



---

## THE INFLUENCE OF ENTREPRENEUR ORIENTATION AND GOVERNMENT ROLE TOWARD BATIK SMES PERFORMANCE IN THE PACITAN

---

### Sudjatno

Faculty of Economics and  
Business, Brawijaya  
University  
Malang, Indonesia  
E-mail:  
[rinisafitriksan@gmail.com](mailto:rinisafitriksan@gmail.com)

### Rini Safitri

Faculty of Economics, State  
Islamic University of  
Maulana Malik Ibrahim,  
Malang, Indonesia  
Email:  
[rinisafitriksan@gmail.com](mailto:rinisafitriksan@gmail.com)

### ABSTRACT

This research has aim to determine the effect of entrepreneur orientation on performance of existing businesses in SMEs Batik Pacitan District and the government role as mediating variable. Questionnaire was used to collect data and this research called explanatory quantitative research. The sample is the amount of 40 respondents in the Pacitan that is work in the Batik SMEs. To analyse the data used Warp PLS. This research gives correlation evidence between entrepreneur orientation and business performance. The R square score in the amount of 0.64, that means regression model able to explain 64% the effect of government role to the entrepreneur orientation toward business performance and the 36% for the rest will be explained by other varible that exclude this research. Based on that result, the government should pay attention to the entrepreneur and give contribution to them for expand SMEs because it will give feedback to the government for example increase per capita income, opening job vacancy, and reduce unemployment.

**KEYWORDS:** Entrepreneur Orientation, Government Role, Business Performance, and SMEs

---

| Received January 2018 | Accepted March 2018 | Available online April 2018 |  
| DOI: <http://dx.doi.org>

---

## INTRODUCTION

Batik is a careful work of art that combines creative and innovative tastes and inovatif or creative mindsets along with the tastes development that can produce the integration of materials, hues, colors, values, meanings, symbolic and philosophical. Therefore, in the process of producing batik as expected, an active role, whether community or artisans, businessmen (SMEs) and local government is required to obtain profitable performance for all parties. Batik is a result of art craft that has a uniqueness as worthy culture and people wisdom of each region in Indonesia. The result of Indonesian Batik craft has been known by the international community and officially recognized by UNESCO as Representative List of Intangible Cultural Heritage of Humanity on the Oktober 2nd 2009. The acknowledgement is evidence of imagines works in Indonesia society as a culture. International recognition of the cultural work of the nation's children being proud, will provide encouragement and motivation to develop and produce batik craft. Indirectly, provide economic value for society, business, government and other stakeholders.

## ***The Influence of Entrepreneur Orientation...***

---

The growth SMEs Batik in Pacitan can not be separated from entrepreneur SMEs, which means to manage Batik business should oriented to the creation of new products proactively and aggressively (Cooper and Dunkelberg, 1986; Cooper, Woo and Dunkelberg, 1989). Described by Rhee et al. (2010), the trend of entrepreneurial orientation as a series of activation configurations takes risks. Hult et al. (1998), also explained that the entrepreneurship orientation includes two elements, namely proactive and taking risk. Thus, to manage the batik business, SMEs should be oriented to entrepreneurial spirit. Entrepreneur orientation become important for SMEs to generate business performance.

Covin and Slevin (2006) empirically proved that entrepreneurship orientation has a positive and significant impact on business performance both in large companies and small companies. This shows that entrepreneurship orientation will be high business performance. As explained by Miller (1987) and Covin & Slevin (1989), that entrepreneurship orientation is concerned with competitive proactive forms, risk management, the need for the company to always be involved and goal-oriented. The purpose of SMEs business enterprises not only livelihood, growth, but also profit-oriented. To achieve the purpose depends on the performance of the business.

To improve the performance of SMEs Batik business in Pacitan, can not be separated from the role of the government in the Pacitan. Local government through the programs and implementation need to empower the batik SMEs thoroughly, optimally, and continuously. The role of local government in the empowerment of batik can be done through the development of conducive climate, giving business opportunity, support, protection and business development as wide as possible so as to improve the position, role and potential of SME as regulated in Law 20, 2008 about Micro Small and Medium Enterprises. And the results of Xie (2012) study in China, found that government policies have a positive impact on innovation performance.

## **LITERATURE REVIEW**

### **Entrepreneur Orientation**

Entrepreneur orientation is an important part for company which is necessary for developing strategic decision, especially to company with market orientation. As explained by Lumpkin and Dess (1996) that entrepreneur orientation as activity of process, practice, and decision making which is flange to market access consistently new. Entrepreneurial orientation can be seen as making strategic process and main decision making which used to specify the target of organization, maintaining vision, and create competitive advantage that consist of proactiveness, innovativeness and risk-taking (Covin and Slevin, 1989, 1991).

