Available online at: https://proceeding.researchsynergypress.com/index.php/rsfconferenceseries1
RSF Conference Series: Business, Management and Social Sciences
e-ISSN 2807-5803/ p-ISSN 2807-6699
Volume 1 Number 3 (2021): 259-267

The Effect of Moderate Organizational Collectivism on Entrepreneurship Orientation and Interactions on SME Innovation Performance

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Abstract

This study aims to examine the relationship between Entrepreneurial Orientation (EO) and Interaction Orientation (IO) market approaches in developing countries. This study uses two market methods using a survey approach. This study collects data from 110 SMEs in Yogyakarta and analyzes it using PLS. Research findings indicate that EO and IO have a beneficial impact on innovation performance. The impact of EO and IO on business innovation performance was not found to be moderating in this study. Research findings support strategic planning by recommending that managers focus on two market approaches to increase innovation success.

Keywords: *Entrepreneurial Orientation, Interaction Orientation, Organizational Collectivism, Innovation Performance*

INTRODUCTION

Organizations should adjust to the outside climate and secure market open doors in globalization, which compels them to manage client variety and heterogeneous requests. Picking the right essential direction is fundamental to adjusting to the extreme climate and getting market openings (Chen, Li, & Evans, 2012). Firms must choose between two complementary market-oriented ways to decrease market pressures: market-driven and market-driven (Kumar, Scheer, & Kotler, 2000). The previous is worried about impacting market design or conduct, though the last is worried about client inclinations in current commercial centers (Chen, Li & Evans, 2012; Kollmann & Stöckmann, 2014; Schindehutte, Morris, & Kocak, 2008). According to Porter (1990), development is the main way for organizations to acquire a feasible upper hand and further develop execution. The watchwords of advancement are inventiveness in making changes and business esteem. Inventiveness will be expected to take advantage of existing items just as in making new items.

Previous studies have underlined innovation performance's importance in a firm's competitive advantage (Oke, Walumbwa, & Myers, 2012). Analysts have recently looked at what an organization's essential course means for its advancement execution (Liu & Chen, 2015; Tang, Chen, & Jin, 2015). The Corona Virus Disease (COVID-19) pandemic has significantly impacted the SME sector in Indonesia. The increasingly massive corona outbreak has finally disrupted the marketing process at a significant point.

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DOI: https://doi.org/10.31098/bmss.v1i3.327

The Ministry of Cooperatives and SMEs have received complaints from 141 SMEs against Covid-19 since March 2020. SMEs deal with a wide range of clients and needs, so determining the right strategic direction is important to responding to the external environment and obtaining market possibilities (Chen, Li, & Evans, 2012). The previous highlights were on market construction or market behavior. However, the recent highlights were on client trends in the business sector, suggesting that market-driven companies are likely to lead the industry as a way for companies to seek out what consumers need, thereby increasing interaction orientation (IO) (Beverland et al., 2006). No endeavor has been made to associate these EOs and IOs to development execution yet. In the synopsis, we look at the cycles of development execution by joining the review floods of EO and IO.

LITERATURE REVIEW

EO and Innovation Performance

Entrepreneurial orientation (EO) describes the principle of companies that prioritize their performance so that they are able to have a competitive advantage (Yim & Tse, 2018). According to the RBV theory, the company's scarce, difficult to imitate, and valuable resources are a competitive advantage. EO can create business and market opportunities in various industries because it is considered to be a market driving approach (Chen et al., 2012). According to the research of Tang et al. (2015), increasing the innovation capability and innovation performance of the company can be achieved when the company meets market needs, and customers have an entrepreneurial orientation and must focus on the processes and innovative ideas that will be generated.

Companies are expected to find new opportunities for themselves and understand the interests and needs of customers in a competitive external environment. According to Tang et al. (2015), EO, when viewed through RBV and market orientation theory, is interpreted as an essential resource because it can increase understanding of the external environment and the need to develop new processes and products to create innovation for the organization and will further improve innovation performance. Accordingly, we propose the accompanying:

Hypothesis 1: EO has a positive effect on innovation performance.

