

THE EFFECT OF INNOVATION, ORGANIZATIONAL CULTURE AND ENTREPRENEURIAL ORIENTATION ON BUSINESS PERFORMANCE: A STUDY ON SMALL AND MEDIUM ENTERPRISES IN MAKASSAR CITY, INDONESIA

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*Innovation; Organizational culture;
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ABSTRACT

This study aims to examine the influence of innovation variables, organizational culture and entrepreneurial orientation on the performance of small and medium enterprises in Makassar City, Indonesia. The research method used in this research is a quantitative analytic approach with multiple regression analysis, F test, and t-test. The results of this study indicate that simultaneously the variables of innovation, organizational culture and entrepreneurial orientation influence the performance of Small and Medium Enterprises and partially the variables of innovation, organizational culture and entrepreneurial orientation affect the performance of Small and Medium Enterprises. So, it is suggested to small entrepreneurs in particular to maintain their abilities related to innovation and entrepreneurial orientation and to implement organizational culture in carrying out business activities to improve business performance.

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1. INTRODUCTION

SMEs have an important role in the economy in Indonesia. When the economic crisis occurred in Indonesia since 1997, SMEs proved to be resilient and able to support the nation's economy. During the economic crisis, many large companies went bankrupt. This is because most large companies depend on external sources of funding, such as debt. However, this

is not the case with SMEs that rely on personal resources, so that they can survive the economic crisis. With this capability, SMEs act as a buffer for the country's economy, as an alternative to community economic activities, and as job providers.

But on the other hand, competition in various sectors is getting tougher in the current era of globalization. And this competition is unavoidable, not only domestic

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competitors but also many foreign investors are growing into the Indonesian market. To be able to continue to maintain its existence, an SME must compete. There is only one thing that can be done by SMEs if they want to continue to exist without competing, namely by creating blue oceans, Kim (2005) said in the book *Blue Ocean Strategy*, where companies are looking for markets that have no competitors. However, it is not easy for SMEs to create these new markets, so the way to go is to compete.

The Ministry of Cooperatives for Business and Small and Medium Enterprises released that 99.9 per cent of businesses in Indonesia are SMEs, while only 0.01 per cent are large businesses. But if we look at the GDP creation, it turns out that large enterprises are relatively larger than SMEs. This can be seen with only 0.1 per cent, large businesses are capable of creating a GDP of around 39.66 per cent, while MSMEs, which amount to almost 99.9 per cent, are only able to contribute around 60.34 per cent of GDP. This indicates that there is an imbalance in performance and productivity between SMEs and large-scale businesses. The causes of weak performance and productivity of SMEs are strongly suspected to be due to the weak character of entrepreneurship in managing businesses in a business environment that is rapidly changing like today.

MSMEs Makassar City in 2012 had a total of 157 small industrial business units in Makassar City with a total workforce of 1,455 people, the resulting investment value was IDR 49,157,500,000 with a production value of IDR 245,385,820,000. The district with the largest number of business units is Biringkanaya District with 30 business units and the lowest is Ujung Tanah District with 0 business units (Badan Pusat Statistik Kota Makassar, 2014).

For data in 2013 regarding the number of business units, labour, investment value, and production value of small industries in Makassar City, namely the number of small industrial business units in Makassar City as many as 81 units with a total workforce of 368 people, the resulting investment value is IDR 11,146,880,000 with a production value of IDR 43,068,509,000. The district with the largest number of business units is Wajo District with 10 business units (Badan Pusat Statistik Kota Makassar, 2015).

Based on existing data, there has been a decrease in the number of business units by 54%, labour has decreased by 25.29%, investment has decreased by 22.68% and the value of products has decreased by 17.55%. This phenomenon proves that the growth of small and medium industries in Makassar City has a declining rate, the cause of several obstacles faced by small and medium industries in Makassar City, which is strongly suspected due to a lack of innovation, less proactivity and unwillingness to take challenging risks and low business performance and weakness. entrepreneurial

character. This is by the statement of Zimmerer, et al. (2008) that the problems of small and medium enterprises are increasingly complex due to the low performance of small and medium industries which are generally more dominant due to the use of traditional technology, lack of capital and weak managerial aspects, namely weak management skills, weak ability to make decisions, the low quality of human resources, the scale of the business is too small, as well as the inexperience and weak financial supervision of small entrepreneurs, these weaknesses can lead to the failure of entrepreneurial activities, while entrepreneurship is the result of discipline and a systematic process of applying creativity and innovation in meeting needs and market opportunity.

