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Effect of Local Culture and Entrepreneurship Orientation on Business Actor (Study at Small and Medium Industries in Bau-Bau City)

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ABSTRACT

This study aims is to outline and explain the local cultural values potential as source to create performance to build an integrated theoretical model the role of local culture in relation with interaction between entrepreneurial orientation and market orientation and its consequences on enterprise performance. Research results show that local culture directly affects on entrepreneurial orientation, but the effect is indirectly on market orientation, local culture directly affect on enterprise performance. While entrepreneurial orientation directly affect on market orientation, on enterprise performance. Market orientation directly affects on Enterprise performance and businesses learning strengthen the affect of market orientation on enterprise performance.

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INTRODUCTION

Small and medium industries (SMEs) developments attract more attention from experts, especially in developing countries as Indonesia. At least there are three important reasons behind it. First, SMEs has proven as savior in an economic crisis that hit the industry. Second, SMEs have great potential to create more job opportunities when compared with same investment in business with bigger scale. Third, SMEs segment can be found in all sectors of industry, ranging from simple to relatively sophisticated technology. Choung Sum (2004) suggests that SMEs play a pivotal role in relation to economic growth in Asian region. Therefore, SMEs empowerment becomes very strategic because of its great potential to drive economic activity as well as a revenue source to improve welfare of majority society.

Small and medium industries are believed to become main pillar of economic development. Therefore, it should be given encouragement, opportunity, and support as a form of identification with social economy. This industry can be seen as a safety valve in process of national economic recovery and has proved resilient to crisis. Kuncoro (2008) suggests that SMEs are resistant to crisis and was able to survive because it has no external debt, little debt to banks because they are considered not bankable, more local inputs usage, and export-oriented. The role of small and medium industries to boost economic growth and employment is expected to be the first step to move production sector in various business fields.

Although it has an important role in Indonesia economy, some aspects still become obstacle to SMEs, as access to capital, technology and information, markets and marketing, professionalism of human resources, as well as company's management (Kuncoro, 2008). Generally, main problems faced by SMEs in Indonesia are productivity problem. With labor force population and large number (approximately 96%), SMEs business units only contributes less than 60% of total output of national economy. In contrast, large-scale enterprises with a population of only about 1% of total national business control nearly half of national output. This indicates that there is inequality between the productivity of SMEs and large-scale enterprises (Irawan, 2007).

Problems of small and medium industries in Bau-Bau are no different from national level. Marketing issues (eg, product quality standards, demand for products, lack of products variation, implementation of promotional activities and price competition), unstable supply and price of raw materials and other supporting materials (eg, scarcity of raw materials inventory and raw material prices tend to fluctuate) are serious problem faced by silversmiths in Bau-Bau. The problem above increase the poor performance of small and medium industries which are generally more dominant due to traditional technologies usage, lack of capital and managerial aspects,

weaknesses in management, lack of ability in decision making, low quality of human resources, too small business scale, and lack of experience and financial supervision (Scarborough & Zimmerer, 2008).

Bau-Bau can not be separated by tourism. One direct impact of tourism sector development is the growth of small and medium industries. The industry significantly contributes to economy in terms of employment and opportunity to make enterprise. The number of small and medium industries in Bau-Bau in 2008 reached 188,804 units. It consist of 34,425 formal business units and 154,379 informal businesses units. Therefore, a business unit in formal trade sector reached 9.84% and 37.46% for informal, formal agricultural industry is 1.12% and 12.71% for informal, formal non-agricultural sector is 3.57% and 22.06%, for formal industrial sector and various enterprise is 3.71% and informal is 9.53% (Department of Cooperatives and Small and Medium Enterprises of Bau-Bau, 2008).

In deep analysis shows that constraints of small and medium industries are lack of entrepreneurial character and unstable managerial role in managing the business in a changing environment. Scarborough & Zimmerer (2008) look entrepreneurship as result of discipline and systematic implementation process of creativity and innovation to meet needs and market opportunities. Entrepreneurship is seen as creative and innovative capabilities to create basis, tips, and resources to find opportunities for success (Hodgetts, 1992). Therefore, essence of entrepreneurship is the ability to create something new and different through creative thinking and innovative actions (Suryana, 2006).