IO and Innovation Performance

Past research has shown that market-driven methodologies stress client centricity, yet contemporary promoting recommends that organizations esteem clients (Vargo & Lusch, 2018). IO is characterized as "mirroring an organization's capacity to communicate with individual clients and to exploit the data acquired from them through progressive cooperations to accomplish productive client connections" (Ramani and Kumar, 2008). Therefore, IO is basic to an organization's capacity to cooperate successfully with its clients. Along these lines, many organizations are attempting to get data from their clients to work on the nature of their collaborations, making shared incentives for the organization, which is viewed as a significant asset for organizations to accomplish cutthroat advantage (Chen et al., 2012; Ramani & Kumar, 2008).). Firms that use strong IO, in particular, may benefit from spending resources to acquire important clients (Chen et al., 2012). Few academics, however, have looked at how IO impacts innovation performance. We feel that IO can have a favorable impact on innovation performance in this area. For starters, firms with high IO levels may fully utilize the important information obtained from consumers through interactions (Chen et al., 2012). Customers may share information and expertise to collaboratively develop improved service delivery, which can encourage new ideas and innovation capabilities to meet customer requirements, allowing IO to enhance the company's innovation

 ISSN 2807-5803 (online)

performance. Second, IO enables businesses to make dynamic adjustments to their manufacturing processes. Companies have an inherent desire to improve their innovation skills to develop new goods or service offerings that meet consumer requirements, therefore increasing their innovation performance. Thus, we propose a hypothesis:
Hypothesis 2: IO has a positive effect on innovation performance.

EO, IO, and Organizational Collectivism

The tendency for ranking directors to face challenges and display vital proactivity and development is characterized as EO (Lee, & Chen, 2011). Scholars have looked into a number of factors that influence EO performance (Tang et al., 2015). We propose that organizational collectivism is a significant moderator of the connection between EO and KCC. EO can help businesses better use their market data, which improves their ability to capitalize on market possibilities (Chen et al., 2012). Because EO stresses the spirit of collaboration and collaborative effort, it can obtain necessary resources and develop new goods and processes in this circumstance (Morris et al., 1993). Information may be continually conveyed and expertise created in this way, resulting in increased customer value (Chen et al., 2012). Organizational collectivism is highly essential in IO connections because it will increase organizational innovation performance and the company's engagement with consumers, and the acquisition of information and knowledge. Corporate collectivism, for starters, enables information exchange and staff cooperation (Morris et al., 1993). Organizations with an undeniable degree of authoritative cooperation are better ready to comprehend their clients' necessities, permitting them to get significant market information from their contacts with them (Chen et al., 2012). As a result, IO can stimulate the internal sharing of information and knowledge gained from the external world, therefore enhancing the organization's innovation performance. Second, interactions between customers and businesses encourage knowledge-sharing, co-production, and relational exchange (Chen et al., 2012). Therefore, we suggest hypotheses:
Hypothesis 3: Organizational collectivism moderates the strength of the relationship between EO and innovation performance,
Hypothesis 4: Organizational collectivism moderates the strength of the relationship between IO and innovation performance

