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**The Influence of Entrepreneurial Strategic Orientation,
Organizational Culture to Innovation and their implication on Firm
Performance of SMEs in Lampung Province, Indonesia****Mahir Jahja Bajasut, Hamdy Hadi & Willy Arafah**

ABSTRACT

This research aims to study about the effect of Entrepreneurial Strategic Orientation and Organizational Culture on Innovation, and their implication on Micro Small Medium Enterprises' performances. The research is a conclusive study conducted through collecting data use descriptive and causality survey. This research conducted to a sample size of 420 micro small medium enterprises in Lampung Province, Indonesia. The results of this research were as follows: (1) Entrepreneurial Strategic Orientation positively and significantly influenced Innovation; (2) Organizational Culture positively and significantly influenced Innovation; (3) Entrepreneurial Strategic Orientation and Organizational Culture simultaneously, positively and significantly influenced Innovation; (4) Entrepreneurial Strategic Orientation positively and significantly influenced Small Medium Enterprises Performance; (5) Organizational Culture positively and significantly influenced Small Medium Enterprises Performance; (6) Entrepreneurial Strategic Orientation, Organizational Culture, and Innovation simultaneously, positively and significantly influenced Small Medium Enterprises Performance; (7) Innovation positively and significantly influenced Small Medium Enterprises Performance. Mediating effect of Innovation increased the effects of Entrepreneurial Strategic Orientation and Organizational Culture on Small Medium Enterprises Performance. The results of this research in general there was effect of Entrepreneurial Strategic Orientation and Organizational Culture on SMEs Performances. All of seven hypotheses which proposed in this research, were being given can be accepted. Organizational Culture as an independent variable was the strongest influence on Innovation and SMEs Performances. This dissertation also provides discussion on the findings as well as limitations, theoretical and practical contribution, theoretical and managerial implications of the study, and suggestions for future research.

Keywords: *Entrepreneurial Strategic Orientation, Organizational Culture, Innovation, Small Medium Enterprises, Firm Performances.*

Background

Performance can be characterized as the company's ability to create results and actions that can be accepted by all stakeholders (Gharakhani & Mousakhani, 2012). For many organizations, achievement of performance improvement depends not only on the successful application of tangible assets and natural resources but also on their entrepreneurial orientation, (Lumpkin & Dess, 1996). Entrepreneurship is considered as a key in promoting economic growth, innovation, competitive advantage, and job creation (Johnson, Snowden, Mukhuty., Fletcher, Williams, 2015), apart from that it was also found that entrepreneurship is the skills needed by an entrepreneur to achieve success. Entrepreneurship is a process of value creation by combining a unique set of resources to exploit its entrepreneurial opportunities (Omasakin., Nakhid., Littrell., Verbitsky, 2016).

The importance of entrepreneurship activities in the community has been recognized by various entrepreneurial literature (Omasakin, et al. 2016), where it is suggested that entrepreneurial strategies, especially in the case of entrepreneurial orientation, can contribute greatly to entrepreneurship performance (Reynolds, et al. 2000). The success of a company depends on Entrepreneurial Orientation and various other factors including age, gender, culture, education, managerial knowledge, length of time, company size, capital, and network connections (Omasakin, et al. 2016). Entrepreneurial orientation is an entrepreneurial aspect that summarizes success strategies (Omasakin, et al. 2016).

Rauch, Wiklund, Lumpkin, and Frese (2009) concluded that Entrepreneurial Orientation represents policies and practices that provide a basis for entrepreneurial decisions and actions. Lumpkin and Dess (1996) describe Entrepreneurial Orientation as a multi-dimensional process consisting of five dimensions, namely risk taking, aggressive competitiveness, autonomy, proactiveness, and innovativeness. Innovativeness which is one dimension of entrepreneurship is the ability of companies or individuals to engage in new ideas or to innovate and create processes that can produce new products (Omasakin, et al. 2016). Innovativeness is the tendency to support and engage in new ideas, experiments, research and development. Innovative companies or individuals usually try to improve existing products and develop new products or processes that result in the creation of new markets (Edison and Torkar, 2013). Hughes and Morgan (2007) report a positive relationship between positive innovation and firm performance. (Rauch, et al. 2009) suggests that for companies to make progress among similar companies in this industry, the company must be innovative in all areas of its existence.

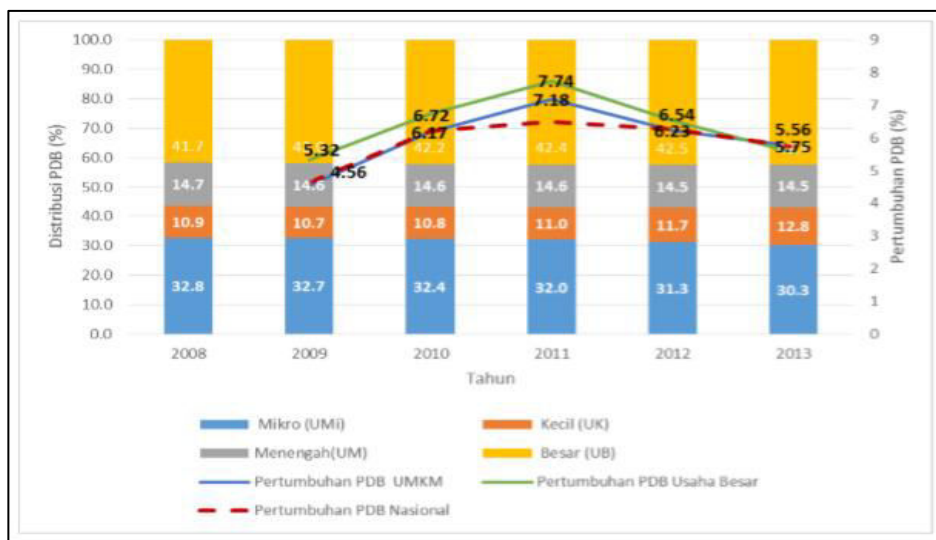
From the above definition, it is clear that entrepreneurial behavior is the main and essential element in the entrepreneurial process. In other words, entrepreneurial strategic orientation refers to how companies act in the area of risk-taking, innovating, proactive, autonomous, and competitive aggressiveness. Entrepreneurial researchers agree that Entrepreneurial Strategic Orientation has the potential to be important in measuring the performance of Small Medium Enterprises (Omasakin, et al. 2016). SMEs have an important role in the local and national economy, not only because of their contribution to national income but also have a role in reducing poverty and creating jobs. Compared to large companies (corporations), SMEs have unique characteristics (Ghobadian, & Galleary, 1997), namely:

1. Management with individual characteristics.
2. Having limitations in terms of good resources related to human resources, management capabilities, and financial resources.
3. Has high innovation potential.
4. Depends on the relatively small number of customers.
5. Operates in a limited market with a simple and flexible structure.
6. Reactive.
7. The strategies used are informal and dynamic.

