Strategic Orientation Based on Business Environment and Entrepreneurs Behavior as Well as its Effects on SME Performance and Competitiveness in Bali Indonesia

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Received 2017-12-25; Accepted 2018-01-28

Abstract:
The purpose of this study is to test and to analyze the role of the external business environment and internal supports entrepreneurial behaviour in improving the implementation of strategies oriented to improve the performance of the business that drives the creation of high competitiveness in export-oriented SMEs at Bali. Data were collected through a questionnaire involving 175 export-oriented SMEs in Bali, but 138 questionnaires that used for the analysis. Non-response bias test showed there is no significant difference between the questionnaires back in time with the late (less than one month), so the data can be used for further analysis. Prior to testing hypotheses with path analysis through software programmed AMOS 7. This study finding that the existence of export-oriented SMEs in Bali has not been proven to align the orientation strategy with the business environment both external and internal to optimize business performance. However, adjustment activities with the business environment for business strategies appropriate to support entrepreneurial behaviours in carrying out management functions can create a superior competitive advantage for export-oriented SMEs in Bali.

Keywords: Business environment, entrepreneurial behaviours, strategy orientation, performance, competitiveness.

Introduction:
Background:
SME is one of the mainstays in national economics so that the government should develop its existence (Handriani, 2011). On the other hand, the SME still has relatively limited ability and low access abilities on market leading to its low competitiveness (Man and Chan, 2002; Maldonado et al., 2012). The ongoing multi-dimension world economic crisis worsens on less wholesome business situation for SME. It can create negative effects on SME business environment both in external and internal environments (O'Regan et al., 2008). The rapid (turbulence) business environment change leads to
very competitive competition in domestic and foreign markets (Anand and Ward, 2004; Wafa et al., 2005).
The SME existence in Bali gives quite big contribution in supporting the national economic growth. Generally, the leading sector is the tourism sector as the supporting element. The SMEs in Bali play a role in giving added value to improve Bali tourism attractiveness for the facility and infrastructure provision, and also in improving the Bali tourism image in foreign countries. However, this condition is not sustainable, because of SME low competitiveness. The low SME productivity affects on the disadvantageous position in national and global competition. There is also a-not-supporting external condition namely the global economic slowdown (mainly in export destination countries such as United State, Japan and other); this leads to pessimistic on export performance. This is proven by the Bali export realization decreasing by 3.25% in 2014 (Trade and Industry Office Bali, 2015). The decrease on exported value indicates on the still low product innovation in Bali SMEs and the vulnerable external condition dynamics facing the increasing competitive market. The competition requires the SME actors to select the appropriate business strategies. And, to get better SME results, the entrepreneurs are expected to have ability in applying managerial functions which in this study is called as entrepreneur behaviour (Lee and Tsang, 2001: Kuo-Hsiung et al., 2011). There must be selection on the business strategy well-adjusted on the business environment and ability to apply it (Edelman et al., 2002; Davis and Olson, 2008). This must be also supported by the entrepreneur behaviour (McCarthy, 2003). So that in the end able to produce optimal performance of SME and improvement of competitiveness (Wincent, 2006).

To improve the SME performance and competitiveness, it takes certain strategy (Venkataramanaiah and Parashar, 2007). The strategy are created from the company current condition from time to time and reflected on the key decisions so that it can create the strategy based on the organizational environment condition and factors (O’Regan et al., 2008). This decision process aims to obtain the appropriateness between internal and external environment as well as obtain the fit strategic to achieve optimal performance (Hashim et al., 2001; Handriani, 2011). Thus, the implementation of business-environment-based strategy formulation can be useful to maintain and improve the performance optimally and direct on the company creation of excellence in sustainable competition (Edelman, et al., 2002; Davis and Olson, 2008).

The SME success is also affected by the entrepreneur behaviour. An entrepreneur is defined as a risk taker, a person having mission and vision, a person having locus of control internal (Kuo-Hsiung et al., 2011). An entrepreneur must have the ability to apply systematic and overall business activities appropriately (Lee and Tsang, 2001). Man and Chan (2002) also confirmed that entrepreneurship relates to the functions of strategy development, business planning, as well as the activities of launching and managing the development and growth of existing businesses (Venkataramanaiah and Parashar, 2007). Thus, entrepreneurs applying the management functions will conduct their business by a set of strategies to achieve optimal business performance and create high business competitiveness (Wincent, 2006).