The results of research by David and Edward (1983) have proven that through small industrial business activities it is shown that the ability of capital, the ability to use human resources, the ability to use marketing channels, the ability to produce, and the ability to pay labour wages affect business performance. small industry. Through this increase in internal efficiency and effectiveness and this will happen if there is an interaction between the availability of production factors in an integrative manner with the emergence of external agreements (the opportunities) so that the company can achieve an activity that is considered the best (Primary activities) by Porter (1992).

The results of Read (2000) 's research, testing innovation as a factor of organizational success, show that the implementation of innovation has a positive effect on company performance.

The results of research conducted by Murni (2000) on small and medium enterprises in Yogyakarta indicate that innovation strategies to improve company performance must pay more attention to leadership orientation, process innovation and investment levels, because these three variables are determinants, although this does not mean that other variables are not important such as product innovation, external and internal sources.

The results of the study, Sahaka (2019), suggest that the performance of small businesses and industrial competitiveness is influenced by entrepreneurial orientation, market orientation, organizational culture and productivity.

Furthermore, Sangen's research (2005) states that the success of the small business performance is strongly influenced by entrepreneurial orientation and market orientation. This reinforces Sangen (2005) that an entrepreneurial company is a company that makes product-market innovation, carries out risky ventures and is the first to succeed in getting proactive innovation, thus defeating its competitors.

1.1 Formulation of the problem

The formulation of the problems raised in the study are as follows:

1. Do innovation strategies, organizational culture and entrepreneurial orientation simultaneously influence business performance in Makassar City, Indonesia?
2. Do the innovation strategy, organizational culture and entrepreneurial orientation partially influence business performance in Makassar City, Indonesia?

1.2 Research purposes

The objectives of the research are as follows:

1. To determine the simultaneous influence of innovation strategy, organizational culture and entrepreneurial orientation on business performance in Makassar City, Indonesia.
2. To determine the partial effect of innovation strategy, organizational culture and entrepreneurial orientation on business performance in Makassar City, Indonesia.

2. LITERATURE REVIEW

2.1 Innovation

Innovation is something that has to do with goods, services or ideas that are new to someone. According to Larsen and Lewis (2007): "One of the very important characters of an entrepreneur is the ability to innovate".

The same thing is stated by Hills (1994) which states that: "innovation is an idea, practice or object that is considered new by an individual or other user". Meanwhile, Suryana (2003) states "innovation is the ability to apply creativity to solve problems and opportunities to improve and enrich life". Companies can make innovations in the areas of: a. Product innovation (goods, services, ideas and places). b. Management innovation (work processes, production processes, marketing finance, etc.).

According to Sandee (1995), innovation is an important strategy for small industries to strengthen their competitive position. The results of the study (1) Kemp, et al (2003) analyzed the relationship between innovation and firm performance in small, medium, and large companies. Finding that there are differences in the innovation process between small, medium and large companies and the size of the company has a positive effect on company performance; (2) Read (2000) tested innovation as a factor of organizational success, the results of this study indicate that the implementation of innovation has a positive effect on company performance. In this case the failure of the organization to achieve excellence is caused by failure to implement innovation;

2.2 Organizational culture

Robbins (1998) defines organizational culture as a system of shared meanings adopted by members who differentiate the organization from other organizations. Furthermore, Robbins (1998) states that a system of shared meaning is formed by its citizens which is also a differentiator from other organizations. A system of shared meaning is a set of key characteristics of organizational values ("a system of shared meaning held by members that distinguishes the organization from other organization. This system of shared meaning is, on closer examination, a set of key characteristics that the organization values"). Robbins provides the following characteristics of organizational culture: (1) Innovation and risk taking, is the extent to which the organization encourages employees to be innovative and dare to take risks. In addition to this how the organization values risk-taking actions by employees and generates employee ideas; (2) Attention to detail, is the extent to which the organization expects employees to show accuracy, analysis and attention to details. The application in the general passenger terminal organization includes: recording the flow of vehicles and passengers in and out of the terminal, checking administrative completeness of technical requirements and vehicle roadworthiness; (3) Outcome orientation, is the extent to which management focuses on results rather than on the techniques and processes used to achieve these results. Applications in the general passenger terminal organization include: carrying out sales of base TPRs, collecting user fees, analyzing and evaluating the implementation of tasks; People orientation, is the extent to which management decisions take into account the effects of results on people in the organization.