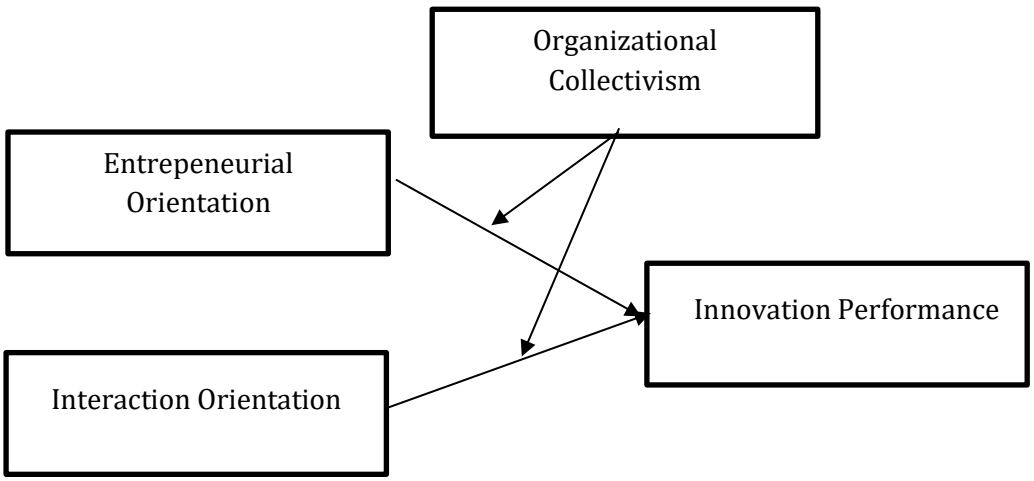

Figure 1. Conceptual Model

RESEARCH METHOD

This study uses a quantitative approach from distributing research questionnaires and analyzing data with statistical procedures PLS using SmartPLS 3.3.3. The populace is the entire gathering of individuals, occasions, or premium things that the analyst needs to examine. This research was conducted on SMEs in Sleman. This study uses a 5 Likert scale and coding.

The Measurement

Scale for EO comprises of seven things created by (Mackay et al., 2006). The IO variable has four dimensions with a 13-item scale developed by Ramani and Kumar (2008) to survey the organization's intuitive conduct towards clients. In the interim, Advancement execution is evaluated with a five-thing scale created by Cordero (1990), which is used by Oke et al. (2012).

FINDING AND DISCUSSION

Reliability and Validity

PLS can be used with a small sample size and can be applied to all data scales. Meanwhile, the reliability test is seen from the composite reliability and Cronbach alpha values. Valid and reliable data is > 0.7 and the expected AVE value is > 0.5. Table 2 Construct Reliability and Validity show that the research variables meet these requirements so that it can be concluded that the research variables are reliable. Then the study's validity shows that several items do not meet the requirements (<0.05), so they need to be removed to provide better results. The results of outer loading research with a value > 0.5 after several items are deleted so that it can be said that the research variable is valid. So, it can be said that the research variables are valid and reliable.

Characteristics of Respondents

The questionnaires collected from 110 respondents of SMEs in Sleman were mostly filled by owners and managers of SMEs, namely 57.27%, owners 9.09%, and managers 33.63%. This is because SMEs in Sleman is still relatively small in scale. The owner of the SME is also the manager who takes care of everything from the selection of raw materials to the marketing strategy of SMEs. The size of SMEs in Sleman is calculated from the number of employees or employees of SMEs. At most, the number of SME employees in Sleman consists of 1-4 people, 74.5% of the 110 sample SMEs, 23.6% of 5-10 employees, and 1.8% of 11-20 employees. The type of SMEs in Sleman is mostly self-owned by 96.4% of the sample, SMEs which are state-owned by 3.6% is in the form of cooperatives. The average annual turnover produced by SMEs in Sleman is 1,000,000., up to Rp. 50,000,000., there are as many as 84.5% of the sample and those that generate up to Rp. 50,000,000 to Rp. 300,000,000., as much as 15.5 % of samples.

Table 1. Characteristics of Respondents

Characteristics of	Classification	Frequency	%
Position	Owner	10	9.09%
	Manager	37	33.63%
	Owner and Manager	63	57.27%
Company Size	1-4 People	82	74.5%
	5-10 People	26	23.6%
	11 -20 People	2	1.8%

ISSN 2807-5803 (online)

Type of Company	State-owned SMEs	4	3.6%
	Self-owned SMEs	106	96.4%
Average turnover per year	1 million to 50 million (rupiah)	93	84.5%
	50 million s /d 300 million (rupiah)	17	15.5%