The competitiveness is the degree to which a company produces goods and services to meet market demand, both domestically and internationally by maintaining or increasing company revenues and employee welfare (Maldonado et al., 2011). To achieve competitiveness, company must develop its capabilities. Porter (1998) referred to specialized expertise and unique resources by the company as competitiveness. There will be sustainable competitiveness if such uniqueness cannot be imitated by any competitors. The company’s unique resources and capabilities are very useful to create competitive advantages by the strategy implementation leading to the superior performance (Barney, 1995; Alvarez and Busenitz, 2001).

Based on the above description, this study aims to confirm and explain the effects of business environment on the orientation of strategy and business performance by involving the role of entrepreneurial behavior to produce competitiveness for export-oriented SMEs in Bali. This is due to several reasons, namely: (a) SMEs in Bali play an important role in economic development in Bali and Indonesia in general, and (b) there is still limited research on the export-oriented SMEs specifically including the paradigm of environment-strategy-performance to create competitiveness, particularly related to strategic orientation the SME in Indonesia.

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International Journal of Contemporary Research and Review, Vol. 9, Issue. 02, Page no: ME 20455-20466
doi: http://dx.doi.org/10.15520/ijcrr/2018/9/02/417

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literature study:

In strategic management, external environments include public and industrial environment. General environment consists of economic, technological, political and legal, and socio-cultural as well as industrial environment consists of a competitor, supplier, customer, product substitution, and the intensity of competition. The internal environment includes tangible resources (financial, organizational, physical, and technology) and intangible resources (human resources, innovation, and reputation) (Badri and Donald, 1999; Adeoye and Elelgunde, 2012).

Given the important role of external and internal environment in determining the direction of a company, it is necessary to do the alignment between the company's capabilities to environmental changes that occur continuously (Clark, et al., 1994). If business environment changes, the company strives to be able to adapt itself to these changes in order to survive (Chen et al., 2010). Therefore, Alba et al. (2005) states the preparation of corporate strategy should be based on the analysis and diagnosis of the external environment and internal resources that should synergistically be input in the preparation of corporate strategy. In addition, the role of entrepreneurial behavior whose implementation is based on the management functions provides a positive direction in determining the company's strategy (Hashim et al., 2001). This indicates that the management of SMEs when able to carry out managerial functions in determining the strategy, it will be able to expand its business (Handriani, 2011).

The role of entrepreneurial behavior is also a determining factor to improve the performance of SMEs (Kuo-Hsiung et al., 2011). This is in line with that of Lumpkin and Dess (1996), that an entrepreneur is a person who can apply the management function, believe in self power and take risks, and the combination of talent and science gained will form a businessman to become a strategist and a reliable manager (Lee and Tsang, 2001). McCarthy (2003) also explains that a good entrepreneurial behavior has special characteristics, namely the ability to taken the risk, have innovation, to have knowledge about the functions of the market, knowing how to produce, possess marketing skills, business management skills and ability to cooperate.

Thus, in this study, SME managers in formulating and implementing strategies to achieve the objectives to be achieved directly influenced by its business environment, both external and internal, owned and entrepreneurial behaviour. This is in line with what was stated by Lumpkin and Dess (1996), that the proper relationship between the strategies with the company's operations is the key to developing sustainable competitive advantage (Barney, 1995; Maldonado et al., 2012).

Strategies applied to small and medium industries depend on the level of adaptation to the business environment (O’Regan et al., 2008). The concept of strategy in the enterprise is often associated with the focus or direction key operations area (Venkataramanaiah and Parashar, 2007). Adjustments need to be made in small and medium industries, due to the uncertainties and risks they face. Uncertainties exist not only for the environment, but also from his ability to grasp the opportunity. Adaptation is defined as the act of entrepreneurs in processing information coming from their environment and through quick adjustments to feedback (Edelman et al., 2002; Davis and Olson, 2008). Adaptation affects strategic behavior change, increase competition, and encourage the alignment of the organization in its environment. No single organization is static all the time if it wants to remain its existence. The adjustments, changes, or improvements made will be in line with the company's operations. For the level of adaptation performed and the results of such adaptations always vary between companies (Li and Simerly, 1998; Lichtenthaler, 2009).

