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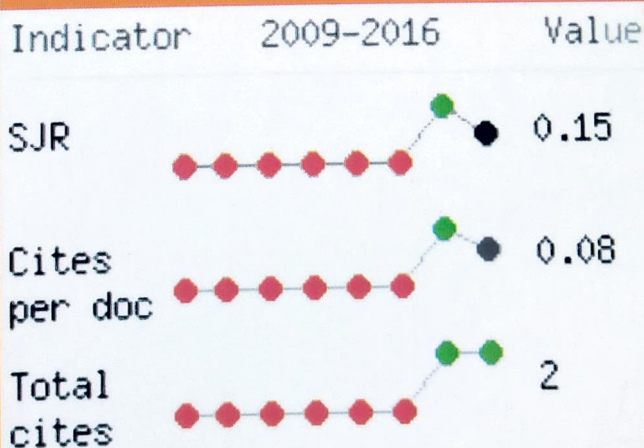
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THE EFFECT OF ENTREPRENEURIAL ORIENTATION, ENVIRONMENTAL ADAPTABILITY AND STRATEGIC ORIENTATION ON BUSINESS PERFORMANCE

ROY WAHYUNINGSIH, ERY TRI DJATMIKA, BUDI EKO SOETJIPTO AND
SRI UMI MINTARTIT

Abstract: The purpose of this study is to examine the influence of entrepreneurial orientation, environmental adaptability, and strategic orientation on business performance through competitive advantage in *pandan*(pandanus) craftsmen in Jombang. The population in this study was 1634 *pandan* craftsmen with a sample of 128 respondents. Structural Equation Modeling (SEM) was run with AMOS software. The results of the analysis showed that entrepreneurial orientation, environmental adaptability, and strategic orientation have a positive effect on competitive advantage in improving business performance. The most dominant variables affecting business performance mediated by competitiveness advantage are environmental adaptability, strategic orientation and entrepreneurial orientation. Pandan craftsmen are suggested to create a competitive advantage in the context of marketing strategy; the *pandan* craftsmen must be able to distribute the products quickly at competitive prices. In the context of entrepreneurial orientation, *pandan* craftsmen must emphasize innovation/creativity and have the courage to take risks.

1. Introduction

The existence of MSMEs is often associated with small business which is run by society with limited skill and traditional technology. Nevertheless, the crisis that has hit Indonesia raises the awareness that in the national economy, small business sector has a very important role in strengthening the structure of national economy. The importance of the role of small business sector is not only to strengthen national industry, but also to the life of most Indonesians.

Jombang is one of the regencies located in East Java province; the majority of people in Jombang work as pandan craftsman. As one of the regencies in East Java province, Jombang requires support from the surrounding areas to develop. Since the crisis that occurred in Indonesia, MSME sector had experienced a slight decline, but it is able to grow and compete with large companies. This shows that MSMEs in Jombang are able to survive crisis shock and have the right strategy in facing change of business environment and adapt to it.

The enactment of AFTA requires entrepreneurs to adapt to face their competitors. Each business unit is required to work more effectively and efficiently in order to obtain optimal results and able to maintain its survival (Akata and Akyol, 2008). Changes in business orientation from product-oriented to customer-

Keywords: entrepreneurial orientation, environmental adaptability, strategic orientation, competitive advantage, and business performance

oriented have a tremendous impact on how to assess the success of business. Companies should review company practices and actively seek new ways to strengthen flexibility, increase creativity/innovation capacity and show more competitiveness (Aloulou, 2002: 3). One of the efforts that can be done to succeed is by applying entrepreneurial orientation in decision making. Covin and Slevin (1991), in model development of “Entrepreneurship as firm Behavior” stated that there is a positive relationship between “entrepreneurial posture” and the company’s performance. Lumpkin and Dess (1996) refer to the application of making entrepreneurial strategy “entrepreneurial orientation” to achieve the company’s objectives. The results of a research which was conducted by Frese, Brantjes, and Horn (2000) have proven theories put forward by Covin and Slevin (1991) and Lumpkin and Dess (1996) regarding the positive relationship between entrepreneurial orientation and marketing strategy. Even this relationship continues to increase from time to time (Wiklund, 1999).

This research was conducted on *pandan* craftsmen in Jombang Regency. Researchers found the research gap in this research, namely: (1) entrepreneurial orientation is declared to have positive effect on competitive advantage by Aloulou, (2002), Helia (2015), Bharadwaj (1993); however, it is declared to have negative effect on competitive advantage (Mahfooz et al., 2000); (2) entrepreneurial orientation is declared to have a positive influence on business performance by Aloulou, (2002), Lumpkin and Dess, (1996), Hanifa (2011), Gosselin (2005), Covin and Slevin (1991), Andriyani (2005), Wiklund & Shepherd (2005), Barrett (2000), Li, Zhao, Tan & Liu (2008), Rauch et al. (2009); however, it is declared to have negative effect on business performance (Mahfooz et al., 2000); (3) environmental adaptability is declared to have a positive effect on competitive advantage by Utsch et al. (1999), Sharma, J.K and Singh, A.K (2012), Herlambang et al (2013), Reeves and Deimler (2011); however, it is declared to have negative effect on competitive advantage (Chandler and Hanks, 1994); (4) environmental adaptability is declared to have a positive effect on business performance by Utsch et al. (1999), Luo, (1999), Milles and Snow (1978), Stoica and Schindehutte (1999), Qui and Tannock (2010), Lee (2004), Luo and Chang (2011), Burpitt, William J (2010), however, it has negative influence on business performance (Chandler and Hanks, 1994); and (5) competitive advantage is declared to have a positive effect on business performance by Dess, et al. (1996), Porter (1995), Slater and Narver (1995), Brush and Chaganti (1997), Day & Wensley (1988), Dickson (1992), however, it is declared to have negative effect on business performance (Kickul and Gundry, 2002).

