



RESEARCH ARTICLE

THE ENTREPRENEURSHIP ORIENTATION OF BUSINESS STRATEGY IN INDONESIA

*Zulfadhli.SE.Msi

Doctoral Students of Economic Science Department, Faculty of Economics, Sriwijaya University, Jln Sriwijaya Negara, Bukit Besar Palembang 30 139 Unsri Campus Bukit, Indonesia & Lecturer Faculty of Economics University Tamansiswa Palembang, Indonesia

ARTICLE INFO

Article History:

Received 14th June, 2016
Received in revised form
25th July, 2016
Accepted 08th August, 2016
Published online 30th September, 2016

Keywords:

Entrepreneurial,
Business Strategy.

ABSTRACT

The usefulness of this study is to investigate the entrepreneurial orientation developed in order to encourage performance improvement Small and Medium Enterprises . Even the successful implementation kewirausahaan orientation on Small and Medium Enterprises to encourage applications to the corporate giants. This view is essentially that development of small and medium businesses is more focused on the formation and orientation of the entrepreneurial spirit rather than simply funding assistance and technical skills as long as this government implemented. Therefore, we should study the effect of entrepreneurial orientation on corporate performance in the context of Small and Medium Enterprises in Indonesia . Interest entrepreneurial orientation is to create a business strategy so as to create employment and profit achievement.

INTRODUCTION

Figures benchmark used and of the best practices in the world to maintain the ratio between the number of people with industrial units is 1 to 20 , meaning that every 20 inhabitants there should be one industrial unit . Even Sutrisno (2004: 6) found for Indonesia that most existing business unit is a household industry (cottage industry) and other services as micro enterprises more precise then the member is 1 to 6. That is, every six people residents must be supported by the business units outside agriculture, so the problems worked as forced and dependency burden is not an obstacle for the growth of the strengthening of competitiveness. This means with a population of approximately 230 million people , Indonesia must pursue a number of business units outside the agricultural sector as much as 38.33 million units , or more than double the current number . Required the right policy and implementation consistent basis to be able to realize these figures. Law number 25 of 2000 on the National Development Program (Propenas) outlined that the development of Small and Medium Enterprises reached by three basic policies, namely: (Agung Nur Fajar, 2004) creation of a conducive climate; (Aldrick and Pfeffer, 1976) improving access to productive resources; and (3) development of entrepreneurship. The creation of a conducive climate and access to, the more the purview of the role of government,

while the development of entrepreneurship despite being a command to the government legislation, but can only be optimal if all the parties participating, including the community itself. Widespread entrepreneurial development community will be able to accelerate the growth of professional entrepreneurs and new entrepreneurs in Indonesia. Sixth fostering a desirable trait in discussions Foundation and Yayasan Indonesia Forum (1998) is actually the basic character of an entrepreneur. Lyon, Lumpkin & Dess (2000) develop entrepreneurial characteristics are referred to as the orientation kewirausahaan (entrepreneurial orientation), stating: "There are five dimensions of entrepreneurial orientation are autonomy, keinovatifan, risk taking, keproaktifan, and competitive aggressiveness.

Entrepreneurial orientation is different from entrepreneurship. Definition of entrepreneurship refers to entrants / new players in the business, while the more entrepreneurial orientation leads to a process that is how entrepreneurship is carried out which includes the methods, practices, and decision-making styles to act entrepreneurial. Various evidence of significant influence entrepreneurial orientation on performance (Miller & Friesen, 1982; Lumpkin and Dess, 1996; and Lyon, Lumpkin and Dess (2000) is a fact of the importance of the study of entrepreneurial orientation. On the other hand, studies that examined the relationship between strategy businesses with organizational success, in which also examined in depth the relationship between managerial characteristic of various sizes success of the company (various measures of success). For example, a study conducted by Noburn and Birley (1988) found that the manager teams that run its functions both based

*Corresponding author: Zulfadhli.SE.Msi,

Doctoral Students of Economic Science Department, Faculty of Economics, Sriwijaya University, Jln Sriwijaya Negara, Bukit Besar Palembang 30 139 Unsri Campus Bukit, Indonesia & Lecturer Faculty of Economics University Tamansiswa Palembang, Indonesia.

on proper training, provide satisfactory performance compared to that based on knowledge passed down through generations. Entrepreneurship orientation introduced by Miller & Friesen (1982), developed by Lumpkin and Dess (1996), Lyon, Lumpkin & Dess (2000) and further investigated by many researchers and observers of small and medium enterprises in order to boost the performance of Small and Medium Enterprises. Even the successful implementation kewirausahaan orientation on Small and Medium Enterprises to encourage the application of this concept to the giant company (Guth & Ginsberg, 1990). This view is in line with the recommendations of the Asia Foundation and the Foundation discussion Indonesia Forum (1998), which essentially so that small and medium business coaching is more focused on the formation of entrepreneurial spirit and orientation of the mere capital assistance and technical skills as long as this government implemented. Therefore, we should study the effect of entrepreneurial orientation on corporate performance in the context of Small and Medium Enterprises in Indonesia.

This study is focused on small and medium businesses. Analysis unit selection is based on several considerations. First, small and medium enterprises is one solution to alleviate poverty and unemployment. The amount of unemployment in Indonesia on one side and the need for approximately 38.33 million new entrepreneurs in order to strengthen the competitiveness of Indonesia in the era of global competition on the other hand, the riel is a challenge that should be solved simultaneously with the transfer of the unemployed labor force into a new entrepreneur. Empirically there are challenges related to entrepreneurship and development of small and medium enterprises, namely: first, the development of entrepreneurs will be new is the urgent need for Indonesia, not only due to the fact the amount of unemployment that may not just be solved by large-scale investments, but also to the efforts increasing competitiveness in the global marketplace requires an additional more than 20 million new entrepreneurs. And second, the development of small and medium businesses into a business that is not only able to achieve success in the short term, but also be sustainable, is another fact which still requires serious attention through the creation of quality entrepreneurs who are able to develop small and medium businesses are strong and resilient.