Basically every company has a strategy in running its business. In reviewing corporate strategy, it is necessary to know that the form of strategy of each company/industry will vary even between situations, because the strategy determined by the company is in order to outperform competitors in similar industries. Strategy is a tool for adaptation and is also a determining factor of company performance (O’Regan et al., 2008).

Companies that align strategy or show the adaptive rate and high flexibility with the environment, showing a better performance than the company's less successful align with the business environment of its (Wincent, 2006). In addition, Wafa et al. (2005) reported the results of his research that the dynamics and complexity of the external environment are positively related to the strategic orientation (innovative, proactive, and risk-taking), the business environment and the strategic orientation have positive implications for the
company's performance. Similarly, Adeoye and Elegunde (2012), reported that a proactive and risk-taking strategy is perceived as the best strategy in dealing with the dynamics of the external environment. The results also note that changing environmental conditions encourage managers to be proactive and innovative, in an effort to capture new opportunities and gain competitiveness (Wright et al., 1995). This is confirmed Lumpkin and Dess (1996) and Wiklund (1999), that the orientation strategy with three dimensions that is innovative, proactive and bold in taking risks is the key to the company's success in improving the performance and competitiveness.

Based on the above explanation, the hypotheses that can be proposed related to export-oriented SMEs in Bali are as follows:

Hypothesis 1 (H1): The external environment affects the strategy orientation.
Hypothesis 2 (H2): The internal environment affects the strategic orientation.
Hypothesis 3 (H3): Entrepreneurial behavior has an effect on strategy orientation.
Hypothesis 4 (H4): The external environment affects the performance of the business.
Hypothesis 5 (H5): The internal environment affects the performance of the business.
Hypothesis 6 (H6): Entrepreneurial behavior affects the performance of the business.
Hypothesis 7 (H7): Orientation affects the performance of the business strategy.
Hypothesis 8 (H8): The external environment affects on business competitiveness.
Hypothesis 9 (H9): Internal environmental effect on business competitiveness.
Hypothesis 10 (H10): Entrepreneurial behavior affects the competitiveness of businesses.
Hypothesis 11 (H11): The strategy orientation influences the competitiveness effort.
Hypothesis 12 (H12): Business performance has an effect on competitiveness effort.

From the description above hypotheses, the research conceptual framework described in Figure 1 below.

Study Method:

This research uses a quantitative approach (positivism), because the data obtained from the survey results in the form of numbers or numbers which are then analyzed using statistics to answer questions and test the research hypothesis. The results of statistical tests are used to explain the position of the variables studied, and predict the relationship of one variable with other variables (Creswell, 2009).

The population in this study was all small and medium enterprises (SMEs) export-oriented and recorded up to the year 2014 at the Office of Industry and Trade of Bali, which amounted to 311 business units. In determining the number of samples taken in this study using the statistical approach (traditional statistic model) of Yamane (1973) cited Ferdinand (2006). The above calculation results show that from the SME population of 311 business units with a sampling error rate of 5 percent, the number of samples targeted in this study is 175 business units. Determination of samples in this research using disproportionate sampling method. More details can be seen in Table 1.
The target of respondents in this study is the owner or manager of SMEs because of the capacity or ability to know the existence and business activities run thoroughly, so as to answer the research instruments submitted.

The questionnaire is the main research instrument in this survey study. To obtain data that has good calibration for each size of the variables studied, the research instrument needs to be tested the validity and reliability. It is therefore important to test to ensure the validity and reliability of the research instruments in accordance with the criteria specified.

The test result of the research instrument showed 17 items tested on the external environment variable (X1), it has fulfilled the recommended correlation coefficient (above 0.30), and the reliability coefficient (alpha cronbach) produced was 0.867. In the internal environment variable (X2), the 11 items used also satisfy the recommended correlation coefficient (above 0.30) with the reliability coefficient (alpha cronbach) of 0.828. In the entrepreneurial behavior variable (X3), 16 items have met the recommended correlation coefficient (above 0.30) with the reliability coefficient (alpha cronbach) of 0.884. For testing on strategy orientation variables (Y1), business performance (Y2), and business competitiveness (Y3), all items that have been tested meet the recommended correlation coefficient (above 0.30) with the reliability coefficient (alpha cronbach) obtained each of 0.809; 0.780; and 0.772.

Statistical analysis of inference is used to test the hypotheses raised in this study by using path analysis that is applied through AMOS computer program. Meanwhile, the assumption of ordinary least square assumptions is done first, assumption of normality, multicolinearity, heteroscedasticity, and linearity by using SPSS computer program.