Mariati Sangen (2005) who examined the influence of entrepreneurial orientation, market orientation and culture on the performance of small Chinese, Bugis, Javanese and Banjar small businesses in South Kalimantan. Research by Kuncoro (2007) which examines the factors that affect the competitiveness of small industries in Pasuruan.

2.3 Entrepreneurial orientation

Entrepreneurship is a creative and innovative ability that is used as a basis, and a resource for finding opportunities for success. Some management literature provides three basic organizational dimensions for entrepreneurial management processes, namely innovation ability, risk-taking ability, and proactive nature (Weerawardena, 2003). According to Siguaw et al., (1998) entrepreneurial competence is needed in implementing marketing strategies to obtain a solid competitive advantage through responsiveness to customer needs. While the entrepreneurial spirit itself includes 5 things, namely: autonomy, innovativeness, risk-taking, proactivity, and competitive aggressiveness.

Entrepreneurship is known as a new approach in corporate performance reform. This, of course, must be responded to positively by companies that are starting to try to rise from the economic downturn due to the prolonged crisis. Entrepreneurship is said to be a pioneer (spearhead) to realize sustainable and highly competitive corporate economic growth. Building entrepreneurship is stated as one of the four pillars in strengthening employment opportunities. While entrepreneurship itself means a human activity by exerting the energy of the mind or body to create or achieve a job that can manifest noble beings. The form of application of entrepreneurial attitudes can be indicated by entrepreneurial orientation with an indication of the ability to innovate, be proactive, and the ability to take risks. The ability to innovate relates to perceptions and activities of new and unique business activities. The ability to innovate is an important point of entrepreneurship and the essence of entrepreneurial characteristics.

The results of the study, Sahaka (2019), suggest that the performance of small businesses and industrial competitiveness is influenced by entrepreneurial orientation, market orientation, organizational culture and productivity.

2.4 Business performance

The definition of business performance according to Wibowo (2007) is the periodic determination of the operational effectiveness of an organization, its parts of the organization and its employees based on pre-determined goals, standards and criteria. Because organizations are run by humans, performance appraisal is an assessment of human behaviour in carrying out the roles they play in the organization.

Business performance is essentially an achievement achieved by a business organization that can be seen from the results of its performance. This performance result is less precise if only seen from one dimension. Researchers agree that measuring business performance is not sufficient to only use a single measure, business performance results can be seen from customer satisfaction, customer loyalty, market share and profitability.

Company performance in general and competitive advantage is a measure of the success rate and development of a small company. Measurement of return on investment, growth, volume, profit and workforce in general companies is done to determine company performance. There are several criteria in assessing a company's performance which are presented in various literatures. These criteria include financial and non-financial performance. The different criteria for measuring the company's performance actually depend on the performance measurement itself. Benchmarks are unique, due to the specificity of each business entity, including business sector, background, legal status,

level of capital, level of growth and level of technology. These differences will affect the performance and benchmarks used (Hadjimanolis & Dickson, 2000).

2.5 Small and medium industry

There are several reference definitions used by various agencies in Indonesia, namely:

1. Small business (According to Law No. 9/1995, concerning small business):
 - 1) Productive businesses owned by Indonesian citizens, which are in the form of individual business entities, business entities that are not legal entities, or business entities with legal entities, including cooperatives;
 - 2) Not a subsidiary or branch of a company that is owned, controlled or affiliated, directly or indirectly, with a medium or large business (Presiden Republik Indonesia, 1995).
2. Medium Enterprises (according to Presidential Instruction No. 10/1999, on the empowerment of medium enterprises)
 - 1) Productive businesses owned by Indonesian citizens, which are in the form of individual business entities, business entities that are not legal entities, or business entities with legal entities including cooperatives;
 - 2) Standalone, and not a subsidiary or branch of a company that is owned, controlled or affiliated, directly or indirectly, with a large business;
 - 3) The Central Statistics Agency classifies a business based on the number of workers. A small business is a business that has 1-19 workers; medium-sized enterprises have workers of 20-99 people, and large businesses have workers of at least 100 people (Presiden Republik Indonesia, 1999).
3. Criteria for Micro, Small and Medium Enterprises (MSMEs)

The criteria listed in article 6 of Law no. 20 of 2008 concerning Small and Medium Enterprises (SMEs). Small Business Criteria are as follows:

 - 1) Owning net assets of more than IDR 50,000,000.00 (fifty million rupiahs) up to a maximum of IDR 500,000,000.00 (five hundred million rupiahs) excluding land and buildings for business premises; or
 - 2) Have annual sales proceeds of more than IDR 300,000,000.00 (three hundred million rupiah) up to a maximum of IDR 2,500,000,000.00 (two billion five hundred million rupiah).

