



(RESEARCH ARTICLE)



Orientation entrepreneurship and neighborhood industry to formation strategy commerce on performance commerce textile in java west, Indonesia

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Abstract

The existence of the textile industry in Indonesia can absorb a large number of workers and is able to encourage the establishment of other supporting industries. However, despite its importance, not much has been done to investigate the factors affecting the performance of PKS Tekstil in West Java, particularly the role of the entrepreneurial orientation variable, the external environment and the business strategy. This study was conducted to investigate the factors that influence commercial performance, in particular the role of entrepreneurial orientation variables (encompassing innovation, proactive and risk-taking) and the outcome environment and trade strategy (encompassing differentiation, focus and cost advantages). This study examines the relationship between entrepreneurial orientation and commercial strategy, the relationship between external concerns and commercial strategies, and the relationship between business strategies and commercial performance. In addition, this study also looks at the mediation of the commercial strategy on the relationship between entrepreneurial orientation and commercial achievement, and the mediation impression of the commercial strategy on the relationship between the external environment and the business achievement. The data collection method used a questionnaire. The number of samples in this study were 384 PKS Textiles in West Java covering the areas of Bandung City, Cimahi City, Cirebon City, Tasikmalaya City, Bandung Regency and West Bandung Regency. Partial Least Square Structural Equation Modeling (PLS-SEM) method was used to analyze the data of this study. The results of the study suggest that entrepreneurial orientation (encompassing innovation and proactive dimensions) has a positive and significant relationship to the commercial strategy partially. However, the risk-taking dimension of entrepreneurial orientation does not have a significant relationship with the commercial strategy. The output shortness variable has a positive and significant relationship with the commercial strategy (summarizing the dimensions of focus and cost advantage). However, the external environment has no relationship with the differentiation dimension of the commercial strategy. Furthermore, the variable business strategy has a positive and significant relationship with business achievement. Finally, the findings of this study explain that the variable business strategy mediates the relationship between entrepreneurial orientation (encompassing innovation and proactivity) and commercial achievement. However, the variable business strategy did not mediate the relationship between risk taking from entrepreneurial orientation and commercial performance. Likewise, the variable business strategy (encapsulating the dimensions of focus and cost advantage) mediates the relationship between the outcome environment and commercial achievement. However, the definition dimension of the commercial strategy does not mediate the relationship between the external environment and the commercial performance. This study contributes to the literature by showing the influence of entrepreneurial orientation, output environment and commercial strategy on commercial performance in the context of PKS Tekstil in West Java. PKS Tekstil in West Java is expected to be able to take the opportunities and opportunities that exist so that better commercial achievements can be achieved, PKS leaders need to increase the range of resources they have to be mobilized to achieve the expected commercial achievements.

Keyword: Innovation; Strategy; Commercial achievements; Opportunities; PLS SEM; Textiles

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1. Introduction

Industrial development in Indonesia is currently taking place very rapidly in line with advances in science and technology. The process of industrialization of Indonesian society is accelerating with the establishment of diverse companies and workplaces. The development experienced is not only an increase, but also a decrease. So that from year to year industry in Indonesia experiences increases and decreases.

According to the West Java KUMKM Service (2018), the industrial sector is currently the main sector in the Indonesian economy. This is because this sector is the largest contributor to the formation of Indonesia's GDP over the last ten years. For example, in 2002, the processing industry sector was estimated to account for more than a quarter or 25.01% of the components of Gross Domestic Product (GDP), while the agricultural sector only contributed around 17.47%. The growth of the industrial sector also experiences various obstacles, making it less than optimal. These constraints cause the industry to weaken its competitiveness so that it becomes less competitive.

PKS has a proportion of 99.99% (West Java KUMKM Service, 2018) of the total number of business actors in Indonesia or 56.54 million units. Micro, Small and Medium Enterprises have been able to prove their existence in the Indonesian economy. West Java Province has a major contribution to national economic growth and acts as a center for national strategic and manufacturing industrial activities. According to data obtained from the West Java Cooperatives and Micro, Small and Medium Enterprises Service (Jabar KUMKM Service, 2018), West Java contributed 14.3% to National GDP in 2012, of which 54.55% was the result of contributions from PKS.

In 2012, PKS succeeded in contributing IDR 495.54 trillion to West Java's Non-Oil and Gas GRDP with a growth rate of 10.95% from the previous year. Meanwhile, large businesses contributed IDR 412.91 trillion with a growth rate of 9.39% from the previous year. (West Java KUMKM Service, 2018).

Meanwhile, the problems faced by PKS in Indonesia are:

- Low access to productive resources. Only 0.13% of PKS exports (BPS, 2018)
- Low quality of Human Resources, 64% of PKS actors have only completed elementary school (BPS, 2018)
- Low productivity. PKS productivity is only 0.014% of large productivity, and 56% of national productivity (BPS, 2018)
- Low competitiveness. Indonesian MSMEs only 3.5 out of a maximum score of 10, (BPS, 2018)

72.47% of PKS experienced business difficulties, the difficulties identified were (1) Capital 51.09%; (2) Marketing 34.72%; (3) Raw materials 8.59%; (4) Employment 1.09%; (5) Transportation distribution 0.22% and (6) Others 3.93%. The lack of access to information, especially market information (Ishak, 2015) becomes an obstacle in marketing its products, because limited access to market information results in low market orientation and weak competitiveness at the global level.

In table 1 you can see the number of micro and small industrial companies in Java Island in 2016-2018.

Table 1 Number of Micro and Small Industrial Companies on Java Island in 2016-2018

Province	Number of Companies According to			Number of Companies According to			Number of Companies		
	Micro	Small	Intermediate	Micro	Small	Intermediate	Micro	Small	Intermediate
DKI Jakarta	20738	19172	6391	15110	22748	7583	28378	6616	2205
West Java	382899	106861	35620	437985	60078	20026	421881	58359	19453
Central Java	650115	160148	53383	766782	65690	21897	934814	95560	31853
In Yogyakarta	67454	13306	4436	73266	7313	2438	52907	4758	1586
East Java	539320	89786	29929	608774	39932	13311	771185	49659	16553

Central Java	650115	160148	53383	766782	65690	21897	934814	95560	31853
In Yogyakarta	67454	13306	4436	73266	7313	2438	52907	4758	1586
East Java	539320	89786	29929	608774	39932	13311	771185	49659	16553

Source: Indonesian Statistics Agency (2019)

One of the MSMEs that is developing in Indonesia is the textile industry. Besides being able to meet Indonesia's textile needs, the textile industry can also generate foreign exchange for the country (Wirakartakusumah, 1997).

The role of the Textile and Textile Products (TPT) industry in the national economy is very important. During 2010, it contributed an average of 1.4% to the national Gross Domestic Product (GDP), while the workforce absorbed in 2015 to 2017 was quite large, namely an average of 21.2% of the manufacturing industry workforce (Central Statistics Agency, 2018).

The problem currently facing the textile product industry is competition between local companies, competition in the textile product industry is getting tighter, due to the entry of imported products. Indonesia's TPT imports in 2013 amounted to USD 8.5 billion or grew 4% higher than export growth (API, 2015). According to the Central Bureau of Statistics (2018) 70% of Indonesia's domestic textile market is dominated by imported textile products.