### Analysis Results and Discussion:

#### Analysis Results:

There are 175 questionnaires distributed to the respondents. Then, there are 138 questionnaires taken back and feasible to be analyzed with the response rate of 78.86%. The data obtained are 175 units, then analyzed to confirm the required assumptions of OLS. The testing results show that the data used has met the assumptions of normality, non-multicolinearity, non-heteroscedasticity and linearity, so that the data resulted from the analysis model is stated to be good predictor and not bias.

The result of path analysis shows the coefficient of the relationship of each variables studied. However, the Goodness of Fit Indices Model Structural criterion should be evaluated in the path analysis to ensure the validity of the model obtained. The results of the evaluation can be presented in Table 2 below.

### Table 2 Evaluation on Structural Model of Goodness of Indices Criteria

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Cut Off</th>
<th>Initial Model</th>
<th>Final Model</th>
<th>Model Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi- Square Probability</td>
<td>Expected to be ≤ 0.05</td>
<td>0.000</td>
<td>3.393</td>
<td>Good</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.08 ≤ 0.05</td>
<td>1.000</td>
<td>0.992</td>
<td>Good</td>
</tr>
<tr>
<td>GFI</td>
<td>0.90 ≤ 0.05</td>
<td>0.957</td>
<td>Good</td>
<td></td>
</tr>
<tr>
<td>AGFI</td>
<td>0.90 ≤ 0.05</td>
<td>1.000</td>
<td>Good</td>
<td></td>
</tr>
<tr>
<td>CFI</td>
<td>0.95 ≤ 0.05</td>
<td>1.006</td>
<td>Good</td>
<td></td>
</tr>
<tr>
<td>TLI</td>
<td>0.95 ≤ 0.05</td>
<td>1.000</td>
<td>Good</td>
<td></td>
</tr>
</tbody>
</table>

Source: Ferdinand (2008) and Ghozali (2008) and processed.

From the Table 2 above, it can be seen that the evaluation on the final model has met the criteria or there is conformity between model and data. This can be seen from the values of Chi-square, Probability, CMIN/DF, RMSEA, GFI, AGFI, CFI, and TLI which are more than the required ones (cut off). Thus, the model can be used to test the hypotheses and explain the causal effects in this study.

In the validation testing, the path analysis model uses total determination and obtains coefficient of 0.9893. This means that the path analysis model resulted in this study is valid. Because the data is able to explain on the model diversity of 98.93%, meanwhile the remaining of 1.07% is explained by other variables (not presented in this model) and error.
The result of the hypothesis test shows that the twelve hypotheses tested were eight received. This is seen from the probability (p) value which is above 0.05 (level 5%) or the value of t-count (CR) > 2.0. There is an exception on the case of effect of strategy orientation (Y1) and business competitiveness (Y3) which its hypothesis can be accepted (H11) in the significance level of 10%, because if the path is abolished so it can worsen the model fit of analysis results. Meanwhile, there are four insignificant path and abolished in the model, namely the failed model to be accepted, namely the effects of external environment (X1) on the business performance (Y2) in the forth hypothesis (H4); the effects of strategy orientation (Y1) on the business performance (Y2) in the seventh hypothesis (H7); the effects of internal environment (X2) on the business competitiveness (Y3) in the ninth hypothesis (H9); and the effects of entrepreneurial behavior (X3) on the business competitiveness (Y3) in the tenth hypothesis (H10).

Furthermore, the path path analysis model was adjusted using the trimming method by removing the non-significant paths or p> 0.05) obtained by the final structural model as shown in Figure 2 below.

![Figure 2: Structural Model of Path Analysis Results (Standardized)](image)

