



Entrepreneurship Orientation for Building Business Performance: An Empirical Study Distro Small Medium Enterprises Bandung City

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ABSTRACT

The article aims to examine the influence of entrepreneurial orientation on buyers' relationship, suppliers' relationship, and complementary products relationship and the implications on business performance. The research method used was descriptive survey method and explanatory survey with a sample size of 200 respondents, namely entrepreneurs of Bandung City distro. The results (findings) in this research were entrepreneurial orientation, buyers' relationship, suppliers relationship, and complementary products relationship carried out by the entrepreneurs were quite good and can lead the high business performance of distro entrepreneurs. The entrepreneurial orientation has effect on buyers' relationship, suppliers' relationship, and complementary products relationship. Likewise, buyer's relationship, suppliers' relationship, and complementary products relationship simultaneously affect on business performance. Complementary products relationship partially more dominant in influencing business performance.

Keywords: Entrepreneurial Orientation, Relationship, Business Performance

JEL Classifications: M21

1. INTRODUCTION

1.1. Background

Bandung, the city of the largest creative industry in Indonesia, especially for distro, culinary, textile, and other creative products. Distro, stands for distribution stores or distribution outlets, is a shop, which sells clothes and accessories, or even produces them.

Distro is generally small and medium clothes industries, which independently owned and developed by among young people. The products produced by distro sought to be produced in big volume, in order to maintain the nature and the exclusiveness of the products and handicrafts.

This shows that Bandung people are creative. Distro is the largest creative product in Bandung city, yet the distro products still have not become the icon of this city of Bandung, such Joger from

Bali or Dagadu from Yogyakarta. This makes distro business performance of Small Medium Enterprises (SME's) in the city of Bandung is not optimum. This less optimum performance of SME's distro tent to be caused by the inappropriately SME's distro do the relationship with buyers, relationship with suppliers, and relationship with complementary products, it is also because less entrepreneurship oriented. That is why; very important research should be conducted due to the factors that can improve the business performance of SME's distro in Bandung, namely the entrepreneur orientation influence towards developing buyers' relationship, suppliers' relationship, and complementary products relationship. They also have implication on business performance.

1.2. Contribution and Benefits of the Study

The purpose of this paper is to obtain a review of the impact of entrepreneurship orientation (EO) towards buyers relationship, suppliers relationship, and products complementary relationship.

To obtain a review of the impact of buyers relationship, suppliers relationship, and complementary relationship toward business performance.

The technical article will serve the entrepreneur of distro in Bandung. It will serve even entrepreneur of the distro of Bandung, the student and professors of economic faculties and the analysts or researchers of entrepreneurship.

For this article, we have used available data by the distro of Bandung, as well as other competent authorities that supervise the small and medium enterprises activity.

1.3. Hypothesis

The EO is a view from businessmen to increase business, so the performance of business will raise, then the business will see the opportunities to grab. EO as the process, practice, and decision-making activity that leads to new entry (Madhousi et al., 2011. p. 310). The chances of cooperation could be included relationship building, either by suppliers, the buyer, or complementary products. By doing good relationship, it can increase the added value. The practice of supply chain management from the perspective of the business growth (Supranoto, 2009. p. 21). The dimensions of the EO are innovative, included finding new markets, finding a way to create value to a product subscribers, finding a way to create value to consumers through business relationship with another. Proactive in introducing new products and proactive in fostering relationship, proactive in improving the quality of the product or service (Madhousi et al., 2011; Rasli et al., 2014). To avoid the risks is default (Zenovia, 2011. p. 971).

Buyers relationship in this research is the integration of the sales strategy, marketing, coordinating and services. Business relationship counts on the understandings of mutual business needs, benefits and sincere. Wish to continue the relationship for the common shared objective (Mohanty and Gahan, 2012. p. 323). It can be inferred that business are buyers' strategy relationship and to establish relationships with buyers and give satisfactory services for the buyers. The indicators for buyers relationship, namely: (1) The sharing information of products, (2) the electronic reservation system, (3) the interactive forecasting demands, (4) fast and easy ordering system, (5) the reservation schedule information sharings, (6) sharing of information the process of reservations, (7) the reservations delivery time, sharing informations, (Subramanian et al., 2010. p. 292); (Evelyne and Ann, 2007. p. 3).