Small Medium Enterprises conducted research in Indonesia, therefore the definition of Small Medium Enterprises in this study refers to the Law Number. 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs), namely Micro Small and Medium Enterprises which have a maximum asset of 10 billion rupiah and a maximum turnover of 50 billion rupiah. In economic development in Indonesia, MSMEs are the largest group of economic actors that contribute significantly to the national economy, with 587 thousand units of MSMEs providing employment for more than six million local residents located around the place of business (Ministry of Cooperatives, 2010).

Given the rapidly changing business development and strategic planning of companies that give great attention in anticipating the changes that will occur in the future, strategic implementation in the corporate environment is an urgent need. On the other hand, MSMEs also face many problems, namely limited working capital, low human resources, and lack of mastery of science and technology. Another obstacle faced by MSMEs is the relationship with unclear business prospects and weak organizational culture, both unstable visions and missions, values, and actions that are not united between owners and employees. This happens because generally MSMEs are income gathering, namely increasing income, with the following characteristics: is a family owned business, using technology that is still relatively simple, lacking access to capital (bankable), and no separation of business capital from personal needs.

The following below are data from the Ministry of Cooperatives and MSMEs, MSME data comparisons (2015) which analyze mapping and strategies for improving the competitiveness of MSMEs in the face of the 2015 Asian Economic Community and the Post-Asian Economic Community 2025.



Graph 1: GDP Distribution and Growth by Business 2008–2013

Source: Ministry of Cooperatives and SMEs, Comparison of MSME data (2015).

In general, in Graph 1, over a 5-year period, from the period 2008-2013, the contribution of MSMEs to national GDP has decreased, from 58.3 percent in 2008 to 57.6 percent in 2013. This phenomenon is due to the contribution of micro-enterprises which is decreasing. MSME's growth in value added growth shows an increase from 4.6 percent in 2009 to 7.2 percent in 2011, and decreased to 5.75 percent in 2013. Despite experiencing a slowdown, the MSME GDP growth value is still relatively higher, namely 0, 02 percent of national GDP growth.

Table 1: MSME Data by Region in Lampung Province

Number	District/Town	Sector			Total MSME
		Micro	Small	Medium	
1.	West Lampung	1044	35	0	1079
2.	South Lampung	7943	467	152	8562
3.	Centre Lampung	891	0	0	891
4.	East Lampung	34636	6616	122	41374
5.	North Lampung	8924	2116	30	11070
6.	Mesuji	2827	151	5	2983
7.	Pesawaran	511	232	48	791
8.	Pesisir Barat	378	55	0	433
9.	Pringsewu	3076	770	42	3888
10.	Tanggamus	626	0	0	626
11.	Tulang Bawang	2392	239	2	2633
12.	Tulang Bawang Barat	1375	0	0	1375
13.	Way Kanan	5432	211	23	5666
14.	Bandar Lampung	6369	0	0	6399
15.	Metro	6426	907	85	7418
	Total	82850	11799	509	95158

Source: The UMKM cooperative service in June 2017.

Table 2: MSME Data Based on Business Types

No	Business Type	Micro	Small	Medium	Total
1.	Culinary	8025	217	12	8254
2.	Fashion	1424	87	3	1514
3.	Education	208	40	2	250
4.	Outomotive	1331	145	26	1502
5.	Agribusiness	5946	446	53	6445
6.	Internet Technology	923	34	0	957
7.	Etc	65104	10729	403	76236
	Total	82961	11698	499	95158

Source: The MSMEs cooperative service in June 2017.

There are large gaps that affect Organizational Culture, and entrepreneurship orientation- leading to fundamental changes, where employers need supporting facilities to turn ideas into business and create jobs as an engine for job creation in Indonesia. This study is intended to examine the effect of the three variables Entrepreneurial Strategic Orientation, Organizational Culture both individually or together (simultaneous) on the Organization Performance, and to test whether Innovation is an intervening variable that strengthens the

relationship between Organizational Culture and Entrepreneurial Strategic Orientation towards Performance UMKM.

Literature Review

Firm Performance

Entrepreneurial or entrepreneurial researchers have tried to explain performance by investigating the relationship between entrepreneurial strategic orientation and firm performance (Lumpkin and Dess, 2001). Performance or performance aims to ensure how a company achieves its goals or objectives (Okeyo., Gathungu., And Obonyo. 2016). Performance means achieving stakeholder interests in a way that is superior to its competitors (Okeyo, et al. 2016). Therefore, having superior performance requires an organization to achieve its goals effectively and efficiently. Efficiency and effectiveness have become processes and a series of steps in manufacturing, finance, and marketing that have been used in the past. The goal is to use a multi-dimensional approach that take in into account the combination of various factors that affect performance, thus combining the interests of shareholders and stakeholders (Okeyo, et al. 2016).

Wolff and Pett (2006) argue that MSMEs and MSME companies are key segments and drivers for most national economies. Successful MSMEs have the same competition but have a profit factor that allows them to create a niche in the market by changing their product mix to meet customer needs (Gadenne, 1998). MSMEs are defined in different ways in various parts of the world. Some researchers define MSMEs in terms of assets, while others use jobs, shareholder funds or sales as criteria (Gharakhani & Mousakhani, 2012).

Some other researchers use a combination of income and employment as a combined criterion (Gharakhani & Mousakhani, 2012). Current literature shows that MSMEs can be distinguished from larger companies with a number of key characteristics. Carland, Carland, Hoy, and Boulton (1988) describe an entrepreneur as an individual who operates a small business for profit and economic growth. This position is confirmed by Jenkins and Johnson (1997) which shows that MSME owners are involved in a coherent personal strategy such as earning a living and having more free time. High entrepreneurship among MSME owners fosters formation and activates personal strategies that impact business growth and performance. Entrepreneurial behavior influences MSME entrepreneurs and owners in business and product innovation, and market development (Carland et al 1984). In this case it is clear that MSME entrepreneurs are involved in business innovation.

