, 1996) views innovation as major technological advancement. In contrast, Porter (1990, p. 45) defines innovation as "creating competitive advantage by perceiving or discovering new and better ways to compete in an industry and bringing them to market." This suggests that innovation, particularly in practice, often tends to be incremental rather than radical (Abubakar et al., 2019; Smallbone et al., 2022). Therefore, BUMDes operating in rural environments within developing countries are more likely to pursue incremental improvements to existing technologies rather than developing breakthrough innovations, as a means of diversification.

III. RESEARCH METHOD

This research focuses on exploring the relationship between entrepreneurial orientation, digital technology, motivation, and innovation, and how these factors contribute to the performance of Village-Owned Enterprises (BUMDes) in Gunungkidul Regency, Yogyakarta. Out of roughly 130 BUMDes in the area, 57 were identified as actively operating and were selected for this study. These organizations are spread across 18 sub-districts. The individuals who participated as respondents include directors, secretaries, treasurers, and heads of business units who are directly involved in managing the day-to-day operations of BUMDes.

A quantitative research design was applied, emphasizing the use of firsthand data collected directly from participants. The survey process was conducted through a combination of offline distribution—delivered face-to-face—and online submission using Google Forms. This dual approach ensured broader participation and data accessibility. The use of structured survey tools provided a reliable means of gathering data consistently across various respondents.

Participants in this research were selected using purposive sampling, a technique that allows researchers to deliberately choose subjects based on predefined eligibility criteria. To be included, BUMDes had to be operational for a minimum of one year, and their management personnel must have served in their roles for at least the same duration. This method helped focus the study on experienced organizations and individuals with sufficient knowledge and operational insight to contribute relevant information.

To collect the data, the researchers used a structured questionnaire built on a five-point Likert scale. This scale captured the intensity of respondents' views, allowing them to express their level of agreement or disagreement with specific statements. By converting subjective opinions into quantifiable data, the Likert scale enabled more precise statistical analysis, helping to measure perceptions, attitudes, and behaviors related to each research variable.

The data analysis was conducted using SPSS and Partial Least Squares (PLS), incorporating several key statistical procedures. Descriptive analysis helped summarize

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the characteristics of the data, presenting averages, extremes, and variability across the variables: entrepreneurial orientation, motivation, digital technology (X), performance (Y), and innovation (Z). Measurement model evaluation tested the accuracy and consistency of constructs through convergent and discriminant validity checks, as well as reliability indicators like Cronbach's Alpha and Composite Reliability. The structural model analysis assessed how well the variables explained performance outcomes using R-square and F-square statistics, and examined the relationships between constructs using path coefficients, which were verified through bootstrapping procedures for hypothesis testing.

Hypothesis testing in this study was conducted using Structural Equation Modeling–Partial Least Squares (SEM-PLS). This method is suitable for analyzing relationships between variables that cannot be measured directly. The test is based on comparing the t-statistic with the critical t-value (t-table). The t-table value is obtained from statistical reference tables, while the t-statistic is generated through the PLS analysis. The decision to accept or reject a hypothesis is based on this comparison. If the calculated t-statistic is greater than the t-table value, the hypothesis is accepted. For one-tailed hypotheses (with a specific direction), the t-statistic must be greater than 1.66. For two-tailed hypotheses (without a specific direction), the t-statistic must exceed 1.96, with a probability value (p-value) of less than 0.05 (5%) to be considered statistically significant.

IV. RESULT AND DISCUSSION

Result

A total of 131 questionnaires were distributed during the course of this study, yielding a response rate of 76.33% for usable data. Of the questionnaires disseminated, 100 were returned—67 through direct (door-to-door) distribution and 33 via online submission using Google Forms. Meanwhile, 20 questionnaires were not returned, and 11 were deemed unusable as the respondents did not meet the inclusion criteria, specifically due to having less than one year of service in their respective BUMDes management roles.

Demographic data of the respondents revealed that the majority were male, comprising 56% of the total sample, while female respondents made up the remaining 44%. In terms of age, the largest group of respondents (59%) fell within the 36–50 age bracket. This was followed by 28% of respondents aged between 20 and 35 years, and 13% aged over 50. Regarding educational background, most respondents held a bachelor's degree (55%), while 40% had completed high school. A smaller proportion held a diploma (3%), and only 2% had attained a postgraduate degree (master's level).