In effort to create new opportunities an entrepreneur is expected to have ability to implement the management functions in accordance with concept of entrepreneurial orientation (Lee & Peterson, 2000). It was also explained that company acts independently and encouraged to always innovate, risk-taking, proactive, and compete more aggressively to have higher entrepreneurial orientation level.

Research on entrepreneurial orientation has been found that higher company's ability for entrepreneurial orientation creates better enterprise performance (Keh *et al.* 2007; Covin & Slevin, 1991; Smart & Conant, 1994; Wiklund, 1999). It is because a company with a high level of entrepreneurial orientation will always be consistent to product innovation, risk-taking business, and always act proactively against possible environmental changes. According Covin and Slevin (1991) and Miller (1991), company with a high level of entrepreneurial orientation will always try to find new opportunities and strengthen its competitive position in business market activity.

Lim (2002) emphasizes that concept of entrepreneurial orientation development is very necessary in a small enterprise. It is important for personal owner attributes to create entrepreneurial orientation with a strong affect on enterprise performance. Entrepreneurial orientation dimension is reflected in attitudes and behavior, such as autonomy, risk, innovative, and compete aggressively to put personal attributes of business owners. Similarly, Zahra and Garvis (2000), Lumpkin and Dess (2001), and Wiklund & Shepherd (2005) suggested that small companies with entrepreneurship orientation allows to carry out their activities better than competitors. He also explained that entrepreneurial orientation can give contribution on enterprise performance that risk-taking, innovative, and proactive to enable company to beat competitors (Miller & Friesen, 1982; Wiklund, 1999). Given the importance of entrepreneurial orientation to business success and more personal, it is important for small companies to further develop entrepreneurial orientation (Lim, 2002; Zahra and Garvis, 2000)

In addition to entrepreneurship orientaton, enterprise performance improvement should be done by increasing knowledge and marketing concepts understanding. Kotler and Keller (2009) look the marketing concept as fundamental principle of marketing management to assist companies in determining the consumer's desires and needs and how to satisfy them. The concept explains that marketing performance can be affected by marketing management philosophy development that more market-oriented to support different marketing mix strategy. Kohli and Jaworski (1990) uses market orientation term as the application of marketing concepts, meaning that businesses always apply marketing concepts in any business activities.

Market orientation is a set of behaviors and functions (Jaworski & Kohli, 1990) and a set of cultural beliefs (Narver & Slater, 1990) where company put customer satisfaction as the main target or customers-oriented (Kotler & Keller, 2009). From behavior and function perspective, market orientation is conceptualized as a three-dimensional construct including acquisition of intelligence, intelligence dissemination, and responsive attitudes. Adversely, culture perspective, market orientation is most effective and efficient business culture to create superior value for customers to improve enterprise performance. Market orientation is actualized through of market information development, competitors, and market information distribution at all organization lines to provide strategic path to improve performance through the introduction of customer needs and their efforts should be made to satisfy them (Kohli & Jaworski, 1990 and Narver & Slater, 1990).

Various concepts of market orientation explains that market-oriented company will continuously strive to respond to consumers needs in order to always able to meet customer needs better than competitors (Kohli & Jaworski, 1990; Narver & Slater, 1990; Ruekert, 1992 ; Greenly, 1995). Furthermore, Greenly (1995) suggested that market orientation is a very appropriate strategy when used in turbulent markets. This is because the effect of market orientation on enterprise performance will depend on organizational environment characteristics (Jaworski & Kohli, 1993). Environmental characteristics include market turbulence; competitive intensity; and

technological turbulence (Greenly, 1995). Research results of Vitale *et al.* (2002) and Keh *et al.* (2006) stated that better implementation of market orientation and entrepreneurial orientation will increase enterprise performance.

Research on entrepreneurial orientation and market orientation concept as well as the impact on enterprise performance has been widely performed. It is found that companies with ability of entrepreneurial orientation and market orientation tends better to achieve higher performance in terms of market share, speed entering to market, and product quality level (Gima & Anthony, 2001). It was also explained that entrepreneurial orientation and market orientation directly interconnected and have a strong impact to support to perform better (Becherer & Maurer, 1997; Vitale *et al.* 2002; Todorovic & Ma, 2008). Therefore, it can be concluded that entrepreneurial orientation and market orientation are very important to bring company towards superior performance.