Review Of Literature

Entrepreneurial Orientation Theory

The theory of entrepreneurship orientation (entrepreneurial orientation theory), of Schumpeter (1934); Kets de Vries (1977); Miller and Friesen (1982); Gupta & Govindarajan (1984); Miller and Toulouse (1986); Gartner (1988); Naman and Slevin (1993); Nahafandi & Malekzadeh (1993); Lumpkin and Dess (1996); Dess, Lumpkin & Covin (1997); Zahra, Jennings & Kuratko (1999); Drucker (1999); Culhane (2003); Zimmerer & Scarborough (2005); Timmons & Spinelli (2008); entrepreneurship is all matters relating to the attitudes, actions and processes undertaken by entrepreneurs in pioneering, run and grow their businesses. Yet there is a fundamental difference between entrepreneurship (entrepreneurship) with entrepreneurial orientation (entrepreneurial orientation). Entrepreneurship refers to content

that can be expressed in one sentence: "what business shall we enter?", That is what the business sectors that will be entered. This question takes on the ensuing consequences, namely, where the market that will be worked, what kind of products according to the market and everything related to the utilization of its resources. While entrepreneurial orientation refers to the process that is how the methods, practices and decision-making style of a manager used to work on the content that is a business or a new product (new entry).

Business Strategy Theory

The theory of business strategy (business strategy theory), Porter (1985), Schwalbach (1991); Pepall (2002); McDonald (2002); Wheelen & Hunger (2003); Williamson (2004); and Chonger et al. (2005), the strategy management process includes four basic elements, namely: (1) environmental monitoring; strategy formulation; (3) the implementation of the strategy; and (4) evaluation and control. At the corporate level, strategy management process includes activities that start from the observation of the environment to performance evaluations. In winning the competition, companies must be willing to take challenges and exploit opportunities / opportunities faced in the competition. Companies must build a strategy consisting of new technology and expertise, a fundamental change in the outlook, organizational structure, and process management.

The pressure to redesign the company's main strategy is driven by China's development is very fast, the cumulative impact of deregulation and free trade in Asia, and the implications of the new generation of social and demographic strength began reshaping (reshape) the future of Asian economies. Pressure to change in order to win the competition in Asia has caused a shift in the base of competition, namely from manufacturing productivity into "total productivity"; from "better" to be "different"; of asset arbitrage into value creation and capture; of horizontal diversification into geographic diversification. In any industry, both of which produce goods and services, competition is affected by the five competing forces: (1) the entry of new competitors; (2) the threat of substitute products (substitution); (3) the strength pertawaran (bargaining) buyer; (4) the power pertawaran suppliers; and (5) competition among existing companies.

The five forces determine industry profitability because they influence the prices, costs and require investment firms in an industry - the elements of industrial profit (return on investment). The market share is the proportion of the company's actual sales volume compared to the total volume of actual sales of the companies that are trying to serve the needs and wants (needs and wants) of the same consumer. The size of the competing forces of a company can be seen from the market share held. If a company has a high competitive strength, the market share of these companies will be even greater as a result of its ability to beat the competition. On the other hand, the market share is only controlled by a few companies only shows the level of industry concentration is high enough. The market share reflects the competitive position obtained by the company in the market. Companies that have a high market share to meet customer needs better, and thus enjoy a competitive advantage compared to its competitors. Companies with a high market share enjoyed the return on invested capital is higher.

Definition of Entrepreneurship

The term comes from French entrepreneurship is the entrepreneur who translated into English as TransCanada taker or go-between / intermediary (Alma, 2002: 19). Entrepreneurship is the equivalent of the word entrepreneurship (Echols and Shadily, 2001: 615) so that the word entrepreneur in Indonesian paired with the word entrepreneur. Wira means valiant, courageous, brave, business is being paired with the word so that the term entrepreneurial business can be defined as persons who brave or mighty in business / business. In Big Indonesian Dictionary (2002: 1273) is a synonym for self-employed entrepreneurs and by Echols and Shadily (2001: 615) is translated as an entrepreneur. Big Indonesian Dictionary (2002: 1273) entrepreneurship or self-employment is defined as "intelligent people or gifted (talent) to identify new products, determine how new production, preparing the operation for the procurement of new products, marketing, and arranging capital operations.

Corporate Entrepreneurship

Based on the weaknesses that are owned by a "trait", then Lee and Venkataraman (2006: 9-10) proposes an approach called "prospect theory". Mendadasari reason this approach are: "That individuals who have different aspiration levels or intentions growing niche to have different sets of opportunities Because The locus of the search is directed by an individual's aspiration level." But among the investigators feel frustrated, they feel that the approach characteristic difficult for scalable, repeated and generalized, and on the basis of these shortcomings then any attempt to find the approach from another angle (Covin & Slevin, in Culhane, 2003: 19). Pendekatan alternatives were considered to be more scalable, more understandable and conducive to the relationship between strategy and performance of the company. This Pendekakatan given the term with "the firm-level behavioral approach or corporate entrepreneurship approach (Culhane, 2003: 19). Further Culhane explained that this approach is more focused on the process and the activity of the unit of analysis on companies (Gartner, 1988, in Culhane, 2003: 20).