Supplier relationship is considered to be a partnership and is valuable for the firm as it can be a source of competitive advantage (Meng and Elliott, 2009. p. 3). Relationship with suppliers are built from some ways namely: Providing technological assistance to a suppliers, giving (share) information on prices to major supplier, requiring sharing information on prices from suppliers, making a long-term contract with suppliers, jointing investment with suppliers (Ulku and Schmidt, 2011. p. 21); (Sukati et al., 2011. p. 16); (Imanipour et al., 2012. p. 85); (Ahmed and Jamshaid, 2014); (Siegler, 2012. p. 5).

Complementary relationship defines the relationship strength as the degree to which both parties in a relationship are engaged in an active, long-term working relationship. The construct using indicators of communication, trust, communication, commitment, interdependence, solidarity, satisfaction and co-operation (Burca and Fynes, 2010. p. 7). The indicators of a complementary relationship are sharing information informally, sharing information formally, integration activities, communication needs of the future, the greatest degree of confidence, and information system of mutually compatible (Spiegel et al., 2011. p. 129).

Business performance in this study is the result obtained by the company from marketing measures (Oyedijo et al., 2012. p. 132). The researchers from the thought above, proposed four indicators for business performance, namely: (a) The volume of sales, (b) sales growth, (c) profit, (d) Consumer growth.

1.4. Relationship among EO with Buyers Relationship, Supplier Relationship, and Complementary Relationship

The orientation of entrepreneurship is a view from businessmen to increase business, so the performance of business will raise, then the business will see the opportunities to grab. The chances of cooperation could include the relationship building, either by suppliers, the buyer, or complementary products. By doing good relationship, can increase the added value Jeong (2006). Zenovia (2011. p. 971) said, that the concept of entrepreneurship is seen as the process of uncovering and developing an opportunity to create value through innovation and seizing that opportunity without regarding to either resources (human and capital) or the location of the entrepreneur - in a new or existing company.

1.5. Relationship among Buyers Relationship, Supplier Relationship, and Complementary Relationship with Business Performance

Mohanty and Gahan (2012. p. 323) said buyers relationship is an approach to understand each other in meeting the needs of business, the benefits, and services to buyers who focus on long-term development and sustainable relationship with the buyer can give added value for buyers and companies, so buyers relationship has effect on business performance. Sukati et al. (2011. p. 16) said that supplier relationship is considered to be a partnership and is valuable to the firm as it can be a source of competitive advantage, refer to their research that supplier relationship also has affect on business performance. Spiegel et al. (2011. p. 129) said that two complementary products are perceived as one product, such the consumer perceives as a bundle of products. The consumer perceives the prices of both products as a price of one bundled product for increasing business performance.

The hypothesis of the research based on the framework of thought on the hypothesis in this research is as follows.

1. EO has impact on buyers relationship, suppliers relationship, and complementary relationship
2. Buyers relationship, suppliers relationship, and complementary relationship have impact on business performance.

2. MATERIALS AND METHODS

2.1. The Definition of Variables

The responses were collected on a Likert type scale of 1-5 for all the variables. The measures were tested for reliability and validity. Content validity of measures was established through a panel of judges before using the measure for collecting data for the study.

EO dimensions are innovative, included finding new markets, finding a way to create value to a product subscribers, finding a way to create value to consumers through business relationship with another. Proactive in introducing new products and proactive fostering relationship, proactive improving the quality of the product or service (Qureshi et al., 2012). To avoid the risks is default.

Buyers relationship indicators, namely: (1) The sharing information of products, (2) the electronic reservation system, (3) the interactive forecasting demands, (4) fast and easy ordering system, (5) the reservation schedule information sharings, (6) sharing of information is the process of reservations, (7) the reservations delivery time sharing informations.

Supplier relationship is built from some ways namely: Providing technological assistance to suppliers, giving (share) information on prices to major supplier, requiring sharing information on prices from a suppliers, making a long-term contract with suppliers, joining investment with suppliers.

Complementary relationship defines the relationship strength as the degree to which both parties in a relationship are engaged in an active, long-term working relationship the construct using indicators of communication, trust, communication, commitment, interdependence, solidarity, satisfaction and co-operation. The indicators of a complementary relationship is sharing information informally, sharing information formally, integration activities, communication needs of the future, the greatest degree of confidence, and the system information of mutual compatible.

