

ISBN : 978-602-17129-6-2



**THE 1ST INTERNATIONAL CONFERENCE ON
ECONOMICS, BUSINESS, AND ACCOUNTING**

Proceeding

**“LOCAL WISDOM FOR RE-THINKING
GLOBAL SOLUTIONS”**

Padang, 21st – 23rd September 2016

**FACULTY OF ECONOMICS
UNIVERSITAS NEGERI PADANG**

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Published by :

Faculty of Economics
Universitas Negeri Padang

Proceeding International Conference

“Local Wisdom for Re-thinking Global Solutions”

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PREFACE

This Conference Proceedings contains the written version of most of the contributions presented during the First International Conference On Economics, Business And Accounting (The 1st ICEBA 2016). The ICEBA 2016 is the First International Conference on Economics, Business, and Accounting organized by Faculty of Economics State University Of Padang (Universitas Negeri Padang—UNP), West Sumatera, Indonesia. This conference's objective is to raise awareness on important issues related to the field of economics, business, accounting and economics education and as research discussion forum among academicians in those fields . This years' conference will be held on 21st to 23rd September 2016 in Pangeran Hotel Padang West Sumatera.

The main theme of the 1st ICEBA 2016 is "Local Wisdom for Re-thinking Global Solutions." The focus is to raise the importance of invoking local values, cultures, religiosity, and traditions in carrying out a rigorous and holistic in the field of economics, business, accounting and economics education.

The keynote speech of the 1st ICEBA 2016 will be delivered by the Ministry of National Development Planning / The head of National Development Planning Agency (BAPPENAS), Prof. Dr. Bambang P.S. Brodjonegoro. The scientific program consists of two plenary sessions and parallel sessions of 70 participants from five different countries and 29 universities/institutions. Subjects that are encounter within the theme of the conferences include cultural issues in human reseources management, marketing, Islamic finance, accounting and taxation, governance, and economic education will be discussed. The conference tries to find an alternative solutions for current business and economic problems by envoking local wisdoms to overcome potential cultural barriers.

We would like to thank to all participants for their contributions to the Conference program and Proceeding. We'd also like to acknowledge the financial supports from Bank Indonesia, Bank Nagari and Pegadaian. We hope that all the participants can optimally contribute to the discussion and enjoy the whole conference programs.

Padang, 21st September 2016

Chairman

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DETERMINANT OF ENTREPRENEURIAL ORIENTATION: AN EMPIRICAL INVESTIGATION ON SME

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Abstract

The aim of this study was to determine the level of interest entrepreneurial orientation criteria on SMEs in Payakumbuh. This study was conducted in June 2016. The population of this study were all Small and Medium Enterprises (SME) in Payakumbuh especially for commodity of eminent product and service business such as crackers and similar business, embroidery business, cakes and snacks, and also furnishing business. The data collection technique is by distributing questionnaires. In this study, the data was processed by using Analytical Hierarchy Process (AHP). After data processing, weight was obtained for each of the criteria in order to know the scale of priorities for each criterias of entrepreneurial orientation in Payakumbuh. The results of this study showed that the priorities were used by SME in Payakumbuh for entrepreneurial orientation with the highest score among others: proactive, innovation, and risk taking.

Keyword: *Innovativeness, Proactiveness, RiskTaking, Analytical Hierarchy Process (AHP)*

I. Introduction

Commonly, the small and medium industries have key position in propping up Indonesian's economy. In Indonesia, the small and medium industries are getting off the ground in gather way of unit quantity, labour and contribution to PDB in pricing. This is based on the report of cooperative and small and medium industry ministry of Indonesia. First, the quantity of trade unit is increased from 55.206.444 in 2011 to 56.534.592 or 2.41 %. Second, the quantity of labour absorption in 2011 is increased from 101.722.458 to 107.657.509 or about 5.38 %. Third, PDB for pricing in 2011 is increased from 4.321.830 to 4.869.568, 10 or 13.15 % in 2012.

However, the contribution of small and medium enterprises (SME) by aggregate is not decisive the good work yet in Indonesia. The result of report of Indonesian industrialist association (APINDO) in ASEAN industrialist conference in Singapore May 14, 2012 said that the small and medium industries in Indonesia have not competitiveness yet in facing rivalry because of low entrepreneurship ability especially in product innovation. Second, low of level of expertise in facing organisation problem and management, so incompetent in producing efficiently, flexibility and competitiveness. Third, less of networking soit will be bounded the information access, market and input than SMEs in the other countries. Fourth, linkage restrictiveness, so it has difficulties to exploitation in national and regional market. Fifth, less of financial access so it will give some difficulties in faster developed. Commonly, from the explanations above are the small and medium industries (SME) in Indonesia have not entrepreneurial orientation clearly yet.