Orientation Entrepreneurship

Entrepreneurship (entrepreneurship) is an integral part of business activities, and entrepreneur (entrepreneur) is a person who always found a way to solve a particular problem or to create and innovate in the delivery of new products and ways of working, and has always been a pioneer in many aspects. Entrepreneurship as a creative act or an ability to see and take advantage of opportunities, even when everyone does not see a chance. Entrepreneurship is the unity unified orientation, values and principles and attitudes, tips, art and real action that is necessary, appropriate and superior in handling and developing the company or other activities that lead to the best service to customers and other parties interested including the community, the nation and negara. Beberapa researchers did not differentiate between entrepreneurship and entrepreneurial orientation (Zahra, 1999). While other researchers are both different states in which it is considered that entrepreneurial orientation is not an attitude (attitudinal) but rather as a form of behavior (behavior) and can be seen in the strategy-making process and decision-making of a company (Lumpkin & Dess, 1996).

Business strategy

The term strategy described by Hard, 1967 (in Snow & Hambrick, 1980: 527) as: "the word strategy is derived from the Greek: strategos - literally," the art of the general "strategy can be defined as:" strategy can be defined as the combination (profile) of environmental, contextual, and structural elements affecting an organization at any one time "(Osborn, 1980: 492); "... Plans to Achieve organization goals" (Anthony & Govindarajan, 2003: 51). While Andrews, Learned, Christensen, and Guth (1965), Andrews (1971) (in Snow & Hambrick, 1980: 527), states the strategy by describing strategies Harvard the following: "The Harvard view of strategy was (and is) a normative, in strategy that was treated as a situational art, an imaginative act of integrating numerous complex decisions. "Strategy is the art of situational and imaginative measures are developed based on consideration of the complex as a way to hack into success. The strategy is the formulation of the mission and goals of the organization which include action to achieve the mission and objectives, as stated by Anthony, et al. (1993: 9):

"Strategy as the formulation of organizational missions, goals, and objectives, as well as action plans for achievement, that explicitly Recognize the competition and the environmental impact of outside forces." Not only the competition aspects that are the focus of the strategy, but also includes resources used to achieve the goal. Chandler (1962: 13) explains: "In chandler's view strategy Refers to the determination of the basic long-term goals and objectives of the enterprise and the adoption of courses of action and the allocation of resources, Necessary for carrying out these goals." Strategy can also be expressed as a translation of leadership within the organization's mission planners are designed to be implemented by the executive. In a broader sense, Learned et al. (1981: 610), explain the meaning of the strategy as follows: "Strategy as how a firm attempts to Compete in its environment, Encompassing key choices about goals, products, markets, marketing, manufacturing, and so on. The goals of the firm were broadly conceived to encompass both economic and non-economic considerations, such as social obligations, treatment of employees, and organizational climate. "

In the perspective of Achieving competitive advantage, Porter (1980: 32) propose the term generic strategy by Stating: "Strategy for a generic approach to outperform competitors in the industry: the structure of this particular industry means that all companies can get the high profit , whereas in industry another, success with one of the generic strategies may be needed just to get the results of a decent profit in the sense of the absolute. "Meanwhile, Melo (2002: 62) view of the strategic management by Stating:" strategic management is the process by roomates organizations attempt to Determine what needs to be done to Achieve corporate objectives and more importantly, how reviews reviews These objectives are to be met. "Various definitions of reviews These strategies then summarized by Robbins (1994: 134) by Stating : "the strategy can be defined as the determination of basic goals and long term goals a company, and acceptance of a series of actions and allocation of resources required to implement Reviews These objectives. "Anthony & Govindarajan (2003: 61) describes the mission to build (build) by saying:" this mission implies an objective of Increased market share, even at the

expense of short-term earnings and cash flow ". The business unit with the mission "hold" (retain) means to be in a position ripe in the product cycle is called the maturity stage. With this mission, the business unit should be able to maintain what has been achieved, because that position is a position coveted by every player in the market. To describe the business unit with a mission to maintain (hold), Anthony & Govindarajan (2003: 61) says: "this strategic mission is geared to the protection of the business unit's market share and competitive position." The business unit with the mission of "harvest" (harvesting) is a position where the business unit is at a stage of maturity life cycle, so that the position thus enabling the business unit to enjoy the fruits of his struggle in the arena of competition in the market.

The business unit with the mission of "Divest" (release) is a business unit that is at a stage of life cycle slowdown. That is, in terms of business, the business unit is not expected to rise again able to regain a better position, even tend to start to suffer losses. Business units can achieve its mission from building, maintaining and harvesting can only be successful if it has the right competitive strategy. In connection with the strategy to achieve competitive advantage, Porter (1998: 11) states: "Though a firm can have a myriad of strengths and weaknesses vis-à-vis its competitors, there are two basic types of competitive advantage a firm can process: low cost or differentiation ".It is also in accordance with what is stated by Anthony & Govindarajan (2003: 641):" The business unit has two generic ways to Compete and develop a sustainable competitive advantage: low cost and differentiation ".The advantages for low cost shows that the business units work efficiently. Business units can achieve low cost advantage, enabling the business unit can sell their products cheaper than competitors. With lower prices enable the business unit has broad market coverage, with different segments. This was said by Porter (1998: 12): "... a firm sets out to Become the low cost producer in its industry.