Meanwhile, medium-sized businesses are as follows:

 - 1) Owning net assets of more than IDR 500,000,000.00 (five hundred million rupiah) up to a maximum of IDR 10,000,000,000.00 (ten billion rupiah) excluding land and buildings for business premises; or
 - 2) Have annual sales proceeds of more than IDR 2,500,000,000.00 (two billion five hundred

million rupiah) up to a maximum of IDR 50,000,000,000.00 (fifty billion rupiah).

The criteria as referred to above, the nominal value can be changed by the development of the economy which is regulated by a Presidential Regulation (Presiden Republik Indonesia, 2008).

3. RESEARCH METHODS

In this research, the method used is descriptive and verification methods using a survey, namely a structured questionnaire given to respondents designed to obtain specific information. To answer the research questions, the questions used are fixed alternative questions that ask the respondent to choose a predetermined set of responses. Where this study aims to analyze the causal relationship between innovation variables and organizational culture on the performance of SMEs in Makassar City, Indonesia. The population in this study were 310 small and medium enterprises in the industrial sector in Makassar City, Indonesia. Based on this population, a sample of 94 respondents was obtained.

The indicators used to measure innovation are process innovation, product innovation, and innovation implementation. Process innovation is defined as a new element introduced in the operation of products and services within a company, such as raw materials, task specifications, mechanisms, or equipment used to produce products or services (Damanpour, 1991). Damanpour (1991) defines product innovation as a new product or service that is introduced to the market to meet market needs. The implementation of innovation in an organization can be interpreted as the process of obtaining the right and responsible employees in using innovation (Klein & Sorra, 1996).

The indicators used to measure organizational culture are bureaucratic, innovative, supportive. Bureaucratic culture refers to stability, caution, power-oriented, established, solid, orderly, structured, procedural and hierarchical. Innovative culture refers to a creative, results-oriented, challenging work environment. A supportive culture supports the implementation of teamwork, people-oriented, encourages, mutual trust in the work environment. A supportive culture is characterized as openness, harmony, mutual trust, safety, equality, sociability, relationship-oriented, humanistic, collaborative, and equated with family.

The indicators of entrepreneurial orientation variables are flexibility, proactive, courage to take risks, business experience, and anticipation. Taking risks can be defined as someone who is oriented towards opportunities in the uncertain context of decision making. Flexibility is subject to change according to customer wishes. Proactive is a company where the leader can recognize opportunities and a commitment to innovation. Business experience is an entrepreneurial attitude and the consequences of behaviour towards

innovation which are influenced by the background of the leader regarding the business experience of the leader. Anticipation is the company's ability to cope with or anticipate any changes.

The indicators used in assessing business performance are sales turnover, sales return, marketing coverage area, and sales increase. Sales turnover is the total sales of the company's products. Sales return is the number of returned product sales. The marketing area is the extent of the product marketing area. The sales increase is the number of sales that have increased from the previous period.

Test data conducted in this study are reliability test used to measure the accuracy of research questions. A question is said to be reliable or reliable if the respondent's answer to the statement is consistent or stable over time. A constructor variable is said to be reliable if the Cronbach Alpha value is > 0.60 (Ghozali, 2005). The validity test is used to measure whether the question is valid or not. A question is said to be valid if the question can reveal something to be measured. The validity test was calculated by comparing the calculated r-value (correlated item-total correlation) with the r table value. If $r_{count} > r_{table}$ and the value is positive then the item or question is declared valid (Ghozali, 2005). The F test is used to determine the effect of the independent variable simultaneously whether it is significant or not significant with the dependent variable (Y).

The coefficient of determination (R^2) is used to measure how far the model can explain the variation in the dependent variable. The coefficient of determination is between zero and one ($0 < R^2 < 1$). The small R^2 value means that the ability of the independent variables to explain the variation in the dependent variable is very limited. The t-test is done by comparing the significance level (sig t) of each independent variable with a sig a = 0.05. If the level of significance (sig t) is smaller than a = 0.05, then the hypothesis is accepted, which means that the independent variable has a significant effect on the dependent variable.