2. Literature Review and Model Development

According to Mintzberg (1988), strategies are plan, ploy, pattern, position and perspective. In addition to being an action guide for the future, strategy is also a pattern of actions which have been done in the past. Michael E. Porter (2001) says that strategies can be explicitly developed through planning as well as implicitly through various activities. Pearce and Robinson (2013) mention that strategy is a combination of planned activities and business approaches (planned strategy) and reactions required for the situation that is not predicted (adaptive strategy). Strategy

is more than just what will be achieved in the future. Environmental adaptability is always emerging, such as technological developments, changes in government policy, the emergence of new competitors, and others. The future environmental adaptability is full of uncertainty, so that several actions are needed to address changes in the adaptation of business environment. Environmental adaptability is very influential in industry, where changes that occur therein can have an effect on all existing companies in the industry (Porter, 2001).

2.1. Competitive Strategy

Porter (2001) says that although environmental adaptability is very broad, encompassing social forces as well as economic forces, a major aspect of environmental adaptability is the industries in which they compete. Furthermore, Porter (2001) mentions that a competitive strategy aims to establish a profitable and sustainable position against the forces that determine the industrial competition. There are two main questions that underlie the choice of competitive strategy. The first is the industry's attraction to long-term profitability and the factors that determine it. Not all industries offer equal opportunities for continuous profitability, and the inherent profitability of the industry is an essential ingredient in determining a company's profitability. The second major question in competitive strategy is the position determination is relatively competitive within an industry. In most industries, some of the much smaller companies are capable of profit than others, regardless of how much the average profitability of the concerned industry.

2.2. The Effect of Entrepreneurial Orientation on Competitive Advantage

Entrepreneurs who compete in dynamic environmental adaptability are more successful with entrepreneurial orientation such as innovative attitudes, risk-taking and proactive attitude (Dess, Lumpkin & Covin 1997; Khandwalla 1977; Miller & Friesen 1984; Morris & Paul 1987). Entrepreneurs are more likely to launch new business activities when their disillusionment with the conditions of environmental adaptability also increases. In general, according to the research results, entrepreneurial orientation has a tendency to implement responsive and anticipatory marketing strategies (Dess, Lumpkin & Covin 1997; Khandwalla 1977; Miller & Friesen 1982; Morris & Paul 1987). Helia (2015), Musrifah (2018). Similarly, Aloulou (2002) stated that high entrepreneurship orientation is able to stimulate manager to win a business competition. Therefore, entrepreneurship orientation has a positive effect on competitive advantage.

2.3. The Effect of Entrepreneurial Orientation on Business Performance

Entrepreneurial orientation is illustrated by processes, practices, and decision-making activities that encourage new entry. Thus, entrepreneurship can be considered a product from the perspective of entrepreneurial orientation. Processes, practices, and decision-making activities (perspective of entrepreneurial orientation) result in new entry (entrepreneurship). Therefore, entrepreneurial orientation has a positive effect on business performance.

2.4. The Effect of Environmental Adaptability on Competitive Advantage

Dean et al., (1998) suggest that small firms adapt to changes in environmental more rapidly than large enterprises. The speed of adjusting to environmental adaptability is because the organizational structure is simple, production systems and processes are not too complex, and the number of competitors is limited (Chen and Hambrick, 1995), entrepreneurial orientation to risk seeking (Hitt et al., 1991). In addition to the factors mentioned above, Scherer and Ross, (1990) stated that fast adaptation needed by SMEs to adjust to the business environment is because of the ability and speed to change/set the selling price of a product.

Utsch et al., (1999) stated that the adaptation of a conducive environment related to the socio-economic conditions of society, the political climate, the conditions of competition and business climate stimulate corporate managers to improve their entrepreneurial orientation, so it is concluded that the better the environmental adaptability, the higher the entrepreneurial orientation. Thus, environmental adaptability has a positive effect on competitive advantage.

2.5. The Effect of Environmental Adaptability on Competitive Advantage and Business Performance

Strategy management sees business environmental adaptability as an important factor that has a strong influence on business performance. Contingency theory suggests that alignment between strategy and business environmental adaptability affects survival and business performance (Luo, 1999). If a business is unable to create harmony between a strategy and environmental adaptability, it can result in a decline in business performance (Lee and Miller, 1996). Therefore, business environmental adaptability positively affects the business performance.