The firm has a broad scope and serves many industry segments, and may even operate and in related industries. "Advantages for differentiation shows that the business unit was able to make a breakthrough to produce products that have advantages and specifications that are not owned by competitor products.Porter (1993: 3) states that competitive advantage is basically grew from a value or benefit to a company creates for its buyers more than the costs the company to create it. Value or benefit that is available is paid by the buyer, and superior value is derived from offering lower prices than competitors prices for equivalent benefits or offers unique benefits that exceed the price offered. Excellence is more unique benefits is the result of creativity and continuous innovation by the company so that they can launch a product that is much better than a competitor's product is then called by Porter as differentiation. Therefore, Porter (1993: 3) concludes: So there are two basic types of competitive advantage: cost advantage and differentiation. In order to achieve competitive advantage, companies must execute the right competitive strategy. Porter (1993: 1) says that the competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which competition takes place. Competitive strategy aimed at fostering a favorable position and strong in fighting the forces that determine competition in the

industry.Furthermore, Porter (1993: 1) revealed that there are two important questions underlie the selection of competitive strategy. First, the attractiveness of the industry for the long-term profitability as well as a number of factors that determine it. Not all industries are promising opportunities equal profitability, and profitability inherent industry is one important ingredient in determining the profitability of companies in it. The second important question in competitive strategy is the determinants of relative competitive position within an industry. In most industries, some companies were able to profit much more than others, regardless of how much the average profitability of the industry.Therefore, to understand the factors of competition are essential to achieve competitive advantage. In any industry, whether the domestic industry or international, whether goods or services, competition rules included in the five competition factors: the influx of newcomers, the threat of substitute products, the power to bargain shoppers, southwest bargaining suppliers, and competition among the participants of existing competitors (Porter, 1993: 4). Fifth, these factors determine industry profitability because they influence the prices, the costs and the necessary investment firm in an industry - the elements of the Return On Investment (ROI) (Porter, 1993: 4).

Competitive advantage can only be achieved when the leadership of the company is able to see the company as a whole. This is due to the fact that the competitive advantage derived from a wide variety of activities carried out companies, ranging from designing, making, market, distribute, and support its products. Each of these activities may affect a company's relative cost position and create the basis of differentiation. Porter (1993: 31) says that the cost advantage can be derived from a variety of different sources such as physical distribution systems at low cost, highly efficient assembly process, or the utilization of superior sales force. Differentiation can be sourced from a variety of factors as well, including high-grade raw material acquisition, system service that is responsive orders or exceptional product design. Analyze the source of competitive advantage is the key to achieve and sustain competitive advantage. Therefore, companies should be able to learn all the company's activities and how these activities interact with each other in creating a competitive advantage, both in the form of a low-cost advantage and excellence in the form of differentiation. One of the main tools in analyzing the company's activities and their interactions with one another are the value chain (value chain).

The Effect of Orientation Toward Entrepreneurship Business Strategy

These last few years, the attention to increasing entrepreneurial orientation. Entrepreneurial orientation expressed in various ways and one that is widely accepted is the definition proposed by Miller (1983) which states that the entrepreneurial orientation with regard to product-market innovation, take risks, and behaves proactively. With the challenges of technology and globalization, then even though innovation is a common thing at any time, but with the challenges of technology and globalization, innovation becomes a catalyst for entrepreneurial orientation (Venciana, 1986). In an era of global ability to make good decisions, creativity, innovation, risk taking, proactive to change will determine the success of

Table Categorization Average Score Respondents Regarding cost advantages

No.	Indicator	Average Score	Category
1	mass production	3,482	High
2	Cost position in the industry	3,172	High enough
3	Continuous cost efficiency	3,266	High enough
	The average score of the cost advantage	3,307	High enough

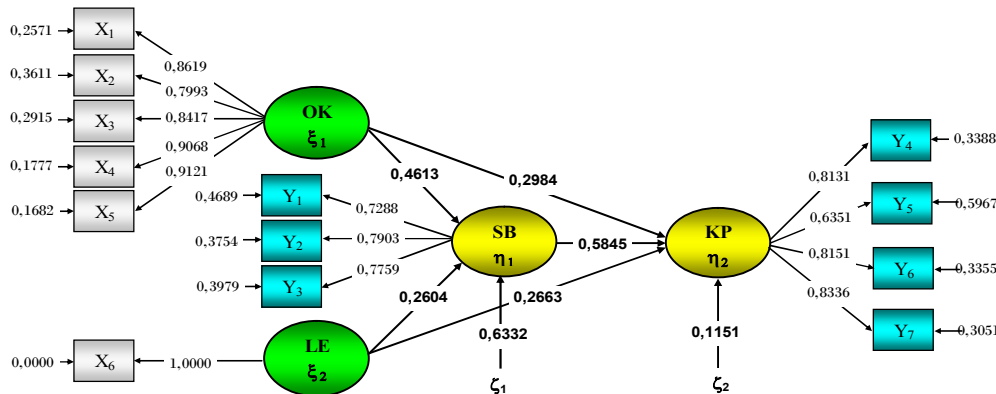


Image. Path Diagram Structural Equation Model

an organization, but to achieve success, enterprise organizations need to formulate appropriate strategies are able to anticipate changes in the market and observing the environment, especially the external environment such as economic conditions, technology, government policy, political and socio-cultural conditions (Whelen, 2004: 52). Entrepreneurial orientation with regard to the element of top management, that is, the behavior and attitude of top management is a reflection of the entrepreneurial orientation. In this regard, Entrialgio (2002) states that the entrepreneurial orientation that includes innovation and risk-taking associated significantly with the strategy in achieving organizational success. Furthermore, Miller (1983), Miller and Toulouse (1986), Miller (1982) states that: "Internal CEOs are more inclined than Reviews their external counterparts to select complex and bold innovation i.e innovative product market differentiation. Internal CEOs are more Likely than external Reviews their colleguas to engage in pro-active strategies and risk-taking."