The condition of a number of small and simple businesses (PKS) in West Java after free trade is currently very worrying. Due to the inability to compete with imported products, many PKS players have collapsed. The impact of this free trade was felt by all PKS in West Java. Their business is increasingly declining, in fact as many as 40 percent or around 3 million West Java PKS are now in critical condition (Central Bureau of Statistics, 2018).

Textiles and textile products (TPT), China is a global leader. Controlling more than 50% of world textile production, its exports in 2014 dominated 35% of the total world textile export value in 2014. Following in second place, India with 5%. In fifth position is Bangladesh and in ninth position is Vietnam with shares of 3.6% and 3% respectively.

This position makes Asia a world textile production and export giant that cannot be easily shifted in its work in this sector (Central Bureau of Statistics, 2018).

To continue to exist, the textile industry must have advantages and target the right market. Including garments, it is a big business with a fast turnover pattern and there is always a certain market niche. Design is one of the key gaps to enter a higher market, namely as a creative product. Creative content in garments is something essential because it carries ideas, which are expressed in the design and supported by media and technology. This idea is what changed garments from just ready-made clothes, but fashion.

The ability of MSMEs to be able to compete is largely determined by two main conditions, namely: (1) the internal surroundings of PKS must be improved, which includes aspects of the quality of human resources (HR), especially entrepreneurship (entrepreneurship), mastery of technology and information, organizational structure, management system, business culture, capital strength and business networks with outside parties; and (2) the external environment must also be conducive, which is related to government policy, legal aspects, market competition conditions, socio-economic conditions, infrastructure conditions, community education level, and global economic changes.

- Based on the existence of knowledge gaps as stated in the previous study problems, several significant problems arise for further study. These include issues regarding:
- Does entrepreneurial orientation have a significant influence on the business strategy of PKS textiles in West Java?
- Does the external environment have a significant influence on the business strategy of textile mills in West Java?
- Does business strategy have a significant effect on the business performance of textile PKS in West Java?
- Does business strategy mediate the relationship between orientation entrepreneurship and business achievements of textile PKS in West Java?
- Does business strategy mediate the relationship between the external environment and the performance of textile mills in West Java?

2. Material and methods

Table 2 Summary of Study Results on the Relationship Between Entrepreneurial Orientation and Business Strategy

No	Researcher	Year	Title	Changeable	Research result
1	Chaganti, R. and Sambharaya, R.	2010	<i>Strategic Orientation and Characteristics of Upper Management</i>	<i>Strategy Management Characteristics</i>	<i>The upper echelon of defenders had lower proportions of outsiders. Prospectors had a higher proportion of outsiders. Strategy and manager orientation must be matched.</i>
2	Luo, Yadong	2012	<i>Environment – Strategy – Performance Relations in Small Businesses in China : A Case of Township and Village Enterprises (TVEs) in Southern China</i>	<i>Environmental Strategy Performance</i>	<i>...when contextual conditions are complex, small TVEs appear not to be risk-taking Overall, the key findings suggest that small TVEs in southern China behave as circumspect prospects who are essentially adaptive, innovative, and proactive in the pursuit of emerging market opportunities but are deliberate in making strategic decisions involving complicated environmental situations.</i>
3	Christian Lechner and Sveinn Vidar Gudmundsson	2014	<i>Entrepreneurial orientation, firm strategy and small firms performance</i>	<i>cost leadership, Differentiation, Entrepreneurial orientation, Firm strategy, Performance</i>	<i>The findings show the different impacts of individual entrepreneurial orientation dimensions on competitive strategy and the effects of cost leadership and differentiation on performance. Innovativeness is related most highly to differentiation strategy. Risk-taking and competitive aggressiveness are negatively associated with both differentiation and cost leadership strategies. Both differentiation and cost leadership strategies are positively related to performance</i>
4	Tri Pure	2017	<i>The Effect of Entrepreneurship Orientation to Low Cost Strategy, Differentiation Strategy, Sustainable Innovation and Performance of Small and Medium Enterprises Medium Enterprises (Studies at Small and Medium Batik Enterprises in East Java)</i>	<i>Entrepreneurial Orientation, Low Cost Strategy, Differentiation Strategies, Sustainable Innovation, Performance</i>	<i>The findings of this study are the first, entrepreneurial orientation significantly influences low cost strategy and differentiation strategy</i>

Based on the description above, the hypothesis of the relationship between entrepreneurial orientation variables and business strategy is as follows:

- H1: Entrepreneurial orientation has a significant relationship with business strategy
- H1a: Innovativeness has a significant relationship with cost advantage
- H1b: Innovativeness has a significant relationship with cost advantage

- H1c: Risk taking has a significant relationship with cost advantages
- H1d: Proactiveness has a significant relationship with cost advantage
- H1e: Innovativeness has a significant relationship with differentiation
- H1f: Risk taking has a significant relationship with differentiation
- H1g: Proactivity has a significant relationship with differentiation
- H1h: Innovativeness has a significant relationship with focus
- H1i: Risk taking has a significant relationship with focus
- H1j: Proactivity has a significant relationship with focus

Some of the research that shows a positive and significant relationship between the external environment and business strategy is presented in Table 3.

Table 3 Summary of Research Results Regarding the Relationship Between the External Environment and Business Strategy

No	Researcher	Year	Title	Changeable	Research result
1	Matthews, Charles H.	1990	Small Firm strategic planning : Strategy, environment and performance	Strategy, Entrepreneurial, Environment and performance	Strategic planning sophistication, perception of environmental uncertainty, and business type (small business venture versus entrepreneurial venture) all are important variables in understanding the planning/performance relationship for small business and entrepreneurial firm.
2	Dess, GG, Lumpkin, G.T., Covin, J. G.	1997	Entrepreneurial Strategy Making and Firm Performance : Test Of Contingency and Configurational Models	Entrepreneurial, Strategy Making, Environment, Strategy. and Performanve	The present study provides strong support for Phase 1 (...predicted that Entrepreneurial Strategy Making-ESM would emerge as a salient strategy-making mode that organizations utilize) and somewhat mixed support for Phase 2 (...that the relationship between ESM and performance is contingent on strategic and environmental factors).
3	Culhane, Jann-Marie Hal Vorsen	2003	“ The Entrepreneurial Orientation-Performance Linkage in High Technology Firm : An International Comparative Study	Entrepreneurial Orientation, Organization. Environment, and Performance	Entrepreneurial orientation does not partially determine firm performance, whereas through the interaction of the strategy process and changes in economic conditions in each country, entrepreneurial orientation has a significant effect on firm performance.
4	Gosselin, Maurice	2005	An empirical study of performance measurement in manufacturing firms	Strategy, Decentralization, Environmental Uncertainty, Performance	More manufacturing firms use financial performance measures than those that use non-financial measures/balance scorecard. Regarding the firm's strategy, there is a significant relationship between the strategy used, the level of decentralization and