In the framework of monitoring MSME policy in ASEAN, ASEAN member countries agreed to form the ASEAN SME Policy Index to measure eight indicators related to MSME policy, in which the Index was adopted from the MSME policy assessment method that was carried out by the Organization for Economic Co-operation and Development (OECD, 2000). Although this index is related to the policy, the ASEAN SME Policy Index can provide an overview of the competitiveness of MSMEs in its member countries. Regarding technology & technology transfer aspects, Indonesia's score is only 3.8. Most initiatives are still in the early stages, for example science parks development. The infrastructure needed for technology development is also far from adequate, such as broadband internet and IPR protection. Following below, Table 3, summarizes the results of all indicators in the ASEAN Policy Index.

Table 3: ASEAN SME Policy Index

No	Indikator	BRN	CAM	IND	LAO	MMR	MYS	PHL	SGP	THA	VNM	ASEAN
1	<i>Institutional Framework</i>	2.6	2.6	4.4	2.6	2.9	4.6	3.7	5.4	3.9	3.8	3.7
2	<i>Access to Support Services</i>	3.3	2.4	4.0	2.3	2.7	4.8	3.8	5.4	3.8	3.6	3.6
3	<i>Cheaper and Faster Start up</i>	3.1	2.1	4.4	2.7	2.9	4.8	3.0	5.0	4.2	4.1	3.6
4	<i>Access to Finance</i>	3.0	2.5	4.3	2.5	2.1	4.6	3.6	5.6	4.3	3.4	3.6
5	<i>Technology and Technology Transfer</i>	3.2	1.9	3.8	2.0	2.4	4.9	3.6	5.6	4.3	3.6	3.5
6	<i>International Market Expansion</i>	3.2	3.3	4.2	3.1	3.3	5.0	4.4	6.0	4.7	4.0	4.1
7	<i>Promotion of Entrepreneurial Education</i>	3.0	2.1	3.9	2.3	2.9	4.2	3.7	5.0	3.1	2.9	3.3
8	<i>More Effective representation of SME's interest</i>	2.3	2.5	3.0	3.0	4.5	5.7	4.7	5.0	4.4	4.0	3.8

Source: Cheong (2014).

These factors are divided into internal and external factors. Internal factors include aspects that determine the company's internal competitiveness such as productivity and innovation. Aswicahyono and Hill (2014) show that Indonesian labor productivity is still relatively low. Several entrepreneurs and associations in the FGD held for the purposes of writing this report also acknowledged the problem. The same thing happens at the level of innovation that is still low. Following below, Figure 1, is a determinant of MSME activities.

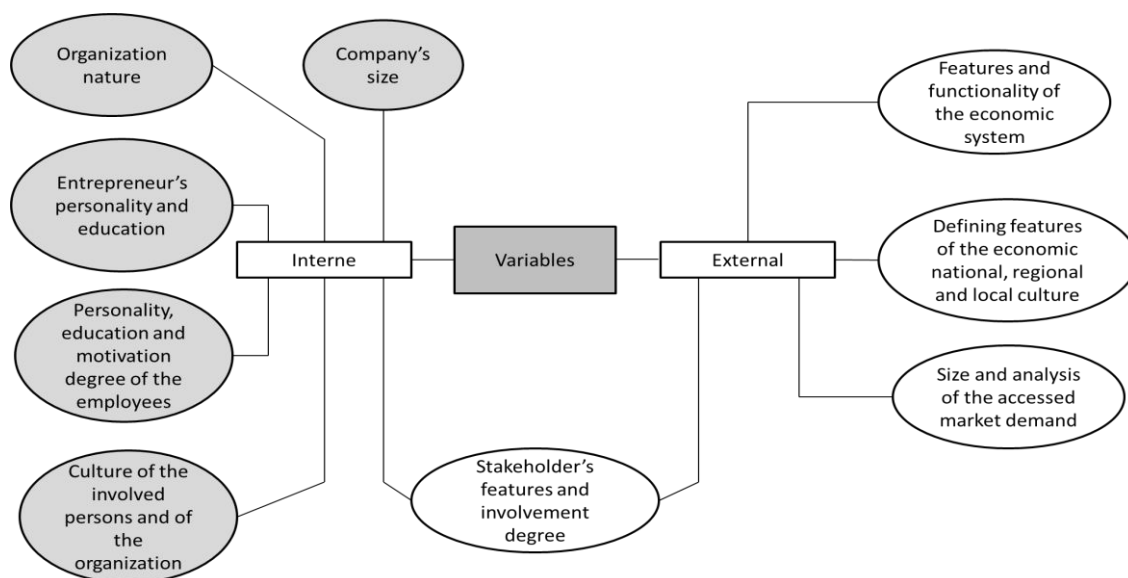


Figure 1: Determinants of MSME Activities

Source: Nicolescu (2009).

The ability of MSMEs to compete in the global era depends on several characteristic variables, where Nicolescu (2009) divides these variables into internal and external variables (Figure 1). Internal variables include factors such as the size of the company, stakeholder personality, and educational background (owner and worker), as well as organizational culture. Meanwhile, external factors that can affect performance are

national culture, a country's economic system, regional economic integration, and people's purchasing power. In this study, we will analyze more specifically the MSMEs in Lampung Province, where as the data obtained by the UMKM sector in Lampung Province in 2015 totaled 61,947 units and in 2017 there were 95,158 units. There was an increase in the business units consisting of Micro Enterprises which amounted to about 82,850 units, followed by Small Businesses which were around 11,799 units, and Medium Enterprises 509 units.

Entrepreneurial Strategic Orientation

Entrepreneurial Strategic Orientation refers to the strategic orientation of a company, gaining certain entrepreneurial aspects of style, practice and methods of decision making (Omisakin, et al. 2016). Previous studies have found that Entrepreneurial Strategic Orientation enables small businesses or new businesses to perform better than their competitors and improve company performance (Wiklund and Shepherd, 2005). Entrepreneurial Strategic Orientation has become the center of the concept in the entrepreneurship domain which has received a large amount of theoretical and empirical attention (Lumpkin and Dess, 2001). Entrepreneurial Strategic orientation has been extensively studied beyond the limits of the last decade (Wiklund et al., 2009). Most have various disciplines of entrepreneurship and strategic management, and develop rapidly in the relationship between entrepreneurial strategic orientation and performance. Entrepreneurial strategic orientation is proven to have an atmosphere of entrepreneurship in the company (Okeyo, et al. 2016). Entrepreneurial strategic orientation has become a major concept formed from several disciplines: entrepreneurship, strategic management, organizational behavior, marketing and operations (Dess et al, 2011).