Framework

Entrepreneurial orientation is an important part in the growth of small and medium businesses. Miller and Friesen (1982), Lyon, Lumpkin and Dess (2000) and Culhane (2003) details the indicators of entrepreneurial orientation within five (5) dimensions, namely: autonomy, innovation, risk taking, proactiveness and competitive aggressiveness is then referred to as entrepreneurial orientation. The fifth dimension of entrepreneurial orientation is observed in the context of the decision-making process and the management of the company, so the stronger (higher) dimensions of entrepreneurial orientation showed the higher the entrepreneurial quality of a company. On the other hand, every company facing external environmental conditions are constantly changing. Companies should condition its business activities based on environmental trends. In the era of free market where competition is not only faced with local competitors but also foreign competitors, the company needed an effective strategy in order to win the competition.

In this context, Porter (1998) and Anthony and Govindarajan (2003) classifies strategy in three main categories, namely cost advantage, differentiation and focus (the focus on cost or differentiation focus). The use of Porter's business strategy in the context of small and medium businesses is the answer to the main problems of many small and medium businesses, namely the inability of the competition. With the selection of Porter's business strategy, small and medium enterprises will focus more on how companies face and win the competition in entrepreneurial pasar.Orientasi describe the quality of entrepreneurial entrepreneurs. Entrepreneurial quality apparent in various decisions and implementation. The results showed that entrepreneurial orientation is reflected in the various indicators affect the business strategy (Hofer, 1980; Leontiades, 1982; Gerstein and Reisman, 1983; Abraham and Kelly, 1986; Chaganti and Sambharaya, 1987; and Luo, 1999).

Business strategy

Variable business strategies is measured using a three-dimensional and 8 points of indicators. Here is presented an overview of the results of the categorization of the average score of respondents in each of these dimensions and indicators. The results of the categorization of each indicator on the dimensions of cost advantages shows that, overall, the cost advantage of small and medium enterprises in West Java in the category is quite high . The results obtained from the average score for an indicator of mass production with high category , while the average score on two other indicators , namely cost position in the industry and sustainable cost efficiency of each category only with high enough.

MATERIALS AND METHODS

Results Analysis Data

To find and examine the influence between the study variables (entrepreneurial orientation, the external environment, business strategies, and performance of the company) in the study conducted by statistical analysis using Structural Equation Modeling (SEM).

The data used is the data collected from 163 respondents who were leaders of small and medium industries in West Java. The research variables consist of four (4) latent variables (two exogenous variables and two endogenous variables), namely:

- Orientation entrepreneurship (ξ_1) consisting of five manifest variables (observed variables), namely: autonomy (X1), keinovatifan (X2), risk taking (X3), keproaktifan (X4), and competitive aggressiveness (X5).
- Business Strategy (η_1) consisting of 3 variables manifest (observed variables), namely: a cost advantage (Y1), differentiation (Y2), and focus (X3).

Based on data obtained from the results of questionnaires with measurement scale ordinal, then to qualify the data used, which at least have a level of measurement interval, the data collected from the questionnaire beforehand transformed into an interval scale using Method of Successive Interval (MSI). Furthermore, the calculation of average total score of each respondent for each sub-variables of the study variables. While the estimated value of loading every dimension of research variables and coefficients between variables influence of research conducted with the help of Software lisrel 8.3. The estimation results of the t test and its loading factor in the Path Diagrams structural equation model is presented in Figure

Model Testing Results

To find out if the model has earned the right to describe relationships between variables or have met the suitability size model (Goodness - of- Fit Measures) so that it can be said that the model is obtained either in Structural Equation Modeling (SEM) can be seen based on the criteria in Table . The size of the fitness model in SEM analysis, namely:

Compliance Test Results Table 1 Model (GOF)

GOF Size	Estimation
Chi-Square	95,92
P-Value	0,0011
RMSEA	0,064*
GFI	0,914*
AGFI	0,869
NFI	0,937*
CFI	0,975*
IFI	0,975*
RFI	0,919*
PNFI	0,721

Source: Output lisrel

* Meet the criteria for a good model

- The calculation result value to the model studied χ^2 obtained at 95.92 with a p - value = 0.0011 . Judging from p-value less than 0.05 indicates that a significant $uji\chi^2$. Based χ^2 test criteria , the model obtained not meet the criteria of a good model (p - value > 0.05) .
- Judging from the value of RMSEA (Root Mean Square Error of Approximation) to the model studied by 0,064 shows a model obtained meet the criteria in which the expected value of RMSEA small (< 0.08) .
- Judging from the value of GFI (Goodness of Fit Index) for models studied by 0.914 shows a model obtained meet the criteria in which the expected value of GFI close to 1 (> 0.90) . The results show the absolute size

of the suitability of the model obtained meet the criteria for goodness of fit in RMSEA relatively small size (< 0.08) and GFI relati high (> 0.90) so that it can be said empirical models obtained are in accordance with the theoretical model .

Loading Estimation Results Variable Factors Shaping Research (Measurement Model Calculation Results)

To determine whether the loading factor used in each of the latent variables in the model, ie entrepreneurial orientation (ξ_1), business strategy (η_1), and has had a good degree of conformity, first tested the reliability using the approach construct reliability and variance extracted as well as the significance test for each loading factor forming latent variables by t-test. The estimation results of the determining factors of the variable loading entrepreneurial orientation (ξ_1) The results of model estimation variable measurement entrepreneurial orientation (ξ_1) consisting of five manifest variables (observed variables), namely: autonomy (X1), keinovatifan (X.2), risk taking (X.3), keproaktifan (X.4), and competitive aggressiveness (X5) can be seen in Figure while the results summary computational model of latent variable measurement entrepreneurial orientation () is presented in Table Table viewable t value for the five indicators that make up the latent variable entrepreneurial orientation () is greater than 1.96 are indicated that the five indicators used are significant in shaping the entrepreneurial orientation of latent variables ().