					environmental uncertainty and the firm's performance.
5	Yadong Luo	2012	Environment – Strategy – Performance Relations in Small Businesses in China : A Case of Township and Village Enterprises (TVEs) in Southern China.	Entrepreneurial Orientation, Environment, Strategy, Performance.	Based on an analysis of survey data obtained from Jiangsu province, it is found that environmental characteristics have a significant influence on TVE strategic orientation. The multiple regression analysis demonstrates that TVE innovativeness, proactiveness, and risk taking are positively associated with increased complexity and dynamism in the environment as perceived by TVE entrepreneurs.
6	Movondo, Felix T	2013	Environment and strategy as antecedents for marketing effectiveness and organizational performance	Environment, strategy, marketing effectiveness and organizational performance	Business strategy is influenced by the macro and micro surroundings of the organization and significantly directs functional strategy. Business and functional strategies have a significant influence on firm performance.
7	Reginald M. Beal	2014	Competing Effectively: Environmental Scanning, Competitive Strategy, and Organizational Performance in Small Manufacturing Firms	Environmental scanning Competitive Strategy Organizational Performance	This study contributes to the literature by deepening the understanding of the linkages between environmental scanning, environmental conditions, competitive strategy and firm performance. Of the five scope-of-scanning indices, three are positively and significantly related to alignment between competitive strategy and the stage of the industry life cycle in which the firm competes. These are: (1) customer and competitor information; (2) supplier information; and (3) company capabilities/resources information
8	Vivy Kristinae et al.	2020	The role of powerful business strategy on value innovation capabilities to improve marketing performance during the COVID-19 pandemic	Business Strategy Value Innovation Capability Dynamic Marketing Capabilities Entrepreneurial Orientation Market Orientation Marketing Performance	The results of the research estimate and goodness of fit index and evaluation of business strategies are applied to achieve an environmentally friendly and quality manner for customer support. The research implication is that businesses can continue to implement dynamic business strategies with the business environment in their business practices during the COVID-19 pandemic

9	Jaya Adi Gamma Tengtarto.	2020	Internal Influences Environment, External Environment, Business Ethics and Entrepreneurship Toward Business Performances Through Differentiation Strategies and Competing Superiorities in Small Industries in Surabaya City	Internal Environment, External Environment, Business Ethics, Entrepreneurial Orientation, Differentiation Strategies, Competitive Advantage, Performance of Small Industries	Internal environment, external environment, business ethics, entrepreneurial orientation significantly influences on differentiation strategy
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Based on the description above, the hypothesis of the relationship between external environmental variables and business strategy is as follows:

- H2: The external environment has a significant relationship with business strategy
- H2a: The external environment has a significant relationship with cost advantages
- H2b: The external environment has a significant relationship with differentiation
- H2c: The external environment has a significant relationship with focus

Various research results that found a relationship between business strategy and business performance are presented in full below table 4.

Table 4 Summary of Research Results Regarding the Relationship Between Business Strategy and Firm Business Achievement

No	Researcher	Year	Title	Changeable	Research result
1	Dess, GG, Lumpkin, G.T., Covin, J. G.	1997	Entrepreneurial Strategy Making and Firm Performance : Test Of Contingency and Configurational Models	Entrepreneurial Strategy Making Environmental Strategy Performanve	The present study provides strong support for Phase 1 (...predicted that Entrepreneurial Strategy Making-ESM would emerge as a salient strategymaking mode that organizations utilize) and somewhat mixed support for Phase 2 (...that the relationship between ESM and performance is contingent on strategic and environmental factors).
2	Reginald M. Beal	2014	Competing Effectively: Environmental Scanning, Competitive Strategy, and Organizational Performance in Small Manufacturing Firms	Environmental scanning Competitive Strategy Organizational Performance	This study contributes to the literature by deepening the understanding of the linkages between environmental scanning, environmental conditions, competitive strategy and firm performance. Of the five scope-of-scanning indices, three are positively and significantly related to alignment between competitive strategy and the stage of the industry life cycle in which the firm competes. These are: (1) customer and competitor information; (2) supplier information; and (3) company capabilities/resources information

3	Christian Lechner and Sveinn Vidar Gudmundsson	2014	Entrepreneurial orientation, firm strategy and small firm performance	cost leadership, differentiation, entrepreneurial orientation, firm strategy, performance	The findings show the different impacts of individual entrepreneurial orientation dimensions on competitive strategy and the effects of cost leadership and differentiation on performance. Innovativeness is related most highly to differentiation strategy. Risk-taking and competitive aggressiveness are negatively associated with both differentiation and cost leadership strategies. Both differentiation and cost leadership strategies are positively related to performance
4	Matsuno, K. And Mentzer, J.T	2015	The Effects of Strategy Type on The Market Orientation-Performance Relationship	Strategy, Market Orientation, Performance	Business strategy moderates the strength of the relationship between market orientation and business performance
5	Kumar et al.	2016	Market Orientation and Performance : Does Organizational Strategy Matter?	Strategy Market Orientation Performance	The impact of the magnitude of market orientation on the performance of cost leaders and differentiators was examined using four separate multiple regressions. Based on a review of the health care strategy literature (eg Blair & Boal, 1991), hospital size, profit orientation, location, and age were identified as control variables that may have an impact on performance.
6	I Gusti Ayu Ketut Giantari & I Made Jatra	2019	The Role of Differentiation Strategy and Innovation in Mediating Market Orientation and the Business Performance	Market Orientation Differentiation Strategy Innovation Strategy Business Performance	The research results show that market orientation has a positive and significant influence on business performance, differentiation and innovation strategy. Differentiation strategy has a positive and significant influence on business performance. Innovation strategy has a positive and significant influence on business performance.
7	Klinger, CP at all.	2019	Strategic positioning, differentiation and performance of Brazilian wineries	Strategic positioning, differentiation, performance	The research findings show that there is a positive association between prospector orientation and differentiation. Analyst positioning was negatively associated with differentiation of winery companies. It was also possible to show that Differentiation has a positive relationship with performance
8	Benny Hutahayan	2019	Factors influencing the performance of Indonesian special food SMEs in entrepreneurial orientation in East Java	Entrepreneurial orientation, Business strategies, Government	Business strategies have a significant influence on the performance of SMEs producing Indonesian special food in East Java.

				policies, Performance of SMEs	
9	Jaya Adi Gamma Tengtarto.	2020	Internal Influences Environment, External Environment, Business Ethics and Entrepreneurship Toward Business Performances Through Differentiation Strategies and Competing Superiorities in Small Industries in Surabaya City	Internal Environment, External Environment, Business Ethics, Entrepreneurial Orientation, Differentiation Strategies, Competitive Advantage, Performance of Small Industries	Internal environment, entrepreneurial orientation, differentiation strategies, competitive advantage has a significant influence on the performance of small industries, while external environment and business ethics have no significant influence on the performance of small industries

Based on the description above, the hypothesis of the relationship between external environmental variables and the firm's business performance is as follows:

- H3: Business strategy has a significant relationship with a firm's business performance
- H3a: Cost leadership has a significant relationship with the firm's business achievements
- H3b: Differentiation has a significant relationship with business performance
- H3c: Focus has a significant relationship with business performance

Various research results illustrating the relationship between entrepreneurial orientation, business strategy and achievement are presented in full in Table 5.