Todorovic and Ma (2008) try to develop the relationship between entrepreneurial orientation and market orientation and its affect on enterprise performance in cross-cultural perspective. Specifically, Todorovic and Ma stated that previous studies on relationship between the two constructs are only performed in western countries. Most studies were conducted by western culture reflected in grow economic environment. Research in western culture countries tends to more emphasis on environmental forces effect on market orientation so ignoring the affect of national culture on market. The researches are more focused orientation to describe national cultural values role in relation to interaction of entrepreneurial orientation and market orientation and its consequences on enterprise performance. These studies found that values within national culture will affect the interaction between entrepreneurial orientation and market orientation to affect enterprise performance.

Although more researches has been done, research on entrepreneurial orientation and market orientation become more interesting to study, especially in small companies. Sinkula and Baker (2009) look entrepreneurial orientation and market orientation as two interrelated constructs, but having different effects on entrepreneurial performance. Orientation reflects the extent company's growth target is triggered by identification and exploitation of untapped market opportunities. Adversely, market orientation reflects the extent of company's strategic market planning is triggered by customer and competitor intelligence. He also explained that when modeled separately, entrepreneurial orientation and market orientation directly affect on performance. But when modeled simultaneously, the direct affect on performance of entrepreneurial orientation in that mediated by innovation success then entrepreneurial orientation becomes antecedent of market orientation. Sinkula and Baker results contradicted by several previous studies (Becherer & Maurer, 1997; Vitale *et al.* 2002; Todorovic & Ma, 2008) which states that entrepreneurial orientation and market orientation are complementary constructs that together affect the performance business.

Global competition requires every company to improve the learning capabilities. Baker and Sinkula (2009) said that learning needs to be done by company to improve the entrepreneurial orientation and market orientation in order to adapt to its environment. Some studies of marketing, entrepreneurship, and strategic management stated that entrepreneurial orientation and market orientation requires organizational systems (such as facilitative leadership and decentralized planning) and values are reflected by company to facilitate the learning orientation towards generative learning (Covin & Milles, 1999; Naver & Slater, 1995; Senge, 1990; in Baker & Sinkula, 2009). Therefore, continuous learning process is needed by each company to improve the ability of entrepreneurial orientation and market orientation.

Sangkala (2007) explains that knowledge, experience, and creativity will only be created when a person is given the opportunity to learning. This is because in short term learning can change a person's attitude and performance, while in long run will able to nurture one's identity and power adaptability for success (Hall, 1996 in Sangen, 2005). Jemenez & Navarro (2006) looked at learning factor to determine business growth to strengthen the affect of market orientation on enterprise performance. Therefore, companies who learn become more effective than the competitors and will able to make improvements faster to create superior new products, improve profitability, market share and competitive advantage.

Baker & Sinkula (2009) look learning, entrepreneurial orientation and market orientation as culture concepts that reflected in company's organizational culture. According Chouke & Armstrong (2000) organizational culture is not only to be one important factor as a key driver in development and success of large companies, but also important for small companies. While Mueller & Thomas (2000) argue that culture is an important variable to determine the entrepreneurial potential that is determined by beliefs, values, and norms within it. Accordingly, many works state about the key role of culture to achieve organizational excellence (Schein, 2004). This is because organization culture is able to create groups within organization to make change and coordinated action against competitors, customers, and various processes within organization (Susanto *et al.* 2008), so it can become a source of competitive advantage to improve enterprise performance (Lee & Yu, 2004).

Several empirical studies have described the important role of organizational culture to enhance performance effectiveness. Denison and Mishra (1995) explain that organizational culture is an integral part of adaptation process and very useful as a determinant of organizational performance and organizational

effectiveness. Research of Cadwell *et al.* (1991) and Sheridan (1992) in Sutrisno (2007) showed high values of organizational culture to affect behavior and attitudes of individuals. They found an association between person-organization fit with level of job satisfaction, commitment and employee turnover. This means that individuals who consistent with organization's culture have a tendency to have higher job satisfaction and commitment that significantly affect the organization effectiveness through higher productivity and quality of output improvement. The results of several previous studies concluded that organizational culture can improve the implementation of market orientation (Kwaku 1998; Iweka 2007), entrepreneurial orientation (Mueller & Thomas, 2000; Baker & Sinkula, 2009), and enterprise performance achievement (Lee & Yu, 2004; Kotter & Heskett, 1997).