Multiple linear regression analysis was used to see the effect of the independent variables, namely innovation (X_1), organizational culture (X_2), entrepreneurial orientation (X_3) on marketing performance (Y). The form of the linear regression equation for this study, in general, is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$$

Where:

Y = Business performance

A = Constant

β = Regression coefficient

X_1 = Innovation

X_2 = Organizational culture

X_3 = Entrepreneurial orientation

The conceptual framework of this research is described as follows:

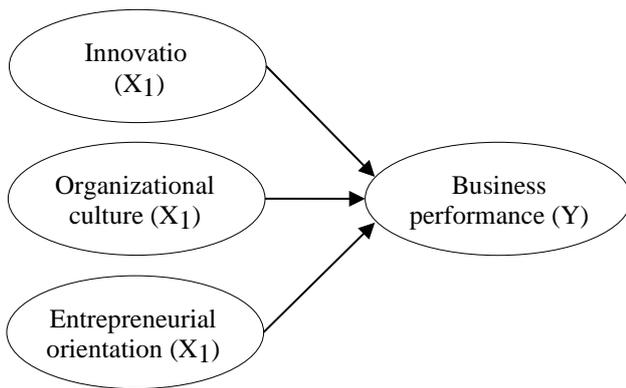


Figure. Research framework

4. RESULT

A reliability test is used to determine the reliability level of a measuring instrument using the Cronbach Alpha (α) formula. A construct or variable is said to be reliable, if it gives a Cronbach Alpha value > 0.60 .

The results of the table 1, analysis show that the Cronbach Alpha value of each instrument used in this study has a value of > 0.60 , meaning that the instrument in this study is reliable.

The validity test is calculated by comparing the calculated r-value (correlated item-total correlation) with the r table value. If $r_{count} > r_{table}$ and the value is positive then the item or question is declared valid.

Table 1. Results of the research variable reliability test.

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Innovation	10.1667	3.530	.502	.891
Organizational culture	9.9271	2.974	.854	.725
Entrepreneurial orientation	9.8854	3.366	.713	.791
Business performance	9.8646	3.613	.710	.798

Source: processed data, 2017

Table 2. The results of the research variable validity test.

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
X1.1	66.2056	62.492	.677	.	.725
X1.2	65.2028	59.377	.764	.	.623
X1.3	64.0389	58.310	.799	.	.822
X1.4	67.7833	65.195	.569	.	.728
X1.5	67.8472	64.163	.722	.	.525
X1.6	60.0917	52.847	.814	.	.626
X2.1	68.1278	65.148	.602	.	.827
X2.2	67.7694	65.749	.575	.	.528
X2.3	67.8472	63.835	.757	.	.824
X2.4	67.8472	63.835	.757	.	.524
X2.5	61.8472	50.163	.722	.	.425
X2.6	62.0917	53.847	.814	.	.626
X2.7	64.1278	61.148	.602	.	.727
X3.1	68.2222	65.505	.551	.	.728
X3.2	67.9000	65.466	.530	.	.629
X3.3	67.8472	64.163	.722	.	.625
X3.4	60.0917	52.847	.814	.	.526
X3.5	62.0917	53.847	.814	.	.626
Y1	67.5583	64.582	.730	.	.925
Y2	67.5611	63.461	.759	.	.424
Y3	68.1278	65.148	.602	.	.627
Y4	67.9528	65.599	.503	.	.729
Y5	61.8472	50.163	.722	.	.425
Y6	62.0917	53.847	.814	.	.626

Source: processed data, 2017

Based on the validity test on table 2 of all research variables, the value of the r count (correlated item-total correlation) is greater than the value of the r table. The

value of $r_{count} > 0.2028$ and positive, then the item or question is declared valid.

Table 3. The coefficient of determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.601 ^a	.361	.340	.45472

Source: processed data, 2017

Based on the results of the analysis on table 3, it was found that the value of R square (r^2) was 0.361. This value means that innovation, organizational culture and entrepreneurial orientation jointly influence business performance by 36.10%, while the remaining 63.9% (100% - 41.7%) is influenced by other factors outside of research.

Then to find out whether the regression model is appropriate, a hypothesis test is needed. Hypothesis testing uses the F value as shown in the following table 4:

Table 4. ANOVA (F-Test) Results

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	10.755	3	3.585	20.338	.000 ^a
Residual	19.023	91	.207		
Total	29.778	94			

Source: processed data, 2017

Based on the calculation results on table 4, the calculated F value is 20.338 > F table of 3.261 so that H0 is rejected and H1 is accepted. That is, there is a linear relationship between innovation, organizational culture and entrepreneurial orientation with business performance. Thus, the regression model above has been accepted.