<table>
<thead>
<tr>
<th>Relations</th>
<th>Causal Effect</th>
<th>Direct Effect</th>
<th>Indirect Effect</th>
<th>Total Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 External Environment → Strategy Orientation</td>
<td>-0.166</td>
<td>-</td>
<td>0.1</td>
<td>66</td>
</tr>
<tr>
<td>2 Internal Environment → Strategy Orientation</td>
<td>0.344</td>
<td>-</td>
<td>0.3</td>
<td>44</td>
</tr>
<tr>
<td>3 Entrepreneurial Behavior → Strategy Orientation</td>
<td>0.560</td>
<td>-</td>
<td>0.5</td>
<td>60</td>
</tr>
<tr>
<td>4 Internal Environment → Business Performance</td>
<td>0.435</td>
<td>-</td>
<td>0.4</td>
<td>35</td>
</tr>
<tr>
<td>5 Entrepreneurial Behavior → Business Performance</td>
<td>0.352</td>
<td>-</td>
<td>0.3</td>
<td>52</td>
</tr>
<tr>
<td>6 External Environment → Business Competitiveness</td>
<td>0.180</td>
<td>-0.022</td>
<td>(via Strategy Orientation)</td>
<td>0.1</td>
</tr>
<tr>
<td>7 Internal Environment → Business Competitiveness</td>
<td>-</td>
<td>0.046</td>
<td>(via Strategy Orientation)</td>
<td>0.0</td>
</tr>
<tr>
<td>8 Entrepreneurial Behavior → Business Competitiveness</td>
<td>-</td>
<td>0.244</td>
<td>(via Business Performance)</td>
<td>0.2</td>
</tr>
<tr>
<td>9 Strategy Orientation → Business Competitiveness</td>
<td>-</td>
<td>0.074</td>
<td>(via Strategy Orientation)</td>
<td>0.0</td>
</tr>
<tr>
<td>10 Business Performance → Business Competitiveness</td>
<td>0.561</td>
<td>-</td>
<td>0.5</td>
<td>61</td>
</tr>
</tbody>
</table>

Source: Processed data

Important information that can be obtained from Table 3 above, the strategic orientation as a key variable on the effects of the internal environment and entrepreneurial behavior on business competitiveness. This is evidenced by the absence of a direct effect of the internal environment and entrepreneurial behavior on business competitiveness and the effect can be explained if through a strategic orientation. These findings provide guidance, strategic orientation able to align and synergize the internal environment as well as entrepreneurial behavior to strengthen the competitiveness of export-oriented SMEs in Bali. Meanwhile, the external environment can encourage furthering strengthening the competitiveness of

Table 3 The Analysis Results of Total and Causal Effects in Path Analysis (Standardized)

To know the direct, indirect and total effects of studied variables based on the model obtained, then the calculation is done as shown in Table 3.
export-oriented SMEs in Bali. However, the role of entrepreneurial behavior has a greater impact on business competitiveness through strategic orientation when compared to the internal environment. This result is proved on the indirect effect of entrepreneurial behavior on business competitiveness through strategic orientation that has path coefficient of 0.074, while the internal environment obtains an indirect path coefficient of 0.046.

On the other hand, business performance is also an important variable on the effects of the internal environment and entrepreneurial behavior on business competitiveness. This result is proven that the business performance is able to mediate the indirect effect of the internal environment and entrepreneurial behavior on business competitiveness, whereas the direct effect on each of these relationships does not exist. These findings indicate that the achievement of business results obtained from internal resource management and entrepreneurial behavior leads to increased competitiveness of export-oriented SMEs in Bali. However, the internal environment has a greater impact on business competitiveness through business performance when compared to entrepreneurial behavior. This result is proven on the indirect effect of the internal environment on business competitiveness through business performance which has a path coefficient of 0.244, while entrepreneurial behavior obtains an indirect path coefficient of 0.197.

**Discussion:**

The study results find that the external environment affects on the export-oriented SME strategy orientation in Bali. The testing presents the results that the statistic test fails to reject the first hypothesis (H1). The Critical Ratio (CR) and significance (p) values for the effect show significant effects, while the standardized regression weight has negative value of 0.166. This describes that the increasing dynamic external environmental changes will decrease the use of strategy orientation practices in export-oriented SMEs in Bali. The external environment can be studied from the distribution access, non-strict government policies, added value, competitor diversity, supplier concentration, supply cost, substitute product price, buyer behavior regarding substitute products, credit availability, access to credit, inflation, taxation policies and minimum wage policy. Meanwhile, the orientation strategy by export-oriented SMEs in Bali can be realized in the strategy preparation and implementation considering on marketing strategy, product strategy, market characteristics so that they can define their product strategy, production technology, leader attention on marketing strategies, leader actions for product development, leader initiative for launching new products, leader capability for finding new market opportunities, leader willing on sales risk, and on business risk. The internal environment significantly affects on the strategy orientation on the export-oriented SMEs in Bali.