Business performance in this study is the result obtained by the company from marketing measures. The researchers from the thought above, proposed four indicators for business performance, namely: (a) The volume of sales, (b) sales growth, (c) profit, (d) consumer growth.

2.2. Sample

The study was casual in nature and the survey method was used for data collection. Sample design consists of the size of population, sample element, sampling size and sampling techniques. The population in this research is the entrepreneurs of SME’s distro in the city of Bandung. Sample size is 200 entrepreneur of SME’s distro in Bandung. The technique of analysis used in the test of the hypothesis was the structural equation model (SEM).

There are five variables in this research so that minimum sample size required of 200 SME’s distro. By considering the data came across outliers (Hair et al., 2003. p. 603) and the principle of the sample size the bigger the better.

3. RESULTS

3.1. Validity and Reliability Test

The results of the validity testing for each variable with $r > 0.6$ (Arikunto, 2002. p. 153), show that all the items have greater correlation value. Its means that all items are valid. Then to the test of reliability Cronbach with alpha, then any variables (latent) obtain the value of $\alpha > 0.7$ (Arikunto, 2002. p. 170) it means it’s reliable. The results of testing the validity of an item on the questionnaire to every question with r critical variable > 0.6 shows that all the items have greater correlation value, and expressed validity. Then on reliability testing of 200 respondents, get 0.7 greater of the value alpha reliability for all variables, so it’s declared reliable.

3.2. Hypothesis Testing

The hypotheses testing of the research has been done with each hypothesis in a row, starting from hypothesis one (H1) about the influence of entrepreneurship relationship (KK) and complementary relationship (KPK); hypothesis two (H2), the influence of buyer relationship (KP), a supplier relationship (KK), and complementary relationship (KPK) either simultaneously or partially on the performance of business (KB).

On the analysis of data used a method of SEM and software application processing tool LISREL 8.30 to obtain the summary of the size of the model as indicated in Table 1.

Based on the Table 1, eight indexes are measures of conformity of good models conformity (good fit). The size that have good model index conformity (good fit) namely goodness-of-fit index, root mean square error of approximation, non-normed fit index, incremental fit index, and comparative fit index, other models are less good by the measure of conformity, but still within the scope of conformity marginal (marginal fit). Marginal fit is the condition of the model under the criteria of size measurement absolute fit, and incremental fit, but it can still be continued in further analysis, because it is still close to the size of good fit criteria (Hair et al., 2003). Thus it can be continued in the next analysis.

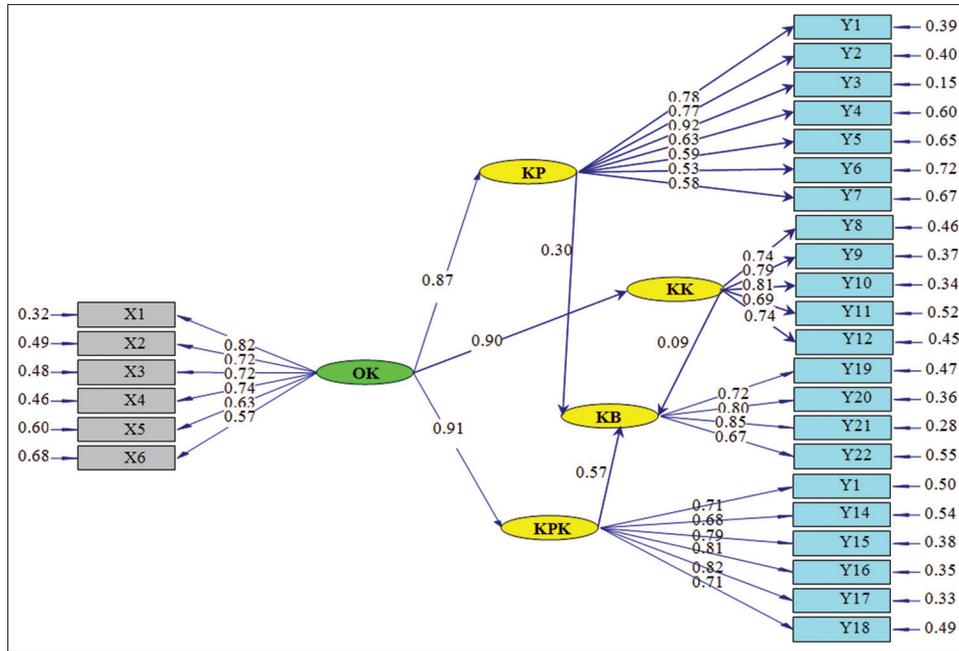
A model using full program of the equation of LISREL 8.30 obtained a diagram of two models, standardized model and t -values model, each model is indicated in the Figures 1 and 2.