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There are five dimensions of Entrepreneurial Strategic Orientation according to Omisakin et al (2016), namely:

1. Taking Orientation Risk, involves the willingness to invest resources in a business or project whose results may be very uncertain or unknown (Wiklund & Shepherd 2003). Justine, Anthony, and Max (2005) argue that risk taking is an act that has been carefully calculated by the company. Justine, at al. (2005) found that risk taking is one of the dimensions of Entrepreneurial Orientation that affects firm performance.
2. Competitive Aggressiveness, companies that are competitive aggressiveness spend more time than their competitors in terms of activities in marketing, product services, will improve quality and profitability. Justine's research, et al. (2005) show that price competitiveness is the key to company success. Based on the empirical evidence above, it can be concluded that more competitive companies are more successful in the market.
3. Autonomy involves quick and autonomous decisions, actions that are needed to improve performance. This includes internalization and operational learning activities. Most companies with autonomy orientations

maintain a stronger advantage than their competitors (Lumpkin and Dess, 1996). Justine, et al. (2005) found that autonomy has a positive impact on the performance of the automotive component industry in Australia.

4. Proactiveness, means that the company proactively anticipates and acts for future needs (Lumpkin and Dess, 2001). Previous studies have found a strong positive relationship between proactiveness and MSME performance (Wang & Yen, 2012). The study by Sascha et al (2012) in the Netherlands also concluded the important effects of proactiveness and innovation on company performance. Wang and Yen (2012) emphasize that proactiveness is positively related to firm performance.

5. Innovativeness is the company's ability to engage in new ideas or to innovate and create processes that can produce new products (Omisakin, et al. 2016). Innovativeness is the tendency to support and engage in new ideas, experiments, research and development. Innovative companies usually try to improve existing products and develop new products or processes that result in the creation of new markets. Hughes and Morgan (2007) report a positive relationship between positive innovation and firm performance. (Rauch, et al. 2009) suggests that for companies to make progress among similar companies in this industry, the company must be innovative in all areas of its existence.

Organizational Culture

Organizational Culture affects many dimensions of a company's life (Omerzel, 2016). These are key factors in how decisions are made, who brings them, who is promoted and rewarded, how employees feel, how they are treated, how the company works with the environment, and so on. Employee attitudes and how their performance at work is influenced by organizational culture. Moreover, as in many studies the relationship between organizational culture and performance has been proven, the survival and success of any company indeed relies on its culture (Ng'ang'a and Nyongesa 2012). Hofstede (1991) proposed six dimensions of Organizational Culture in his research, namely:

1. Process-Oriented Versus Results-Oriented: where concentration on bureaucratic technical routines is compared to concentration on goals and final results.
2. Job-Oriented Versus Employee-Oriented: where concentration on job performance of employees is compared to concentration on their welfare.
3. Professional Versus Parochial: concentration on where employees obtain their identity based on their profession compared to employees who obtain their identity from the organization they work for.
4. Open Systems Versus Closed Systems: this dimension refers to the general style of internal and external communication and moves slowly where outsiders and newcomers are recognized.
5. Tight Versus Loose Control: this dimension deals with the level of formality and timeliness, such as internal structures within the organization, are part of the unit's technological functions.
6. Pragmatic Versus Normative: This dimension describes the applicable way (Flexible or Rigid) in dealing with the environment, especially with customers (Hofstede, G., Neuijen, B., Ohavy, D.D. & Sanders, G., 1991).

In this study the concept of Hostede's (1991) organizational culture was used, namely: Process-Oriented / Result Oriented, Job Oriented / Employee Oreinted, Professional / Parochial, Open System / Closed System, Tight Control / Loose Control, Pragmatic / Normative.

Innovation

Schumpeter (1943) argued that industry must continually revolutionize the economic structure from within, which innovates with better or more effective processes and products, as well as market distribution, such as the relationship from Crafts to factories. Schumpeter (1943) asserts that creative destruction is an important fact about capitalism. In addition, entrepreneurs continue to look for better ways to satisfy their consumer base by increasing quality, durability, service, and prices that produce results in innovation with advanced technology and organizational strategies (Heyne., Boettke., and Prychitko. 2010).

In an organizational context, innovation can be associated with positive changes in efficiency, productivity, quality, competitiveness, and market share (Salge, & Vera. 2012). However, the findings of previous studies highlighted the complementary role of organizational culture in enabling organizations to translate innovative activities into tangible performance improvements (Salge, and Vera. 2012). Organizations can also increase profits and performance by providing opportunities for working groups and resources to innovate, in addition to the main tasks of employee work (West 2002). While Drucker (2002) defines Innovation as a particular entrepreneurial function, whether in an existing business, a public service institution, or a new business initiated by a single individual in the family kitchen. This is the way in which entrepreneurs create new wealth-producing resources or provide existing resources with enhanced potential to create wealth (Drucker, 2002).

In this study the concept of Innovation from Edison and Torkar (2013) is used, namely innovation is the production or adoption, assimilation, and exploitation of added value novelty in the economic and social fields; Renewal and enlargement of products, services and markets; Development of new production methods; And the establishment of a new management system; This is the process and results. From the survey, obtained two main dimensions of innovation. First, the level of novelty (patent) is whether a new innovation for the company, new to the market, new in the industry, and new to the world and Second is the type of innovation, whether it is a product service system innovation or process. The following operational definitions of the variables used.

Conceptual Framework and Hypotheses

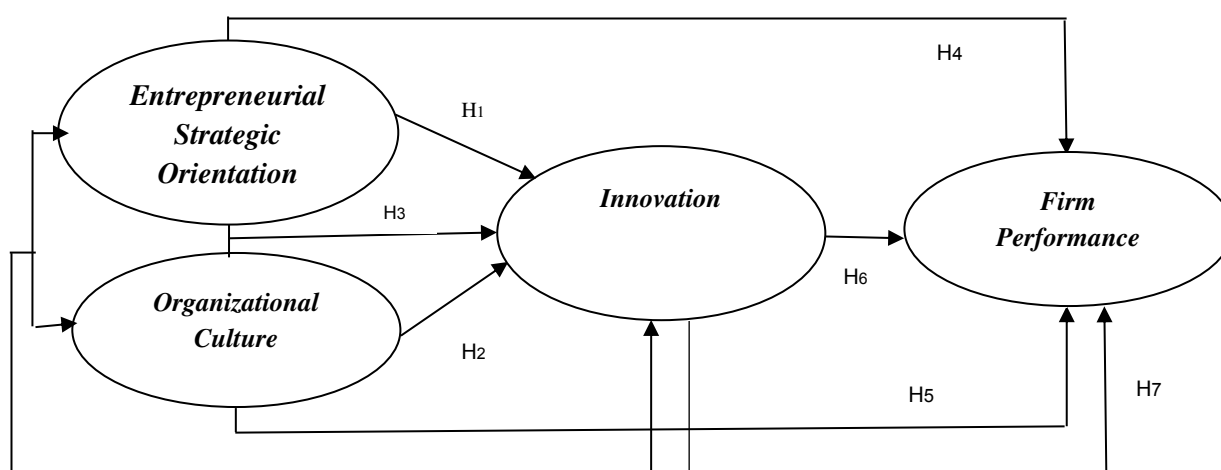


Figure 2: Conceptual Framework and Hypotheses.