The study finds that the internal environment affects on the strategy orientation on the export-oriented SMEs in Bali. The test provides results that statistical tests fail to reject the second hypothesis (H2). The Critical Ratio (CR) and significance (p) values for these effects show significant effects, while the standardized regression weight has positive value of 0.344. This suggests that the increasing attention on the internal environmental management can be done by: product design, promotion implementation, production based on market demand, quality of employees, employee work experience, awards for employees, providing motivation to employees, capital cost, ability of basic research, product development, and product uniqueness; these all will make it easier for the export-oriented SMEs owners and managers in Bali to formulate and implement strategies with innovative, proactive manners and having willingness for risk taker to achieve the company goals. The entrepreneurial behavior significantly affects on the strategy orientation on the export-oriented SMEs in Bali.

The **entrepreneurial behavior** is found to affects on the strategy orientation on the export-oriented SMEs in Bali. In this test, it creates results that the statistical tests fail to reject the third hypothesis (H3). The Critical Ratio (CR) and significance (p) values for these effects show significant effects, while the standardized regression weight has positive value of 0.560. These suggest that the export-oriented SME owner or manager in Bali can increase their behaviour for the sake of the company, namely by applying functions of forecasting, goal setting, determining strategy, work specialization, unity of command, coordination, job analysis, leadership, training, job security, employment policy, production control, financial control, sales control, deposit control, and quality...
control; so that these will increase the strategy preparation and implementation intensity. The effects lead to meaningful changes for the export-oriented SME managers in Bali in terms of strategic decision making based on the management ability and skills possessed to formulate and control strategies. So that any practices of strategic orientation can be implemented adaptively and flexible to achieve the company goals. The external environment does not significantly affects on the business performance in the export-oriented SMEs in Bali.

The external environment is reported to affect on the business performance in the export-oriented SMEs in Bali. The statistical test results fail to accept the forth hypothesis (H₄). The Critical Ratio (CR) and significance (p) values for these effects show no significant effect. The testing results in this study can illustrate that although the SME owners or managers consider on the dynamic changes in the external environment, but these give no direct impact on the business performance on the export-oriented SMEs in Bali. Based on the respondents’ answers, it is known that the primary consideration in the external environment is the government policy in facilitating new comers into the industry where the business is running. It is also supported by consideration on the variations in the number of product purchases by buyers. Also, the supplier’s role supplying on raw materials to the company’s competitors does not create significant effect on operating results by the export-oriented SMEs in Bali in terms of the increasing sales volume, comparison on sales volume growth by competitors, business asset improvement, growth ratio of business asset to competitors, increasing business profits, as well as comparison on the business profit growth to competitor. There is also conservative attitude by the SME owners or managers in making decisions by considering that the dynamics of external environment is a common thing and does not create any threats and opportunities for business performance. In other findings, it can be said that the external environment does not affect indirectly by the strategic orientation on the business performance resulted by the export-oriented SMEs in Bali. These results indicate that there is no synergize between the external business environment and the strategy by the export-oriented SME owner or managers in Bali to optimize the business performance. The internal environment significantly affects on the business performance in the export-oriented SMEs in Bali.

There is also additional key finding stating that the internal environment affects on the business performance in the export-oriented SMEs in Bali. The test results show that the statistical test fails to reject the fifth hypothesis (H₅). The Critical Ratio (CR) and significance (p) values for these effects show significant effects, while the standardized regression weight has positive value of 0.435. These suggests that the internal environmental management by the export oriented SMEs in Bali can be increased by product design, promotion implementation, production based on market demand, quality of employees, employee work experience, awards to employees, providing motivation to employees, capital cost, ability of basic research, product development, and product uniqueness. All of these will improve directly on the business performance in terms of the increasing sales volume, comparison on sales volume growth by competitors, business asset improvement, growth ratio of business asset to competitors, increasing business profits, as well as comparison on the business profit growth to competitor. These effects lead to meaningful change on the export-oriented SME performance in Bali. However, the internal environment does not affect indirectly by strategic orientation on the business performance resulted by the export-oriented SMEs in Bali. These findings imply that there is no synergy between the internal business environment and strategy by the export-oriented SME owner or manager in Bali to optimize the business performance.