Based on the results of the descriptive statistical analysis, all variables examined in this study—entrepreneurial orientation, motivation, digital technology, innovation, and BUMDes performance—exhibited actual mean values that exceeded their theoretical mean values. This indicates that the average levels of these variables among Village-Owned Enterprises in Gunungkidul Regency are relatively high.

These findings suggest that BUMDes managers in the region tend to demonstrate strong entrepreneurial orientation and motivation, have adopted digital technologies to a

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notable extent, and are engaged in innovative practices. Collectively, these factors contribute to a generally favorable performance level among the active BUMDes studied.

The combination of high-quality responses and a strong demographic profile provides a solid foundation for analyzing the influence of key organizational and managerial factors on BUMDes performance, enhancing the overall validity and reliability of the study's conclusions.

Table 1. Outer Loading Model Awal

Latent Variable	Code	Outer Loading	AVE
Enterpreneurship orientation	OK1	0.857	0.663
	OK2	0.844	
	OK3	0.860	
	OK4	0.842	
	OK5	0.744	
	OK6	0.729	
Motivation	M1	0.605	0.613
	M2	0.807	
	M3	0.782	
	M4	0.828	
	M5	0.865	
Digital Technology	TD1	0.824	0.549
	TD2	0.600	
	TD3	0.739	
	TD4	0.750	
	TD5	0.772	
Inovation	I1	0.776	0.576
	I2	0.725	
	I3	0.823	
	I4	0.814	
	I5	0.819	
	I6	0.560	
BUMDes Performance	K1	0.548	0.585
	K2	0.690	
	K3	0.879	
	K4	0.814	
	K5	0.827	

Source : Output *SmartPLS 4.0*

Based on the results of the convergent validity test presented in Table 1, several construct indicators did not meet the required outer loading threshold of 0.7. These indicators—namely M1, TD2, K1, K2, and I6—are therefore considered invalid, as they fall short of the accepted rule of thumb for convergent validity. In response, adjustments

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were made to the measurement model. Table 2 below displays the updated outer loading values after modifications were applied to the indicators.

Table 2. Outer Loading after Modification

Latent Variable	Kode	Outer Loading	AVE
Enterpreneurship orientation	OK1	0.858	0.663
	OK2	0.844	
	OK3	0.860	
	OK4	0.840	
	OK5	0.741	
	OK6	0.731	
Motivation	M2	0.800	0.703
	M3	0.797	
	M4	0.872	
	M5	0.881	
Digital Technology	TD1	0.786	0.605
	TD3	0.749	
	TD4	0.765	
	TD5	0.820	
Inovation	I1	0.792	0.637
	I2	0.711	
	I3	0.830	
	I4	0.835	
	I5	0.814	
BUMDES Performance	K3	0.848	0.796
	K4	0.916	
	K5	0.912	

Source : Output *SmartPLS 4.0*

Table 2 presents the modified outer loading results, where all construct indicators for each variable have met the required criteria for outer loading and Average Variance Extracted (AVE) values. This confirms that all indicators are valid and appropriately measure their respective constructs.

Discriminant validity was tested to assess the correlation between research variables, using the cross-loading values and the square root of AVE, is shown in Fornell-Larcker Criterion and Cross Loading. In this study, the AVE square root was evaluated using SmartPLS 4.0. A construct is considered to have good discriminant validity if the square root of its AVE is greater than its correlation with other constructs and the AVE value exceeds 0.5. According to the Fornell-Larcker results, each construct's AVE square root is greater than its correlations with other variables. For example, the AVE square root for innovation is 0.798, which is higher than its correlations with BUMDes performance (0.892), motivation (0.839), entrepreneurial orientation (0.814), and digital technology (0.778). Therefore, the data meets the criteria for discriminant validity. All variables also have AVE square roots above 0.5, indicating

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that each variable explains more than half the variance of its indicators. Cross-loading analysis was conducted to compare the value of each indicator with its own construct and with other constructs. The recommended criterion is that an indicator's loading on its own construct must be higher than its loadings on other constructs, and the loading value should exceed 0.5. The cross-loading test results indicate that each indicator has a loading value greater than 0.7 with its respective construct. Additionally, each indicator's correlation is highest with its associated construct compared to others, confirming that the study meets the requirements for discriminant validity.