Based on the calculation in the table can be seen that the value construct reliability for latent variables entrepreneurial orientation () used in this study amounted to 0.9370 or is above the lower limit value of 0.7 which means that the construct has met the limit to be accepted and meaningful indicators used in the latent variable entrepreneurial orientation () have a good agreement. Values obtained for the variance extracted latent variables entrepreneurial orientation () of 0.7489. This means that 74.89% of variance of the indicators used is included in the construct that exists - the latent variable entrepreneurial orientation (). Based on the loading factor obtained for the indicators that make up the variable entrepreneurial orientation can be aggressive to compete (0.9121) has a weighting factor of greatest among four other indicators followed by keproaktifan (0.9068), autonomy (0.8619), risk taking (0.8417), and the last keinovatifan (0.7993).

The estimation results of the determining factors of the variable loading business strategy (η_1) The results of model estimation variable measurement business strategy (η_1) consisting of 3 variables manifest (observed variables), namely: a cost advantage (Y1), differentiation (Y2), and focus (Y3) can be seen in Fig. In Table seen the t value for each indicator latent variables business strategy (η_1) is greater than 1.96 which indicates that all the indicators used are significant in shaping business strategy latent variables (η_1). From the results of these calculations can be seen that the value of the latent construct reliability for business strategy latent variables (η_1) used in this study amounted to 0.8092 or greater than the lower limit of 0.7, which means the value of these constructs has met the limit to be accepted and meaningful indicators used in the latent business strategy (η_1) have a good agreement.

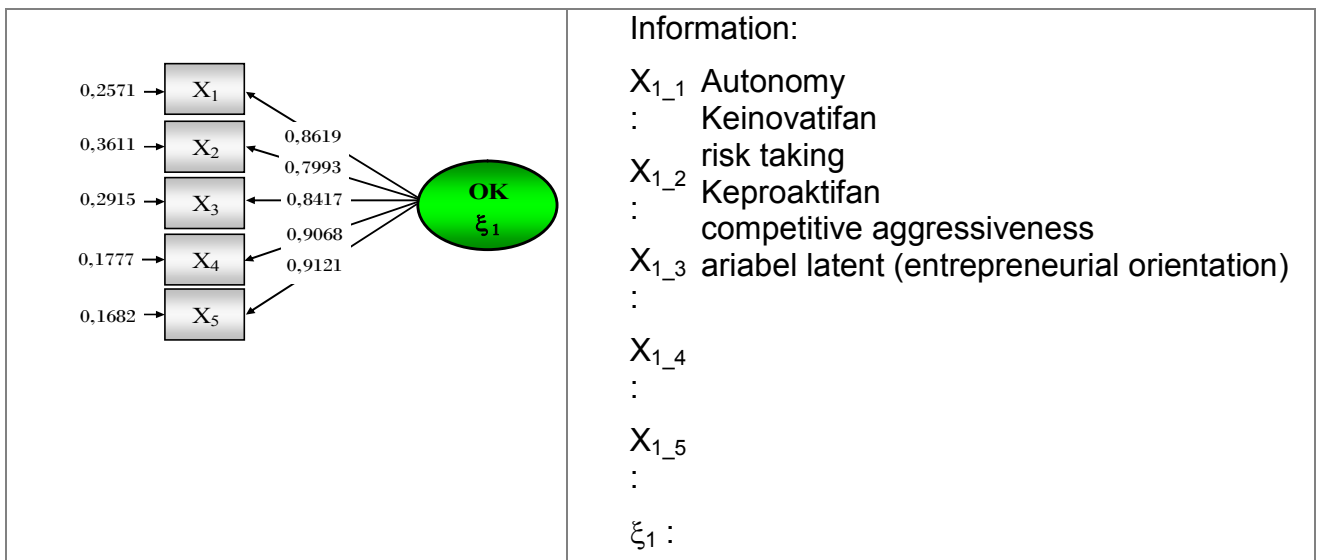


Image: Model Measurement of Latent Variables Entrepreneurship Orientation

Table 2 Summary of Results of Measurement Computing Model Latent Variable orientation Entrepreneurship (ξ₁)

Indicator	Standardized Loading	(Standardized Loading) ²	Value t*	Error Variance
X ₁	0,8619	0,7429	13,6216	0,2571
X ₂	0,7993	0,6389	12,1142	0,3611
X ₃	0,8417	0,7085	13,1157	0,2915
X ₄	0,9068	0,8223	14,8245	0,1777
X ₅	0,9121	0,8318	14,9726	0,1682
Jumlah	4,3218	3,7443		1,2557

Construct reliability = 0,9370

Variance extracted = 0,7489

*t-kritis = 1,96

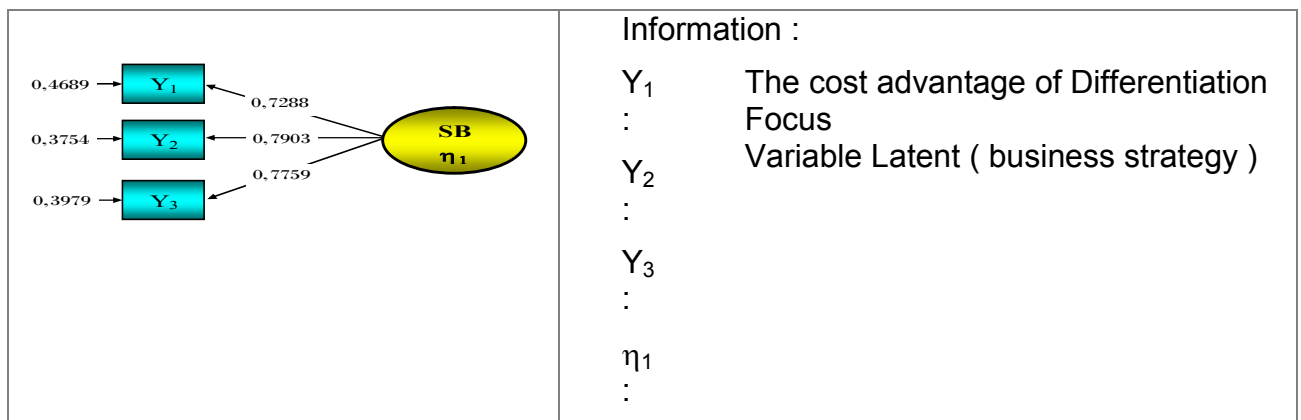


Image: Model Measurement of Latent Variables Business Strategy

Table 3 Summary of Results of Measurement Computing Model Latent Variable Business Strategy (η₁)