The main pillars of Buton cultural strength was reflected in life philosophy that portrayed in Buton religiosity, known as the '*Man 'arafa nafsahu faqad 'Arafah rabbahu*' (anyone who knows him so he knows his God). Values above can be interpreted as religious belief where work is worship in form of devotion and gratitude that gives meaning for "his existence in presence of Divine". In this sense there is an urge to always become creative community to works optimally, earnest and willing to explore to make himself as the best man vertically or horizontally, which is always trying to keep and maintain personal appearance on earth, not deviate, because it is a form of rebellion, disobedience and even self-harassment as God servants.

Buton society understand that earth was created as an examination for those who have the best work ethic, although we must realize that work must be done with full of challenges, not monotonous, always try to find new breakthroughs (improvement) to make changes and do not feel satisfied doing good to realize optimal performance based on honesty as evidence and motivation of self devotion to God Almighty.

Confidence value in work ethic context with divinity orientation is consistent with study of German sociologist Weber on "ethos Protestantism" and "Calvinism" in Europe, which believes that in order to get assurance of heaven from God they have to work hard in world (in order to get wealth) while maintaining the ascetic attitude: frugal, not dissipate, charity etc. Superior economic values in this respect can be traced directly from the values of their religious beliefs.

They are aware and convinced that God love to workers. God will only serve those who serve. Someone will be chosen as servants when they work sincerely and honestly, so that work value for the Protestant adherents become superior motivation, by working I will become choice servant.

Studies that consistent with Weber, whether conducted by Bellah, and Fukuyama, indicate fully that principles of progress value are not only owned by people of Europe. Countries that have different values from the European civilization, such as Asia, can only obtain a similar stage of progress that other countries and regions, including our own land Butuuni.

Second pillar of work ethic is association value philosophy of "*Pobhinci-bhinciki coolie*", which emphasizes to essence of work based on mutual "*Pomae-maeakan* (mutual glorified)", "*pomaamasiakan* (mutual love)", "*popia-piara* (mutual care)", and "*poangka-angkataka* (mutual support)" in form of "people respect "as a force to unite in excellence for any work done.

The way we respect others are a measure of how much we love and respect for ourselves. Mutual respect will be able to strengthen the brotherhood and establish good relationships within community, kinship expansion and to build relationships. It is possible that we can put aside differences and equally active develop them, create, innovate, and achieve self-reliance in form of "team work".

Third pillar of work ethic is unity value philosophy of "*Yinda Poromu saangu pogaa Yinda koolota*" (unity without union-divorced without space) is the essence of unity value and solidarity must be built in a format that is strong and supported by a high sense of solidarity without leaving the traits and characteristics of its culture. In corporate context, loyalty to collective agreement as outlined in vision and mission of transparent over a planning blueprint for progress must be upheld.

If every aborigine has the awareness to understand each other, region will certainly create difference to create togetherness. Unity in diversity slogan is needed to be built in our lives. Unity in diversity will foster the spirit of competition in virtue that will produce a strong and prosperous society by promoting a sense of solidarity, unity and cooperation in form of unity in building "*lipu*" (region).

Forth pillar work of ethic fourth is struggle philosophy value of "*Yinda-yindamo arataa somanamo karo* (willing to sacrifice wealth for soul salvation)", "*Yinda-yindamo karo somanamo lipu* (willing to sacrifice self for country/region salvation), "*Yinda-yindamo lipu somanamo sara* (willing to sacrifice country/region for government salvation)", "*Yinda-yindamo sara somanamo agama*" (willing to sacrifice government for religion salvation).