Reliability assessment was carried out by evaluating Cronbach's Alpha and Composite Reliability. The recommended thresholds are values above 0.7 for both measures. As shown in Table 4.9, all constructs in the study have Cronbach's Alpha and Composite Reliability scores greater than 0.7. Thus, it can be concluded that all constructs demonstrate strong internal consistency and meet the reliability standards.

In the inner model analysis used to predict relationships between latent variables, model evaluation was conducted using R-Square and F-Square values, along with path coefficient analysis during hypothesis testing. The structural model's predictive strength is indicated by the Adjusted R-Square value for each latent variable. A higher Adjusted R-Square suggests a better model fit. The Adjusted R-Square for BUMDes performance is 0.661 or 66.1%, indicating that this variable is explained by entrepreneurial orientation, motivation, digital technology, and innovation. The remaining 33.9% is influenced by factors not included in the study. Since the R-Square value exceeds 0.5, the model is considered to have a moderate explanatory power. Additionally, the effect size (F^2) was evaluated to measure the impact of each exogenous construct on the endogenous variables, with detailed results presented in Table 3.

Table 3. F-Square Value

	BUMDes Performance
Inovation	0.028
Motivation	0.074
Enterpreneurship Orientation	0.303
Digital Technology	0.019
Inovation x Enterpreneurship Orientation	0.012

Source: Output *SmartPLS 4.0*

Table 3 demonstrates that the F-Square values for innovation and motivation are greater than 0.02, indicating that their effects fall under the category of a small effect. The entrepreneurial orientation variable has an F-Square value greater than 0.15, which classifies its effect as medium. However, the interaction term between innovation and entrepreneurial orientation on BUMDes performance shows an F-Square value below 0.02, suggesting no significant moderating effect.

In hypothesis testing, certain criteria must be met to validate the acceptance of a hypothesis. These include the original sample estimate, the t-statistic, and the p-value. The original sample is considered appropriate if it aligns with the hypothesized direction (positive or negative). A hypothesis is deemed statistically significant if the t-statistic

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exceeds 1.66 and the p-value is less than 0.05. The detailed results of the hypothesis testing are presented in Table 4 below.

Table 4. Path Coefficient

Hipotesis		Original Sample (O)	T statistics	P values
Orientasi Kewirausahaan -> Kinerja BUMDes	H1	0.463	4.187	0.000
Motivasi -> Kinerja BUMDes	H2	0.240	2.122	0.034
Teknologi Digital-> Kinerja BUMDes	H3	0.128	1.108	0.268
Inovasi x Orientasi Kewirausahaan -> Kinerja BUMDes	H4	-0.065	0.919	0.358

Sumber: Output *SmartPLS 4.0*

Based on Table 4, the test results for the first hypothesis—concerning the influence of entrepreneurial orientation on the performance of BUMDes in Gunungkidul Regency—indicate a positive original sample value of 0.463, with a t-statistic of 4.187, which exceeds the critical value of 1.66, and a probability (p-value) of 0.00, which is below the 0.05 significance level. Therefore, H1 is accepted. This finding suggests that entrepreneurial orientation has a significant positive effect on the performance of BUMDes in Gunungkidul Regency.

The second hypothesis test, assessing the impact of motivation on BUMDes performance, reveals a positive original sample value of 0.240, a t-statistic of 2.122 (greater than 1.66), and a p-value of 0.034, which is less than 0.05. Accordingly, H2 is accepted, indicating that motivation positively influences BUMDes performance in Gunungkidul Regency.

Regarding the third hypothesis, which examines the effect of digital technology on BUMDes performance, the original sample value is 0.128 with a t-statistic of 1.108 (less than 1.66) and a p-value of 0.268, which exceeds the 0.05 threshold. Thus, H3 is rejected, implying that digital technology does not significantly affect the performance of BUMDes in the region.

Finally, the fourth hypothesis investigates the moderating role of innovation in the relationship between entrepreneurial orientation and BUMDes performance. Table 4 shows a negative original sample value of -0.065, with a t-statistic of 0.919 (less than 1.66) and a p-value of 0.358, which is greater than 0.05. As a result, H4 is rejected. This indicates that innovation does not significantly moderate the relationship between entrepreneurial orientation and BUMDes performance in Gunungkidul Regency.

