

**THE ANALYSIS OF ORGANIZATIONAL CHARACTERISTICS,
ORGANIZATIONAL CULTURE TOWARD ENTREPRENEURIAL
ORIENTATION AND PERFORMANCE: CASE IN SMALL BUSSINESS
CLOTHING EAST JAVA**

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Abstract

The existence of Small Business (SME's) clothing has proven to be a safety net in the current economy many large companies out of business, especially in the extreme occurred during the 1997 financial crisis, but must kept attention to the important things are their performance based on sales growth and profitability. This research aims to identify how to model the relationship between Organizational Characteristics, Organizational Culture, and Entrepreneurial Orientation with Performance on Small Business Clothing in East Java. Data were collected from 135 managers or small business owners who came from seven (7) districts / cities in East Java. Sampling method used in this study are the Proportional Sampling Area. The variables used in this study are characteristic of the Organizational Characteristics, Organizational Culture, Entrepreneurial Orientation and Firm Performance.

Data were analyzed with structural equation model (Structural Equation Modelling - SEM) with the help of AMOS program Ver.5.0. The results showed that the Organizational Characteristics of highly profitable for the implementation of entrepreneurship. However, Organizational Characteristics did not directly affect the performance Without through the high Entrepreneurial Orientation. Strongly Organizational Culture only worth on improving Performance when the culture is adaptive to the environment by the formulation and implementation of strategy, one of strategy that referred are Entrepreneurial Orientation. On the other hand the high Entrepreneurship Orientation able to grow aggressive competitive spirit, so that they can innovate, take a risk and proactive to catch opportunities it was efforts to increase sales and profitability growth that is reflected in their business performance. Finally a small clothing business performance in East Java did not determined by the Organizational Characteristics, but the ability of owners to create good Organizational Culture that applied as well as Entrepreneurial Orientation.

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Keywords: Organizational Characteristics, Organizational Culture, Entrepreneurial Orientation, Performance and SME's.

1. Introduction

Small business presence at know are very strategic within improve the National economy, that was shawn on the amount of workers who work in this sector and eventhough be said that labor-intensive, it means highly potential an oppotunities job. Toughness of Small Business (SMEs) has been proven as a safety net in the current economy, which many large companies collaps especially extremely occurred financial crisis on year 1997, did not surprising developments of Small Business penetrated in various are in Indonesia. The rapid development occurred primarily in Java because of national economic activity centered on Java with a ~population of more than two-thirds of the total population of Indonesia. In fact, data on the amount of small entrepreneur in East Java during 10 years (1998-2008) is known for 6.967.162 per unit effort (BPS, 2009). Another attraction is the access and facilities for the development of economic activities in Java is much better than the other places. Economic growth is one of them driven by the development of small business clothing. Small business clothing has evolved since several decades ago, therefore Indonesian society has been known and used clothing, both in traditional and modem models.

Small business clothing in East Java in general starting from the home industries, gradually turned into a business-oriented and then success to penetrate the market in big cities such as Jakarta, Bandung, Surabaya, and some major cities in Sumatra, Kalimantan and also Sulawesi. Not only fulfill local needs, but unexpected most crafters successfully exported they products to Japan, USA, the Netherlands and the European market. Various types include clothirig and manufactured in East Java such as batik from Tanjung Bumi, Bangkalan Madura *sarung tenun* and *songkok* from Gresik and also shoes, bags and suitcases from Tanggulangin-Sidoarjo.

The challenges faced by small business clothing today are very heavy as compaction becomes more intense because foreign products entries, and a fairness if this situation influenced by the high interest of the consumer to buy the product because of quality and innovative design products more likely than local clothing products on the market. Therefore the development of small business needs to get more serious attention in order to improve in ability to compete in regional markets and opportunities to the international.

On the hand, the competitive environment and changing consumer desires quickly, in small business-oriented clothing with innovative strategies that will provide a competitive advantage. One of the strategic orientation is the orientation of entrepreneurship (entrepreneurial orientation) that allows the key to improved corporate performance (Wakken, 1997). According to Zimmerer and Scarborough (2006) argued that an entrepreneur can extreme ways and arranged to turn something worthless or low-value into something of great value by giving new value to the goods. Thus, an entrepreneur must remain based on the ability to apply the management functions of business being operated in order to work well.

In depth analysis explain small business success did not only determined by the high entrepreneurial orientation, but also determined by the characteristics of the organization the ability of organizations to manage resources owned better than there competitors in fluently communication, increasing employee motivation, monitoring and teamwork skills (Antonic and Hisrich 2000, 2001). Organizational culture is also deemed necessary in determining performance company understanding of organizational culture leads to a pattern that contains basic assumptions are realized and studied by members of the group, as the correct way to be perceived, conceived and feel by all members of the organization in relation to problem solving organization (Schein, 1992, Brown, 1998).

Organizational culture here includes basic values that guide human resources in the organization and used to faced either internal neither external problems in organization or organizational culture has been formed to bring the spirit of entrepreneurship businesses so that the companies goal in terms of sales growth and profitability achieved. Based on the fact so interesting to take research on how the influence in organizational characteristics, organizational culture and its relationship toward entrepreneur orientation and small business clothing performance in East Java.