Indicator	Standardized Loading	(Standardized Loading) ²	Value t*	Error Variance
Y ₁	0,7288	0,5311	9,4832	0,4689
Y ₂	0,7903	0,6246	10,3892	0,3754
Y ₃	0,7759	0,6021	10,1851	0,3979
Amaunt	2,2950	1,7578		1,2422

Construct reliability = 0,8092

Variance extracted = 0,5859

*t-kritis = 1,96

Table 4. Latent Variables Structural Model Inter

Endogenous Constructs	Exogenous Constructs		Error	
	ξ_1	ξ_2	η_1	
η_1	$\gamma_{11}\xi_1$	$\gamma_{12}\xi_2$	-	ζ_1
η_2	$\gamma_{21}\xi_1$	$\gamma_{22}\xi_2$	$\beta_{21}\eta_1$	ζ_2

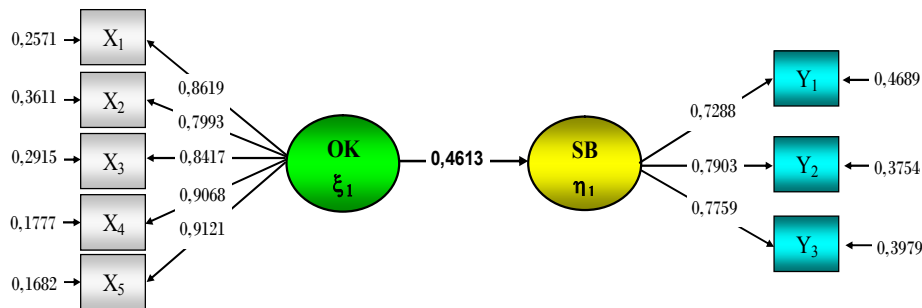
Table 5. Structural Equation Between Latent Variables

Endogenous Constructs	Exogenous Constructs		Error	
	ξ_1	ξ_2	η_1	
η_1	0,4613 (4,9210)	0,2604 (3,1451)		+ 0,6332 + 0,1151
η_2	0,2984 (3,9111)	0,2663 (3,9570)	0,5845 (4,1768)	

Description: Figures in brackets are the t-test statistical value.

Table 6. Significance Orientation Effect Against Enterprise Business Strategy

coefficient Line	$t_{arithmetic}$	$t_{critical}$	Conclusion
0,4613	4,9210	1,96	There is a significant influence



Picture. Diagram Line Orientation Effect Against Enterprise Business Strategy

Values obtained variance extracted for business strategy latent variables (η_1) of 0.5859. This means that 58.59% of variance of the indicators used is included in the construct formed, namely business strategy (η_1). Factor loading value obtained show that the weighting factor latent variable indicators that make up the business strategy (η_1), can be an indicator of differentiation (0.7903) has the greatest weighting factor between two other factors, followed by the focus indicator (0.7759), and indicators keungulan costs (0.7288).

Structural Model Calculation Results

Once obtained the result of all significant indicators in the measurement model for each latent variables are used, then it can be seen the results of the structural model to answer the hypothesis. Structural model based testing framework, so in general there are two sub-structures to be tested in this study, namely:

Effect of the strategy bisnis. Sebelum entrepreneurial orientasi test both substructures proficiency level, first described structural equation model four latent variables being studied. Information:

- ξ_1 : Entrepreneurial orientation
- ξ_2 : Business strategy
- γ : Coefficient of latent exogenous pathway to endogenous latent

β : Coefficient of endogenous latent track against latent endogenous

Through the results of data processing using software LISREL structural equation study as presented in Table. While the overall relationship model variables of this study are presented in Fig.

Effect of Orientation Toward Entrepreneurship Business Strategy

The first hypothesis to be tested is the effect of entrepreneurial orientation and business strategy. The first hypothesis is operationally divided into three sub- hypotheses and test results are outlined below.

Effect of entrepreneurial orientation on business strategy. hypothesis:

Ho. $\gamma_{11} = 0$: Partially entrepreneurial orientation does not affect the business strategy.

Ha. $\gamma_{11} \neq 0$: Partially entrepreneurial orientation influence on business strategy.

In Table viewable path coefficient entrepreneurial orientation of the business strategy of 0.4613 with positive direction. Path coefficient is positive meaning that the higher the entrepreneurial orientation that tends to improve business strategy.

