

## THE EFFECT OF GOVERNMENT ROLE AS A MEDIATION VARIABLE IN THE RELATIONSHIP BETWEEN ORIENTATION ENTREPRENEURSHIP, INNOVATION, AND MARKET ORIENTATION ON BUSINESS PERFORMANCE (CASE STUDY: TUTUL VILLAGE, JEMBER, EAST JAVA)

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### ABSTRACT

*The purpose of this study was a mediation variable in the relationship between orientation entrepreneurship, innovation, and market orientation on business performance. The population of this study is 1,057 medium enterprises (SMEs) in the Tutul Village, Jember. The research samples of 100 SMEs were selected by Slovin method. Analysis of data used a WarpPLS. We know that Tutul village as a one village without unemployment in Jember (Disnaker, 2003). These results indicate that a significant difference between entrepreneurial orientation on business performance and innovation have a significant effect on the performance of the business, and then market orientation relates significantly to the performance of the business. It provides empirical explanation that entrepreneurial orientation, innovation, and market orientation can contribute to the improvement of business performance small and medium enterprises (SMEs), while the government's role is not proven mediation the relationship between entrepreneurial orientation, innovation, and market orientation. The findings of this study proves that the government does not have a role in shaping the entrepreneurial spirit, because the entrepreneurial spirit has been formed in their environment and such acts are hereditary.*

Key words: *Orientation Entrepreneurship, Innovation, Market Orientation, and Government Role.*

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### Introduction

A culture has an entrepreneurial attitude that creates a learning environment from the exploration and experimentation are realized in the form of creativity and innovation (Hamel and Prahalad, 1991, P.23). Currently, entrepreneurial orientation has become something of a critical and urgent for the company to face competition and pressure in a growing market (Slater & Narver, 1995, p.65). It is relevant to the business environment was also more dynamic, therefore, managers at every level have to keep looking and keep learning in order to cope with the uncertainty of its strategic function can be more competitive. If the village want to get the good performance, so the government role is very important that it can be supported by funding.

As research conducted Chamber of Commerce, the result of several factors that become obstacles for small and medium businesses get ahead (Chamber of Commerce in Zulkieflimansyah and Banu Mohammed H., 2003), among others: (1) weak financial systems and capital support; (2) lack of ability to carry out market access, competitiveness and regulation of marketing domestic and global markets; (3) limited in length information source materials and distribution channels as well as weak in bargaining power; (4) weak in technological capabilities; (5) the quality of human resources is still weak, which includes aspects of competence, skills, work ethic, entrepreneurial insight and standardization of products and services; (6) bureaucratic licensing requires a relatively long time; (7) the existence of guarantee institutions serving SMEs have not been able to optimally; (8) is not well functioning government promotion agencies. Entrepreneurial orientation is one of the important factors that can determine the success of a business (Lee & Peterson, 2000; Gupta, Mcmillan & Surie, 2004; Prieto, 2010).

Research conducted by Daniel et al (2008) states that there is a relationship between innovation and performance, and market orientation and organizational learning is the antecedent of the innovations that have an impact on organizational learning on innovation is higher than the effect of market orientation towards innovation, further Yonggyu Kim (2003), states that the market orientation is positively correlated with a higher degree of correlation to the performance of a quantitative and qualitative, then the strategy is not significant price competition on performance, while market growth is positively correlated but not significant to the performance.

Research Sanjaya, et al (2011), states that there is a positive relationship of market orientation (customer orientation and coordination interfunction) on the performance of the business, but not a competitor Orientation positive effect on business

performance, while resource companies and competitive intensity mediates the relationship between several Subdimension market orientation on performance. Research Monica and Alan (2002), stating that market orientation has no direct effect on the performance, as well as the interaction of the market and the perception of new competitors and then Perception traditional competitors directly affects the performance and interact with market orientation to affect performance. This study shows that there are significant entrepreneurial orientation, innovation and market orientation towards business performance moderated by the role of the government towards the sustainability of SMEs in the Tutul village. Referring to the empirical and theoretical studies conducted (Delaney, Lewin & Ichniowski, 1989; Cutcher-Gershenfeld, 1991; Pfefer, 1994; in Harel and Tzafrir, 1999), there are six activities that are strategic and universal needs to be done with regard to human resource management practices.