### **Government Role**

In order to growing and improving SME's competitiveness, it can be conducted by government, local government, business world, and society to empower micro, small, and medium enterprises through giving complete facility, guidance, assistance, and other necessary reinforcement. As mentioned in paragraph (1) section 16 that the government and local government facilitate business development in the areas of: a) production and processing, b) marketing, c) human resources, and d) design and technology.

### **Company Performance**

Business performance is basically the level of financial achievement that achieved by business organization and can be seen from the result of its work. Mentioned by Jaworski and Kohli (1993), the measurement of business performance / firms is not just enough using single measure, but there are several approaches in business performance measurement. According to Jaconson (1996) measures of organizational success including profitability, sales growth, competitiveness and market share. Agarwal et al (2003) explained that there are two dimension of construct to measure company performance, that is objective performance and subjective performance. Objective performance is related to financial performance or performance based on marketing, such as sales level, profitability and market share. Subjective performance is related to measurement to customer and employees, such as service quality, customer satisfaction, and employee job satisfaction.

### Operational Definition

#### Entrepreneurship Orientation

Entrepreneurship orientation as a process, practice, and decision making activity that leads to entering a consistent new market. In this study, indicators used as research include: innovation, proactive, and risk-taking (Lumpkin and Dess, 1996).

**Table 1.** Indicators of Entrepreneur Orientation

Variable	Indicator	Item
Entrepreneur Orientation	Innovation	Produce various product
		Development of product design with local value
		Following the will of consumers
	Proactive	Take intensive action to the consumer
		New product style
		Promotion
	Risk Taking	Maximizing profits
		Dare to taking risk
		Dare to facing risk

#### The Government Role

In order to economic development, The Governments put SMEs to have the position, role, and strategic potential to realize the structure of a balanced national economy, developing and justice. In this research, the indicator used for the study include: Product and processing, marketing, and human resources (Paragraph 1 article 16 on business development).

**Table 2.** Indicator of Government Role

Variable	Indicator	Item
The Government Role	Product and processing	Production engineering facilities
		Facilities and infrastructure
		Business engineering
	Marketing	Market information facility
		Market menagement facilities
		Goods promotional facilities
		Network market facilities
	Human Resource	Business development facilities
		Counseling and education
		Motivation
		Creativity development

**Business Performance**

Business performance is a level of financial achievement that achieved by business organization which can be seen from the result of its work. In this research, the indicators used for the study includes: profitability, productivity, and market share (Jaconson, 1996).

**Table 3.** Indicator of Business Performance

<b>Variable</b>	<b>Indicator</b>	<b>Item</b>
<b>Business Performance</b>	Profitability	Advantages
		Venture capital
		Business assets
	Productivity	Quality product
		Production target
		Time
		Development of new product
	Market Share	Employee productivity
		Sales Volume
		Market capabilities
	Market share	

**METHODS**

This research was examined with positivism approach by using quantitative method. Based on the design, this study includes the type of explanatory research because this study explains the relationship between the variables through hypothesis testing and the data calculated through statistical tests.

**Test of Instrument Research**

**Validity**

Validity indicates the extent to which a test measures what it claims to measure. If the researchers uses a questionnaire to collecting data, then the questionnaire must be compiled what he wants to measure. After the questionnaire is compiled and tested its validity, in practice not necessarily the data collected is a valid data (Rianse, 2009). In this research, validity test is done by looking at loading factor, loading factor above 0.70 is recommended, however, the loading factor 0.50-0.60 can still be tolerated as long as the model is still in development stage. While the loading factor below that value indicator can be discarded because it is not valid (Ghozali, 2014).

**Reliability**

Reliability is a tool for measuring a questionnaire that is an indicator of a variable or construct. A questionnaire is said to be reliable if the answer to the question is consistent or stable over time ( Ghozali, 2011). Assess reliability can be done by looking at loading factor. Loading factor above 0.50 can be said reliable. Besides that, it can also be seen from the value of composite reliability. The value of composite reliability is said to be reliably if >0.7 for all exogenous, endogenous constructs are said to be reliable if the value is >0.7.

**Measurement Model Analysis**

Researchers need to assess the reliability and validity of the construct when testing each model of measurement for an outer model. Instruments apply if the size of the instrument should be measured, and reliable if the instruments is consistent and stable (Sekaran, 2005). Thus, having a reliable and valid instrument is essential for strong research. Composite Reliability (CR) is assessed by internal Cronbach's alpha consistency size.

Finally, validity is tested to assess the validity of measurement by looking at the results of convergent validity and discriminant validity.

### Structural Model Analysis

In addition to checking the order to reflect how strong other latent variables connect with it, Hair et al (2014) explains that it can be seen in detail about the determinant coefficients (R2) and predictive relevance (Q2) showing how much exogenous latent variables contributes to endogenous latent variables. In a simple way, the purpose of measurements is to see the effect size to assess the magnitude or strength of the relationship between latent variables.

