

# **The Influence of Environment Business and Entrepreneurship Orientation of Innovation and Small Medium Business Performance (Studies in Small Industrial Fish Crackers in Sidoarjo)**

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**Abstract:** *This paper describes how the environment and entrepreneurial orientation towards innovation and performance of small and medium enterprises in several districts in Sidoarjo, the fish cracker industry. Micro-businesses are business activities that can expand employment and provide information to stakeholders in terms of capital investment in the form of investments of small and medium units in Sidoarjo. The role of small and medium enterprises (SMEs) are widely is the role of society in the process of equalization and improvement of the condition of people's income, and can encourage economic growth which resulted in increased revenue (PAD). The object of this study is the small and medium enterprises in the industrial fish crackers in Sidoarjo. The results of this study are expected to make changes to the business environment in accordance with people's economic condition in Sidoarjo, with the goal of generating productive workforce and products are more innovative. Therefore, the role of government is needed to improve the business environment changes more clean, efficient, and well positioned for the consumer in the country and abroad and access to transport more affordable for all business locations in Sidoarjo*

**Keywords:** *business environment, entrepreneurial orientation, innovation, and performance of small and medium enterprises*

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## **I. Introduction**

Unit Small and Medium Enterprises (SMEs) are economically productive activities that stand alone, carried out by an individual or business entity that is not a subsidiary or not branches of companies owned or being part either directly or indirectly from medium or large businesses that meet Small Business criteria referred to in this Act. Based on Law No. 20 Year 2008 on SMEs (Small Medium and Micro Enterprises) is a productive enterprise belonging to individuals and / or entities that meet the criteria of individual businesses Micro as stipulated in this Law. External Business Environment has a major role in influencing managerial decision making, processes and organizational structures (Keats and Hitt, 1988). In this case, the competitiveness of SMEs in Indonesia is still very low and vulnerable to the dynamics of the business environment that is increasingly uncertain. The dynamics of the environment is so fast these conditions impact the resulting low productivity and business existence is threatened. This is due to lack of adaptation and responsiveness of SMEs in facing the challenges of the external business environment, due to the limited internal capability possessed.

Empirical evidence has been conducted by several researchers associated with the role of the environmental aspects of the business to planning strategies to improve the performance of such research conducted by Covin and Covan (1990); Miller and Friesen (1982), which proves that the environment is a factor that was instrumental to business conditions as these factors will determine the strategy to be executed. Gima and Anthony (2001) that organizations with high entrepreneurial orientation abilities tend to be able to perform better than the competitors in terms of: (1) market share, (2) speed in entering the market, and (3) the level of product quality. SMEs should be able to make a strategic move as the basis for making the right decisions in order to survive and have high competitiveness. Environmental changes so quickly also will lead strategic planning becomes more difficult. As has been stated by Glaiser and Buckley (1996), small businesses need to maintain the flexibility to adapt to environmental changes. Small businesses can achieve a competitive advantage if it can form different products compared to competitors, at a lower cost (low cost), maintaining the continuity of production and distribution, always innovation-oriented entrepreneurship in small business (Caputo et al, 2002). Challenges faced to strengthen the structure of the national economy is quite heavy for small business. The development of small businesses face several obstacles such as the level of ability, skill, and expertise. Entrepreneurship orientation is one of the factors that can affect the performance of a company or organization, this is reflected in the results of research conducted by Fauzul Mafasyiah (2010), explains that there is a

relationship that is positive between the orientations of entrepreneurship with the performance of the company, this statement is supported by the results of research conducted by Krauss, Frese, Friedrich & Unger (2005), which concluded that the overall entrepreneurial orientation has a positive and significant effect on the rate of growth of the business, where the number of workers and external evaluation of the success is an indicator of performance. Based on the above, it can be concluded that there are five (5) slit research (research gap), which became the basis for this study are: (1) the inconsistency of the findings of the environmental effects of business on company performance, (2) the inconsistency of the findings of the effect of entrepreneurial orientation towards the company's performance, (3) the limited studies that examine the effect of the business environment on the company's performance through the mediating role of innovation, (4) the limited studies that examine the effect of business planning and company performance through the mediating role of innovation, (5) the limited studies that examine the effect of entrepreneurial orientation towards the company's performance through the mediating role of innovation.