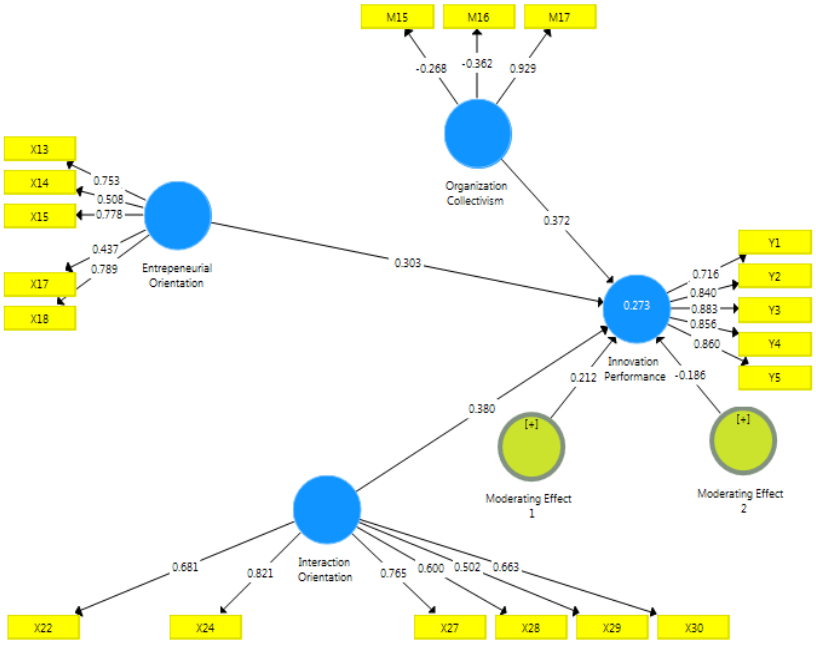

Figure 2. Algorithm Model Testing Results

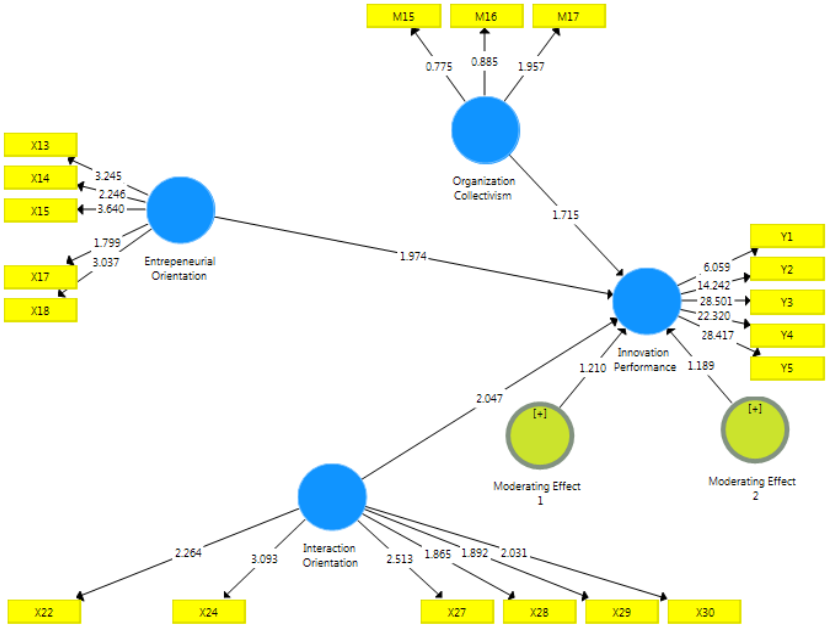

Figure 3. Bootstraping Model Testing Results

Table 2. Construct Reliability and Validity

Variabel	Cronbach's Alpha	rho_A	Composite Reliability	(AVE)	Description
Entrepeneurial Orientation	0,740	0,794	0,794	0,625	**reliabel**
Innovation Performance	0,890	0,910	0,919	0,694	**reliabel**
Interaction Orientation	0,790	0,803	0,835	0,720	**reliabel**
Moderating Effect 1	1,000	1,000	1,000	1,000	**reliabel**
Moderating Effect 2	1,000	1,000	1,000	1,000	**reliabel**
Organization Collectivism	0,611	0,748	0,744	0,635	**reliabel**