Table 5 Summary of Research Results Regarding Entrepreneurial Orientation, Business Strategy and Firm Business Achievement

No	Researcher	Year	Title	Changeable	Research result
1	Culhane, Jann-Marie Hal Vorsen	2012	"The Entrepreneurial Orientation-Performance Range in High Technology Firm : An International Comparative Study	Entrepreneurial Orientation, Organization, Environment, and Performance	Entrepreneurial orientation does not partially determine the firm's performance, however, it is through the interaction of the strategy process and changing conditions In each country's economy, entrepreneurial orientation has a significant effect on firm performance
2	Christian Lechner and Sveinn Vidar Gudmundsson.	2014	Entrepreneurial orientation, firm strategy and small firm performance	cost leadership, differentiation, entrepreneurial orientation, firm strategy, performance	The findings show the different impacts of individual entrepreneurial orientation dimensions on competitive strategy and the effects of cost leadership and differentiation on performance. Innovativeness is related most highly to differentiation strategy. Risk-taking and competitive aggressiveness are negatively

					associated with both differentiation and cost leadership strategies. Both differentiation and cost leadership strategies are positively related to performance.
3	Azilah Kasim1& Levent Altinay	2016	How Does Firm Strategy Affect the Relationship between Entrepreneurial Strategic Orientation and Firm Growth? A Preliminary Analysis on Small and Medium Size Hotels in Peninsular Malaysia	Firm Strategy, Entrepreneurial Orientation, Firm Growth	Regression analysis results show that the hypothesis on positive effect of entrepreneurial orientation (EO) on growth of small and medium size hotels could not be accepted. On the other hand, the hypothesis on the moderating effect of FS on the relationship between EO and growth of small and medium size hotels was confirmed. Based on the findings, several implications are proposed
4	Chih-Yuan Chen, Hui-Hui Huang & Shyh-Chyi Wey.	2017	The mediating roles of differentiation strategy and learning orientation in the relationship between entrepreneurial orientation and firm performance	Differentiation strategy, learning orientation, entrepreneurial orientation, firm performance	Structural equation modeling (SEM) analysis and tests on multiple mediating effects indicate that, through the mediating effect of differentiation strategy, entrepreneurial performance increases growth performance. Moreover, through the mediating effect of learning orientation, entrepreneurial performance
5	Jaya Adi Gama Teng tarto.	2020	Internal Influences Environment, External Environment, Business Ethics and Entrepreneurship Toward Business Performance Through Differentiation Strategies and Competing Superiorities in Small Industries in Surabaya City	Internal Environment, External Environment, Business Ethics, Entrepreneurial Orientation, Differentiation Strategies, Competitive Advantage, Performance of Small Industries	Internal environment, entrepreneurial orientation, differentiation strategies, competitive advantage have a significant influence on the performance of small industries, while external environment and business ethics have no significant influence on the performance of small industries

Based on the description above, the hypothesis about business strategy gives the impression of mediation of the relationship between entrepreneurial orientation and achievement

The firm's business is as follows:

- H4: Business strategy has a mediating effect on the relationship between entrepreneurial orientation and firm business performance

- H4a: Cost advantage has a mediating effect on the relationship between innovativeness and firm business performance
- H4b: Cost advantages have a mediating effect on the relationship between risk taking and a firm's business performance
- H4c: Cost advantage has a mediating effect on the relationship between proactiveness and a firm's business performance
- H4d: Differentiation gives the impression of mediation of the relationship between innovativeness and business achievements
- H4e: Differentiation gives the impression of mediation of the relationship between risk taking and the firm's business performance
- H4f: Differentiation has a mediating effect on the relationship between proactiveness and firm business performance
- H4g: Focus has a mediating effect on the relationship between innovativeness and a firm's business performance
- H4h: Focus has a mediating effect on the relationship between risk taking and a firm's business performance
- H4i: Focus has a mediating effect on the relationship between proactiveness and a firm's business performance
- H5: Business strategy has a mediating effect on the relationship between the external environment and a firm's business performance
- H5a: Cost advantages have a mediating effect on the relationship between the external environment and a firm's business performance
- H5b: Differentiation has a mediating effect on the relationship between external environment and business performance of the firm
- H5c: Cost focus gives the impression of mediation of the relationship between external environment and business performance of the firm

Several studies that look at the role of business strategy in mediating the relationship between external environment and business performance are presented in the table 6 below.

Table 6 Summary of Research Results Regarding the Firm's External Environment, Business Strategy and Business Achievement

No	Researcher	Year	Title	Changeable	Research result
1	OK	2013	Interrogated the nature and effects of EO, business environment and business development services on performance.	entrepreneurial orientation, Business environment, Performance	EO, business environment and business development services have a significant relationship on performance
2	Movondo, Felix T	2013	Environment and strategy as antecedents for marketing effectiveness and organizational performance	Environment, strategy, marketing effectiveness and organizational performance	Business strategy is influenced by the macro and micro surroundings of the organization and significantly directs functional strategy. Business and functional strategies have a significant influence on firm performance.
3	Culhane, Jann-Marie Hal Vorsen	2012	“The Entrepreneurial Orientation-Performance Linkage in High Technology Firm : An International Comparative Study	Entrepreneurial Orientation, Organization, Environment, and Performance	Entrepreneurial orientation does not partially determine firm performance, whereas through the interaction of the strategy process and changes in economic conditions in each country, entrepreneurial orientation has a significant effect on firm performance.

4	Jaya Adi Gama Teng tarto.	2020	Internal Influences Environment, External Environment, Ethics and Entrepreneurship Toward Business Performances Through Differentiation Strategies and Competing Superiorities in Small Industries in Surabaya City	Internal Environment, External Environment, Business Ethics, Entrepreneurial Orientation, Differentiation Strategies, Competitive Advantage, Performance of Small Industries	Internal environment, entrepreneurial orientation, differentiation strategies, competitive advantage have a significant influence on the performance of small industries, while external environment and business ethics have no significant influence on the performance of small industries
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Based on the description above, the hypothesis about business strategy that gives a mediating effect on the relationship between the external environment and the firm's business performance is as follows:

- H5: Business strategy has a mediating effect on the relationship between the external environment and a firm's business performance
- H5a: Differentiation has a mediating effect on the relationship between external environment and firm business performance
- H5b: Focus gives a mediating effect on the relationship between external environment and business performance of the firm
- H5c: Cost advantages have a mediating effect on the relationship between the external environment and the firm's business performance

Various results of previous research on the relationship between entrepreneurial orientation, external environment, business strategy and firm performance illustrate two main lines of relationship, namely: 1) The relationship between entrepreneurial orientation and external environment and business strategy, which includes three sub-relationships, namely entrepreneurial orientation and business strategy, external environment with business strategy, and entrepreneurial orientation and external environment with business strategy; and 2) The relationship between entrepreneurial orientation, external environment and business strategy and firm performance, which includes four sub-relationships, namely entrepreneurial orientation and firm performance, external environment and firm performance, business strategy and firm performance, as well as entrepreneurial orientation, external environment and strategy. business with the firm's performance. More details are presented in Table 7.