### Hypothesis Testing

Hypothesis testing is conducted to determine the relationship of variables in this study. PLS testing can generate t-statistics for a significant hypothesis of both inner and outer models, using a procedure called bootstrap. In this procedure, a large number of subsamples (example 500) are taken from original samples with replacement to provide standard bootstrap errors, which in turn provide T-test estimates for testing the significance of structural path. And the result of bootstrap approaches the normality of the data.

## RESULTS

### Result

#### Validity and Reliability Test

Validity test has shown that all of the indicator are valid because have significant score more than 0.05. Called reliable when the cronbach alpha higher than 0.60.

**Table 4.** Validity and Reliability Test

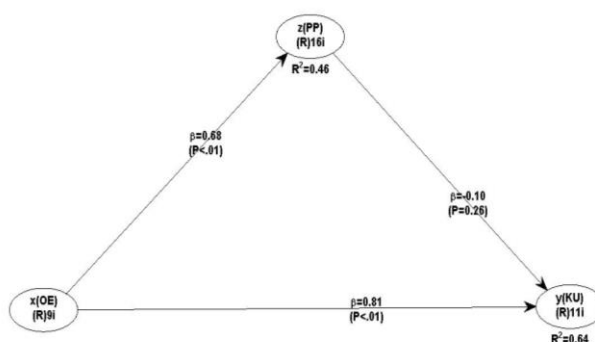
Construct	Item	Mean Score	Loading Factor	Cronbach Alpha
X	X1	4.65	0.432	0.605
	X2	4.80	-0.228	
	X3	4.58	-0.729	
	X4	4.13	-0.149	
	X5	4.25	0.856	
	X6	4.13	0.882	
	X7	4.23	-0.172	
	X8	4.15	0.880	
	X9	4.28	0.593	
Z	Z1	4.43	0.924	0.963
	Z2	4.30	0.950	
	Z3	3.40	0.950	
	Z4	4.18	0.694	
	Z5	4.30	0.950	
	Z6	4.30	0.950	
	Z7	4.30	0.950	
	Z8	4.30	0.950	
	Z9	4.33	0.939	
	Z10	4.40	0.923	
	Z11	4.43	0.924	
	Z12	4.43	0.924	
	Z13	4.43	0.924	
	Z14	4.43	0.924	

	Z15	4.40	0.923	
	Z16	4.33	0.939	
	Y1	4.13	0.687	
	Y2	4.45	-0.697	
	Y3	4.25	-0.732	
	Y4	4.43	0.750	
	Y5	4.25	0.979	
Y	Y6	4.25	0.979	0.560
	Y7	4.25	0.979	
	Y8	4.13	0.594	
	Y9	4.63	-0.057	
	Y10	4.38	-0.192	
	Y11	4.13	0.687	

Source: Data Processed (2017)

Model Tested by WarpPLS

Picture 1. Model Test



Source: WarpPLS Test (2017)

The R square score in the amount of 0.64, that means regression model able to explain 64% the effect of government role to the entrepreneur orientation toward business performance and the 36% for the rest will be explained by other variable that exclude this research. The amount of 64% are consequences analyse the data using system.

$$Z_Y = 0.81Z_X - 0.68Z_X + z + 0.10Z_Z - Y$$

(<.01)   (<.01)   (0.28)

Hypothesis Testing

Table 5. The Effect of Entrepreneur Orientation to the Business Performance

Proposed Hypothesis	Hypothesis	Estimate (β)	p-value	Rejected/Supported
Entrepreneur Orientation → Business Performance X → Y	H1	0.81	p<0.1	Supported

Regression tests show that entrepreneurial orientation has an impact on business performance with probability  $<0.01$ . The results of this test show support for the results of the study (Covin and Slevin, 2006; Miller, 1987; Covin and Slevin, 1989).

**Table 6.** The Effect of Entrepreneur Orientation toward Government Role

Proposed Hypothesis	Hypothesis	Estimate ( $\beta$ )	p-value	Rejected/Supported
Entrepreneur Orientation → Government Role $X \rightarrow Z$	H2	0.68	$p < 0.1$	Supported

The results of this test indicate support for the results of the study (Cooper and Dunkelberg, 1986; Cooper, Woo and Dunkelberg, 1989); Rhee et al. (2010); and Hult et al. (1998) that entrepreneur orientation has impact to the government role.