1.1 Research Aim

There is much opinions that relate business success with the factors make unanswered research questions is *how to model the relationship between organizational characteristics organizational culture, and entrepreneurial orientation with performance on small clothing in East Java.*

2. Method

2.1 Collecting Data Method

The population are small bussiness clothing that registered in Department Industry of East Java until 2010. Sampling method used a Proportional Sampling, that and sampling with consideration :

- a. Areas / regions which have the advantage of small clothing production Java.
- b. Small businesses clothing consisting of batik cloth, embroidery, shirts, women, clothing, shoes, gloves, skull cap.

Department of Trade and Industry of East Java data with fit the criteria for a small business clothing research, obtained amount of respondents was 135 small business that there are 23 companies in Gresik, Bangkalan there are 16 companies, Pasuruan 18 companies, Sidoarjo there are 32 companies, Surabaya there are 19 companies,, there are 14 companies, and also Bondowoso there are 13 companies. (2005) is interrelated between models and assumptions that associated with the estimation or parameter estimation hypothesis. The details shown in table 1.

G. Step Seven. The final step is to interpretation the model. If the research model was still not fit or did not meet the criteria, then the model have been modified. If the model is fit, then the interpretation toward the variables in this study. Meanwhile, to test the hypothesis on the model used Critical ratio (t test) on 0.05 level of standard standardized regression weight.

Tabel 1. Test of Adjustment Model

| Goodness of fit Index | Cut-off Value |
|--------------------------|---------------|
| Chi - square | hopefully low |
| Significance Probability | ≥ 05 |
| RMSEA | ≤ 0.08 |
| GFI | ≥ 0.09 |
| AGFI | ≥ 0.09 |
| CMIN/DF | ≤ 2.00 |
| TLI | ≥ 0.95 |
| CFI | ≥ 0.95 |

Source : Hair et al. (1998).

3. Discussion

The model is said to fit the results of the analysis if it meets certain criteria, and results of ~ goodness of fit complete SEM analysis can be seen in table 2. While testing the effect of each variable is done by t-test (t test) in each lane partially direct influence can be seen in figure 1 and table 3.

Table 2. Result of Goodness Of Fit Overall Model

| Criteria | Cut-of value | <i>Model</i> Result | Explanation |
|-----------------------|--------------|---------------------|-----------------------|
| Chi Square | kecil | 86.181 | <i>Good Model</i> |
| p-value | $\geq 0,05$ | 0.122 | |
| <i>CMIN/DF</i> | $\leq 2,00$ | 1.197 | Good Model |
| GFI | $\geq 0,90$ | 0.921 | Good Model |
| AGFI | $\geq 0,90$ | 0.885 | <i>Not Good Model</i> |
| TLI | $\geq 0,95$ | 0.964 | Good Model |
| CFI | $\geq 0,95$ | 0.955 | Good Model |
| <i>RMSEA</i> | $\leq 0,08$ | 0.038 | Good Model |

Source : Analysis Result

Table 3. Model of Relations of Organization Characteristic, Organization Culture toward Entrepreneurial Orientation and Performance

| Independent Variable | Dependent Variable | Path Coefficient | p-value | Explanation |
|----------------------------------|----------------------------------|-------------------------|----------------|--------------------|
| Organization Characteristic (x1) | Entrepreneurial Orientation (Y1) | 0.427 | 0.005 | Significant |
| Organization Culture (x2) | Entrepreneurial Orientation (Y1) | 0.422 | 0.004 | Significant |
| Organization Characteristic (x1) | Performance (Y2) | 0.052 | 0.647 | Nonsignificant |
| Organization Culture (x2) | Performance (Y2) | 0.414 | 0.001 | Significant |
| Entrepreneurial Orientation (Y1) | Performance (Y2) | 0.495 | 0.001 | Significant |

Source : Analysis Result.

Figure 1. Analysis Result of Path Diagram

1. Organization Characteristic influence toward Entrepreneurial Orientation

Influences of organizational characteristics variables toward entrepreneurial orientation of the path coefficient obtained for 0.427 and p-value 0.005, it means significantly. Given the path coefficient is positive (0.427), the relationship between the two variables is positive, meaning that the better organization characteristic, as good as entrepreneurial orientation.

Organization Characteristic are a characteristic that describes the organization's capacity to compete. Organizational characteristic was used indicator communication, organizational support, and teamwork. Test results proved that organizational characteristics have a positive and significant effect on entrepreneurial orientation. These results are consistent with the results of research conducted by the Antoncic and Zorn (2004) which states that organizational characteristics influence the entrepreneurial characteristics considered very favorable for the implementation of organizational entrepreneurship. Characteristics of the organization was able to create a conducive internal organization in order to achieve a high level of entrepreneurial orientation. These findings provide evidence of the organization's internal environment more conducive will further increase the degree of entrepreneurial orientation.