Table 7 Summary of Previous Research on Similarities and Differences with Current Studies

No	Researcher	Year	TITLE	Objective	Method	Research Findings	Similarities/Differences
1	Matthews, Charles H.	1990	Small Firm strategic planning: Strategy, environment and performance	To determine the relationship between strategy, type of firm and firm performance	Research in the United States. Sample of 800 owners/managers of 800 firms from the population 9,150 firms	Strategic planning and perception of the uncertainty surrounding the business are important variables in influencing firm performance for both small firms (small business ventures) and medium firms (entrepreneurial ventures).	Both research the relationship between strategy and achievement in small businesses. The difference is that Matthews makes environmental variables a determining aspect between strategy and achievement, whereas in this research, the variable that influences strategy and achievement is

							entrepreneurial orientation.
2	Movondo, Felix T	2013	Environment and strategy as antecedents for marketing effectiveness and organizational performance	To determine the relationship between environmental conditions and strategies in increasing marketing effectiveness and firm performance	This research was conducted in Zimbabwe in the food processing industry using 220 firms as a sample	Business strategy is influenced by the macro and micro surroundings of the organization and significantly directs functional strategy. Business and functional strategies have a significant influence on firm performance.	Both measure the relationship between strategy and achievement. However, the indicators for measuring strategies and achievements between Movondo's research and this research are different, which is also the difference between the two studies.
3	Yan, Jun	2014	Contribution of Leadership, Attitude and Behaviors to Collective Entrepreneurship	To find a conceptual model of collective entrepreneurship and its relationship with leadership and team dynamics	The research was conducted on small family firms in America with a sample of 263 firms	There are two requirements to be able to form collective entrepreneurship, namely attitude and behavior. Attitude requirements include team work satisfaction and team commitment. Behavioral requirements include communication, cooperation and conflict among team members	Both research entrepreneurship and small businesses. While the difference is, Jun Yan emphasizes the contribution of leadership, attitudes and behavior in collective entrepreneurship. This research focuses on the influence of entrepreneurial orientation itself and strategy on firm performance.
4	O'Regen, Nicholas – Ghobadian, Abby	2016	Leadership and strategy : Making it Happened	To determine the relationship between leadership style and strategy formulation and implementation as well as firm performance	Research on small banks in the US and the Netherlands with samples of 48 and 49 small and medium firms respectively with sample respondents of 288 and 294 people	There is a strong relationship between leadership style, strategy and firm achievement which is circular, both in America and in the Netherlands and strategic characteristics are factors that strengthen the	Together, examine strategies and achievements. The difference is, O'Regen - Ghobadian uses leadership variables, while this research uses entrepreneurial orientation variables.

						relationship between leadership style and firm performance.	
5	Gosselin, Maurice	2015	An empirical study of performance measurement in manufacturing firms	To test the performance indicators of manufacturing companies linked to firm strategy, decentralization and environmental uncertainty	The firm strategy used is a balanced scorecard . Meanwhile, achievement indicators reached 73 indicators. The firm's strategy analyzed is Milles and Snow's strategy concept which divides strategy into "prospectors, defenders, analyzers, reactors."	More manufacturing firms use financial performance measures than those that use non-financial measures/ balance scorecards . Regarding the firm's strategy, there is a significant relationship between the strategy used, the level of decentralization and environmental uncertainty and the firm's performance.	Both try to find the influence of the firm's strategy and achievements. The achievement measure used is the same as the balanced scorecard. The difference lies in the environmental variables, Meanwhile, this research includes the variables of entrepreneurial orientation as a study.
6	Eeng Ahman	2016	Influence Manager Competency And Information Access To Competitive Advantage Small Businesses as well The implications To Business Success	To determine the influence of manager competency, access to information and competitive advantage on business success	Research was conducted at the rattan craft industry in Cirebon with took a sample of 104 of 307 industries rattan crafts in Cirebon Regency	The research results show that the manager's competence and access to information influences competitive strategy and achievement.	Both research strategy drivers with the same concept, namely cost advantage and differentiation, and the object of research is small businesses. Meanwhile, the difference lies in measuring achievement.

Based on the study problems and literature reviews that have been described, this study designed an investigation framework as shown in the diagram the following.