**Table 7.** The Role of Government to the Business Performance

Proposed Hypothesis	Hypothesis	Estimate ( $\beta$ )	p-value	Rejected/Supported
Government Role → Business Performance $Z \rightarrow Y$	H3	0.10	0.26	Supported

While the value of loading factor on business performance variable is Y.5; Y.6; and Y.7 of 0, 979. means that business performance is reflected (formed) by Y.5; Y.6; and Y.7 denotes that it is greater than Y9. The results of this test indicate support for the results of research (Xie, 2012)

## DISCUSSION

The higher score on the entrepreneur orientation variable is X.2 (always doing product design development with cultural or local-value features) in the amount of 4.80. For business performance variable, Y.9 in the amount of 4.63 (the volume of sales we earn has a significant development). While Y.5, Y.6, and Y.7 in the amount of 0.979 means higher than Y.9.

The higher score on the government role is Z.1; Z.11; Z.12; Z.13; Z.14 in the amount of 4.43. While factor loading z.2; z.3; z.6; z.7; dan z.8 higher than Z4. The meaning of this result shown gives support for other result research (Cooper dan Dunkelberg, 1986; Cooper, Woo dan Dunkelberg, 1989); Rhee *et al.* (2010); dan Hult *et al.* (1998). For business performance, Y.9 is lower average than Y.5; Y.6; dan Y.7 in the amount of 4.63 than 0. 979.

Regression test has shown that entrepreneur orientation impact to the business performance with the probability more than 0.01. The meaning of this result shown gives support for other result research (Covin dan Slevin, 2006; Miller, 1987; Covin dan Slevin, 1989). Based on the previous table, entrepreneur orientation to the business performance supported, entrepreneur orientation toward government role supported, and government role to the business performance supported. The conclusion is all of the correlation between those variable is supported. In the other word, government role is justified as mediating variable between entrepreneur orientation toward business performance.

## **CONCLUSION**

This research gives correlation evidence between entrepreneur orientation and business performance. The thought development that the government role as mediating between those variable. But this result can not be generated as simply for all region, because different region has different characteristics or product so deep analyse is needed. For future research can add other variable for instance competitive advantage, innovation, or intrapreneurship. Based on that result, the government should pay attention to the entrepreneur and give contribution to them for expand SMEs because it will give feedback to the government for example increase per capita income, opening job vacancy, and reduce unemployment.

## **REFERENCES**

- Cooper, A., Woo, C., dan Dunkelberg, W., 1989, Entrepreneurship and the Initial Size of Firm, *Journal of Business Venturing*, 4, 317-332.
- Cooper, A.C., dan Dunkelberg, W.C., 1986, Entrepreneurship and Path to Business Ownership, *Strategic Management Journal*, 7, 53-68.
- Covin, J.G., dan Slevin, D.P., 1989, Strategic Management of Small Firms in Hostile and Benign Environment, *Strategic Management Journal*, 10,75-87
- Covin, J.G., Green, K.M., dan Slevin, D.P., 2006, Strategic Process Effect on The Entrepreneurial Orientation-Sales Growth Rate Relationships, *Entrepreneurship Theory and Practice*, 30 (1), 57-81.
- Ghozali, Imam. 2011. *Aplikasi Analisis Multivariate dengan Program SPSS*. Badan Penerbit Universitas Diponegoro. Semarang.
- Ghozali, Imam. 2014. *Structural Equation Modeling: Metode Alternative dengan Partial Least Square (PLS)*. Universitas Diponegoro. Semarang.
- Hult, G.T.M., Hurley, R.F., Knight, G.A., 2004, Innovativeness: Its Antecedents and Impact on Business of Performance, *Industrial Marketing Management*, 33, 429-438.
- Jaworski, B., A. Kohli, 1993, Marntecedend Consequences, *Journal of Marketing*, 57, 53-70
- Lumpkin, G.T., Dess, G., 1996, Clarifying the Entrepreneurial Orientaion Construct and Linking it to Performance, *Academy of Management Review*, 21 (1), 135-172.
- Miller, D., 1987, Strategy Making and Structure: Analysis and Implication for Performance, *Academic of Management Journal*, 30: 7-32
- Rhee Jaehon, Taekyung Park, Do Hyung Lee, 2010, Divers of Innovativeness and Performance for Innovative SMEs in South Korea: Mediation of Learning Orientation, *Journal of Technovation*, 30, 65-75
- Rianse, Usman. 2009. *Metodologi Penelitian Sosial dan Ekonomi Teori dan Aplikasi*. Alfabeta. Bandung.
- Sekaran, Uma. 2011. *Research Methods For Business*. Salemba Empat. Jakarta.
- Undang-undang Nomer 23 Tahun 2014 tentang Pemerintah Daerah, Jakarta: PT. Pustaka Binaman Pressindo.
- Undang-undang Nomor 20 Tahun 2008 tentang Usaha Mikro, Kecil dan Menengah, , Jakarta: PT. Pustaka Binaman Pressindo.
- Xie, X., 2012, Coorporative Factor, Coorporative Innovation, Effect and Innovation Performance for Chinese Firms: an Emperical Study, *Phycics Procedia*, 24,1086-1091.