The sixth hypothesis (H₆) shows that the entrepreneurial behavior affects on the business performance in the export-oriented SMEs in Bali. The test results show that the statistical test fails to reject the 6ᵗʰ hypothesis (H₆). The Critical Ratio (CR) and significance (p) values for these effects show significant effects, while the standardized regression weight has positive value of 0.352. The findings obtained show that by increasing their behaviour in applying management functions, the export-oriented SME owners or managers in Bali can improve their business performance SMEs. These effects lead to meaningful change on the export-oriented SME performance in Bali. However, the entrepreneur behavior does not affect indirectly by the strategic orientation on the business performance resulted by the export-oriented SMEs in Bali. This finding implies that the SME owners or managers reflect the business...
strategy through actions in operations based on the managerial skills so that it can achieve the desired performance. The measures to operate the company is considered as a strategy.

The findings show that the strategy orientation affects on the business performance in the export-oriented SMEs in Bali. The test results show that the statistical tests fail to accept the seventh hypothesis (H7). The Critical Ratio (CR) and significance (p) values for these effects show no significant effects. These suggest that the strategy orientation practices create insignificant effects on the business performance in the export-oriented SMEs in Bali. There are also some supports required by the business, these supports are done by considering on marketing strategy, product strategy, market characteristics to determine product strategy, production technology, leader attention on marketing strategies, leader actions on product development, leader initiative to launch new products, leader ability to look for new market opportunities, leader consideration on risk sales, and leader consideration on business risks. But all of these cannot increase the sales results, assets and profitability.

There is also another result to be reported namely, the external environment affects on the competitiveness in the export-oriented SMEs in Bali. The test results show that the statistical tests fail to reject the eighth hypothesis (H8). The Critical Ratio (CR) and significance (p) values for these effects show significant effect, while the standardized regression weight has positive value of 0.180. The results suggest that by increasing the consideration on the external environment, it will lead to the increase of business competitiveness in the export-oriented SMEs in Bali. These effects lead to meaningful change on the competitiveness of the export-oriented SMEs in Bali. This can present another perspective for the export-oriented SME owner or manager in Bali, namely that increasing their business competitiveness can be done by taking any opportunities through observation and assessment in the external business environment changes.

The study finds that the internal environment affects on the export-oriented SME competitiveness in Bali. The test result show that the statistical tests fail to accept the ninth hypothesis (H9). The Critical Ratio (CR) and significance (p) values for these effects show no significant effect. The results suggest that the internal environment owned export-oriented SMEs in Bali affects insignificantly on the business competitiveness. The supports given to the internal environment management is still not able to create more excellence business operations ahead than its competitors. The supports given are in the forms of more efficient cost operation ability, easily price determination, production of various products, production of value-added products, focusing on specific market segments, and a search for new market segments. However, it turns out the internal environment has indirect effect positively on the businesses competitiveness by the strategic orientation. These findings create a challenge for the export-oriented SME owner or manager in Bali to further enhance their strategic orientation practices, so that the internal environment under their management can create competitive advantage. The entrepreneurial behavior does not significantly affect on the export-oriented SME competitiveness in Bali.

The entrepreneurial behavior is found to affect on the export-oriented SME competitiveness in Bali. The test results show that the statistical tests fail to accept the tenth hypothesis (H10). The Critical Ratio (CR) and significance (p) values for these effects show no significant effect. These results suggest that there is still weak description on the SME owners or manager behavior to apply the managerial functions so that it can create business competitiveness. There are also some supports given by the SME owners or managers, namely in the forms of forecasting, goal setting, strategy setting, work specialization, unity of command, coordination, job analysis, leadership, training, job security, employment policy, production control, financial control, sales control, control storage, and quality control. But, these supports have not been able to create superior business operation to its competitors, more efficient operating cost ability, easily pricing, production of various products, production of value-added products, focusing on specific market segments, and a search for new market segments.

The results find that the strategy orientation affects on the export-oriented SME competitiveness in Bali. The test result shows that the statistical tests fail to reject the eleventh hypothesis (H11) at significance level (α) of 10%, with standardized regression weight having positive value of 0.133. These results suggest that there are quite strong strategy orientation practices by the export-oriented SME owner or manager in Bali to create the
business competitiveness. Although, the effect is still low (acceptable at 10% significance level), these findings are proven to make a difference for the export-oriented SME competitiveness in Bali. The business performance is reported to affect on the business competitiveness in the export-oriented SMEs in Bali. The test results show that the statistical tests fail to reject the twelfth hypothesis. The Critical Ratio (CR) and significance (p) values for these effects show significant effect, while the standardized regression weight has positive value of 0.561. The results obtained can be explained that the increasing business performance applied by the export-oriented SMEs in Bali can lead to high competitiveness. These findings create a challenge for the export-oriented SME owners or managers in Bali to further improve their ways or methods in creating optimal business performance, so that they can create high competitiveness. The competitiveness is an important thing for companies to survive and grow in the global competition.