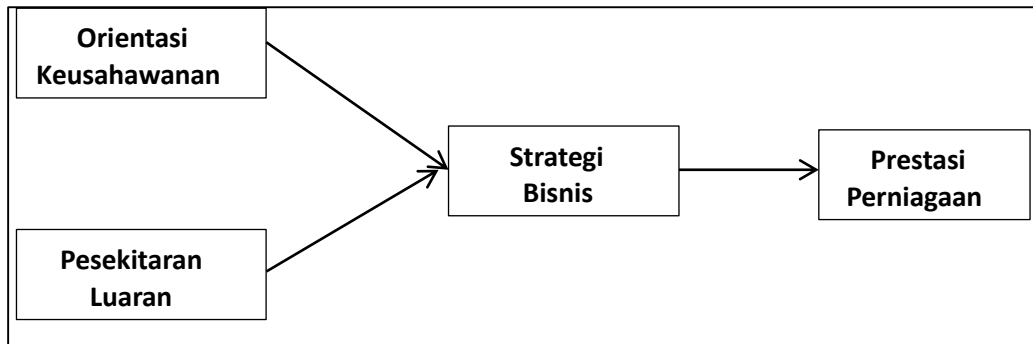


Figure 1 Study Model Framework

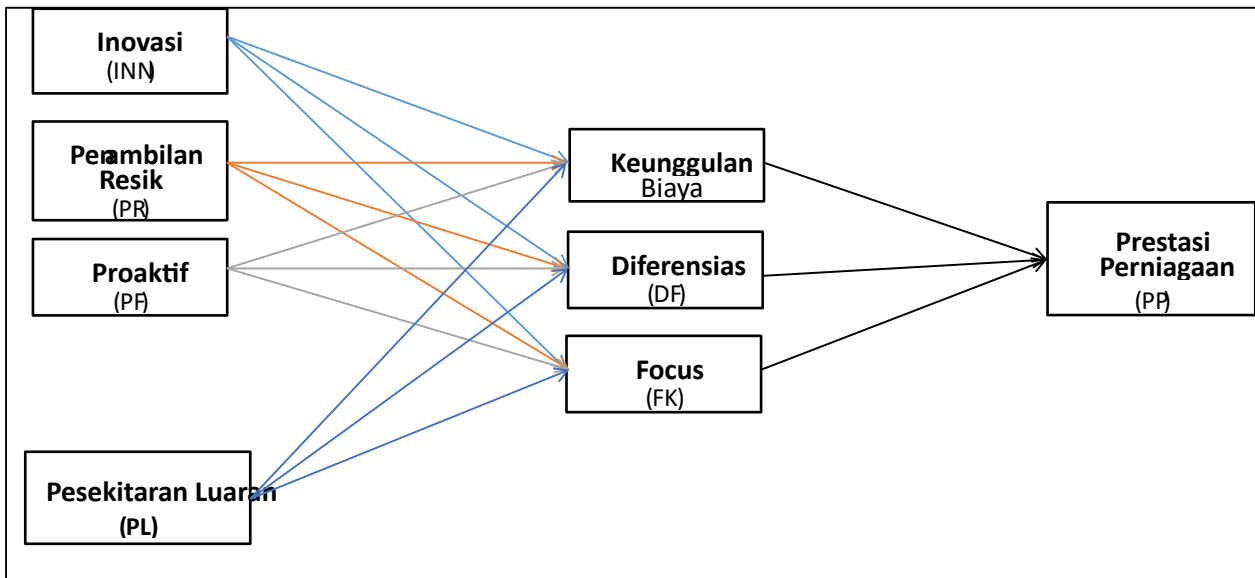


Figure 2 Framework for the Explanation of Study Models

The type of research in this research is quantitative research. According to Sugyiono (2017: 15), quantitative research methods can be interpreted as research methods that are based on the philosophy of positivism, used to research certain populations or samples, sampling techniques are generally carried out randomly, data collection uses research instruments, data analysis is quantitative/statistical with the aim of testing the hypothesis that has been set. Types of quantitative research can be divided into descriptive research and explanatory research (Priyono, 2008). Descriptive research is carried out to provide a more detailed picture of a symptom or phenomenon. The final result of this research is usually a typology or patterns regarding the phenomenon being discussed. The purpose of descriptive research is to describe the mechanisms of a process and create a set of categories or patterns. Meanwhile, explanatory research is carried out to find an explanation of why an event or symptom occurs. The final result of this research is a description of the cause and effect relationship. This research is an illustration of a cause and effect relationship. The aim of this research is to connect different but related patterns and produce a pattern of cause and effect relationships. Based on the explanation above, the type of research that will be used in this research is quantitative research with an explanatory approach. This method is able to describe the achievements of the textile business in West Java. Table 8 clearly explains the advantages of using a quantitative approach over a qualitative approach for this study.

Table 8 Attributes of Quantitative and Qualitative Methodology

Quantitative Approach	Qualitative Approach
Nomothetic Widespread Generalization	Idiographic Intensive Individualistic
Fortune Telling Generalization	Understand Interpretation Contextuality
Deduction Theory driven Hypothesis test Oriented – explanation (endorsement)	Induction Data driven Generating – hypothesis Oriented – discovery (exploratory)
Experiment That's right - experiment Quasi - experiment Non-Experimental Correlation Correlation – comparison Correlation – causal – comparison	Naturalist Case study (narrative) Discourse analysis Conversation analysis Focus set Basic theory Ethnography
Internal validity Validity of statistical conclusions Construct validity Causal validity	Internal Validity Descriptive validity Interpretative validity Exploratory validity
Generalization data interpretation Based on predictions (driven theory) Interpretation of theory	Contextuality data Based on interpretation (data driven) Personnel interpretation

Source: Gelo, Braakman and Banetka (2008)

The advantages of using quantitative methods include the results being more widespread and generalizable, able to explain, driven by theory, able to test hypotheses, authentically oriented and so on.

According to Husein Umar (2008) scientific research steps with using a quantitative research process is as follows:

- Defining and formulating the problem, namely the problem faced must be formulated and clear.
- Literature study, looking for theoretical references that are relevant to the problem.
- Formulate the proposed hypothesis.
- Determine the model, as a simplification to be able to imagine the possibilities after making assumptions.
- Collect data, using appropriate data collection methods and related to the sampling method used.
- Process and present data, using data analysis methods that are appropriate to the research goals and objectives.
- Analyze and interpret the results of data processing (test the proposed hypothesis).
- Make generalizations (conclusions) and recommendations (suggestions).
- Make a final report on research results.

Implementation of the sampling process is important in efforts to collect research data. The discussion of the sampling process includes the study analysis unit, research population and sampling design.

According to Sugiyono (2014) states that the unit of analysis is the unit being researched which can be an individual, a group or a social event setting such as the activity of an individual or group as a research subject . In this study, the unit

of analysis involved is at the company level, namely the textile PKS in West Java which will be represented by the PKS Owner/Manager.

This study uses a primary data collection process obtained directly from the subjects studied in the field (Sugiyono, 2014). In this study, small and medium textile mills are used as primary data. This study uses data collection via post, email or Google form which was chosen by selected respondents because of efficiency in logistical aspects. Through it, a set of questionnaires is provided for the purpose. The data collection process was carried out from August to October 2018.

In this study, the data collection process was carried out based on considerations of conditions in the field where the return of questionnaire answers from respondents was rather low, so it was necessary to review again the number of respondents who would receive the questionnaire. Several studies have increased the number of respondents who will receive questionnaires, such as Zahra (2008) by 23%, Becherer and Maurer (1997) by 31%, Amran (2006) by 38%, Shuhymee (2011) by 41.8% and Yusuf (2002) by 45 %. In this regard, by estimating a rather low questionnaire return and in the interest of obtaining a sufficient sample size of 853 selected PKS (ie 384/0.45) assuming the returned questionnaire rate is 45% as accepted by Yusuf (2002). Table 9 below details the number of samples in the process of collecting study data in the field.

Table 9 Number of Samples for Taking Study Data

County town	Number of Textile PKS	Percent %	Minimum Sample (According to Krejcie & Morgan, 1970)	Number of Samples For Data retrieval
Bandung	2,918	17.5	67	149
Cimahi City	2,043	12.3	47	105
Cirebon City	2,202	13.2	51	112
Tasikmalaya City	2,538	15.2	58	130
Bandung district	3,794	22.8	88	194
Bandung district West	3,128	19.0	73	163
Amount	16,623	100	384	853

So, referring to schedule 3.5 above, the number of samples for the purpose of collecting data for the textile PKS study is 853, consisting of Bandung City 149, Cimahi City 105, Cirebon City 112, Tasikmalaya City 130, Bandung Regency 194 and West Bandung Regency 163. Next, the study questionnaire document was sent to respondents following the list of names and addresses of the selected PKS. Then, by telephone or email, we also confirm the condition of the questionnaire and also ask that the questionnaire be returned after it has been filled out by the respondent.

In detail the operationalization of the variables in this study can be seen in table 10 below:

Table 10 Summary of Study Measures

Section	Variable	Instrument Source	Number of Items
A	Entrepreneurial Orientation		
	Innovative	Miller & Friesen, 1982; Lumpkin & Dess, 1996; Culhane, 2003 Miller & Friesen, 1982;	14
	Risk Taking	Lumpkin & Dess, 1996; Culhane, 2003	9
	Proactive	Miller & Friesen, 1982; Lumpkin & Dess, 1996; Culhane, 2003	9
B	External Surroundings	Matthews (1990), Russell & Russell (2010)	14
C	Business Strategy		
	Cost Advantage	Porter, 1996; Anthony & Govindarajan, 2014	9
	Differentiation	Porter, 1996; Anthony & Govindarajan, 2014	8
	Focus	Porter, 1996; Anthony & Govindarajan, 2014	2
D	Business Performance	Kaplan & Norton, 2000, Wiklund, 1999; Hansen, 1989	14
E	Demographic Profile		
	Respondent		4
	MCC		6

3. Result and discussion

This pilot study was carried out to check the suitability and understanding of the respondents regarding each issue raised (Sabitha, 2005). This study was carried out for a month, namely in June 2019, by receiving answers from 30 sets of questionnaires from textile mills in the Bandung and Kota areas.