National culture grows and develops in a society at a region. To understand national culture concept, we can see work of Hofstede (1991) who examines the concept of national culture by using the basic concept value of Kluckhohn and Strodtbeck (Sobirin, 2007). Culture is a set of values to affect not avoided behavior (Hodgetts & Luthan, 1994) and can affect in human life (Schwartz, 1992; Triandis, 1995 in Supoyo, 2009). Therefore, culture is a force to affect all aspects of organization activities (Schein, 2004). National culture also will constantly affect on work values in an organization (Hofstede, 1991). Furthermore Taliziduhu (2005) suggests

that organizational culture will always be affected by environment in which the organization is located. Therefore, national culture will have a greater impact on employees rather than the organizational culture of company itself (Robbins, 2002: 252).

This study refers to organizational culture theory (Schein, 2004; Koentjaraningrat, 2005) and organizational culture theory (Hofstede 1991; Denison, 1992; Kotter and Heskett, 1997) by using the values within THK culture in organization practice. As a system, Koentjaraningrat (2005) divides culture into three basic elements as values, social and material subsystem. While Schein (2004) divides culture into three levels, namely artifacts, beliefs and values, and basic assumptions which explain the third level contain both values and practice. Relation of local culture as a culture system for local cultural elements Buton namely: *Man 'arafa nafsahu faqad' Arafah rabbahu* becomes a reflection of divine, "*Pobhinci-bhinciki coolie*", which emphasizes to essence of work based on mutual "*Pomae-maeakan* (mutual glorified)", "*pomaamasiakan* (mutual love)", "*popia-piara* (mutual care)", and "*poangka-angkataka* (mutual support)" in form of "people respect "as a force to unite in excellence for any work done.

"*Yinda Poromu saangu pogaa Yinda koolota*" (unity without union-divorced without space) is the essence of unity value and solidarity must be built in a format that is strong and supported by a high sense of solidarity without leaving the traits and characteristics of its culture. This philosophy is a reflection humanity orientation

The concept development of organizational culture in this study is characterized by culture values within THK culture with *parahyangan* element (harmonization relationship with God) was never investigated. Dimensions of *parahyangan* are analogous to basic assumptions (Schein, 2004) and subsystem value (Koentjaraningrat, 2005) and are a behavior that tends to be difficult to change because it contains invisible values (Kotter & Heskett, 1997; Denison, 1992). Hofstede (1991) considers that basic assumption is religious where majority of people in Asia use it as a way to avoid uncertainty (uncertainty avoidance).

Organizational culture that characterized by concept of *Tri Hita Karana* (THK), especially from the deity aspect (*parahyangan*) is a research gap that become this dissertation focus for of study completion. The research gap is lack clarity of cultural values role and religion in business activity due to previous researchers have not managed to explain it. This has become one of considerations to make this research needs to be done.

Methods:

Samples:

This study population is all medium-sized companies in Bau-Bau. Samples were obtained through stratified random sampling method, based on amount of assets owned of secondary data, with amount of 110 Medium Enterprises

Analysis methods:

The analytical method used is Partial Least (PLS). It is because Non Government Organization (NGO) role and Business Owners Welfare are explorative variables although it is reflective.

Results:

This study used structural equation modeling with Partial Least Square (PLS) approach. Before analyzing, evaluation of empirical research models is done. The test results are follows.

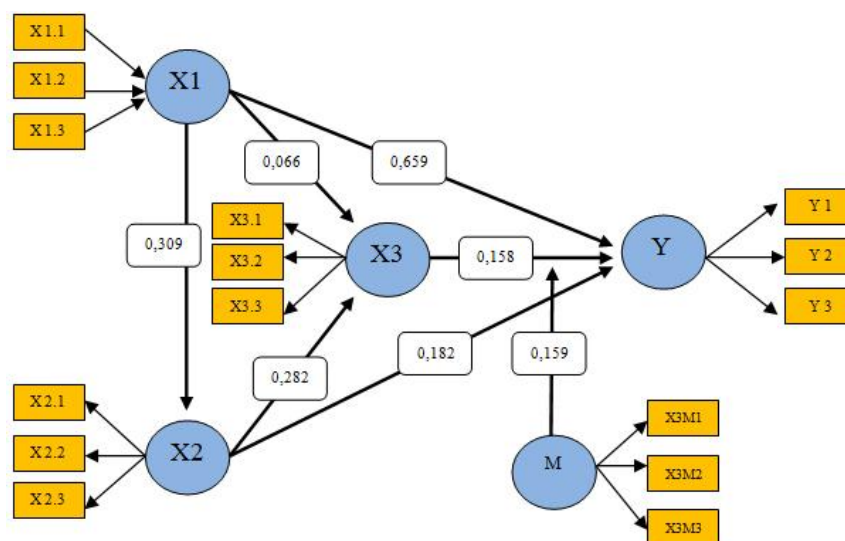


Fig. 1: Analysis result with PLS.