Hypotheses

Entrepreneurial Strategic Orientation refers to how companies act in the area of risk taking, innovating, proactive, autonomous, and competitive aggressiveness (Okeyo, et al, 2016). Entrepreneurial researchers agree that Entrepreneurial Strategic Orientation is potentially important in measuring the performance of MSMEs (Omisakin, et al. 2016). Through management capabilities and processes, as well as the willingness and ability to apply innovation, MSME entrepreneurs can maximize their entrepreneurial strategic orientation (Dyerson and Spinelli, 2011). Through these processes, the characteristics of entrepreneurship from MSME entrepreneurs become increasingly honed and skilled. Based on the above analysis, the hypothesis is built as follows:

H1: There is an influence of Entrepreneurial Strategic Orientation on Innovation.

The right culture helps execute strategies (Becher, 2012), promotes productivity and innovation (Boedker, Vidgen, Meagher, Cugin, Mouritsen, Runnalls, 2011), and when doing so will provide organizations with a form of competitive advantage that is difficult to replicate. Lopez, Peon, Ordas (2004) believe there is a consensus on the idea that organizations carry influence that introduces a culture that strengthens communication between its members and motivates employees to always question a fundamental belief that will create a mutually working atmosphere help. Based on the above analysis, the hypothesis is built as follows:

H2: There is an Influence of Organizational Culture on Innovation.

Entrepreneurial Strategic Orientation is proven to have an atmosphere of entrepreneurship in companies (Okeyo, et al. 2016). Entrepreneurial Strategic Orientation has become a major concept formed from several disciplines: entrepreneurship, strategic management, organizational behavior, marketing and operations (Dess et al, 2011). Covin and Slevin (1989) define Entrepreneurial Strategic Orientation as a managerial characteristic which is a combination of risk taking, innovativeness and proactiveness. Wiklund and Shepherd (2003) suggested that Entrepreneurial Strategic Orientation has a positive effect on a company's performance. Other research studies have found that Entrepreneurial Strategic Orientation leads to a higher level of market growth and firm performance (Wang, 2008). Alvesson's (1990) study concluded that organizational culture can be used as a tool to reduce performance. Organizational culture has some substantial influence on a sustainable organizational strategy (Van Buul, 2010). Based on the above analysis, the hypothesis is built as follows:

H3: There is an influence of Entrepreneurial Strategic Orientation and Organizational Culture simultaneously on Innovation.

Entrepreneurial Strategic Orientation is seen as a valuable resource or ability (Bakar & Ahmad, 2010). Entrepreneurial Strategic Orientation is considered as an entrepreneurial method used to promote innovation, risky behavior, and proactive management that seizes opportunities (Covin & Wales, 2012). Therefore, a larger Entrepreneurial Strategic Orientation is assumed to achieve more business opportunities (Pratono & Mahmood, 2015). Based on the above analysis, the hypothesis is built as follows:

H4: There is an influence of Entrepreneurial Strategic Orientation on Firm Performance.

A supportive organizational culture, believed to increase employee work commitments, and lead them to the use of new ways to improve performance and responsibilities (Hofstede, 2016). Aspects of the work environment also affect job satisfaction (Arvey, Carter, & Buerkley, 1991). Organizations that give priority to learning and developing employees have found an increase in employee job satisfaction, profit and productivity (Marsick & Watkins, 2003). Based on the above analysis, the hypothesis is built as follows:

H5: There is an influence of Organizational Culture on Firm Performance.

Schumpeter (1934) describes innovation as the introduction of new goods, new production methods, opening new markets, conquering new supply sources and implementing a new organization in any industry. The success and survival of organizations in the world today depends on their creativity, innovation, discovery and creativity (Sevinç and Ulusoy, 2016). At present the importance of innovation in human life and the economy is generally better understood and appreciated. The concept takes a new understanding. Innovation is no longer the concern of small groups in an organization but has been considered evenly. The more we see the open innovation network now. Continuous innovation is very important for the survival of the organization (Sevinç and Ulusoy, 2016). This has become an integral part of human life, because everyone benefits from

the results of direct innovation in the form of products and services that are used every day. Based on the above analysis, the hypothesis is built as follows:

H6: There is an influence of Innovation on Firm Performance.

High Entrepreneurial Strategic Orientation among MSME owners increases the formation and activation of personal strategies that have an impact on business growth and performance (Omisakin, et al. 2016). Entrepreneurial Strategic Orientation influences MSME entrepreneurs and owners in their involvement in innovative cultures for business and product development, and market development (Carland, et al. 1984). From the results of Omisakin's, et al.

(2016) and Carland, et al. (1984), it is clear that MSME entrepreneurs and owners are involved in business innovation. Therefore, it is assumed that the existing number of Entrepreneurial Strategic Orientations influences the overall success and business performance of MSMEs.

H7: There are Influences of Entrepreneurial Strategic Orientation, Organizational Culture and Innovation simultaneously on Firm Performance.

Population and sample

Sekaran and Boogie (2016: 240) define the population as *the entire group of people, events or things of interest that researcher wishes to investigate*. Meanwhile, the sample is a small part taken from the population, strived to represent the entire important component of the population. The sample in this study consisted of two groups, namely the sample of the instrument testing group and the sample of the research data source group.

The instrument test sample was set 30 people aiming to test the quality of the questionnaire whether the questionnaire is valid and reliable so that it can be used in research. The testing of this instrument was carried out before the actual research was carried out.