2.6. The Effect of Competitive Advantage on Business Performance

Competitive advantage can result in superior market performance and financial performance (investment earnings, shareholder/dividend's welfare) (Day & Wensley, 1988). Sources of competitive advantage (Cravens, 1996), analysis of competitive advantage shows the difference and uniqueness among competitors. The source of competitive advantage is superior skills, resources and control. Therefore, competitive advantage positively influences business performance.

2.7. The Effect of Strategic Orientation on Competitive Advantage

Bloodgood, Sapienza & Almeida, (1996) explain that if the quality of marketing is good, the company is able to provide competitive advantage with other companies. Bloodgood, Sapienza & Almeida, (1996) show that the high-quality strategy in terms of marketing the products of a company is able to provide a strategic asset in winning competitive advantage. Therefore, strategic orientation has a positive effect on the competitive advantage.

2.8. The Effect of Strategic Orientation on Business Performance

The objective of company's strategy is to bring profit to the company through the promotion and distribution of products. Strategic orientation becomes the demand

for managers in carrying out tactics and other business activities to support international marketing targets (Cavusgil and Zou 1994; Szymanski 2000; Bharadwaj and Varadarajan 1993). In addition, strategic orientation leads company to be responsive and always pursue market opportunities; therefore, many business units will respond to the pressure of globalization by expanding their sales activities to overseas markets and improving the company's business performance (Bloodgood, Sapienza & Almeida 1996). Ferdinand (2002) showed that high-quality strategy in terms of marketing the products of the company is able to provide a strategic asset in improving business performance. Thus, strategic orientation has a positive effect on business performance.

3. Research Hypotheses

Hypotheses formulated in this research are as follows.

- 1) Does entrepreneurial orientation affect the competitive advantage of *pandan* craftsmen in Jombang?
- 2) Does entrepreneurial orientation have a positive effect on business performance of *pandan* craftsmen in Jombang?
- 3) Does environmental adaptability have a positive effect on the competitive advantage of *pandan* craftsmen in Jombang?
- 4) Does environmental adaptability have a positive effect on business performance on *pandan* craftsmen in Jombang?
- 5) Does competitive advantage have a positive effect on business performance of *pandan* craftsmen in Jombang?
- 6) Does strategic orientation have a positive effect on the competitive advantage of *pandan* craftsmen in Jombang?
- 7) Does strategic orientation have a positive effect on business performance of *pandan* craftsmen in Jombang?

4. Research Method

4.1. Data Collection Method

The data were collected through questionnaires. The questionnaire contains statements "strongly agree" to "strongly disagree" using *Likert* scale as a reference. *Likert* Scale was used to measure the attitudes, opinions, and perceptions of a person or group of people (Singarimbun, 1995, p.87), where each statement is made with data using a scale 1 for strongly disagree and 7 for strongly agree.

Each of variables namely entrepreneurial orientation, environmental adaptability, strategic orientation and business performance has 20 statements. The respondents (craftsmen) were asked to state their attitude by choosing one of the answers that corresponds to the conditions faced or experienced by the respondents by putting a check mark (✓) on one of the answers available.

4.2. Population and Sample Determination

According to Cooper and Emory (1998), the population can be understood as a group of individuals or the object of observation that have at least one characteristic in common. The population in this research was all *pandan* craftsmen in Jombang, 1634 people in total.

In this study, the sample was determined by using Cochran's formula as follows:

$$n = \frac{\frac{t^2 pq}{d^2}}{1 + \frac{1}{N} \left(\frac{t^2 pq}{d^2} - 1 \right)}$$

From the formula above, 128 respondents were obtained with Proportional Random Sampling as the sampling technique.

4.3. Analysis of Reliability and Validity Test

To get a better result, then this study will test 25 respondents first in order to know whether or not the questionnaire used was valid and reliable, so that correction could be made easily if it obtained poor results by improving the questions raised in the questionnaire to reflect the indicator better. Reliability testing to all items/questions rose in this study was done using *Cronbach's* alpha formula (*Cronbach's* alpha coefficient), which in general is considered reliable if the value of *Cronbach's* alpha > 0.6.

Meanwhile, the validity test was done with the purpose to determine the validity of the questionnaire. Item test validity was done using SPSS by looking at the correlation between each item and total score on the value of corrected item total correlation greater than or amounted to 0.41 (Santoso, 2000). Meanwhile, the construct validity test can be done by correlating the score of each item with the total score.

4.4. Analysis Technique

To test H1 to H5, the data analysis tool used was Structural Equation Model from AMOS statistics package. This research used two kinds of analysis technique, namely:

1. Confirmatory Factor Analysis on SEM which was used to confirm the most dominant factors in one group of variables.
2. Regression Weight on SEM which was used to examine how big the relationship between variables.

