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The Moderating Role of The Strategy Type in The Relationship Between Entrepreneurial Orientation and Learning Orientation SME's

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Abstract

This research was conducted to analyze the influence of moderating role the type of strategy on the relationship between entrepreneurial orientation and learning orientation SMEs. Respondents were 141 SMEs. Data from the survey results with respondents were analyzed using Partial Least Square-Structural Equation Modeling-Multigroup. The result is a positive influence of entrepreneurial orientation on learning orientation, and there is no significant strategic typology of Miles and Snow, namely defenders, prospectors, and reactors, with the most defenders' strategies to moderate the greatest influence of entrepreneurial orientation on learning orientation at SMEs.

Keywords: Entrepreneurial Orientation, Learning Orientation, and Company Strategy

I. INTRODUCTION

Creating wealth for the company is the essence of entrepreneurship (Ireland et al., 2001). Wang (2008) tries to answer the controversy over this study's results by looking at the effect of completing the EO-LO model and company strategy (S.P.) as moderators. L.O. is a sense of the company's desire to use learning to create and use knowledge (Sinkula et al., 1997). Taking advantage of entrepreneurial endeavors, companies must have a strong commitment to learning and have an open mind to do something, and most importantly, a role in sharing interpretations of information. (Slater & Narver , 1995). Thus and Wang (2008) concluded that it was through L.O. that the company could maximize E.O.'s effect on company performance. The company's strategy is divided into four types, namely Analyzers, Prospectors, Reactors, and Defenders, where the types of strategy must be dealing with entrepreneurial problems.

The results of Wang's (2008) research, with the research object of medium and large companies, concluded that E.O. affects L.O. In this study, further research is suggested to use the object of research on micro, small, and medium enterprises to provide a complete picture. Therefore, this study focuses on examining Wang's (2008) research model by looking at the effect of the E.O. variable on L.O. with the moderation of types strategy with different research objects, namely Micro, Small, and Medium Enterprises (SMEs).

DIY economy 95% is contributed by SMEs (Handito, 2016). One of the fast-growing SMEs industries in DIY is the handicraft industry. Yogyakarta Handicraft SMEs are facing problems due to the Covid-19 pandemic, which has drastically decreased. This research is expected to be a source of knowledge for business owners about the relationship between E.O. and L.O. Also, business owners can find out what types of strategies further strengthen these variables' influence on company performance. So, it is hoped that this knowledge can be used to improve the performance of SMEs.

II. LITERATURE REVIEW

Entrepreneurial Orientation (E.O.) and Learning Orientation (L
.O.)

E.O. is different from entrepreneurship, entrepreneurship is a process and E.O. content in the strategic management literature (Bourgeois, 1980). E.O. will give freedom to individuals and teams to practice creativity and create promising ideas (Lumpkin & Dess, 1996). L.O. creates a tendency for organizations to question the basic assumptions that have been made about the business and its environment (Hakala, 2013). L.O. is the tendency of companies to create and use knowledge to gain competitive advantage (Calantone et al., 2002). In practice L.O. makes organizational intelligence in collecting, sharing, and disseminating entrepreneurial information to create market-driven and entrepreneurial-driven organizations.

E.O. will create and improve a better internal company environment to create a good learning and in accordance with the organization. The more the company has entrepreneurship, the bigger the company will be oriented towards organizational learning, and the greater the organizational commitment to learning, open-minded, and able to create a shared vision. Entrepreneurial companies will act proactively in the market and be aggressive towards competitors.

H1: Entrepreneurial orientation has a positive effect on learning orientation SMEs.

The Moderating Role of Strategy Types

There are several types of strategy strategic typology Miles and Snow (1978). Entrepreneurship is an important dimension of the Miles and Snow strategy typology, namely Analyzers, Defenders, Prospectors, and Reactors (Wang, 2008). Defenders are companies that have a narrow product-market domain. Prospectors are companies that are constantly looking for market opportunities, and Experimenting Analyzers are companies that have a stable and variable product. Reactors are often seen changing the environment but rarely respond. At first, Miles and Snow (1978) stated that the reactor strategy is the ideal type of strategy of the four existing strategies, but this still needs to be further investigated because there are other factors that can influence it. Type company that uses the type of analysis strategies will be involved with adaptive learning more enhance existing corporate knowledge and a gradual change in business processes and products, while companies with more prospectors strategy type using generative learning, for example, by adopting innovations outside of their markets. Companies that adopt a high level of generative learning will have close relationships with suppliers, consumers, and other parties (Webster, 1992). According to Wang's (2008) research, compared to other types of strategy, the prospector's strategy type shows a higher level of E.O. in the organization, which will make the organization use a higher level of generative learning and then it will affect the organization's performance.

H2: The type of strategy moderates the influence of entrepreneurial orientation on learning orientation at SMEs.