Table 1: Goodness of fit measurement

| Indicators of GOF | Expected measure | Estimation result | Comment |
|-----------------------------|------------------|-------------------|--------------|
| Absolute fit measurement | | | |
| GFI | GFI>0.90 | 0.92 | Good fit |
| RMSEA | RMSEA<0.08 | 0.06 | Good fit |
| Incremental fit measurement | | | |
| NNFI | NNFI>0.90 | 0.96 | Good fit |
| NFI | NFI>0.90 | 0.90 | Marginal fit |
| AGFI | AGFI>0.90 | 0.84 | Marginal fit |
| RFI | RFI>0.90 | 0.88 | Marginal fit |
| IFI | IFI>0.90 | 0.97 | Good fit |
| CFI | CFI>0.90 | 0.97 | Good fit |

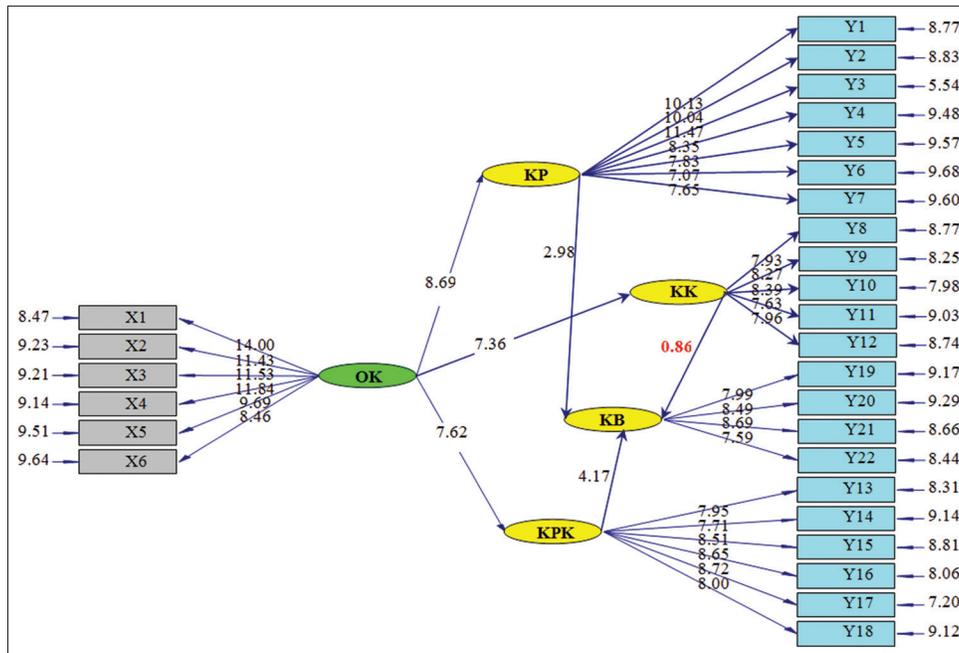
Sources: Analysis data result LISREL 8.30. GFI: Goodness-of-fit index, RMSEA: Root mean square error of approximation, NNFI: Non-normed fit index, NFI: Normed fit index, AGFI: Adjusted goodness-of-fit index, RFI: Relative-fit index, CFI: Comparative fit index, IFI: Incremental fit index

Figure 1: Standardized full model



Chi-square = 784.16, df = 344, P value = 0.00000, RMSEA = 0.060, Where, OK = Entrepreneurship orientation, KP = Buyer relationship, KK = Supplier relationship, KPK= Complementary relationship, KB = Business performance

Figure 2: t-value of full model



Chi-square = 784.16, df = 344, P value = 0.00000, RMSEA = 0.060, Where, OK = Entrepreneurship orientation, KP = Buyer relationship, KK = Supplier relationship, KPK= Complementary relationship, KB = Business performance