A model is considered feasible if each index has a cut of value as shown in Table below:

Table 1
Indicators of Statistical Justification in AMOS

<i>Goodness of Fit Index</i>	<i>Cut – off Value</i>
λ^2 – Chi-square	$\geq \text{df}, \leq 0,05$
1. Significance Probability	≥ 0.05
2. RMSEA	≤ 0.08
3. GFI	≥ 0.90
4. AGFI	≥ 0.90
5. CMIN/DF	≤ 2.00
6. TLI	≥ 0.95
7. CFI	≥ 0.95

Source: Hair et al., (1995)

5. Data Analysis and Discussions

5.1. Reliability Test and Variance Extract

The results of data processing of reliability test and variance extract are presented in Table 2.

Table 2
Reliability and Variance Extract

<i>Variable</i>	<i>Reliability</i>	<i>Variance Extract</i>
Entrepreneurial Orientation	0.764	0.572
Environmental Adaptability	0.821	0.589
Strategic Orientation	0.816	0.563
Competitive Advantage	0.758	0.554
Business Performance	0.819	0.589

The results of reliability test and variance extract on each latent variable over its forming dimensions show that all variables are a reliable measure because each of them has a reliability greater than 0.6. This showed that the questionnaire was feasible to use.

The results of variance extract testing also have shown that each latent variable is an extraction result which is large enough from its dimensions. This is shown from the value of variance extract of each variable greater than 0.4. This shows that the respondents knew the right answers of the questionnaire that we made.

4.3. Data Analysis

4.3.1. Confirmatory Factor Analysis

Confirmatory factor analysis is a measurement stage on the dimensions that make up the latent variables in the research model. The latent or construct variables which were used in this research model consisted of 5 latent variables out of 19 dimensions.

4.3.1.1. Confirmatory Factor Analysis of Entrepreneurial Orientation Construct

The results of data processing for confirmatory factor analysis of entrepreneurial orientation construct are as follows:

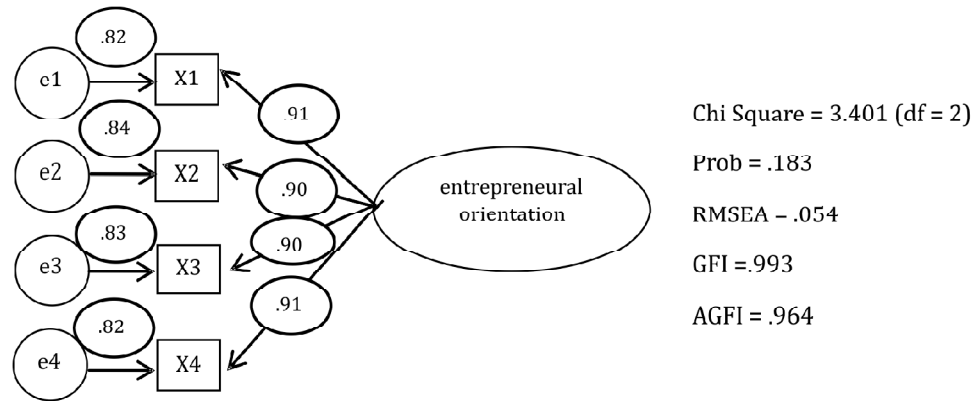


Figure 1: Confirmatory Factor Analysis – Entrepreneurial Orientation Construct

4.3.1.2. Confirmatory Factor Analysis of Environmental Adaptability Construct

The results of data processing for confirmatory factor analysis of environmental adaptability construct are presented below:

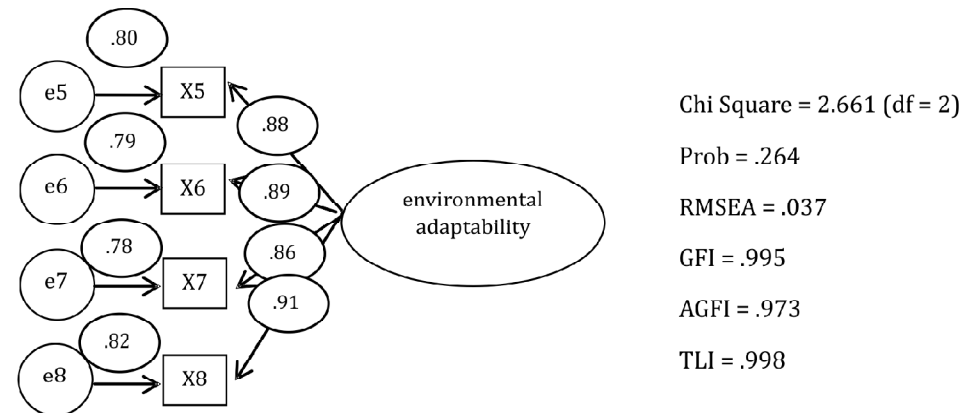


Figure 2: Confirmatory Factor Analysis – Environmental Adaptability Construct

4.3.1.3. Confirmatory Factor Analysis of Strategic Orientation Construct

The results of data processing for confirmatory factor analysis of strategic orientation construct are presented below:

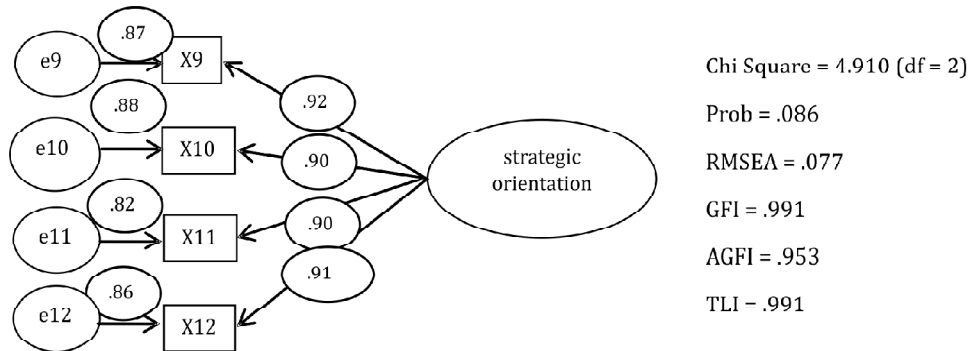


Figure 3: Confirmatory Factor Analysis – Strategy Orientation Construct

4.3.1.4. Confirmatory Factor Analysis of Competitive Advantage Construct

The results of data processing for confirmatory factor analysis of competitive advantage construct are presented below:

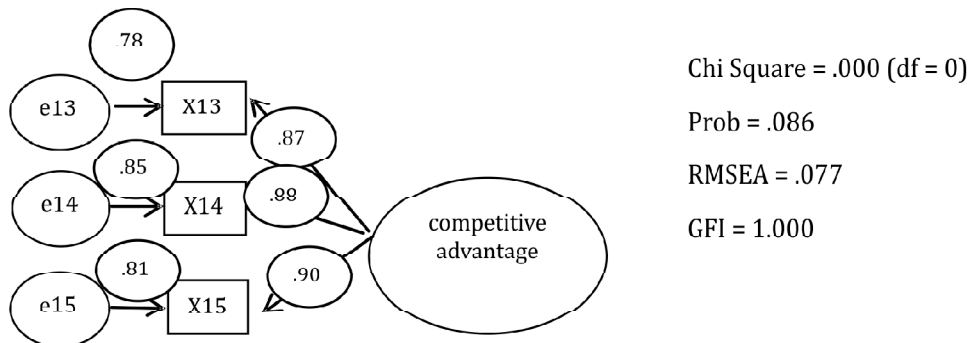


Figure 4: Confirmatory Factor Analysis – Competitive Advantage Construct

The summary of the results of confirmatory factor analysis of this construct result in chi square of 0 because the value of degrees of freedom for variable construct with 3 dimensions was zero.

4.3.1.5. Confirmatory Factor Analysis of Business Performance Construct

The results of data processing for confirmatory factor analysis of business performance construct are presented below.

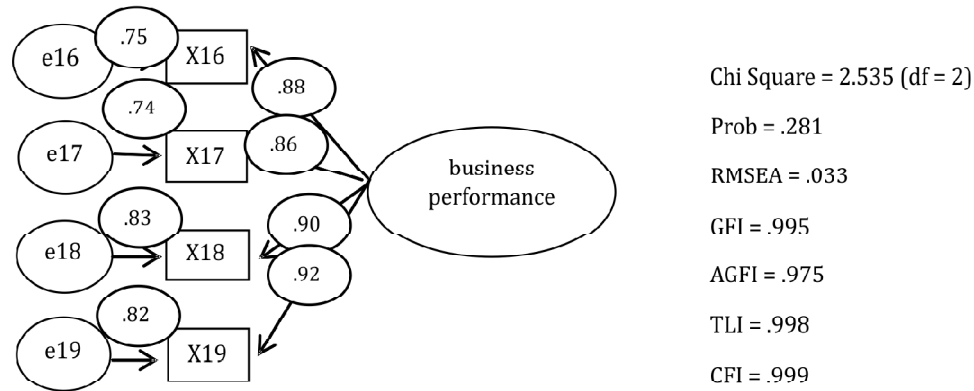


Figure 5: Confirmatory Factor Analysis – Business Performance Construct

4.3.1.6. Structural Equation Modeling Analysis

After analyzing the unidimensional level of the forming indicators of latent variable tested with confirmatory factor analysis. The results of data processing for the analysis of full SEM model are presented in the following figure.