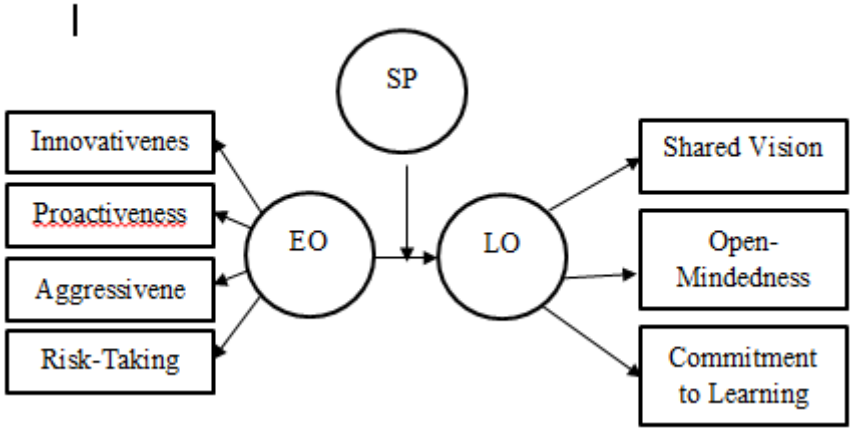

Figure 1: The Research Framework

III. RESEARCH METHODOLOGY

This research is included in quantitative research and uses a survey research strategy by distributing research questionnaires. According to Fink (2003), a survey is a method of collecting information by describing, comparing, or explaining the behavior, knowledge, and attitudes of the respondent. The population in this study were all of the Yogyakarta Handicraft SMEs, and the sampling is 141 SMEs. In this study, the influence analysis was carried out using two different analysis tools, namely (PLS-SEM) and (PLS-MGA).

IV. FINDING AND DISCUSSION

Descriptive Analysis
The results of the research explain the analysis of the effect of E.O. on L.O. and company strategy as a moderator for 141 respondents of *SMEs* owners in DIY.

Tabel 1. Descriptive of Variable

	Mean	Standard Deviation	1	2	3	4	5	6	7
EO	3.5525	1.509463							
Pro	3.6147	0.91038	1	.561**	.389**	.459**	.725**	.461**	.567**
Agr	3.2589	1.15237	.561**	1	.450**	.391**	.483**	.444**	.608**
Rsk	3.4208	0.89838	.389**	.450**	1	.206*	.423**	.252**	.320**
Ino	3.8180	1.4797	.459**	.391**	.206*	1	.517**	.361**	.443**
LO	3.6931	1.397181							
CL	3.7332	0.94948	.725**	.483**	.423**	.517**	1	.525**	.678**
SV	3.7794	1.66893	.461**	.444**	.252**	.361**	.525**	1	.562**
OM	3.5248	1.10691	.567**	.608**	.320**	.443**	.678**	.562**	1

Tabel 2. Type of Strategy

Type of Strategy	Frequency	Percent (%)
Reactors	37	26.1%
Defenders	59	41.5%
Prospectors	42	29.6%
Analyzers	3	2.8%
Total	141	100%

Data analysis in this study used two calculation methods, namely PLS_SEM and PLS-MGA. To measure the E.O. variable, the study used 11 question items adopted from the research of Miller (1983) and Hurt, Joseph, and Cook (1977). The L.O. variable uses 11 question items taken from the research of Sinkula et al. (1997). The strategy type is taken from the typology of the strategy type, according to Miles and Snow (1978). Based on data from 141 respondents, SMEs presented in Table 1, it shows that the average magnitude of the E.O. variable is 3.55 and the standard deviation is 1.5094, the L.O. variable is 3.6931, and the standard deviation is 1.397. The correlation between highest E.O. and L.O. is influenced by the proactiveness indicator item and commitment to the learning of 0.725, which means that the effect is positive and significant on SMEs.
The type of strategy that is widely applied SMEs is the qualifying strategies with more than 10 cases. Therefore a strategy that meets the requirements is strategy Defenders, Prospectors, and Reactors. Defenders as many as 59 SMEs than the type of Prospectors, Reactors, and Analyzers. This shows that the sample MSME under study is a business that prefers to seek opportunities from their relatively stable market areas but by providing higher quality or at a lower price than its competitors.