Furthermore, t-count value greater than t_{kritis} shows that at 95% confidence level is concluded there is a significant effect of entrepreneurial orientation on business strategy. Entrepreneurial orientation directly contribute / influence amounted to 21.28 % increase in business strategy, So that total entrepreneurial orientation contribute / influence amounted to 25.59 % increase in business strategy. The structural relationship between the entrepreneurial orientation of the business strategy can be described as Image

DISCUSSION

Descriptive analysis

Deepening study on the characteristics of small and medium businesses in relation to the variables of the study was an attempt to photograph the position of the high and low categories of entrepreneurial orientation, business strategy. The size of the high and low categories of small and medium enterprises based on a five-point Likert Scale which has resulted in five categories of the position of small and medium businesses, namely: 1) very low with a score value ranges from 1.00 to 1.80; 2) Low range value score of 1.81 to 2.61; 3) high enough score with a range of values from 2.62 to 3.40; 4) high with a score value ranges from 3.41 to 4.21; and 5) a very high score values range from 4.22 to 5.00. By hypothesis descriptive: "entrepreneurial orientation, the external environment, business strategy, and the performance of small and medium enterprises have a higher category", then the following evaluation will focus on the four sub-hypotheses of hypotheses descriptive, which once focused for each variable research are: 1) aggression compete with the highest score of 3.996; 2) proactif

Orientation Relationship Between Enterprise With Business Strategy

The relationship between the entrepreneurial orientation with business strategy expressed in the first hypothesis of this study, namely: Orientation entrepreneurial significant effect on small and medium enterprises business strategy. Hypothesis test results validate the hypothesis, in which the entrepreneurial orientation significantly influence business strategy. The results of this study corroborate the findings of Luo (1999); Gerstein and Reisman (1983); Chaganti & Sambharaya (1987); Hofer (1980); Ibrahim & Kelly (1986); and Leontiades (1982). The fact this study shows that the entrepreneurial orientation has a significant contribution in forming the right business strategy.

Entrepreneurial orientation is built on five dimensions of autonomy, keinovatifan, risk taking, keproaktifan and competitive aggressiveness. While the business strategy is built on three dimensions of cost advantage, differentiation and focus (focus on cost advantage or differentiation focus). As stated by Burgelman (1983), Autonomy is the ability of the organization and the tendency of the independence of the future with independent leadership both in ideas and actions that spawned a culture that encourages each individual or group behaves like that in the organization. Companies with strong autonomy demonstrated the ability and capability in managing the business to a better direction. Strength autonomy would be perfect when supported by keinovatifan, namely high creativity within the enterprise level that led to the birth of new technologies, new products, new markets, new processes and new strategies (Schumpeter, 1934).

On the other hand, risk-taking is a willingness and commitment to menginfestasikan the company's resources on projects or specific strategy without a guaranteed return (Miller, 1983). In other words, taking risks is the courage companies to invest, despite the hopes of getting a profit, but if the opposite happens, the company is ready with all its consequences. Three dimensions of entrepreneurial orientation: autonomy, keinovatifan and risk-taking is a strength for the company to build a strong business and advanced, who have the courage to build a business proaktif albeit with substantial risk, is managed independently with full of creativity and innovation.

All three are basic fundamental in determining the progress of the company, because of ketiganyalah strength of the company is built. Autonomy spawned courage to act while giving birth innovation ideas and new creations are relentless in promoting the business, and taking the risk of having the courage to invest. Meanwhile, two-dimensional forming more entrepreneurial orientation: keproaktifan and competitive aggressiveness is actually the same line of thinking to the concept of business strategy adopted in this study, namely business strategy of Porter (1990; 1993). The orientation in an attempt to win the competition. Keproaktifan is a step ahead in anticipating. changes in business environment, and preparing strategic steps to transform environmental challenges into opportunities. Keproaktifan mastery is a step ahead for conditioning the environment (Miller, 1983), specifically linking the company with visionary leadership (Collins & Porras, 1991; Hamel and Prahalad, 1994; Penrose, 1959). It requires an active monitoring of the market to get a favorable opportunity (Culhane, 2003).

While the competitive aggressiveness is the company's ability to monitor the movements of competitors and react appropriately in order to maintain a controlled market and maintaining corporate excellence. Aggressiveness is distinguished from keproaktifan compete in two respects: (1) It specifically relates to an action responsive (responsiveness) rather than an anticipatory measures; and (2) is directed at existing competitors rather than on the creation of new markets or product opportunities (Lumpkin & Dess, 1996). The overall picture shows the dimensions of entrepreneurial orientation forming a strong theoretical relationship between the two, beyond previous studies that have explained the relationship. Because, Porter developed a business strategy that is actually a competitive strategy, which by Miller (1988) also known as Porter's business strategies.

Significantly influence entrepreneurial orientation towards business strategy indicates that the appropriate selection of small and medium business strategy is also determined by how the quality of the entrepreneurial orientation of the small and medium businesses. The higher the quality of entrepreneurial orientation, of course, will increasingly form the selection of appropriate strategies. Effect of entrepreneurial orientation on business strategy occurs directly and indirectly. The magnitude of the direct effect in improving the entrepreneurial orientation strategy by 21.28%, while the amount of influence indirectly because of its relationship with the external environment amounted to 4.31%. So that the total amount of entrepreneurial orientation influence to contribute / influence to the business strategy of 25.59%.

Conclusion

Based on the analysis and discussion, it can be conclusions as the following, namely the influence of factors of competitiveness to the competitiveness of the manufacturing industry in Indonesia at the 5% significance level, the period 1993 to 2006, is, labor production department has a positive and significant impact on the competitiveness of export products manufacturing industry sub-sector in Indonesia. Technology has a positive and significant impact on the competitiveness of export products manufacturing industry sub-sector in Indonesia. Capital has a positive and significant impact on the competitiveness of export products manufacturing industry sub-sector in Indonesia. The price level of products has a negative and significant impact on the competitiveness of export products manufacturing industry sub-sector in Indonesia. Growth in the manufacturing industry has positive and significant impact on the competitiveness of export products manufacturing industry sub-sector in Indonesia. It is hoped that this study can be researched again by further research by the same method of analysis of different units.

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