According to Muchtolifah (2005), entrepreneurial orientation is contributing the creation of organizational capabilities unique organizational resources, positional advantages that affect performance. In this case that entrepreneurial orientation is a company's ability to manage the resources to be able to carry out strategies in entrepreneurship so as to obtain a competitive advantage. According to Griffin (2004: 397), innovation is the work of an organization's managed to develop a new product or service, or new uses of existing products or services. Kotler and Clarke in P.S Raju, et al. (2000) said that: "Market orientation as a tendency to" determine the needs and wants of the target markets and to satisfy them through the design, communication, pricing, and delivery of appropriate and competitively viable products and services ". Delaney and Huselid (1996) in Harel and Tzafrir (1999) suggested that performance can be measured from the perception held by an organization associated with competitors that include several aspects, such as: quality of products or services, new product development, customer satisfaction, product prices, increased sales, profitability and so on.

### Research design

This study is the kind of research is explanatory such as a study is explanatory generally aims to explain the position of the variables studied and the relationship and influence of one variable to another variable (Sugiyono, 2004). This study examines the effect of government's role as a moderating variable in the relationship between orientation Entrepreneurship, Innovation and Market Orientation on the performance of the business in the Tutul village (Singarimbun and Effendi (1995). The population in this study is SMEs in Tutul Village, Jember as many as 1,057 people scattered in some effort. The numbers of respondent employees are 100 respondents which is distributed on each of the SMEs with sampling done by proportional random sampling technique area.

#### 1. Validity Test

This study uses product moment correlation formula in assessing the validity of the instruments used. Product moment correlation formula proposed by Pearson, as follows:

$$r = \frac{N \sum XY - (\sum X)(\sum Y)}{\sqrt{[N \sum X^2 - (\sum X)^2][N \sum Y^2 - (\sum Y)^2]}}$$

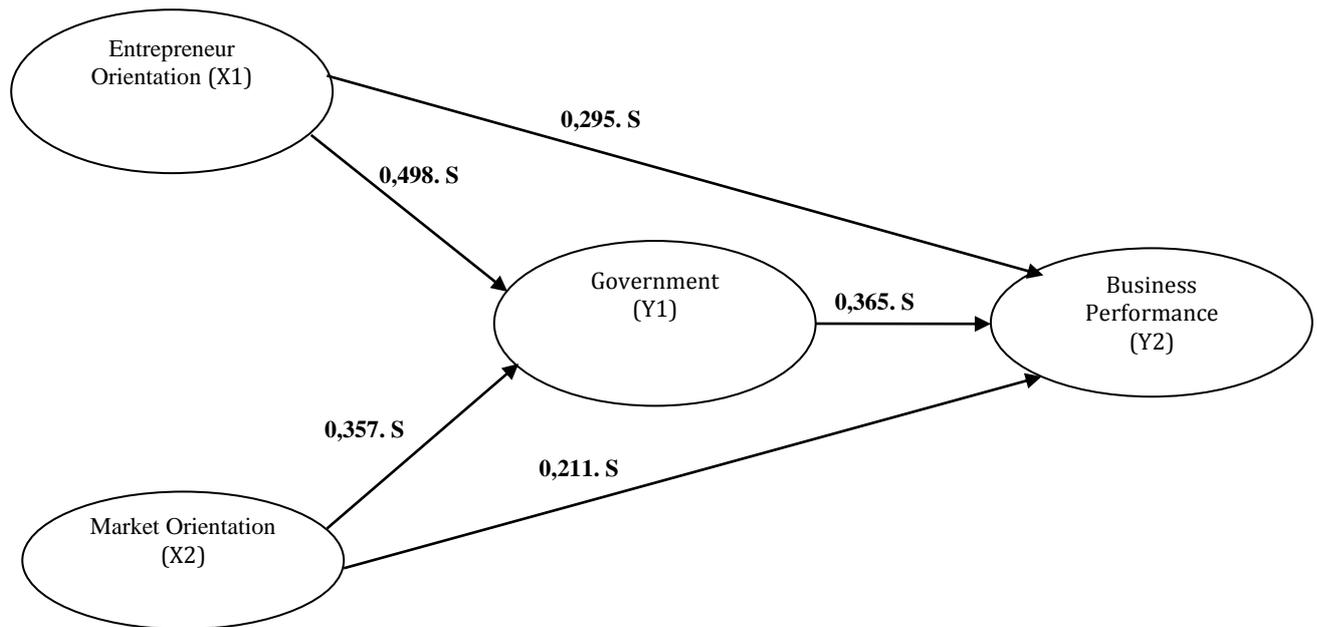
#### 2. Reliability Test

Measure used to indicate the statement realibel, if the value of Cronbach Alpha above 0.6 (Arikunto, 1998).

$$r_{11} = \left[ \frac{k}{k-1} \right] \left[ 1 - \frac{\sum \sigma_b^2}{\sigma_t^2} \right]$$

This study uses analysis tools Partial Least Square (PLS), which was first developed by Herman Wold (1985) as the data analysis techniques with software version SmartPLS 2.0.M3. The scale of measurement that will be used in this research is the Likert scale.