Hypothesis Testing

Table 3. Path Coefficient

	Original Sample(O)	**Sample Mean (M)**	**Standard Deviation (STDEV)**	**T Statistics (|O/STDEV|)**	**P Values**
EO -> Innovation performance	0,303	0,243	0,153	1,974	**0,049**
IO-> Innovation performance	0.380	0.304	0.185	2.047	**0.041**
Moderating Effect 1 -> performance Innovation	0.212	0.159	0.175	1.210	**0.227**
Moderating Effect 2 -> performance Innovation	-0.186	-0.162	0.157	1.189	**0.235**

Based on table 4, which shows the path coefficient shows that EO has a positive effect of 0.303 on innovation performance because it shows that the p-value is 0.049 <0.05, and the t statistic is 1.974 > 1.96. IO has a positive effect of 0.380 on innovation performance because it has a p-value of 0.041 <0.05 and a t statistic of 2.047 > 1.96. Moderation results show that organizational collectivism is not proven to moderate the strength of the relationship between EO and innovation performance because the p-value is 0.227 > 0.05 and the t statistic is 1.210 < 1.96. Meanwhile, organizational collectivism was also not proven to moderate the strength of the relationship between IO and innovation performance because the p-value was 0.235 > 0.05, and the t statistic was 1.189 < 1.96. So that H1 and H2 are supported while the results of the study do not support H3 and H4.

Discussion

Companies with higher EO levels can transform themselves through strategic updates and recognize opportunities often before their competitors do (Chen and Lien, 2013). Companies can experiment, i.e., explore new ideas and effectively exploit them (innovate) in uncertain and dangerous situations where success is not assured, using innovation and a risk-taking mindset. Similarly, EO's proactive characteristics contribute to detecting opportunities, which requires quick decision-making and seizing those opportunities. Strategic changes and adjustments throughout the company will be involved in this decision so that when the company innovates, it will be at the forefront of the competition

 ISSN 2807-5803 (online)

(Asemokha et al., 2019). This study is in line with Seo (2020) finding a significant curvilinear relationship between EO with technological innovation and product innovation in Korea and (Asemokha et al., 2019). They realize that research and development (R&D) is not enough for technical innovation and development; rather, it is necessary to develop tools to increase investment in new and emerging technologies as core factors in corporate and economic growth (Akbari et al., 2020). In this regard, the complementary nature of entrepreneurship and innovation is recognized because combining the two is critical to firm performance as technological innovation must meet market needs and requires entrepreneurship to realize commercial success (Dess et al., 1999). This study also highlights the importance of understanding and applying the IO theory. This empirical study indicates that IO has a favorable impact on the performance of SMEs in terms of innovation. Finally, when considering the moderating effect of organizational culture, our findings expand the link between IO and innovation interpretation, allowing us to understand better the processes through which the corporate environment modulates the relationship between IO and KCC (De Boer et al., 1999; Ramani & Kumar, 2008). This study could not demonstrate a link between EO and SMEs' innovation performance in various cultural situations.

CONCLUSION AND FUTURE RESEARCH

This study means to decide the connection between entrepreneurs orientation (EO) and Interaction Orientation (IO) as market approaches on advancement execution. This study shows that entrepreneurial orientation positively and significantly affected innovation performance at the SME level in Yogyakarta, Indonesia, during the COVID-19 pandemic. Supervisors will have superior information on the most proficient method to accomplish creative execution by utilizing EO and IO because of the commitments to the review's suggestions. They remind chiefs that SMEs should zero in on EO and IO to work on the pioneering soul and set out to hazard a disappointment of advancement. SMEs should zero in on the improvement of EO inside to support the execution of hierarchical development (Zhai et al.,2018). Limitations and Future Research This study has a number of drawbacks. First and foremost, this was a cross-sectional survey. Accordingly, we suggest that future specialists utilize a longitudinal exploration configuration to look at the association between EO, IO, and development execution. Second, while alleged authority is significant for executing hierarchical methodology, future exploration should take a gander at the transaction between the characteristics of the EO and CEO to acquire a feeling of what initiative means for the firm. Third, in light of the fact that the directing effect of Association Cooperation was not shown in this review, the future examination should investigate the foundation in two particular societies.

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