The population in this study according to its nature is a homogeneous population. The population in this study is limited to MSMEs in Lampung Province which is 95,158 MSMEs which consist of Micro Enterprises which amount to about 82,850 units, followed by Small Businesses which are around 11,799 units, and Medium Enterprises 509 units (The MSMEs Cooperative Service in Lampung, 2017). The model used in this study is a causality model or influence relationship. To test the hypothesis that will be proposed in this study, the analytical technique that will be used is SEM or Structural Equation Modeling that uses linear statistical software Structural Relations (LISREL) 8.8.

Results

Confirmatory Factor Analysis & Second Order Confirmatory Factor Analysis

Table 4: Reliability Test of Entrepreneurial Strategic Orientation

Construct	Indicator	Std Loading	Error	Std Loading ²	CR	VE
Risk Taking	EO1	0.78	0.4	0.61	0.84	0.64
	EO2	0.84	0.29	0.71		
	EO3	0.78	0.39	0.61		
Competitive Aggressiveness	EO4	0.77	0.41	0.59	0.85	0.65
	EO5	0.84	0.29	0.71		

	EO6	0.8	0.36	0.64		
<i>Autonomy</i>	EO7	0.73	0.46	0.53	0.83	0.62
	EO8	0.79	0.37	0.62		
	EO9	0.83	0.31	0.69		
<i>Proactiveness</i>	EO10	0.71	0.49	0.50	0.77	0.53
	EO11	0.77	0.41	0.59		
	EO12	0.71	0.5	0.50		
<i>Innovativeness</i>	EO13	0.65	0.58	0.42	0.83	0.62
	EO14	0.83	0.32	0.69		
	EO15	0.87	0.25	0.76		

Source: Processing Results with LISREL 8.80

Table 5: Reliability Test of Organizational Culture

<i>Construct</i>	<i>Indikator</i>	<i>Std Loading</i>	<i>Error</i>	<i>Std Loading²</i>	<i>CR</i>	<i>VE</i>
<i>Rocess-oriented versus results-oriented</i>	OC1	0.95	0.1	0.90	0.89	0.73
	OC2	0.94	0.12	0.88		
	OC3	0.63	0.6	0.40		
<i>Job-oriented versus employee-oriented</i>	OC4	0.64	0.59	0.41	0.80	0.58
	OC5	0.79	0.37	0.62		
	OC6	0.83	0.3	0.69		
<i>Professional versus parochial</i>	OC7	0.8	0.37	0.64	0.84	0.63
	OC8	0.75	0.43	0.56		
	OC9	0.83	0.31	0.69		
<i>Open systems versus closed systems</i>	OC10	0.55	0.7	0.30	0.84	0.64
	OC11	0.92	0.15	0.85		
	OC12	0.88	0.22	0.77		
<i>Tight versus loose control</i>	OC13	0.82	0.33	0.67	0.76	0.52
	OC14	0.54	0.71	0.29		
	OC15	0.78	0.39	0.61		
<i>Pragmatic versus normative</i>	OC16	0.68	0.53	0.46	0.83	0.63
	OC17	0.86	0.26	0.74		
	OC18	0.82	0.33	0.67		

Source: Processing Results with LISREL 8.80

Table 6: Reliability Test of Innovation

<i>Construct</i>	<i>Indikator</i>	<i>Std Loading</i>	<i>Error</i>	<i>Std Loading²</i>	<i>CR</i>	<i>VE</i>
<i>Level of Innovation</i>	IN1	0.89	0.21	0.79	0.95	0.87
	IN2	0.96	0.08	0.92		
	IN3	0.95	0.09	0.90		
<i>Kind of Innovation</i>	IN4	0.91	0.16	0.83	0.95	0.86
	IN5	0.94	0.11	0.88		
	IN6	0.93	0.14	0.86		

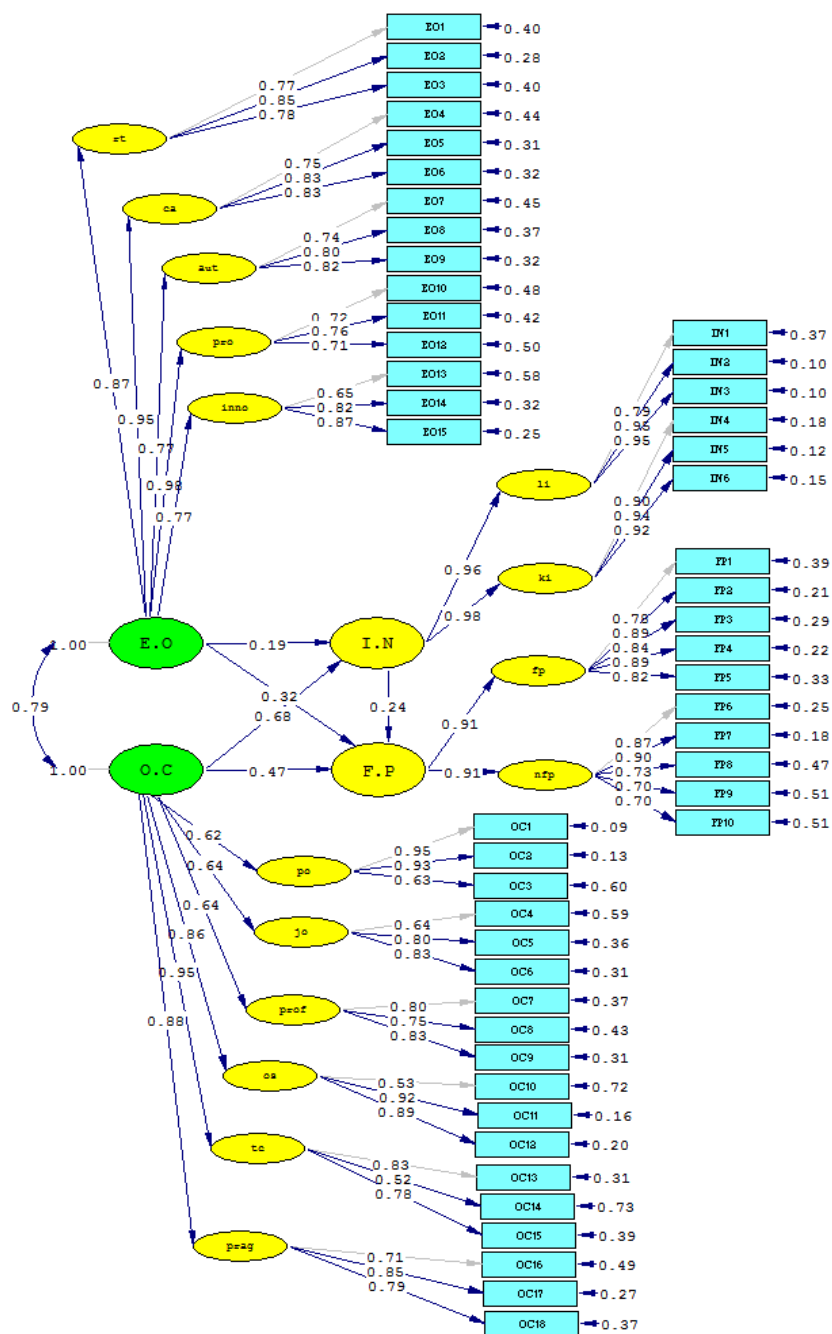
Source: Processing Results with LISREL 8.80