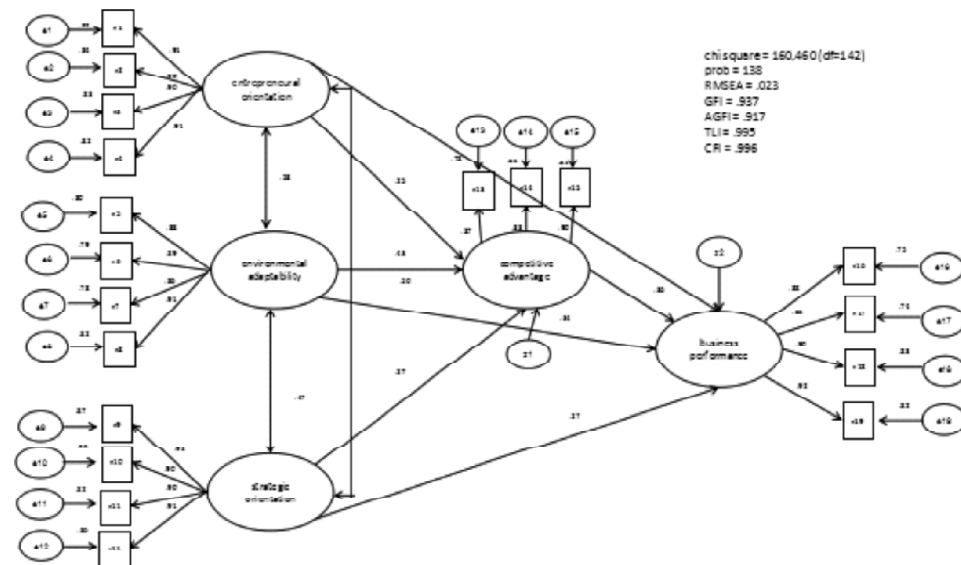


Figure 6: The Results of Structural Equation Model (SEM)

The results of hypothesis model test showed that this model was in accordance with the data or fit on the data used in this research are presented in the following table:

Table 3
Results of Model Feasibility Test of Structural Equation Model (SEM)

<i>Goodness of Fit Index</i>	<i>Cut-off Value</i>	<i>Analysis Results</i>	<i>Model Evaluation</i>
Chi – Square	Small (< 192.339)	160.461	Good
Probability	≥ 0.05	0.137	Good
RMSEA	≤ 0.08	0.022	Good
GFI	≥ 0.90	0.937	Good
AGFI	≥ 0.90	0.917	Good
CMIN / DF	≤ 2.00	1.131	Good
TLI	≥ 0.95	0.995	Good
CFI	≥ 0.95	0.996	Good

Source: Processed research data

Based on Table 3 above, the use of theoretical framework on the model was in accordance with the reality, where the probability value of 0.138 indicated a good model evaluation.

Statistics test on the relationship between variables would be used as a basis to answer the research hypothesis that has been proposed. The statistical test of the results of data processing using SEM was done by looking at the level of significance of relationships between variables, which are revealed through the value of probability (p) and Critical Ratio (CR) of each relationship between variables. This statistical testing process is shown in Table 4.

Table 4
Standardized Regression Weight

			<i>Estimate</i>	<i>S.E.</i>	<i>C.R.</i>	<i>P</i>
X4	—>	Entrepreneurial _ Orientation	1			
X3	—>	Entrepreneurial _ Orientation	1.007	0.044	22.707	***
X2	—>	Entrepreneurial _ Orientation	1.024	0.045	22.739	***
X1	—>	Entrepreneurial _ Orientation	1.023	0.047	21.79	***
X8	—>	Environmental _ adaptability	1			
X7	—>	Environmental _ adaptability	0.962	0.051	18.961	***
X6	—>	Environmental _ adaptability	1.012	0.048	21.222	***
X5	—>	Environmental _ adaptability	1.002	0.048	20.815	***
X12	—>	Strategic-- _ Orientation	1			
X11	—>	Strategic-- _ Orientation	0.968	0.043	22.4	***
X10	—>	Strategic-- _ Orientation	0.944	0.04	23.416	***
X9	—>	Strategic-- _ Orientation	1.002	0.04	25.209	***
X13	—>	Competitive _ Advantage	1			
X14	—>	Competitive _ Advantage	1.088	0.052	21.024	***
X15	—>	Competitive _ Advantage	1.023	0.051	20.018	***
X16	—>	Business Performance	1			
X17	—>	Business Performance	1.048	0.058	17.991	***
X18	—>	Business Performance	1.107	0.054	20.467	***
X19	—>	Business Performance	1.071	0.052	20.533	***

4.4. Hypothesis Testing

The testing of 3 hypotheses of this research was done based on Critical Ratio (CR) value of a causality relationship from SEM processing result as presented in Table 5 below.

Table 5
Regression Weight Structural Equational Model

			<i>Estimate</i>	<i>S.E.</i>	<i>C.R.</i>	<i>P</i>
Competitive _Advantage	—>	Entrepreneurial _ Orientation	0.221	0.06	3.725	***
Competitive _Advantage	—>	Environmental _ adaptability	0.417	0.064	6.555	***
Competitive _Advantage	—>	Strategic-- _ Orientation	0.244	0.054	4.516	***
Business Performance	—>	Entrepreneurial _ Orientation	0.125	0.053	2.365	0.019
Business Performance	—>	Environmental _ adaptability	0.312	0.062	5.012	***
Business Performance	—>	Competitive _ Advantage	0.238	0.069	3.477	***
Business Performance	—>	Strategic-- _ Orientation	0.235	0.05	4.697	***

The test results showed that all CR values were above 1.96 or with a probability smaller than 0.05. Thus, all hypotheses were accepted.