Goodness of Fit models in inner structural model using predictive value-relevance (Q^2) has value of 0.7906. The result above shows the predictive value-relevance of $0.7906 > 0$. It means that 79.06% of variation in enterprise performance variables (dependent variable) is explained by independent variables. Therefore, the model has relevant predictive value.

Hypothesis Testing Results:

Hypothesis test results with Partial Least Square shows that six hypotheses are significant and one hypothesis is insignificant. Hypothesis testing is done by t test for each path between the affect of independent variables on dependent variables. The results are shown in Table 1

Table 1: Hypothesis Testing Results.

Independent variables	Dependent variables	Path coefficient	t-stat	p-value	Description
Local Culture (X1)	Entrepreneurship Orientation (X2)	0.309	3.050	0.002	Significant
Local Culture (X1)	Market Orientation (X3)	0.066	0.509	0.611	Insignificant
Local Culture (X1)	Enterprise performance (Y)	0.659	2.715	0.000	Significant
Entrepreneurship Orientation (X2)	Enterprise performance (Y)	0.182	3.195	0.001	Significant
Entrepreneurship Orientation (X2)	Market Orientation (X3)	0.282	3.403	0.007	Significant
Business Empowerment (M)	Enterprise performance (Y)	0.436	2.268	0.023	Significant
Market Orientation (X3)	Enterprise performance (Y)	0.158	2.889	0.001	Significant
X3 M	Enterprise performance (Y)	0.159	1.997	0.046	Significant

Source: Primary data processed

Model relationship between latent variables and moderator variables are presented in Figure 2

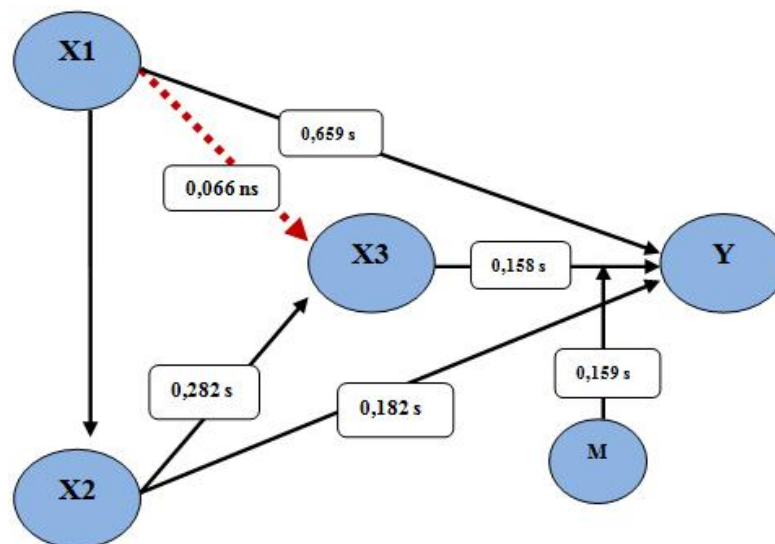


Fig. 2: Path Diagram Hypothesis Testing.

Path coefficient analysis results the direct effect of local culture on entrepreneurial orientation shows significant positive coefficient. Positive path coefficient means that there is direct relationship between local culture and entrepreneurial orientation. Therefore, better application the values of local culture in SMEs in Bau-Bau makes entrepreneurial orientation ability will be higher.

Path coefficient analysis results the direct affect of local culture on enterprise performance shows a significant positive value. This indicates that there is a significant effect of local culture on enterprise performance. Positive path coefficient means there is a relationship between the direction of local culture and enterprise performance. It can be explained that better implementation of local cultural values can increase enterprise performance of SMEs in Bau-Bau. Therefore, it can be explained that the better entrepreneurs maintain harmonize relations with stakeholder, environment and maintain harmony with God's, it will have a positive impact on enterprise performance.