Figure 1. Direct Effect of Mediation



## Results

Perception of entrepreneurial orientation to the indicator Confidence / Self reliance showed the smallest average level is 3.24 and compared by the two other indicators, especially from the government. Respondents' perceptions of technical innovation shows that the smallest average level of 3.42 (X2.2). The statement indicates that in general society of Tutul village is coordination between the functions of the products that the average level of government is 3.37 (Y1.3). This fact indicates that the respondent did not perform coordination between the functions of the products, so it is has been low. Sales growth for our product shows that the smallest average level is 3.47. This fact indicates that the respondents or people feel not concerned to sales growth will be more profit oriented and sales growth is still low.

### H1. Entrepreneurial orientation effect on Government

These results indicate that entrepreneurial orientation significantly influence to the role of government, so as to strengthen the entrepreneurial orientation of the role of government to products produced by the villagers spotted. We can conclude the changes increase the entrepreneurial orientation and the positive direction of the real against the role of government so that the hypothesis can be accepted or supported by empirical facts.

### H2. Market orientation effect on Government

The results showed that significantly influence the market orientations of the role of government, thus the market orientation strengthen to the government role in society of Tutul Village.

### H3. Government affects to the Business Performance

The results showed that the government's role significant effect on the business performance in Tutul village.

### H4. Entrepreneurial orientation effects to Business Performance

These results indicate that entrepreneurial orientation significant effect on the business performance.

### H5. The influence on Business Performance moderated by the innovation role of government

The results showed that the market orientation has a significantly influence on the business performance, thus the market orientation conducted by enterprises performance.

## IV. Implications

Theoretical implications related to its contribution to the development of marketing theory related to the increase in Business Performance.

The findings on the development of an integrative model as a theoretical implication as follows:

1. The study was able to build a theoretical model on the influence of entrepreneurial orientation and market orientations obtain any role of government and business performance. This model is also able to explain the role of government as a mediating variable relationship between entrepreneurial orientation and market orientation of the Business Performance.

2. The results of this study demonstrate that the role of mediation is not fully able to explain the role of the government towards entrepreneurial orientation and market orientation with Business Performance. That is the role of the government is not fully able to contribute to SMEs that will impact performance improvement efforts.

3. The results of this study also proves that the entrepreneurial orientation and market orientation plays an important role in Business Performance improvement. It gives the sense that the entrepreneurial spirit backed market orientation will improve Business Performance of SMEs in the Tutul village, Jember.

## 2. Practical implications

Based on the research findings, the practical implications of this study can be explained as follows:

1. This study contributes to formulate programs and policies that will be performed on Tutul Village, Jember, relating Effect of entrepreneurial orientation and market orientation of the role of government and Business Performance.

2. The results of this study can be used as information that is useful to provide insight for Tutul Village, Jember on the importance of entrepreneurial orientation harmonized implementation holistically (whole) with a market orientation in an effort to improve Business Performance in Tutul Village Jember and with unknown primary determinants of each variable, it can make the right policy to improve business performance in Tutul Village, Jember.

## Conclusion

1. Entrepreneurial orientation can affect the government's role in producing the products of SMEs in the Tutul village. Entrepreneurial orientation can increase the productivity of SMEs which influenced by the government's role in promoting the product results in the Tutul village.

2. Market orientation may affect the role of government, which means that production is generated by SMEs in the Tutul village, government role has a market orientation of the products.

3. The government role can affect on business performance, it shows that the government has an important role in developing existing businesses in the Tutul village. Therefore, the government's role is expected to be further enhanced to improve the performance of existing businesses.

4. The entrepreneurial orientation can affect business performance in providing products of SMEs in the Tutul village. Entrepreneurial orientation can increase the productivity of SMEs that impact to business performance.

5. Business Performance orientation affects the market, meaning that the output generated by SMEs in the Tutul village and focus on the target market that will be addressed to sustain the efforts undertaken.

6. The role of mediation is able to contribute to the relationship between the entrepreneurial orientation with business performance, although still very small mediating role or not fully be able to push performance effort of the government's role in developing SMEs in the Tutul village. It is in line with the empirical facts that the government is not able to contribute fully to SMEs that either grants or other forms.

7. The role of mediation is able to contribute to the relationship between market orientations with business performance, although still a very small role to mediate or contribution has little impact on improving business performance, the government's role in developing SMEs in the Tutul village. It is in line with empirical fact that the government was not able to contribute fully to SMEs in the marketing of the product, but by doing a search market share of its own or through the reservoir.

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