To see the magnitude of the influence of the variables of innovation, organizational culture and entrepreneurial orientation partially on business performance, the t-test is used, while to see the magnitude of the influence, the Beta or Standardized Coefficient numbers are used below.

Table 5. Test results (T-Test)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1269	.349		3.606	.001
Innovation	.256	.084	.273	3.051	.003
Organizational culture	.217	.093	.223	2.333	.022
Entrepreneurial orientation	.224	.072	.297	3.114	.002

a. Dependent Variable : Business performance

Source: processed data, 2017

Based on the calculation results on table 5, the t value is 3.051 > t table is 1.986, then H1 is accepted and H0 is rejected. That is, there is a linear relationship between innovation and business performance. The amount of influence of innovation on business performance is 0.273 or 27.3%. Based on the calculation results, the t count is 2.333 < t table is 1.986, then H1 is accepted and H0 is rejected. That is, there is a linear relationship between organizational culture and business performance. The magnitude of the influence of organizational culture on business performance is 0.233 or 23.3%. Based on the calculation results, the t count is 3.141 > t table is 1.986, then H1 is accepted and H0 is rejected. That is, there is a linear relationship between entrepreneurial orientation and business performance. The magnitude of the influence of entrepreneurial orientation on business performance is 0.297 or 29.7%.

5. DISCUSSION

Based on data analysis, the innovation variable has a positive and significant effect on business performance

with a variable coefficient of 0.273. This supports the results of research (1) Kemp, et al (2003) to analyze the relationship between innovation and firm performance in small, medium, and large companies. Finding that there are differences in the innovation process between small, medium and large companies and the size of the company has a positive effect on company performance; (2) Read (2000), testing innovation as a factor of organizational success, the results of this study indicate that the implementation of innovation has a positive effect on company performance. In this case, the failure of the organization to achieve excellence is caused by the failure to implement innovation.

Organizational culture variables have a significant effect on business performance with a variable coefficient of 0.297. This explains that small businesses pay attention to bureaucratic culture which refers to stability, prudence, power-oriented, established, solid, orderly, structured, procedural and hierarchical. An innovative culture that refers to a creative, results-oriented, challenging work environment. A supportive culture

that supports the implementation of teamwork, is people-oriented, encourages, trusts each other in the work environment. The results of this study support previous research conducted by Hajipour and Ghanawati (2012). Hajipour and Ghanawati (2012) conducted an analysis of organizational culture in small businesses in Iran and found that quite a few people work in small businesses so that managers do not apply organizational culture too much. In addition, according to Hajipour and Ghanawati (2012) traditional and religious culture in Iran prohibits the adoption of innovative and supportive cultures.

The entrepreneurial orientation variable has a positive and significant effect on business performance with a variable coefficient of 0.295. These findings indicate that small businesses are flexible, proactive, dare to take risks, have experience in business, and are anticipatory. Small entrepreneurs have dared to take risks related to opportunities in an uncertain decision-making context, then flexible according to customer desires. Small entrepreneurs already can recognize opportunities and a commitment to innovation. The attitudes of small entrepreneurs in entrepreneurship and the consequences of behavior towards innovation are influenced by the background concerning the business experience of the leader. Anticipation is the ability of small entrepreneurs to cope with or anticipate any changes. The results of this study support previous research conducted by Weerawardena (2003). Weerawardena (2003) states that entrepreneurial orientation affects business performance.

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6. CONCLUSION

This study aims to determine the influence of the factors of innovation, organizational culture and entrepreneurial orientation on the performance of small businesses in Makassar City. The results showed that the variables of innovation, organizational culture and entrepreneurial orientation jointly influence the performance of Small and Medium Enterprises. The innovation variable has a partial effect on the performance of small and medium enterprises. Organizational culture variables do not partially influence the performance of small and medium enterprises. The entrepreneurial orientation variable has a partial effect on the performance of small and medium enterprises. These findings have practical implications and policies where research on small and medium enterprises can enrich research in the field of entrepreneurship, especially studies on business orientation carried out by small businesses. Also, this study will help related parties to identify the factors that affect the performance of small and medium enterprises so that they can increase the success of small and medium enterprises in Makassar City. Based on the research results, it is recommended that small entrepreneurs, especially processing businesses, maintain their capabilities related to innovation and entrepreneurial orientation so that they will improve business performance. Also, it is suggested for small entrepreneurs to be able to apply an organizational culture in carrying out business activities, so that it is expected to improve business performance.

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