Discussion

The findings of this study provide empirical evidence on the influence of entrepreneurial orientation, motivation, and digital technology on the performance of BUMDes in Gunungkidul Regency, with innovation serving as a moderating variable. The following section presents a detailed discussion of the hypothesis testing results conducted by the researcher.

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1. The Effect of Entrepreneurial Orientation on BUMDes Performance in Gunungkidul Regency

The first hypothesis (H1) posits that entrepreneurial orientation has a positive effect on the performance of BUMDes in Gunungkidul Regency. The results support this hypothesis, indicating that H1 is accepted. This implies that BUMDes in Gunungkidul have effectively utilized their available resources to achieve competitive advantage and ensure organizational sustainability. Furthermore, BUMDes actors are making efforts to enhance their performance by demonstrating courage in facing challenges and risks, applying smart work principles, and committing to hard work.

The findings confirm that entrepreneurial orientation significantly affects BUMDes performance, aligning with the Resource-Based View (RBV) theory. According to this perspective, organizations can develop sustainable competitive advantages through the strategic use of heterogeneous resources. In line with RBV, BUMDes managers with strong entrepreneurial orientation are capable of leveraging their internal resources to achieve organizational goals and improve performance.

This result is consistent with previous studies by Permana (2020), Ilham (2018), Santos and Mahrinho (2017), and Cho and Lee (2018), which also found that entrepreneurial orientation positively influences the performance of social enterprises or BUMDes. The entrepreneurial mindset demonstrated by BUMDes managers in Gunungkidul Regency illustrates their ability to capitalize on their resources to build long-term competitive advantage, ultimately enhancing organizational performance. Therefore, the greater the entrepreneurial orientation possessed by BUMDes managers in the region, the better their organizational performance is likely to be.

2. The Influence of Motivation on BUMDes Performance in Gunungkidul Regency

The second hypothesis (H2) posits that motivation has a significant effect on BUMDes performance in Gunungkidul Regency. The results confirm this hypothesis, indicating that H2 is accepted. This suggests that motivation serves as a key internal driver for BUMDes actors, fostering commitment and enhancing job satisfaction, which in turn positively contributes to organizational performance and supports the pursuit of competitive advantage. High levels of work motivation empower BUMDes personnel to perform better, as motivated individuals tend to persevere, stay optimistic, and continuously strive to improve outcomes.

The acceptance of this hypothesis aligns with the Resource-Based View (RBV) theory, which considers motivation an intangible resource that supports entrepreneurial orientation. With strong entrepreneurial motivation, individuals can develop mental resilience and adopt a mindset oriented toward exceeding performance expectations. Entrepreneurial motivation also plays a vital role in promoting job satisfaction, which ultimately contributes to higher performance levels.

These findings are in line with prior studies conducted by Mirah & Arian (2021), Permana (2020) and Darmayanti (2014) all of which found that motivation significantly and positively influences the performance of social enterprises or BUMDes.

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3. The Effect of Digital Technology on BUMDes Performance in Gunungkidul Regency

The third hypothesis (H3) suggests that digital technology does not significantly affect the performance of BUMDes in Gunungkidul Regency. The statistical analysis leads to the rejection of H3. This outcome indicates that many BUMDes employees in Gunungkidul are still facing challenges in effectively adopting and utilizing digital technology. This is partly due to limited internet access in remote areas, and a general lack of digital literacy among BUMDes actors, many of whom are unfamiliar with technological tools and digital information.

These findings are not in accordance with the RBV theory, which posits that competitive advantage can be achieved through the strategic use of organizational assets, including digital technology. Technological capability is considered a critical intangible resource under the RBV framework, which can enhance organizational performance if developed and sustained over time. The use of digital platforms (e.g., e-commerce) can potentially open new markets, simplify transactions, and improve business performance—if properly implemented.

Contrary to this study's results, earlier research by Permana (2020 and Armiati et al. (2017) demonstrated that digital technology has a significant positive effect on the performance of social enterprises, including BUMDes.