1. The Results of Hypothesis 1

The calculation result showed that the CR of variable entrepreneurial orientation on competitive advantage was 3.725, with probability value amounted to 0.000. Probability value= 0.000 < 0.05, indicating that the perspective of entrepreneurial orientation had an influence on competitive advantage. Therefore, it can be concluded that H1 is accepted. The results of this study indicate that good entrepreneurial orientation of *pandan* craftsmen in Jombang Regency will increase their competitive advantage, so that high entrepreneurial orientation will increase the competitive advantage.

2. The Results of Hypothesis 2

The calculation result showed that the CR of variable entrepreneurial orientation on business performance was 2.365, with probability value amounted to 0.019. Probability value= 0.019 < 0.05, indicating that the perspective of entrepreneurial orientation had an influence on business performance. Therefore, it can be concluded that H2 is accepted. The results of this study indicate that good entrepreneurial orientation of *pandan* craftsmen in Jombang will improve business performance, so that high entrepreneurial orientation will improve business performance.

3. The Results of Hypothesis 3

The calculation result showed that the CR of variable environmental adaptability on competitive advantage amounted to 6.555 with probability value amounted to 0.000. Probability value= 0.000 < 0.05, indicating that environmental adaptability had an influence on competitive advantage. Therefore, it can be concluded that H3 is accepted. The results of this study indicate that good environmental adaptability of *pandan* craftsmen in Jombang will increase its

competitive advantage, so that high environmental adaptability will increase competitive advantage.

4. The Results of Hypothesis 4

The calculation result showed that the CR of variable environmental adaptability on business performance amounted to 5.012, with probability value amounted to 0.000. Probability value = $0,000 < 0.05$, indicating that environmental adaptability had an influence on business performance. Therefore, it can be concluded that H4 is accepted. The results of this study indicate that good business environmental adaptability of *pandan* craftsmen in Jombang will improve business performance, so that high environmental adaptability will improve business performance.

5. The Results of Hypothesis 5

The calculation result showed that the CR of variable competitive advantage on business performance amounted to 3.477, with probability value amounted to 0.000. Probability value = $0.000 < 0.05$, indicating that competitive advantage had an influence on business performance. Therefore, it can be concluded that H5 is accepted. The results of this study indicate that good competitive advantage of *pandan* craftsmen in Jombang will improve business performance, so that high competitive advantage will improve business performance.

6. The Results of Hypothesis 6

The calculation result showed that the CR of variable strategic orientation on competitive advantage amounted to 4.516, with probability value amounted to 0.000. Probability value = $0.000 < 0.05$, indicating that strategic orientation had an influence on competitive advantage. Therefore, it can be concluded that H6 is accepted. The results of this study indicate that good strategic orientation of *pandan* craftsmen in Jombang will increase its competitive advantage, so high strategic orientation will increase competitive advantage.

7. The Results of Hypothesis 7

The calculation result showed that the CR of variable strategic orientation on business performance amounted to 4.697, with probability value amounted to 0.000. Probability value = $0.000 < 0.05$, indicating that strategic orientation had an influence on business performance. Therefore, it can be concluded that H7 is accepted. The results of this study indicate that good strategic orientation of *pandan* craftsmen in Jombang will improve its business performance, so high strategic orientation will improve business performance.

4.5. Discussions

Hypothesis 1 shows that entrepreneurial orientation has a positive effect on competitive advantage. Pandanus craftsmen are more likely to launch new business activities when their disappointment with environmental adaptation conditions also increases. The results of this study support the studies conducted by Aloulou (2002), Helia (2015), Bharadwaj (1993), Dess, Lumpkin & Covin (1997), Khandwalla (1977), Miller & Friesen (1984), Morris & Paul (1987).

Hypothesis 2 shows that entrepreneurial orientation has a positive effect on business performance. Entrepreneurial orientation is illustrated by processes, practices, and decision-making activities that encourage new entry. Therefore, entrepreneurship can be considered a product from the perspective of entrepreneurial orientation. Processes, practices, and decision-making activities (perspective of entrepreneurial orientation) result in new entry (entrepreneurship). The results of this study support the studies conducted by Lumpkin and Dess (1996), Hanifah (2011), Gosselin (2005), Covin and Slevin (1991), Andriyani (2005), Wiklund & Shepherd (2005), Barret (2000), Li, Zhao, Tan & Liu (2008), Rauch et al (2009).

Hypothesis 3 shows that environmental adaptability positively affects competitive advantage. Conducive environment adaptability associated with the socio-economic conditions of society, political climate, competitive conditions and business climate stimulate corporate managers to improve their entrepreneurial orientation; therefore, it is concluded that the better the environmental adaptability, the higher the entrepreneurial orientation. The results of this study support studies conducted by Utsch et al. (1999), Reeves and Deimler (2011), Sharma, J.K and Singh, A.K (2012), Herlambang et al (2013).

Hypothesis 4 shows that environmental adaptability has a positive effect on business performance. Contingency theory states that the alignment between strategy and business environmental adaptability affects the survival and business performance. If a business is not able to create harmony between a strategy and environmental business adaptability, it can result in a decline in business performance. The results of this study support the studies conducted by Luo, (1999), Milles and Snow (1978), Stoica and Schindehutte (1999), Qui and Tannock (2010), Lee (2004), Luo and Chang (2011), and Burpitt, William J (2010).