**Conclusion and Recommendations:**

**Conclusion:**

Based on the results of analysis and discussion, it can be concluded in general that the orientation of the strategy can be explained by the environment, the internal environment and entrepreneurial behavior. These results can be interpreted, export-oriented SMEs in Bali able to orient strategy by combining the resources owned (internal environment) and entrepreneurial behavior to face and align the challenges of the external environment encountered.

Other findings that can be conveyed, the external environment, the internal environment, entrepreneurial behavior and strategic orientation can predict the improvement of business performance on export-oriented SMEs in Bali. However, the strategy orientation implemented by SMEs has not been able to determine the performance of its business.

In determining business competitiveness, it is found that the orientation of strategy and business performance are the key variables that mediate the external environment, the internal environment, entrepreneurial behavior in predicting the competitiveness of export-oriented SMEs in Bali. These findings provide clues, these findings provide guidance, the strategic orientation is able to align and synergize the internal environment as well as entrepreneurial behavior to strengthen the

**Recommendations:**

There are some recommendations given from the findings, namely as follows:

1. In order to achieve the export-oriented SME abilities, namely to be independent, manage resources, recognize the business environment and develop the appropriate competitive strategy to achieve optimal business performance and high competitiveness, it is necessary for the business to obtain the appropriate managerial capabilities and supported by strong entrepreneurship. Thus, it is necessary for relevant and sustainable development for the export-oriented SMEs in order to improve their management capabilities and entrepreneurship. Also, it should be given stimulants and guidance for the SMEs having the potency to conduct exports, so that it can increase the number of export-oriented SMEs in Bali.

2. The export-oriented SMEs in Bali should have willingness to set up the hybrid strategy by a combination between easy / flexible pricing and differentiated products as the competitive strategy. Because by the strategy, the export-oriented SMEs in Bali will have the competitiveness to serve certain segments in foreign market.

3. So that the SMEs can distribute their products in foreign markets more broadly, the government in this case as the regulator can cooperate with employers, Kadinda Bali (regional Trade and Industry Room, Bali) and the related employer associations to apply the marketing in exhibition / expo.

**Further Research Direction:**

For future research directions can be submitted as follows:

a. A research testing on the paradigm of **Environment (E) - Strategy (S) - Performance (P)** is always interesting can enrich various studies with different approaches or applications on different

*International Journal of Contemporary Research and Review*, Vol. 9, Issue. 02, Page no: ME 20455-20466
doi: [http://dx.doi.org/10.15520/ijcrr/2018/9/02/417](http://dx.doi.org/10.15520/ijcrr/2018/9/02/417)
studies. So, it is suggested for further studies in strategic and entrepreneurship managerial study to review on this research model by developing more appropriate measures to test the consistency of environment – strategy – performance relation, both using different population or construct measure exploration.

b. The measurement indicators of business performance used in this study only include sales growth, asset growth and profitability growth. It is suggested for future research to develop construct indicators of business performance, for example, using of the financial and non-financial performance.

c. Any future research can explore on other variables in addition to the variables that have been studied, such as exploration on strategic resources owned and managed by SMEs to create a sustainable competitive advantage based on the Resource Based-View (RBV) approach by Barney (1991) or putting a variable of entrepreneurial orientation to determine more clearly on the entrepreneurs character or characteristics and the contribution in business activities. It can also develop a research model by adding a variable of market orientation, to determine on the extent the entrepreneurs should know about their market, market information and contribution in international trading activities.

d. Any future research is suggested to not only using questionnaires as the data collection, but it should also be equipped with a structured interview in order to provide more accurate research results. In addition, future research may also use a mixed approach, namely quantitative and qualitative approaches. By adding a qualitative approach, it will obtain richer and deeper data, and can explore new ideas or new perspectives in a dynamic way or unstructured.

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International Journal of Contemporary Research and Review, Vol. 9, Issue. 02, Page no: ME 20455-20466
doi: http://dx.doi.org/10.15520/jcrr/2018/9/02/417