Measurement

Results of Testing the Measurement Model (Outer Model)
This test is to assess the validity and reliability of the model, as previously described. The assessment is through convergent validity, discriminant validity, composite reliability, Cronbach alpha, and AVE. Looking at tables 2 and 3, all variable indicators meet the requirements and can be valid and reliable. The results of the outer model in this study are shown in Tables 3 and 4 as follows:

Table 3. Construct Reliability and Validity

Variable	***Composite Reliability***	**Criteria**	**Keterangan**
EO	**0,895**	> 0.6	Reliabel
LO	**0,902**	> 0.6	Reliabel
Strategy Types	**1,000**	> 0.6	Reliabel

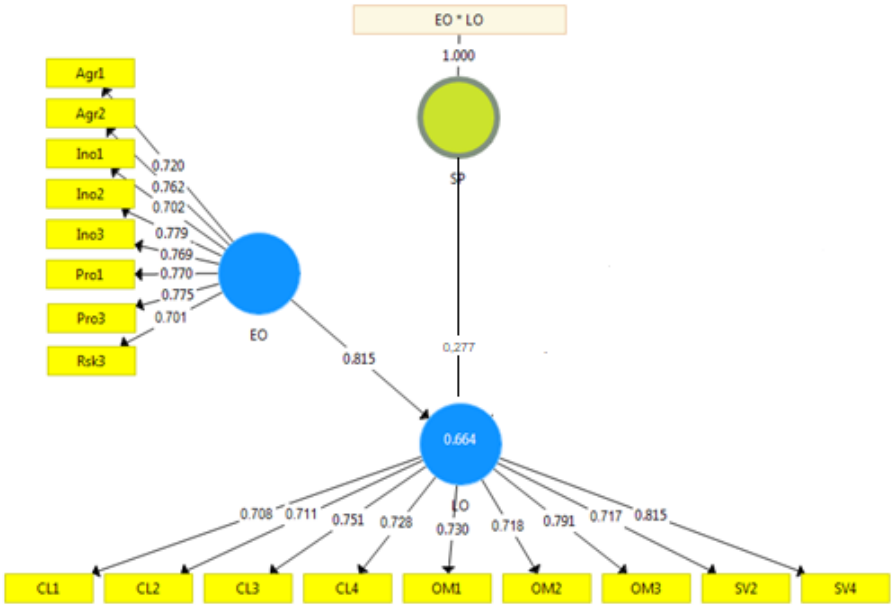

Figure 3. Algorithm (Outer Model)

Table 4. Cross Loading

	E.O.	L.O.	Strategy Types
Agr1	0.720	0.603	-0.248
Agr2	0.762	0.505	-0.157
CL1	0.608	0.709	-0.324
CL2	0.521	0.711	-0.082
CL3	0.597	0.751	-0.378
CL4	0.545	0.728	-0.210
EO * LO	-0.327	-0.348	1.000
Ino1	0.702	0.523	-0.132
Ino2	0.779	0.628	-0.271
Ino3	0.769	0.729	-0.235
OM1	0.585	0.730	-0.216
OM2	0.390	0.718	-0.056
OM3	0.666	0.791	-0.302
Pro1	0.770	0.678	-0.324
Pro3	0.775	0.603	-0.325
Rsk3	0.701	0.368	-0.171
SV2	0.562	0.717	-0.336
SV4	0.700	0.815	-0.277

Effect of Entrepreneurial Orientation (E.O.) on the Learning Orientation (L.O.)

Structural Model testing results (Inner Model)

The following is the result of inner testing models:

The coefficient of determination (R2)

Table 5. Results of the R-square

	R^2
LO	0.664

Value R2 at L.O. of 0.664 explained that the percentage of L.O. could be explained by the variable EO 64.4%.

Predictive Relevance (Q2)

From thevalue of R2, previous can be calculatedQ2 as follows
Q2 = 1 – (1 – R12) (1 – R22) ….. (1-Rp2)
Q2 = 1 – (1 – 0.673) (1 – 0.664)
Q2 = 0.694
If Q2 gets closer to 1, it shows that the model used is very good. According to the theoretical review, the predictive ability of this model is categorized as large.

The goodness of Fit (GoF)

The value of R2 and previous AVE, GoF can be calculated as follows:
GoF = $\sqrt{\underline{ST} \text{ x } \underline{R^2}}$
GoF = $\sqrt{0.69 \text{ x } 0.67}$
GoF = 0.68
The result of the GoF value is above 0.36, so it can be said that the model used is very fit.