Table 7: Reliability Test of Firm Performance

<i>Construct</i>	<i>Indikator</i>	<i>Std Loading</i>	<i>Error</i>	<i>Std Loading²</i>	<i>CR</i>	<i>VE</i>
<i>Financial performance</i>	FP1	0.6	0.63	0.36	0.86	0.56
	FP2	0.76	0.43	0.58		
	FP3	0.53	0.72	0.28		
	FP4	0.9	0.18	0.81		
	FP5	0.87	0.24	0.76		
<i>NonFinancial</i>	FP6	0.76	0.43	0.58	0.91	0.66
	FP7	0.86	0.26	0.74		
	FP8	0.88	0.22	0.77		
	FP9	0.89	0.22	0.79		
	FP10	0.66	0.56	0.44		

Source: Processing Results with LISREL 8.80

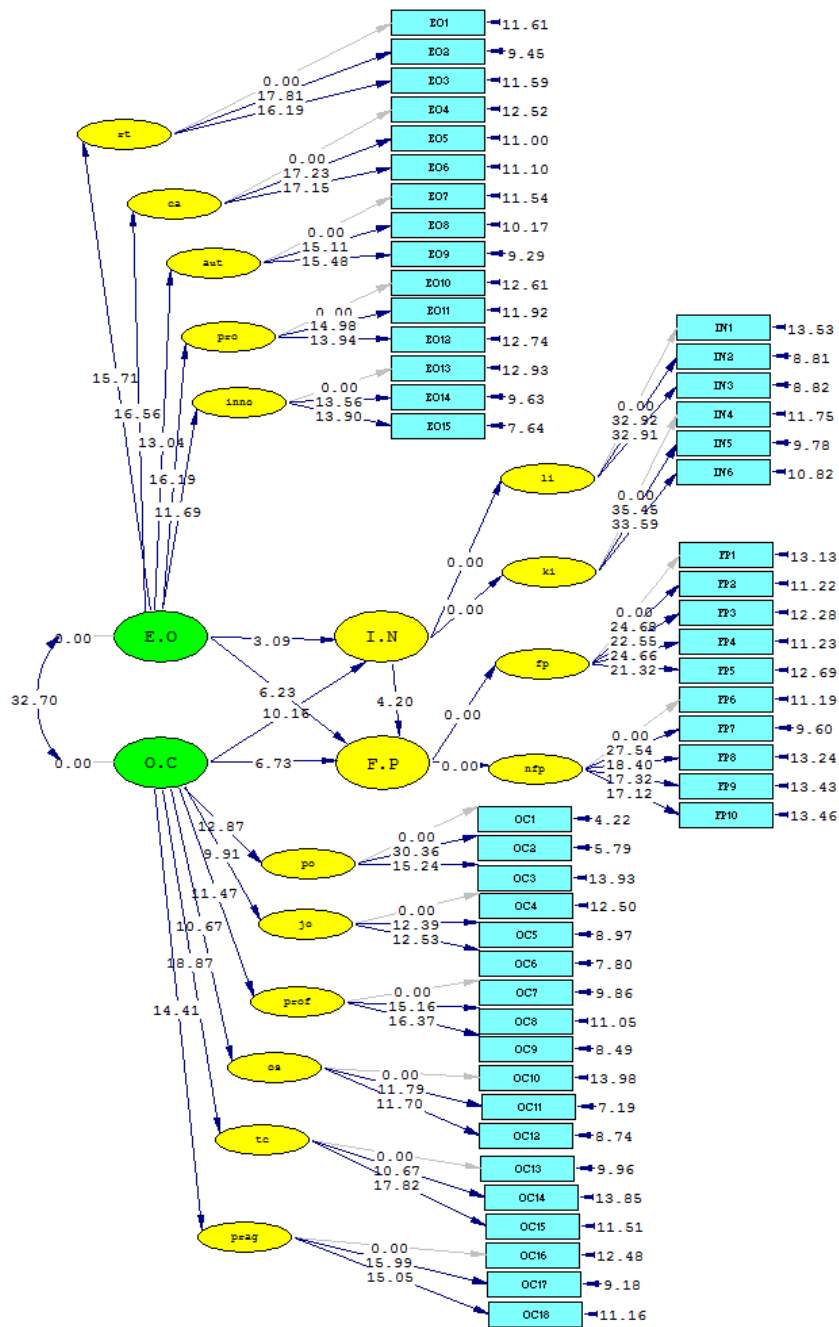
The CR value of the five latent dimensions of the latent variable Entrepreneurial Strategic Orientation is greater than 0.70 and the resulting VE value is greater than 0.50. This illustrates that the two latent dimensions of the Entrepreneurial Strategic Orientation variable have met reliability requirements.



Chi-Square=6145.60, df=1108, P-value=0.00000, RMSEA=0.074

Figure 3: Standardized Solutions

Source: Processing Results with LISREL 8.80



Chi-Square=6145.60, df=1108, P-value=0.00000, RMSEA=0.074

Figure 4: t Values.