The small and medium industry's activity also observable directly in West Sumatera Province that small and medium industry as basic economy of them, especially, the scale small industry is source of income about 80 % from house hold income in west Sumatera (Bank Indonesia, 2012). Some difficulties involved by the doer of small and medium industry cause the majority of SMEunable to increase their income for their needs and industry. Thiswas related to industrial characteristic that have done by industrialist till now; so much more moved in labour intensive house hold industry with lower rank technology. Agree with the report of Indonesian Bank (Bank Indonesia) about preminent

commodity SME of West Sumatera in 2012 said that the highest preeminent industry commodity is crackers, embroidery industry, cake and snack, fermented soybean cake and furniture. Based on the illustrated of the preeminent commodity result, said that four of five preeminent industries have not strong competitiveness yet than the other product in market. Whereas competitiveness intensity of industry is high enough whether the home made product or outside of regional product. The high competitiveness intensity can strengthen and weaken the relationship between capability of entrepreneurial and the doer of small and medium industry in working in West Sumatera, because logically the doer of small and medium industry who has understand about the high competitiveness are increasingly in developing of capability entrepreneurial by innovation, more proactive and risk taking (Forbes, 2005; Rauch, dkk, 2009)

From the illustrated above, it must do a much deeper study about entrepreneurial orientation priority that will be chosen by the doer of SMEs in working. Entrepreneurial orientation consists of (1) innovation by indicator: invention and developing product, superiority of technology, many of line products, change of line products quickly (2) proactive by indicator: quick response to competitor, technology innovated, innovative, and competitive for competitor (3) risk taking by indicator : risker, working in many ways, turn opportunities into potential industry. So that, the aim of this study was to determine the level of interest entrepreneurial orientation in innovation, proactive and risk taking of the doer of SMEs in Payakumbuh.

II. Theoretical Framework

Small and Medium Enterprise (SMEs)

According to small business administration (SBA), SMEs is a business that operated independently and independent property, not dominant in an industry (D' Amboise & Muldowney, 1988; Peterson et al., 1986). Whereas according to the laws number 20 in 2008 said that SMEs is productive economy business that stand-alone, operated by individual alone or business group that not Subdiary company directly or indirectly of small and medium industry as mentioned in the law. The stressing point of the meaning above is certain criteria. Especially the small and medium industry criteria according to the laws number 20 in 2008 was measured by business net worth or sales per year. SMEs have net worth more than Rp 50 million – Rp 500 million (exclude land and business building) or it have income more than Rp 300 million- Rp 2,5 billion per year. SMEs criteria can change suitable with economic developing and regulated by regulation of president. Some meanings and criteria of SMES in Indonesia are also made reference to the laws number 20 in 2008, such as the meaning and criteria according to *Bank Indonesia* said SMEs that company that independent property and operated independently and suitable with criteria of the laws in Indonesia. Based on some meanings above, the writer can conclude that small and medium industry is business that operated and independent property, it have net worth more than Rp 50 million- Rp 500 Million (exclude building and land) or sales per year more than 300 million- 2,5 billion per year

Entrepreneurial orientation

Entrepreneurial orientation is so to speak that the entrepreneurial orientation business when willing innovation, proactive in run the new chance and braveness in risk taking. In this research, the writer was using the Miller's opinion (1983) who introduced specific dimension of business orientation that consists of three dimensions that is innovativeness, proactiveness and risk taking.

Innovation is willing to the newness and novelty by experiment process a creativity to developing product, new service and new process (Dess and Lumpkin, 2005). The first

indicator of entrepreneurial orientation is innovation to reflection the business trends for using and supporting the new ideas, novelties, experiments and creative process to new product, new service, and new technology's process. According to Thompson and Hult (1998) that innovation classically is new concept of novelty implementation, product and new process. In the same meaning, Zaltman et al. (1973) said that innovation is a practice idea and new material of relevant adoption unit. In the other wise, Amabile (1996) definition of innovation is as success implementation of a creative idea in organization or company. Although the trends of innovation are variety by measurement (Hage, 1980) innovation is basic of will to leave the old technology and practice, and seek the novelty to the good way (Kimberly, 1981).