Hypothesis 5 shows that competitive advantage positively affects business performance. The sustainability of the attributes of strategy and durability of the superiority of key resources that are superior to those of competitors, the companies that excel in business competition have improved business performance. The results of this study support the studies conducted by Dess et al. (1996), Porter (1995), Slater and Narver (1995), Brush and Chaganti (1997), Day & Wensley (1988), Dickson (1992).

Hypothesis 6 shows that strategic orientation had a positive effect on competitive advantage. High quality of marketing done the company is able to provide competitive advantage in competing with other companies. The results of this study support the studies conducted by Bloodgood, Sapienza & Almeida, (1996), Akimova (1999), Prakosa (2005).

Hypothesis 7 shows that strategic orientation had a positive effect on business performance. High-quality strategy in terms of marketing the product of a company is able to provide strategic asset in improving the business performance. The results of this research support the studies conducted by Bloodgood, Sapienza & Almeida, (1996), Han et al. (1998), Zhou et al. (2005), and Narver and Slater (1990).

5. Conclusions and Suggestions

5.1. Conclusions

There were seven hypotheses proposed in this research. The conclusions of those seven hypotheses are as follows:

- 5.1.1. Hypothesis 1 shows that entrepreneurial orientation has a positive effect on competitive advantage. It states that the higher the entrepreneurial orientation, the higher the competitive advantage.
- 5.1.2. Hypothesis 2 shows that entrepreneurial orientation has a positive effect on business performance. It states that the higher the entrepreneurial orientation, higher the business performance.
- 5.1.3. Hypothesis 3 shows that environmental adaptability positively affects competitive advantage. It states that the higher the environmental adaptability, the higher the competitive advantage.
- 5.1.4. Hypothesis 4 shows that environmental adaptability has a positive effect on business performance. It states that the higher the environmental adaptability, the higher the business performance.
- 5.1.5. Hypothesis 5 shows that competitive advantage positively affects business performance. It states that the higher the competitive advantage, the higher the business performance.
- 5.1.6. Hypothesis 6 shows that strategic orientation has a positive effect on competitive advantage. It states that the higher the strategic orientation, the higher the competitive advantage.
- 5.1.7. Hypothesis 7 shows that strategic orientation has a positive effect on business performance. It states that the higher the strategic orientation, the higher the business performance.

5.2. Theoretical Implications

Business performance is strongly influenced by competitive advantage (Dess et al., 1996), while competitive advantage is influenced by the perspective of entrepreneurial orientation (Aloulou, 2002) and business environmental adaptability (Utsch et al., (1999), and strategic orientation (Bloodgood, Sapienza & Almeida, 1996) The results of this study confirm the results of the previous studies conducted by Aloulou (2002), Helia (2015), Bharadwaj (1993), Dess, Lumpkin & Covin (1997), Khandwalla (1977), Miller & Friesen (1984), Morris & Paul (1987), Lumpkin and Dess, (1996), Hanifa (2011), Gosselin (2005), Covin and Slevin (1991), Andriyani (2005), Wiklund & Shepherd (2005), Barret (2000), Li, Zhao, Tan & Liu (2008), Rauch et al (2009), Utsch et al., (1999), Reeves and Deimler (2011), Sharma, JK and Singh, AK (2012), Herlambang et al (2013), Luo, (1999), Milles and Snow (1978), Stoica and Schindehutte (1999), Qui and Tannock (2010), Lee (2004), Luo and Chang (2011), Burpitt, William J (2010), Dess et al., (1996), Porter (1995), Slater and Narver (1995), Brush and Chaganti (1997), Day & Wensley (1988), Dickson (1992), Bloodgood, Sapienza & Almeida, (1996), Akimova (1999), Prakosa (2005), Han et al. (1998), and Zhou et al. (2005), Narver and Slater (1990) showed that

entrepreneurial orientation, business environmental adaptability, and strategic orientation influence competitive advantage in improving business performance.

5.3. Recommendation

Environmental adaptation is the most dominant variable affecting business performance mediated by competitive advantage, so environmental adaptability can increase competitive advantage and business performance; therefore, pandanus craftsmen need to adapt to diverse business environment in increasing competitive advantage and business performance.

Strategic orientation is the second variable affecting business performance mediated by competitive advantage. Strategic orientation needs to be improved through conducive business climate, which is able to motivate the entrepreneurial orientation of *pandan* craftsmen, especially those associated with innovation/creativity and risk-taking. Creativity/innovation and risk-taking will be able to produce goods with competitively priced as well as distribute them to consumers on time; it will have a positive impact on improving business performance as measured by market growth and customer growth.

Entrepreneurial orientation is the second variable that influences business performance mediated by competitive advantage. Entrepreneurial orientation is able to win the competitive advantage, so the *pandan* craftsmen need to apply the willingness to innovate, the willingness to be actively involved, the risk-taking spirit, and futurity in their business activity because it is able to win the business competition.

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