Path coefficient analysis results the direct effect of entrepreneurial orientation on market orientation shows significant positive path coefficient values. This shows that ability of entrepreneurial orientation affect on implementation of market orientation (Table 1). Path coefficient is positive, meaning there is a unidirectional relationship between entrepreneurial orientations on market orientation. Higher ability of SMEs entrepreneurship orientation in Bau-Bau create better implementation of market orientation.

Path coefficient analysis results the direct effect of entrepreneurial orientation on enterprise performance show significant positive path coefficient values (Table 1). It show that ability of entrepreneurial orientation affect on enterprise performance achieved. Positive path coefficient means that there is a unidirectional relationship between entrepreneurial orientation and enterprise performance. Better ability of SMEs entrepreneurial orientation in Bau-Bau maka enterprise performance increase.

Path coefficient analysis results the direct effect of market orientation on enterprise performance show significant positive path coefficient. It indicates that implementation of market orientation affect on enterprise performance. Positive path coefficient means that there is a unidirectional relationship between market orientation and enterprise performance. Therefore, it can be explained that higher implementation of SMEs market orientation in Bau-Bau makes makes higher enterprise performance.

Path coefficient analysis results the direct effect of local culture on implementation of market orientation shows positive path coefficient, but insignificant. This suggests that local culture affect on implementation of market orientation through entrepreneurial orientation capabilities. Path coefficient is positive but insignificant means that there is unidirectional relationship between local culture and market orientation, but the effect is not significant. Therefore, it can be explained that implementation of local cultural values as maintain harmony with God, between people, and new environment able to improve the implementation of market orientation in form of market knowledge, dissemination of market information, and contributes to entrepreneurs activity in marketing ability if entrepreneur dare to take the risk in associated with businesses, supporting change and innovation, as well as proactive and compete more aggressively.

Business learning is a continuous capabilities process improvement through higher knowledge and better understanding of business phenomena. Learning is seen as a creative organization, skills, and knowledge transfer who in turn is expected to improve behavior as the elaboration of insight and new knowledge. Learning is process to measure the ability of an entrepreneur who can be affected by education and training followed, mentoring or guidance, experience, and environmental effects as well as one's experience from birth. Learning development in some individuals, teams and business learning has been widely known. Every organization always need learning if want to succeed in a complex world, competitive, and challenging.

Conclusions and recommendations:

Better application of local cultural values is done by always keeping the harmonize relationship with God; among human and environment improve the enterprise. Local culture values has not proved able to contribute in strengthening the implementation of market orientation. Entrepreneurial orientation and better market orientation is perceived by respondents. Therefore, courage to take business risks, always supportive to change and innovation, and compete more aggressively in market are important factors to become intelligent above competitors and customers.

Higher ability of entrepreneurial orientation is proved increase the market orientation. Higher ability of entrepreneurial orientation was instrumental to bring company towards superior performance. The interaction between business learning in form of education and training, guidance, and learn from the experience with market orientation is proved to increase the effect of market orientation on enterprise performance. Based on research findings, intensive and continuous formal education and training programs play an important role in learning process of business.

Suggestion:

This study provides some opportunities for academics to conduct researches in future. Researches need to exploit more deeply about the role of local cultural values in relation to interaction between market orientation and entrepreneurial orientation and its consequences on enterprise performance for different objects. All constructs used in this study were measured by respondents' perceptions. Future research is expected to take measurements, especially on enterprise performance, based on measures as real financial ratios.

This study explores the market orientation based on three dimensions of market knowledge, dissemination of market information, and marketing contributions. Future research needs to explore other dimensions, for example; customer orientation, competitor orientation, and coordination among functions. Based on research findings, following suggestions can be submitted to Small and Medium Industries management in relation to organizational culture, entrepreneurial orientation and market orientation in order to create superior performance. Small and Medium Industries are expected to more emphasis on application of local culture values in organization culture. Small and Medium Industries are advised to pay more attention to harmonize the relations between people (*pawongan*) to create a harmonious atmosphere and sense of togetherness in company vision and mission.

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