Source: Processing Results with LISREL 8.80

In the results of data analysis using the Structural Equation Model (SEM) method and by using the LISREL 8.80 application software processing tool, a summary of the model suitability index is obtained as shown in Table 8 below:

Table 8: Model of Suitability Index

Indicator GOF	Expected size	Estimation Results	Conclusion
<i>Absolute Fit</i>			
RMSEA	RMSEA < 0,08	0,074	<i>Good Fit</i>
<i>Incremental Fit</i>			
NFI	NFI > 0,99	0,94	<i>Good Fit</i>
NNFI	NNFI > 0,90	0,95	<i>Good Fit</i>
CFI	CFI > 0,90	0,95	<i>Good Fit</i>
IFI	IFI > 0,90	0,95	<i>Good Fit</i>
RFI	RFI > 0,90	0,94	<i>Good Fit</i>
GFI	GFI > 0,90	0,93	<i>Good Fit</i>
AGFI	AGFI > 0,90	0,91	<i>Good Fit</i>

Source: Processing Results with LISREL 8.80

Table 9: Structural Equations Direct and Indirect

<i>Structural Equations</i>			
<i>Direct</i>			
I.N = 0.19*E.O + 0.68*O.C, Errorvar.= 0.087 , R ² = 0.71			
(0.035)	(0.037)	(0.0093)	
3.09	10.16	9.39	
F.P = 0.24*I.N + 0.32*E.O + 0.47*O.C, Errorvar.= 0.018 , R ² = 0.93			
(0.051)	(0.026)	(0.035)	(0.0053)
4.20	6.23	6.73	3.36
<i>Indirect</i>			
Indirect Effects of X on ETA			
	E.O	O.C	
	-----	-----	
I.N	- -	- -	
F.P	0.02	0.08	
	(0.01)	(0.02)	
	2.43	4.04	

Source: Processing Results with LISREL 8.80.

Conclusion

Entrepreneurial Strategic Orientation influences to Innovation. The effect of Entrepreneurial Strategic Orientation on Innovation is positive and significant, which is equal to 0.19. Means that the higher / positive Entrepreneurial Strategic Orientation, the higher / positive the Innovation means more respondents feel brave to take risks to remain innovative even though they have to pay more; the product / service created has a uniqueness that does not yet exist in the market; and employees must be innovative, so more respondents feel management has new knowledge in producing new goods / new services and management uses good knowledge to improve efficiency.

Organizational Culture influences to Innovation. The influence of Organizational Culture on Innovation is positive and significant, that is equal to 0.68. Means that the higher / positive Organizational Culture, the higher / positive the Innovation means the more respondents feel the most important problem is what the employee feels about how to be educated in matters relating to roles and responsibilities; the most important problem is what employees feel about the position; and motivated to do quality work if the system supports, the more respondents feel management has new knowledge in producing new goods / new services and management uses good knowledge to improve efficiency.

Entrepreneurial Strategic Orientation and Organizational Culture collectively influence Innovation. The influence of Entrepreneurial Strategic Orientation and Organizational Culture together on Innovation is positive and significant, which is equal to 0.79, with the Entrepreneurial Strategic Orientation variable having a more dominant influence on Innovation. This shows that positively improving the effectiveness of Entrepreneurial Strategic Orientation and Organizational Culture will lead to increased Innovation. Means that the higher / positive Entrepreneurial Strategic Orientation and Organizational Culture, the higher / positive Innovation means more respondents feel brave to take risks to remain innovative even though they have to pay more; the product / service created has a uniqueness that does not yet exist in the market; and employees must be innovative, and the most important issue is what employees feel about how to be educated in matters relating to roles and responsibilities; the most important problem is what employees feel about the position; and motivated to do quality work if the system supports, the more respondents feel management has new knowledge in producing new goods.

Entrepreneurial Strategic Orientation affects to Firm Performance. The effect of Entrepreneurial Strategic Orientation on Firm Performance is positive and significant, which is equal to 0.32. Means that the higher / positive Entrepreneurial Strategic Orientation, the higher / positive Firm Performance means more respondents feel brave to take risks to remain innovative even though they have to pay more; the product / service created has a uniqueness that does not yet exist in the market; and employees must be innovative, the more respondents feel that management has a significant market share; apply the principles of financial governance well; and management has good Return on Asset.

Organizational Culture affects the Firm Performance. The effect of Organizational Culture on Firm Performance is positive and significant, which is equal to 0.47. Means that the higher / positive Organizational Culture, the higher / positive Firm Performance means the more respondents feel the most important problem is what the employee feels about how to be educated in matters relating to roles and responsibilities; the most important problem is what employees feel about the position; and motivated to do quality work if the system supports, the more respondents feel management has a significant market share.

Innovation influences Firm Performance. The effect of Innovation on Firm Performance is positive and significant, which is equal to 0.24. Means that more respondents feel management has new knowledge in producing new goods / new services and management uses good knowledge to improve efficiency, then the more respondents feel management has a significant market share; apply the principles of financial governance well; and management has good Return on Investment.

Entrepreneurial Strategic Orientation, Organizational Culture and Innovation simultaneously influence the Firm Performance. The influence of Entrepreneurial Strategic Orientation, Organizational Culture and Innovation together on Firm Performance is positive and significant at 0.93, with the Innovation variable having the most dominant influence on Firm Performance. This shows that positively improving the effectiveness of Entrepreneurial Strategic Orientation, Organizational Culture and Innovation will lead to increased Firm Performance. Means that the higher / positive Entrepreneurial Strategic Orientation, Organizational Culture and Innovation, the higher / positive Firm Performance means more respondents feel brave to take risks to remain innovative even though they have to pay more; the product / service created has a

uniqueness that does not yet exist in the market; and employees must be innovative; and the most important issue is what employees feel about how to be educated in matters relating to roles and responsibilities; the most important problem is what employees feel about the position; and motivated to do quality work if the system supports; and management has new knowledge in producing new goods / new services and management uses good knowledge in improving efficiency, so the more respondents feel management has a significant market share.

Future Research

Subsequent research needs to explore more deeply the elements of Entrepreneurial Strategic Orientation such as: dare to take risks to remain innovative even though it has to cost more; the product / service created has a uniqueness that does not yet exist in the market; and employees must be innovative. While things that need to be exploited more deeply are like: the product / service produced must be better than competitors; take the risk to participate in the tender with the risk of loss; and when trying, do not depend on banks / other financial sources.

Subsequent research needs to explore more deeply the elements of Organizational Culture of MSMEs such as: what employees feel about how to be educated in matters relating to roles and responsibilities; the most important problem is what employees feel about the position; and motivated to do quality work if the system supports. What needs to be elaborated is like: organizations dare to take risks to remain innovative; all employees must be involved in supporting a shared vision; and external collaboration and collaboration is needed for a successful organization.

Subsequent research needs to explore elements of innovation such as: management has new knowledge in producing new goods / new services and management uses good knowledge to improve efficiency. Also need to elaborate on Innovation indicators such as: management applying knowledge to solve existing problems and creating a culture of social interaction.

Subsequent research needs to examine more deeply the elements from Firm Performance such as: management has a significant market share; apply the principles of financial governance well; and management has good Return on Investment. Who also needs to be elaborated more deeply such as: effectiveness in generating profit levels; management has significant sales growth; and have a good level of liquidity and financial performance.

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