Proactive is characteristic of forward-looking that have foresight for opportunity to anticipate future demand (Dess and Lumpkin, 2005). According to Webster's (1991) proactive is action to anticipate the future problems, needs or opportunities. Based on those definitions, proactiveness is important to entrepreneurial orientation because it will give some forward perspectives that participate in innovative or new opportunities. Miller and Friesen (1978) give the word proactive for company that introduced the new product, new technology, new administrative technique and reactive company for the company that give some responses when competitors do action. The last, proactive is use to illustrating the company that do action fastest to innovation and be the first who introduce the new product or service. Proactive criteria can illustrate by indicator as follow:

Risk taking is readiness of company to decide and do action without certainty of knowledge of income possibilities and do speculation in personal risk, financial and business (Dess and Lumpkin, 2005). The risk taking is indicating of the willing of company to support the innovative project and risk, although the result of that action is indefinite (Wiklund, 1998). The risk has some meanings, depend on implementation of the risk. Definition of risk taking is in definitiveness and it use commonly in types of risk that often discussed in literature of entrepreneurial like personal risk, social risk or psychologies risk (Gasse, 1982). As the inside of financial analysis, the risk is use in business risk; it means that capability of profitability especially. The company with entrepreneurial orientation is related to risk taking such as lend many funds for developed business, to get the higher result by take the chance in the market.

III. Research Method

The type of this research is descriptive research. Malhotra (2005: 93) "descriptive research is the total of one type of conclusive research that has main purpose in explains something. Descriptive research gives some actual facts and characteristics of population systematically and scrutiny. The aim of this study is to collect the data and information to arranged, explained and analyzed. Usually, this research is without hypothesis, if be present the hypothesis so it will not be tested according to statistical analysis (Margono, 2007:8).

Population of research is association of all individual or object of the study that have quality and characteristic which has been set. Based on the quality and characteristic above, we can understand that population is as group of individual who have one similarity characteristic minimal (Cooper and Emory, 1995). The population of this study is all of small and medium industries in Payakumbuh, commodities of eminent product and services business are crackers, embroidery, cake and snacks, and furniture industry.

In this study, the data collection technique is based on probability sampling technique and purposive sampling technique, that is determine sampling technique with a certain considerations (Sugiyono, 2011: 66). The sample in this study is commodities of eminent product and services business of small and medium industry in Payakumbuh. In

this study that into consideration in determining the sample is a sample selected was the subject of small and medium industry such as crackers, embroidery, cake and snacks, and furniture with total 100 samples.

The type of the data in this study is primer data. Primer data is the data that acquired directly from the first source and unworked by either party to certain a study (Cooper & Schindler, 2006). In this study, the primer data is the answers of questioners of leader or owner the small and medium industry of eminent commodity and service business in Payakumbuh.

The writer will get the data by distributing of questioner; that is to collect the data by distributing the list of questions to manager or staff of SMESs as respondent that will study here. The aim of list of questions is to get the information about criteria or sub-criteria of entrepreneurial orientation.

The data analysis technique is using Analytical Hierarchy Process(AHP). Classically, AHP is determination of priority from difficulties involved, whether on criteria or alternative and AHP is using to solve the complex problems. By the decision structure and calculation procedure, so it will get priority recommendation or quality of decision in every offering alternative (Noer, 2010:9).

Analytical Hierarchy Process(AHP) was developing by Saaty. AH is using to solve the problem of complex multi criteria decision. AHP is needed by decision maker to make valuation about criteria and then to determine preferences for every decision alternative by using every criteria. The results of AHP are priority level of decision alternative based on all of preference from decision maker (Nugroho, 2012:261).

The operational definitions of variable of the study areas below. First, entrepreneurial orientation is manager perception of their readiness in innovating, proactiveness and risk taking in business. Second, innovation is readiness to introduce the newness and novelty by experiment process and creativity for product developed whether services or new process. Third, proactive is perspective characteristic that forward-looking of foresight in opportunities to anticipating future demands. And the last, the braveness of risk taking is readiness of company to decide and operate the business without certainty of knowledge from possibilities income and do speculation in personal risk taking, financial and business.

IV. Result and Discussion

General view of study's object of small and medium industry is productive economy business that stand-alone and operated by individual or business group that not subsidiary of company directly or indirectly of medium or great industry that fulfil of SMES's criteria (the laws number 20 in 2008). The short profile of SMES in Payakumbuh is average of age more 10 years by owner age is about 35 years. And average of last education is senior high school, and then income per year of SMES in Payakumbuh is about 150 million per year.

Determined of respondent's criteria in this study is someone who can be representative of information about eminent commodity and service business of SMES in Payakumbuh. Respondent is someone who has experiences in industry's processing and makes decision in company or business. That was determined because respondent will be the true subject that has many characteristics of population.