Innovation is one factor that determines the success of a business, such as the statement Damanpour (2005), cited by Nursalim states that innovation can be product innovation and process innovation. Product innovation by Hurley and Hult (1998), one of the impact of rapid technological change and the high variety of products that will determine the company's performance. While the innovation process according to Cooper (1998), was to describe the changes in the way organizations produce final products and services from a company. Research done now focusing on variable business environment, strategic planning, and entrepreneurial orientation, innovation and the effect on the variable performance of SMEs.

Researchers are interested to analyze the relationship between each variable based on existing conditions in the industrial sector prawn crackers and fish crackers dikabupaten Sidoarjo, where there are the sale of products that have not been absorbed by the market optimally. These conditions need special attention in view of the presence of SMEs in Sidoarjo has been shown to contribute to the regional gross domestic product (GDP) and employment, so that small and medium enterprises become one of the priority agenda of development, especially in the county Sidoarjo and in Indonesia in general. Apart from the conditions that exist in the business prawn crackers and fish crackers dikabupaten Sidoarjo, the study was conducted because of the differences in the results of the study details the relationship between the Business Environment External and performance of SMEs by Sjocrd Vijfvinle, Nasser Bouman, Jolanda Hessels (2011), which states the dynamics of the environment a significant positive effect on the performance of SMEs.

The results of the study are consistent with Jolanda Hessels (2011) is a study done by Wilkinson (2002) relating to the environmental aspects, which states that small and micro businesses grow if environmental rules / policies can be supportive macroeconomic environment is well managed, stable, and predictable, reliable information and easily accessible, social environment to encourage and reward the success of the business. The company's performance is a measure of the success and development of small companies and medium and large. Measurement of return on investment, growth, volume, profit and employment in public companies conducted to determine the performance of the company (Robert Skaplan and David PMorton: 1992).

## II. Research methodology

This research is explanatory research that intends to explain causal relationships between variables through hypothesis testing and conduct explanatory. This study uses a quantitative approach. The location of this research is in Jabon subdistrict, Sidoarjo, Reinforcement, Balung Bendo, Buduran, Wonoayu, Parks, and Sukodono Porong in Sidoarjo conducted for 6 months. The unit of analysis of this research is the organization in the form of small and medium businesses. Respondents are owners / managers of small and medium businesses to assess the business environment, strategic planning, entrepreneurial orientation, innovation and business performance in the small and medium enterprises fish and shrimp crackers products are owned and managed by their owners in Sidoarjo. Based on these kriateria and the results of a preliminary survey of the number of micro enterprises fish and prawn crackers products are still active in business until now in Sidoarjo known to have as many as 260 small and medium enterprises active fish cracker as shown in Table 1.

**Table1. Population Total Small Medium Fish Crackers**

Districts	Total
a. Jabon	52
b. Sidoarjo	19
c. Tulangan	50
d. Balung bendo	66
e. Buduran	16
f. Wonoayu	25
g. Taman	9
h. Porong	12
i. Sukodono	11
<b>Total</b>	<b>260</b>

Statistical method used is inferential statistical methods such as SEM (Structural Equation Model) using PLS software.

### III. Results

The results of this study are variable business environment has an influence on strategic planning, innovation, performance companies (SMEs), entrepreneurship orientation variables had an influence on innovation and company performance (SMEs), while the innovation variable has an influence on the performance of companies (SMEs). From this research, there is also a direct or indirect influence of the variable business environment, and entrepreneurial orientation towards innovation.

### IV. Conclusion

SMEs should be able to make a strategic move as the basis for making the right decisions in order to survive and have high competitiveness. Environmental changes so quickly also will lead strategic planning becomes more difficult and not measurable, so necessary to the new measures of the government's role through environmental changes more strategic in both the short and long term, through innovations in products processed foods of other species that have high protein is good for children and adults, can be marketed in the country and abroad to raise revenues for SMEs in Sidoarjo itself and for Indonesia to be more competitive compared with products processed food or like.

### References

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### Examples Follow

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