2. Organizational Culture influence toward Entrepreneurial Orientation

Organizational culture variables influence the path coefficients obtained Entrepreneurship Orientation for 0.422 and p-value 0.004, therefore it means significantly. Path coefficient is positive (0.422), that shown the relationship between the two variables is positive, meaning that the better organization culture, the better the entrepreneurial orientation.

Organizational culture is a characteristic that was formed by members of the organization as well as a differentiator with other organizations. In this case organizational culture was used the indicator strategy, environment/ customer focused management processes and leadership. The study's find are consistent with the results of research conducted by Kreiser, Marino and Weaver (2001) who concluded that organizational culture has an influence on the entrepreneurial dimension of risk taking, so that these results strongly indicate that 'organizational culture affects entrepreneurial behavior.

3. Organizational Characteristic influence toward Performance

Organizational Characteristics of variables influence Performance Company variable with result of path coefficients and p-value 0.052 and 0.647, thus it means nonsignificant, it could be interpreted that there is no direct effect on the performance characteristics of the organization of the company. These results provide an explanation that the characteristics of organizations that did not make the stronger the performance increase. The test results in this study are not consistent with the results of research conducted by Covin and Slevin (1991), Lumpkin and Dess (1996) who argues that the influence of organizational characteristics that influence the performance of the company can not be separated from the interaction of entrepreneurial orientation to the characteristics of the organization. A similar contrary with Zahra (1993) did studied, the environmental and organizational characteristics are variables that affect the entrepreneurial orientation and SME's Performance.

In addition, these results was indicate that the performance of small clothing is not determined by the work team of all human resources in small businesses, but rather determined by the individual of a leader and owner of the company. In small businesses, the employees in the work is highly dependent on the leader and owner of the company.

The ability to manage the business owner determine the success of efforts to further define also the performance of the company. The workers (employees) very understood of the ability of leaders (owners) to ' manage the business as inseparable from the experience factor, the entrepreneurial spirit and the ability to formulate (define) strategy.

4. Organizational Culture influence toward Performance

Variables influence organizational culture on firm performance path coefficient obtained β for 0.414 and p-value 0.001, it means significantly. Path coefficient is positive (0.414), suggests that the relationship between the two variables is positive, meaning that the better the culture of the organization, the higher the performance.

Cultures that have formed and embedded in an organization providing a strong influence on improving performance. The test results in this study support the results of research conducted by Kotter and Heskett (1992), and Schein (2004), concluded that a strong organizational culture and be able to influence the adaptive organizational performance improvement, as well as a weak culture could not influence the improved organizational performance. The findings was shown also indicate that a strong organizational culture is only valuable in increasing organizational performance when the culture is adaptive to the environment through the formulation and implementation of strategy. Culture it mean could be capable of affecting the performance of the organization, if the culture is strong (it has a broad consensus, internalized and socialized in depth) and in accordance with the organization's environment (relevant to industry and business conditions), and thus require support corporate strategy.

5. Entrepreneurial Orientation influence toward Performance

Entrepreneurial Orientation variables influence the company's performance for 0.495 obtained path coefficients and p-value 0.001, it means significantly. Given the path coefficient is positive (0.495), the relationship between the two variables is positive, meaning that the better the entrepreneurial orientation the higher the performance. Entrepreneurial orientation is an orientation corporate strategy that generates desire entrepreneurs behave company. Entrepreneurial orientation is measured using indicators of innovative, taking risk, proactive and aggressive competition.

The test results proved that entrepreneurial orientation positively influence the performance of the company, meaning that the higher the degree of entrepreneurial orientation will improve the performance. The test results are appropriate and supports some of the results of research conducted by Covin and Slevin (1991), concluded that the orientation of entrepreneurship as one of the strategic orientation is the key to improved performance. Other studies have also reached the same conclusion that entrepreneurial orientation has an influence on the performance of the company. (Lumpkin and Dess, 1996; Wiklund, 1999). SME's with a high degree of entrepreneurial orientation is reflected in the innovative strength, daring risks, proactive and aggressive competition, indicators of risk taking capable of targeting the premium market segments, the price gets higher and move faster than competitors. The company was able to monitor market changes and respond quickly, so the company is able to exploit the opportunities that arise.

4. Conclusions

1. Organizational Characteristics are very determined for the implementation of entrepreneurship. Organizational Characteristics that is able to create a conducive internal organization will be able to achieve a high level of entrepreneurial

- orientation. However, Organizational Characteristics did not directly affect the performance without the highly Entrepreneurial Orientation.
2. Strongly Organizational Culture only valuable to the performance improvement when the culture is adaptive to the environment through the formulation and implementation of strategy, one of strategy is Entrepreneurial Orientation.
 3. Highly Entrepreneurial Orientation are able to grow aggressive competitive spirit, so that they can innovate, taking risk and proactive within opportunities catch efforts to increase sales and profitability growth that is reflected in their business performance.
 4. Performance clothing small business in East Java is not only determined by Organizational Characteristics, but the ability of employers to create a culture of entrepreneurship orientation organizations implement very good.

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