The valuations of AHP method are; first hierarchy's arranging after doing the study's literature and discussing with owner of SMES. So it will appear some criteria that will be chosen and arrange it in problem's hierarchy with every level is covering some homogeny criteria. Second, priority's arranging in every entrepreneurial orientation criteria. That data that got from questioner to the owner, manager or staff of business in

Payakumbuh was collected and processed by matrix of pairwise comparisons and then give some valuations and consistencies' testing.

Table. 1 pairwise comparisons of SMEs entrepreneurial orientation criteria in Payakumbuh

Criteria	Innovation	Proactive	Risk
Innovation	1	0.914967	1.567239
Proactiveness	1.092936	1	1.636565
Risk	0.611415	0.611036	1

Furthermore, going to do quality's calculation in every entrepreneurial orientation criteria.

Table 2. The quality in every entrepreneurial orientation criteria in Payakumbuh

Criteria	Innovation	Proactive	Risk	Average of Geometry	Quality
Innovation	1	0.914967	1.567239	1.127665	0.368305
Proactive	1.092936	1	1.636565	1.213881	0.396464
Risk	0.611415	0.611036	1	0.720224	0.235231
Total	2.70435	2.526003	4.203804	3.06177	1
				λ maks	2.98636
				CI	-0.00682
				CR	-0.01176

Valuation of criteria

The result of this average of geometry is used as basic in calculation of criteria's quality. Criteria's priority based on quality in every criteria as below:

Table 3. Criteria's priority in sequence

No	Criteria	Sub-Criteria	Quality	Local Quality
1		Rapidly in facing competitor		0.107862
2	Proactive	Introducing the new technology	0.396464	0.158961
3		Very competitive for competitor		0.12964
4		Invention and developing product		0.147647
5	Innovation	Superior technology	0.368305	0.031095
6		Many product line		0.131998
7		Change the product line quickly		0.057565
8	Braveness of	Loving to the risk taking		0.107578
9	Risk taking	Brave in action with many ways	0.235231	0.083021
10		Brave in potential of new opportunities		0.044632
		Total	1	1

Based on the Table 2 the prime priority of SMES's entrepreneurial orientation in Payakumbuh, said that proactive criteria as many 0.397. Then SMES's entrepreneurial orientation priority of criteria is innovation as many 0.368. The last criterion is braveness of risk taking in SMES's entrepreneurial orientation as many 0.235. The highest quality of sub-criteria is introducing the product, technology and new ways. The lowest quality of sub-criteria is superior technology.

A proactive criterion is the highest priority, because according to the owner of SMES in Payakumbuh, SMES's ability in facing competitiveness is so influence the business survival. Because of that, a proactive criterion is the prime priority that must fulfil beside of the others criteria.

The second criteria in SMES's entrepreneurial orientation in Payakumbuh is innovation as many 0.368. The highest sub-criteria is invention and developing product as many 0.148 and the lowest is superior technology as many 0.031. It means that as many 36.8 % of SMES's entrepreneurial orientation is innovation. According to the owner of

SMES in Payakumbuh, innovation is important because of the innovation can defend the consumer taste that is constant.

The last criteria in SMES's entrepreneurial orientation of priority in Payakumbuh is braveness in risk taking as many 0.235. It means as many 23.5 %, the braveness in risk taking criteria is being the SMES's entrepreneurial orientation in Payakumbuh. The highest sub-criteria is loving to the risk taking as many 0.11 and the lowest sub-criteria is many line product as many 0.04. In this case, the braveness in risk taking is not interfering too in SMES's entrepreneurial orientation in Payakumbuh. The opinion of SMES's owner in Payakumbuh, braveness in risk taking criteria is not important too because the high risk can be disadvantageous moreover bankruptcy and it will give some influences for business survival.

V. Conclusion

Based on discussed above, the writer can conclude that the prime priority in SMES's entrepreneurial orientation criteria in Payakumbuh is proactive criteria with sub criteria (1) invention and developing product (2) superior technology (3) many product line. And then, innovation criteria with sub-criteria (1) rapidly in facing competitor (2) introducing the new technology (3) very competitive for competitor. And the last is the braveness in risk taking with sub-criteria (1) loving to the risk taking (2) brave in action with many ways (3) brave in new potential opportunities. So, the suggestion for the doer of SMES is carries out the formulation of entrepreneurial orientation that based on some criteria that explained in this study. The doer of SMES had better to know entrepreneurial orientation criteria. The clear scale in SMES's entrepreneurial orientation criteria can be reference to the doer of SMES in improving action and developing business.

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