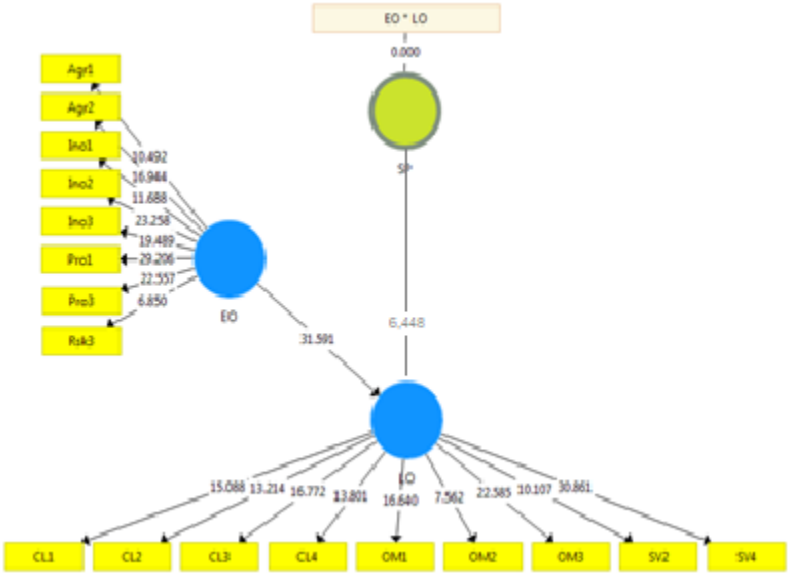

Figure 4. PLS-Bootstrapping

Table 6. Path Coefficient

	(O)	(M)	(STDEV)	T Statistics	P Values
E.O. -> LO	0.815	0.819	0.027	30.493	0.000

Results E.O. has a positive effect (O = 0.815) on L.O. The t-statistic value in this construct relationship is 30.493> 1.96 and the p-value is 0.000 <0.05. Therefore, the first hypothesis, which states that E.O. has a significant positive effect on L.O., is proven to be true. The results of this study support previous research conducted by Wang (2008). The implication in this research is that E.O. is one of the important things that can be maximized by SMEs and can be used to increase the L.O. of SMEs so that the organization's level of learning is higher. With entrepreneurial-oriented processes, such as proactive, innovative, courage to take risks, and competitive aggressiveness, it will create an appropriate climate for a high learning process. This will help SMEs to "unlearn" their business mistakes.

The Moderating of Strategy Moderation on relationship Entrepreneurial Orientation (E.O.) and Learning Orientation (L.O.)

Tabel 7. Results of PLS MGA

Strategy Defenders	Path Coefficients Original (Defenders)	Path Coefficients Mean (Defenders)	STDEV (Defenders)	t-Values (Defenders)	p-Values (Defenders)
E.O. -> LO	17.188	0.855	0.049	0.839	0
sStrategy Prospectors	Path Coefficients Original (Prospectors)	Path Coefficients Mean (Prospectors)	STDEV (Prospectors)	t-Values (Prospectors)	p-Values (Prospectors)

E.O. -> LO	0.82	0.83	0.036	22.728	0
Strategy Reactors	Path Coefficients Original (Reactors)	Path Coefficients Mean (Reactors)	STDEV (Reactors)	t-Values (Reactors)	p-Values (Reactors)
E.O. -> LO	0.828	0.837	0.039	21.397	0

Qualifying strategies with more than 10 cases are prospectors, reactors, and defenders. The second hypothesis, which states that firm strategy moderates the effect of E.O. on L.O., is significantly accepted. The results showed that the type of strategy moderated the EO-LO relationship significantly because the p-value was 0, which means <0.05, so it was significant. As seen in Table 7, the greatest effect of the type of strategy is type 1, namely the defender's strategy with an effect of 0.839 on the relationship between E.O. and L.O. The results of this study contradict the research of Wang (2008), which states that the type Prospectors demonstrates a stronger relationship to the EO-LO relationship than the type of strategy analyzers, followed by the defenders.
However, the results of this study using PLS-MGA analysis show that the type of strategy that moderates EO-LO the most are Defenders who apply adaptive learning to a higher degree than other strategies. Adaptive learning is an improvement and enhancement of existing competencies, technologies, and paradigms, without having to test or challenge the underlying beliefs and assumptions (Chiva et al., 2010). This is because users are more defenders' strategy devoted trust for improved efficiency from their operations today compared to use strategies of others are more involved in adaptive learning or adapting things that have emerged.

V. CONCLUSION AND FURTHER RESEARCH

The results of the research analysis and discussion on the role of moderators from the type of strategy in the relationship between entrepreneurial orientation and learning orientation of the SMEs, the following conclusions can be drawn:

1. There is a positive effect of entrepreneurial orientation on learning orientation on SMEs.
2. The Types of strategy moderating on relationship Entrepreneurial Orientation and Learning Orientation.
3. According to strategic typology, Miles and Snow (1978), there are four types of strategies. In this study, there are three strategies that have a significant moderate the effect of entrepreneurial orientation on learning orientation on SMEs. Type Defenders strategy is a strategy that has the most influence than other strategies.

This research can only be generalized to the research scope with specific criteria for subjects and research objects. The study is also limited to the size of SMEs in the Special Region of Yogyakarta. For the next research, it is expected that the research setting is not only in the Special Region of Yogyakarta and uses variables but many other factors that can be used to predict the effect of Learning Orientation on SMEs. Further research needs to develop questionnaire questions to measure the type of company strategy so as not to use the self-typing method to improve measurement accuracy.

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