Cimahi. This number meets the minimum number suggested by Chua (2006) (between 20 and 40 companies); and Pallant (2007) (30 companies). Based on the answers from the pilot study, a reliability test was carried out on each variable by examining the resulting Cronbach alpha value. The results of the pilot test are as shown in table 11 below

Table 11 Cronbach Alpha (α) value For Pilot Reliability Tests

Variable	Number of Items	α Value of Pilot Study
Business Performance	14	0.932
Entrepreneurial Orientation		0.914 0.905 0.807
Innovative	14	
Proactive	9	
Risk Taking	9	
External Surroundings	14	0.891
Business Strategy		
Cost Advantage	9	0.873 0.852

Differentiation	8	0.705
Focus	2	

The results of the reliability analysis above show that the lowest Cronbach alpha (α) value is the focus variable ($\alpha = 0.705$). In this way, the reliability stage of the variables studied has met the minimum acceptable requirements, namely $\alpha = 0.60$ as suggested by Sekaran and Bougie (2010). The analysis carried out is important to ensure that the measurement instruments used in the study have been tested in terms of the reliability of their content. Apart from that, according to Shuhymee (2011), the importance of pilot studies is in an effort to get an initial picture of the actual study population.

The number of respondents received from 384 entrepreneurs Textile PKS in West Java.

Table 12 Respondent Demographic Information

Demographics	Frequency	Percentage (%)
Male Gender	246	63.1
Woman	138	36.9
Age		
21 – 25 years	73	19.0
26 – 30 years	61	15.9
31 – 40 years	169	44.0
Over 40 years old	81	21.1
Status		
Marry	299	77.9
Not married	85	22.1
Education Stage		
Elementary school	3	8
Junior high school	8	2.1
High school	176	45.8
D3	34	8.9
S1	148	38.5
S2	12	3.1
S3	3	0.8

Details of the company demographics of the respondents can be seen in the following table.

Table 13 Firm Demographic Information

Demographics	Frequency	Percentage (%)
Own Business Ownership Status	293	76.3
Joint/Family Property	12	23.7
Capital Sources		
Owner's equity	223	58.1

Bank Loans	14	3.6
Own & Bank Association	85	22.1
Family Assistance	62	16.1

Table 13 Firm Demographic Information (Continued)

Demographics	Frequency	Percentage (%)
Company Age 5 years – 9 years	256	66.7
10 years – 14 years	93	24.2
15 years – 19 years	17	4.4
Over 20 years old	18	4.7
Total Company Assets		
50 million – 500 million	239	62.2
501 million – 2.50 billion	101	26.3
2.51 billion - 5 billion	30	7.8
5.01 billion -10.00 billion	14	3.6
Total Company Turnover		
300 million – 2.50 billion	282	73.4
2.51 billion – 10 billion	74	19.3
10.01 billion - 25 billion	16	4.2
2.51 billion – 50.00 billion	12	3.1
Total manpower		
5 people – 19 people	124	69.0
20 people – 39 people	65	16.9
40 people – 59 people	25	6.5
60 people – 79 people	11	2.9
80 – 99 people	18	4.7

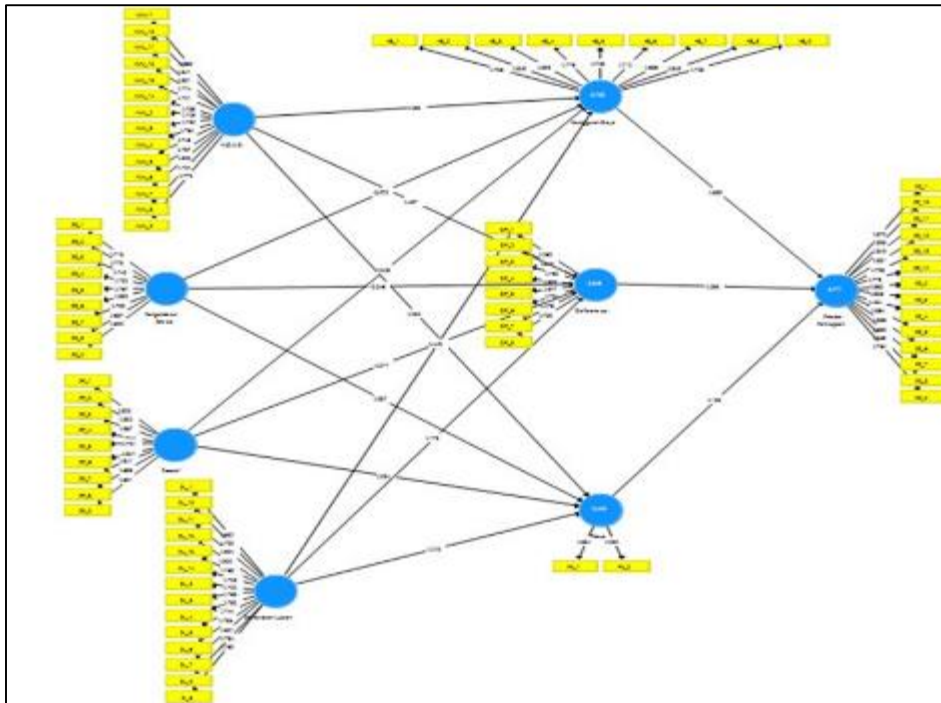


Figure 3 Outer Model Test Results Showing Outer Loading Before Indicator Test

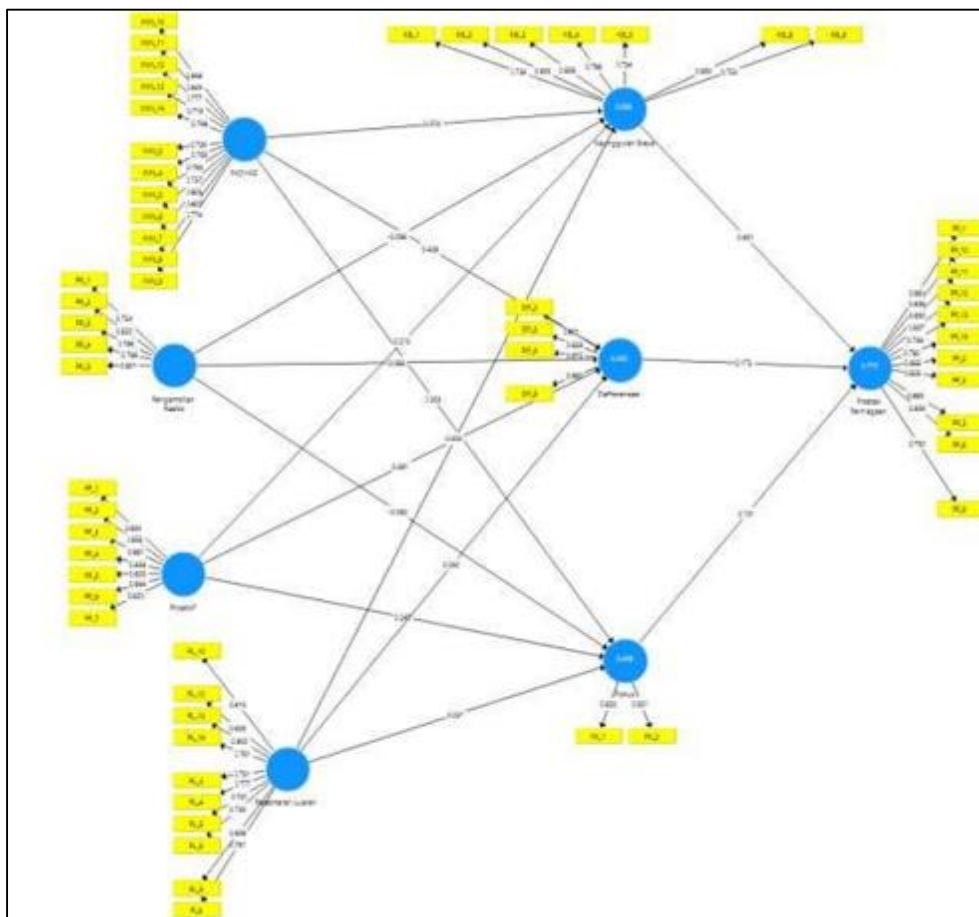


Figure 4 Measurement Model Test Results (Outer Model) which shows the outer loading after the indicator test