4. DISCUSSIONS

4.1. The Impact of EO on Buyer Relationship, Supplier Relationship, and Complementary Relationship

This part had tested the hypothesis of the orientation of entrepreneurship (ξ_1), on the buyer relationship (η_1), a supplier relationship (η_2), and complementary relationship (η_3). The results obtained by using the SEM, in accordance with the hypothesis proposed.

$$KP = 0.87 * OK, \text{ Errorvar.} = 0.25, R^2 = 0.75 \quad (1)$$

(0.100)

8.69

$$KK = 0.90 * OK, \text{ Errorvar.} = 0.19, R^2 = 0.81 \quad (2)$$

(0.12)

7.36

$$\text{KPK} = 0.91 * \text{OK}, \text{Errorvar.} = 0.18, R^2 = 0.82 \quad (3)$$

(0.12)
7.62

Based on 1st, 2nd, and 3rd equation, the size of the influence of direct variable in the orientation of entrepreneurship on buyer relationship is 0.87, the size of a direct impact on EO of 0.90 suppliers relationship, and the size of a direct influence on the EO of 0.91 complementary orientation. Thus EO has effect on buyers, suppliers, and complementary relationship.

Based on 2nd and 3rd equation, it turns out that the value of *t*-value from the influence of EO against buyers relationship is as much as 8.69 > 2, that it could be significant so partial evaluation EO significantly influence the buyers relationship, it means getting support/higher EO/higher relationship with the buyer. Then *t*-value to the influence of EO against suppliers relationship is as much as 7.36 > 2, that it could be significant so partial evaluation EO significantly influence to supplier relationship, it means getting support/higher EO/higher relationship with suppliers. Likewise the *t*-value of EO the influence of the complementary relationship is 7.62 > 2, so significant that can be said, so in partial EO has impact significant on the complementary relationship, it means getting support the orientation of entrepreneurship and high, better and high complementary relationship. With the 1st hypothesis is received, means that the orientation of entrepreneurship has significant influence on buyers relationship, suppliers relationship, and complementary relationship. The analysis result above similar with Madhousi et al. (2011. p. 310); Spiegel et al., (2011. p. 129) research finding.

4.2. The Influence of Buyer Relationship, Supplier Relationship, and Complementary Relationship on Business Performance

On the second had been tested of doing the hypotheses about the influence between buyers relationship (η_1), suppliers relationship (η_2), and complementary relationship (η_3) against business performance (η_4) partially and simultaneously. Results obtained using program SEM similar to the hypothesis proposed:

$$\text{KB} = 0.30 * \text{KP} + 0.093 * \text{KK} + 0.57 * \text{KPK}, \text{Errorvar.} = 0.19, R^2 = 0.81. (4)$$

(0.099) (0.11) (0.14) (0.007)
2.98 0.86 4.17 27.14

Based on equation 4, seen that a direct impact of buyer relationship on business performance is 0.30 with *t*-value is 2.98 > 2 (significant), the supplier relationship have direct impact on business performance is 0.093 with *t*-value 0.86 < 2 (not significant), and the complementary relationship has direct influence on business performance is 0.57 with *t*-value is 4.17 > 2 (significant).

Simultaneously it can be seen from the *F*-value on 4th equation and Figure 2 is 27.14 > 2, so that in simultaneous buyer relationship, supplier relationship, and complementary relationship have significant effect on business performance, it means getting better and better/it increased buyer relationship, supplier relationship,

and complementary relationship, then business performance will increase. Thus then hypothesis 2 received, claimed that buyer relationship, supplier relationship, and complementary relationship simultaneously and partially show significant impact on the performance of business. Complementary relationship has the most dominant impact on business performance. The analysis result above similar (Oyedijo et al. (2012. p. 132); Imanipour et al., (2012. p. 87-88) to research finding.

5. CONCLUSIONS

EO has significant impact on buyers relationship, suppliers relationship, and complementary relationship. However, the orientation of entrepreneurship has the most dominant influence on complementary relationship.

Buyers relationship, suppliers relationship, and complementary relationship have significant impact Simultaneously on business performance. But complementary relationship has the most dominant impact on business performance.

The rise of better entrepreneurship and entrepreneurs SME's distro in Bandung should pay more attention on the raising factors such as precision in finding new markets, exactness in introducing new services and exactness in introducing new products.

In order to increase business performance for distro in Bandung, the entrepreneurs of SME's distro in Bandung in performing business should be more attentive to the elements such as increasing sales growth and consumer growth.

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