4. The Moderating Role of Innovation in the Relationship Between Entrepreneurial Orientation and BUMDes Performance in Gunungkidul Regency

The fourth hypothesis (H4) proposes that innovation moderates the relationship between entrepreneurial orientation and BUMDes performance. The results, however, indicate that H4 is rejected. This suggests that BUMDes managers in Gunungkidul have yet to effectively develop innovative services or products, improve product quality, adopt new technologies, design capacity-building programs to foster community innovation, or leverage entrepreneurial orientation in a way that significantly enhances organizational performance.

This finding diverges from RBV theory, which highlights the uniqueness of each organization's resources—particularly intangible assets such as human capital, creativity, innovation, and reputation. Merely possessing these resources, however, is insufficient for achieving competitive advantage. According to RBV, BUMDes should construct empowerment models that integrate innovation with entrepreneurial orientation to stimulate improved performance and competitiveness.

The study reveals that many BUMDes managers still face difficulties in continuously developing novel innovations. The creation of original products or services remains limited, as many BUMDes are hesitant to take risks associated with launching unique ventures. Instead, they tend to replicate existing business models commonly found in other BUMDes (Widodo, 2022). There is still a lack of new and distinctive ideas among BUMDes managers regarding product and service innovation.

These results are inconsistent with previous research by Widhiantara & Kusumadewi (2022) which found that innovation can effectively moderate the relationship between entrepreneurial orientation and performance. Although BUMDes

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in Gunungkidul demonstrate entrepreneurial orientation, its impact on performance appears less aggressive in the absence of strong innovation support. Nonetheless, the existing entrepreneurial orientation could yield even greater performance improvements if paired with frequent and well-developed innovations.

V. CONCLUSION

This study investigates the influence of entrepreneurial orientation, motivation, and digital technology on the performance of Village-Owned Enterprises (BUMDes) in Gunungkidul Regency, with innovation as a moderating variable. Data were collected through 131 distributed questionnaires, with 111 returned and 100 deemed usable. Respondents consisted of BUMDes core managers, including directors, secretaries, treasurers, and unit heads who had held their positions for at least one year.

The empirical analysis yields several key findings. First, entrepreneurial orientation positively affects the performance of BUMDes, suggesting that a proactive, risk-taking, and innovative mindset enhances operational effectiveness. Second, motivation also has a positive influence, highlighting its role in fostering commitment and driving performance improvement. Third, digital technology does not significantly impact BUMDes performance, potentially due to limited digital literacy and infrastructure in remote areas. Fourth, innovation does not significantly moderate the relationship between entrepreneurial orientation and performance, indicating that the current level of innovation is insufficient to strengthen this relationship.

The results carry several important practical implications. Firstly, both entrepreneurial orientation and managerial motivation are critical internal factors that can drive BUMDes performance and should be strengthened. Secondly, BUMDes managers are encouraged to innovate by developing new products or services tailored to local needs, rather than relying on conventional offerings. This is crucial to achieving sustainable economic impact in rural communities. Thirdly, BUMDes actors should begin leveraging digital technologies to enhance business processes, marketing reach, and transactional efficiency. Lastly, village governments must foster closer, consistent collaboration with BUMDes and invest in improving digital infrastructure, particularly in remote areas, to support innovation and growth.

Several limitations must be acknowledged. The geographic scope was limited to Gunungkidul Regency due to time constraints, excluding other potential regions such as Sleman, Bantul, and Kulon Progo. The sample only included active BUMDes, introducing potential survival bias, as less active or dormant entities were excluded. Consequently, the variable indicators may not reflect a wide performance variation. Furthermore, although innovation was tested as a moderating variable, its role was not supported, indicating the need to explore alternative variables.

Additionally, the questionnaire consisted solely of positively phrased items and did not explicitly address contextual issues such as the pandemic or the new normal, limiting its relevance to these phenomena. The study also did not conduct a pilot test of the questionnaire instrument prior to data collection, nor did it include a mean-difference (bias) test for responses gathered through different modes (hardcopy and Google Forms), leaving room for response bias.

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Future studies should consider expanding the sample area beyond a single regency and include both active and inactive BUMDes to reduce bias and improve generalizability. Researchers may explore other variables such as social innovation, entrepreneurial characteristics, business strategies, or competitive advantage as independent or moderating factors. Questionnaire items should reflect contemporary phenomena (e.g., the pandemic), include both positive and negative items, and undergo pilot testing. Lastly, if multiple data collection methods are used, conducting a mean-difference test is recommended to ensure response consistency.

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