Table 14 Average Variance Extracted(AVE)

Construct	Average Variance Extracted(AVE)
Differentiation	0.736
Focus	0.78
Innovation	0.61
Cost Advantage	0.637
Risk Taking	0.609 0.61
External Surroundings	0.685
Business Performance Proactive	0.711

Table 15 Correlation between Constructs (AVE Root)

	DF	FK	INN	KB	PR	PL	PP	P.F	AVE	Criteria (Correlation between >AVE construct	Status
DF	0.858								0.736	0.858>0.736	Valid
FK	0.552	0.883							0.78	0.883>0.78	Valid
INN	0.638	0.621	0.781						0.61	0.781>0.61	Valid
KB	0.594	0.664	0.773	0.798					0.637	0.798>0.637	Valid
PR	0.529	0.533	0.796	0.656	0.78				0.609	0.78>0.609	Valid
PL	0.535	0.592	0.754	0.776	0.715	0.781			0.61	0.781>0.61	Valid
PP	0.643	0.679	0.785	0.854	0.701	0.755	0.828		0.685	0.828>0.685	Valid
P.F	0.61	0.611	0.807	0.742	0.785	0.752	0.748	0.843	0.711	0.843>0.711	Valid

Table 16 Composite Reliability Values and Cronbach's Alpha

	Cronbach' Alpha	rho_A	Composite Reliability
Differentiation	0.881	0.889	0.918
Focus	0.728	0.815	0.876
Innovation	0.942	0.943	0.949
Cost Advantage	0.904	0.909	0.924
Risk Taking	0.839	0.843	0.886
External Surroundings	0.929	0.929	0.94
Business Performance	0.954	0.957	0.96
Proactive	0.932	0.933	0.945

Table 17 Determination Test Results

Changeable	R Square	R Square Adjusted
Differentiation	0.435	0.429
Focus	0.438	0.432
Cost Advantage	0.696	0.693
Business Performance	0.77	0.769

Table 18 Path Coefficient Relationship between Entrepreneurial Orientation and Business Strategy

Modifying Relationships	Original Samples	Samples Mean	Standard Deviation	T Statistics	P Values	Note.
Innovation-> Differentiation	0.428	0.43	0.1	4,271	0,000	Significant
Innovation -> Focus	0.303	0.301	0.076	4,002	0,000	Significant
Innovation -> Cost Leadership	0.374	0.368	0.071	5,296	0,000	Significant
Risk Taking -> Differentiation	-0.068	-0.067	0.086	0.790	0.430	No Sig.
Risk Taking -> Focus	-0.060	-0.06	0.074	0.811	0.418	No Sig.
Risk Taking -> Cost Advantage	-0.096	-0.095	0.058	1,663	0.097	No Sig.
Proactive -> Differentiation	0.281	0.285	0.084	3,329	0.001	Significant
Proactive -> Focused	0.247	0.248	0.075	3,277	0.001	Significant
Proactive -> Cost Advantage	0.213	0.221	0.057	3,742	0,000	Significant

Table 19 Summary of Decision Hypothesis: Direct Relationship of Orientation Modifiers Entrepreneurship with Business Strategy

No. Hipotesis	Pernyataan Hipotesis	Keputusan
H1	Innovation has a significant relationship with differentiation	Accepted
H2	Innovation has a significant relationship with focus	Accepted
H3	Innovation has a significant relationship with cost advantages	Accepted
H4	Risk taking has a significant relationship with differentiation	Rejected
H5	Risk taking has a significant relationship with focus	Rejected
H6	Risk taking has a significant relationship with cost advantages	Rejected
H7	Proactivity has a significant relationship with differentiation	Accepted
H8	Proactivity has a significant relationship with focus	Accepted
H9	Proactivity has a significant relationship with cost advantage	Accepted
H10	The external environment has a significant relationship with differentiation	Rejected
H11	The external environment has a significant relationship with focus	Accepted
H12	The environment has a relationship with significant cost advantages	Accepted
H13	Differentiation has a relationship significant to business performance	Accepted

H14	Focus has a significant relationship with business performance	Accepted
H15	Cost leadership has a significant relationship with business performance	Accepted
H16	Differentiation mediates the relationship between innovation and business performance	Accepted
H17	Differentiation mediates the relationship between risk taking with business performance	Rejected
H18	Differentiation mediates the relationship between proactiveness and business performance	Accepted
H19	Focus mediates the relationship between innovation and business performance	Accepted
H20	Focus mediates the relationship between risk taking and business performance	Rejected
H21	Focus mediates the relationship between proactiveness and business performance	Accepted
H22	Cost leadership mediates the relationship between innovation and business performance	Accepted
H23	advantages mediate the relationship risk taking with business performance	Rejected
H24	Cost leadership mediates the relationship between proactiveness and business performance	Accepted
H25	Differentiation mediates the relationship between innovation and business performance	Rejected
H26	Focus mediates the relationship between risk taking and business performance	Accepted
H27	Cost leadership mediates the relationship between proactiveness and business performance	Accepted

4. Conclusion

This study provides additional understanding of the relationship between entrepreneurial orientation, external environment, business strategy and business performance. As far as theoretical gaps are concerned, these studies empirically examining the antecedents of business strategy specifically lack exploring entrepreneurial orientation and external environment, the mediating role of business strategy on the relationship between entrepreneurial orientation and external environment on business performance where little attention has been paid.

Findings from the research reveal that entrepreneurial orientation (summarizing the dimensions of innovation and risk taking) has a significant relationship with business strategy (summarizing the dimensions of differentiation, focus and cost leadership). Meanwhile, the risk-taking dimension of entrepreneurial orientation has no relationship with business strategy. Furthermore, external environmental variables have a significant relationship with business strategy (encompassing the dimensions of focus and cost leadership). The external environment has no relationship with the differentiation dimension of business strategy drivers. Business strategy enablers (encompassing differentiation, focus and cost leadership) have a significant relationship with PKS's business performance.

In addition, business strategy (encompassing differentiation, focus and cost leadership) mediates the relationship between entrepreneurial orientation (encompassing innovation and proactiveness) and PKS's business performance. Meanwhile, business strategy does not mediate the relationship between the risk-taking dimension of entrepreneurial orientation and PKS's business performance. Furthermore, business strategy (encompassing focus and cost leadership) mediates the relationship between external environment and PKS business performance. Meanwhile, the differentiation dimension of business strategy does not mediate the relationship between external environment and PKS business performance.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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